Mobile World Investment Corporation (MWG – HSX)

Waiting for The Ability to Maintain Significant Growth

- Thegioididong and DienmayXanh – The race is coming to an end
- BachhoaXanh –Improvement in business efficiency
- Long-term prospect – Many options for MWG
- Our Opinion on its ESOP

Outlook and Valuation:

MWG continues to be the leader in the retail industry for mobile phones and consumer electronics. However, expansion for Thegioididong could experience a slowdown this year. Consequently, DienmayXanh will be the main growth momentum for MWG for the next 2 years. RongViet Research believes that MWG will face several obstacles to achieve its similar rapid growth of the past, due to the saturation of Vietnam's market coupled with the emergence of increased competition.

In the long-term, BachhoaXanh will be the next trump card from MWG to expand its operations and search for new ways to deliver growth. This company is currently beginning its 2nd year of this experimental phase, with the aim to improve its profitability and business efficiency. With positive prospects from the retail industry and convenience store segment in Vietnam, BachhoaXanh has the potential to be a significant catalyst for MWG. In addition to this, the online shopping segment (Vuivui.com) is also another story that is worth following.

However, there are several issues that MWG is facing right now including expansion and boosting its revenue for existing store chains, its distribution center and inventory management for BachhoaXanh; it is also facing fierce competition in the convenience store segment. Therefore, Rongviet Research believes that BachhoaXanh will be more challenging than Thegioididong and DienmayXanh. Furthermore, ESOP needs to be calculated and recognized as it could affect the annual returns (especially considering the current price of the stock).

Even though we are keen on MWG's core business activities coupled with the transparency from the Board and Managers, MWG's stock could be overvalued at this moment. RongViet Research recommends investors to **SELL** in the **INTERMEDIATE** term.

Key Financials

Y/E Dec (VND B)	FY2014	FY2015	FY2016F	FY2017F
Net Revenue	15,757	25,253	44,786	72,788
% change	66%	60%	77,4%	62.5%
PAT	668	1,072	1,536	2,230
% change	161%	60.4%	43.3%	45.2%
EBIT margin (%)	4.2%	4.2%	3.4%	3.1%
ROA (%)	19.6%	14.8%	17.6%	16.9%
ROE (%)	46.5%	43.8%	40.2%	36.7%
EPS (VND)	5,968	7,297	9,862	12,131
Adjusted EPS (VND)	5,968	7,297	9,862	12,131
Book value (VND)	12,846	16,647	24,763	33,371
Cash dividend (VND)	1,000	0	1,500	1,500
P/E (x)	14.3	10.6	17.1*	13.9*
P/BV (x)	6.5	4.6	6.8*	5.1*

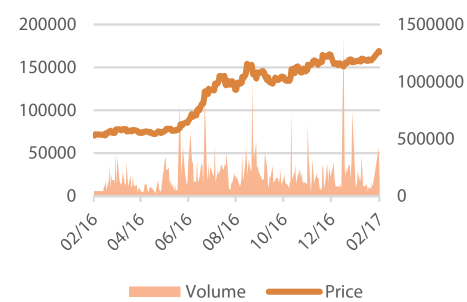
*Sources: MWG, RongViet Research estimations, *based on 02/02/2017 MWG's stock price*

SELL

MWG (VND)	169,000
Target Price (VND)	134,500
Investment Period	**Intermediate**

Stock Info

Sector	Retail
Market Cap (VND B)	26,009
Current Shares O/S	153,950,927
Beta	0.85
Free float (%)	29%
52 week High	169,000
52 week Low	70,600
Avg. Daily Volume (20 sessions)	419,929



Performance (%)

	3M	1Y	3Y
MWG	14.7%	137.9%	-
Retail	11.9%	77.71%	-
VN30 Index	1.2%	17.5%	2.3%
VN Index	3.5%	30.6%	24.1%

Major Shareholders (%)

Retail World Investment Consultant Limited Liability Company	13.81
Tri Tam Limited Liability Company	10.36
PYN Fund Elite (Non - Ucits)	5.35
Mekong Enterprise Fund II	5.46
Foreigner Investor Room (%)	0

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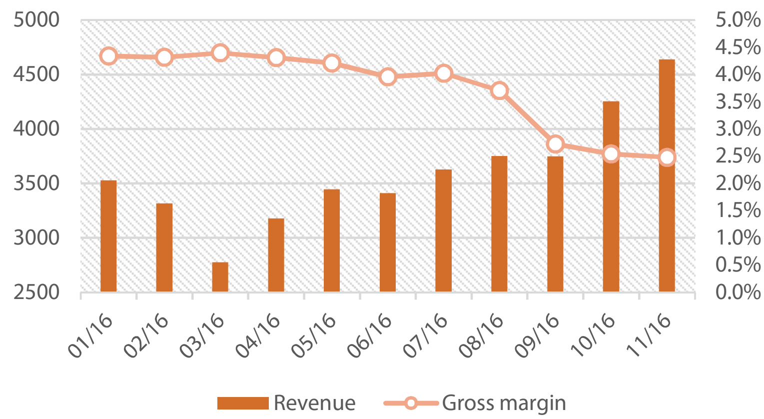
Thegioididong and DienmayXanh – The race is coming to an end

Figure 1: MWG's Monthly Business Results

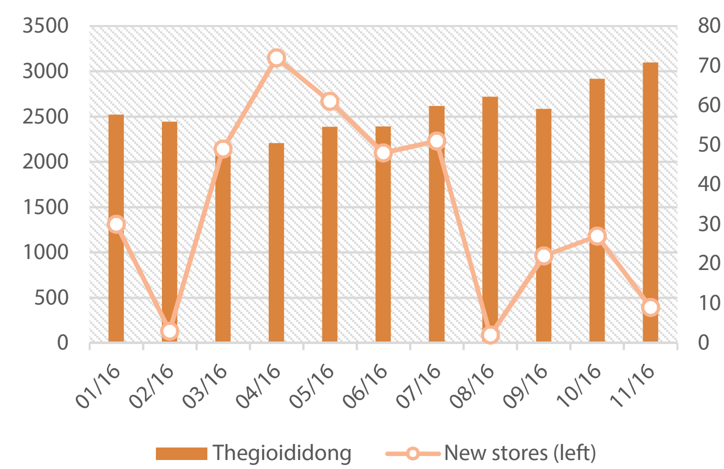


Source: MWG, RongViet Research

Over the first 11 months of 2016, Thegioididong and DienmayXanh continued to be the key catalysts for MWG's growth and expansion of its operations. Accordingly, revenue from Thegioididong and DienmayXanh reached VND27,995 billion (+50% YoY) and VND11,671 billion (+207% YoY) respectively. MWG was able to increase its market share in the consumer electronics segment from 10% in 2015 to its current level of 17% by expanding DienmayXanh.

