

Vietnam: Retail

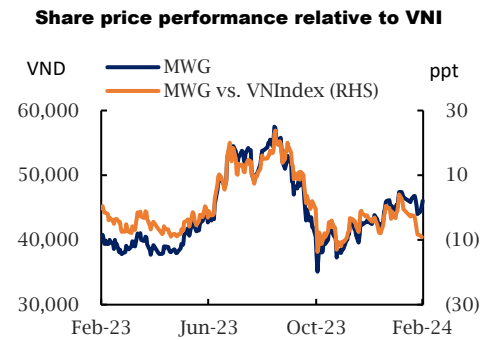
29 February 2024

BUY

TP upside (downside): +28.4%

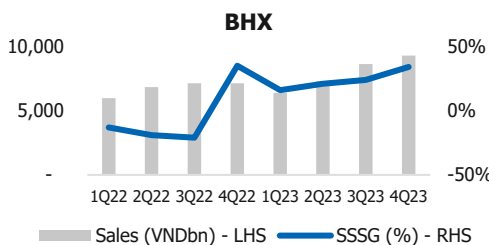
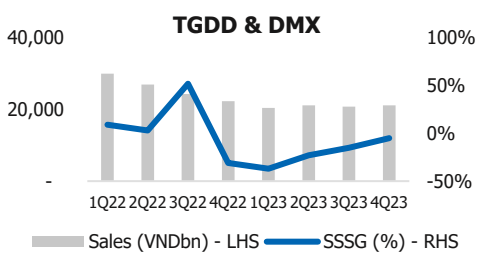
Close 29 Feb 2024

Price VND 46,200
12M Target VND 59,300



Market cap	US\$2,703mn
6M avg. daily turnover	US\$17.6mn
Outstanding shares	1,462 mn
Free float	83%
FINI ownership	44.9%
Major shareholders	17%
2023 Net debt / Equity	1.0x
FOL remaining room	4.5%
2024E Dividend yield	0.0%
Trading platform	HOSE

Source: Fiiipro, Bloomberg, Yuanta Vietnam



Source: Company data

Research Analysts:

Di Luu
di.luu@yuanta.com.vn

Bloomberg code: YUTA

Mobile World Group (MWG VN)

Presenting a summary of the Q&A session of MWG's Feb 28 earnings call, which mainly focused on management's strategy for each of its retail chains in 2024E. Some details are also conveyed in MWG's [2024 business plan](#).

Key Highlights

MWG continues to view BHX as the key sales growth driver over the next 5 years given its significant growth potential in the context of the relative structural maturity of Vietnam's ICT&CE retail market.

BHX operations? SSSG increased by +34% YoY in 4Q23, while gross margin decreased by -3ppt YoY to 24% due to higher contribution of fresh food products (i.e., c.30% of BHX's total sales in 4Q23). MWG said that the fresh-food focus has helped to improve traffic as evidenced by the +20% YoY increase in the number of bills in 2023. MWG plans to open 100 new grocery outlets in HCMC, where consumer density is high but BHX's store presence is still low. BHX also plans to reduce its logistics expense / revenue ratio to 3.5% by end-2024 vs. the current level of 4.0-4.5%.

BHX stake sale? Deal discussions are under way and MWG targets getting it done in 1H24, but otherwise provided no further comment on the details.

TGDD & DMX? The YoY decline in SSSG eased off toward yearend. 4Q23 SSSG was still down by -5% YoY, but this represents a continued improvement (1Q23: -32% YoY, 2Q23: -22% YoY, 3Q23: -15% YoY). Management's positive scenario is for discretionary consumption to recover starting from mid-2024E. Also, MWG will continue to restructure and close underperforming stores in 2024E. Catalysts for 2024E: 1) MWG will no longer lead the price war, which should cool down as a result; and 2) an early arrival of Vietnam's hot season (expected in March) may boost air conditioner sales.

Online channel? Adopting independent pricing strategies, promotions, and customer services to enhance its competitiveness vs. the major e-commerce platforms. In 2023, online channel revenues reached VND 16.7tn (-11% YoY) or 14.3% of total sales -- just slightly higher than the 14.2% figure of 2022.

FY2023 cash dividend and FY2024 ESOP? Not much guidance here, as both policies are being formulated for shareholder consideration at the April AGM.

Our View

We retain a cautious take on the electronics retail business... and so does MWG management. We expect the company to continue restructuring and filtering out underperforming stores in 2024E. We also believe that sales per store at TGDD/DMX will increase YoY this year given the low 2023 base.

... But our assumption for new BHX store opening is more conservative than management's. This could imply upside for our model if MWG outperforms our expectations, and we would welcome such an event.

We reiterate our BUY recommendation and target price of VND 59,300, implying +28% 12-month upside. For details, please see our initiation note of Jan 24, [The Hero's Journey](#).

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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

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YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

an.nguyen@yuanta.com.vn

Institutional Sales

Lawrence Heavey

Head of Institutional Sales

Tel: +84 28 3622 6868 (3855)

lawrence.heavey@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn

Tuan-Anh Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn