

03 January 2025

CONSUMER STAPLES & FOOD RETAIL

Commissioned Research

Stock data

Price (VND)	69,700
USD/VND	25,432
Bloomberg Ticker	MSN VN
Value range (VND)	130,800
Market cap (VNDmn)	105,451,088
Market cap (USDmn)	4,146
No. of shares (mn)	1,513
Free float	52%
ADV (USDmn)	17.9

Market performance in VND

YTD return (%)	10%
3-month return (%)	-1%
1-yr return (%)	11%
Expected dividend yield	1%

Share price performance



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Value release and re-rating on the cards

The pending listing of Masan Consumer in mid-2025 could lead to an estimated value release (MSN's share) of up to USD5.8bn vs its current mkt cap of USD4.4bn. Inclusive of its other modern trade and consumer facing business units, we see an equity valuation range of USD7.3-8.3bn (VND122,100-142,400 per share) for MSN today.

Delivering EPS growth from a unique footprint in Vietnam

The Masan Group (MSN) equity story is one of a nationwide vertically-integrated packaged food and meats company, complemented by multiple retail customer touch points. As Vietnamese consumers increasingly turn to modern trade, we believe Masan's unique network can help drive top-line growth (12.3% 3-year CAGR), which in-turn will drive high and sustainable EPS growth (85.4% avg. from 2024e through 2026e).

ROICs should improve as MSN becomes a leaner company

MSN is looking to exit its cyclical exposures and optimise its balance sheet. We believe a c14% and c20% pro-forma ROIC and ROE are immediately achievable, if Masan High Tech Materials (MHT) is fully de-consolidated. Lastly, at the April 2024 AGM, the group Chairman and CEO committed to a renewed focus on organic growth and a ROI approach (in-lieu of M&As).

De-risking financing contingents is key, but clear value exists

We believe the market has penalised MSN on perceived contingent risks, which (as we will show) can easily be assuaged. The market is applying near zero value to MSN's other business units (its 19.8% stake in Techcombank is worth VND26,832 per share). We see several sources of tangible value within the group, and mgmt. are focused on realisation.

Key financial highlights (Dec. year-end)

In VNDbn, unless otherwise stated	2023a	2024e	2025e	2026e
Revenue	78,252	84,201	89,622	104,426
EBITDA	13,342	15,672	18,339	22,357
Net income	248	1,878	4,619	6,883
EPS (VND)	174	1,264	3,053	4,549
P/E	400.6x	55.1x	22.8x	15.3x
DPS (VND)	0	400	400	600
Dividend yield	0.0%	0.6%	0.6%	0.9%
BVPS (VND)	18,562	27,821	30,474	34,624
P/B	3.8x	2.5x	2.3x	2.0x
RoAE	1.3%	4.0%	4.7%	6.8%
Net debt (cash)/ equity	1.8x	1.1x	0.9x	0.7x
EV/ EBITDA	12x	10.3x	8.4x	6.4x
Free cash flow yield	0.0%	0.6%	0.6%	0.9%
EBITDA margin	17.1%	18.6%	20.5%	21.4%

Source: MSN financial statements and EFC estimates

Key Financials

Figure 1: Summary per share and valuation data

In VNDbn, unless otherwise stated	2023a	2024e	2025e	2026e
Per Share				
EPS (VND)	174	1,264	3,053	4,549
DPS (VND)	0	400	400	600
BVPS (VND)	18,562	27,821	30,474	34,624
Valuation Metrics				
Price to earnings	400.6x	55.1x	22.8x	15.3x
Price to book value	3.8x	2.5x	2.3x	2.0x
Price to cash flow	11.4x	38.1x	8.8x	6.7x
FCF yield	0.0%	0.6%	0.6%	0.9%
Dividend yield	0.0%	0.6%	0.6%	0.9%
EV/EBITDA	12x	10.3x	8.4x	6.4x
EV/Invested capital	1.8x	1.7x	1.6x	1.5x
RoAIC	1.6%	10.0%	10.0%	13.1%
RoAE	0.9%	5.5%	10.5%	14.0%
KPIs				
Revenue growth (Y-o-Y)	2.7%	7.6%	6.4%	16.5%
EBITDA growth (Y-o-Y)	-7.0%	17.5%	17.0%	21.9%
Gross margin	28.3%	29.9%	32.5%	33.1%
EBITDA margin	17.1%	18.6%	20.5%	21.4%
Effective tax rate	27.0%	18.2%	18.2%	18.2%
Net Debt (Cash) /Equity	1.8x	1.1x	0.9x	0.7x
Net Debt (Cash) /EBITDA	3.9x	3.2x	2.5x	1.8x

Source: MSN Financial Statements, EFC estimates

Figure 2: Summary Financials

In VNDbn, unless otherwise stated	2023a	2024e	2025e	2026e
Income Statement				
Revenue	78,252	84,201	89,622	104,426
EBITDA	13,342	15,672	18,339	22,357
Op Profit	4,179	5,432	7,427	10,176
Taxes	-693	-1,356	-1,602	-2,319
Minority interest	-1,451	-1,886	-2,579	-3,534
Net income	248	1,878	4,619	6,883
Balance Sheet				
Cash & equivalents	16,919	11,365	7,604	11,376
Total assets	147,383	154,198	149,419	156,156
Total liabilities	50,384	51,387	42,149	43,627
Total equity	38,237	55,656	62,249	72,061
Total net debt (cash)	52,653	49,435	46,285	39,563
Cash Flow Statement				
Cash operating profit after taxes	8,139	9,552	10,969	13,230
Change in working capital	631	-5,070	-3,006	826
CAPEX	-2,211	-2,947	-3,137	-3,655
Investments	-476	1,461	0	0
Free cash flow	6,084	1,284	8,796	12,174
Net financing	-595	-2,358	-7,516	-3,556
Change in cash	-593	-5,554	-3,761	3,772

Source: MSN Financial Statements, EFC estimates

Executive Summary

Key disclosures:

Please see the key disclosures in the Appendix.

Overall, we forecast a 2024e and 2025e EV for the group of USD7.6bn and USD8.3bn, respectively. The equity value of the group ranges from USD7.3bn to USD8.3bn, depending on your start EV. We highlight that MSN's net debt position is almost completely offset by our valuation range of its stake in Techcombank (TCB), which is at a 21% premium to its share price. Looking over the next two years, we forecast MSN's equity valuation rising to USD10.4bn by 2026e – MSN's market cap. is USD4.4bn now.

Figure 3: Masan Group equity valuation range, 2023-26e (USDbn)

	2023a	2024e	1H25e	2025e	2026e
MSN Opco EV	6.49	7.84	8.29	9.93	7.84
TCB	1.60	1.74	1.81	1.99	1.74
Net debt	-2.17	-1.87	-1.79	-1.50	-1.87
Equity value	5.92	7.71	8.32	10.41	7.71

Source: EFC estimates.

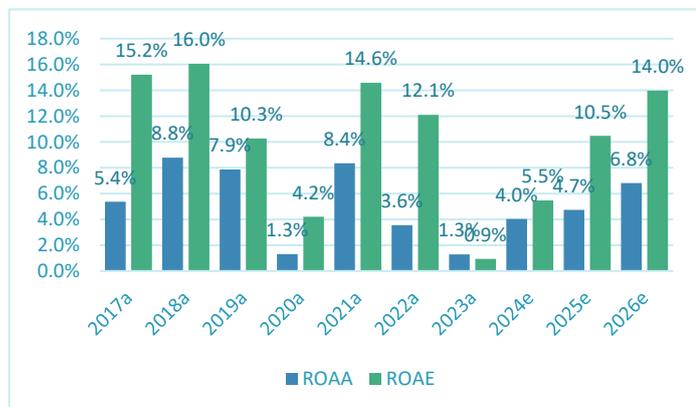
As earnings improve so will returns

We forecast that MSN's ROAE will return to pre-covid mid-teen levels over the next three years on improving top-line growth group wide.

Simultaneously, we forecast interest coverage and gearing ratios will also improve on higher profitability and ongoing de-leveraging efforts.

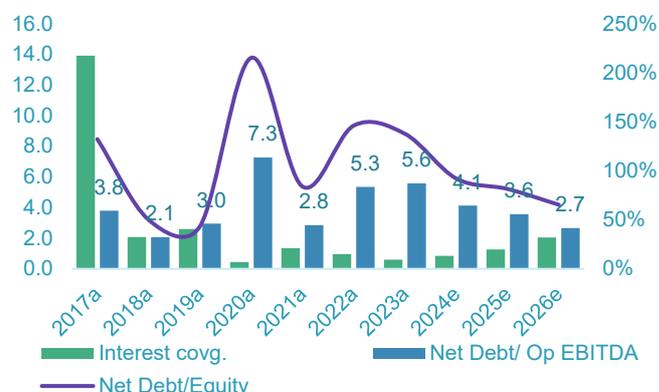
This assumes MSN does not deconsolidate Masan High Tech Materials (a stated mgmt. goal), as this would give its ROE an immediate boost (see pg. 15) to north of 20%, on our estimates.

Figure 4: MSN's ROAA and ROAE outlook



Source: MSN Financial statements, EFC estimates

Figure 5: MSN's leverage ratio outlook



Source: MSN Financial statements, EFC estimates

MCH HoSE listing is a key catalyst

The mainboard listing of Masan Consumer Corp (MCH) in 1H25e will result in a substantial value and liquidity release, which, in our view, should boost Masan's share price. We believe MCH could be worth cUSD8.6bn, of which 67.4% (USD5.8bn) would accrue to MSN's shareholders.

In addition, at current share prices investors are allocating nearly zero value to any of Masan group's other key business units and principal associates. Closing this sizable discount (to our SOTP valuation range) requires MSN to deliver on value creation/release across its diverse holdings and simultaneously de-risk some of its financing structures.

Nationwide reach



Source: Masan Group

In the medium term, MSN offers unique Vietnam exposure

Masan will continue to offer investors diversified exposure to Vietnam's market and economy. In addition to its food retail and nascent fresh meat businesses, it continues to have strong / leading positions in FMCG plus beverages, as well as sizable exposure to the Vietnamese banking system.

Owing to Vietnam's Foreign Ownership Limit (FOL) rules, where banks are typically capped at 30%, while retailers are mostly limited to 49% (and both are largely full), Masan offers investors a diversified consumer proxy in Vietnam's stock market. It has a near zero chance of seeing its FOL close and it offers decent liquidity ADTV (USD17.7mn/day).

With WinCommerce (Food retail) growth beckoning

We also believe that execution on revenue, EBITDA and net income growth at its food retail subsidiary WinCommerce (WCM) is mission critical for MSN's valuation outlook. Simply put WCM is the material point of customer interface, as well as a key driver of Masan Meat Life's (MML) top-line. It is also the key enabler of MCH's growing share of sales in modern trade. In addition, WCM is both a shop window for the group and the principal consumer touch point for the group's ongoing loyalty programmes and emerging super app and offline to online initiatives.

Invest in improving soft governance perceptions – as EM beckons

We believe the market is cautious on MSN given its historical funding structures and related dilution risks, as well as the ambiguity of its treasury activities, which generate high cash yields. This requires management to bolster its efforts in de-risking these funding structures and shifting towards distributions from subsidiaries and the group to beneficial stakeholders. Additionally, as MSN moves to list its key subsidiaries – having strong levels of INED representation (and empowerment) on these companies' Boards of Directors would help with governance perceptions.

ETF flows and EM upgrade trades will benefit MSN and MCH

MSN and MCH will be immediate beneficiaries of any Vietnam EM upgrade by FTSE to secondary emerging market status. If an upgrade happened (at today's share prices), we would expect to see USD94.5mn net inflows to MSN and USD55mn to MCH (equiv. 12.5% of the total upgrade flow of USD1.3bn), on our estimates.

Key risks

The key risk to our investment thesis is that MSN is unable deliver on revenue growth at the consolidated level. This is unlikely to happen at MCH - given its stellar history, but WinCommerce (and Masan MeatLife) could stumble. Particularly, if the shift from general to modern trade happens at a slower pace than the company and/or management anticipates.

Another risk is the long hoped for deconsolidation of MHT (which has been on the cards for some time now) but has not progressed or closed. We note that spinouts or in-specie equity distributions are not common in Vietnam, and almost unheard of in local capital markets. Masan has been looking for a buyer of this business for some time, and if MHT remains on the balance sheet, MSN's ROE will have a tough time getting above 20%, in our view.

The final risk is simply time and opportunity cost to the equity story. Over the next three years, as Vietnam progresses towards emerging market status, multiple institutions and investors will be having a look at Masan and Vietnam as well. If for whatever reason, one or both do not pass muster, then the opportunity to benefit from FTSE plus MSCI EM upgrades and an institutional centric and focused cap table of stature could be lost.

Where value sits in Masan Group

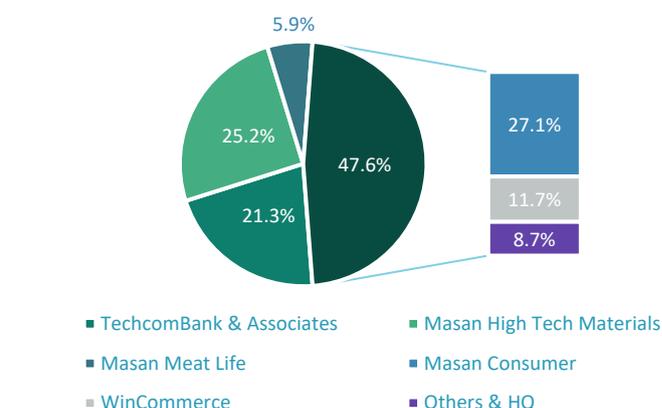
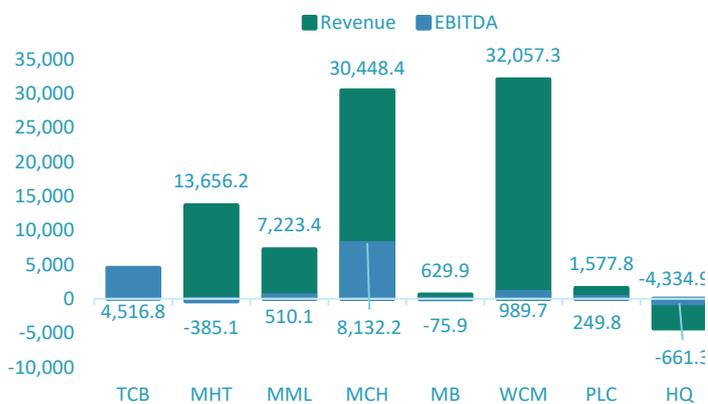
The ST value at Masan Group is in Masan Consumer Corp (MCH) and Techcombank (TCB). Combined these two entities delivered 3.6x of group (T12M – Sept. 2024) pre-minority profits (VND12.4trn vs VND3.4trn) owing to group leverage and other subsidiaries performance. They also account for 68.9% of consolidated assets.

Following this, WinCommerce (WCM) is the largest contributor to group revenue and third-largest contributor to EBITDA (before consolidation eliminations) it is also the second largest part of our SOTP. The final two components are Masan Meat Life (MML) and Phuc Long Heritage (PHL).

We value the group’s early stage and technology investments (MVNO - Mobicast & Trusting Social - big data & analytics) at cost. However, we expect them to play a leading role in the group’s consumer engagement aspirations, especially in customer acquisition and data analytics.

Figure 6: Masan’s T12M revenue and EBITDA

Figure 7: Masan’s assets as of 3Q24



Source: MSN Financial statements, EFC estimates

Source: MSN Financial statements

Masan’s consumer ecosystem – something of intangible value

Masan has the opportunity to create one of Vietnam’s best consumer databases (walled garden) on the back of its growing membership programme, which is supported by its national physical retail footprint. In the longer run, Masan hopes to evolve into a O2O platform complemented by multiple consumer touch points.

The key to success here will be acquiring quality first-party data on its customer base. MSN group (led by WCM) began this process through the launch of the WIN MBS membership platform, which has secured 8mn members over the past year. The next steps are to launch an app centred around the MBS programme that will drive this data and increase member acquisition. The MBS programme is targeting 30mn members by 2027, which is a third of the national population.

Masan has goals of deploying personalised digital marketing and using its urban and rural store network to deliver services and goods nationwide. Vietnam has very high smartphone penetration (approaching 90%) and this should help drive this goal. MSN’s investment in Mobicast (MVNO branded WinTel) and Trusting Social will be key enablers of this effort.

On a final note, MCH’s products touch over 98% of Vietnamese households (consumers) via one of the deepest distribution networks in Vietnam. Masan also has c340,000 general trade PoS backed up by 250 main distributors, in addition to touching c6,000 modern trade outlets nationwide.

Return and ROIC – a historical perspective

At an operating level, Masan Group has generated a 9.4% ROIC over the past decade. Including asset disposals, its ROIC jumps to 12.6%, which broadly means that Masan has met its mid-term trailing cost of capital of 11.1%

However, annual returns have been volatile ranging from a high of 19.3% (2021a) and a low of 3.8% (2020a). Over the past five years, MSN's operating ROIC has averaged only 9.4%, which also coincides with the acquisition of WinCommerce in late 2020.

Figure 8: Masan Group's and key subsidiaries ROICs

	2013a	2014a	2015a	2016a	2017a	2018a	2019a	2020a	2021a	2022a	2023a	Avg.
MSN	6.7%	8.2%	7.1%	12.9%	12.6%	13.7%	9.1%	3.8%	12.2%	9.9%	7.3%	9.4%
MSN*	8.5%	14.1%	10.9%	13.1%	14.4%	17.0%	15.2%	6.3%	19.3%	11.7%	8.5%	12.6%
MCH	58.7%	66.0%	51.5%	54.5%	47.5%	76.2%	83.7%	70.2%	88.2%	71.1%	111.3%	70.8%
MCH*	104.6%	124.0%	69.9%	64.0%	56.8%	87.2%	95.4%	79.9%	98.3%	81.2%	140.9%	91.1%
TCB	4.3%	5.9%	5.5%	10.0%	18.2%	15.3%	14.7%	15.0%	18.9%	17.7%	13.9%	12.7%
MHT (MSR)				4.8%	5.9%	8.0%	6.4%	-5.0%	8.0%	-0.8%	0.0%	3.4%
MML					11.3%	4.5%	5.5%	5.9%	16.2%	1.5%	-0.5%	6.4%

Source: EFC Capital, Group Financial statements.

Operating ROIC = (COGS-SG&A + Associates) * (1-Tax rate) / Invested Capital. TCB = associate income / MSN carrying value

* ROIC = PBT + Non-Op Inc + Associates + Int exp / Invested Capital (incl. other ST receivables in cash & equiv.)

The low points have coincided with ramping up the Nui Phao mine project, and the acquisition of WinCommerce in 2020. The high points in 2021 (disposal sale of MML's animal feed units) and 2017a when TCB's associate profit contributions accelerated.

Figure 9: Masan Group's historical cost of capital (past five years)

	5-Year avg.	2018a	2019a	2020a	2021a	2022a	2023a
Int. exp / avg. debt	8.3%	9.4%	7.2%	8.2%	7.8%	7.5%	9.9%
Target debt / equity	33%		50%	40%	33%	20%	10%
Cost of equity – K(e)	13.3%	After tax - K(d)			WACC		
Cost of debt (pre-tax)	8.3%	3.7%	8.5%	9.4%	10.1%	11.4%	12.3%
Risk free	5%	5.2%	9.2%	10.0%	10.6%	11.7%	12.5%
Adj. beta	1.035	6.7%	10.0%	10.6%	11.1%	12.0%	12.6%
Equity risk premium	6%	8.2%	10.7%	11.2%	11.6%	12.3%	12.8%
Country risk premium	2%	9.7%	11.5%	11.8%	12.1%	12.6%	12.9%
Statutory tax rate	20%	11.2%	12.2%	12.4%	12.6%	12.9%	13.1%

Source: Bloomberg, EFC calculations

In terms of the group's returns, two things stand out: i) MCH's ROIC is consistently more than 7x that of MSN's; and ii) TCB's ROIC has been steady, averaging 11.8% for the past decade, and 14.9% for the past five years. Neither MML nor MHT have generated adequate ROICs, largely due to the capital-intensive nature of MHT's business (mining) and the startup of MML's animal feed and meat processing facilities.

The large ROIC gap (MSN vs MCH) reflects earlier operating losses at WinCommerce and the effects of capital allocation into the LBO of WCM and low returns of MSR. With respect to Techcombank, it began paying dividends in 2023, which should increase returns to MSN going forward. Masan Consumer has consistently paid out nearly all profits as dividends (over the past decade), which is another factor behind its very strong ROIC.

A first look at Masan Consumer (MCH)

Masan Consumer Corp (MCH) is one of the most profitable FMCG companies in the region. It has generated an average ROIC of 70.8% over the past decade, while its avg. 3-year ROE is 31.4%, which ranks it in the 93rd percentile of a broad FEM and regional peer group of Food Producers (106 peers - MSCI GICS Sub-industry).

It also ranks in the 90th percentile in terms of EBITDA and net margins, MCH has generated a 10-year EPS CAGR of 8.3% since 2013a, it has also cumulatively paid 95% of reported EPS in dividends over the same period.

Figure 10: MCH – 10-year profit history (VNDbn)

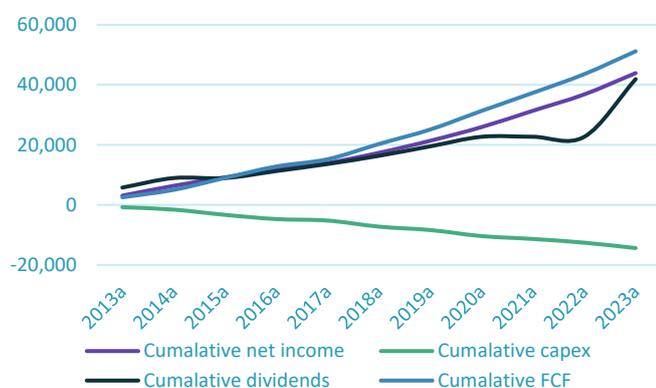
	2013a	2014a	2015a	2016a	2017a	2018a	2019a	2020a	2021a	2022a	2023a	7-Yr CAGR	10-Yr CAGR
Net revenues	11,943	13,098	13,212	13,790	13,214	17,006	18,488	23,343	27,774	26,977	28,241	10.8%	9.0%
Gross profit	4,999	5,771	5,948	6,250	6,033	7,618	7,958	9,919	11,791	11,132	12,974	11.0%	10.0%
SG&A	-2,548	-3,357	-3,195	-3,460	-3,735	-4,078	-3,833	-4,921	-5,853	-5,428	-6,254	8.8%	9.4%
EBITDA₁	2,880	2,886	3,322	3,474	2,972	4,226	4,809	5,783	6,777	6,518	7,377	11.4%	9.9%
D&A	-429	-472	-569	-684	-674	-686	-684	-785	-839	-814	-656	-0.6%	4.3%
EBIT	2,451	2,414	2,753	2,790	2,298	3,540	4,125	4,998	5,938	5,703	6,721	13.4%	10.6%
Net Finance	1,513	1,740	674	373	324	354	367	437	473	540	1,378		
Pre-Tax	3,964	4,154	3,427	3,163	2,622	3,894	4,492	5,435	6,411	6,243	8,099	14.4%	7.4%
Minorities & Taxes	-869	-887	-604	-483	-490	-527	-465	-879	-968	-792	-1,014		
Net profit	3,096	3,267	2,822	2,679	2,132	3,367	4,026	4,556	5,442	5,451	7,085	14.9%	8.6%
EPS ₂	4,460	4,666	4,143	3,905	3,085	4,196	4,980	6,453	7,657	7,612	9,888	14.2%	8.3%
DPS ₂	8,318	4,537	0	3,403	3,403	3,403	3,913	4,500	0	0	26,800	34.3%	12.4%

Source: EFC calculations, MCH Financial statements

₁) EBITDA = EBIT + D&A per cash flow statement ₂) EPS & DPS, adjusted for 15% stock dividend/bonus issues in 2018 & 2019

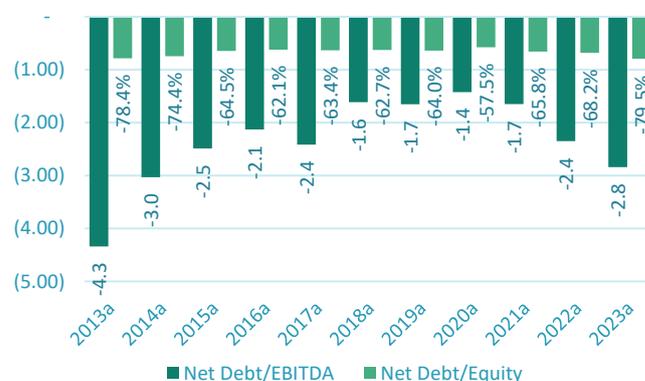
We use a simple earnings quality test to measure MCH's performance over the past 10 years. We see a tight relationship between cumulative net income, dividends paid, free cash flow and steady capex. The only divergence was a two-year pause in dividends post 2021, that is being made up by recent and sizable distributions of VND15.2trn in 4Q24. In addition, MCH has remained net cash every year for the past decade. These are hallmarks of classic consumer compounders, in our view.

