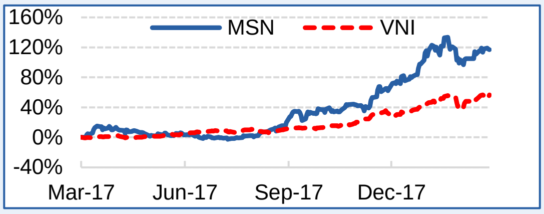
Masan Group [MARKET PERFORM +5.1%]

Update Report

Industry:	**Diversified**
Report Date:	**March 13, 2018**
Current Price:	VND95,200
Current Target Price:	VND100,100
Previous Target Price:	VND80,600
Upside to TP:	+5.1%
Dividend Yield:	0%
TSR:	+5.1%

	2017	2018F	2019F	2020F
Rev Growth	-13.1%	12.9%	12.6%	10.2%
EPS Growth	10.8%	32.1%	37.3%	34.0%
GPM	30.9%	31.1%	31.2%	31.6%
NPM	8.2%	8.9%	10.8%	13.1%
EV/EBITDA*	13.8x	11.2x	9.6x	8.5x
P/Op CF	30.7x	17.9x	14.5x	11.8x
P/E	34.9x	26.4x	19.3x	14.4x



Market Cap:	$4.4 bn
Foreign Room:	$869.0 mn
ADTV30D:	$2.6 mn
State Ownership:	0%
Outstanding Shares:	1,047.4 mn
Fully Diluted Shares:	1,047.4 mn
3-yr PEG	1.0

	MSN	VNI
P/E (ttm)	34.9x	20.6x
P/B (curr)	6.7x	3.1x
Net D/E	1.3x	N/A
ROE	20.6%	15.0%
ROA	5.3%	2.3%

*EBITDA includes shared profits from associates

Company Overview

Masan Group operates in the branded food and beverage sector and in the animal protein value chain. Other businesses include mining and a significant holding in a bank.

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Ready for emphatic bounce-back

- We update on MSN with a MARKET PERFORM rating, upside of 5.1%.
- Normalized NPAT-MI slid 22% YoY in 2017 due to distributor de-stocking in F&B and slumping pig feed sales. Reported NPAT-MI rose 11% on a one-off gain from selling Techcombank CBs.
- We forecast 2018 NPAT-MI to surge 74% YoY on normalized basis and 22% on reported basis, driven by revived F&B growth, stronger metal prices and increased shared profits from associates.
- Potential catalysts to an upgrade in our recommendation: (1) stronger-than-expected growth in F&B business; (2) corporate developments at Masan Resources (MSR) that validate its current market cap of USD998mn, 76% higher than our current valuation; and (3) realized valuation of Techcombank (TCB) upon its planned capital raising and listing, announced in its recent AGM.

Aggressive product launching and branding to jumpstart F&B growth. Distributor de-stocking in 2017 allowed Masan Consumer Holding (MCH) to switch its model from sales driven to brand building, which will underpin its array of brand refreshments, innovations and new launches in 2018 (more details on page 7). Besides the recovery in legacy categories, sales growth will be fuelled by the distribution expansion in energy drinks, processed meats and beer. Meanwhile, net savings from fewer trade promotions and absence of one-off expenses related to de-stocking will further prop up earnings. We pencil in 21% top line growth and 58% EBIT growth in 2018 for MCH.

Prolonged pig price weakness will likely weigh on Masan Nutri-Science (MNS); meat sales to begin in Q4 2018. Despite some recovery, pig livestock prices are still staying below the industry production costs. MNS's new tier-2 product, Bio-zeem Xanh, should support sales but margins will likely take a hit due to lower ASP. On the other hand, MNS plans to start selling its branded, chilled fresh meat in Q4 2018, which, if successful, will upgrade MNS's outlook significantly owing to the meat sector's large market size, wider margins (meat GPM of 30%-35% per Masan), and a de-risking in MNS's meat value chain, i.e. insulating the business from livestock cycles.

ASP hikes to buoy MSR in 2018. Tungsten supply and demand have been rebalanced owing to a shutdown/suspension in high-cost mines and rising costs in China due to stricter environmental standards while demand is strengthening. We forecast MSR's EBITDA will advance 22% in 2018 vs 2017. Meanwhile, plans to raise fresh capital for MSR in 2018 remain on the table, which could support MSR's deleveraging process and lessen Masan's exposure to this business.