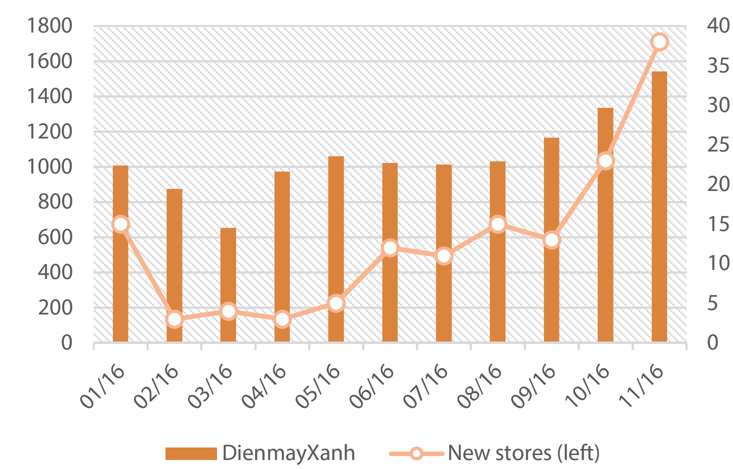
Even though the mobile segment experienced stagnation, MWG still maintained the leading position with a market share of 38%, significantly higher as compared to FPTRetail or VienthongA. MWG operates 938 stores for Thegioididong, while FPTRetail and VienthongA only have 390 and 239 stores respectively. Regarding consumer electronics, MWG also outpaced the competitors with a store opening pace of 2.5 days/shop in 2016, reaching 211 stores at the end of 11M 2016. According to our estimations, DienmayXanh will contribute VND6,340 billion to revenue in 2016 for MWG (equivalent to 43% of total revenue) from new stores opened during 2016.

Figure 2: Thegioididong's Business Results And New Shops (Unit: VND Bil)



Source: MWG, RongViet Research

Figure 3: Dienmayxanh's Business Results And New Shops (Unit: VND Bil)



Source: MWG, RongViet Research

However, we cannot neglect the competition in the consumer electronics segment when competitors such as Tran Anh and Nguyen Kim have been proactively opening new stores in order to capture the lost market share. To be more specific, both chains opened 10 and 14 stores respectively over only several months during the end of 2016.

Table 1: New Stores of Several Major Electronic Chains

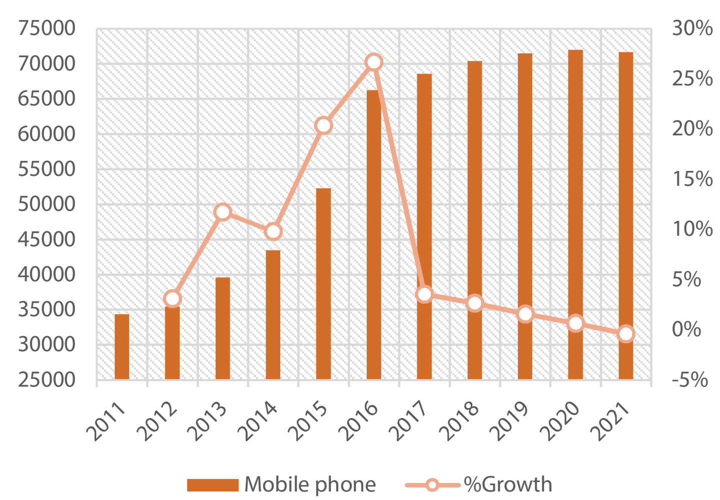
Stores	2015	1H2016	2H2016
DienmayXanh	69	42	100
Tran Anh	20	3	10
Nguyen Kim	21	0	14

Source: RongViet Research

RongViet Research believes that the reaction of other electronic distributors has been relatively low compared to the expansion of MWG. As a result of the recent expansion, the market is approaching a saturation point and the market share seems to be fixed in the near future. Given MWG's successful marketing campaign over the past few months, Tran Anh and Nguyen Kim need to do more in order to regain their position. In addition, the gap between MWG and other companies in terms of coverage has been relatively huge; this creates an exceptional advantage for MWG when penetrating remote areas despite the possible decline in revenue/stores.

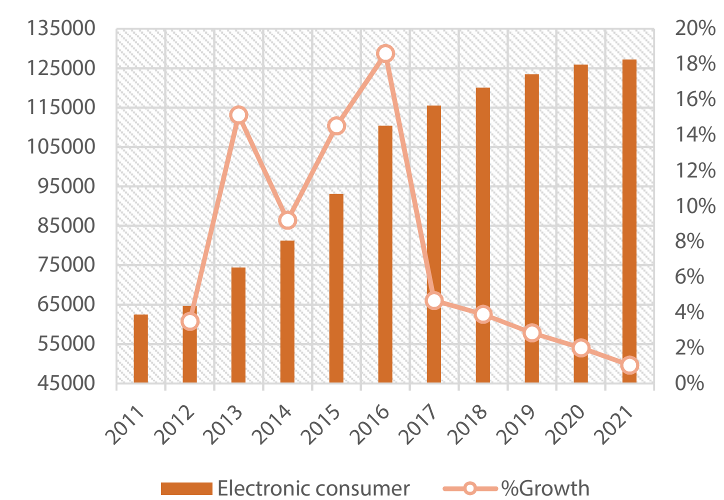
According to Euromonitor, mobile phone and consumer electronics markets in Vietnam have delivered CAGR of 12.1% and 14%, respectively over the last 5 years. For 2016, the growth rate for those markets achieved 18.6% and 26.7% growth, respectively. As a result of this strong industry growth, same store sales growth (SSSG) of Thegioididong and DienmayXanh has been quite impressive at 10% and 14% YoY during 2011 – 2016. However, MWG's slightly underperformed the industry's growth. The main reason came from the expansion into remote area and suburbs, which led to stagnation in growth for existing stores.

Figure 4: Total Value of Mobile Phone Market in Vietnam (Unit: VND B)



Source: Euromonitor, RongViet Research

Figure 5: Total Value of Electronics Market in Vietnam (Unit: VND B)



Source: Euromonitor, RongViet Research

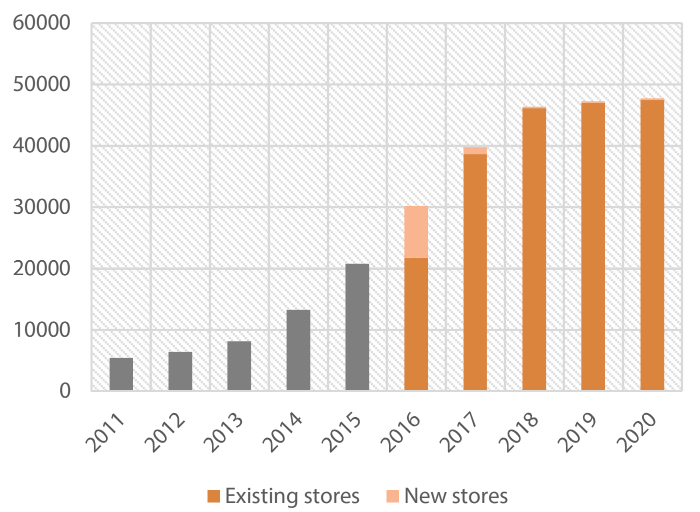
Moreover, another spotlight in MWG's business results is its high profit margin (16% for Thegioididong and 13.5% for DienmayXanh). However, these stores' net margin dropped dramatically in Q4/2016, which resulted from the marketing strategies from MWG to boost the popularity of DienmayXanh over the last few months. Furthermore, the number of DienmayXanh stores has continuously increased since August 2016. This demonstrates the company's ambition to focus on consumer electronics at the end of 2016 in order to maintain the leading position in 2017.

The growth prospects of Thegioididong and DienmanXanh still exist, but we believe they will not bring growth at significant levels as experienced in the past.

MWG's expansion will slow down in the near future due to the saturation of the market and because its coverage has reached a stable and appropriate level. In the next 1 or 2 years, Thegioididong and DienmayXanh are projected to peak in term of revenue and it will be difficult to achieve growth from expansion. As a result, MWG needs to depend on the growth of the industry in general.

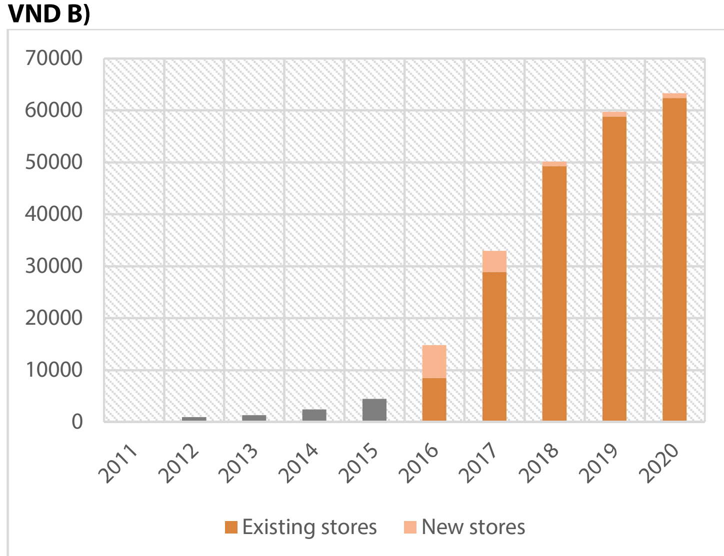
Euromonitor projects that the CARG for the mobile phone market and consumer electronics will significantly drop in the future. Furthermore, the age group that has the highest access to technology (from 15 to 30-year-old) is forecasted to decrease compared to the total population. This will be a significant obstacle, which will hinder the growth of the industry. According to General Statistics Office (GSO), this proportion will decrease from 17.5% to 16% in 2020. However, the expansion of the middle class (44 million people in 2020 and 95 million people in 2030) with an improved income could help DienmayXanh and Thegioididong maintain stable growth in the long-run.

Figure 6: Forecasts for Thegioididong's Business Results (Unit: VND B)



Source: RongViet Research

Figure 7: Forecasts for DienmayXanh's Business Results (Unit: VND B)

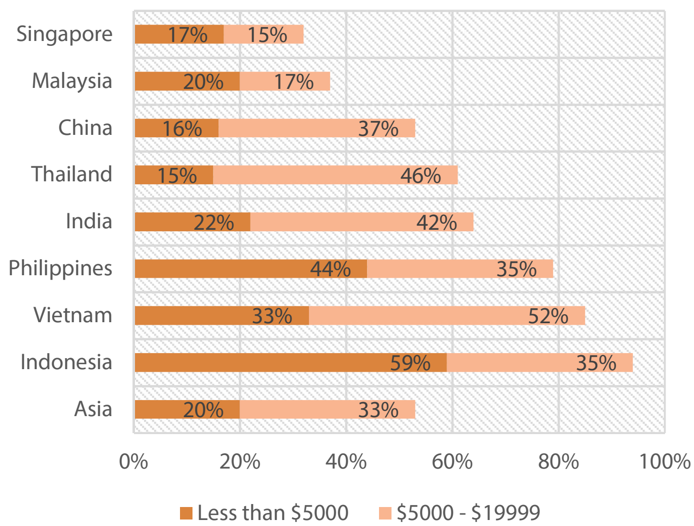


Source: RongViet Research

BachhoaXanh – Expect an improvement in its business efficiency

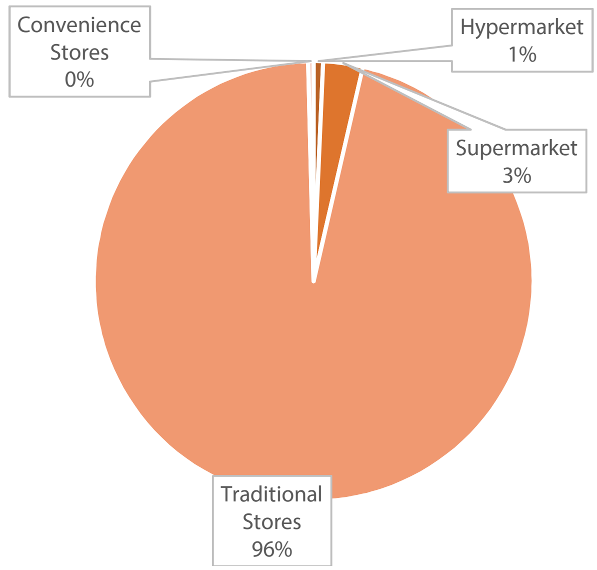
According to Nielsen's recent report, Vietnam has one of the highest ratio between middle income people and the total population in South East Asia. This is a highly potential group for convenience stores due to this group's specific shopping characteristics. Over 50% of Vietnam population has an average income ranging between USD5,000 to USD20,000/year, which is the targeted group of several convenience store chains at this moment.

Figure 8: Population Structure Bases on Average Income



Source: Nielsen, RongViet Research

Figure 9: Vietnam Market Is Still Dominated by Traditional Stores



Source: Euromonitor, RongViet Research

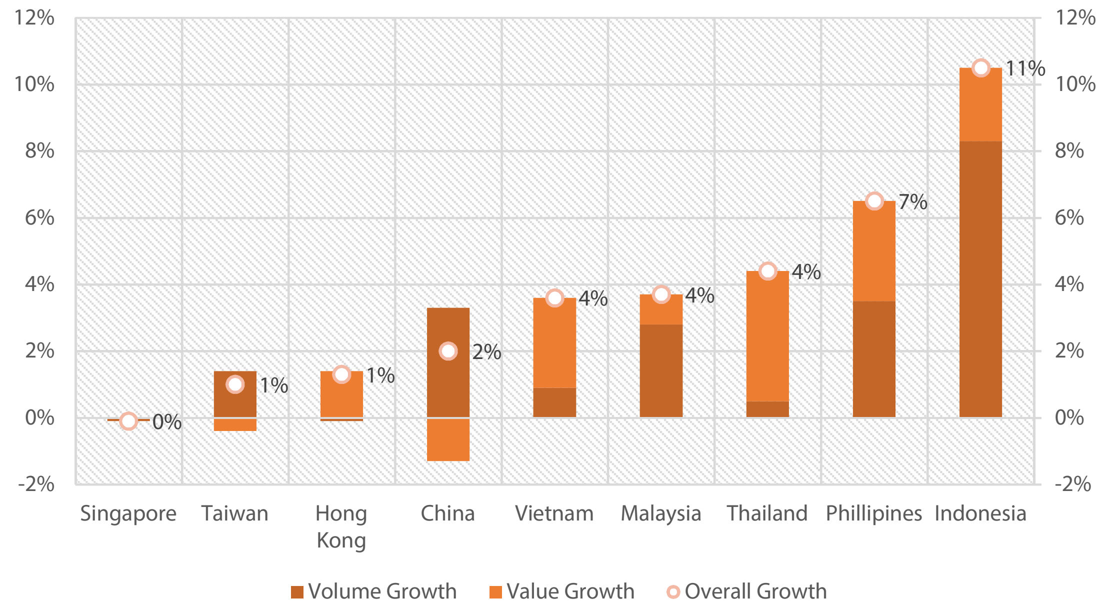
Even though the proportion of convenience stores in Vietnam has been low in value, we could witness the shift in shopping behavior from super markets or traditional stores to convenience stores. At this moment, over 36% of surveyed people use convenience stores for shopping, which is higher as compared to other methods. In addition, the company is poised to benefit from some of Vietnam's general comparative advantages, including its high youth population and the robust growth of its FMCG sector. Convenience stores partially attract the youth of Vietnam. Vietnam's FMCG currently experienced the fastest growth rate in the region at 4.9% at the end of 2015, outpacing other countries such as Indonesia and Thailand, which both only delivered growth of 3.8%.

Table 2: The Shift in Shopping Behaviors

	Convenience Stores	Hypermarket/Supermarket	Traditional Stores	Market
<24 years old	58%	27%	20%	16%
Employees	36%	26%	20%	21%
Students	23%	11%	6%	4%

Source: Nielsen, RongViet Research

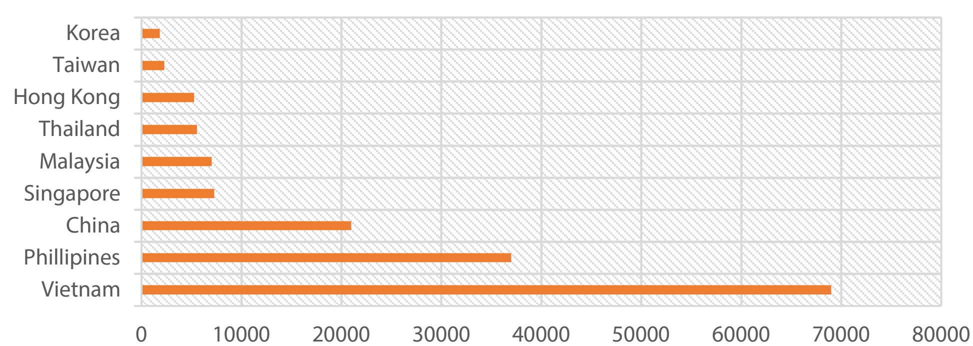
Figure 10: 2015 FMCG Growth Rate (compared with 2014)



Source: Nielsen, RongViet Research

Since there are a low number of convenience store compared to the youth population in Vietnam, there is still ample room for growth in this segment in the future. In contrast to other countries in the region, Vietnam has an extremely high population/convenience store ratio at over 69,000 people. Meanwhile, other countries with more developed store chains such as Thailand or Malaysia only have approximately 5,556 and 7,040 people/store respectively. Therefore, RongViet Research believes the room for the growth of this segment is very strong in the future.

Figure 11: Average Population/Convenience Stores

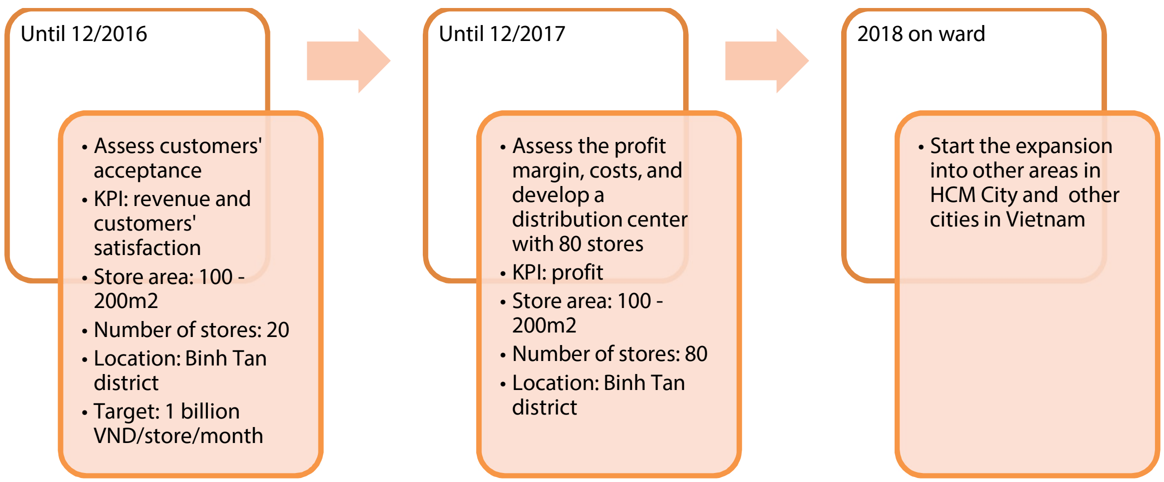


Source: Nielsen, RongViet Research

MWG plans to penetrate this highly promising market through BachhoaXanh, which will provide the company with strong growth momentum in the future. BachhoaXanh has been developed as a convenience store chain that distributes products that have very low shelf life and inventory cycle, such as fresh food or household items. According to the representative of MWG, BachhoaXanh will focus on consumers that have family members without time for everyday shopping.