Figure 11: Cumulative net inc., FCF, div. & capex



Source: MCH Financial Statements, EFC calculations

Figure 12: MCH's leverage profile

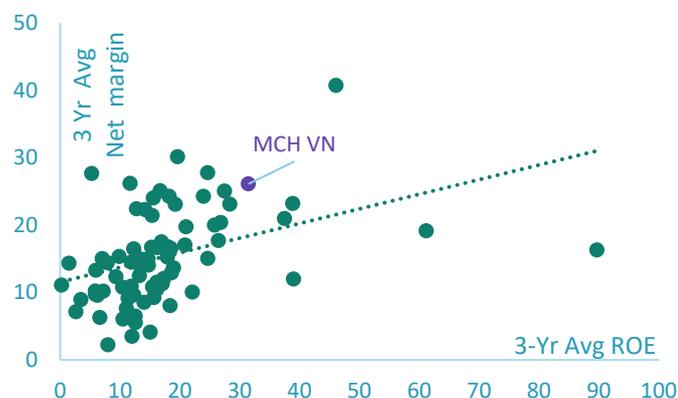


Source: MCH Financial Statements, EFC calculations

Local valuations feel low, given MCH's strong fundamentals

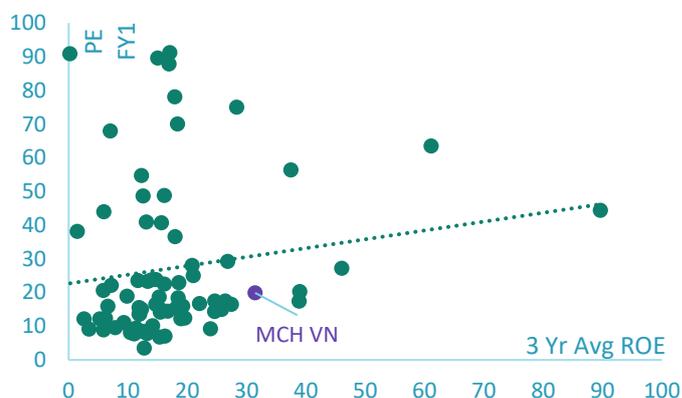
However, in Vietnam, MCH trades closer to the average multiples (EV/ EBITDA, P/E, P/B) of the same peer group. MCH has a nominal free float of 7% and trades on Vietnam's UCom OTC market and its 3M-ADVT is only USD0.58mn.

Figure 13: MCH's net margin vs ROE



Source: Bloomberg

Figure 14: MCH's P/E vs ROE



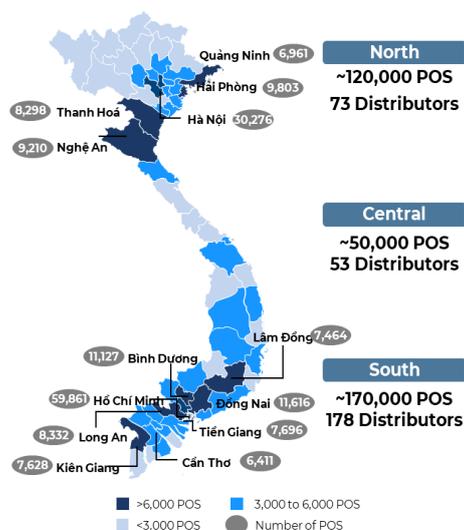
Source: Bloomberg

MCH appears undervalued as it trades at a P/E discount to peers, despite its higher ROE, superior margins and overall profitability. Its ROE outlook also has substantial scope for improvement as MCH has begun a process of upstreaming dividends, instead of maximising returns from its treasury activities. In addition, as a net cash entity, it has scope to optimise its capital structure going forward.

Figure 15: Peer summary - Masan Consumer Corp (MCH)

Ticker	Mcap (USD mn)	P/E (x)				P/B (x) Latest	EV/ EBITDA (x)			Div. yield (%) 2023a	EBITDA margin (%) T12M	Net margin 3 Yr Avg.	ROE (%) 3 Yr Avg.	Net debt / equity (%)	Net debt / EBITDA (x)
		2023a	2024e	2025e	2026e		2023a	2024e	2025e						
MCH VN	6,184.3	8.8	19.9	18.2	16.1	6.0	21.0	17.0	15.1	2.1*	26.1	21.6	31.4	-7.6	-0.3
MSN VN	4,211.6	37.0	48.8	29.2	20.8	3.6	18.5	13.7	11.0	0.0	10.5	5.0	16.2	137.7	5.7
Maximum	47,468.0	169.6	281.6	63.9	52.0	41.5	102.7	58.4	45.1	8.0	40.7	30.9	89.7	274.1	15.1
1st quartile	5,367.6	35.7	29.0	22.8	19.7	5.9	28.6	19.2	15.1	3.7	20.2	12.4	19.4	76.3	2.9
2nd quartile	2,376.4	21.0	17.5	15.0	13.6	3.1	16.0	11.9	10.3	2.0	14.5	7.9	15.4	25.1	0.9
3rd quartile	978.6	11.8	12.4	11.7	10.6	1.6	9.2	8.1	7.2	0.7	10.2	4.1	11.8	-4.6	-0.2
Minimum	510.2	n.m.	3.5	3.3	3.0	0.5	3.1	2.6	2.5	0.0	2.2	0.9	2.6	-73.2	-3.7
Percentile															
90th percentile	9,398.6	56.4	69.0	38.3	32.2	11.5	44.7	41.8	24.5	5.5	24.6	16.4	27.8	124.3	4.3
80th percentile	6,184.3	41.5	41.5	24.9	21.3	6.1	34.0	23.6	16.7	4.1	22.3	12.9	21.0	81.5	3.4
70th percentile	3,898.7	29.8	25.2	20.1	17.7	4.6	23.5	17.4	12.9	3.3	17.3	11.8	18.1	60.5	2.3
Average	6,493.9	42.6	45.2	27.8	23.8	7.4	34.1	27.6	18.0	4.3	21.4	13.7	22.3	88.8	3.3
Peer average	4,414.1	33.3	30.7	19.6	17.1	5.3	21.4	16.8	12.9	2.4	15.4	8.9	17.5	38.0	1.5
Peer median	2,344.2	21.3	17.9	15.3	13.7	3.1	16.0	12.0	10.3	2.0	14.4	7.9	15.3	25.3	0.9

Source: Bloomberg, EFC calculations *excludes pending MCH special dividends payable in 4Q24, but declared against 2023/24 profits



Source: Company reports

How valuable is Masan Consumer?

We believe MCH is worth cUSD8.6bn at 25x its forecast T12M EBITDA as of 1H25e. If we roll our valuation forward to 2026e, our fair value for MCH would rise to cUSD10.7bn (at 25x forecast EBITDA). MSN has a 67.4% economic interest in MCH.

Figure 16: MCH's EV derivation (VNDbn)

Year ended	Econ. Int.	2023a	2024e	1H25e*	2025e	2026e
EV (MCH EV)	100.0%	187,622	205,911	221,169	236,427	282,390
<i>USD bn</i>		7.7	8.1	8.6	9.1	10.7
Minorities	32.6%	61,142	67,102	72,074	77,047	92,025
MSN shareholders	67.4%	126,480	138,809	149,095	159,381	190,365

Source: EFC estimates

A diversified low risk revenue stream generating solid profits

Masan has five USD100mn plus revenue 'power' brands, most of which have met this threshold in less than a decade from launch. Its main power brand value/equity regularly ranks in the top 10 of FMCG brand surveys in Vietnam. While, in rural areas, its brand (consumer choice) rankings are often first overall as is the company itself – according to Kantar World panels (2024 brand survey). Almost 65% of Vietnam's population is rural and this makes MCH a leading player in Vietnam's FMCG space.

Figure 17: MCH's key ratios and margins

Year ended Dec	2013a	2014a	2015a	2016a	2017a	2018a	2019a	2020a	2021a	2022a	2023a	10-Yr Avg.
ROA	11.8%	13.6%	16.0%	15.4%	12.1%	19.7%	19.7%	17.8%	18.0%	16.3%	16.5%	16.1%
ROE	19.4%	27.8%	22.0%	22.5%	18.8%	30.9%	32.5%	31.8%	32.0%	24.3%	26.9%	26.3%
GM	41.9%	44.1%	45.0%	45.3%	45.7%	44.8%	43.0%	42.5%	42.5%	41.3%	45.9%	43.8%
EBITDA margin	24.1%	22.0%	25.1%	25.2%	22.5%	24.9%	26.0%	24.8%	24.4%	24.2%	26.1%	24.5%
Net margin	25.9%	24.9%	21.4%	19.4%	16.1%	19.8%	21.8%	19.5%	19.6%	20.2%	25.1%	21.3%

Source: EFC estimates



Source: Masan Group

Underpinned a national manufacturing and DC footprint

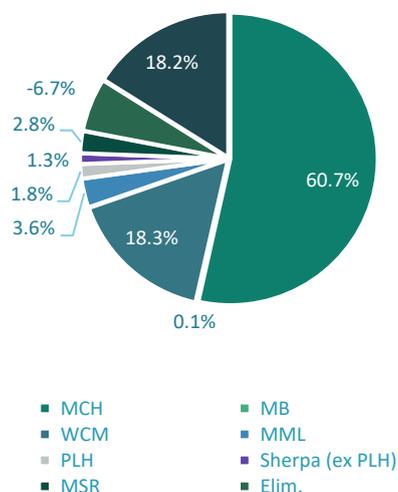
MCH has 15 factories along with 13 DCs nationwide, it can move its products from factory to DC in four days and from DCs quickly into the general and modern trade channels. DCs are running at full capacity, according to management.

Management claims it is running at 45% of theoretical production capacity and it can meet future growth without the need to scale up capex. However, the company is planning three more factories (one in the north, two in the south) as it rolls out new products in beverages and HPC (in particular). This national network helps logistics and reduces costs. It also gives MCH's substantial redundancy and strong business continuity capabilities – as it can shift production to other locations in the event of any disruptions, while the DCs can hold buffer stocks.

No better retail reach in Vietnam than the general trade channel

MCH has one of the deepest general trade channels in Vietnam. Its distribution network touches every province and it has nearly 340,000 PoS across the country. MCH also tracks sell-in and sell-out rates in the independent distributor channel.

Share of 1H25e EV



Source: EFC estimates

Masan Group valuation

We value MSN on a SOTP basis given its holdco structure and as it remains a diversified, albeit consumer-centric, business group. As at our 1H25e valuation, we note that MSN trades at a c47% discount to the mid-point of its fair value range at today's share price.

The principal contributors to our estimated 1H25e EV for the group are MCH at 61% (equiv. to VND98,547/per share), followed by WCM at 18% (equiv. to VND29,673 /per share), and then TCB at 18% (equivalent to VND29,577/per share). As noted, earlier MSN's net debt is closely matched to TCB's valuation (a 21% premium to market), but this also represents a sizable and obvious source of value for the group.

Figure 18: Masan Group – SOTP valuation (VNDbn)

	Target multiple	Eco. Interest	2023a	2024e	1H25e	2025e	2026e
Masan Consumer	25.0	67.4%	126,480	138,809	149,095	159,381	190,365
Masan Brewery	14.5	48.5%	0	153	184	215	318
WinCommerce	Hybrid	78.5%	26,818	46,220	44,893	47,950	58,757
TCX Holdco			153,298	185,182	194,172	207,546	249,440
Masan Meat Life	14.5	94.9%	3,658	8,082	8,875	9,668	17,295
Phuc Long	13.4	85.0%	2,896	4,155	4,453	4,751	5,462
Sherpa (ex. PLH)	Cost		3,248	3,248	3,248	3,248	3,248
Masan High Tech	5.0	94.9%*	6,718	6,428	6,785	7,142	7,213
Sub-Total			169,818	207,095	217,533	232,355	282,659
HQ & Eliminations	wgt. avg.		-12,496	-15,447	-16,505	-17,563	-21,648
Sub-Total			157,322	191,649	201,028	214,792	261,011
TCB & Associates			38,685	42,503	44,748	46,994	52,346
Est. Ent. Value₁			196,007	234,152	245,777	261,786	313,356
Less net debt			-52,653	-49,435	-47,860	-46,285	-39,563
Equity value			143,354	184,717	197,916	215,500	273,793
Shares out (mn)			1,430.8	1,512.9	1,512.9	1,512.9	1,512.9
Per MSN share							
Fair value			100,188	122,092	130,817	142,439	180,969
HoSE px rounding			12	8	-17	-39	31
Adj. SoTP/share			100,200	122,100	130,800	142,400	181,000
Implied discount			-30.4%	-42.9%	-46.7%	-51.1%	-61.5%

Source: Company, EFC estimates ₁ Values are weighted by MSN econ. interest. * MSN's MHT interest is now 94.9% given the closure of the sale of HC Stark

1H25e EV breakdown

EV per MSN share	1H25e
MCH	98,547
MB	122
WCM	29,673
MML	5,866
PLH	2,943
Sherpa (ex PLH)	2,147
MSR	4,485
Elim.	-10,909
TCB	29,577
Total EV	162,451

Source: EFC estimates

Figure 19: Current multiples based on mid-point of valuation range

	2023a	2024e	1H25	2025e	2026e
P/Sales (x)	1.3	1.2	1.1	1.0	0.8
EV/EBITDA (x)	11.2	9.5	8.1	6.7	5.6
P/E (x)	400.6	55.1	32.3	22.8	15.3
P/B (x)	3.8	2.5	2.4	2.3	2.0
DY (%)	0.0%	0.6%	0.6%	0.9%	1.1%
ROAA	1.3%	4.0%	4.4%	4.7%	6.8%
ROAE	0.9%	4.5%	7.3%	10.0%	13.1%

Source: EFC estimates

EBITDA and consolidated EBIT outlook

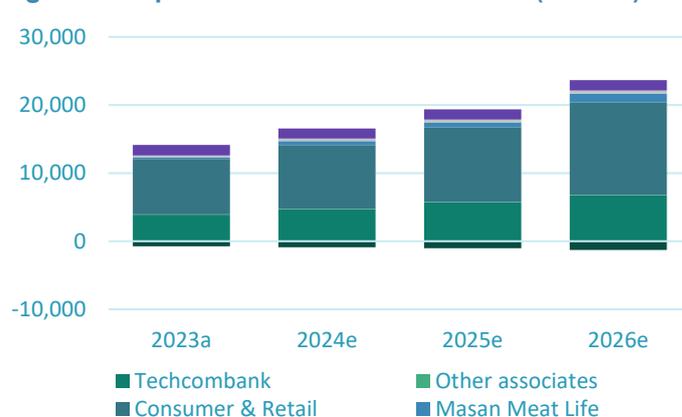
Figure 20: MSN EBITDA forecasts (VNDbn)

Year ended Dec.	2023a	2024e	2025e	2026e
Masan Consumer Corp	7,505	8,236	9,457	11,296
Masan Brewery	-73	22	31	45
WinCommerce	694	1,093	1,486	2,240
Consumer & Retail	8,126	9,352	10,974	13,581
Masan Meat Life	266	587	703	1,257
Phuc Long Coffee	255	365	418	480
Masan High Tech	1,550	1,483	1,505	1,520
HQ & Eliminations	-750	-879	-1,028	-1,290
Op EBITDA	9,446	10,908	12,571	15,549
Techcombank	3,896	4,711	5,712	6,751
Other associates	54	56	57	59
EBITDA	13,396	15,674	18,341	22,359
D&A	-5,267	-5,476	-5,144	-5,373
EBIT	8,128	10,198	13,197	16,986

Source: Company, EFC estimates

We believe MSN's leverage profile remains manageable, as of 9M24 its net debt/EBITDA stood at 3.41x, which is below MSN's stated 3.5x target, albeit it remains at 5.0x Op EBITDA (which excl. associates profits). Its gearing ratio (net debt/equity) stands at 1.2x, while its current ratio is 0.81x.

Figure 21: Split in MSN EBITDA forecasts (VNDbn)



Source: Company, EFC estimates

MSNs cash flow and leverage management

MSN's total debt repayments due in the next 12 months (from 9M24) stand at VND10.65trn, which is covered by our forecasted operating EBITDA this year (VND10.9trn) and next (VND12.6trn). MSN has successfully refinanced in the past, especially last year when it refinanced VND23.5trn of LT debt and bonds due over 2024.

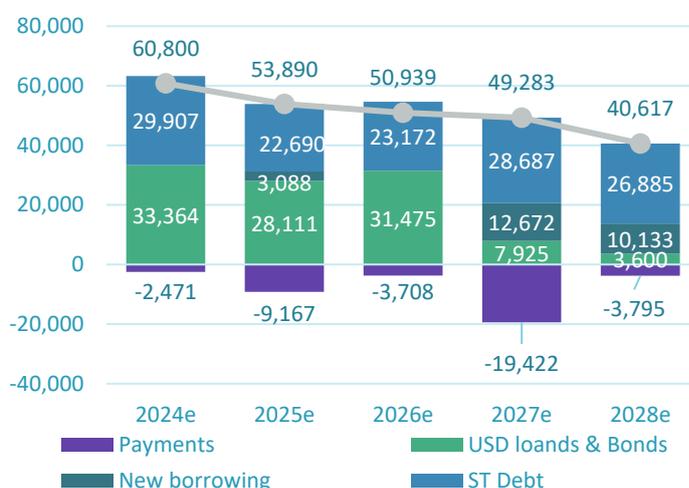
The bulk of MSN's LT debt is due in 2027-28e (VND29.9trn), which is USD denominated. MSN has reportedly put hedging strategies in place. Just under half of its straight VND bonds (cVND7.2trn) are due by 1H25a and we expect they will be refinanced. Overall, we think MSN can maintain this level of total debt (VND40.6-60.8trn) with relative ease across our forecast period, and its financial leverage ratios will steadily improve on the back of its top-line and overall earnings growth. By 2026e, we expect MSN's net debt / EBITDA to decline to 1.7x and its net gearing ratio to drop to 80%, on our estimates.

Figure 22: MSN's interest rate and maturity profile

	Interest rate	Maturity
Unsecured ST Loans (VND)	2.8 to 8.2%	Rolling
Secured ST Loans (USD & EUR)	7.0-10.0%	1H25
Straight Bonds (VND)	7.9-10.8%	1H25, 2027-28
Secured Loans (VND)	3.0-12%	2024-2028
Secured Loans (USD)	6.5-9.3%	2027-2028

Source: Company reports

Figure 23: MSN's split in LT and ST debt (VNDtrn)



Source: MSN Financial statements, EFC estimates

MSN's five-year profitability outlook

We highlight the mid-term potential of Masan Group's consolidated profitability should it execute on top-line and margin expansion in its retail-related business units (WCM & MML). All else being equal, MSN can accelerate net income, EPS growth and resume dividend payments as revenues grow. However, owing to high levels of minority economic interest (32.6%) in MCH, minority claims on profits will remain substantial. Masan may be able to increase its stake in MCH going forward through corporate actions (a pending 459:1,000 rights issue) and or share repurchases (MCH itself or financing vehicles, such as TCX or MCHS).

Figure 24: Masan Group Consolidated P&L (VNDbn)

Year ended Dec:	2020a	2021a	2022a	2023a	2024e	2025e	2026e	2027e	2028e	3-Yr CAGR	5-Yr CAGR
Net revenues	77,218	88,629	76,189	78,252	84,201	89,622	104,426	121,274	139,481	10.1%	12.3%
COGS	-59,329	-66,494	-55,154	-56,131	-59,030	-60,508	-69,906	-80,667	-91,933	7.6%	10.4%
Gross profit	17,889	22,135	21,035	22,121	25,171	29,114	34,521	40,607	47,549	16.0%	16.5%
SG&A	-16,207	-15,851	-16,366	-17,942	-19,739	-22,182	-24,845	-27,916	-31,419	11.5%	11.9%
Op Profit	1,682	6,283	4,669	4,179	5,432	7,427	10,176	13,193	16,633	34.5%	31.8%
Dep'n & amort.	-5,728	-6,212	-5,335	-5,267	-5,476	-5,144	-5,373	-5,633	-5,899		
Op EBITDA	7,410	12,495	10,004	9,446	10,908	12,571	15,549	18,826	22,532	18.1%	19.0%
Associates	2,640	3,897	4,340	3,896	4,764	5,768	6,808	7,798	8,728	20.5%	17.5%
EBITDA	10,050	16,392	14,343	13,342	15,672	18,339	22,357	26,624	31,260	18.8%	18.6%
Investment gains	-63	4,925	470	-476	1,461	0	0	0	0		
Net financing	-3,016	-4,040	-3,969	-5,212	-4,290	-4,394	-4,248	-3,819	-3,004		
Other income	1,123	1,082	424	-363	176	81	0	0	0		
Pre-tax	2,325	11,489	5,147	2,563	7,448	8,801	12,736	17,172	22,357	70.6%	54.2%
Income taxes	-930	-1,387	-393	-693	-1,356	-1,602	-2,319	-3,127	-4,071		
Minorities	-161	-1,538	-1,187	-1,451	-1,886	-2,579	-3,534	-4,582	-5,776		
Rep. net profit	1,234	8,563	3,567	419	4,205	4,619	6,883	9,463	12,510	154.3%	97.3%
Non-recurring items	0	-5,011	0	-170	-2,328	0	0	0	0		
Net attributable. income	1,234	3,552	3,567	248	1,878	4,619	6,883	9,463	12,510	202.6%	119.0%
Per share (VND)											
Wt. avg. shares out. (mn)	1,409.6	1,413.6	1,420.4	1,426.0	1,485.6	1,512.9	1,512.9	1,512.9	1,512.9	2.0%	1.2%
EPS	878	2,513	2,511	174	1,264	3,053	4,549	6,255	8,269	196.8%	116.5%
BVPS	11,306	23,161	18,369	18,562	27,821	30,474	34,624	40,279	47,748	23.1%	20.8%
DPS	1,005	804	0	0	400	400	600	800	1,100		
ROAA	1.3%	8.4%	3.6%	1.3%	4.0%	4.7%	6.8%	8.6%	10.5%		
ROAE	4.2%	10.8%	13.6%	0.9%	4.5%	10.0%	13.1%	15.5%	17.3%		
Gross Margin	23.2%	25.0%	27.6%	28.3%	29.9%	32.5%	33.1%	33.5%	34.1%		
Op EBITDA Margin	9.6%	14.1%	13.1%	12.1%	13.0%	14.0%	14.9%	15.5%	16.2%		
EBITDA Margin	13.0%	18.5%	18.8%	17.1%	18.6%	20.5%	21.4%	22.0%	22.4%		
EBIT Margin	2.2%	7.1%	6.1%	5.3%	6.5%	8.3%	9.7%	10.9%	11.9%		
Net Margin	1.6%	9.7%	4.7%	0.5%	5.0%	5.2%	6.6%	7.8%	9.0%		

Source: Company reports and EFC estimates

What can MSN do to boost its equity story

Focus and enhance the group's corporate and capital structure

We believe MSN needs to reduce and ultimately close-out off-balance sheet funding structures that risk diluting MSN's consolidated BVPS and shareholder returns – and we believe it is working towards this. The planned HoSE listing of Masan Consumer Corp (MCH) in 1H25 will go a long way to achieving (and de-risking) these structures, as the TCX Consortia's puts can only come into play from June 2026 onwards, against c12% of any unrealised equity value at MCH and WCM.

Masan has made good progress in de-risking its contingent share overhang risks in 2024. It eliminated a put on 8.2% of MHT shares when it sold HC Stark to Mitsubishi Heavy Industries and substantially de-risked an 8.7% overhang in its own stock (held by SK Group) by facilitating an accelerated bookbuild and agreeing to a valuation floor (via a call option) for SK's 8.6% direct WCM stake. SK Group remains a 3.7% shareholder in MSN, but is locked-up until February 2025.

We estimate MCH's market cap needs to reach a minimum of VND170trn (USD6.8bn) and a valuation or exit event for the TCX Consortia with a USD2.8bn valuation at WCM to substantially de-risk this contingent liability. In layman terms, until cleared, MSN could be liable for any valuation shortfall (see our detailed scenario analysis on pg. 52-54). We note these structures could be renegotiated or extended in the coming months. In any event, these potential contingents will remain a key factor around MSN's equity story, until substantially cleared, in our view.

Align reported profits with key consumer subsidiaries, boost ROEs

We highlight that the long hoped for, and stated intent by mgmt., to deconsolidate Masan High Tech Materials (MSR) could double MSN's reported ROEs and transform Masan into an asset-light consumer centric business group. In doing so, it could reduce or mitigate conglomerate perceptions in the market.

MSN's key shareholders

Shareholder	Role	Stake
Masan Corporation	Family Office	31.2%
Sunflower Investment	Family Office	13.2%
Mr Nguyen Dang Quang	Chairman	0.0%
Ms Nguyen Yen Linh	Insider	0.6%
Ms Nguyen Hoang Yen	Insider/Mgmt.	3.4%
Mr Nguyen Thieu Nam	Insider/Mgmt.	0.5%
Mr Danny Le	Mgmt.	0.2%
Mr Michael Nguyen	Mgmt.	0.2%
Ms Doan Thi My Duyen	Mgmt.	0.1%
Mr Tran Phuong Bac	Mgmt.	0.1%
Total		49.0%

Source: Masan Group

Be an ESG flagbearer for all stakeholders.

