

All eyes on Bach Hoa Xanh

BUY [+37.4%]

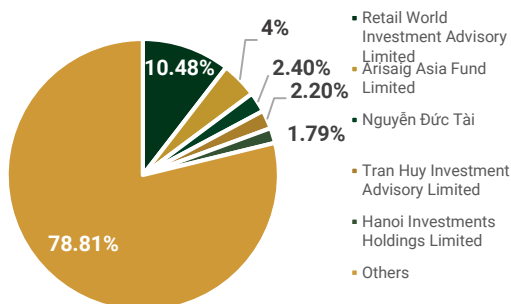
Updated: 09/10/23

Fair price 65,900 VND
Current price 47,950 VND

STOCK INFORMATION

Outstanding shares (mil) 1,463.01
Free float (mil) 1,096.92
Market cap. (billion VND) 77,515.68
3m avg.volume (shares) 7,466,812
Foreign ownership (%) 48.3%
First listing date 07/07/2014

MAJOR SHAREHOLDERS



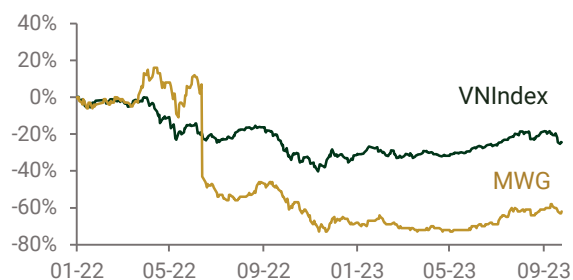
Business result: Ending the second quarter of 2023, the company achieved net revenue and net profit after tax of VND 29,465 billion (+8.7% QoQ, -14.2% YoY) and VND 17.4 billion (-18.2% QoQ, -98.5% YoY), respectively. The company's accumulated operating profit for the first six months of the year declined by 50.4% compared to the same period last year, primarily due to weak consumer demand and the impact of the price war.

Forecast: We anticipate that the company's revenue and net profit for the year 2023 will reach 109,699 Bn.VND (-17.8% YoY) and 356 Bn.VND (-91.3% YoY), respectively. Marketing and promotional expenses increased significantly to cope with intense competition and weak consumer demand.

Valuation & Recommendation: Using Sum-of-the-parts (SOTP) valuation method, we derived the fair price of VND 65,900 per share. Thus, our recommendation is BUY with a potential upside of 37.4%. Our model has reflected the base-case estimation for the next 5-year period and has not accounted for the AVA chains.

Investment risks: (1) Weakening purchasing power due to economic downturn; (2) Inventory risks; (3) Bach Hoa Xanh deal fails to proceed.

PRICE MOVEMENT COMPARED TO THE INDEX



VALUATION HISTORY



Investment highlights:

Bach Hoa Xanh is in the spotlight:

As of the current update, MWG's Q2 business results do not show clear signs of recovery. Ending the second quarter of 2023, the company's operating profit (EBIT) reached only VND 0.88 billion. If we exclude the significant financial income of VND 585 billion (+96.6% YoY), the results for this quarter might have turned into a loss. This is primarily due to weak overall economic demand, particularly in the ICT sector. Furthermore, the price war among retail chains has squeezed the company's gross profit margin, leading to a substantial increase in selling expenses as they strive to gain market share during challenging market conditions. However, we believe that the price war will eventually come to an end, as it is not a sustainable long-term strategy. Once the price reductions cease, smaller retailers will swiftly join the competition and fill the pricing gap left by the major players. This means that leading retailers like MWG will need to find a balance between market competition and maintaining profitability. In the near term, we expect the company's gross profit margin and sales volume to show a seasonal recovery starting from Q3, driven by back-to-school shopping and year-end festivities. Additionally, the price war has temporarily shown signs of cooling down in recent times.

Financial indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	86,516	102,174	108,546	122,958	133,405	109,699
Net Profit (billion VND)	2,880	3,836	3,920	4,901	4,102	491
EPS (VND)	6,689	8,665	8,654	3,400	2,810	241
EPS Growth (%)	-9%	30%	0%	-61%	-17%	-91%
Book Value (VND)	20,255	27,378	34,160	28,578	16,349	16,092
P/E	20.2	10.1	13.19	17.31	50.70	273.44
P/B	6.5	3.2	3.3	4.2	8.7	4.1
Cash dividend (%)	15%	15%	5%	10%	5%	5%