At this moment, BachhoaXanh is still in the experimental phase with over 80 stores in Binh Tan district. RongViet Research believes that the initial 20 – 30 stores attract relatively positive buying activities from consumers and significant market acceptance. The average revenue per store at this moment has reached VND1 billion/month, and MWG is strategically positioned to deliver more growth during the 2nd phase of development. The most notable challenge for Bachhoaxanh is the distribution center and storage because most of the products have a very low life cycle. Furthermore, the difference between the characteristics of products from BachhoaXanh and Thegioididong/DienmayXanh make the application of strategies from the old system of MWG less feasible. BachhoaXanh requires MWG to have a better managed system with huge storage of products with a short inventory cycle. Moreover, the problem of preserving food (meat, fish, and vegetables) also poses a serious challenge.

Figure 12: BachhoaXanh's roadmap

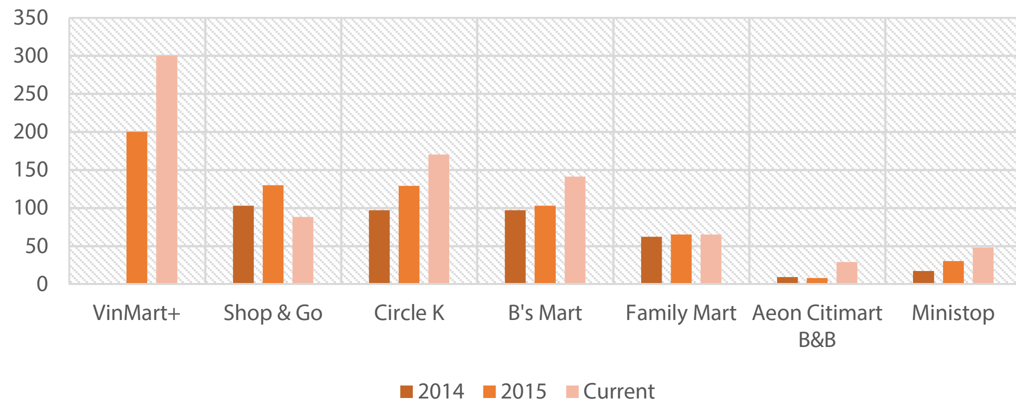


Source: MWG, RongViet Research

MWG is currently in the second phase of developing BachhoaXanh, with the target to operate more than 350 stores in Binh Tan and Tan Phu districts; the next focus will be profitability. Based on RongViet Research's calculations, the profit margin of convenience stores is usually around 18 – 20%, relatively high compared to the existing store chains of MWG. In addition, the number of convenience stores in Vietnam has not reached the saturation level, which provides MWG with significant potential to expand in this segment. Moreover, the initial cost for a store is low (USD50,000/store) when compared with Thegioididong and DienmayXanh.

Currently, MWG's main obstacle is the competition with other chains such as VinMart+, Circle K or B's Mart. These companies have continuously opened new stores over the last year. According to MWG's representative, BachhoaXanh will not follow their pathway with similar products. BachhoaXanh seems to only distribute products that can be consumed in 1 week. Any products that could last over 1 month in the shelf do not appear in a BachhoaXanh store. However, it could be considered as double-edged sword as MWG can fully focus on one segment of customer but ignore the potential groups such as students.

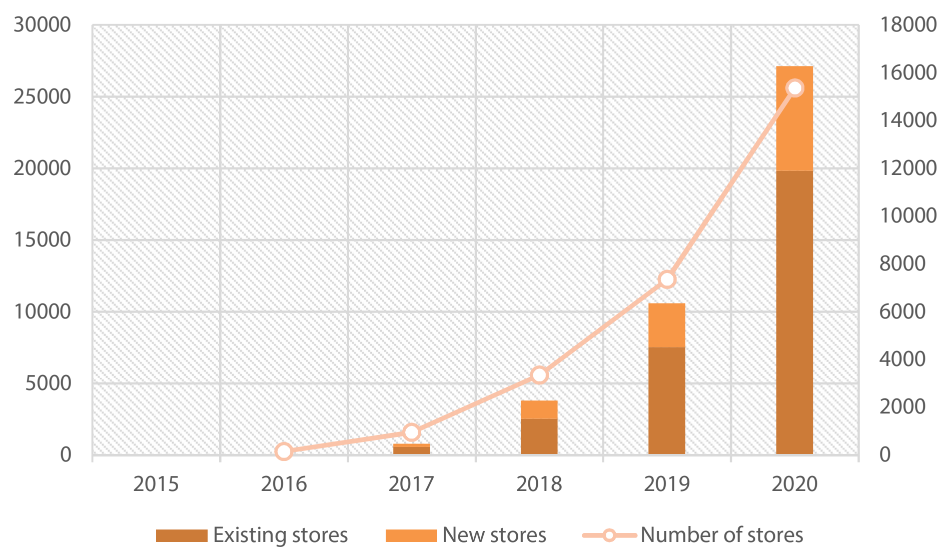
Figure 13: The Boom in the Convenience Store Market in Vietnam



Source: RongViet Research

Even though BachhoaXanh is currently under the experimental phase without detailed information, RongViet Research forecasted that its expansion will peak in 2019-2020. Moreover, revenue growth for same store sales could achieve ~20% and reach VND2 billion/month/store during 2019.

Figure 14: BachhoaXanh's Forecasted Expansion and Business Results (Unit: VND B)



Source: RongViet Research

Long-term prospect – Many options for MWG

Vuivui.com is an online platform for consumers to purchase products, and it has been fully developed by MWG. This is the company's 2nd strategy, after BahhoaXanh, to penetrate the online segment. However, RongViet Research believes that the effectiveness of Vuivui.com is limited due to (1) small product pool without any marketing strategies, (2) fierce competition from other online website and (3) Vietnam is evaluated to not be eligible for strong development of the online shopping industry at this moment.

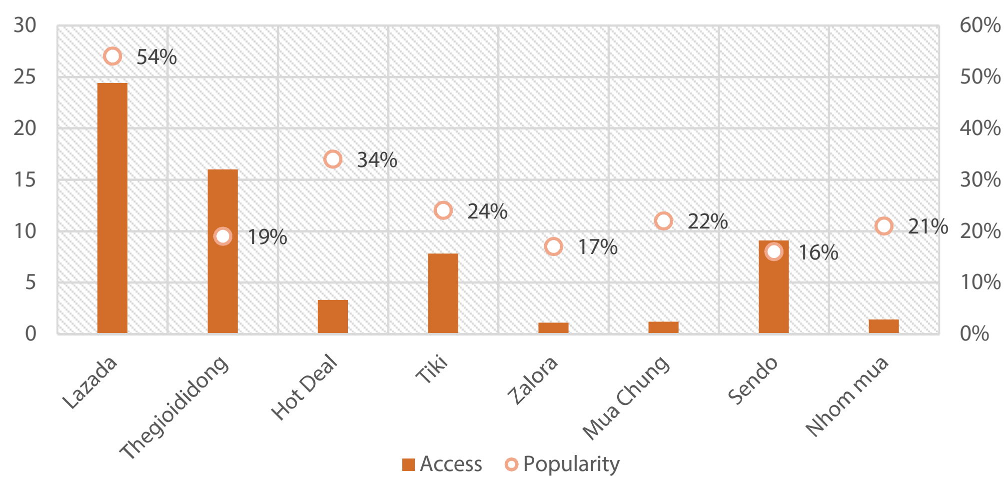
Table 3: Internet Penetration, Logistics Infrastructure and Payment Methods in Vietnam Have Not Been Solid Compared to other Countries

	Internet Penetration	Logistics Infrastructure	Payment Security	Banking Popularity
Singapore	High (80%)	Good	High	98%
Malaysia	High (67%)	Good	Low	66%
Thailand	Low (30%)	Poor	Low	79%
Indonesia	Low (28%)	Poor	Low	20%
Philippines	Low (41%)	Poor	Low	27%
Vietnam	**Low (44%)**	**Poor**	**Low**	**21%**

Source: RongViet Research tổng hợp

Accordingly, it will take approximately 2-3 years for the online shopping segment to have a significant improvement and to account for a larger part of MWG's business activities. In addition, with the strong position of current online shopping websites such as Lazada, Tiki, and Muanhanh, MWG needs to invest more in brand awareness, site infrastructure and creating added value for customers. As of 2016, online revenue only accounts for roughly 7% of its total revenue. However, when compared with other websites, MWG's Thegioididong has had spectacular performance with 16 million accesses/month, only topped by Lazada. Therefore, RongViet Research believes that MWG has adequate experience in the online segment in terms of its operation and development. We also highly rate the prospects of Vuivui.com in the future when MWG starts to take initial steps to focus in the online shopping segment.

Figure 15: Monthly Accesses from Popular Online Shopping Websites in Vietnam



Source: RongViet Research

Overall Evaluation and Forecasts

Overall, the growth rate from its two existing store chains have experienced some stagnation amid the saturation of the market, especially for Thegioididong; MWG has no plans to expand this store this year. Instead, DienmayXanh will be the main source of growth in the next 2 years. Given the current situation of the market, RongViet Research believes that MWG could face difficulties to achieve strong growth in 2018. In addition, the performance of BachhoaXanh needs at least 1 year to improve and 1 year after that to actually contribute to its business results. It will be appropriate to watch MWG's stock at this moment for both its future prospects and to monitor its price (see below). 2018 will be the period that MWG will have significant changes, and 2H2017 could consequently be the most suitable time to consider investment in MWG.

Accordingly, RongViet Research forecasts that revenue for 2017 and 2018 will be VND73,178 billion (+62.5% YoY) and VND99,449 billion (+35.9% YoY) respectively. DienmayXanh will take over the position of Thegioididong with ~50% of total revenue contribution in the future. 2017 will also be the period that Thedioidong will peak in revenue and 2018 will be the peak year for DienmayXanh. Same store sales growth is expected to remain at 5% over the next 2 years. DienmayXanh's growth is projected to experience a slowdown in 2018. As a result, BachhoaXanh will replace this store as a catalyst for growth if its performance surpasses expectations.

MWG could experience the fastest expansion for BachhoaXanh during 2019 – 2020 in the long term. Due to the characteristics of the products (high inventory turnover), SSSG of a store could achieve over 20% growth during the initial phase of this expansion. However, RongViet Research believes that the ability of this chain to contribute to the results of MWG could be low compared to Thegioididong and DienmayXanh. RongViet Research forecasted that Bachhoaxanh will contribute ~20% of total revenue after it is fully developed.

We project that MWG's profit after tax will reach VND2,230 billion (+45.2% Y.o.Y) and VND2,598 billion (+16.5% Y.o.Y) for 2017 and 2018, respectively.

Opinion on ESOP

According to Vietnam's accounting standards, ESOP are not to be recorded as costs in any accounts. However, national standards assert that ESOP could be noted in the end of financial reports. Furthermore, pro forma EPS (based on ESOP) will be calculated in order to provide investors with an objective perspective about ESOP issue.

There are 3 types of ESOP:

- Bonus share program
- Option to purchase preferred shares
- Option to buy shares

Over the last few years, MWG has been using the first type which used surplus capital, undistributed profit, stocks and other funds for the ESOP program. Using this method, MWG benefits in the following ways:

- In Vietnam, ESOP does not have to be included in tax calculations and staff could realize the profit and pay the amount of 0.1% of the total transaction cost as a fee. Actually, staff could choose between (1) 0.1% total trading value and (2) 20% of profit based on personal income tax.
- MWG could record lower costs. Accordingly, its ESOP can help MWG to negotiate lower wages and bonuses which will clean up its financial statement. In term of accounting issues, ESOP is a huge advantage when ESOP is not recognized as a cost and does not require cash payment.
- ESOP can motivate staff, boost performance and enhance the long-term commitment of the staff in the company.
- In addition, one of the key points is that MWG is a listed company. As a result, MWG does not have the obligation to buy back the issued ESOP.
- ESOP regulations in Vietnam have been relatively poor.

However, ESOP still holds some potential risks

- There is a Dilution risk for existing shareholders. Because ESOP accounts for a small amount (maximum 5%), it is usually neglected. However, after several years of issuing ESOP, it should be examined with closer investigation as ESOP will account for a major proportion of the free-float shares in the stock exchange.
- Share price could impact the core business activities of the Company. The main reason is conflict of interest, especially for senior staff that may want to boost the profit for the next 2 years to realize the profit from ESOP. Furthermore, MWG's ESOP has a short holding period (50% in 1 year). Therefore, this risk is relatively high.

MWG issues ESOP for key manager and personnel, which are chosen by the Board. ESOP will be blocked from trading for 2 years. At the end of the first year, 50% will freely trade in the stock exchange and after 2 years, 100% will be unblocked. (ESOP for the performance of current year will be issued in the next year).

For 2016, MWG expects to issue 3% at the end of 2017. However, the holding period will be 4 years with the unblocking ratio of 25%:50%:75%:100%. Furthermore, MWG will use the option to buy share program with the offer price to be VND10,000/share or 50% of the market price. The extension of the holding period this time could have resulted from the following factors: (1) maintaining the commitment of core staff and (2) avoiding a large amount of shares coming into market, which could accumulate with other ESOP from previous years. MWG also began paying cash dividends for the first time. However, the dividend yield is relatively low which is ~2% on 06/05/2016 with the price of VND78,500/share. The dividend rate is 15%.