MSN's Executive Chairman, Dr Nguyen Dang Quang, and the key executives have always stood alongside MSN minorities. None of the group level Board members/executives have equity interests in the subsidiary companies and the group has avoided corporate actions that would require minority consent. Investors should also be aware that Masan's Executive Chairman's net worth is largely determined by the group's share price.

However, MSN's key shareholders will also be able to exercise supermajority control over MCH and all other subsidiaries owing to the parent's large direct shareholding in these subsidiaries and MSN's major shareholders, insiders and mgmt. have near control of the group (49%).

Thus, we believe that strong minority representation on MCH's BoD would be a proactive and leading-governance initiative. In our view, a BOD Chairperson purely aligned with MCH's performance and Independent Directors (INED) that are empowered to seek independent review/advice of any material corporate actions or events would help support MCH's listing from a best-in-class corp. governance perspective. We also think that independent audit professionals should form the audit committee.

Keep to public capital allocation commitments

Masan has publicly committed, at the April 2024 AGM, to standing back from M&As as a key growth strategy. We applaud this commitment and it has made steady progress in de-risking share overhangs and its balance sheet over the past two years. However, legacy issues surrounding related-party loans from MCH to MSN remain. If, as expected, these MSN intercompany obligations were offset by dividend receivables from MCH, the associated cash would be retained by MCH to fund further growth or other investment initiatives at this key subsidiary.

We highlight that MCH's dividend payable in 4Q24 stands at VND15.2trn (VND14.2trn payable to holdco MSCH – MSN's direct stake is 85.7%). MCH will need to recall its receivables to fund this dividend payable. In the longer term, we believe that MSN management is aware that these arrangements (and the accounting classifications) are ambiguous in nature, and it will seek to further de-risk its balance sheet over time, in our view.

Release more detailed supplementary financial information, especially on non-GAAP measures, and focus on IFRS reporting

Masan publishes EBITDA numbers for itself and principal subsidiaries. However, it does not provide detailed reconciliations relative to its segment disclosures and consolidated and publicly available subsidiary financial statements. This would be particularly helpful for entities, such as WinCommerce, which do not have publicly available financial statements.

Across most of MSN's business units, the group has ESOP programmes. ESOPs in Vietnam take the form of deeply discounted primary share issues (typically issued at par value – VND10,000/share) with lockups and repo contracts (should the beneficiary leave employment). This makes local ESOP programmes functionally equivalent to vested (and deep in the money) stock options.

We think releasing annual IFRS financial statements in parallel to VAS accounts would also be helpful as it would require ongoing fair value / impairment assessments of all the assets on MSN's balance sheet, as well as requiring ongoing valuation of MSN's ESOP programme and those of its subsidiaries as well. It would also provide a transparent accounting bridge for MSN, given Vietnam's pending progressive adoption of IFRS is planned over the next few years.

Deliver on organic growth – focus on next five years

In essence, MSN has made a significant play on the emergence of modern trade retail (both grocery and convenience formats) as a long-term value driver for the group. It wishes to complement and diversify dependence on MCH's traditional general trade sales channels by owning a material channel in Vietnam's emerging modern trade and fresh meat industries.

The drag on MSN's consolidated net income and margins reflects ongoing high leverage, goodwill amortisation, and minority drag. Interest expenses remain the principal earnings drag, and MSN's quickest route to reduce this drag is from organic revenue growth, particularly in modern retail at WCM.

Over the next two to five years, Vietnam will likely be upgraded to emerging market status. Initially, FTSE (2025) and MSCI (2027-28). Passive flows to Vietnam could be significant (we estimate cUSD1.3bn on FTSE alone) and active flows could be a multiple of that on the MSCI event. MSN's shares should be a leading candidate to attract inflows from both events if it delivers on the substance of this report, in our opinion.

Why Masan High Tech Materials exit is key

We highlight the effect that deconsolidation of Masan High Tech Materials (MHT) would have on MSN's overall profitability and shareholder returns. In short, using T12M financials (as of 30 Sept 24), a pro-forma MSN (ex MHT) would see its ROA double to 6.7% and ROE (net profit/shareholder funds) quadruple to 20.8% from what was recently reported.

This improvement is driven by two factors: i) a 25.5% reduction in pro-forma assets of VND39.4trn (of which VND22.8trn are MHT's net fixed assets); and ii) an immediate jump in profitability as MHT's high D&A and net financing expenses at MSR are eliminated from MSN's consolidated accounts.

Figure 25: Proforma P&L and margins

Trailing 12M (30 Sept. 2024)	MSN	MHT	Proforma
Profitability:			
Op EBITDA	9,882	1,003	8,879
Associates	4,626	17	4,609
EBITDA	14,508	1,020	13,488
D&A	-5,343	-1,698	-3,646
EBIT	9,165	-678	9,842
Net financing	-4,878	-1,731	-3,147
Pre-tax profit	4,316	-2,302	6,618
Net income	1,358	-2,259	3,617
Margins:			
Gross Margin	28.7%	0.9%	34.4%
Op EBITDA margin	12.2%	7.3%	13.1%
EBITDA margin	17.9%	7.5%	20.0%
EBIT margin	11.3%	-5.0%	14.6%
Net margin	1.7%	-16.5%	5.4%

Source: EFC estimates

Figure 26: Proforma leverage and return ratios

Key ratios (30 Sept. 2024)	MSN	MHT	Proforma
Leverage:			
Debt / Equity (x)	1.60	1.30	1.73
Net Debt / Equity (x)	1.20	1.25	1.18
Net Debt/ Op EBITDA (x)	5.00	15.47	3.82
Net Debt / EBITDA (x)	3.41	15.21	2.51
Returns:			
ROA (pre minorities)	2.9%	-7.7%	6.7%
ROE (Net income)	4.6%	-18.6%	20.8%
ROIC	7.3%	-2.9%	13.5%
Op ROIC	6.8%	-2.5%	12.6%

Source: EFC estimates

Beyond a clear improvement in reported EBIT and net margins, as well as the higher level of asset turnover, deconsolidation of MHT would not materially improve MSN's gearing ratios, its net proforma debt to equity ratio would slightly jump 0.1x to 1.7x, but its net debt/Op. EBITDA ratio would fall from 5.0x to 3.8x, given that MHT's EBITDA is materially lower than that of the rest of MSN. Inclusive of dividends and associate profits (TCB pays out 22% of profits), net debt/ EBITDA would stand at 2.5x on a proforma basis.

On balance, deconsolidation of MHT would set the table for a quick rebound in reported profitability and accelerate shareholder returns once Masan succeeds in driving profits up at the other business units. A full pro forma T12M P&L and balance sheet along with key ratios can be seen in Fig 113-116, Page 55 at the end of this report.

This proforma deconsolidation is based on a full spin-out or demerger scenario of MHT via an assumed distribution of MHT's equity pro-rata to MSN's shareholders at book value. We have looked at what MSR would look like as a 49% associate. MSN could also seek to sell a majority stake in the company, which could result in a one-off non-cash accounting fair value adjustment for the group. MHT has a book value of VND14,763bn (cUSD620mn) of which MSN group has an 86.4% economic interest as of 3Q24a, which increased to 95.9% as part of the recent sale of HC Stark.

Key subsidiaries & associates

Over the years, MSN has built itself into one of Vietnam’s leading business groups. It has achieved this through a combination of organic growth (largely in core categories in Consumer F&B) as well as grocery retail and coffee chain acquisitions, plus a 19.8% cornerstone position in a leading Vietnamese joint stock bank.

Figure 27: Masan Group’s key consumer centric business units and associates



Source: Masan Group

Since the company’s inception in the mid-90s MSN has built or acquired a strong domestic portfolio of leading consumer food brands, as well as acquiring and then building out Vietnam’s largest retail and coffee chain. MSN claims that its core brands in consumer F&B and retail rank at the top or near the top, in terms of brand identity in Vietnam for the relevant product portfolio.

Figure 28: Key consumer channels



Source: Masan Group

Figure 29: Key brands



Source: Masan Group

Enhancing group cash flow through upstreaming dividends

Historically, acquisitions were a central tenet of MSN’s growth strategy. Singularly, the complex LBO of WCM bolstered the group’s leverage levels, while exerting pressure on profitability. However, in 2023 management articulated a clear shift in its strategy, emphasising profitable organic growth and a commitment to upstreaming cash from profitable subsidiaries and associate companies to strengthen the Group’s cash position and reduce leverage.

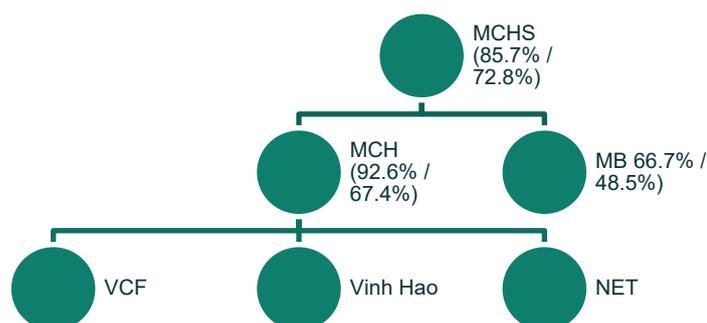
This shift is evident in recent events: for the first time, both WCM and MML recorded positive net profit in 3Q24, underscoring the group’s renewed operational focus. In addition, in 2023 management articulated a clear shift in its strategy, emphasising profitable organic growth and a commitment to upstreaming cash from profitable subsidiaries and associate companies to strengthen the Group’s cash position and help reduce leverage.

Masan Consumer Corp

A leading diversified processed FMCG group

Masan Consumer Corp (MCH) operates under Masan Consumer Holdings (MCHS), which is a holding company that in turn is an 85.7% subsidiary of TCX. MCH is listed on Vietnam's UpCom market and MSN has a 67.4% economic interest. An introductory listing for MCH to the HoSE mainboard is planned for 1H25 (subject to regulatory approval).

Figure 30: MCH's ownership & economic interests



Source: MSM Financial Statements & EFC Capital

Figure 31: MCH's key categories



Source: Masan Group

Masan Consumer Corp (MCH) is one of Vietnam's premier diversified food products companies, with leading market shares in domestic sauces (primarily fish, soya, and chili sauce), instant coffee, and a solid top two position in instant noodles. MSC has created or acquired some of Vietnam's most recognisable product brands. Several of MCH's brands, notably in sauces, noodles and coffee have regularly ranked in the top three nationally in several FMCG surveys by Kantar World Panel (WPP Group). MCH has also set up one of the largest distribution networks in Vietnam; MCH claims it has 250 distributors and 340k general trade and c6k+ modern trade points of sale across 62 of the 63 provinces in Vietnam.

Key subsidiaries of MCH include Vinh Hao, VCF and NET (the latter two are listed on the HoSE exchange, although they all trade on very limited liquidity).

With strong return fundamentals

Masan Consumer Corp (MCH) is one of the most profitable FMCG companies in the region. It has generated an average ROIC of 70.8% over the past decade, while its avg. 3-year ROE is 31.4%, which ranks it in the 93rd percentile of a broad FEM and regional peer group of Food Producers (106 peers - MSCI GICS Sub-industry).

It also ranks in the 90th percentile in terms of EBITDA and net margins, MCH has generated a 10-year EPS CAGR of 8.3% since 2013a, it has also cumulatively paid 95% of reported EPS in dividends over the same period.

Vietnam is a large, growing and competitive consumer market

MSN sees an addressable FMCG market size of cUSD5.0bn as of 2023, and with mgmt.'s growth expectations (new categories & exports), the addressable market stood at cUSD51.0bn last year. The market is growing quickly in value, but the competitive landscape is intense. The fastest-growing components are in the beverage space, where growth is near 10%.

Figure 32: Consumer F&B market size (VNDtrn)

Market size	2018a	2019a	2020a	2021a	2022a	2023a	2024e	2025e	2026e	2027e	2028e	23a/18a CAGR	28e/23a CAGR
Core													
Seasoning	21.8	23.0	25.0	28.0	27.0	28.0	29.6	31.3	33.2	35.2	37.3	5.1%	6.0%
Convenience Food (Rice, Pasta & Noodles)	27.8	27.6	33.9	39.6	36.5	39.8	43.0	46.4	50.1	54.1	58.5	7.4%	8.0%
Coffee	9.7	9.0	9.2	10.4	11.0	11.7	12.4	13.1	13.9	14.7	15.6	3.7%	6.0%
Beverages	49.6	47.6	44.9	44.7	49.0	49.1	53.1	58.4	64.3	70.7	77.8	-0.2%	9.7%
Processed Meat & Seafood	21.1	22.2	23.3	24.5	25.7	27.0	28.3	29.7	31.2	32.8	34.4	5.0%	5.0%
Sub Total	130.1	129.3	136.3	147.2	149.2	155.4	166.3	179.0	192.7	207.5	223.6	3.6%	7.5%
Growth													
Home, beauty & personal care	67.7	73.8	79.2	80.6	87.7	96.8	106.7	117.5	129.4	142.6	157.2	7.4%	10.2%
Meal replacement	521.6	540.8	477.2	407.7	453.9	484.1	511.4	538.6	565.1	590.8	617.1	-1.5%	5.0%
Soft Drinks	116.3	125.4	124.7	120.9	136.5	140.6	154.6	170.1	187.1	205.8	226.4	3.9%	10.0%
Sub Total	705.6	740.0	681.0	609.2	678.0	721.4	772.8	826.1	881.6	939.2	1,000.7	0.4%	6.8%
New opportunities													
Nutritional drinks						28.0	29.4	30.9	32.4	34.0	35.7		5.0%
Frozen + Chill						42.5	44.6	46.9	49.2	51.7	54.2		5.0%
International (Core products)						1,810.7	1,911.0	2,016.9	2,128.9	2,247.1	2,371.9		5.5%
Sub Total						1,895.7	2,000.3	2,110.7	2,227.3	2,350.4	2,480.4		5.5%
Addressable market	835.7	869.4	817.2	756.4	827.2	2,772.5	2,939.4	3,115.8	3,301.5	3,497.2	3,704.8		6.0%

Source: EFC estimates

The addressable market is best looked at in three broad categories, in our view. They are:

- 1. Core is where MCH earns the bulk of its profits:** MCH's products account for the majority of this category (assuming a 20% retail ASP uplift). This category includes its substantial market shares in fish, chilli sauces along with noodles and granules. It also includes categories like bottled water and coffee and the MML's processed meat SKUs (which MCH distributes).
- 2. Growth is where MCH can quickly win market share or scale revenues:** MCH's revenue share is much smaller here, but that reflects the large size of soft drinks and HPC (where MCH has a c3.0% share already) and meal replacement (where MCH has several new SKUs in the market), such as its B'fast and self-heating rice and Omachi ready-to-eat meal ranges.
- 3. New opportunities are MCH mid-term growth strategies:** New SKUs, such as RTD tea (Bupon 365) and export markets are placed here. In addition, there is scope for MCH to experiment with frozen and chilled (given it has access to MML) cold chain distribution and MT cold chain displays in WCM stores.

Key market shares and strategies

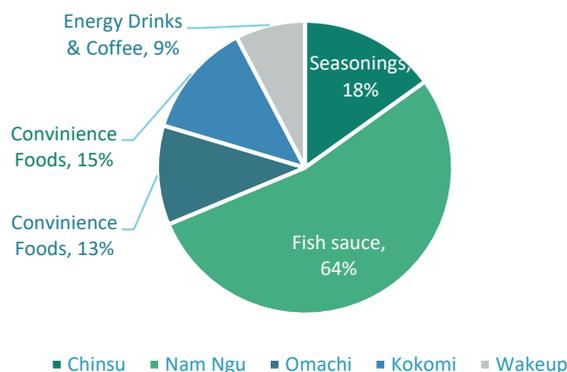
MCH has sizable market shares across its umbrella power brands and product portfolio, underpinned by a sizable revenue and market shares in key categories ranging from seasonings/ sauces (fish & chilli sauces), Noodles (pouch and cup) and beverages (coffee, energy drinks and bottled water).

Figure 33: MCH category market shares

Year ended	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Seasoning	44.8%	47.4%	45.0%	51.4%	51.0%	52.1%	53.0%
Convenience Food	27.9%	30.4%	29.2%	29.2%	30.0%	32.0%	35.0%
Coffee	21.4%	20.7%	18.2%	19.1%	18.0%	19.0%	21.0%
Beverages	3.3%	3.3%	3.3%	3.4%	3.6%	4.0%	4.1%
Processed Meat	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Sub Total	5.0%	7.2%	10.6%	8.7%	8.6%	11.6%	14.1%
Home, beauty & personal care	2.2%	2.6%	2.5%	2.6%	3.0%	3.5%	4.0%
Soft Drinks	0.3%	0.6%	0.4%	0.4%	0.5%	1.5%	2.0%

Source: Masan Group

Figure 34: Market share by Umbrella brand (2023a)



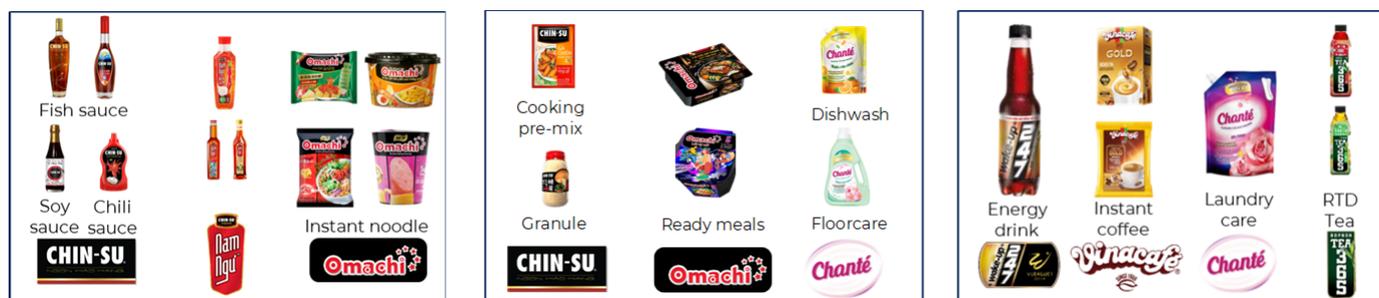
Source: Masan Group

Its largest power brand is a mainstream/premium range in fish sauces under Nam Nu. Although it cross sells hybrid fish sauce SKUs under CHIN-SU, along with chilli, soya, and other sauces as well as condiments and granules.

In convenience foods (largely cup and pouch and noodles), the Omachi (premium range) and Kokomi (mainstream) products have traditionally split the market. However, MCH has been trialling traditional Vietnamese dishes (pho) under CHIN-SU and Pho Story labels.

Beverages are dominated by the Wake-up and Wake-up 247 labels, which includes instant coffee and coffee-flavoured energy drinks and complemented by Vinh Hao and Vihawa's bottled natural and mineral waters.

Figure 35: Key SKUs



Source: Masan Consumer Corp

Modern trade becoming increasingly relevant

Across Vietnam, modern trade's share of grocery sales has been growing quickly. MCH has observed this first hand and over the past 5 years it has jumped from 7.6% to 11.8% of revenue (2023). This translates to a c1.0ppt rise per annum, but MCH estimates it will account for 13.8% of sales this year (up 1.8% Y-o-Y). The company believes it is witnessing the early stages or the cusp of the take off in the modern trade share of sales in Vietnam and that it should grow by 1.5-2.0ppt p.a. over the next few years.

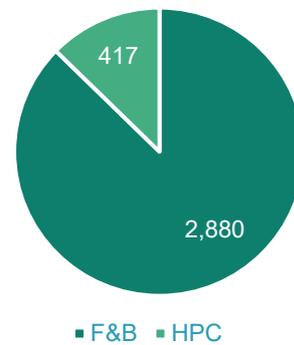
Within modern trade, Home & Personal Care accounts for 13% of sales (largely from MSN's own WCM channel) and this has proven to be an important store traffic and purchase driver in the FMCG categories.

Figure 36: Modern trade (VNDtrn) – MCH's share of revenue (%)



Source: EFC estimates

Figure 37: HPC's share of MCH revenues (2023a)



Source: EFC estimates

Product placement and visibility strategies help drive sales

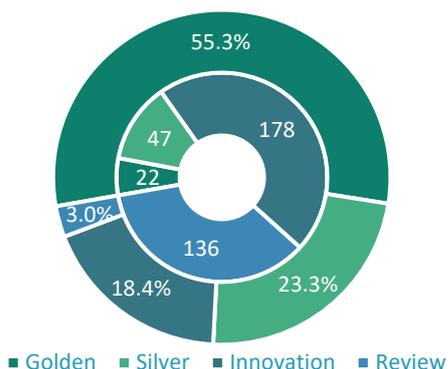
Within modern trade, but in particular, at WCM locations, MCH has taken advantage of strategic shelving and product placement opportunities. Strategies have included: prominent placement of SKUs in snack sections, priority displays at WCM high traffic locations, as well as OOH advertising strategies (including billboards and a plane advertising campaign with budget carrier VietJet).

Portfolio reflects strong brand shares and pushing up-trading

At MCH’s recent 3Q24 analyst meeting, management suggested that its long-term results were reflective of a strong balance between its key brand shares, efforts at premiumisation and a growing number of innovations.

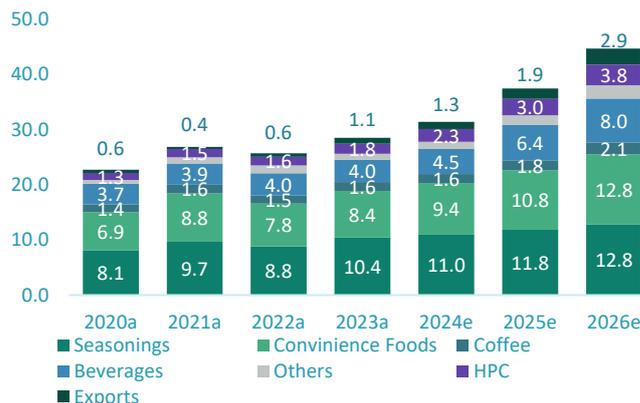
We understand that most revenue (c55%) comes from 22 key SKU groups, followed by 47 SKUs (c23%) and 178 SKUs (c18%), while roughly (c3%) reflect 136 SKUs under review for market viability. The largest category catches any SKU launched in the preceding 12 months and as of 9M24 that included 125 products.

Figure 38: MCH’s revenue vs. SKU category (1H24)



Source: Masan Group
Revenue shares outer circle, SKU count inner circle

Figure 39: MCH’s revenues by category (VNDtrn)



Source: Masan Group, EFC estimates

Total return focus on managing SKUs

MCH has a three-tier grading system for its entire SKU range. Golden, Silver & Innovation categories. From our discussions with management, we understand that every SKU in the range is assessed on a total return basis.

To qualify for a Golden status, a SKU needs to achieve a revenue threshold of VND120-240bn p.a., with corresponding gross margins of at least 30-40%, for a Silver grade status, a VND36bn revenue threshold is needed. Any SKU that has been in the sales channel for more than 12 months and fails to reach Silver is put under review. Logically, new products that fail to achieve Silver after year 1, become subject to viability reviews. We also understand that revenue thresholds are tracked monthly.

In a viability review, gross margins are measured by SKU (net of discounts), and then adjusted for logistics, associated A&P as well as allocated R&D and indirect costs. Any SKU that fails to generate a positive total return margin over time (typically 2 years), is subject to discontinuation. MCH is not afraid to discontinue non-performing SKUs, and we believe that roughly half of the review category SKUs will be discontinued on a rolling annual basis.

We find this product assessment process fundamentally rigorous, as it is centred around financial returns and acts a counterweight to brand building or expenditure that does not deliver a clear return on investment. In addition, as most innovations are launched under a MCH power brand, this process reinforces the umbrella brand strength by culling non-performing SKUs.

Premiumisation – upstreaming a recovery driver

For MCH, premiumisation essentially means customers up-trading from economy to mainstream and mainstream to premium SKUs. Within its convenience foods (Noodles) MCH indicates that its premium Omachi range accounts for 52.4% of category sales, up from 47% this time last year. In fish sauce the premium Chin-Su and selected Nam nu fish sauces have seen their share of revenue jump by 1.0ppt to 15.8%, respectively.

Over 2022-23, there has been general observable downtrading from premium to mainstream or to mass market as consumers have tightened spending (generally cited by most FMCG company’s and food retailers). The recent data points to a change in this pattern, especially in urban areas, and if true, it bodes well for MCHs top-line, profitability and margins overall.

Direct to customer – targeted A&P – Consumer Centric marketing mix

MCH has adopted a direct-to-consumer centric marketing mix in its approach to A&P MCH has shifted its A&P focus away from trade promotion and become more focused on frequency and reach in its campaigns.

A key focus has been brand/SKU (Mass Awareness) recognition through extensive use of Key Opinion Leaders/Consumer (KOL/KOC) reviews on TikTok, Facebook & You Tube in addition to typical TV Spots and Out of Home (Billboard and Poster) campaigns. These efforts provide MCH with valuable data insights and substantial customer frequency and reach ahead of and during sale campaign launches.

