


Company Note

Vietnam

ADD (no change)

Consensus ratings*: Buy 8 Hold 1 Sell 0

Current price: VND169,000
 Target price:  VND200,000
 Previous target: VND182,000
 Up/downside: 18.3%
 CIMB / Consensus: -2.3%

Reuters: MWG.HM
 Bloomberg: MWG.VN
 Market cap: US\$1,151m

VND26,009,482m

Average daily turnover: US\$1.29m
 VND29,746m

Current shares o/s: 146.9m

Free float: 55.0%

*Source: Bloomberg

Key changes in this note

None



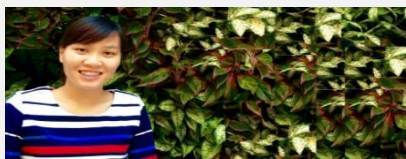
Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.3	15.1	134.7
Relative (%)	2.5	10.4	103.6

Major shareholders % held

Retail World Inv. Con. (CEO Holding Co)	12.6
Tri Tam Ltd. (Co-founder holding co.)	9.4
Mekong Enterprise Fund	5.2

Analyst(s)



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Mobile World Investment Corp US\$10bn revenue target by 2020 lifts sentiment

- Mobile World's share price surged 6% today, following the optimistic speech by the company's CEO over the Tet New Year holiday.
- The company is aiming for a 50% share of the home electronics and mobile phone retailing markets, and a 10% share of the grocery market.
- We expect MWG's revenue to grow by about 75% in FY16, and net profit to rise by more than 50%, driven by a near-doubling in the number of MWG's retail outlets.
- MWG's new mini-grocery format is slated for a HCMC roll-out in 2017 (~200 stores), followed by a nationwide rollout in 2018 (we expect ~2,000 stores).
- These positive developments prompt us to raise our target price by 10%.

MWG targets US\$10bn revenue by 2020

MWG's CEO gave an optimistic speech on 25 Jan (when the stock market was closed for the Tet holiday), in which he laid out his vision for the company to achieve US\$10bn in revenue by 2020. He expects about half of the company's revenue to be derived from its grocery business at that time – and for MWG to capture a 10% share of Vietnam's grocery industry. This speech, coupled with the growing expectation that the company will report strong FY16 results, boosted MWG's share price.

Thegioididong: smart phone sales in Vietnam growing 35%/year

Revenues at MWG's Thegioididong mobile phone chain rose 50% yoy in 11M16, driven by a 76% yoy increase in the number of stores to 938 outlets, and ~10% SSSG. Gross margins widened by 70bp to 16.5%, driven by an improving revenue mix (MWG is selling more Chinese smartphones and fewer laptop computers). Revenue growth is being driven by the robust demand for smartphones in Vietnam; the country's smartphone penetration rate increased from an estimated 45% in 2015 to 55% in 2016.

Dienmay Xanh: is now VN's top home electronics chain

Revenues at MWG's Dienmay Xanh chain grew 207% yoy in 11M16, driven by a 277% yoy increase in the number of stores to 211, and ~12% SSSG. The format's gross margins widened by 150bp to 15.5%, driven by scale efficiencies, and the proportion of products it sources directly from manufacturers (instead of via distributors) increased from ~30% in 2015 to ~90% in 2016. MWG's share of the home electronics retail market reached 17%, making Mobile World Vietnam's leading home electronics retailer.

Bach Hoa Xanh: mini-grocery format is MWG's next growth driver

The initial "pilot phase" in the development of Mobile World's new mini-grocery store format is complete, so MWG aims to increase the number of outlets in its new Bach Hoa Xanh (green grocery) chain from 50 stores to ~200 outlets in HCMC by the end of FY17. MWG's CEO was also reported in the media as saying MWG targets to reach US\$5bn in revenue from grocery in 2020, to comprise 50% of MWG's total revenue at that time.

