

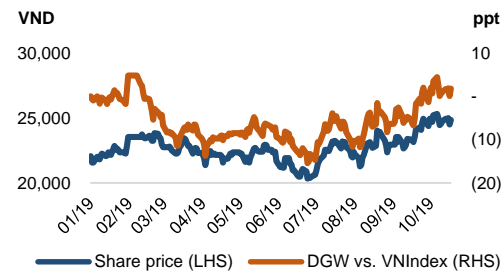
HOLD - OPF

TP upside (downside) +20.7%

Close 18 Oct 2019

Price 24,850
 12M Target 30,000
 Previous target 30,000

Share price performance relative to VNINDEX



Market cap (USD mn)	45
6M ADT (USD mn)	0.5
Outstanding shares (mn)	41.8
Free float (%)	40.5
FINI ownership (%)	14.4
Major shareholders (%)	35.6
Net debt/equity (x)	0.6
BVPS (VND)	18.800
P/B (x)	1.3
P/E (x)	7.8
EV/EBITDA (x)	13.3

Financial outlook

Year to Dec	2018	2019E	2020E	2021E
Sales (VND bn)	5,943	7,836	9,778	11,483
EPS (VND)	2,724	3,392	4,182	4,538
ROE (%)	15.2	17.1	18.9	18.4
Div. yield (%)	7.0	5.7	7.0	7.6

Note: Fully diluted weighted average EPS is based on weighted average number of shares.

Quang Vo
 Consumer Analyst
 +84 28 3622 6868 (ext. 3872)
quang.vo@yuanta.com.vn
<http://research.yuanta.com>
 Bloomberg code: YUTA

DIGIWORLD (DGW VN)

Xiaomi wave gaining momentum

Event

DGW's released strong 3Q19 results yesterday, with a +51% YoY increase in sales and +43% YoY increase in PAT. Although smartphones and office equipment were in line with our expectations, growth in laptops and tablets was significantly stronger than our forecasts. It was the second sequential quarter of strong growth, bolstering our positive view on the stock.

Our take

DGW has now fulfilled 84% of 2019 revenue guidance and 80% of its PAT guidance. The smartphones segment (and mainly Xiaomi) was the main growth driver, with segment sales +80% YoY higher in 3Q19. The segment has now fulfilled 85% of FY19 guidance. Management attributed the impressive growth to new model sales during the period, with mid-end phones as the main contributor.

Laptops and tablets (+32% YoY) continued to surprise in 3Q19, as indicated by the segment's 93% fulfillment rate of FY19 guidance. Management attributes the growth to DGW's premiumization strategy aimed at profiting from the current strong demand for high-value products. In addition, Vietnamese enterprises' aggressive digital rollout was cited as a supportive catalyst.

Office equipment continued to grow at a fast pace of 29% on the back of blooming digitalization in Vietnam. Management believes that this segment should maintain +25% growth for the foreseeable future (FY18-23E).

We reiterate our HOLD-Outperform rating with total expected return of 26.4% (including the 6% dividend yield).

DGW's sales and PAT are outperforming their guidance, but as noted [previously](#) we think that guidance was intentionally conservative. The company's YTD performance represents 76% of our sales forecast and 80% of our net profit forecast for FY19. These forecasts now appear moderately conservative, which adds to our positive view on the stock. We retain our long-term positive view on DGW, and reiterate our target price of VND 30,000 or 7x FY20 forward PE.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam
