

Vietnam Retail & Consumer Industries

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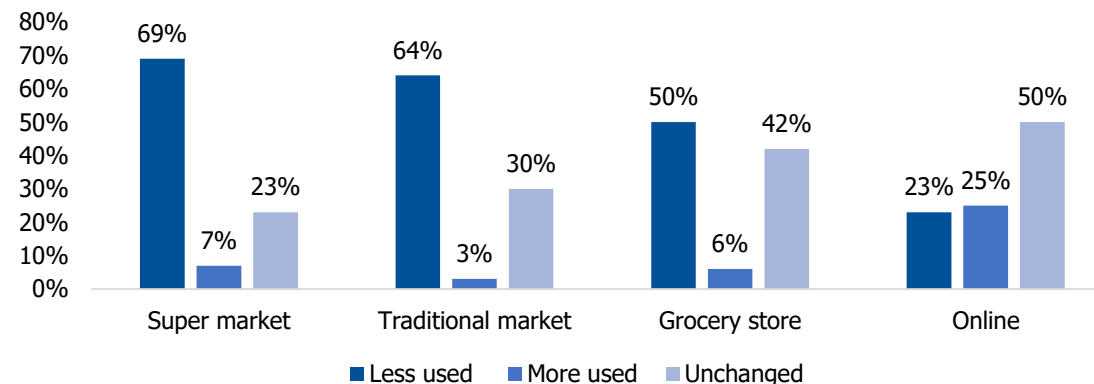
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Retail Industry

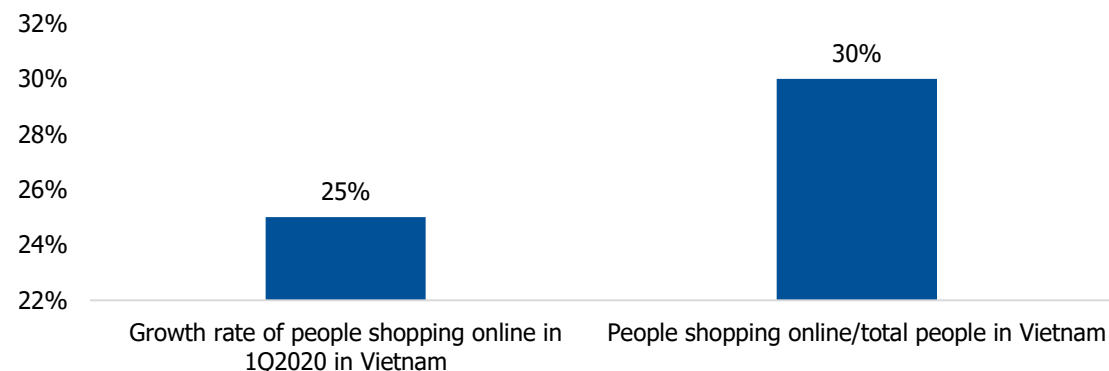
Rebuilding a more sustainable retail industry after Coronavirus

- Coronavirus is changing how consumers shop. Particularly, it is forcing consumers to shift their buying habits to online. According to Nielsen's survey in Feb 2020 as the pandemic was not too complicated, some 65% of respondents said they were avoiding physical stores and 83% of the surveyed consumers stated that their online shopping will not be affected.
- Both supermarket and traditional market channels are most impacted. However, between these types, the consumers remarked they will be more willing to shop in traditional markets rather than in supermarket given air-conditioning being easy to spread the virus. We will see a significant sustained shift to online purchasing even post-virus.
- Growth remains slow for the retail group this year, however, we foresee room for stronger growth in 2021, compared to that of 2019. Rolling updates on coronavirus disease in May 2020, it is a major show of confidence that Vietnam has the outbreak under control as we expected. Major manufacturing and service operations begin reopening.
- We forecast FY20 profit of MWG and PNJ to increase by 18% yoy and 12% yoy respectively. The pandemic hit retail companies hard in 1Q20. MWG recorded a 9% yoy growth in 1Q20 net profit, which was much lower than a 29% yoy increase in 1Q19 one. PNJ's profit growth slowed down to 5% yoy in 1Q20, compared to that of 27.5% yoy in 1Q19. We anticipate the growth rate of MWG and PNJ will continue to be lower than that of the same period in 2019, specially in April, before recovering from May 2020.
- We increase our target price for MWG by 2% to VND 119,000 (43% upside) and decrease our target price for PNJ by 15% to VND 70,800 (11% upside).

