

Price chart

Stock Data as of March 15th 2018

Price (VND)	93,000
Listed shares	1,157,373,974
Outstanding shares	1,047,474,042
52 Week high	97,500
52 week low	40,650
Price change (3 months)	30%
Price change (6 months)	65.8%
Price change (12 months)	113%
Free floating shares	455,304,866
Trading value (5 days average - VNDmil)	52,257
Market Cap (VNDmil)	97,415,086
Market Cap (US\$mil)	4,293.3
Total room (no. of share)	560,169,003
Current room (no. of share)	210,123,048
Foreign owned ratio (%)	30.24%
Foreign ownership limit (%)	49.0%

Main Ratios	FY2017	FY2018F
Liquidity		
- Current ratio	1.0	0.7
- Quick ratio	0.7	0.5
Profitability		
- Gross margin	30.9%	31.5%
- Net margin	9.6%	10.5%
- ROE	17.8%	20.9%
- ROA	5.7%	6.8%
Operating Efficiency		
- Receivable turnover	16.6	18.3
- Inventory turnover	4.8	6.8
- Payable turnover	12.3	12.2
- Asset turnover	0.6	0.7
- Equity turnover	1.6	2.1

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Earnings snapshot

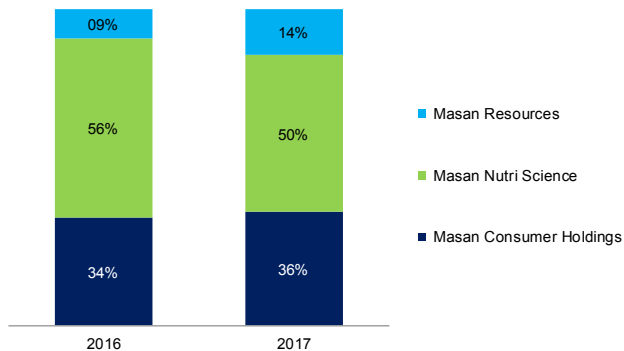
Unit: VNDmillion	FY2015	FY2016	FY2017	FY2018F
Net sales	30,628,410	43,297,064	37,620,646	43,040,360
y/y%	90.4%	41.4%	-13.1%	14.4%
EBITDA	6,074,704	9,669,000	9,396,000	10,210,104
y/y%	61.8%	59.2%	-2.8%	8.7%
Net profit after tax _VAS	2,527,250	3,772,497	3,607,690	4,513,096
y/y%	24.1%	49.3%	-4.4%	25.1%
NPATMI _VAS	1,478,292	2,791,444	3,102,664	3,545,060
y/y%	36.9%	88.8%	11.1%	14.3%
Diluted EPS - VAS	1,965	2,433	2,732	3,384
Diluted P/E - VAS	39.4	17.8	28.1	29.3
P/B	2.1	1.6	4.0	4.5
EV/EBTIDA	13.4	8.4	11.4	12.3

Source: MSN, (F): HSC forecasts

- *Masan Holdings (MSN – BUY) revised up guidance for FY2018 and Q1 numbers.*
- *Masan has begun to focus once again on the core consumer business.*
- *Market is revaluating MSN as numbers improve and the company reaches out to investors.*
- *HSC keeps net revenue forecast at VND 43,040 billion, up 14.4% y/y and revised up NPATMI by 4.5% from VND 3,394 billion to VND 3,545 billion, up 14.3% y/y.*
- *We value the company at a fair value price of VND 104,000 per share or a FY2018 P/E of 30.7xs and EV/EBITDA of 12.8xs.*
- *Reiterate BUY.*

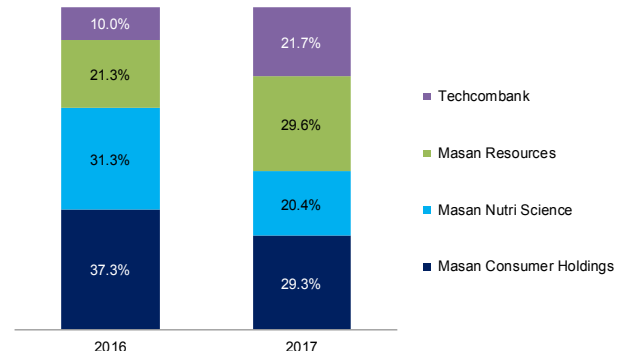
MSN revises up earnings target for FY2018