MCH has also made a conscious effort to reduce reliance of trade promotion in General Trade (GT) channel and has stepped its overall channel development efforts, (Trial & Usage) this has included: e-commerce product trials; PoS Marketing (POSM); initially in WCM outlets - then broader MT coverage); as well as Consumer sampling (Food Expo Booths/event displays – tasting /& sampling kiosks – direct surveys).

The ramp-up sales (Drive Consumption) phase typically coincides with a general trade launch, as well as stepping up in store POSM (multi format - incl. Convenience and Supermarket formats), scale up A&P (Brand Ambassadors), as well as on and off trade visibility and promotions.

Exports to drive top-line further

MCH has articulated a strategy of going global and targeting export markets. Countries with sizable Vietnamese diaspora and overseas workers. In Asia, Korea is a target market, with an initial focus on the Chin-Su chilli sauce.

MCH’s SKU strategy

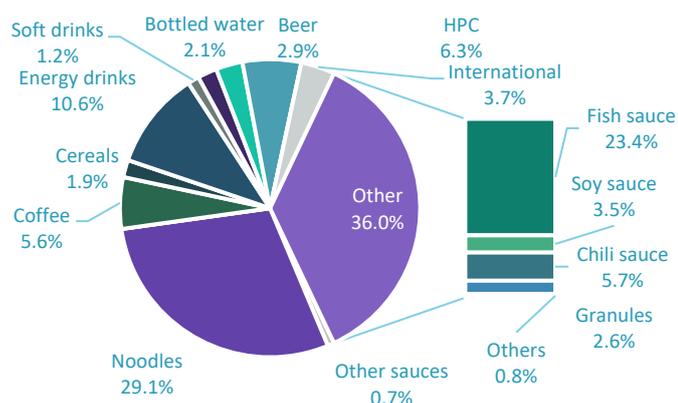


Source: Masan Group

Financial forecasts

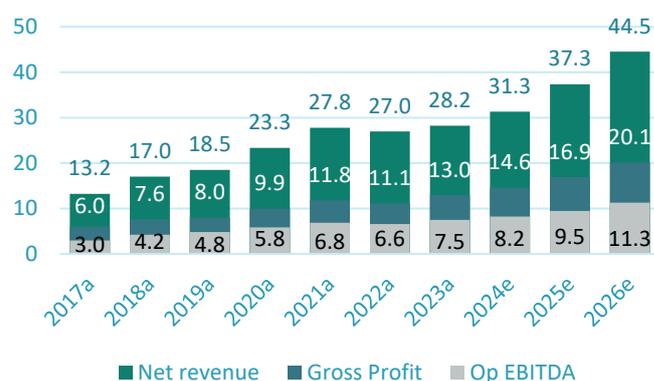
We expect MCH to continue its low double-digit growth seen over 3Q/9M24 for the rest of this year. The degree to which sales jump in the seasonal 4Q peak quarter will decide whether a surprise is achieved, but we note that the Lunar New Year falls in late Jan 2025 this year and general trade distributor stocking will have begun already.

Figure 40: MCH revenue by category (2023, % of total)



Source: Masan Group

Figure 41: MCH key financials (VNDtrn)



Source: MCH Financial Statements, EFC estimates

In the mid-term, MCH still expects to see most of its sales continue to come from the general trade channel. Although modern trade (MT) is forecast to account for 13.2% of sales by 2026e, much of this is expected to be driven by direct sales to the WCM network. This reflects that WCM already accounted for just over a half of MCH's 2023a modern trade turnover. On the other hand, if other MT channel sales accelerate at the same pace it could be margin accretive on lower distribution costs (via direct sales) typical in general trade channels.

Figure 42: MCH revenue by channel (VNDbn)

	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Gen Trade	20,387	23,907	23,517	23,873	25,779	29,758	34,115
Modern Trade (WCM)	736	1,479	1,186	1,752	2,467	3,916	5,864
Modern Trade (others)	1,632	1,795	1,602	1,545	1,693	1,671	1,526
Exports	572	384	633	1,062	1,300	1,900	2,900
Others and EFC estimates	16	208	39	9	71	100	131
Modern Trade share	10.1%	5.3%	4.4%	6.2%	7.9%	10.5%	13.2%
WCM share (MT)	31.1%	45.2%	42.5%	53.1%	59.3%	70.1%	79.4%
Exports share	2.8%	1.6%	2.7%	4.4%	5.0%	6.4%	8.5%

Source: MCH and EFC estimates

Mid-teen growth is achievable for MCH

Overall, we believe with ongoing premiumisation, growing export revenues, plus growing sales into the modern trade and WCM channels, MCH can achieve 3-year (2023-26e) revenue and EBITDA CAGRs of 16.4% and 14.7%, respectively.

MCH historical & forward CAGRs

CAGR (3-Yr)	23a/20a	26e/23a
Net Revenue	6.6%	16.4%
Gross Profit	9.4%	15.7%
EBITDA		
EBIT	8.7%	14.6%

Source: EFC estimates

Figure 43: MCH Financial statements (VNDbn)

Year ended	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Net Revenue	23,343	27,774	26,977	28,241	31,310	37,344	44,536
COGS	-13,424	-15,983	-15,846	-15,267	-16,715	-20,431	-24,422
Gross Profit	9,919	11,791	11,132	12,974	14,595	16,913	20,115
SG&A	-4,921	-5,853	-5,428	-6,254	-7,082	-8,207	-9,600
EBITDA	-4,071	-4,780	-4,527	-5,328	-6,125	-7,098	-8,302
D&A and adj.	-850	-1,073	-901	-926	-958	-1,110	-1,298
EBIT	5,848	6,846	6,589	7,505	8,236	9,457	11,296
Rev growth	26.3%	19.0%	-2.9%	4.7%	10.9%	19.3%	19.3%
EBITDA growth	21.6%	17.1%	-3.8%	13.9%	9.7%	14.8%	19.4%
Gross margin	42.5%	42.5%	41.3%	45.9%	46.6%	45.3%	45.2%
SG&A / sales	21.1%	21.1%	20.1%	22.1%	22.6%	22.0%	21.6%
EBITDA margin	25.1%	24.7%	24.4%	26.6%	26.3%	25.3%	25.4%
EBIT margin	21.4%	21.4%	21.1%	23.8%	24.0%	23.3%	23.6%

Source: Company reports and EFC estimates

Margins are expected to remain resilient

We expect MCH's margins to remain broadly stable, as they have been over the past decade. In short, management is able to manage ASPs in-line with changes in raw material prices and inflationary pressure. It has been able to maintain its selling and gen. & admin expenses at around c20-22% of sales. This has allowed MCH to consistently deliver an EBITDA margin in the mid-25% range over the medium term, which we believe will continue going forward.

Dividends and distributions

Going forward MCH has committed to paying out excess liquidity as distributions. It has already declared a special VND15.2trn dividend payable in 4Q24e, which it will fund by recalling much of its treasury-related lending to MSN itself.

Masan Consumer Corp (MCH) - EV valuation

Our general approach for the SOTP valuation is based on deriving an enterprise value as of 1H25e for MCH by applying a target EBITDA multiple of 25.0x our 2024-26e estimates range and adjusting this derived overall firm valuation to reflect MSN's 67.4% economic interests in the individual (MSC, VCF & MB) business units. This results in a forecast EV for MCH that can be used as an input for MSN's group level SOTP-derived enterprise value.

Figure 44: MCH Derivation of EV and SOTP (VNDbn)

Year ended	Target multiple	Econ. Int.	2023a	2024e	1H25e (T12M)	2025e	2026e
EBITDA			7,505	8,236	8,847	9,457	11,296
EV (MCH EV)	25.0x	100.0%	187,622	205,911	221,169	236,427	282,390
Minorities		32.6%	61,142	67,102	72,074	77,047	92,025
MSN shareholders		67.4%	126,480	138,809	149,095	159,381	190,365
per MSN share			88,395	91,749	98,547	105,346	125,826

Source: Company reports and EFC estimates

At our target EV range of 25x MCH's T12M 1H25e EBITDA, we estimate that MCH contributes VND149.1trn (equivalent to VND98,547 per MSN share) or 60.7% of MSN's group level EV of VND245.8trn (see fig. 18, page 10); this makes MCH the largest contributor to our SOTP valuation.

Masan Brewery (MB) - SOTP valuation

With respect to Masan Brewery (a 48.5% JV with Thailand's Boon Rawd), while MSN believes it can turn EBITDA positive this year (primarily from SG&A control), we do not see it generating adequate margins to deliver profitability at an EBIT level, largely as it is a subscale producer. Even at 15x EBITDA it does not materially impact our SOTP valuation, nor does it materially contribute to our consolidated group forecasts.

Masan has indicated that this JV is likely to be restructured going forward, in any event. We think this will likely be this next year as Boon Rawd has a 13.4% economic interest in MCH, and the holding has been a long-standing financial investment (ahead of the IPO – where it may well exit), in our view.

Figure 45: Masan Brewery's valuation (VNDbn)

	Target multiple	Eco. Interest	2023a	2024e	1H25e	2025e	2026e
Net Revenue			835	628	703	741	778
COGS			-758	-578	-640	-670	-700
Gross Profit			77	50	63	71	78
SG&A			-275	-200	-211	-214	-218
EBITDA			-73	23	35	44	53
D&A			-156	-173	-182	-188	-193
EBIT			-199	-150	-148	-144	-140
Ent. Value (MB)	14.5	100%	0	316	382	447	666
Minority share		51.5%	0	163	197	230	343
MSN share		48.5%	0	153	185	217	323
per MSN share			0	101	122	143	214

Source: Masan Group, EFC estimates

WinCommerce

Masan Group acquired the loss-making VinCommerce in a stock swap transaction that closed in early 2020a (with VinGroup). Subsequently, it restructured its operations (closing 740 PoS), undertook a rebranding to WinCommerce (2022), invested in distribution and a member's programme (2023). It also increased its economic interest to the current 78.5% by cash purchases of several minority stakes.

Figure 46: WCM's store count by format



Source: Masan Group, EFC estimates

Figure 47: WCM's revenue by format (VNDtrn)

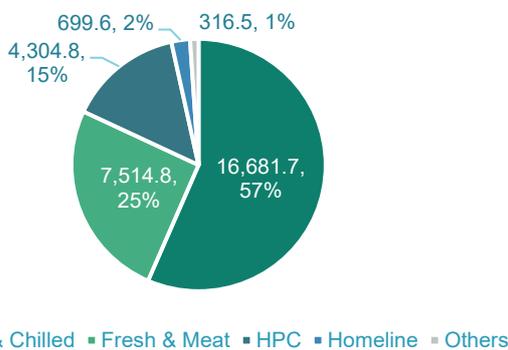


Source: Masan Group, EFC estimates

Despite the challenging start, the chain achieved positive EBITDA in 2021a and also launched the new fresh foods – point of life WIN format. Going forward, we expect WCM to add around 250-350 WIN and Winmart+ (rural formats) stores annually (6% store CAGR) and continue to renovate and optimise the existing footprint.

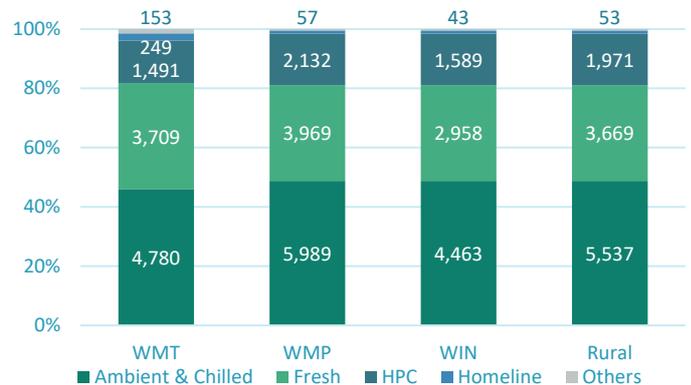
Across the four formats, most of the revenue (57%) is in the ambient and chilled foods categories, followed by fresh and meat (25%), and HPC (15%). Over the next few years, we do not anticipate much change in the mix of these broad categories as the key revenue driver will be the shift to modern trade.

Figure 48: WCM's 2023 revenue by category (% of total)



Source: Masan Group, EFC estimates

Figure 49: WCM's 2026e category vs channel share



Source: Masan Group, EFC estimates

WIN Membership goal



Source: Masan Group

WinCommerce’s long-term vision

WCM’s long-term vision is to be a O2O retail platform, to deliver a suite of consumer products and services via its store, logistics and membership plus MVNO & future app capabilities. Food and grocery retail are key customer hooks to drive the customer demand aspect of this vision. The second element is securing first-party data and building a user base around a broad e-commerce capability. WCM’s WIN membership programme remains central to that effort. The WIN membership programme has 8mn active members (who earn points shopping) and is anchored by primarily mobile phone numbers and names. Customers who have also opened bank accounts at Techcombank (at a WIN PoS) will have completed full e-KYC and MBS registration as part of that process. WCM targets 30mn WIN members by 2026e.

Overall, the system is growing and recovering this year

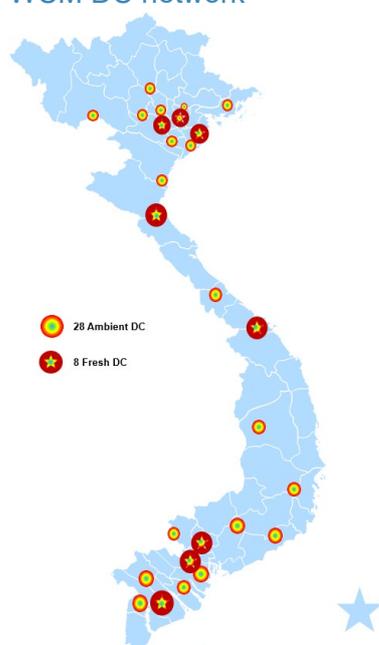
In our view, a key indicator of the success of WCM’s network is the total transactions (annual bills) count. A rising number supports a faster shift to spending on modern trade and a growing transaction count (along with the growing WIN membership programme) is indicative of a widening customer base.

Figure 50: WCM’s system transactions

Year	2020a	2021a	2022a	2023a	2024e	2025e	2026e	2027e	2028e
Transactions (mn p.a.)	257.5	210.8	212.1	199.6	268.8	297.9	331.4	371.8	420.1
Avg. bill (VND ‘000)	116.6	145.1	137.3	148.2	123.5	124.7	127.0	129.5	132.4
Per PoS (mn p.a.)	2,354	2,741	3,398	3,632	3,877	4,177	4,527	4,977	5,477
Per day (mn - system)	0.71	0.58	0.58	0.55	0.74	0.82	0.91	1.02	1.15

Source: Masan Group, EFC estimates

WCM DC network



Source: Masan Group

We believe that total bills (i.e. transactions across all four channels) are poised to substantially rebound in 2024e and report a record high, relative to the COVID impacted years and restructuring (2021a-23a). The bill count per PoS has also steadily risen in tandem, despite the ongoing conversion and reinvigoration of store formats.

So long as total transactions keep rising, and WCM continues its effort to optimise its SKU offering and drive-up revenue per store (at each format), we could see further acceleration in avg. bill sizes (across the network) than our estimates imply. This would bode well for the top line and subsequently higher profits for this business unit overall.

Logistics – another key focus at Wincommerce

Wincommerce is also the backbone of Masan Group’s growing internal logistics capability, Supra, which was established in 2023. As the modern trade market develops, Supra could add further ambient distribution centres (DCs) to the nine that it has. It also plans to further increase its fresh DC network from seven. It is also looking to leverage MCH’s existing DCs to exploit possible synergies. On balance, this could result in an 8-10x increase in its DC capacity. WCM targets to achieve 60% of its volume demand through Supra and cover 90% of its retail PoS by the end of 2028.

Capex at WIN has averaged VND300-500bn over the past three years, which we assume will be broadly maintained going forward. Our forecast of WCM’s EBITDA of VND1,488bn from 2025e should be able to cover much of that expenditure. In addition, WCM has VND3.0trn of bonds (on its balance sheet) due next year. Mgmt. has indicated that improved working capital and cash balance can cover the maturity, but we believe that WCM can easily refinance these bonds with MSN’s continued support.

Key deliverable – improve same-store sales

Ultimately, WCM's valuation and success will be gauged by its ability to expand its top line and deliver ongoing revenue expansion driven by same-store sales (SSG / LFL) growth.

This is in part because net new store openings and remodelling will range between 250-350 p.a. through 2026e, (largely focused on the WIN and rural Winmart+ formats), which is in the mid-upper single digit range relative to the network size of 3,632 stores (2023a). Thus, sweating the existing asset and store network base is key to the topline, in our view.

Figure 51: WCM's revenue model by sales channel (VNDbn)

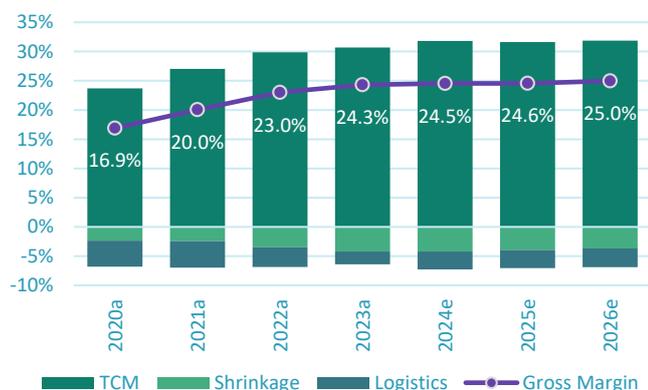
	2020a	2021a	2022a	2023a	2024e	2025e	2026e	2027e	2028e
Net revenue	30,963	30,840	29,238	30,054	33,386	37,992	43,180	49,622	57,412
Rev/share & commissions	934	243	112	473	180	844	1,078	1,482	1,784
Trading revenues	30,029	30,597	29,126	30,315	33,386	37,149	42,102	48,141	55,628
WMT	10,907	10,027	9,303	9,678	9,678	9,884	10,383	10,908	11,459
WMP (Urban)	19,122	20,570	19,823	12,316	12,316	11,425	12,282	13,030	13,823
WIN				3,523	5,329	7,120	8,600	10,808	13,618
WM+ (Rural)				5,052	6,062	8,719	10,837	13,395	16,728
					0				
SSS	30,029	30,597	28,935	26,268	31,538	35,950	40,286	45,826	52,451
WMT	10,907	10,027	9,112	8,958	9,678	9,884	10,383	10,908	11,459
WMP (Urban)	19,122	20,570	19,823	10,821	11,746	11,071	12,282	13,030	13,823
WIN				3,119	4,843	6,982	7,715	9,622	12,097
WM+ (Rural)				3,370	5,270	8,013	9,906	12,265	15,072
NSS			191	3,314	1,848	1,199	1,817	2,315	3,177
WMT			191	41					
WMP (Urban)				1,188	571	355			
WIN				404	486	138	885	1,186	1,521
WM+ (Rural)				1,682	792	707	931	1,130	1,656
Avg. SSS	11.2	12.0	9.4	7.7	8.4	8.9	9.3	9.6	10.0
WMT	85.2	81.9	72.3	68.6	73.9	75.4	79.3	83.3	87.5
WMP (Urban)	7.5	8.5	6.9	4.5	6.6	6.6	7.3	7.7	8.2
WIN				12.5	8.4	8.9	8.4	8.9	9.5
WM+ (Rural)				2.8	4.2	5.6	6.1	6.6	7.1
Avg. NSS					7.7	4.4	5.6	5.8	6.7
WMP (Urban)					-5.6	-3.5	0.0	0.0	0.0
WIN					3.2	0.7	6.6	7.2	7.8
WM+ (Rural)					1.2	4.3	4.9	4.8	5.9
SSG (%)					9.3%	21.0%	3.7%	4.2%	4.1%
WMT					7.6%	14.9%	5.1%	5.1%	5.1%
WMP (Urban)					46.0%	16.2%	10.9%	6.1%	6.1%
WIN					-32.4%	18.7%	-5.7%	5.7%	6.5%
WM+ (Rural)					47.1%	51.3%	9.1%	8.1%	6.8%

Source: Company reports and EFC estimates

In line with 9M24 results, we expect WCM to return to growth in 2024e with the top-line expanding 12.1% to VND33,386bn. Gross margins averaged 24% for 9M24 and with the seasonal boost in 4Q24, we think a GM of 24.5% is possible for full year. The improving top-line will help drive EBITDA and bottom-line growth.

Moving forward, we expect EBITDA margins to steadily improve in-line with top-line growth. In addition, improvements in shrinkage and logistics will help keep GMs at c24-25%, while efficiencies in promotional and targeted marketing spend strategies will help steadily moderate SG&A in terms of percentage of sales. We estimate that nearly a quarter of WCM COGS relates to MCH ambient and MML fresh meat products, which should help GMs as these products will be internally sourced.

Figure 52: WCM's TCM & GM (%)



Source: Masan Group, EFC estimates

Figure 53: Share of turnover by MSN products



Source: Masan Group, EFC estimates

The result of this should be rapid EBITDA growth and improved margins over the next three years. We expect EBITDA margins to reach 3.4% in 2024e and rise to 5.4% by 2026e, which in turn will translate into a 3-year (2023-26e) EBITDA CAGR of 48.9%.

MSN has indicated that WCM turned profitable at the net income level at the end of 3Q24 (cVND20bn), but we still think it will report a nominal EBIT loss of VND30bn for 2024e.

WCM historical & forward CAGRs

CAGR (3-Yr)	23a/20a	26e/23a
Net Revenue	-1.3%	13.2%
Gross Profit	11.4%	14.2%
EBITDA	n.m.	47.9%
EBIT	n.m.	n.m.

Source: Masan Group, EFC estimates

Figure 54: Key forecast items – WinCommerce (VND bn)

Year ended	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Net revenue	30,963	30,840	29,238	29,782	33,386	37,992	43,180
COGS	-25,746	-24,717	-22,642	-22,814	-25,194	-28,660	-32,394
Gross Profit	5,232	6,183	6,727	7,240	8,192	9,332	10,786
SG&A	-8,445	-6,689	-7,273	-7,564	-8,222	-9,011	-9,757
EBITDA	-1,524	1,100	729	694	1,093	1,486	2,240
D&A	-1,689	-1,607	-1,275	-1,018	-1,123	-1,165	-1,212
EBIT	-3,213	-506	-546	-323	-30	321	1,029

Revenue growth	12.0%	-0.4%	-5.2%	1.9%	12.1%	13.8%	13.7%
GP growth	24.5%	18.2%	8.8%	7.6%	13.2%	13.9%	15.6%
EBITDA growth	25.5%	172.2%	-33.8%	-4.7%	57.5%	35.9%	50.8%
Gross margin	16.9%	20.0%	23.0%	24.3%	24.5%	24.6%	25.0%
SG&A/Sales	27.3%	21.7%	24.9%	25.4%	24.6%	23.7%	22.6%
EBITDA margin	-4.9%	3.6%	2.5%	2.3%	3.3%	3.9%	5.2%

Source: Masan Group, EFC estimates

WinCommerce - SOTP valuation

Vietnam’s modern trade industry is nascent, but the two industry leaders – WinCommerce (WCM) and MWG’s Bach Hoa Xanh (BHX) – have been building out their respective chains (over the past five years) and have achieved a significant store footprint coverage in their respective markets, WCM in nationwide (3,733 stores) and BHX in Southern Vietnam (1,735 stores).

In our view, these network buildouts (incl. distribution and last mile fulfilment) have first mover (intrinsic) value (thus they are worth more than book value) at this stage of modern trade development in Vietnam.

In short, we feel a pure peer multiple valuation approach does not fully account for either the mid-term growth opportunity or the strategic advantage that a fully deployed store network offers.

Figure 55: Bach Hoa Xanh Post money valuation & multiples

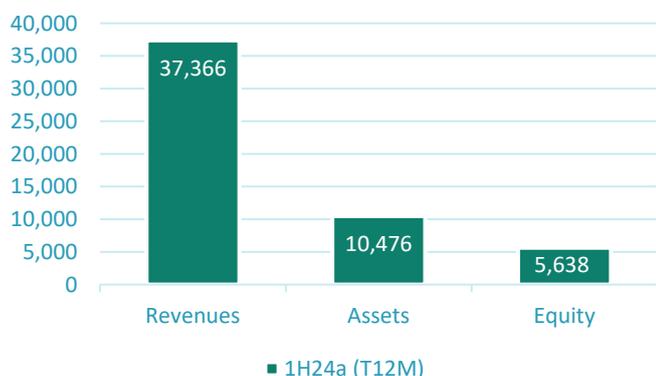
Bach Hoa Xanh (VND bn)	2022a	2023a	1H24a (T12M)
Revenues	27,119	31,610	37,366
Assets	9,963	8,941	10,476
Equity	6,205	5,143	5,638
Implied EV/Sales (x)	1.31	1.12	0.95
Implied EV/Assets (x)	3.56	3.96	3.38
Implied P/Book (X)	5.71	6.89	6.28
5% Stake sale	Proceeds (VND bn)	Post money	(USD mn)
Apr-24	1,772	35,433	1,428

Source: Company 3Q24 Financial statements, EFC calculations

We highlight the valuations implied by BHX’s recent 5% stake sale. The post money EV (100% equity basis) was VND35.4trn (USD1.43bn) as of Apr-24. This implies an EV/sales multiple of 1.12-0.95x at 2023a or 1H24a (T12M). However, on an EV/asset or P/B basis the transaction implies 4.0x to 3.4x and 6.9 to 6.3x, respectively. We note BHX has not publicly disclosed any EBITDA figures so far.