Deleveraging to further bolster the bottom line. We project MSN's net debt/EBITDA (excluding shared profits from associates) to fall from 3.6x as of YE2017 to 1.8x as of YE2020. Accordingly, we forecast MSN will deliver an NPAT-MI CAGR of 31% between 2017-2020 compared to an EBIT CAGR (including shared profits from associates) of 21%.

2017 recap: F&B de-stocking and depressed swine prices hurt earnings, cushioned by shared profits from associates

Figure 1: MSN's 2017 results

VND bn	2016	2017	YoY	VCSC comments
Net revenue	**43,297**	**37,621**	**-13%**	
Branded F&B	14,826	13,526	-9%	Declined mainly because of de-stocking at distributors. Inventory value at distributors contracted by VND1tn (USD44mn) in 2017. Worst performing categories: seasonings (-11%), coffee (-15%) and beer (-67%). Best performing categories: non-alcoholic beverages (+25%), processed meat (+511%).
Animal feed	24,423	18,690	-23%	Masan's pig feed volume shrank 34%, of which Bio-zeem fell 30%, due to the oversupply crisis in the pig livestock market.
Mining	4,049	5,405	33%	Both volume and prices stepped up.
Operating profit	**6,023**	**4,429**	**-26%**	
Branded F&B	2,736	1,862	-32%	Masan Consumer (MSC)'s selling expenses rose 15% YoY in 2017 to support sell-out. Masan Brewery (MSB) suffered from sales deductions as it had to take back inventory from the failed expansion into the North in 2016.
Animal feed	2,446	1,270	-48%	MNS shored up support to farmers and distributors through the crisis to consolidate market share, resulting in a spike in SG&A/sales.
Mining	877	1,431	63%	Margins expanded on higher ASP and operating leverage
Others	-37	-134	267%	Mostly parent expenses
NPAT pre-MI	**3,773**	**3,608**	**-4%**	
NPAT-MI	**2,792**	**3,103**	**11%**	
Normalized NPAT-MI	**2,792**	**2,170**	**-22%**	Excluding VND933bn (USD41mn) in gain from selling TCB convertible bonds (CBs).
Shared profits from associates	***980***	***2,044***	***109%***	

Source: MSN & VCSC

MCH: de-stocking dampened results; new categories gaining positive traction

Figure 2: MCH's 2017 revenue breakdown

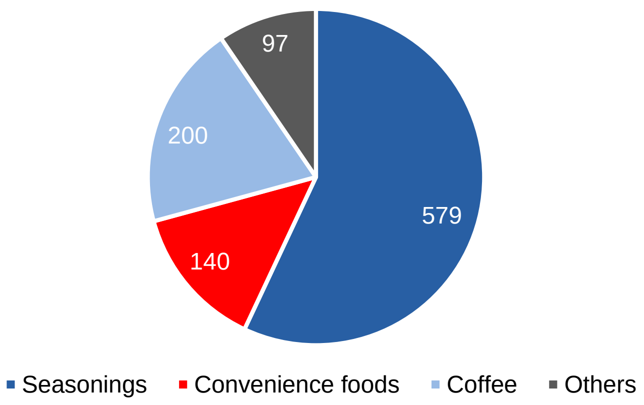
VND bn	H1 2017	YoY	H2 2017	YoY	2017	YoY
Net revenue	**5,496**	**-13%**	**8,029**	**-5%**	**13,526**	**-9%**
Seasonings	2,195	-7%	2,964	-14%	5,159	-11%
Convenience foods	1,468	-19%	2,117	17%	3,585	-1%
Processed meat	88	363%	132	677%	220	511%
Beverages & others	1,712	5%	2,538	-7%	4,250	-2%
Beer	34	-94%	278	-44%	312	-70%

Source: MSN

Stock value at distributors dwindled from VND2.2tn (USD98mn) in 2016 to VND1.2tn (USD53mn) in 2017 as MCH switched business model from push to pull. To facilitate its strategic shift from relying on trade promotions to focus on branding activities, Masan actively eased sell-in to reduce stock at distributors. Although this initiative hurt 2017 financial results (revenue is recognized when Masan delivers the goods to distributors), it will benefit Masan in 2018 and beyond because (1) it shortens the route-to-market for Masan's new products because distributors tend to prioritize selling old products. Inventory days at Masan's F&B distributors have fallen from over three months to below one month; and (2) it reduces spending on trade promotions and Masan can use those savings to invest more in marketing and innovations, which will produce a greater impact on end consumers.

Seasonings were hit the most by de-stocking. Seasonings inventory value at distributors contracted by VND579bn (USD25mn) in 2017, accounting for more than half of the total inventory reduction. Adjusting for this, reported seasonings revenue would have stayed flat vs 2016. This inventory clearance has paved the way for Masan's new premium launches in H2 2017 with more to come in 2018 (more details on page 7), which will stage a robust recovery for this category in our view.

Figure 3: Breakdown of the VND1tn (USD45mn) decrease in distributor stock level in 2017



Source: MSN (numbers are in VNDbn)

Convenience foods showed signs of recovery in H2 2017 thanks to launching new products. Revenue from convenience foods soared 17% YoY in H2 2017 vs a decrease of 19% YoY in H1 2017 owing to (1) its de-stocking was finished in H1 2017 and (2) Masan launched several premium variants in Q3 and Q4 2017 including Omachi Cup, Kokomi Dai ("Big Kokomi"), and Omachi Meat Cup.

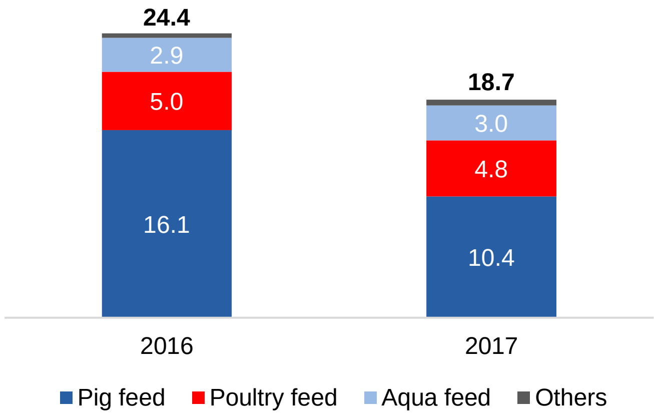
Beer sales are recovering following the re-launch in Q3 2017. After suffering from product returns in H1 2017 and backed by its re-launch in Q3 2017, Masan's beer sales have accelerated and started to match 2016's monthly run-rate. Monthly sales volume surged from 31,000 cases in July 2017 to 375,000 cases in October 2017 and 690,000 cases in December 2017. Per Masan, HCMC accounted for 19% of its beer sales volume in H2 2017 compared to 13% in H2 2016, which is positive to brand building because HCMC is a trendsetting hub.

Energy drinks (Wake-Up 247) were the star performer in 2017 as revenue surged 55% YoY driven by POS expansion. Wake-Up 247 is Masan's most successful innovation in the last few years as it pioneered the caffeine-based energy drink category. Wake-Up 247 revenue jumped to VND1.2tn (USD54mn) in 2017 as its number of POS expanded from 50,000 in 2016 to 75,000 in 2017. Soft drinks are expected to be an important growth pillar for MCH going forward.

Processed meat gained significant traction owing to the success of snack sausages. Based on our channel checks at retail outlets, snack sausages are well received by kids. Masan and Vissan (whom MNS owns 25%) dominate this category. Masan's snack sausage portfolio includes four sauce flavours (cheese, shrimp, corn cheese and spaghetti) while Vissan boasts six sauce flavours (cheese, corn cheese, tamarind, BBQ, mayonnaise and passion fruit). To widen its processed meat portfolio, in December 2017, Masan launched meal solution "3-Minute Meat Ball", which targets at in-home consumption. This product offers meat balls that can be warmed up with boiling water in three minutes or with microwave in one minute for convenient consumption.