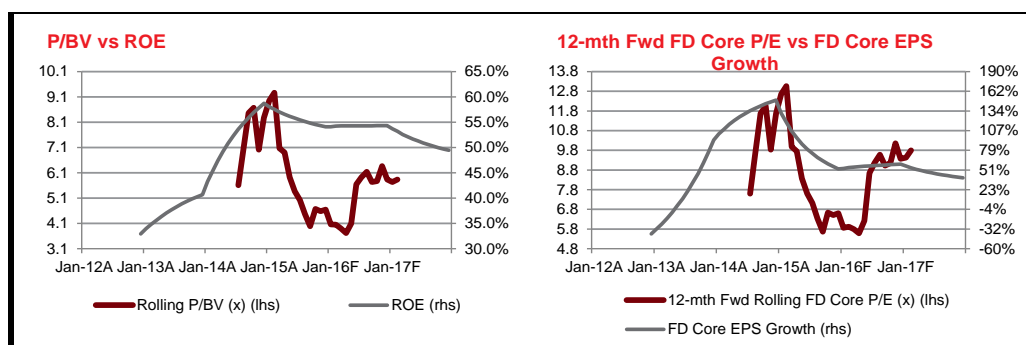
Maintain Add rating

We maintain our Add rating but raise our target price by 10%. The new target price is now based on 13x FY17 P/E, in-line with MWG's regional peers (previously 12x P/E), and DCF (15% WACC), prompted by the CEO's optimistic speech and growing expectations of stellar FY16 results. However, we are holding off making any adjustments to our EPS forecasts until after the FY16 results are announced. Downside risks include below-consensus earnings results announcements.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (VNDb)	15,757	25,253	43,700	60,805	68,888
Operating EBITDA (VNDb)	923	1,519	2,574	3,489	4,296
Net Profit (VNDb)	668	1,070	1,766	2,540	3,190
Core EPS (VND)	4,890	7,461	11,885	16,643	20,388
Core EPS Growth	150%	53%	59%	40%	23%
FD Core P/E (x)	34.56	22.65	14.22	10.15	8.29
DPS (VND)	0	0	1,500	2,000	2,000
Dividend Yield	0.00%	0.00%	0.89%	1.18%	1.18%
EV/EBITDA (x)	25.48	17.08	10.57	7.81	6.10
P/FCFE (x)	NA	178.5	95.7	28.0	10.5
Net Gearing	27.3%	68.8%	51.3%	23.2%	(3.4%)
P/BV (x)	16.03	10.00	6.32	4.19	3.40
ROE	58.7%	54.1%	54.3%	49.4%	45.2%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	1.13	1.18

SOURCE: COMPANY DATA, CIMB FORECASTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	15,757	25,253	43,700	60,805	68,888
Gross Profit	2,513	4,119	7,468	10,360	11,943
Operating EBITDA	923	1,519	2,574	3,489	4,296
Depreciation And Amortisation	(116)	(197)	(382)	(435)	(446)
Operating EBIT	806	1,322	2,192	3,055	3,851
Financial Income/(Expense)	50	41	(0)	104	120
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	12	23	23	23	23
Profit Before Tax (pre-EI)	868	1,386	2,215	3,183	3,994
Exceptional Items					
Pre-tax Profit	868	1,386	2,215	3,183	3,994
Taxation	(194)	(310)	(443)	(637)	(799)
Exceptional Income - post-tax					
Profit After Tax	674	1,076	1,772	2,546	3,195
Minority Interests	(6)	(6)	(6)	(6)	(6)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	668	1,070	1,766	2,540	3,190
Recurring Net Profit	668	1,070	1,766	2,540	3,190
Fully Diluted Recurring Net Profit	668	1,070	1,766	2,540	3,190

Cash Flow

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	922.7	1,519.1	2,573.7	3,489.3	4,296.4
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(672.8)	(2,060.9)	(1,064.7)	(1,625.0)	41.1
(Incr)/Decr in Total Provisions	128.6	32.2			
Other Non-Cash (Income)/Expense		102.4	114.3	127.9	143.6
Other Operating Cashflow	(36.1)	(36.5)	(201.1)	118.8	(31.9)
Net Interest (Paid)/Received	(14.4)	(36.5)	(90.9)	0.0	0.0
Tax Paid	(221.6)	(196.0)	(443.0)	(636.5)	(798.8)
Cashflow From Operations	106.4	(639.8)	888.1	1,474.4	3,650.4
Capex	(266.4)	(586.5)	(894.3)	(413.0)	(164.5)
Disposals Of FAs/subsidiaries	1.4				
Acq. Of Subsidiaries/investments	(50.0)	(72.2)			
Other Investing Cashflow					
Cash Flow From Investing	(314.9)	(658.7)	(894.3)	(413.0)	(164.5)
Debt Raised/(repaid)	105.5	1,434.3	268.5	(139.6)	(965.2)
Proceeds From Issue Of Shares	14.2		0.0	45.1	31.0
Shares Repurchased	(0.3)	(2.2)	0.0	0.0	0.0
Dividends Paid	0.0	0.0	(225.6)	(309.8)	(1,594.8)
Preferred Dividends					
Other Financing Cashflow	(2.6)	(2.7)	(125.7)	(181.8)	(203.3)
Cash Flow From Financing	116.7	1,429.4	(82.8)	(586.0)	(2,732.3)
Total Cash Generated	(91.8)	131.0	(88.9)	475.4	753.6
Free Cashflow To Equity	(103.1)	135.8	262.4	921.9	2,520.7
Free Cashflow To Firm	(187.4)	(1,261.0)	92.3	1,061.4	3,485.9