Table 4: ESOP Structure

Department	Proportion
Stores (Store management, region management, online shopping…)	63%
Products (Segment management, executives…)	15%
Back office (Human resources, accounting, IT, marketing, and logistics)	15%
Directors	7%
	100%

Source: RongViet Research

Based on RongViet Research's observation, the growth rate of average wages seems to not be correlated to the extraordinary growth in profit and revenue. Specifically, in 2015 (the first year of unblocking ESOP), labor costs accounted for 5.5% of total revenue, while it was stable at 6% in previous years. Moreover, the average wage also dropped by 9% YoY according to our estimations. Consequently, RongViet Research is concerned that part of the costs has been transferred to ESOP. After 3 years of continuously issuing ESOP and future ESOP plans, RongViet Research recognizes the importance of the impacts from ESOP on the actual returns for investors. In other words, ESOP that is promised to provide for staff could negatively affect the returns which are leftover from annual profit. Therefore, potential investors should consider this aspect when deciding whether to invest in MWG.

We estimated the impacts based on the stock price on the issuance date, leading to the cost which will be recorded at the unblocking date. Accordingly, there are 2 scenarios: (1) costs will be fully recorded on the issuance year and (2) cost will be amortized over the unblocking period. For the future stock price, we use the ending price of 2016 for our calculation.

Table 5: Information about ESOP

	2013	2014	2015	2016	2017	2018
Date		10/12/2014	11/12/2015	12/12/2016	22/12/2017	2018
ESOP amount		5,331,118	6,984,998	7,333,515	4,618,527	5,459,864
Stock price		77,290	74,060	154,000	156,000*	156,000
Total cost		**412**	**517**	**1,129**	**674**	**797**

*Source: RongViet Research, * price at the end of 2016*

Table 6: Scenario 1 – Costs will be equally divided based on the holding period of ESOP

Calculation – ESOP costs are as follows

Cost	2013	2014	2015	2016	2017	2018
ESOP 2014			206	206		
ESOP 2015				259	259	
ESOP 2016					565	565
ESOP 2017						169
Total Cost		**-**	**206**	**465**	**823**	**733**
			Adjusted results			
PBT	351	868	1,180	1,461	1,969	2,520
%Growth	N/A	+147.3%	+35.9%	+23.8%	+34.8%	+28.0%
EPS	**25,613**	**6,204**	**6,425**	**7,576**	**8,656**	**9,004**
%Growth	N/A	-75.8%	+3.6%	+17.9%	+14.3%	+4.0%

Source: RongViet Research

Table 7: Scenario 2 – Costs will be recorded on ESOP date

Calculation – ESOP cost are as follows

	2013	2014	2015	2016	2017	2018
Recorded cost	-	**412**	**517**	**1.129**	**674**	**797**
Total cost	**-**	**412**	**517**	**1.129**	**674**	**797**
			Adjusted results			
PBT	351	456	868	796	2,118	2,456
%Growth	N/A	+30.0%	+90.4%	-8.4%	+166.1%	+15.9%
EPS	**25,613**	**3,260**	**4,730**	**4,128**	**9,311**	**8.776**
%Growth	N/A	-87.3%	+45.1%	-12.7%	+125.5%	-5.7%

Source: RongViet Research

Even though costs should be recognized immediately after the obligation is implemented (Case 2), with the goal to estimate the real return for investors, RongViet Research believes that the first scenario is more appropriate. The main reason comes from the true impact of ESOP when stocks are able to trade in the market.

The magical growth of MWG over the last few years has resulted in high profits for investors, despite the issue with its ESOP (Case 1). Adjusted EPS for 2016 still experienced 18% growth and we are projecting 14% YoY growth for 2017. Therefore, it is not difficult to explain the reason that investors are willing to invest in MWG despite its ~14 – 15x P/E. Given that we forecast that growth will slow down during 2018, adjusted EPS will start to decline due to the accumulated cost from past ESOP. Therefore, the real return for investors could decline because the growth could not compensate for the costs. Furthermore, investors who buy later have to bear the cost which MWG has transferred into ESOP. Consequently, RongViet Research believes that MWG is significantly dependent on growth to compensate for the ESOP which could be an expense for the company. The slowdown in growth in 2018 could negatively affect the sentiment of investors and stock price. Ultimately, we recommend that 2017 will be the suitable time to realize profit.

Valuation

Table 8: Comparing MWG with Other Companies in the Region

Ticker	Name	Mkt Cap (VND M)	P/E	P/B	P/B:Y
MWG VN Equity	MOBILE WORLD INVESTMENT CORP	22,573,250	17.1	6.8	4.6
Average			**21.11**	**1.09**	**1.19**
493 HK Equity	GOME ELECTRICAL APPLIANCES	60,541,498	22.9	0.8	1.0
JMART TB Equity	JAYMART PCL	5,046,631	24.4	2.8	1.4
SINS SL Equity	SINGER SRI LANKA PLC	2,450,743	8.1	2.2	2.7
ERAA IJ Equity	ERAJAYA SWASEMBADA TBK PT	3,128,625	7.3	0.6	0.5
MTDL IJ Equity	METRODATA ELECTRONIC PT	2,644,241	7.2	1.3	1.4
TELE IJ Equity	TIPHONE MOBILE INDONESIA TBK	9,563,830	12.7	1.8	1.9

Source: RongViet Research

	Mkt Cap (VND M)	ROE (Year)	Gross margin (Quarter)	Gross margin (Year)	Net margin (Year)
MOBILE WORLD INVESTMENT CORP	22,573,250	54.18%	16.49%	15.53%	4.2%
Average		**9.08%**	**12.63%**	**13.64%**	**2.0%**
GOME ELECTRICAL APPLIANCES	60,541,498	6.96%	12.84%	14.73%	1.9%
JAYMART PCL	5,046,631	13.71%	19.91%	15.29%	3.4%
SINGER SRI LANKA PLC	2,450,743	19.60%	31.17%	29.62%	3.0%
ERAJAYA SWASEMBADA TBK PT	3,128,625	7.42%	7.65%	7.53%	1.1%
METRODATA ELECTRONIC PT	2,644,241	23.36%	6.99%	7.56%	2.3%
TIPHONE MOBILE INDONESIA TBK	9,563,830	13.95%	5.86%	5.48%	1.7%

Source: RongViet Research

When compared with other companies in the same industry and region, RongViet Research recognized several points:

- MWG's P/B is exceptionally higher than other companies at over 6x PB, while the industry average is around 1 – 2x
- MWG's P/S is high, equivalent to 0.6x while industry average is around 0.4 – 0.5x
- Gross profit margin is equivalent to the industry average
- Net margin is higher than average. With the above analysis about ESOP and adjusting the costs, net margin dropped by 0.5 – 1%. This accounting method seems to be more appropriate and results in MWG's performance being correlated with the industry average.
- MWG's EV/EBITDA is appropriate, at ~10x.
- MWG's growth rate is exceptionally higher than other companies. Even though RongViet Research forecasted that there will be stagnation, the future growth of MWG is still considered to be much more positive.