MNS: suffers from pig oversupply crisis but has gained market share aided by active investments during the market downturn

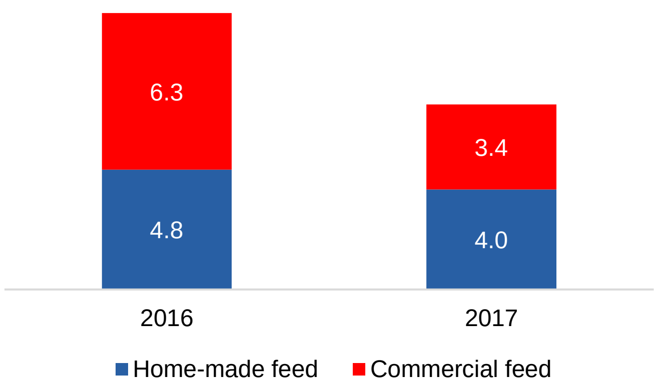
Figure 4: MNS's revenue breakdown by feed type (VND tn)



Source: MSN

Commercial pig feed market nearly halved in 2017 due to pig livestock crisis. After a boom year in 2016, Vietnam's pig livestock market became oversupply after China ceased its imports. This resulted in plunging pig prices and forced farmers to scale down their herds, which significantly weakened demand for pig feed. The damage on commercial pig feed was further amplified as farmers switched to home-made feed because productivity was no longer a priority amid depressed pig prices. Therefore, total commercial pig feed sales volume in Vietnam fell from 6.3 million tons in 2016 to only 3.4 million tons in 2017.

Figure 5: Breakdown of total pig feed sales volume in Vietnam (million tons)



Source: MSN

Masan secured additional market share as it shored up support to farmers and dealers. Masan's total pig feed volume dropped 34% YoY in 2017, which is less than the overall market, as its exit market share swelled from 30% as of YE2016 to 35% as of YE2017. During the crisis, Masan ramped up its spending to lock up key farmers and dealers, who can potentially consolidate the sector coming out of the crisis. This puts Masan in a strong position to extend its market leadership once the pig sector recovers.

MSR: Firmer ASP, improved throughput and recovery rates underpinned EBITDA to jump 37% vs 2016

MSR's revenue and EBITDA stepped up 33% and 37%, respectively, in 2017 vs 2016. This is on the back of:

A spike in metal prices. Regarding tungsten in particular, supply and demand have been rebalanced owing to a shutdown/suspension in high-cost mines, rising costs in China amid this country's stricter environmental standards and strengthening demand backed by recovering capex in oil and gas as well as manufacturing sectors.

Figure 6: Relevant metal prices

Commodity prices	Unit	Average 2016	Average 2017	% change	As of December 31, 2016	As of December 31, 2017
APT European Low	USD/mtu	182	239	31%	187	294
Bismuth Low	USD/lb	4.3	4.8	12%	4.6	5.1
Copper	USD/ton	4,863	6,166	27%	5,501	7,157
Fluorspar Acid Grade	USD/ton	260	345	33%	260	410

Source: MSN, Metals Bulletin, Industrial Minerals

Improvement in both throughput and recovery rates. Regarding the latter, tungsten recovery rate climbed from 63% in 2016 to 67% in 2017 while fluorspar recovery rate improved from 49% to 57% thanks to upgrade projects in these circuits. Masan targets to nudge up tungsten recovery rate to at least 70% in 2018.

Figure 7: Summary of MSR's production

	Unit	2016	2017	Growth
Ore processed	'000 tons	3,642	3,888	7%
Tungsten concentrate (contained)	tons	6,357	6,483	2%
Tungsten equivalent units (contained)	tons	12,926	13,669	6%

Source: MSN

Selling down TCB convertible bonds to bring ownership to regulated level

As per MSN's Q4 2017 financial statements, in Q4 2017, Masan sold 11.7 million TCB CBs, equivalent to over 85.6 million TCB shares, generating net proceeds of VND3.8tn (USD167mn) and net gain of VND933bn (USD41mn). This CB sale, coupled with TCB's previous rights issue of 70 million shares that Masan did not participate in, curtailed Masan's effective ownership in TCB from 36.4% as of end-Q3 2017 to 25.2% as of end-Q4 2017.

In efforts to ultimately reduce its effective ownership in TCB to 20% to comply with regulations, Masan sold forward another 2.4 million TCB CBs in December 2017. Per the company, this forward contract will settle in two years, i.e. end of 2019. Amid a lack of details regarding the selling price, we have not factored in this transaction in our model.