Nielsen survey consumer's behavior



Shopping online becomes more popular



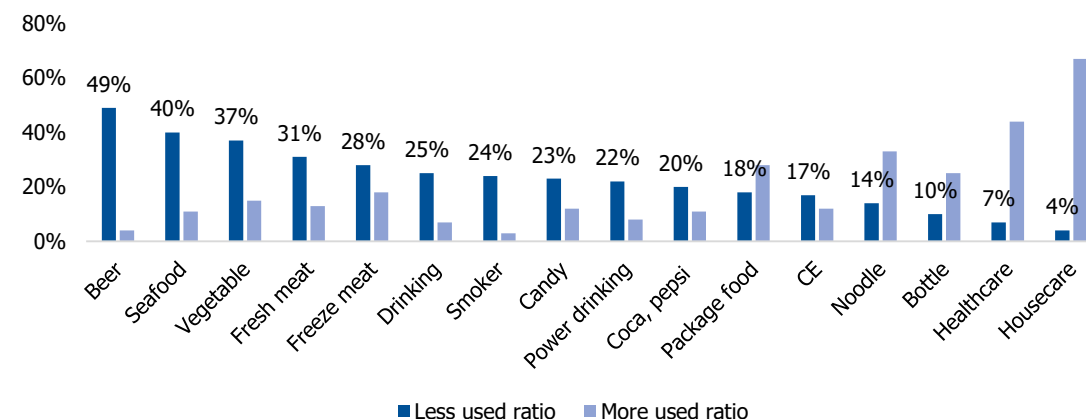
Source: Nielsen, Shopee, MBS Research

Consumer Industry

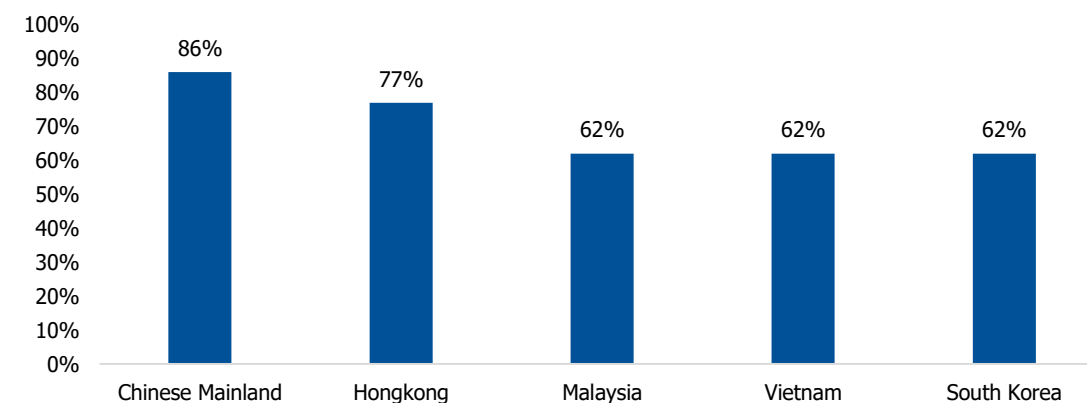
The beneficiaries and the economic victims under the outbreak

- Prime Minister has asked for more efforts for Vietnam to achieve 5% growth rate in 2020, while Standard Chartered Bank forecasts Vietnam's economic growth in 2020 to reach 3.3%. All forecasts show a strong downward trend compared to 2019 GDP growth rate of 7.02%. Particularly, the tourism and manufacturing groups will be significantly hit this year.
- Regarding consumer industry, we expect there are two groups including the beneficiaries and the economic victims. The demand for products related to parties and entertainment such as beer and wine will tend to decrease, while the basic needs of food, hygiene products will increase this year. However, consumption trend will gradually show a balance from 2021.
- Our estimation of business results for consumer businesses is based on the following assumptions: (1) the demand for frozen products, pharmaceutical products, and nutritional products will cool down from May 2020 as the epidemic situation has improved; (2) consumer spending on high-class products such as jewelry, phones, cars and brand stuff will be negatively affected until 2021.
- Regarding investment perspective, we view VNM is a beneficiary in short term due to the outbreak situation. However, the stock price has increased by 20% since our latest report in Mar 2020. Thus, we downgrade our recommendation from BUY to HOLD for VNM with the target price of VND 113,300 (-0.1% upside). We consider SAB to be the most affected consumer business in the outbreak. The Mar study of Nielsen indicates that 62% consumers in Vietnam will rethink and re-prioritize the place eating at home has in their lives. In addition, Decree No. 100/2019/ND-CP on administrative penalties for road traffic offences and rail transport offences also negatively affects the revenue of SAB.

Consumer goods used less as the Covid-19 happened



Top Asian Markets Re-Prioritizing Eating At Home



Source: Nielsen, MBS Research

Mobile World Joint Stock Company (HOSE: MWG)



(BUY; Target price: VND 119,000)

Investment thesis

We slightly increase our target price by 2% to VND 119,000 (43% upside) thanks to the improvement of FY20 forecasted earnings, compared to the previous one (FCFE method, Re of 14%, g of 0%) and maintain our BUY recommendation for MWG. The stock price has increased by 20% since our latest report in Mar 2020. We expect the profit growth rate to recover from May, after reach the lowest point in Apr 2020 under the epidemic effect.

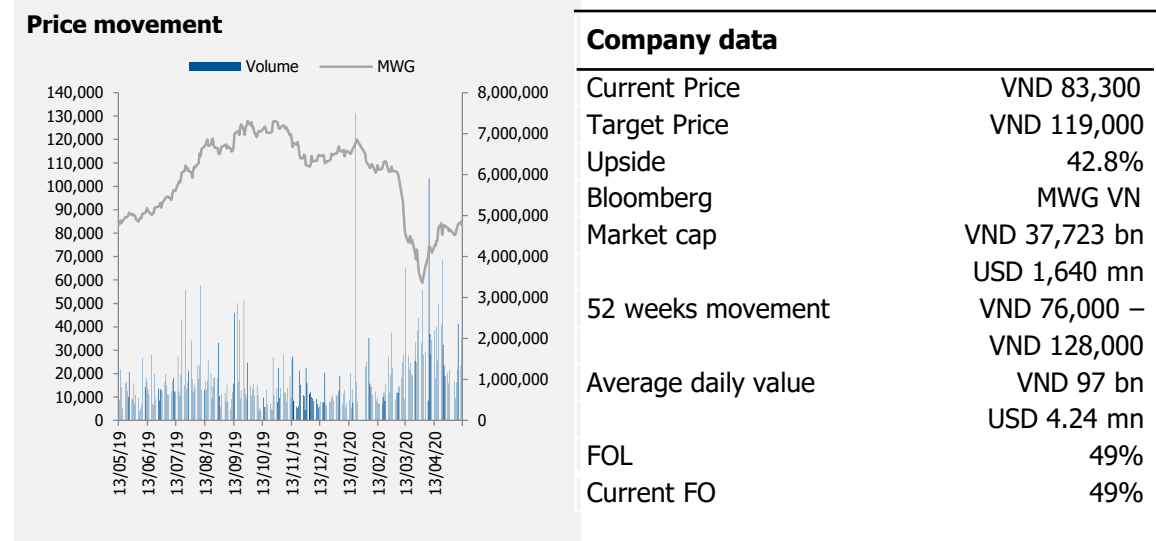
Our takeaway

In 1Q20, MWG recorded VND 29,353bn revenue (+17% yoy) and VND 1,132bn EAT (+9% yoy), in line with our expectation. The profit growth rate was much lesser than a 29% yoy increase in 1Q19 one due to a sharp decline in the demand for CE and mobile segments.

From Apr 1 to Apr 15, MWG had to temporarily shut down 600 CE and mobile stores, leading to a 20% yoy decrease in Apr sales. We expect Apr profit to drop by 25% yoy after covering fixed costs. As a results, EAT is forecast to grow at 6% yoy in 4M20 and then to recover from May after reopening stores.

We forecast FY20 and FY21 revenue will reach VND 121,555bn (+19% yoy) and VND 145,909bn (+20% yoy) respectively. Particularly, we expect a 106% yoy increase in revenue of VND 22,000bn of BHX chain based on the slight improvement in the sales per store to VND 1.4bn/month (+10% yoy) and opening 700 more grocery stores, leading to total stores of 1,708 by the end of FY20. Revenue growth rate of CE segment will be 19.5% yoy, reaching VND 68,271bn in FY20, coming from 282 new stores, leading to total stores of 1,300 by the end of FY20. In contrast, we anticipate the number of mobile stores to reduce to 800 (-196 stores) and the average revenue per store to increase by 10% yoy, bringing about VND 28,700bn revenue in mobile chain (-12.5% yoy).

We increase our FY20 forecasted EAT by 1% to 4,537 billion (+18.3% yoy), taking into account the changing plan in opening new CE and mobile chains. MWG announced that they will switch more TGDD stores to ĐMX stores this year.



Unit: VND billion	FY19A	FY20F	FY21F	FY21F
Revenue	102,174	121,555	145,909	171,722
EBIT	4,977	5,894	8,029	9,922
EAT	3,836	4,537	5,922	7,302
EAT (basic)	3,836	4,537	5,922	7,302
EPS (VND)	8,656	10,237	13,363	16,477
EPS growth rate (%)		18.3%	30.5%	23.3%
P/E (x)	9.6	8.1	6.2	5.1
EV/EBITDA (x)	6.0	4.9	4.3	3.8
Dividend yield (%)	2.18%	2.18%	2.18%	2.18%
P/B (x)	1.5	1.2	0.9	0.7
ROE (%)	31.6%	30.7%	29.9%	27.9%
Debt/equity (%)	107.3%	113.6%	101.0%	87.1%

Source: MBS Research

Macro outlook

Stock market outlook

Key investment themes

Sector Outlook

Mobile World Joint Stock Company (HOSE: MWG)



Income Statement (VND bn)	2019	2020E	2021E	2022E
Revenue	102,174	121,555	145,909	171,722
Cost of good sold	82,686	98,166	116,526	136,280
Gross profit	19,488	23,390	29,383	35,441
Financial income	631	459	551	648
Financial expenses	570	1,218	1,467	1,704
SG & A expenses	14,511	16,816	20,801	25,023
Profit before tax	5,053	5,831	7,685	9,386
Profit after tax	3,836	4,537	5,922	7,302
Profit after tax for parent company	3,835	4,535	5,920	7,299
Not-controlling interest	2	2	2	3
Balance Sheet (VND bn)	2019	2020E	2021E	2022E
Current assets	36,021	44,018	54,275	66,114
I. Cash & cash equivalents	3,115	6,957	10,690	15,521
II. Short-term investments	3,137	1,938	1,938	1,938
III. Receivables	1,815	2,159	2,592	3,051
IV. Inventory	25,745	30,565	36,282	42,433
V. Other current assets	1,199	1,427	1,712	2,015
Non-current assets	5,687	6,982	8,179	9,281
I. Long-term receivables				
II. Fixed assets	5,404	6,646	7,775	8,805
1. Tangible fixed assets	5,375	6,621	7,751	8,781
2. Intangible fixed assets	28	25	25	24
III. Property	0	1	2	3
IV. Long-term work in progress	87	35	35	35
V. Long-term investments	60	56	0	0
VI. Other non-current assets	283	336	404	475
Total assets	41,708	51,000	62,454	75,394
Liabilities	29,565	36,245	42,665	49,190
I. Current liabilities	28,442	35,066	41,711	48,235
1. Short-term payables	15,411	18,302	21,730	25,417
2. Short-term borrowings	13,031	16,764	19,981	22,818
II. Non-current liabilities	1,122	1,180	954	955
1. Short-term payables	0	1	2	3
2. Long-term borrowings	1,122	1,179	952	952
Equity	12,142	14,756	19,792	26,207
1. Share capital	4,435	4,435	4,435	4,435
2. Share premium	555	555	555	555
3. Retain earnings	7,150	9,754	14,788	21,201
4. Non-controlling interest	8	10	12	15
5. Other capital	-	-	-	-
Total resources	41,708	51,000	62,454	75,394

Source: MBS

Ratios	2019	2020E	2021E	2022E
Valuation				
EPS	8,656	10,237	13,363	16,477
Book value per share (BVPS)	27,376	33,267	44,621	59,086
P/E	9.6	8.1	6.2	5.1
P/B	1.5	1.2	0.9	0.7
P/S	0.3	0.3	0.2	0.2
Dividend yield	2.2%	2.2%	2.2%	2.2%
Profitability				
Gross profit margin	19.1%	19.2%	20.1%	20.6%
EBITDA margin	19.1%	18.6%	19.5%	20.0%
Net profit margin	3.8%	3.7%	4.1%	4.3%
ROE	31.6%	30.7%	29.9%	27.9%
ROA	9.2%	8.9%	9.5%	9.7%
Growth				
Revenue growth		19.0%	20.0%	17.7%
Profit before tax growth		15.4%	31.8%	22.1%
Profit after tax growth		18.3%	30.5%	23.3%
EPS		18.3%	30.5%	23.3%
Total Asset		22.3%	22.5%	20.7%
Equity		21.5%	34.1%	32.4%
Liquidity				
Current ratio	126.6%	125.5%	130.1%	137.1%
Quick ratio	28.4%	31.5%	36.5%	42.5%
Debt/Total assets	33.9%	35.2%	33.5%	31.5%
Debt/Equity	107.3%	113.6%	101.0%	87.1%
Interest coverage	14.8	20.2	37.8	37.8
Operating efficiency				
Receivables turnover	56.3	56.3	5.3	5.3
Days sales outstanding	6.5	6.5	69.5	69.5
Inventory turnover	3.2	3.2	3.2	3.2
Days sales of Inventory	113.6	113.6	113.6	113.6
Payables turnover	5.4	5.4	5.4	5.4
Days payables outstanding	68.0	68.1	68.1	68.1

Macro outlook

Stock market outlook

Key investment themes

Sector Outlook

(HOLD; Target price: VND 70,800)

Investment thesis

We downgrade our recommendation for PNJ from BUY to HOLD and lower our target price by 15% to VND 70,800 (11% upside) based on decreasing our earnings forecast and P/E target from 13x to 12x. The stock price has increased by 14% since our latest report in Mar 2020. We expect the negative impact of the Coronavirus disease on the average income of consumers will last until FY21. It will decrease the market demand for jewelry, considered as luxury products, and the number of new stores in next two years.

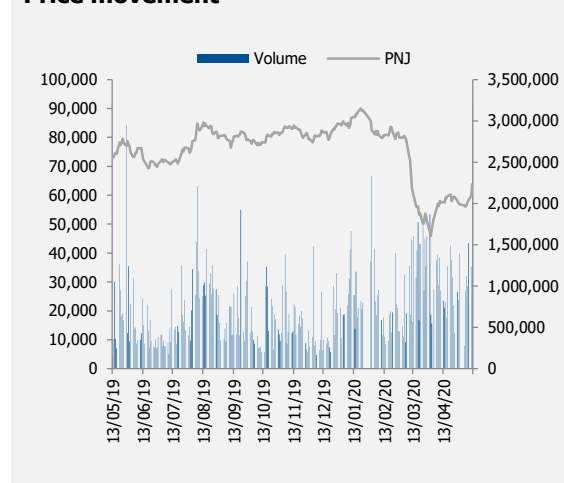
Our takeaway

In 1Q20, PNJ reached VND 5,000bn of revenue (+5% yoy) and VND 408bn of EAT (-5% yoy). Particularly, the retail channel recorded an 8% yoy increase in revenue, compared to a 30% yoy growth of 1Q19, under the epidemic affected. We expect 4M20 EAT will drop by 14% yoy as all stores in Ho Chi Minh and Hanoi cities of PNJ were closed due to the quarantine.

We project that PNJ's revenue will reach VND 19,381bn (+14% yoy) and VND 22,038bn (+13.7% yoy) in FY20 and FY21 respectively. Average revenue per store is assumed to increase by 6% yoy (FY19 +15% yoy) owing to closing stores in April and lower purchasing power for luxury goods. Total retail stores will reach 360 stores by the end of 2020 (FY19 ~ 346 stores) and 400 stores by the end of 2021.

We decrease our earnings forecast by 5% to VND 1,333bn in FY20 and 11% to VND 1,534bn in FY21, compared to the previous one, mainly reducing retail sales (segment with highest profit margin) given lower-than-expected 1Q20 results.

Price movement



Company data

Current Price	VND 63,800
Target Price	VND 70,800
Upside	10.9%
Bloomberg	PNJ VN
Market cap	VND 13,038 bn
	USD 560 mn
52 weeks movement	VND 57,000 – VND 92,000
Average daily value	VND 26 bn
	USD 1.17 mn
FOL	49%
Current FO	49%

Unit: VND billion	FY19	FY20F	FY21F	FY22F
Revenue	17,001	19,381	22,038	25,063
EBIT	1,623	1,807	2,076	2,453
Net profit	1,194	1,333	1,534	1,818
Net profit (basic)	1,216	1,330	1,530	1,813
EPS (VND)	5,299	5,919	6,809	8,069
EPS growth rate (%)		11.7%	15.0%	18.5%
P/E (x)	12.0	10.8	9.4	7.9
EV/EBITDA (x)	11.3	10.0	8.7	7.4
Dividend yield (%)	3.13%	3.13%	3.13%	3.13%
P/B (x)	3.1	2.5	2.1	1.7
ROE (%)	28.7%	26.0%	24.4%	23.9%
Debt/equity (%)	29.3%	22.0%	16.7%	11.2%

Source: MBS Research

Phu Nhuan Jewelry Joint Stock Company (HOSE: PNJ)



Income Statement (VND bn)	2019	2020E	2021E	2021E
Revenue	17,001	19,381	22,038	25,063
Cost of good sold	15,310	17,377	19,691	21,682
Gross profit	1,690	2,003	2,347	3,381
Financial income	17	54	62	70
Financial expenses	134	196	222	252
SG & A expenses	1,838	2,263	2,584	2,919
Profit before tax	1,507	1,667	1,917	2,272
Profit after tax	1,194	1,333	1,534	1,818
Profit after tax for parent company	1,194	1,333	1,534	1,818
Not-controlling interest	0	0	0	0
Balance Sheet (VND bn)	2019	2020E	2021E	2021E
Current assets	7,433	8,974	10,725	12,837
I. Cash & cash equivalents	95	703	1,350	2,227
II. Short-term investments	0	0	0	0
III. Receivables	130	133	151	172
IV. Inventory	7,030	7,950	9,023	10,224
V. Other current assets	78	89	101	115
Non-current assets	1,170	1,252	1,303	1,348
I. Long-term receivables				
II. Fixed assets	924	971	983	985
1. Tangible fixed assets	264	324	349	364
2. Intangible fixed assets	660	647	634	621
III. Property	0	1	2	3
IV. Long-term work in progress	28	28	28	28
V. Long-term investments	0	0	0	0
VI. Other non-current assets	247	281	320	363
Total assets	8,603	10,226	12,027	14,186
Liabilities	4,026	4,540	5,146	5,824
I. Current liabilities	4,018	4,533	5,138	5,816
1. Short-term payables	1,407	1,581	1,782	2,009
2. Short-term borrowings	2,611	2,952	3,356	3,808
II. Non-current liabilities	8	8	8	8
1. Short-term payables	4	5	5	6
2. Long-term borrowings	4	3	2	1
Equity	4,577	5,685	6,881	8,362
1. Share capital	2,253	2,253	2,253	2,253
2. Share premium	968	968	968	968
3. Retain earnings	1,045	2,034	3,097	4,423
4. Non-controlling interest	0	0	0	0
5. Other capital	-	-	-	-
Total resources	8,603	10,226	12,027	14,186

Source: MBS

Ratios	2019	2020E	2021E	2021E
Valuation				
EPS	5,299	5,919	6,809	8,069
Book value per share (BVPS)	20,317	25,236	30,544	37,114
P/E	12.0	10.8	9.4	7.9
P/B	3.1	2.5	2.1	1.7
P/S	0.8	0.7	0.7	0.6
Dividend yield	3.1%	3.1%	3.1%	3.1%
Profitability				
Gross profit margin	9.9%	10.3%	10.6%	13.5%
EBITDA margin	19.7%	20.3%	20.4%	20.7%
Net profit margin	7.0%	6.9%	7.0%	7.3%
ROE	28.7%	26.0%	24.4%	23.9%
ROA	13.9%	13.0%	12.8%	12.8%
Growth				
Revenue growth		14.0%	13.7%	13.7%
Profit before tax growth		10.6%	15.0%	18.5%
Profit after tax growth		11.7%	15.0%	18.5%
EPS		11.7%	15.0%	18.5%
Total Asset		18.9%	17.6%	17.9%
Equity		24.2%	21.0%	21.5%
Liquidity				
Current ratio	185.0%	198.0%	208.7%	220.7%
Quick ratio	5.6%	18.4%	29.2%	41.2%
Debt/Total assets	30.4%	28.9%	27.9%	26.9%
Debt/Equity	29.3%	22.0%	16.7%	11.2%
Interest coverage	14.8	20.2	37.8	38.8
Operating efficiency				
Receivables turnover	131.1	145.7	145.7	145.7
Days sales outstanding	2.8	2.5	2.5	2.5
Inventory turnover	2.2	2.2	2.2	2.1
Days sales of Inventory	167.6	167.0	167.3	172.1
Payables turnover	10.9	11.0	11.0	10.8
Days payables outstanding	33.5	33.2	33.0	33.8

Macro outlook

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Sector Outlook

Vietnam Dairy Products Joint Stock Company (HOSE: VNM)



(HOLD; Target price: VND 113,300)

Investment thesis

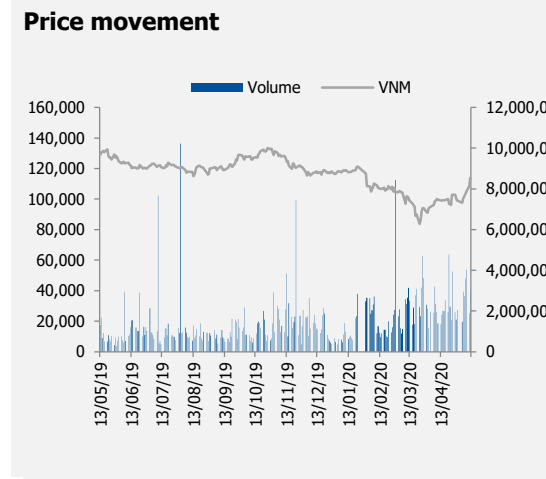
We downgrade our call from BUY to HOLD for VNM as the stock price has increased by 20% since our last recommendation in Mar 2020 while the fundamentals of the company have been quite the same. Our target price is VND 113,300 (upside -0.1%), based on FCFE method (Re 11.69%, g 1%).

Our takeaway

In 1Q20, VNM resulted VND 14,153bn in revenue (+7.3% yoy) and VND 2,777bn in EAT (+0.7% yoy). After merging GTN, selling and administrative expenses increased and pushed down net profit margin in 1Q20. However, we expect profit margin to improve and EAT to increase by 7.5% yoy in the remaining nine months of FY20 thanks to lower material costs and more efficient operation in GTN. Totally, we forecast revenue of VND 59,523bn (+5.6% yoy) and net profit of VND 11,290bn (+ 6.8% yoy) in FY20.

Among all products, we expect yogurt products and plant-based milks (27% of revenue proportion) to show the highest growth rate of 11% yoy in FY20 thanks to higher demand for healthy products and to return to an average growth rate of 6% from FY21 onwards. Revenue in drinking dairy milk (35% of revenue proportion) is expected to increase by 6.6% yoy (FY19 +7.5% yoy) in FY20, in line with the general growth forecast in Vietnam market. Better performance of these products can offset a 3.1% yoy decrease in powdered milk revenue.

FY20 gross profit margin is expected to improve from 47.2% to 47.5% owing to (i) increasing proportion of yogurt products and high-class goods with higher gross margins and (ii) lower price of imported raw milk powder (50% of the production costs). The price of raw milk powder has decreased by 12% year-to-date and is forecasted to be in downward trend until FY21. The company usually closes stock of raw materials per at least three months in advance. Thus, we suppose the positive impact of lower material costs will reflect in the last nine months of FY20.



Company data

Current Price	VND 113,900
Target Price	VND 113,300
Upside	-0.1%
Bloomberg	VNM VN
Market cap	VND 165,431 bn
	USD 7,100 mn
52 weeks movement	VND 95,000
	VND 134,000
Average daily value	VND 110 bn
	USD 4.7 mn
FOL	100%
Current FO	58.79%

Unit: VND billion	FY19A	FY20F	FY21F	FY22F
Revenue	56,318	59,523	63,160	67,154
EBIT	12,869	13,821	14,735	15,606
EAT	10,576	11,290	12,037	12,748
EAT (basic)	10,576	11,290	12,037	12,748
EPS (VND)	6,075	6,485	6,914	7,322
EPS growth rate (%)		6.8%	6.6%	5.9%
P/E (x)	18.8	17.6	16.5	15.6
EV/EBITDA (x)	14.2	13.3	12.4	11.6
Dividend yield (%)	3.07%	4.73%	4.73%	4.73%
P/B (x)	7.1	6.0	5.6	5.2
ROE (%)	37.8%	34.3%	34.3%	33.6%
Liability/equity (%)	53.5%	51.8%	50.7%	53.1%

Source: MBS Research

Macro outlook

Stock market outlook

Key investment themes

Sector Outlook

Vietnam Dairy Products Joint Stock Company (HOSE: VNM)



Income Statement (VND bn)	2019	2020E	2021E	2022E
Revenue	56,318	59,523	63,160	67,154
Cost of good sold	29,746	31,252	32,964	35,212
Gross profit	26,572	28,271	30,196	31,942
Financial income	760	838	748	897
Financial expenses	118	115	122	130
SG & A expenses	14,390	15,220	16,137	17,158
Profit before tax	12,817	13,766	14,677	15,544
Profit after tax	10,576	11,290	12,037	12,748
Profit after tax for parent company	10,598	11,313	12,062	12,774
Not-controlling interest	-22	-23	-25	-26
Balance Sheet (VND bn)	2019	2020E	2021E	2022E
Current assets	24,722	30,768	30,883	35,435
I. Cash & cash equivalents	2,665	8,620	8,142	12,041
II. Short-term investments	12,436	12,436	12,436	12,436
III. Receivables	4,503	4,759	5,050	5,370
IV. Inventory	4,983	4,811	5,105	5,428
V. Other current assets	134	142	151	160
Non-current assets	19,978	19,234	22,063	22,743
I. Long-term receivables	21	21	21	21
II. Fixed assets	16,043	15,298	18,128	18,807
1. Tangible fixed assets	14,894	14,149	16,979	17,658
2. Intangible fixed assets	1,150	1,150	1,150	1,150
III. Property	0	1	2	3
IV. Long-term work in progress	944	944	944	944
V. Long-term investments	0	60	0	0
VI. Other non-current assets	3,071	3,071	3,071	3,071
Total assets	44,700	50,002	52,947	58,177
Liabilities	14,958	17,069	17,806	20,184
I. Current liabilities	14,433	16,543	17,280	19,658
1. Short-term payables	9,081	10,038	11,668	13,456
2. Short-term borrowings	5,351	6,505	5,613	6,203
II. Non-current liabilities	526	526	526	526
1. Short-term payables	526	526	526	526
2. Long-term borrowings	0	0	0	0
Equity	27,971	32,933	35,140	37,993
1. Share capital	17,417	17,417	17,417	17,417
2. Share premium	0	0	0	0
3. Retain earnings	7,875	14,522	18,539	23,308
4. Non-controlling interest	490	490	490	490
5. Other capital	2,189	503	-1,306	-3,222
Total resources	44,700	50,002	52,947	58,177

Source: MBS

Ratios	2019	2020E	2021E	2022E
Valuation				
EPS	6,075	6,485	6,914	7,322
Book value per share (BVPS)	16,060	18,909	20,176	21,814
P/E	18.8	17.6	16.5	15.6
P/B	7.1	6.0	5.6	5.2
P/S	3.6	3.4	3.2	3.1
Dividend yield	3.1%	4.7%	4.7%	4.7%
Profitability				
Gross profit margin	47.2%	47.5%	47.8%	47.6%
EBITDA margin	48.3%	48.7%	48.8%	48.7%
Net profit margin	18.8%	19.0%	19.1%	19.0%
ROE	37.8%	34.3%	34.3%	33.6%
ROA	23.7%	22.6%	22.7%	21.9%
Growth				
Revenue growth		5.7%	6.1%	6.3%
Profit before tax growth		7.4%	6.6%	5.9%
Profit after tax growth		6.8%	6.6%	5.9%
EPS		6.8%	6.6%	5.9%
Total Asset		11.9%	5.9%	9.9%
Equity		17.7%	6.7%	8.1%
Liquidity				
Current ratio	171.3%	186.0%	178.7%	180.3%
Quick ratio	135.8%	156.0%	148.3%	151.8%
Debt/Total assets	12.0%	13.0%	10.6%	10.7%
Debt/Equity	53.5%	51.8%	50.7%	53.1%
Interest coverage	14.8	20.2	37.8	38.8
Operating efficiency				
Receivables turnover	12.5	12.5	12.5	12.5
Days sales outstanding	29.2	29.2	29.2	29.2
Inventory turnover	6.0	6.5	6.5	6.5
Days sales of Inventory	61.1	56.2	56.5	56.3
Payables turnover	3.3	3.1	2.8	2.6
Days payables outstanding	111.4	117.2	129.2	139.5

Macro outlook

Stock market outlook

Key investment themes

Sector Outlook