Relative to each other, as of 1H24a, BHX and WCM are broadly similar. WCM’s asset base is 1.9x that of BHX’s, but it has nearly 2.2x more locations. However, BHX’s revenue is higher (owing to its more mid-size grocery store format). Both chains have indicated they are EBITDA positive and on the cusp of turning net income positive.

Figure 56: Bach Hoa Xanh’s financials (VNDbn)



Source: Company Financial statements

Figure 57: WinCommerce’s financials (VNDbn)



Source: Masan Group, MSN Financial statements

Similar valuation dynamics can be seen in regional peers. These markets tend to be more mature than Vietnam, yet their multiples reflect a similar 0.9x EV/sales range, but lower EBITDA range of 11.2-15.5x and 6.3 to 4.1x book value.

On the flip side, India's Avenue Supermarkets trades at substantially higher (high growth orientated) multiples. Its latest EV/sales multiple is 4.5x, while it trades at over 50x 2025e EBITDA and 13.3x book. We look at India, as like Vietnam, it has a large addressable market with modern trade steadily displacing general trade.

Figure 58: Pure food retailer peers

	T12M	2024e	1H25e	2025e	2026e
Avenue Supermarkets (DMART)					
EV/Sales (x)	4.5	4.1	3.8	3.5	2.9
EV/EBITDA (x)	59.7	59.7	50.0	40.2	40.2
P/Book (x)	13.3	11.9	11.0	10.2	8.7
Regional Peer Avg.					
EV/Sales (x)	0.90	0.92	0.88	0.83	0.74
EV/EBITDA (x)	12.8	15.5	14.2	12.9	11.2
P/Book (x)	6.7	6.3	5.5	4.7	4.1

Source: Bloomberg, EFC calculations

Thus, we adopt a hybrid valuation approach for WCM in our SOTP, which is partly based on the recent local BHX valuation and also as there is a limited range of growth (pure food retailer) peer valuations (see Fig. 123, pg. 58) to gauge our forecasts against. In our view, using the BHX P/Sales benchmark, undervalues the modern trade opportunity, as does using regional peers, but we also think that the multiples in India are rich as it reflects a country premium and as the modern trade in India is already profitable on an accelerating growth trajectory, and ahead of Vietnam's current level of development.

Figure 59: WCM's key forecast metrics (VNDbn)

Year ended	2022a	2023a	1H24a (T12M)	2024e	1H25e (T12M)	2025e	2026e
Revenues	29,238	29,782	31,338	33,386	33,689	37,992	43,180
EBITDA	729	694	891	1,093	1,290	1,486	2,240
Equity	5,528	8,631	7,209	8,602	8,762	8,923	9,951

Source: Equity value = 2023a plus EBIT (as WCM has tax loss carry forwards)

Our hybrid target multiples reflect an equal weighting of the P/Sales, P/B and EV/EBITDA of the peer group, Avenue Supermarkets (DMART) and the BHX post money valuations. Given the absence of a divisional EBITDA figure for BHX, we only use the regional peers and DMART's multiples for the EV/EBITDA multiples.

Figure 60: Our hybrid multiples for WCM (x)

Equal weighted	T12M	2024e	1H25e	2025e	2026e
Hybrid P/Sales (x)	2.1	2.0	1.8	1.7	1.4
Hybrid EV/EBITDA (x)	36.3	37.6	32.1	26.5	25.7
Hybrid P/Book (x)	8.1	8.1	7.4	6.8	5.8

Source: Bloomberg, EFC estimates

We apply the average multiples in Fig. 60 above for the respective 2024e, 1H25e periods and then roll our valuation forward to 2025-26e using the target multiples below.

Figure 61: Derivation of WCM's EV (x)

Year ended	Target multiples	1H24a (T12M)	2024e	1H25e (T12M)	2025e	2026e
P/Sales (x)	1.8	66,415	65,918	64,855	69,040	78,468
EV/EBITDA (x)	32.1	32,290	41,121	41,364	47,663	71,854
P/Book (x)	7.4	58,266	69,524	65,275	66,470	74,134
Avg.		52,324	58,854	57,165	61,058	74,819

Source: EFC estimates

Ultimately, we see a forward valuation range of VND21,3345 to VND40,731per MSN share for WCM. As at 1H25e, the average of our multiple range contributes VND29,673 per share to our SOTP for the group. Our approach places a valuation of USD2.2 to 2.9bn for WCM over the next three years. We note this is quite close to MSN's USD2.5bn put option on the SK Group's residual stake in the company.

Figure 62: Derivation of MSN's share of WCM EV

	Econ. Int.	1H24a (T12M)	2024e	1H25e (T12M)	2025e	2026e
Hybrid EV (VND bn)	100%	52,324	58,854	57,165	61,058	74,819
USD bn	100%	2.06	2.29	2.21	2.36	2.85
Minorities	21.5%	11,233	12,634	12,272	13,107	16,062
MSN's shareholders	78.5%	41,091	46,220	44,893	47,950	58,757
Per MSN share		27,160	30,550	29,673	31,694	38,837
Max EV/Share		34,474	36,088	33,883	35,837	40,731
Min EV/Share		16,761	21,345	21,471	24,741	37,298

Source: EFC estimates

It is possible to make a case for an even higher valuation for WCM, should the company deliver on accelerating top-line and EBITDA growth from 2026e onwards. Ultimately, the market has shown it will pay a premium for high-growth companies, and we feel with a potential IPO for WCM in early 2027 as a distinct probability, there is scope for a robust valuation of more than USD3.5bn. At that juncture, e-commerce (in food retail) and other initiatives, such as meal replacement may well be far more advanced in urban parts of Vietnam by then and this may add a further valuation dimension to WCM's results at that time.

In our view, the premium (over our 1H25e base valuation of USD2.5bn) that Masan paid for its sizable (7.0%) recent SK purchase can be explained by the potential for new revenue opportunities and yet to be developed e-commerce and O2O initiatives outside of food retail.

We believe that MSN can potentially buy out residual minorities – SK Group, USD215mn / 8.6% and at least PE Consortia, USD365.6mn / 12.9% subject to the MCH IPO valuation – as soon as June 2025e, on our estimates.

Masan Meat Life

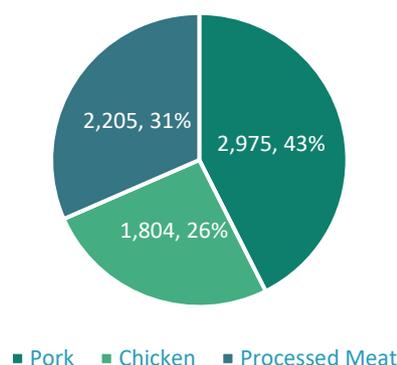
Masan Meat Life (MML) owns Vietnam's only national meat processing network, and it was built with future capacity in mind. The two slaughterhouses (North – Ha Nam and South – Long An) combined can process 2.8mn pigs annually (1.4mn each) and current utilised volume is only c12% of that figure. The northern Ha Nam facility processes c18mn chickens, with the southern 3F Viet facility adding another 9mn birds. Both facilities have room to scale-up production by a combined 38mn chickens (primarily by adding further shifts).

Figure 63: MML / Meat Deli key products



Source: Masan Group

Figure 64: MML's revenue by product, 2023 (VNDbn)



Source: Masan Group

How MML has evolved

In 2020, MML acquired 51% of 3F Viet Food (3FV), expanding its chicken processing business. MML has a northern chicken processing line complemented by 3F's dedicated southern processing facility.

Subsequently, MML underwent a strategic change in its business model in 2022 when it sold its animal feed units to De Haus booking a net gain of VND5.7trn (USD240mn). It has retained its large-scale meat packaging and processing capability (2.8mn pigs / 61mn chickens capacity p.a.) and has invested in a dedicated retail PoS network within the WCM chain, as well as selected (80) standalone locations near general trade / wet market hubs and centres.

Both 3FV and MML are vertically integrated. MML has a large-scale pig farm (c235,000 pigs p.a.), while 3FV also has large scale chicken breeding farms, hatcheries (52m eggs) and growing farms (15mn). The animal feed chain is supplied under agreements with global suppliers (JAPFA, Sojitz & De-Haus), while De-Haus is also committed to supply up to 2.8mn pigs p.a. to MML slaughterhouses through 2027, under a wholesale service contract.

In 2018, MSN established a processed meat JV with Korea's Jinju Ham. Masan-Jinju (MSJ - 75% MSN/25% Jinju). Masan Group transferred its MSJ JV (75% MML / 25% Jinju) with Korea's Jinju foods into MML in late 2022, and the impact on profitability at MML was immediately visible. In 2023a, MSJ was the second-largest category contributor to MML's top-line, behind pork and ahead of chicken. It has the highest gross margins, and we believe it is the key driver of recent profitability.

Becoming a leading meat player

MSJ established the snack meat market in Vietnam launching a branded kids sausage product (Heo Cao Boi) and has expanded the SKU offering steadily through a second (Ponnie) label. MSJ is MML second largest revenue contributor to MML overall.

The result is MML has Vietnam’s only true national farm-to-fork capability of scale in Vietnam. Its principal competitor (CP Foods) only has a southern footprint only and relies on third parties for retail distribution.

Logistics wise, MML has a strategic relationship with ABA Cooltrans (Vietnam’s largest cold chain logistics provider), which provides MML with a direct-to-retail solution in both north and south Vietnam. ABA Cooltrans has three chilled warehouses (two in the south and one in the north) with a combined capacity of 26 chambers, 50,000 pallets and 4,000m² chilled dock areas. Its truck fleet is c250 vehicles (mostly urban sized) with multi temperature capabilities and real time location and temperature tracking.

MML also leverages the Supra network in the ambient processed meats category, which MCH distributes on behalf of MSJ in tandem with its full FMCG SKU range.

Meat Deli brand and the PoS network

MML has established an umbrella brand for its fresh and chilled meat products. Meat Deli is displayed on all packaging and is prominently visible on in store cold storage units and butchery stations.

It has also invested directly into the WCM PoS network by installing cold storage fridges, butchery stations across most of WCM’s retail network (3,633 locations) plus another c163 other modern trade channels as well as 80 agent/wet market locations.

MSJs ambient products are also sold across c300k general trade PoS as well as in Bach Hoa Xanh’s c1,400 locations (alongside some processed meats) in conjunction with MCH’s product range.

Leading to a diverse revenue mix and improved margins

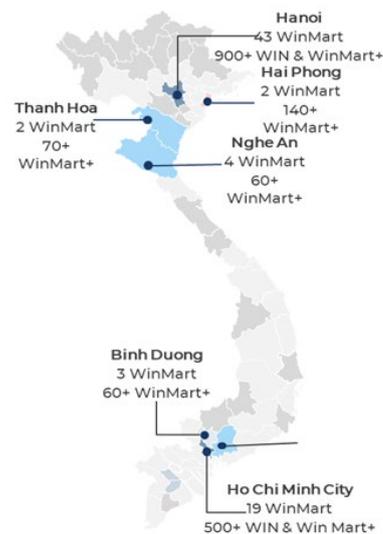
MML’s revenue is split between fresh and farm meat (69% - both pork and chicken), and processed meat (31%). Margins in fresh meat are impacted by wholesale activities. In pork, it trades in live hogs (excess production) and slaughters for third parties (De Haus). In chicken, 3F Viet trades in day old chicks, live birds, and by-products. Another factor in margins is wastage and shrinkage, as MML sells directly to consumers through most of its network.

ABA CoolTrans logistics fleet

Truck Capacity		# of Trucks	Frozen -15°C to -18°C	Chilled 0°C to -4°C	Split Loads (2 temps)
Small	<2.5 tons	235+	✓	✓	200 trucks
Medium	2.5-6 tons	10+	✓	✓	✓
Large	>6 tons	15+	✓	✓	✓
✓✓✓ Average age of fleet is <5 years old					

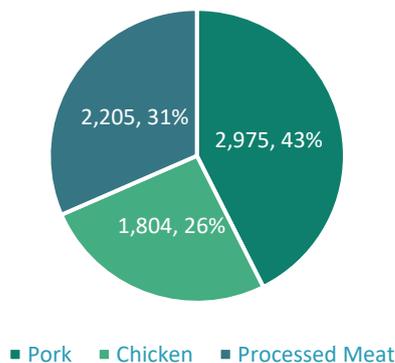
Source: MML

MML MT channel & reach



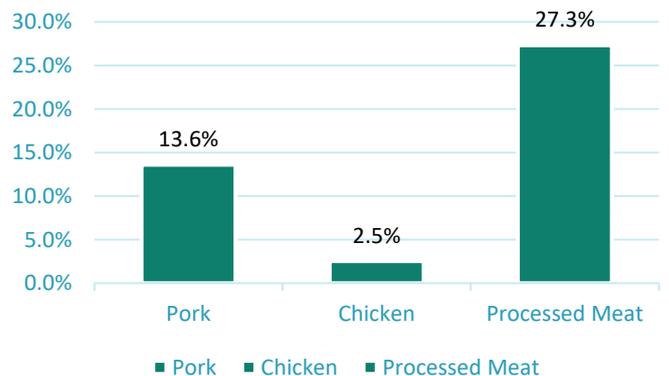
Source: Masan Meat Life

Figure 65: MML’s revenue breakdown, 2023 (VNDbn)



Source: Masan Meat Life

Figure 66: 2023a GMs by category



Source: Masan Meat Life

Broadly, we think volume growth in fresh meat should be in line with overall growth of chilled meats. Management believes that penetration of chilled meat will reach 12-15% by 2027, which would imply a USD15-20bn market size. Overall, Vietnam has seen an 8% CAGR in animal protein meat volume since 2022 and consumption stands at 57.6kg of pork per capita. The second highest in the world behind Korea (and slightly ahead of China). If management estimates are correct, then Vietnam should see a rapid increase in chilled meat consumption in the next couple of years.

Figure 67: Pork volumes, 2020-26e (tons)

	2020a	2021a	2022a	2023a	2024e	2025e	2026e
WCM	3,486	9,697	8,001	9,840	11,049	12,342	13,886
Other MT	1,619	1,634	1,308	662	575	575	575
Agent/GT	1,190	959	420	368	153	161	169
Slaughter	9,087	6,906	8,254	11,413	12,283	13,312	14,526
Proc. Meat	466	940	846	986	1,520	2,056	2,711
Total	15,848	20,137	18,830	23,269	25,581	28,446	31,868

Source: Masan Meat Life, EFC estimates

Figure 68: Chicken volumes, 2021-26e (mn)

	2021a	2022a	2023a	2024e	2025e	2026e
Broiler & Native	11.7	9.0	10.0	9.6	10.6	11.9
Day old chicks	12.7	15.2	19.3	23.5	22.9	25.3
Live bird	7.0	9.1	8.7	3.0	0.0	0.0
Total	31.5	33.3	38.0	36.0	33.5	37.2

Source: Masan Meat Life, EFC estimates

Share of modern trade sales is key for MML

MML's top line is intricately linked with WCM's overall network, as its fresh meat products are primarily sold in that chain, as are its processed meat products. However, the latter is sold across all modern trade chains in Vietnam, which means it has more scope for faster growth in the medium term.

Figure 69: Pork revenues, 2020-26e (VNDbn)

	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Fresh Meat	888	1,688	1,217	1,355	1,514	1,739	2,097
Processed Meat	68	150	122	145	352	559	848
Slaughter	401	286	318	394	439	492	556
Live Hog	881	963	970	1,081	1,289	1,334	1,381
Pork revenues	2,238	2,124	1,657	1,894	2,305	2,790	3,500
MT share	43%	87%	81%	79%	81%	82%	84%

Source: Masan Meat Life, EFC estimates

Figure 70: Chicken revenues, 2021-26e (VNDbn)

	2021a	2022a	2023a	2024e	2025e	2026e
MT	485	460	524	581	661	757
Agent/GT	139	132	131	172	196	224
Processed meat	188	255	161	181	205	235
By products	41	49	53	53	61	70
DOC	72	151	179	221	224	256
Live bird & Others	562	904	755	306	33	38
Chicken revenues	1,487	1,951	1,804	1,514	1,380	1,581
MT share	42.0%	30.4%	36.3%	49.8%	62.1%	62.1%

Source: Masan Meat Life, EFC estimates

On the other hand, MSJ sales should grow as both the the SKU range expands as well as in-line the growth of the broader category sales given its sizable share of that market. Overall, we expect that MSJ will continue to account for c45% of MML's sales on a forward basis.

Figure 71: MSJ sales volumes

Tons	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Ponnie	2,651	5,808	9,874	12,833	15,542	21,836	28,888
HCB	5,064	6,174	8,643	7,044	7,202	9,617	11,308
Total	7,715	11,982	18,517	19,877	22,744	31,453	40,197

Source: Masan Meat Life, EFC estimates

Figure 71: MSJ's processed meats revenues

VND bn	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Ponnie	235	524	883	1,060	1,329	1,932	2,646
HCB	609	751	1,091	965	1,021	1,411	1,717
OEM				206	13		
Revenues	844	1,274	1,974	2,231	2,363	3,343	4,363

Source: Masan Meat Life, EFC estimates

Financial forecasts

We expect to see a steady acceleration in MML's revenue from 2025e, which should boost profitability at the same time. We expect gross margins will improve as shrinkage declines and most of MML's fixed assets are built, as such unit production costs will improve on economies of scale, which in turn will help drive SG&A intensity down. Ultimately, MML can be a source of incremental profitability to MSN overall.

MML historical & forward CAGRs

CAGR (3-Yr)	23a/20a	26e/23a
Net Revenue	29.3%	15.7%
Gross Profit	44.1%	38.1%
EBITDA*	n.m.	67.9%
EBIT*	n.m.	n.m.

Source: Masan Group – MML Financial statements

Figure 72: Masan Meat Life – Summary forecasts

Year ended	2020a*	2021a*	2022a	2023a	2024e	2025e	2026e
Net revenue	16,119	18,891	4,785	6,984	7,470	8,404	10,825
COGS	-13,394	-16,588	-4,440	-5,932	-5,631	-6,293	-8,051
Gross Profit	2,725	2,303	344	1,053	1,839	2,111	2,773
SG&A	-1,652	-1,655	-800	-1,277	-1,735	-1,910	-2,038
EBITDA	1,881	1,827	-36	266	587	703	1,257
D&A	-808	-1,179	-420	-490	-483	-501	-521
EBIT	1,073	648	-456	-224	104	201	736
Revenue growth	204.2%	41.5%	0.1%	52.5%	7.0%	12.5%	28.8%
GP growth	n.m.	29.3%	-24.4%	205.8%	74.7%	14.8%	31.4%
EBITDA growth	n.m.	193.3%	n.m.	n.m.	120.9%	19.6%	78.9%
Gross margin	10.9%	10.0%	7.5%	15.1%	24.6%	25.1%	25.6%
SG&A/Sales	16.5%	14.5%	17.5%	18.3%	23.2%	22.7%	18.8%
EBITDA margin	2.2%	3.1%	-0.8%	3.8%	7.9%	8.4%	11.6%

Source: Masan Group, EFC estimates

* 2020-21a are proforma financials (post sale of Animal feed assets)

MML SOTP

As MML turned profitable over 2023a (EBITDA) and 2024e (EBIT), we use a target multiple of 14.5x (which reflects the average of the Food producer peer group's 2024 and 2025e multiples) and roll that valuation forward from 1H25e.

Figure 73: Avg FMCG peers

Avg.	T12M	2024e	1H25e	2025e	2026e
EV/Sales		2.4	2.3	2.2	2.0
EV/EBITDA		15.7	14.5	13.6	12.1
P/E		31.2	27.6	24.0	21.1

Source: EFC estimates

We believe MML's valuation is likely to accelerate once Vietnam hits the chilled meat J-curve in consumption, ultimately, we believe that MML's fair value could reach VND11,432per MSN share and still grow from there.

Figure 74: Derivation of MML's EV and MSN's share

Year	Target multiple	Econ. Int.	2023a	2024e	1H25e	2025e	2026e
EBITDA			-36	266	587	703	1,259
EV/EBITDA	14.5	100.0%	3,855	8,516	9,352	10,188	18,225
Minorities share		5.1%	197	434	477	520	929
MSN's share		94.9%	3,658	8,082	8,875	9,668	17,295
per MSN share			2,557	5,342	5,866	6,390	11,432

Source: Masan Group, EFC estimates

MML & MSJ processed meat SKUs



Pork roll sausage & Green chili pork roll (2023)



Continuous Innovation on RTE snacks (2020-2022)



Salted ham/Smoked meat (2023)



Heo Cao Bôi (2016)



Ponnie (2018)



Bin & Bon (2023)



Ponnie Doubling (2023)

Source: Masan Group

Mid-term strategic direction

Vietnam is the largest pork and chicken market in S.E. Asia with size estimates ranging from USD13.6-15.3bn (2022-23), which is 2-3x that of the Philippines and Thailand based on Euromonitor estimates. Of that, cUSD10bn is pork, while cUSD2.5bn is chicken and cUSD2.8bn is processed meat.

Management sees two distinct near-term opportunities for MML. One is expanding the processed meat portfolio, and the second is progressively scaling up the branded chilled/fresh meat revenues and optimising associated costs to boost overall margins. In the medium term, management also believes Vietnam could become a significant meat supplier to North Asian import markets such as South Korea and Japan.

In our view, these businesses should be seen as complementary ‘growth options’ to the core FMCG business (MCH) and modern trade grocery retail (WCM). MML has a strong product offering that can leverage both MCH’s and WCM’s national reach and operations, plus its revenue and profitability outlook should be closely correlated with WCM’s trading performance.

Processed meats – a key focus

MSJ has launched sterilised sausage and canned luncheon meat/meatball products and in the mid-term expand into pork jerky and other ready to eat ambient meat SKU’s

MML plans to steadily expand MeatDeli’s range into processed meats including packaged fresh meats. Management recognises that gross margins improve as you move up from chilled/fresh packaged meat into packaged processed meats. Over 2020-23, the Meat Deli range has already added marinated products, ready-to-cook products (RTC - meatballs and grill ready meats), as well as low temperature processed meats (pasteurised sausages) as well as boiled and fried fresh pork/chicken – popular in sandwiches along with chilli flavoured pork rolls among others.

Overall, MML’s management believes that medium-term margins can expand as value-added products command a GM of 30-50% vs 20-30% for packaged fresh meat. In the longer term, MML targets a full range of western-style processed meats (i.e. bacon and chicken nuggets – amongst others).

Pork – processing optimisation

This category forms the backbone of MML’s branded fresh/chilled offering and MML is seeking to optimise the value it can extract from each pig. Initiatives include: i) focus on the fresh factor (slaughtering will move to night shifts – meaning longer and fresher shelf-life) and improving offal quality (through better processing and veterinary practices in supply); ii) improving butchering / cutting specs to meet B2B demand and improve visual appeal; iii) bring in flexible pricing to improve competitiveness; and iv) improve utilisation of processed meats by c10kg/pig.

Farms – chicken growing optimisation

MML also intends to focus on its commercial farms to optimise processing costs and improve feed consumption, reduce the sub-standard chicken ratio and achieve the lowest live bird cost in the industry.

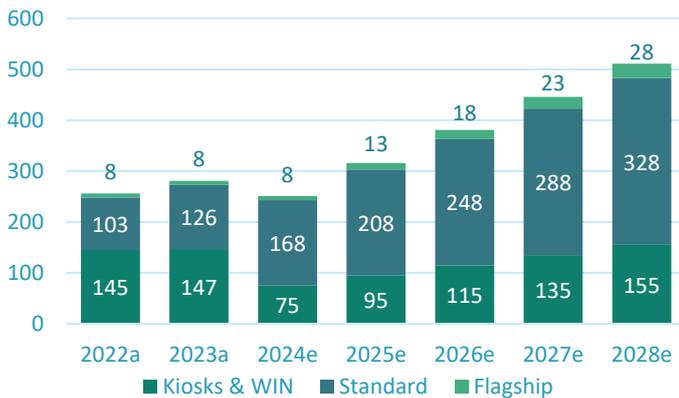
Phuc Long Heritage

Phuc Long Heritage is one of Vietnam’s largest coffee and tea chains. It ranks first by locations, and second in revenue (behind Highlands Coffee). Phuc Long was established in 1968, as a local bean roaster and tea leaf supplier in HCMC.

MSN initially acquired a 20% associate stake in 2021 and took a 51% majority control in Jan 2022. Subsequently it increased its stake to 85% in 2023. MSN has invested VND13.1trn (cUSD500mn) in acquiring this business so far. The chain has 251 PoS (176 shops and 75 kiosks) mostly in Tier 1 cities, and major shopping malls.