2018 outlook: MCH to spearhead Masan's emphatic bounce-back, further supported by MSR and profits from associates

Figure 8: VCSC's FY18 forecasts

VND billion	2017	2018F	YoY	VCSC comments
Revenue	**37,621**	**42,474**	**12.9%**	
Branded F&B	13,526	16,302	20.5%	Absence of distributor de-stocking, new product launches and higher ASP to drive 10%-15% growth in seasonings, convenience foods and coffee. Energy drinks forecast to soar 30% on the back of distribution expansion and launches of new variants. Processed meat is forecast to surge by 2x vs 2017 while beer is projected to jump by 1.5x vs 2017 backed by widening distribution and new launches.
Meat value chain	18,690	19,886	6.4%	Driven by new value-for-money Bio-zeem Xanh variant, which aims to convert farmers from using homemade feed to commercial feed. Assuming that pig prices will recover above industry production costs in mid-2018, which will stimulate pig farming activities in the second half of 2018.
Mining	5,405	6,286	16.3%	Mainly driven by firmer selling prices. Does not incorporate processing of third-party tungsten concentrate to utilize MSR's excess capacity per management's plan. We pencil in an average tungsten price of USD260/mtu in our model, which is conservative compared to current level of USD320-325/mtu.
Gross profit	**11,632**	**13,193**	**13.4%**	
Branded F&B	5,897	7,211	22.3%	
Meat value chain	3,991	3,693	-7.5%	
Mining + others	1,743	2,288	31.3%	
Selling exp.	-5,291	-5,531	4.5%	Normalizing after one-off investments at MCH and MNS in 2017.
G&A exp.	-1,912	-1,934	1.1%	
Operating profit	**4,429**	**5,728**	**29.3%**	
Interest expenses	-3,435	-3,025	-11.9%	Smaller average debt balance in 2018 vs 2017.
Non-operating profit	3,145	2,560	-18.6%	VND933bn (USD41mn) in gain from selling TCB CBs in 2017.
Profit before tax	**4,139**	**5,263**	**27.2%**	
NPAT	**3,608**	**4,572**	**26.7%**	
NPAT-MI, in which:	**3,103**	**3,772**	**21.6%**	
Shared profits from associates	***2,044***	***2,455***	***20.1%***	
Normalized NPAT-MI	**2,170**	**3,772**	**73.8%**	
EBITDA (excl. shared profits from associates)	7,434	9,248	24.4%	
GPM	30.9%	31.1%		
Branded F&B	43.6%	44.2%		Blended GPM to improve in 2018 as beer segment no longer suffers from returns of unsold products as it did in 2017.
Meat value chain	21.4%	18.6%		Higher price discounts and contribution from Bio-zeem Xanh.
Mining + others	32.3%	36.4%		Margins to broaden on stronger ASP and operating leverage.
Selling exp as % of rev	14.1%	13.0%		
G&A as % of rev	5.1%	4.6%		
Operating margin	11.8%	13.5%		
EBITDA margin	19.8%	21.8%		
NPAT margin	9.6%	10.8%		
NPAT-MI margin	8.2%	8.9%		
Effective tax rate	12.8%	13.1%		

Source: VCSC

MCH: aggressive product launching and branding to jumpstart growth

In the past, we kept stressing product breakthrough as the most critical factor to reviving Masan's F&B growth, which is why we are encouraged to see the company's shift in strategy to focus on product innovation and branding activities. We also like Masan's strategy to premiumize its fish sauce and instant noodle portfolio given consumer's rising preference for more natural fish sauce and the stiff price competition in the economy and mainstream segments of instant noodles. Thanks to lower inventory days at distributors, now Masan will be able to push its new products to the market more quickly, as the company aims to make its new products available at the first 150,000 POS within 7-10 days.