With positive future prospects and the ability to maintain a double-digit growth rate in the future, MWG deserves a P/B ratio of 2x. It is also considered the be more appropriate given the company's expansion plans. Moreover, its leading position in retail market at this moment could bring its P/E ratio to around 14x. However, EPS needs to be adjusted to fully reflect the ESOP cost on business results.

Outlook and Valuation:

MWG continues to be the leader in the retail industry for mobile phones and consumer electronics. However, expansion for Thegioididong could experience a slowdown this year. Consequently, DienmayXanh will be the main growth momentum for MWG for the next 2 years. RongViet Research believes that MWG will face several obstacles to achieve its similar rapid growth of the past, due to the saturation of Vietnam's market coupled with the emergance of increased competition.

In the long-term, BachhoaXanh will be the next trump card from MWG to expand its operations and search for new ways to deliver growth. This company is currently beginning its 2nd year of this experimental phase, with the aim to improve its profitability and business efficiency. With positive prospects from the retail industry and convenience store segment in Vietnam, BachhoaXanh has the potential to be a significant catalyst for MWG. In addition to this, the online shopping segment (Vuivui.com) is also another story that is worth following.

However, there are several issues that MWG is facing right now including expansion and boosting its revenue for existing store chains, its distribution center and inventory management for BachhoaXanh; it is also facing fierce competition in the convenience store segment. Therefore, Rongviet Research believes that BachhoaXanh will be more challenging than Thegioididong and DienmayXanh. Furthermore, ESOP needs to be calculated and recognized as it could affect the annual returns (especially considering the current price of the stock).

Even though we are keen on MWG's core business activities coupled with the transparency from the Board and Managers, MWG's stock could be overvalued at this moment. RongViet Research recommends investors to **SELL** in the **INTERMEDIATE** term.

VND billion

INCOME STATEMENT	FY2015	FY2016	FY2017E	FY2018E
Revenue	25,253	44,786	72,788	98,918
COGS	21,330	37,923	62,008	84,828
Gross profit	**3,922**	**6,863**	**10,780**	**14,090**
Selling Expense	2,351	4,479	7,279	9,892
G&A Expense	249	448	728	989
Finance Income	81	9	21	39
Finance Expense	41	44	25	19
Other profits	23	23	23	23
PBT	**1,386**	**1,925**	**2,792**	**3,253**
Prov. of Tax	310	385	558	651
Minority's Interest	4	4	4	4
PAT to Equity Shareholder	**1,072**	**1,536**	**2,230**	**2,598**
EBIT	1,322	1,937	2,773	3,209
EBITDA	1,322	2,234	3,154	3,673

%

FINANCIAL RATIO	FY2015	FY2016	FY2017E	FY2018E
Growth				
Revenue	60.3%	77.4%	62.5%	35.9%
Operating Income	43.3%	69.0%	41.2%	16.5%
EBITDA	64.0%	46.5%	43.2%	15.7%
PAT	60.4%	43.3%	45.2%	16.5%
Total Assets	113.2%	20.4%	51.0%	37.8%
Equity	70.0%	56.2%	59.0%	44.8%
Internal growth rate				
Profitability	15.5%	15.3%	14.8%	14.2%
Gross profit/Revenue	5.2%	5.0%	4.3%	3.7%
Operating profit/ Revenue	5.2%	4.3%	3.8%	3.2%
EBITDA/ Revenue	4.2%	3.4%	3.1%	2.6%
Net margin	14.8%	17.6%	16.9%	14.3%
ROAA	53.1%	50.4%	45.3%	36.2%
ROAE	43.8%	40.2%	36.7%	29.6%
Efficiency				
Receivable Turnover	39.7	44.5	44.5	44.5
Inventory Turnover	4.3	6.9	6.9	6.9
Payable Turnover	7.8	9.7	9.7	9.7
Liquidity				
Current	1.3	1.5	1.7	1.8
Quick	0.3	0.4	0.4	0.5
Solvency				
Total Debt/Equity	84.0%	26.2%	11.5%	6.8%
Current Debt/Equity	84.0%	26.2%	11.5%	6.8%
Long-term Debt/ Equity	0.0%	0.0%	0.0%	0.0%

VND billion

BALANCE SHEET	FY2015	FY2016	FY2017E	FY2018E
Cash and short-term investment	344	617	828	1,884
Receivables	636	1,007	1,637	2,224
Inventories	4,933	5,470	8,944	12,235
Other current assets	264	277	291	305
Total Current Asset				
Fixed Assets	870	1,173	1,292	1,328
Construction in Progress	35	13	13	13
Long-term Investment	0	0	0	0
Other long-term assets	185	194	204	214
Long-term Asset				
Total Asset	**7,266**	**8,749**	**13,207**	**18,203**
Payables	2,724	3,908	6,390	8,741
Current Debt	2,053	1,000	700	600
Long-term Debt	0	0	0	0
Other long-term liabilities	0	0	0	0
Total Liability	**4,782**	**4,928**	**7,133**	**9,410**
Owner's Equity	1,469	1,542	1,820	2,239
Capital	-2	-2	-2	-2
Retained Earnings	978	2,278	4,255	6,554
Funds & Reverses	0	0	0	0
Others	0	0	0	0
Total Equity	**2,445**	**3,819**	**6,073**	**8,791**
Minority's Interest	-2	-2	-2	-2
TOTAL RESOURCES	**2,443**	**3,817**	**6,071**	**8,790**

VALUATION RATIO	FY2015	FY2016	FY2017E	FY2018E
EPS (dong)	7,297	9,862	12,131	11,491
P/E (x)	10.6	13.0	13.9	14.7
BV (dong)	16,908	24,763	33,371	39,272
P/B (x)	4.6	6.3	5.1	4.3
DPS (dong/cp)	0	1,500	1,500	1,500
Dividend yield (%)	0%	3%	3%	3%

VALUATION MODEL	Price	Weight	Average
P/E	123,618	50%	61,809
P/B	145,286	50%	72,643
Target price (dong/share)			**134,500**

VALUATION HISTORY	Price	Recommendation	Period
19/04/2016	93,000	Buy	Long-term
25/05/2015	101,000	Buy	Intermediate

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Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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