Sales breakdown FY2017



Source: MSN

FY2017 EBITDA breakdown



Source: MSN

Masan Holdings (MSN – BUY) revised up guidance for FY2018 and Q1 numbers. More specifically they announced that;

- FY2018 revenue target will be increased from VND 45,150 billion to a range between VND 45,150 billion to VND 47,000 billion. Amounting to an increase of 20% - 25% y/y.
- FY2018 NPATMI target is revised from VND 3,400 billion to a range from VND 3,400 billion to VND 4,000 billion. Amounting to an increase of 10% - 29% y/y.

The upward revisions were supported by (1) stronger than expected top line growth from Masan Consumer Holdings because of premiumization and innovation of the core product portfolio including seasonings (expected growth of 15%+ y/y), convenience foods (25%+ y/y) and instant coffee (15%+ y/y) and continued momentum of the incubating product portfolio including energy drinks (expected growth of 25%+ y/y), processed meat (2-3x y/y) and beer (2x y/y). There will be around 21 product launches/re-launches/new innovations in 2018 compared to 10 launches seen in 2H 2017. Masan Consumer Holdings last year focusing on improving the efficiency of their distribution network such as increasing speed to the market and expanding coverage; (2) higher than forecast tungsten prices as the current price is US\$ 310-330 per mtu vs. projected price of US\$ 275 per mtu; (3) higher earnings from Techcombank and (4) the expectation of a lower SG&A/sales ratio from 19% in FY2017 to just 15% in FY2018.

Quick conclusion. Reiterate BUY. We now value the company at a fair value price of VND 104,000 per share or a FY2018 P/E of 30.7xs and EV/EBITDA of

12.8xs. From VND 95,000 previously. And HSC is also revising up our forecast for MSN FY2018 net profit by 4.5% and now look for 14.3% growth. Q1 numbers QTD are running comfortably ahead of targets which has prompted the upward revision from the company. To which we have responded by doing likewise. Two key drivers; consumer product sales are running way ahead of expectations and are up 70% y/y in the first two months. While a low-balled target for Tungsten has been revised up to the current actual level. Then Techcombank has also had a promising start to the year.

HSC is also revising up our forecast for MSN FY2018 net profit by 4.5% and now look for 14.3% growth - HSC keeps net revenue forecast at VND 43,040 billion, up 14.4% y/y and revised up NPATMI by 4.5% from VND 3,394 billion to VND 3,545 billion, up 14.3% y/y.

Our key assumptions for each business segment are shown below;

- We revise up Masan Consumer Holding net sales from VND 15,919 billion to VND 16,502 billion, up 21.6% y/y and NPATMI from VND 1,938 billion to VND 2,169 billion, up 87.6% y/y. Masan Consumer Holdings has completed the restructuring of its business model with wholesaler inventory days having dropped back to normalised industry levels. They also have an impressive new product launch pipeline for 2018. The recovery of sales in 2H FY2017 suggests that the growth story has already returned. We also note the low base effect carried over from 1H FY2018. MSN also yesterday announced that in the first 2M of FY2017, Masan Consumer Holdings' net sales grew by 70% y/y and that they expect to see 50% growth in Q1 net sales.

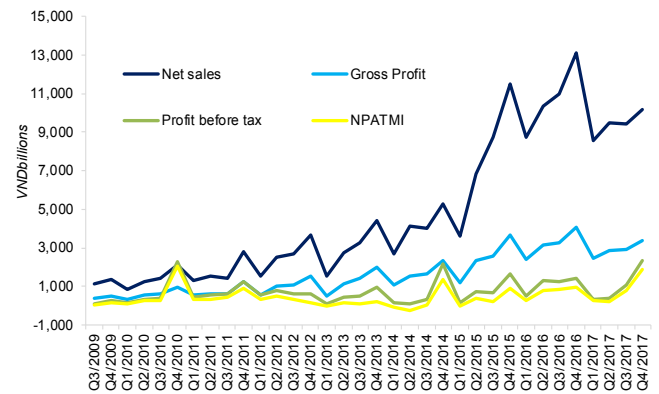
- We revise up Masan Resources net sales forecast from VND 6,673 billion to VND 6,916 billion, up 28% y/y and revise up NPATMI from VND 418 billion, to VND 476 billion, up 131.4% y/y assuming average tungsten prices at US\$ 300 per mtu this year compared to our previous assumption at US\$290 per mtu.
- Masan Nutri Science net sales was revised down from VND 20,631 billion to VND 19,621 billion, up 5% y/y and NPATMI was revised down from VND 898 billion to VND 789 billion, up 27.7% y/y as it is probable that pig price will not recover until 2H.
- Techcombank net profit is VND 8,420 billion, up 30.6% y/y.

With this we forecast an FY2018 EPS of VND 3,384, up 14.3% y/y which leads to a forward P/E of 27.8x and EV/EBITDA of 11.8x.

Masan has begun to focus once again on the core consumer business – We see growth led by selective revenue lines in the consumer business and the creation of an entire animal protein vertical;

- We forecast beer sales will grow at a CAGR of 23.9% over the next 3 years. Masan is expanding their presence using a bottom up approach using promotional beer festivals to improve product recognition. Market share in HCMC has improved leading to better product standing. New launches in the premium segment should also help to expand the breath of the product.
- We forecast energy drinks will grow at a CAGR of 23.2% over the next 3 years. Wider distribution of the highly successful product (which is a coffee based energy drink) should ensure that growth remains at very high levels over the next few years as they increase penetration.
- We forecast animal feed sales will grow at a CAGR of 9.5% over the next 3 years. Despite the collapse in pig prices which lead to a sharp drop in animal feed demand as many smallholders regressed into developing their own feed, Masan took advantage to increase their market share in the segment. By launching affordable products, they were able to make major inroads and they should continue to gain market share over the next few years.
- We see enormous potential with the launch of a branded fresh meat product range towards the end of this year. This is a US\$ 9 billion market segment in Vietnam and is completely dominated by un-

MSN - Quarterly sales and profits



Source: MSN

branded products where provenance is unknown. By marketing through the dominant general trade channels where wet markets hold the key, Masan expects to pick up significant market share. They will use a network of shops to build a brand name and act as local storage facilities for distribution to meat stalls.

Market is revaluating MSN as numbers improve and the company reaches out to investors – After the perfect storm of the 1H of last year, we have seen a root and branch restructuring of the consumer business. Coupled with a proactive reaching out to financial investors. The company feels that they have a story to tell and seem to want to tell it. And more importantly perhaps, listen to investor concerns. The numbers are now starting to come through. While the renewed focus on the consumer core is also pleasing. The launch of branded fresh meat products later this year will be a very important event. As entry into this huge consumer segment where competition is heavily fragmented will be a seminal moment for the company. Execution is tough and margins lower than in other segments, but the rewards of taking a major share of this market could potentially be huge over the next few years

Investment thesis – Reiterate BUY. We value the company at a fair value price of VND 104,000 per share or a FY2018 P/E of 30.7xs and EV/EBITDA of 12.8xs. The stock price has run dramatically over the past three months on a brighter outlook of the company. This is partly due to the one-off factors that hurt them last year and partly because of structural reforms within the consumer business that is restoring growth momentum there. Earnings in FY2017 were severely impacted by a perfect storm of the sharp decline in the animal feed business due to the collapse in pig prices and the radical destocking exercise across their entire consumer distribution network. In the 2H 2017 and especially

in 2M of 2018 sales and earnings for the consumer had already begun to recover. And we expect this to continue especially in the 1H where the y/y comparison is easy. Therefore, we argue that overall earnings growth will return to normalised growth of at least 10%-20%. Then the long-term outlook for the 3F model at MNS is quite promising. Possible stake sale in Masan Resources should bring in some cash and also help reduce debt.

Some products of Masan Consumer



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BUY: Expected to outperform the market by more than 10% per annum
OUTPERFORM: Expected to outperform the market by 10% per annum
HOLD: Expected to perform in line with the market
UNDERPERFORM: Expected to underperform the market by 10% per annum
SELL: Expected to underperform the market by more than 10% per annum



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