Figure 9: MCH's product launching pipeline for traditional categories

	H1 2017	H2 2017	H1 2018	H2 2018
Seasonings ***Up-trade consumers + upgrade portfolio***	Launched Nam Ngu Phu Quoc, ~200% premium to the highest price of Nam Ngu portfolio.	Relaunched Chinsu chilli sauce with price increase of 2-5%. Relaunched Nam Ngu with price increase of 5%. Launched Chinsu Man Ma, ~200% premium to the highest price SKU of fish sauce portfolio Launched Tam Thai Tu Thuong Hang, ~70% premium to the highest price SKU of Tam Thai Tu portfolio	Launch Chinsu granule Launch Chinsu oyster sauce	Launch Chinsu mayonnaise
Convenience foods ***Upgrade image of current brands + introduce a new brand for Millennials***		Launched Kokomi Dai, ~40% premium to Kokomi Base Launched Omachi Cup, ~25% premium to Omachi Base Launched Omachi Meat Cup, ~75% premium to Omachi Base	Launch Kokomi Cup, ~130% premium to Kokomi Dai Base Relaunch Omachi brand Relaunch Kokomi brand Launch Omachi Special Box Launch a new brand for Millennials	Launch Kokomi Dai Boiling Noodle Launch Omachi Boiling Noodle
Coffee ***Build Wake-up as nationwide and premium brand + maintain Vinacafe as heritage brand***		Relaunched Wake-up brand and expanded to the North		Launch a coffee extension brand

Source: MSN

Figure 10: MCH's strategic initiatives for newer categories

Category	Key strategic initiatives
Non-alcoholic drinks	Expand energy drink portfolio, including heavy-duty and light energy drink innovations Launch a new mineral water brand and new pack sizes Launch mineral-based drinks, RTD tea, juice and Asian specialty drinks in 2019
Processed meat	Launch sterilized sausage in H1 2018 Build up "Heo Cao Boi" (Cowboy Pig) as a processed meat power brand
Beer	Plans to launch two premium beer lines within H1 2018 Leverage on beverage distribution network

Source: MSN

MNS: to launch branded chilled fresh meat in Q4 2018

A success with meat will strengthen MNS's growth/risk profile substantially. Ever since its acquisition of Masan Nutri-Science, Masan's vision has always been about building a fully-integrated branded meat platform, which will enable it to tap into a much larger market instead of just animal feed, while generating both higher and more stable margins. As such, Masan's roll-out of its branded meat platform in Q4 2018 and 2019 will be a key development to watch.

Pig farm already began operating; meat processing complex under construction. Masan's pig farm in Nghe An province (central-northern Vietnam) commenced operations in December 2017. The farm boasts a capacity of 10,000 sows, which translates to 230,000-250,000 porkers/year. On February 4, 2018, Masan held the ground-breaking ceremony for its meat processing complex in Ha Nam province (northern Vietnam), which is capable of processing up to 1.4 million porkers/year.

Masan plans to start selling branded, chilled fresh meat in Q4 2018. Masan expects to announce a strategic hire in April/May 2018, who will lead its branded meat platform. Per Masan, it will likely price its meat products at a premium of 5%-10% to wet markets thanks to the traceability as well superior quality and safety of its meat. Hanoi will be the first market for Masan's meat, where the company plans to open numerous retail shops for branding purpose. Distribution will cover both modern trade and general trade (including wet markets).

We pencil in nearly VND138bn (USD6mn) and VND572bn (USD25mn) in meat sales in 2018 and 2019, respectively. This is based on our assumption that the pig farm in Nghe An will operate at roughly 50% capacity in 2019. Meanwhile, profits will be negligible in these two years due to suboptimal scale.