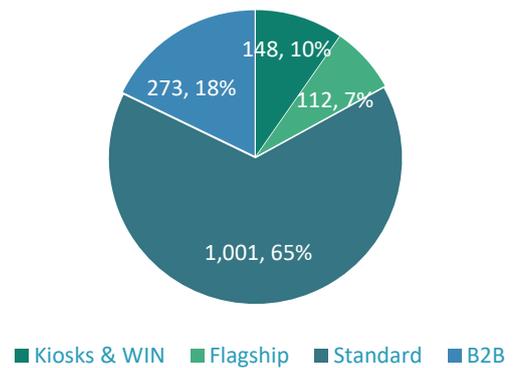
Management estimates that the Vietnamese tea and coffee market size stood at USD1.9bn in 2023 and could grow to USD3.3bn by 2027-28. PLH reported 2023 revenue of VND1.5trn (cUSD60mn). Like MML, we see PLH as a multi-year longer-term investment for MSN. Its value to the group is potential to develop into another mainstream and premium umbrella brand over time.

Figure 75: PLH – number of branches & network



Source: EFC, excl. Winmart+ kiosks closed in 2022

Figure 76: 2023a - revenue by category – VND bn



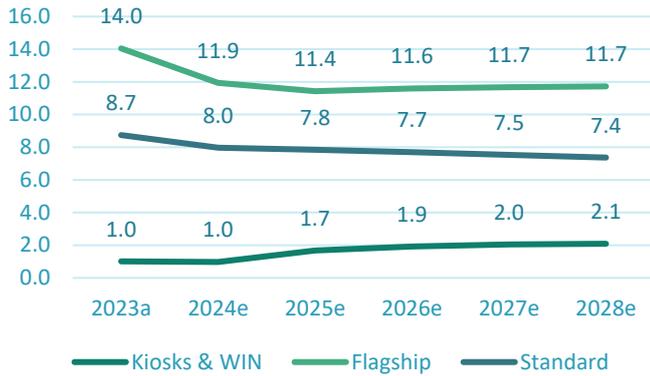
Source: Masan Group

Coffee culture is very strong in Vietnam, in particular local varieties of drip coffee and iced coffee (made with sweetened condensed milk) are mainstream beverages. Tea (especially herbal teas) are served in most homes and are a typical part of meetings and special ceremonies (particularly in the northern regions). Vietnamese consumers are avid beverage drinkers and will often order coffee, tea or food simultaneously when shopping or dining indoors or outdoors. This makes the coffee shop an important consumer touchpoint.

To tap into this, PLH experimented with a take-away (spokes) format within its urban Winmart+ network in 2022 (opening 822 spokes). The idea was similar to that seen in other countries, where people grab a coffee in convenience store locations (typically near the till) or high traffic locations. This was unsuccessful and it was quickly shut down over 2023 (698 spokes) and early 2024 (72). We note that PLH has retained 54 spokes, along with 21 kiosks (largely in office building lobbies).

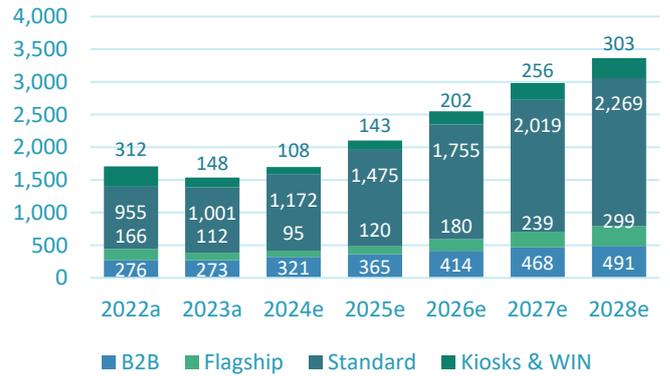
PLH is now focused on three formats: i) steadily expanding the standard store format (which drives most revenues); ii) adding spokes selectively at high traffic WIN shops; and iii) ensuring its flagship stores are strategically located at key locations throughout Vietnam.

Figure 77: PLH's revenue per store (VND bn)



Source: Masan Group < EFC estimates

Figure 78: PLH's revenue by format (VND bn)



Source: Masan Group, EFC estimates

PLH also has a strong B2B business with its premium coffees and teas found in many modern trade locations. This reflects the chain's humble beginning as a roaster and tea shop.

Like many Coffee chains, PHL has international aspirations. As the brand is distinctively Vietnamese, we suspect that the location choices will be centred around communities with sizable Vietnamese diaspora and populations and/or in Asia. PHL tentatively plans to open 30 shops internationally over the next five years.

Figure 79: Phuc Long's store formats



Source: Masan Group

Financial forecasts

PHL forward CAGRs

CAGR (3-Yr)	26e/
Net Revenue	18.
Gross Profit	19.
Op EBITDA	24.
EBIT	48.

EFC estimates

Figure 80: PLH's financial estimates (VNDbn)

Year ended	2022a	2023a	2024e	2025e	2026e
Net revenue	1,558	1,535	1,697	2,104	2,551
COGS	-532	-542	-580	-707	-840
Gross Profit	1,026	993	1,117	1,396	1,710
SG&A	-939	-908	-939	-1,173	-1,432
Op EBITDA	195	255	365	418	481
D&A	-109	-170	-187	-195	-203
EBIT	86	85	178	223	278
Revenue growth	n.a.	-1.5%	10.6%	24.0%	21.3%
GP growth	n.a.	-3.2%	12.6%	25.0%	22.5%
EBITDA growth	n.a.	30.5%	44.0%	15.2%	15.7%
Gross margin	65.9%	64.7%	65.8%	66.4%	67.1%
SG&A/Sales	60.3%	59.2%	55.4%	55.7%	56.1%
Op EBITDA margin	12.5%	16.6%	21.6%	20.1%	19.2%
EBIT margin	5.6%	5.5%	10.5%	10.6%	10.9%

Source: Masan Group, EFC estimates

Phuc Long Heritage SOTP

We use the average multiples for publicly traded restaurant chains in our FEM peer group (see Fig 124, page 59). There is a good sample of regional restaurant chains that trade at fairly robust earnings multiples that are broadly similar to food and beverage peers. However, at this early stage of development, PLH will not materially contribute to our SOTP and we acknowledge that a peer-driven EV/EBITDA valuation will not surpass what MSN spent to acquire this chain.

Figure 81: Restaurant peers multiples (x)

Avg.	T12M	2024e	1H25e	2025e	2026e
EV/Sales	2.5	2.3	2.2	2.0	1.9
EV/EBITDA	17.1	14.8	13.4	11.9	10.0
P/E	25.0	36.3	29.6	23.0	18.3

Source: Bloomberg

We feel it is prudent to stick with a multiple valuation approach (consistent in our valuation of MSN's major business lines) as PLH is profitable, and MSN deployed a substantial amount of capital on the acquisition. At 13.4x the mid-point of our 2024-25e EBITDA estimates we see PHL adding VND2,746 per share to our SOTP. However, if we carry this investment at cost it would equate to VND8,690 per share.

Figure 82: Derivation of PLH EV and Masan's share

Year	Target multiple	Econ. Int.	T12M	2024e	1H25e	2025e	2026e
EV/EBITDA	13.4	100.0%	2,612	3,408	4,888	5,590	6,426
Minorities share		15.0%	392	511	733	838	964
MSN's share		85.0%	2,220	2,896	4,155	4,751	5,462
Per MSN share			1,551	1,914	2,746	3,140	3,610

Source: Masan Group, EFC estimates

MHT carrying values (VNDbn)

VND bn	MSN Segment	MHT FS
Assets	38,891	39,395
Liabilities	18,451	26,990
Equity	20,440	12,405
(USD mn)	834	506
Mkt Cap	13,384	
P/B (x)	0.65	1.08

MHT & MSN Financial statements

HC Stark sale now closed

On 20 December, 2024, MHT announced the closure of the sale of HC Stark (HCS) to Mitsubishi Materials. MSN will receive cUSD135mn in cash (cUSD95mn net as of the Nov-24 9.5% purchase of MHT shares). It will deconsolidate VND4.9trn in long-term pension liabilities (provisions) and book an undisclosed book gain in its 4Q24 FS. Neither MSN or MHT financial statements provide a break-out of HCS equity or carrying costs. MHT acquired HC Stark in June 2020 for a consideration of VND1,967.4bn (cUSD84.7mn). We adjust our consolidated estimates to reflect the disposal, based on the information available.

Source: Masan High Tech Materials

Masan High Tech Materials

Masan Group is looking to exit and deconsolidate its cyclical businesses of which Masan High Tech Materials (MHT) is the principal holding. Masan acquired MHT in 2010 (as part of a govt. encouraged buy-out), developed the processing plant and began commercial operations in 2014. As of 3Q24a, MSN is carrying MHT equity at VND20.4trn (USD834mn) on its balance sheet, while MHT itself lists its equity at VND12.4trn (USD506mn) for the same period. The difference is likely found in MSN's VND57.8trn of unallocated liabilities per its own FS.

MHT has not delivered meaningful operating profits (based on its published accounts) since 2018, due to volatile tungsten prices and high depreciation & amortisation and production expenses. The low level of operating profits and interest expenses have been a drag on group returns in recent years.

Given MSN's stated intention to deconsolidate this entity, we chose to forecast based on the current year's outlook and maintain the EBITDA margins going forward.

Figure 83: MHT Financial estimates, 2020-26e (VNDbn)

	2020a	2021a	2022a	2023a	2024e	2025e*	2026e
Net Revenue	7,426	13,564	15,550	14,093	13,036	6,616	6,682
COGS	-7,265	-11,294	-13,173	-13,309	-12,254	-5,822	-5,880
Gross profit	161	2,270	2,377	784	782	794	802
SG&A	-498	-1,084	-877	-943	-873	-443	-447
Op EBITDA	1,431	3,070	1,431	1,550	1,483	1,505	1,520
D&A and adj.	-3,319	-3,472	-1,597	-3,019	-3,019	-3,099	-3,179
Op Profit	-1,888	-402	-166	-1,469	-1,536	-1,594	-1,659
Revenue growth	57.8%	82.7%	14.6%	-9.4%	-7.5%	-49.3%	1.0%
GP growth	82.9%	55.5%	16.6%	1.0%	-7.9%	-52.5%	1.0%
EBITDA growth	94.7%	114.5%	4.7%	-67.0%	-0.3%	1.5%	1.0%
Gross margin	2.2%	16.7%	15.3%	5.6%	6.0%	12.0%	12.0%
SG&A/Sales	-6.7%	-8.0%	-5.6%	-6.7%	-6.7%	-6.7%	-6.7%
Op EBITDA margin	19.3%	22.6%	9.2%	11.0%	11.4%	22.7%	22.7%

Source: Company reports and EFC estimates, * estimates reflect the deconsolidation of HC Stark from 2025e

Overall, we opt for an extremely conservative target multiple of 5.0x EBITDA for MHT. This leads to a SOTP value that is well below book value – but we feel there remains a significant drag on earnings risk in the current pricing and cost environment. We think if a provision was made on MHT's deconsolidation, the market would accept it, given the demonstrated effect on MSN's proforma ROE.

Figure 84: MHT derivation of EV

Year	Target multiple	Econ. Int.	2023a	2024e	1H25e	2025e	2026e
EV/EBITDA	5.0	100.0%	7,704	7,414	7,568	7,526	7,601
Minorities share		5.1%	986	986	783	384	388
MSN's share		94.9%	6,718	6,428	6,785	7,142	7,213
Per MSN share			4,695	4,249	4,485	4,720	4,768

Source: Company reports and EFC estimates

Techcombank

Vietnam Technological and Commercial Joint Stock Bank (TCB) is one of the largest commercial banks in Vietnam. TCB has the second largest distribution network amongst commercial banks, with 314 branches/sub-branches and 1,247 ATMs in key urban and economic areas in Vietnam.

In 2023 (latest SBV data), TCB's assets represented 2.9% of banking assets in Vietnam and 5.2% of GDP. Notably, TCB's net loans represented 2.6% of system loans and 3.1% of GDP. On the liability side, we note that TCB's deposits represented 2.9% of system deposits and 3.9% of GDP.

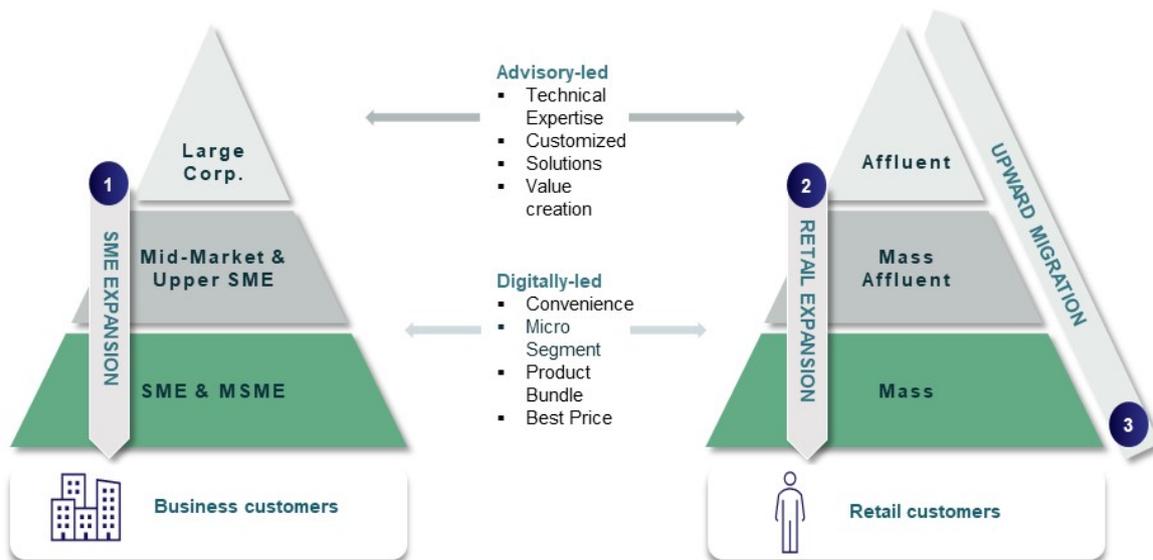
From 2016, TXCB become a substantial contributor to MSN's earnings. In 2023a, it accounted for VND2.0trn (49.2%) of MSN's reported pre-tax profits. Going forward, we expect TCB to remain a substantial group earnings driver and to represent the bulk of MSN's associate profits and dividends received.

Earnings risks now firmly on the upside

Business model, customer focus

Before reviewing TCB's profit model, we think that it is important to understand its business.

Figure 85: TCB's business model



Source: Company reports

As shown above, **the TCB business model** is unique amongst its peers as it is customer focused and not product driven. In its ecosystem approach, TCB builds a full suite of customised services around the needs of its core customers (Vietnamese blue-chip corporates and affluent retail customers) and their value chain. To move down the value chain on the corporate (mid-market and SMEs) and retail (mass markets) sides, TCB leverages its digital platform to ensure the lowest cost of serve.

By focusing on the top-end segments of its corporate and retail clients, which are the largest sources of CASA and holders of collateral, TCB has built a low operating model. Underlying this ecosystem approach is TCB's capitalisation (3Q24 CAR of 15.1% vs minimum requirement of 8.0%), which ranks amongst the highest in its peer group.

Profit model and earnings outlook explained

In the table below, we provide a summary of TCB's 2022-25e normalised (2029e) return profile. Based on the analysis provided below, we forecast TCB's RoAE to normalise at 16.4% (vs 16.7% in 2024e and a 10-year historical average of 16.5%). The resilience in TCB's RoAE over the forecast period can be explained by the expected improvement in its NIMs (NII/ATA) from 3.9% in 2024e to 4.5% by 2029e on higher asset yields and low funding costs, as its normalised CASA ratio improves to 50% (from 40.5% at 3Q24).

The expected decline in its leverage (from 6.4x in 2024e to 6.0x by 2029e) is also supportive of its resilient return profile. With we expect its RoAE to average 17.1% over the forecast period (2024-29e) and its dividend payout ratio to remain low (14% on average), the growth in TCB's equity (2023-29e CAGR of 15.8%) should outpace asset growth (2023-29e CAGR of 14.2%).

On TCB's expected dividend payout strategy, we have purposefully maintained a low payout ratio, as management is focused on maintaining a healthy capital buffer (CAR of +15% vs minimum requirement of 8%).

Lastly, our normalised RoAE forecast for TCB (16.4%) is 3.6ppts below the bank's target normalised RoAE of 20%. This can be explained by our forecast for TCB's 2029e non-funded income (NFI) to represent 24.5% of its 2029e total income (vs company guidance of 30% and a 10-year historical average of 29%). Our NFI forecasts are conservative, as we do not have sufficient visibility on when the non-bank corporate bond market will recover (the main driver of investment banking fees) nor the outlook of its banca revenues following the termination of its exclusive distribution agreement with Manulife in October 2024.

Figure 86: TCB – profit model, 2022-29e (normalised level), %

	2022	2023	2024e	2025e	2029e
NII/ ATA	4.8%	3.6%	3.9%	4.0%	4.5%
Non-funded income/ ATA	1.7%	1.6%	1.6%	1.6%	1.5%
Total income/ ATA	6.5%	5.2%	5.5%	5.6%	5.9%
Cost/ income	32.8%	33.1%	31.6%	31.0%	35.0%
GOP/ ATA	4.3%	3.5%	3.8%	3.8%	3.8%
Risk charge (to ATA)	-0.3%	-0.5%	-0.5%	-0.3%	-0.4%
Other income/ ATA	0.0%	0.0%	0.0%	0.0%	0.0%
PBT/ ATA	4.0%	3.0%	3.3%	3.5%	3.5%
Effective tax rate	20.1%	20.5%	19.8%	20.0%	20.0%
PAT/ ATA	3.2%	2.3%	2.6%	2.8%	2.8%
Minority & other rate (to PBT)	-1.3%	-1.0%	-1.0%	-1.0%	-1.0%
RoAA	3.2%	2.3%	2.6%	2.8%	2.7%
ATA/ Avg. Equity	6.20	6.38	6.42	6.29	5.99
RoAE	19.7%	14.8%	16.7%	17.4%	16.4%

Source: Company reports and EFC estimates

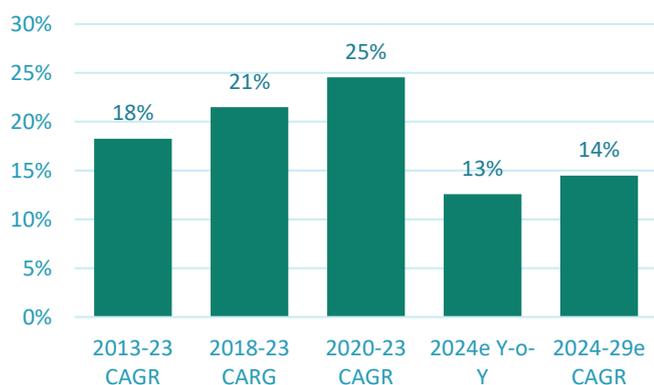
Focusing on TCB's ROAA, we expect it to increase from 2.3% in 2023 to 2.7% by 2029e (as shown above). In the following section we illustrate our key assumptions and compare these with TCB's historical trends to explain our forecasts.

Key earnings drivers illustrated

The following assumptions are the key drivers of our returns and earnings assumptions for TCB:

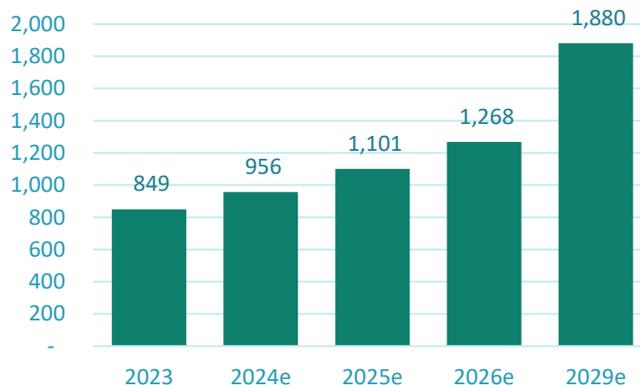
- Asset growth.** As shown below, we forecast TCB's total assets to grow 14% p.a. over the forecast period (2024-29e). With nominal GDP expected to grow c9% p.a. over this period (as per the IMF), the implied asset growth multiple being assumed is 1.6x (vs 2.0x for 2013-23). In 2024e, we forecast TCB's assets to grow 13% Y-o-Y to VND956trn (vs 3Q24 total assets of VND927trn). At TCB, the single largest driver of asset growth is the net loan book, which has averaged 62% of total assets over the past two years (3Q22-3Q24).

Figure 87: TCB – Total asset growth (%)



Source: Company reports and EFC estimates.

Figure 88: TCB – Total assets, 2023-29e (VNDtrn)



Source: Company reports and EFC estimates.

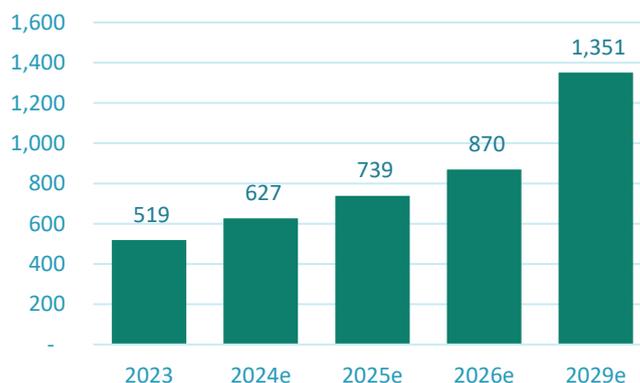
- Gross loans.** As shown below, we forecast TCB's gross loans to grow 17% p.a. over the forecast period (2024-29e). With nominal GDP expected to grow c9% p.a. over this period, the implied gross loan growth multiple being assumed is 1.8x (vs 2.5x for 2013-23). With corporate loans and bonds representing 60% of total credit in 3Q24, the bulk of TCB's future loan growth will come for this segment. Having said that, TCB is focused on bringing more balance to its credit profile and would like to increase the normalised weighting of its retail book to 50% of total credit (from 40% in 3Q24). With mortgages representing 73% of total retail loans, we question how TCB will do this while reducing its exposure to real estate. We highlight real estate loans represent 67% of its corporate loan book. TCB guides for credit growth of 18-20% p.a. over the forecast period (2024-29e).

Figure 89: TCB – Gross loan growth (%)



Source: Company reports and EFC estimates.

Figure 90: TCB – Gross loans, 2023-29e (VNDtrn)



Source: Company reports and EFC estimates.

Figure 91: TCB – Mix in corporate loans, 2020-3Q24

	2020	2021	2022	2023	3Q24
ReCOM	69%	69%	73%	70%	67%
FMCG & other (1)	14%	17%	13%	10%	12%
Utilities & telcos	5%	6%	4%	4%	6%
Others	12%	8%	10%	16%	15%
Total	100%	100%	100%	100%	100%

Source: Company reports. (1) Includes retail and logistics lending.

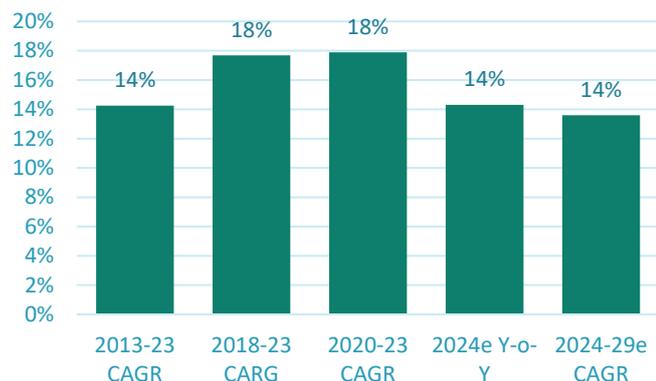
Figure 92: TCB – Mix in retail loans, 2020-3Q24

	2020	2021	2022
Mortgage	79%	78%	84%
Credit cards	8%	7%	9%
Others (1)	13%	15%	7%
Total	100%	100%	100%

Source: Company reports. (1) Includes autos, home equity, households, PIL and other retail lending.

- Liquidity.** Whilst we are comfortable that TCB has the capital to fund its credit growth, we are concerned by the pressure this will put on its liquidity position. As shown below, TCB's LDR increased from 99% in 2020 to 125% in 3Q24 on our definition (net loans/ deposits). On the definition provided by the SBV (gross loans/ (deposits + valuable papers+ interbank takings), we calculate that TCB's LDR increased from 79% in 2020 to 125% in 3Q24. In 2024e, we expect TCB's LDR to increase to 80% and then to 98% by 2029e (on SBV's definition), unless TCB significantly raises more wholesale funding than we expect. If so, this would put pressure on its margins.