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	213	344	255	730	1,484
Total Debtors	297	636	759	877	971
Inventories	2,195	4,933	6,435	8,983	9,361
Total Other Current Assets	133	264	290	319	351
Total Current Assets	2,838	6,176	7,738	10,909	12,167
Fixed Assets	434	892	1,412	1,398	1,116
Total Investments	0	0	0	0	0
Intangible Assets	23	13	7	0	0
Total Other Non-Current Assets	113	185	213	244	281
Total Non-current Assets	570	1,089	1,632	1,642	1,397
Short-term Debt	619	2,053	2,321	2,182	1,217
Current Portion of Long-Term Debt					
Total Creditors	990	1,991	2,494	3,474	3,920
Other Current Liabilities	314	734	524	629	576
Total Current Liabilities	1,923	4,777	5,340	6,285	5,713
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	5	0	0	0
Total Non-current Liabilities	0	5	0	0	0
Total Provisions	0	0	0	0	0
Total Liabilities	1,923	4,782	5,340	6,285	5,713
Shareholders' Equity	1,475	2,482	4,023	6,253	7,848
Minority Interests	9	2	7	13	19
Total Equity	1,484	2,484	4,030	6,266	7,867

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	65.9%	60.3%	73.1%	39.1%	13.3%
Operating EBITDA Growth	143%	65%	69%	36%	23%
Operating EBITDA Margin	5.86%	6.02%	5.89%	5.74%	6.24%
Net Cash Per Share (VND)	(2,899)	(11,635)	(13,741)	(9,371)	1,692
BVPS (VND)	10,539	16,897	26,751	40,372	49,675
Gross Interest Cover	37.92	33.99	22.27	N/A	N/A
Effective Tax Rate	22.4%	22.4%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	12.8%	12.2%	50.0%
Accounts Receivables Days	1.07	0.88	0.92	1.03	1.13
Inventory Days	48.01	61.56	57.41	55.78	58.79
Accounts Payables Days	23.09	25.50	22.46	21.45	23.57
ROIC (%)	78.0%	70.0%	52.2%	50.1%	49.9%
ROCE (%)	47.3%	39.9%	40.4%	41.3%	43.9%
Return On Average Assets	22.1%	19.4%	21.3%	22.3%	23.6%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
No. of POS (main prod/serv)	347	564	900	950	1,000
SSS grth (% , main prod/serv)	56.0%	15.0%	6.0%	5.0%	5.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	17	69	250	350	380
SSS grth (% , 2ndary prrod/serv)	35.0%	11.0%	10.0%	10.0%	10.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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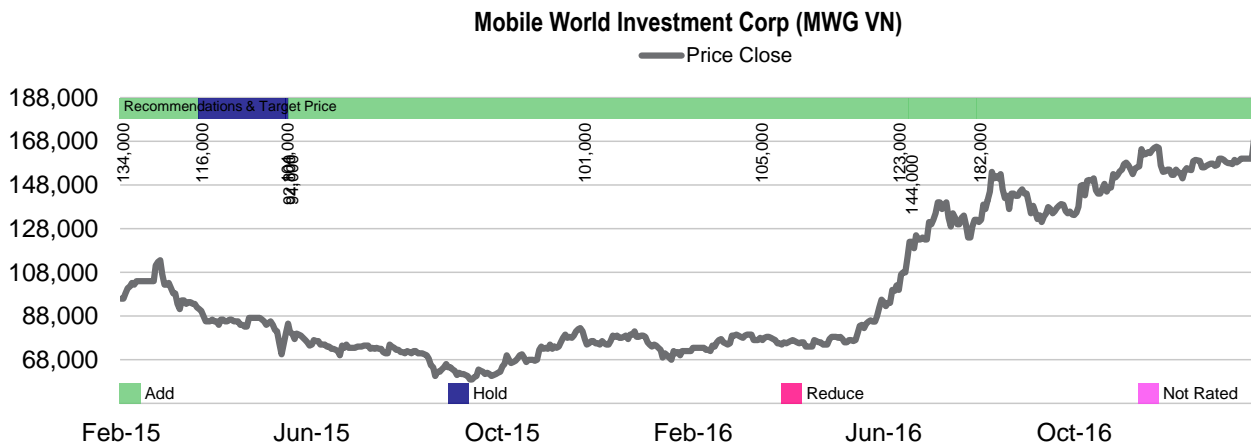
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016

1626 companies under coverage for quarter ended on 31 December 2016

	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.