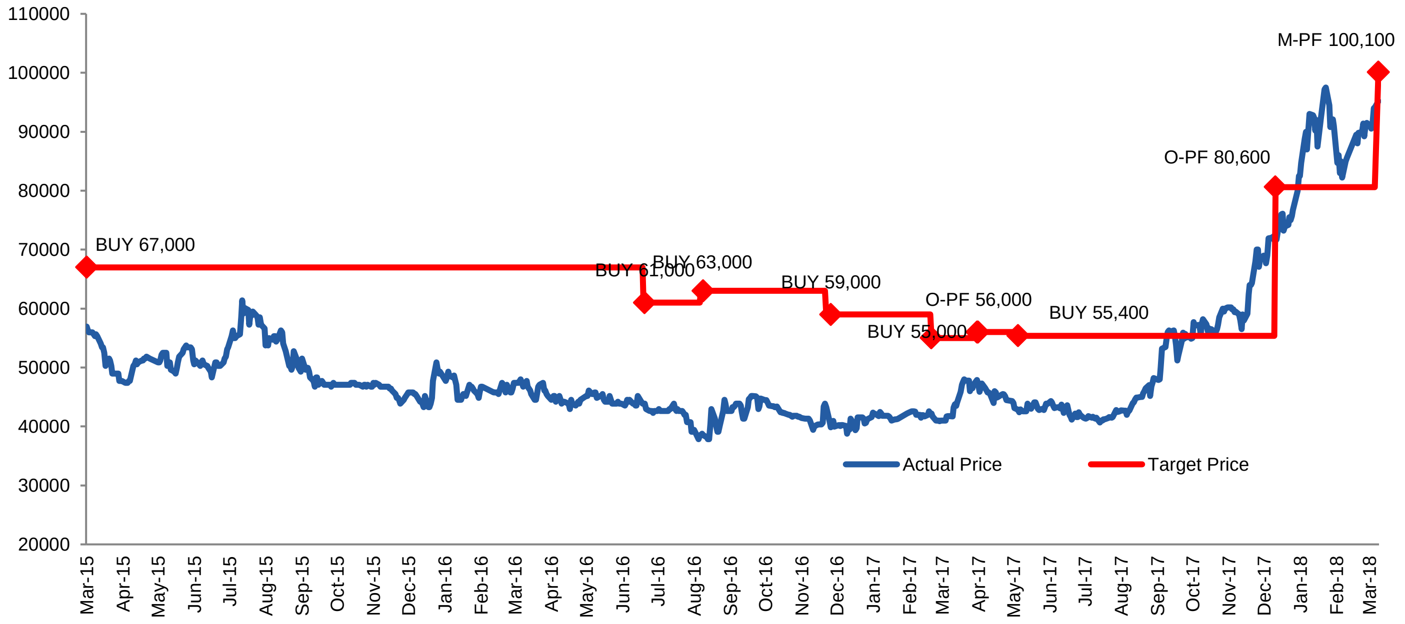
Valuation

Figure 11: Valuation summary

VND billion	Method	Equity value	MSN's ownership	MSN's interest	Implied valuation multiples
Masan Consumer Holding	DCF	64,761	85.7%	55,500	2018 PER of 24.8x for MSC 2018 P/S of 1.0x for MSB
Masan Nutri-Science	PER	21,703	82.4%	17,883	2018 PER of 26.5x 2019 PER of 15.0x
Masan Resources	DCF	11,898	96.0%	11,422	2018 EV/EBITDA of 7.1x
Net debt at holdco level				-9,532	
Associate company	PBR	109,667	25.2%	27,657	
Cholimex investment	BV		27.3%	207	
Vissan investment	BV		20.5%	1,760	
Total equity value				**104,898**	
Share count (mn)				1,047.4	
Target price (VND)				**100,100**	

Source: VCSC

History of recommendations



VIET CAPITAL SECURITIES

Financial Statements

INCOME STATEMENT (VND bn)	2017	2018F	2019F
Revenue	**37,621**	**42,474**	**48,003**
COGS	-25,989	-29,281	-33,012
Gross Profit	**11,632**	**13,193**	**14,991**
Sales & Marketing exp,	-5,291	-5,531	-5,974
General & Admin exp,	-1,912	-1,934	-2,110
Operating Profit	**4,429**	**5,728**	**6,907**
Financial income	1,405	365	327
Financial expenses	-3,696	-3,285	-3,085
In which, interest expense	-3,435	-3,025	-2,825
Share profit/loss from associates	2,044	2,455	2,944
Net other income/(loss)	-43	0	0
Profit before Tax	**4,139**	**5,263**	**7,093**
Income Tax	-531	-691	-860
NPAT before MI	**3,608**	**4,572**	**6,233**
Minority Interest	-505	-800	-1,055
NPAT less MI, reported	**3,103**	**3,772**	**5,178**
NPAT less MI, adjusted	**2,170**	**3,772**	**5,178**
EBITDA	7,434	9,248	10,749
EPS basic reported, VND	2,727	3,601	4,944
EPS basic adjusted(1), VND	1,907	3,601	4,944
EPS fully diluted(1), VND	1,907	3,601	4,944