Figure 93: TCB – Deposit growth (%)



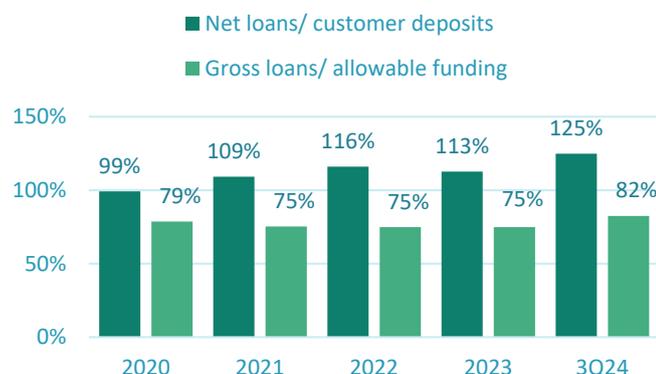
Source: Company reports and EFC estimates.

Figure 94: TCB – Deposits, 2023-29e (VNDtrn)



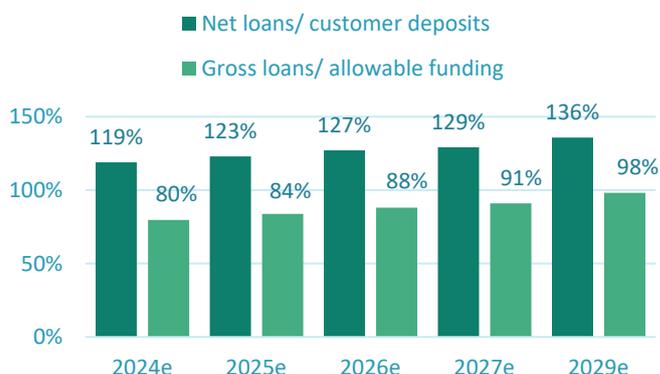
Source: Company reports and EFC estimates.

Figure 95: TCB – Historical liquidity trends, 2020-3Q24



Source: Company reports.

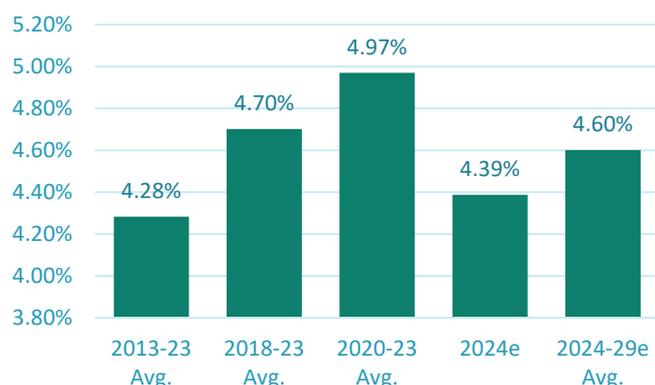
Figure 96: TCB – Forecast liquidity trends, 2024-29e



Source: EFC estimates.

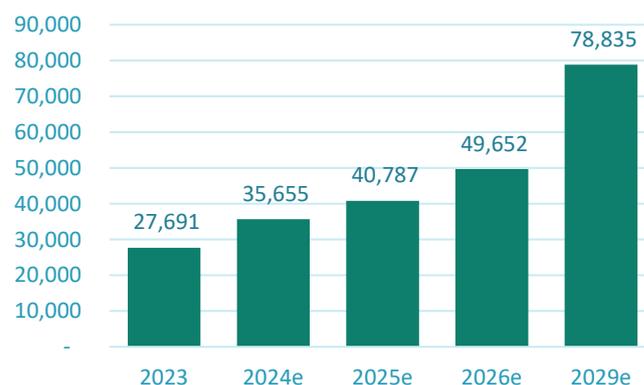
- Net interest margins.** As shown below, we forecast TCB's NIMs to average 4.60% over the forecast period (2024-29e). Our NIM forecasts are 32bps higher than the historical average (4.28%), which we believe reflects the ecosystem approach on the asset side and low-cost demand deposits on the liability side. From 2013 to 2023, TCB's cost of funds declined 130bps from 5.9% to 4.6%) Looking ahead, we expect TCB's cost of funds to decline to 4.2% by 2029e, while we forecast its asset yields hold at 8.2%.

Figure 97: TCB – NIMs (%)



Source: Company reports and EFC estimates.

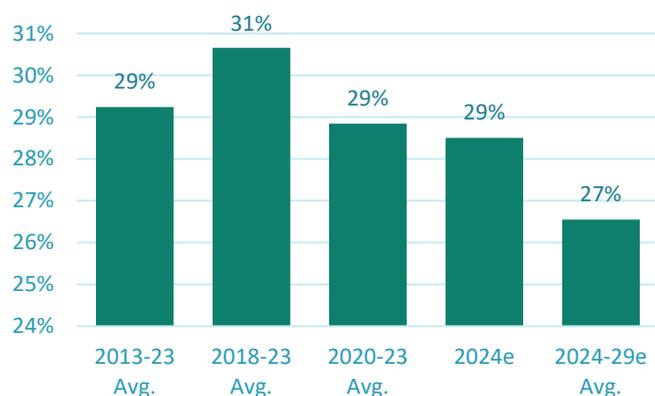
Figure 98: TCB – net interest income, 2023-29e (VNDbn)



Source: Company reports and EFC estimates.

- Non-funded income.** As shown below, we forecast the contribution of TCB's non-funded income to total income to decline from an average of 29% (2013-23) to 27% over our forecast horizon (2024-29e). Notably, the contribution of non-funded income to total income in 2017 was 44%. However, this figure included VND1,821bn of one-off items. Excluding these items, non-funded income represented 37% of total income in 2017. On this basis, we believe that we have been rather conservative in assuming that non-funded income only averages 27% of total income going forward. However, we do this because we do not know how banca fees will evolve post the termination of the Manulife agreement and when the non-banking corporate bond market will recover to drive IB (investment banking) fees. In addition, TCB looks to launch an agent banking model via MSN's WCM retail network. However, this model is, so far, unproven and could deliver upside to both companies.

Figure 99: TCB – Non-funded income/ total income (%)



Source: Company reports and EFC estimates.

Figure 100: TCB – Non-funded income (VNDbn)



Source: Company reports and EFC estimates.

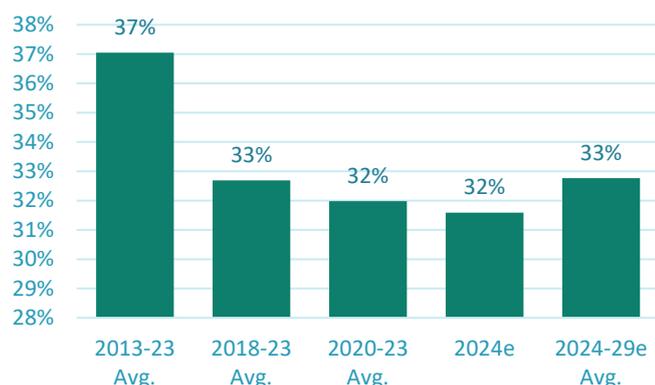
Figure 101: TCB – Split in fee income, 2015-9M24 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
IB fees	7%	17%	15%	33%	27%	50%	46%	28%	18%
Banca	3%	17%	23%	20%	25%	15%	20%	19%	7%
Cards	27%	21%	18%	14%	12%	15%	14%	17%	21%
LC, cash & settlement	45%	31%	30%	21%	14%	14%	14%	27%	44%
Other	18%	13%	14%	12%	22%	6%	6%	9%	10%
Total	100%								

Source: Company reports

- Operating efficiency.** As shown below, we forecast its cost-to-income ratio of TCB to average 33% over the forecast period (2024-29e). Notably, this is 4ppts below its historical average (37%). With TCB’s cost-to-income ratio having averaged 32% over the past three years (2020-23) on subdued NFI trends, we are confident in its ability to keep its cost-to-income ratio below 35% over the forecast period. The real risk to our cost-to-income forecasts is a sharp slowdown in volume growth, which would put pressure on revenues.

Figure 102: TCB – Cost/ income ratio (%)



Source: Company reports and EFC estimates.

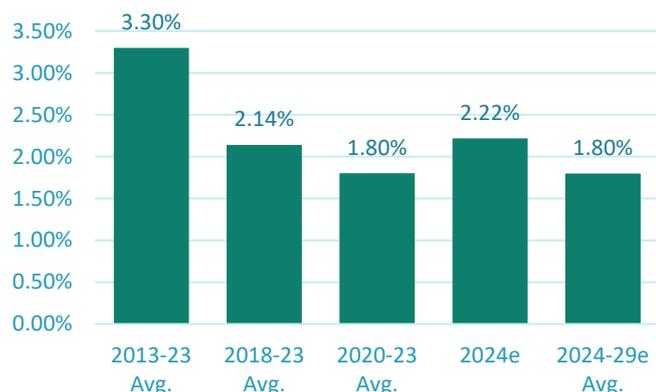
Figure 103: TCB – Operating costs (VNDbn)



Source: Company reports and EFC estimates.

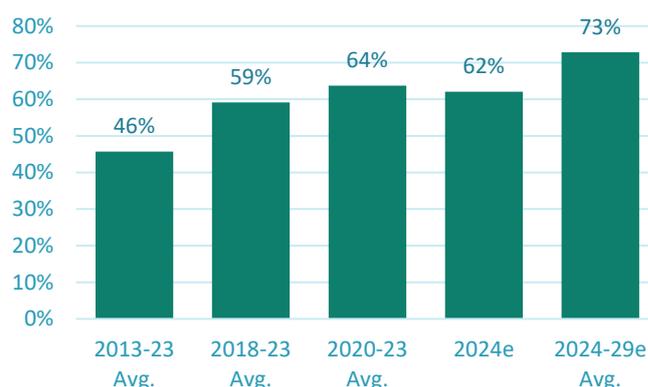
- Asset quality.** On our definition of NPLs (i.e., including special mention loans), we forecast TCB's NPL ratio to average 1.80% over our forecast period (2024-29e) vs its average of 3.30% over 2013-23. Historically, the challenges to TCB's asset quality came from its exposure to real estate and in particular, real estate developers. With the hope that the worst in the real estate market is now firmly behind TCB, we expect its asset quality will continue to improve. Having said that, we conservatively forecast its coverage ratio (on our definition) to increase from an average of 46% over 2013-23 to 73% over our forecast period (2024-29e).

Figure 104: TCB – NPL ratio (1), %



Source: Company reports and EFC estimates. (1) Based on EFC definition of NPLs, which include special mention loans.

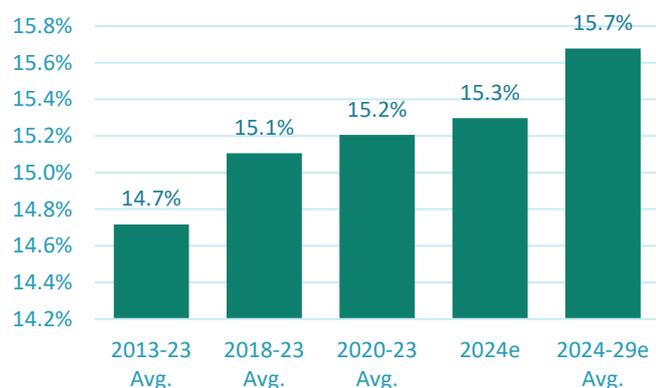
Figure 105: TCB – Coverage ratio (1), %



Source: Company reports and EFC estimates. (1) Based on EFC definition of NPLs, which include special mention loans.

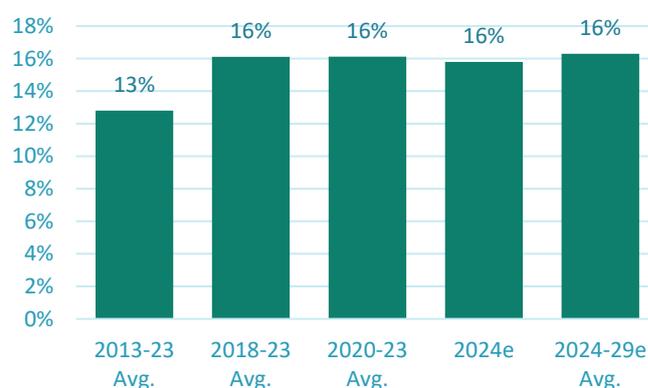
- Capitalisation.** As shown below, we forecast that TCB's CAR (Basel II) will average 15.7% over the forecast period (2024-29e). In 2024e, we forecast TCB's CAR to improve to 15.3% (from 14.3% in 2023) on strong net attributable earnings growth (+31% Y-o-Y to VND23,441bn). In 2024e, we expect TCB to pay a cash dividend of VND800 per share (vs VND750 in 2023) and then gradually grow its annual cash dividends to VND1,100 by 2028e.

Figure 106: TCB – CAR (%)



Source: Company reports and EFC estimates.

Figure 107: TCB – Equity/ asset ratio (%)



Source: Company reports and EFC estimates.

Valuation range

Our FY25e (one-year forward) valuation range for TCB is VND29,916-VND32,922/share, which values the bank at 1.20-1.32x 2025e BVPS. Relative to its 2025e EPS, the fair value P/E of the bank is between 7.4x and 8.2x.

To calculate our fair value for TCB, we apply our standard five-year dividend discount model (DDM). The cost of equity (CoE) assumed is 14.8% and we derive this by using a risk-free rate of 5.0%, equity risk premium of 7.0% (3ppts above our standard risk premium to reflect its significant exposure to real estate and the system's poor disclosure on asset quality) and a beta of 1.22x. As our valuation is in local currency (Vietnamese Dong), we apply a terminal growth rate of 4%. We believe that this terminal growth rate best reflects the high level of banking system penetration in Vietnam.

In the table below we provide our assumptions used to calculate TCB's unadjusted fair value estimate.

Figure 108: TCB - Standard dividend discount model, 2024-29e (VND per share – unless noted)

	2024e	1H25e	2025e	2026e	2027e	2028e	2029e
DPS	800	825	900	1,000	1,000	1,100	1,100
PV	800	767	784	759	661	633	552
Total PV	4,189	3,764	3,389	2,605	1,846	1,185	552
Terminal Value:							
ROE							16.4%
COE							14.8%
Growth							4.0%
BVPS							44,691
TV							51,280
PV of TV	25,727	27,630	29,532	33,901	38,915	44,672	51,280
Total PV	29,916	31,394	32,922	36,506	40,762	45,857	51,831
- Implied 2025e P/B	1.20x	1.26x	1.32x				
- Implied 2025e P/E	7.4x	7.8x	8.2x				
- Implied 2026e P/E	6.3x	6.6x	6.9x				
TCB shares owned by MSN (mn)	1,397.8						
Value of MSN's TCB stake (VND bn)	38,685	40,594	42,503	44,748	46,994	52,346	66,347
MSN shares outstanding (mn)	1,512.9						
Per MSN share	25,570	26,832	28,093	31,061	34,599	38,854	43,854

Source: EFC estimates.

Figure 109: TCB financial summary, 2022-26e (VNDbn)

	2022	2023	% Chg	2024e	% Chg	2025e	% Chg	2026e	% Chg
Cash	15,691	30,761	96%	46,434	51%	52,935	14%	60,346	14%
Interbank	82,874	104,072	26%	90,914	-13%	100,006	10%	110,006	10%
Total Securities	104,721	109,652	5%	112,606	3%	123,866	10%	136,253	10%
Gross loans	420,524	518,642	23%	626,953	21%	738,772	18%	869,767	18%
Provisions	(4,771)	(6,128)	28%	(8,633)	41%	(10,126)	17%	(11,423)	13%
Net customer loans	415,752	512,514	23%	618,320	21%	728,646	18%	858,344	18%
Loans/Deposits	116.0%	112.7%		119.0%		123.0%		127.1%	
Total interest earning assets	619,038	757,000	22%	868,275	15%	1,005,453	16%	1,164,950	16%
Other Assets	79,995	92,482	16%	88,107	-5%	95,155	8%	102,768	8%
Total assets	699,033	849,482	22%	956,382	13%	1,100,609	15%	1,267,717	15%
Liabs. & shareholders' equity									
Interbank	167,571	153,173	-9%	139,868	-9%	151,057	8%	163,142	8%
Total deposits	358,404	454,661	27%	519,702	14%	592,460	14%	675,404	14%
Total Securities/ borrowings	35,858	84,703	136%	127,322	50%	137,508	8%	148,508	8%
Total interest-bearing liabilities	562,961	693,854	23%	788,448	14%	882,874	12%	989,248	12%
Shareholders' funds	112,296	130,311	16%	151,090	16%	175,882	16%	204,707	16%
Average shareholders' funds	102,245	121,304		140,701		163,486		190,295	
Other Liabilities	23,775	25,317	6%	16,843	-33%	41,853	148%	73,763	76%
Profit & Loss Account									
Net interest income	30,290	27,691	-9%	35,655	29%	40,787	14%	49,652	22%
Net fees and commissions	8,527	8,715	2%	9,079	4%	10,441	15%	12,008	15%
Foreign Exchange earnings	(275)	196	NM	1,467	NM	1,570	7%	1,679	7%
Other Income	2,351	3,425	46%	3,669	7%	4,285	17%	4,563	6%
Total income	40,893	40,026	-2%	49,870	25%	57,083	14%	67,902	19%
Total operating costs	(13,398)	(13,252)	-1%	(15,753)	19%	(17,696)	12%	(21,729)	23%
Net operating income	27,495	26,775	-3%	34,116	27%	39,387	15%	46,173	17%
Total loss provisions	650	(250)	-138%	(1,000)	300%	(2,000)	100%	(3,500)	75%
Pretax profit	25,568	22,888	-10%	29,596	29%	35,989	22%	42,533	18%
Tax	(5,131)	(4,697)	-8%	(5,853)	25%	(7,198)	23%	(8,507)	18%
Net attributable profits	20,112	17,956	-11%	23,441	31%	28,424	21%	33,592	18%
Per share figures									
BVPS	15,983	18,497	16%	21,446	16%	24,966	16%	29,057	16%
EPS	2,863	2,549	-11%	3,327	31%	4,035	21%	4,768	18%
DPS	-	750	NM	800	6.7%	900	13%	1,000	11%
Key ratios									
NIMs	5.29%	4.02%		4.39%		4.35%		4.58%	
ROAA	3.2%	2.3%		2.6%		2.8%		2.8%	
ROAE	19.7%	14.8%		16.7%		17.4%		17.7%	
Cost/ income ratio	36.0%	38.0%		40.0%		42.0%		44.0%	
Coverage	40.6%	58.7%		62.1%		65.8%		70.7%	
NPL Ratio	2.8%	2.0%		2.2%		2.1%		1.9%	
Provisioning Charge P&L	-0.15%	0.05%		0.16%		0.27%		0.40%	
Total CAR	15.2%	14.3%		15.3%		15.4%		15.5%	

Source: Company reports and EFC estimates

Appendix

Key disclosures:

We have principally relied on mid-term estimates that Masan Group (MSN) believes are achievable for its key subsidiaries and business groups, but we adjust them in-line with recent financial results. However, the divisional valuations, and our SOTP estimate of fair value for the group and the related key conclusions are based on our opinions.

Our principal valuation approach is to look at each key subsidiary business unit on an assumed 100% equity (no debt) basis. We then derive a divisional EV from these valuations (weighted by MSN's economic interest in each unit) and adjust for any net debt, contingents (if any) at an MSN consolidated level. In that regard, the subsidiary EV valuations should not be interpreted on a standalone basis, relative to their estimated underlying or actual capital structures.

With respect to MSN's associate Techcombank (TCB), our valuation and forecasts have been derived independently, but we have had held discussions with the bank's IR team and attended the 3Q24 analyst briefing with senior management in Vietnam. EFC has not been retained by, nor has it received compensation from TCB for this work.

This report should not be considered a solicitation to buy or sell MSN shares, or shares or investment structures related to its key subsidiaries or business units. Rather, this report should be read as a third-party assessment of the opportunities and risks related to the group's equity story in an equity capital markets context.

What would EM status mean for Vietnam?

Vietnam has long been a contender for Emerging Market status, but it has struggled until recently to show that it is making progress on the technical hurdles for an upgrade. The qualifying process has become more difficult in the past decade as index-tracking institutions have become more important as the arbiters of whether a market's EM status is replicable by index-tracking funds. Vietnam clearly qualifies on the breadth and liquidity of its stock markets. While, foreign ownership limits and limited foreign room in a number of stocks have been a hinderance for foreign investors, they are not in themselves disqualifying.

The key constraints now, are pre-funding requirements, differential pricing for foreign and local investors in some stocks, and still-onerous documentation requirements. Progress on market reforms received a shot in the arm in early 2024 when the Prime Minister set a formal goal of EM status by 2025 (realistically, FTSE status only).

What do the index providers say?

FTSE

A FTSE upgrade is likely to happen first. An upgrade decision in 2025 is just about possible, but flows are unlikely to materialise until 2026 at the earliest. Vietnam was added to the watchlist for a FTSE index upgrade in September 2018. Until recently, FTSE's biannual comments have been encouraging, but have been unable to point to substantial progress. However, the October 2024 review was more positive, pointing to the introduction of a Ministry of Finance circular in September 2024 that removed the pre-funding requirement for foreigners. FTSE is now looking for Vietnam to maintain momentum on reforms.

The interim FTSE country classification review will be published in April 2025, with the full review – at which Vietnam could be upgraded – coming in September-October 2025. Recent precedent suggests that the first FTSE-tracking flows would phase in a year later in October 2026.

We estimate that FTSE trackers would bring in around USD1.2bn of index-tracking flow – these estimates are based on current market prices and free floats. The actual inflows could be much higher if FOLs are relaxed before the upgrade.

MSCI

MSCI has not yet put Vietnam on the watchlist. Since 2014, when Qatar and the UAE were upgraded after a long wait, MSCI has preferred to wait for reforms to begin before adding markets to the watchlist. This has meant that upgrade cycles for the two most recent EM additions, Saudi Arabia and Kuwait, have been relatively quick. If Vietnam makes further progress on market reforms over the next six months, the country could make the MSCI watchlist at the June 2025 annual review. Smooth progress could mean an upgrade decision in June 2026, with MSCI-tracking flows coming from May 2027.

We estimate that MSCI trackers would bring in around USD1.8bn of gross index-tracking flow – these estimates are based on current market prices and free floats. The actual inflows could be much higher if FOLs are relaxed before the upgrade. There is one MSCI FM index-tracking fund that holds cUSD100mn in Vietnamese stocks, of which USD6.4mn is in Masan Group.

Estimates for Masan Group (MSN) and Masan Consumer (MCH)

MSN and MCH are underowned relative to other Vietnamese large caps. Our table below shows foreign ownership in USD and as a % of MCAP for the ten largest investable Vietnamese stocks plus MCH. Foreigners own less than 10% of the float of MSN, and just 5.6% of the float of MCH.

At current prices, MCH would attract index-tracking flow of cUSD140mn from the two upgrades (USD56.5mn- FTSE and USD83.5mn - MSCI), and MSN would attract index tracking flow of cUSD250mn (USD94.2mn from FTSE and USD155.8mn from MSCI). We assume free float available to foreigners of 20% in MCH and 52% in Masan Group.

Figure 110: Estimated upgrade flows (FTSE)

	MCAP (USDmn)	Foreign float cap (USDmn)	Index Weight (%)	Est. Flow (USDmn)
HPG	6,781	3,323	12.6	146.2
MSN	4,116	2,140	8.1	94.2
VIC	6,081	2,087	7.9	91.8
VCB	20,751	2,075	7.9	91.3
VNM	5,313	1,872	7.1	82.4
SSI	1,891	1,606	6.1	70.7
VHM	6,597	1,399	5.3	61.5
MCH	6,420	1,284	N/A	56.5
DGC	1,644	805	3.0	35.4
STB	2,459	738	2.8	32.5
VCI	938	723	2.7	31.8
VJC	2,184	655	2.5	28.8
KDH	1,309	655	2.5	28.8
VRE	1,599	634	2.4	27.9
VND	831	630	2.4	27.7

Source: MSCI, EFC estimates

Figure 111: Foreign ownership in free float MCAP


Source: Bloomberg, MSCI, EFC estimates

A look at some key funding structures

A review of the TCX funding vehicle

In May and December 2021 (as noted in Note 13 (i) of the 2023 audit report) as part of a USD700mn capital raise (USD1.5bn over the year), Masan agreed to a valuation hurdle for a PE Investor syndicate and SK Group (the TCX Consortia) from a base equity valuation linked to an eventual IPO of that holdco vehicle. We also understand that there is a guaranteed rate of return (high single digits), in USD terms, and based on the 100% entry equity valuation of USD6.9bn as at 21-May-21.

MSN management has recently indicated to the market that it is seeking to offer an option to the TCX Consortia to offset their valuation hurdle against their share of their underlying economic interests in MCH for its planned IPO in 1H25 on Vietnam's HoSE mainboard.