(1) Adjusted for one-off items

RATIOS	2017	2018F	2019F
Growth			
Revenue growth	-13.1%	12.9%	13.0%
Operating profit (EBIT) growth	-26.5%	29.3%	20.6%
PBT growth	-6.9%	27.2%	34.8%
EPS growth, adjusted	-22.5%	88.8%	37.3%
Profitability			
Gross Profit Margin	30.9%	31.1%	31.2%
Operating Profit, (EBIT) Margin	11.8%	13.5%	14.4%
EBITDA Margin	19.8%	21.8%	22.4%
NPAT less MI Margin, adj,	8.2%	8.9%	10.8%
ROE	20.6%	23.6%	26.3%
ROA	5.3%	7.1%	9.3%
Efficiency			
Days Inventory On Hand	68	62	66
Days Accts, Receivable	12	10	8
Days Accts, Payable	33	27	27
Cash Conversion Days	47	45	48
Liquidity			
Current Ratio x	1.0	0.8	1.0
Quick Ratio x	0.6	0.4	0.5
Cash Ratio x	0.5	0.3	0.4
Debt / Assets	54.8%	50.4%	42.9%
Debt / Capital	63.2%	59.3%	50.9%
Net Debt / Equity	132.2%	125.5%	81.1%
Interest Coverage x	1.3	1.9	2.4

BALANCE SHEET (VND bn)	2017	2018F	2019F
Cash & cash equivalents	7,417	3,912	5,888
Short term investment	640	640	640
Accounts receivables	1,222	1,047	1,184
Inventories	4,333	5,616	6,331
Other current assets	1,533	1,247	1,409
Total Current assets	**15,145**	**12,462**	**15,452**
Fix assets, gross	39,915	44,818	46,708
- Depreciation	-8,248	-10,885	-13,844
Fix assets, net	31,668	33,933	32,863
LT investment	11,338	13,783	16,721
LT assets other	5,378	4,955	4,531
Total LT assets	**48,384**	**52,671**	**54,116**
Total Assets	**63,529**	**65,132**	**69,568**
Accounts payable	2,105	2,363	2,608
Short-term debt	9,166	8,118	8,118
Other ST liabilities	4,261	4,811	5,437
Total current liabilities	15,533	15,293	16,164
Long term debt	25,630	24,741	21,741
Other LT liabilities	2,140	2,548	2,880
Total Liabilities	**43,303**	**42,582**	**40,785**
Preferred Equity	0	0	0
Paid in capital/Issued capital	11,574	11,574	11,574
Add'l share capital/share premium	6,856	6,856	6,856
Retained earnings	12,350	15,569	20,747
Other equity	-15,943	-16,908	-16,908
Minority interest	5,388	5,460	6,515
Total equity	**20,225**	**22,550**	**28,783**
Liabilities & equity	**63,529**	**65,132**	**69,568**

CASH FLOW (VND bn)	2017	2018F	2019F
Beginning Cash Balance	**13,149**	**7,417**	**3,912**
Net Income	3,103	3,772	5,178
Dep, & amortization	2,611	2,950	3,272
Change in Working Capital	-152	-14	-143
Other adjustments	-2,317	-1,137	-1,447
Cash from Operations	**3,244**	**5,571**	**6,860**
Capital Expenditures, net	-2,100	-4,903	-1,889
Investments, net	4,757	-1,683	5
Cash from Investments	**2,657**	**-6,586**	**-1,884**
Dividends Paid	-2,713	-553	0
∆ in Share Capital	-5,877	0	0
∆ in ST debt	548	-1,048	0
∆ in LT debt	-6,842	-889	-3,000
Other financing cash flows	3,252	0	0
Cash from Financing	**-11,632**	**-2,491**	**-3,000**
Net Change in Cash	**-5,732**	**-3,505**	**1,976**
Ending Cash Balance	**7,417**	**3,912**	**5,888**

VCSC Rating and Valuation Methodology

Absolute, long term (fundamental) rating: The recommendation is based on implied total return for the stock defined as (target price – current price)/current price + dividend yield, and is not related to market performance.

RATING	DEFINITION
BUY	Total stock return including dividends over next 12 months expected to exceed 20%
OUTPERFORM (O-PF)	Total stock return including dividends over next 12 months expected to be positive 10%-20%
MARKET PERFORM (M-PF)	Total stock return including dividends over next 12 months expected to be between negative 10% and positive 10%
UNDERPERFORM (U-PF)	Total stock return including dividends over next 12 months expected to be negative 10%-20%
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