Figure 112: Economic interests by key shareholders (%)

Econ Interest	MSN	Boon Rawd	SK Group	PE Investors	Others
TCX	84.9% ₍₁₎	-	4.9% ₍₁₎	10.2% ₍₁₎	-
MSCH	72.8%	14.3% ₍₁₎	4.2%	8.7%	-
MCH	67.4%	13.4%	3.9%	8.1%	7.4% ₍₁₎
WCM	78.5%	-	4.5% + 8.6% ₍₁₎	8.4%	-
MB	48.5%	51.5%	-	-	-

Source: EFC estimates, Press releases & MSN financial statements

₍₁₎ Directly held interest, all others indirect economic interests

TCX hurdle estimates (USDmn)

Month end / IRR	7.0%	8.0%	9.0%
May-21	6,900		
Dec-22	7,699	7,816	7,933
Dec-23	8,238	8,441	8,647
Dec-24	8,815	9,116	9,426
Jun-25	9,116	9,472	9,838
Dec-25	9,432	9,846	10,274
Dec-26	10,092	10,633	11,199

Source: EFC estimates

We calculate that at a 7-9% IRR by the end June 2025, the guaranteed TCX valuation will have reached USD9.2–9.8bn for the combined valuation of all MCH's and WCM's equity, respectively. We also believe that the TCX Consortia holds an indirect interest of 12.1% (3.9% + 8.1%) in MCH and a 12.9% (4.5% + 8.4%) interest in WCM. In addition, SK Group still owns a direct 8.6% stake in WCM, which it acquired prior to the MSN acquisition, while MSN holds a 78.7% interest in WCM following its purchase of a 7.0% stake from SK Group earlier this year.

As a result, in June 2025 and at the midpoint IRR of 8%, the share of EV due to the TCX consortia would stand at USD1,429bn.

MSN's material liability is in the form of a cash put option that currently become exercisable by the PE consortia on 11 June 2026, if no qualifying IPO (TCX or mutually agreed equiv.) has taken place. In addition, MSN is bound by an NDA and is unable to disclose its obligations. But consistent with typical PE deal terms in Vietnam, we believe that the cash put is designed to provide the consortia a guaranteed exit window, but the IRR guaranteed return clause will remain in force, until fully cleared.

In layman's terms, we believe that MSN would need to compensate this PE Consortia for their share of any valuation shortfall, not achieved by 11 June 2026.

However, a MCH IPO is the best way to de-risk this structure

We believe that the PE consortium will largely agree to include any valuation gains from allocating their TCX interest into the underlying MCH or WCM shares against their hurdle. In our view, such an arrangement is in their interest, in part, because WCM cannot easily be listed locally (until it has been profitable for three years - i.e. post FY27). However, they will likely continue to remain invested in the TCX holdco (or perhaps directly) in either or both MCH and WCM, unless bought out, in our view.

De-risking the structure through value creation at MCH

We ran a scenario analysis on what a conversion of the TCX Consortia's underlying economic interest would imply in terms of equity values for MCH and WCM. We also believe the TCX investors will want to value MCH and WCM independently for this purpose. However, we acknowledge that this approach is highly subjective (but the most conservative), as the hurdle is likely based on a rate of return at the TCX Holdco level.

In that regard, we value WCM first at the latest purchase / valuation MSN paid for SK Group's 7.1% (USD200mn / USD2.84bn) stake in WCM and incorporated the call price given to MSN for their remaining 8.6% direct WCM stake (USD215.3mn / USD2.50bn) as a residual effect.

MCH value release will mitigate contingent risks

Overall, at an equity valuation of USD2.84bn for WCM, we estimate that MCH will need to achieve a post listing market capitalisation of USD8.88bn to fully clear the TCX hurdle at the MCH level.

Figure 113: Clearing hurdle by economic interest (USD mn)

Share of EV	MSN	Boon Rawd	Others	SK Group	PE Investors	Total	TCX Consortia
TCX				464.1	965.2	9,472.0⁽³⁾	1,429.3
MCH	5,985.2	1,176.2	653.5	345.4	718.3	8,878.6	1,063.7
WCM	2,263.0			215.3 ⁽²⁾ + 127.4 ⁽¹⁾	238.3 ⁽¹⁾	2,843.9	365.6 ⁽¹⁾
MCH & WCM	8,248.2	1,176.2	653.5	679.4	965.2	11,722.5	

Source: EFC estimates

⁽¹⁾ Potential residual claim post MCH allocation. ⁽²⁾ SK Groups direct 8.6% stake at MSN's call price. ⁽³⁾ est. TCX hurdle (June 25) for both MCH and WCM entities

At this valuation, MSN would have de-risked the put option by 74% (equivalent to USD1.06bn), it would also have the option to buy out the residual USD365.6mn in cash (for a further 12.9% stake in WCM) or restructure it. In addition, at any time, MSN has the option to buy out SK Group's direct 8.6% stake for USD215.3mn. In any event, the combined equity valuation of MCH and WCM would be around USD11.72bn.

On the other hand, under this approach, the amount of the put value that could likely be allocated is limited by the consortia's economic stake (c12.0%) in MCH itself.

Consequently, if we offset the hurdle with the WCM valuation (30%) and allocated the residual value to MCH (70%), we get a prospective valuation of USD6.76bn for MCH, of which USD810.6mn could be offset against the hurdle. This would leave MSN with a USD269.6mn contingent liability in addition to the USD365.6mn allocated to WCM and the USD215.3mn call option with SK Group.

Figure 114: Minimum hurdle by economic interest (USDmn)

Share of EV	MSN	Boon Rawd	Others	SK Group	PE Investors	Total	TCX Consortia
TCX				464.1	965.2	9,472.0⁽³⁾	1,429.3
MCH	4,468.2	947.8	487.8	257.9	536.2	6,628.2	794.1
WCM	2,263.0			215.3 ⁽²⁾ + 127.4 ⁽¹⁾ + 78.9 ^(1.1)	238.3 ⁽¹⁾ + 190.7 ^(1.1)	2,843.9	365.6 ⁽¹⁾ + 269.6 ^(1.1)
MCH & WCM	6,686.2	947.8	487.8	679.4	965.2	9,472.0	

Source: EFC estimates

^(1 + 1.1) Potential residual claim(s) post MCH allocation. ⁽²⁾ SK Groups direct 8.6% stake at MSN's call price. ⁽³⁾ est. TCX hurdle (June 2025) for both MCH and WCM entities

CDPS hurdle estimates (VND p.s.)

Month end / IRR	7.0%	8.0%	9.0%
Apr-24	85,000		
Apr-25	90,950	91,800	92,650
Apr-26	97,317	99,144	100,989
Apr-27	104,129	107,076	110,077
Apr-28	111,418	115,642	119,984
Apr-29	119,217	124,893	130,783
Oct-29	123,319	129,792	136,541

EFC estimates

Bain Capital private placement

MSN committed to a high single digit return on investment when it issued 74.6mn (4.9% of shares outstanding) of new convertible dividend preference shares (CDPS) at a price of VND85,000 per share – the CDPS are functionally equivalent to common shares until Oct 2029. Post April 2027, the CDPS pay a fixed dividend of VND1,000 per CDPS. They are convertible to common equity at any time (1:1 ratio) at the owner’s discretion. At that point the buyer (Bain Capital) has the option to sell its shares at an agreed price, with Masan liable for any valuation shortfall. There are further (undisclosed obligations - again under an NDA), but we suspect those largely relate to MSN maintaining leverage and liquidity ratios at the group.

In our view, the CDPS are substantially lower risk than the TCX funding vehicle. In large, because they were issued at market prices (at the time) and at a much lower implied group valuation of USD5.25bn vs USD6.9bn. We note that even at a 9% hurdle the Oct 2029 required return share price falls below our SOTP fair value for the group.

Residual SK Group stake

There remains a moderate overhang risk from SK Group’s residual 3.86% stake, which at market prices is worth VND4,080bn (USD165mn). As part of the end-Oct placement, SK Group agreed to a 90-day lock-up on its remaining stake, which will be eligible for sale on the market on 1 Feb 2025. Masan Group no longer has any obligations to buy this residual stake from SK Group.

Proforma MSN Financial Statements (ex- MHT)

Figure 115: Income Statement (VNDbn)

T12M to 30 Sept 2024	MSN Consol	MHT Consol	Pro-forma (Ex MHT)	MHT (%) of MSN
Net revenues	81,258	13,656	67,602	16.8%
Cost of sales	-57,897	-13,529	-44,368	23.4%
Gross profit	23,361	127	23,234	0.5%
SG&A	-18,822	-822	-18,000	4.4%
Associates	4,626	17	4,609	0.4%
EBIT	9,165	-678	9,842	-7.4%
Net financing & Fx	-4,878	-1,731	-3,147	35.5%
Other inc./exp,	29	106	-78	367.9%
Pre-tax	4,316	-2,302	6,618	Nm
Inc. Tax	-1,073	92	-1,166	Nm
Minorities	1,884	49	1,836	2.6%
Net profit	1,358	-2,259	3,617	Nm
Op EBITDA	9,882	1,003	8,879	10.1%
Associates	4,626	17	4,609	0.2%
EBITDA	14,508	1,020	13,488	16.1%
D&A	-5,343	-1,698	-3,646	32.3%
EBIT	9,165	-678	9,842	7.9%
Gross margin	28.7%	0.9%	34.4%	
Op EBITDA margin	12.2%	7.3%	13.1%	
EBITDA margin	17.9%	7.5%	20.0%	
Net margin	1.7%	-16.5%	5.4%	
Interest coverage (x)	1.36	15.21	2.51	
Net Debt/ Op EBITDA	5.00	1.25	1.18	
Net Debt / EBITDA	3.41	15.47	3.82	
ROA (pre minorities)	2.9%	-7.7%	6.7%	
ROE (pre minorities)	4.6%	-18.6%	20.8%	
ROE (net profit)	7.3%	-2.9%	13.5%	
ROIC	6.8%	-2.5%	12.6%	

Source: Masan Group, EFC estimates

Figure 116: Balance Sheet (VNDbn)

30 Sept 2024	MSN Consol	MHT Consol	Pro-forma (Ex MHT)	MSR (%) of MSN
Cash & equiv.	13,225	554	12,671	4.2%
ST Inv.	3,108	0	3,108	0.0%
Accounts recv.	12,367	3,029	9,337	24.5%
Inventories	12,859	5,967	6,892	46.4%
Other curr. Assets	1,972	960	1,012	48.7%
Net fixed assets	46,393	22,759	23,634	49.1%
LT recv.	17,061	1,319	15,742	7.7%
LT Inv. & assoc.	35,622	1,534	34,088	4.3%
Other LT assets.	11,686	3,272	8,414	28.0%
Total assets	154,291	39,395	114,897	25.5%
Accounts payable	7,867	1,291	6,576	16.4%
Accrued expenses	5,654	873	4,781	15.4%
Taxes & advances	1,833	538	1,295	29.4%
Other payables	8,846	1,450	7,396	16.4%
Short term debt	29,467	6,343	23,124	21.5%
Long term debt	36,272	9,723	26,549	26.8%
Pension liab. & Prov.	5,430	5,411	19	99.7%
Def. tax liabilities	3,229	1,355	1,874	42.0%
Other LT liabilities	14,513	5	14,508	0.0%
Total liabilities	113,111	26,990	86,121	23.9%
Paid-in Cap. & APIC	29,294	12,090	17,204	41.3%
Reserves	-8,134	22	-8,156	-0.3%
Retained earnings	8,345	33	8,312	0.4%
Minorities	11,676	260	11,415	2.2%
Total equity	41,180	12,405	28,775	30.1%
Net Debt / Equity	1.20	1.30	1.73	

Source: Masan Group, EFC estimates

MHT as 49% associate – summary estimates

Figure 117: Summary P&L (VNDbn)

T12M 30 Sept 2024	Proforma (Ex MHT)	Adj.	MSN Proforma
Op EBITDA	8,879		8,879
Associates	4,609	-1,152	3,457
EBITDA	13,488		12,336
D&A	-3,646		-3,646
EBIT	9,842	-1,152	8,690
Pre-tax profit	6,618	-1,230	5,389
Pre-minorities	5,452	-1,230	4,223
Net income	3,617	-1,230	2,387

Source: Masan Group, EFC estimates

Figure 118: Summary Balance Sheet & Returns (VNDbn)

30 Sept 2024	Proforma (Ex MHT)	Adj.	MSN Proforma
Total assets	114,897	4,972	119,868
Total liabilities	86,121		86,121
Total equity	28,775	4,972	33,747
EBITDA margin	21.4%		18.2%
Net margin	5.4%		3.5%
ROA	4.7%		3.5%
ROE (pre minorities)	12.6%		7.1%

Source: Masan Group, EFC estimates

Masan Group - detailed financial statements

Figure 119: Income Statement

In VND bn (Dec Year End)	2023a	2024e	2025e	2026e
Revenue	78,252	84,201	89,622	104,426
COGS	-56,131	-59,030	-60,508	-69,906
Gross profit	22,121	25,171	29,114	34,521
SG&A	-17,942	-19,739	-21,687	-24,345
Other operating inc. (expense)	0	0	0	0
Operating EBITDA	9,446	10,908	12,571	15,549
Depreciation & Amortization	-5,267	-5,476	-5,144	-5,373
Net operating profit (EBIT)	4,179	5,432	7,427	10,176
Share of results from associates	3,896	4,764	5,768	6,808
Net investment income (loss)	-476	1,461	0	0
Net interest income (expense)	-5,212	-4,290	-4,394	-4,248
Other non-operating inc. (exp)	213	-26	0	0
FX gains (loss)	-37	107	0	0
Pre-tax income	0	0	0	0
Taxes	2,563	7,448	8,801	12,736
Net inc. before minority interest	-693	-1,356	-1,602	-2,319
Minority interest	1,870	6,092	7,199	10,417
Reported net income	-1,451	-1,886	-2,579	-3,534
Adjusted net income	419	4,205	4,619	6,883

Source: Masan Group, EFC estimates

Figure 121: Balance Sheet

In VND bn (Dec Year End)	2023a	2024e	2025e	2026e
Cash & Cash Equivalents	16,919	11,365	7,604	11,376
Accounts Receivable (Current)	11,985	15,561	16,130	13,845
Inventory	13,175	13,855	14,202	16,408
Other Debit Balances (Current)	1,684	1,624	1,693	1,943
Total Current Assets	43,763	42,406	39,630	43,572
PP&E (Net)	46,722	42,046	41,290	40,820
Goodwill & Intangibles	4,373	3,777	3,182	2,586
Investments (LT)	33,219	40,906	46,674	53,482
Other Debit Balances (LT)	19,306	25,062	18,644	15,696
Long-term trade receivables	2,124	1,901	1,867	1,845
Total Non-Current Assets	103,620	111,792	109,790	112,585
Total Assets	147,383	154,198	149,419	156,156
Short Term Debt	28,030	29,907	22,690	23,172
Accounts Payable (Current)	6,318	6,451	6,631	7,661
Other Credit Balances (Current)	16,035	15,028	12,828	12,794
Total Current Liabilities	50,384	51,387	42,149	43,627
Long Term Debt	41,542	30,893	31,199	27,767
Other Credit Balances (LT)	11,687	15,732	13,283	12,108
Total Non-Current Liabilities	58,763	47,155	45,022	40,469
Total Net Worth	26,560	42,092	46,106	52,383
Minority Interests	11,678	13,564	16,143	19,677
Total Equity	38,237	55,656	62,249	72,061
Total Equity & Liabilities	147,383	154,198	149,419	156,156

Source: MSN Financials, EFC estimates

Figure 120: Cash Flow Statement

In VND bn (Dec Year End)	2023a	2024e	2025e	2026e
Cash operating profit after taxes	8,139	9,552	10,969	13,230
Change in working capital	631	-5,070	-3,006	826
Cash flow after change in w.c.	8,771	2,770	11,933	15,829
Capex	-2,211	-2,947	-3,137	-3,655
Investments	-476	1,461	0	0
Free cash flow	6,084	1,284	8,796	12,174
Non-operating cash flow	-6,082	-4,480	-5,041	-4,847
Other non-op cash flow	0	-718	-1,368	-1,545
Cash flow before financing	2	-3,196	3,755	7,328
Net financing	-595	-2,358	-7,516	-3,556
Change in cash	-593	-5,554	-3,761	3,772

Source: Masan Group, EFC estimates

Figure 122: Masan Group share price (VND)


Source: Bloomberg

Figure 123: Top quartile of FEM Food Producer peers (MSCI) by 3-Yr Avg. ROE

Company	Ticker	Mcap	P/E (x)				P/B (x)		EV / EBITDA (x)			Div. Yield (%)	EBITDA margin (%)	Net margin (%)	ROE (%)	Net debt / Equity (x)	Net debt / EBITDA (x)	ROIC (%)	
		(USD mn)	2023a	2024e	2025e	2026e	Latest	2023a	2024e	2025e	2023a	T12M	3 Yr Avg	3 Yr Avg	2023a	2023a	T12M	5 Yr Avg	
Nestle (Malaysia) Berhad	NESZ MK	5,465.3	52.8	44.4	38.8	35.2	41.5	22.5	25.4	22.5	2.3	16.3	9.5	89.7	135.2	1.2	32.9	46.0	
Britannia Industries Ltd	BRIT IN	16,305.6	44.8	63.5	50.1	44.8	34.8	48.4	43.4	35.3	1.3	19.2	12.8	61.1	-2.0	0.0	33.6	29.6	
Nongfu Spring Co Ltd-H	9633 HK	47,468.0	51.3	27.2	23.9	21.7	12.9	25.8	17.8	15.8	2.5	40.7	26.0	46.1	-73.2	-0.8	40.2	34.3	
Triveni Engineering & Indus	TRE IN	1,051.9	3.6	20.2	15.9	14.4	3.1	16.6	15.2	11.8	0.3	12.0	16.5	39.0	46.4	2.1	9.6	12.2	
Avi Ltd	AVI SJ	2,199.7	12.3	17.4	14.5	13.5	6.5	12.6	10.4	9.0	5.2	23.2	13.1	38.9	24.5	0.4	28.1	26.1	
Marico Ltd	MRCO IN	9,983.9	47.6	56.4	45.7	39.8	21.8	46.2	41.0	33.5	1.0	21.0	13.9	37.5	-16.2	-0.3	30.0	30.2	
Gopal Snacks Ltd	GOPAL IN	749.5	0.0	0.0	n.a.	n.a.	16.2	32.4	n.a.	n.a.	0.2	12.1	6.1	34.6	11.1	0.3	23.1	n.a.	
Masan Consumer Corp	MCH VN	6,184.3	8.8	19.9	18.2	16.1	6.0	21.0	17.0	15.1	2.1*	26.1	21.6	31.4	-7.6	-0.3	18.3	20.3	
Varun Beverages Ltd	VBL IN	23,139.7	57.4	75.0	59.1	47.0	28.1	71.7	42.5	35.4	0.2	23.1	10.9	28.3	70.2	1.4	20.0	14.2	
Sappe Pcl	SAPPE TB	637.8	20.9	16.5	14.7	12.5	5.5	19.2	10.4	8.9	2.8	25.1	14.7	27.5	-63.4	-1.2	31.0	18.2	
Cisarua Mountain Dairy Pt Tb	CMRY IJ	2,790.4	31.8	29.2	25.0	21.1	6.9	29.7	20.8	17.7	1.6	20.4	17.3	26.8	-57.7	-2.0	22.0	22.4	
I-Tail Corp Pcl	ITC TB	2,045.0	12.0	17.5	16.5	14.2	3.0	11.5	12.6	11.8	3.3	17.7	19.0	26.4	-40.0	-3.4	8.9	n.a.	
Vietnam Dairy Products	VNM VN	5,426.8	21.0	14.9	13.9	13.0	4.4	10.0	8.9	8.4	5.9	20.0	15.4	25.8	-41.7	-1.6	19.3	23.5	
Ttet Union Corporation	1232 TT	753.4	18.4	0.0	n.a.	n.a.	4.5	14.1	n.a.	n.a.	4.4	7.5	5.4	25.3	-9.4	-0.2	19.1	22.1	
Samyang Foods Co Ltd	003230 KS	3,272.3	11.9	17.4	14.6	12.1	6.4	39.6	12.5	10.6	0.4	15.1	9.4	24.7	17.1	0.1	19.2	13.8	
Want Want China Holdings Ltd	151 HK	7,721.4	15.6	14.3	12.3	11.6	3.4	9.1	8.1	7.5	5.1	27.8	16.4	24.6	-17.6	-0.4	19.3	16.1	
Gokul Agro Resources Ltd	GOKUL IN	500.8	11.2	0.0	n.a.	n.a.	5.4	14.5	n.a.	n.a.	0.0	2.1	1.1	24.2	20.1	0.5	15.9	17.7	
Triputra Agro Persada Pt	TAPG IJ	1,194.1	4.2	9.2	7.3	6.2	1.8	5.2	7.4	6.2	8.0	24.3	23.2	23.9	1.0	-0.2	13.7	9.9	
Tingyi (Cayman Isln) Hldg Co	322 HK	8,352.5	26.1	16.7	15.1	14.0	4.8	9.5	7.6	7.1	2.6	10.1	4.1	22.1	42.4	0.5	11.0	9.5	
Piccadilly Agro Indus Ltd	PCAI IN	829.3	19.1	0.0	n.a.	n.a.	20.7	115.7	n.a.	n.a.	0.0	19.3	7.6	21.2	45.1	1.0	20.6	12.0	
Saudia Dairy & Foodstuff Co	SADAFCO AB	3,036.7	26.6	25.0	21.3	19.9	6.6	31.3	17.4	15.1	3.4	19.8	12.3	21.0	-50.4	-1.2	24.3	15.8	
Carabao Group Pcl	CBG TB	2,344.2	42.2	28.0	24.9	23.5	6.4	22.1	18.4	16.8	1.3	17.1	12.9	20.8	41.2	0.3	18.6	17.9	
Tanmiah Food Co	TANMIAH AB	727.3	36.2	0.0	n.a.	n.a.	4.4	16.5	10.1	8.3	1.4	12.8	5.2	20.8	104.7	2.9	10.3	9.3	
Charoen Pokphand Enterprise	1215 TT	900.4	14.8	0.0	n.a.	n.a.	3.1	14.8	n.a.	n.a.	5.6	13.7	6.2	20.4	141.3	3.9	9.1	8.0	
China Feihe Ltd	6186 HK	6,895.6	10.7	12.4	11.5	11.2	1.9	5.9	6.7	6.4	5.3	30.1	23.6	19.6	-31.1	-1.3	13.1	24.5	
Yihai International Holding	1579 HK	1,926.3	32.2	16.0	14.2	13.4	3.1	9.2	9.5	8.5	2.2	23.1	12.9	19.2	-47.4	-1.4	17.5	22.8	
Lian Hwa Foods Corp	1231 TT	1,001.9	19.2	0.0	n.a.	n.a.	5.4	25.4	n.a.	n.a.	1.2	10.9	8.5	19.0	61.5	n.a.	7.2	9.7	
Average		6,033.5	24.2	20.0	22.9	20.3	9.9	25.9	17.3	14.9	2.6	18.9	12.8	30.4	11.3	0.0	19.8	19.4	
Median		2,271.9	19.2	16.6	15.9	14.2	5.5	17.9	12.6	11.2	2.1	19.2	12.8	25.0	0.3	-0.2	19.1	17.8	

Source: Bloomberg * Excludes 4Q24 special dividend declared by MCH, payable against 2023-24 earnings

Figure 124: Food Retail peers (MSCI)

Company	Ticker	Mcap		P/E (x)				P/B (x)			EV /EBITDA (x)			Div. Yield (%)	EBITDA margin (%)	Net margin (%)	ROE (%)	Net debt /Equity (x)	Net debt / EBITDA (x)	ROIC (%)	
		(USD mn)	2023a	2024e	2025e	2026e	Latest	2023a	2024e	2023a	2023a	2024e	2023a	T12M	Company	Ticker	2023a	2023a	2024e	2025e	
Avenue Supermarts Ltd	DMART IN	30,966.5	102.6	79.7	68.2	56.0	13.3	63.4	59.7	48.9	0.0	8.1	5.0	14.0	-0.8	0.0	13.51	12.36			
CP All Pcl	CPALL TB	16,789.4	25.2	24.2	21.4	19.2	4.8	13.7	5.8	13.3	2.0	8.7	2.5	16.7	119.4	4.4	5.32	5.77			
Shoptite Holdings Ltd	SHPS SJ	10,184.8	25.5	21.4	19.0	17.1	5.9	10.3	11.9	7.9	2.7	8.7	2.6	23.5	136.1	1.8	12.21	11.86			
President Chain Store Corp	2912 TT	8,986.5	24.6	23.7	21.8	20.2	7.2	9.5	7.8	10.0	3.7	11.7	3.4	29.5	121.0	1.8	6.53	7.75			
Sumber Alfarria Trijaya Tbk P	AMRT IJ	8,526.2	37.2	29.5	25.6	21.0	7.7	15.1	17.6	14.6	1.1	7.7	3.1	28.3	-14.1	-0.3	21.07	17.58			
Abdullah Al Othaim Markets	AOTHAIM AB	2,798.3	26.9	22.8	22.7	20.7	9.6	14.3	14.1	12.8	5.1	8.4	3.8	48.5	131.0	2.9	31.1	n.a.			
Berli Jucker Public Co Ltd	BJC TB	2,795.7	23.7	20.5	17.2	15.5	0.8	12.2	3.5	11.5	3.0	13.3	2.5	3.8	128.1	7.3	3.16	3.46			
Sun Art Retail Group Ltd	6808 HK	2,723.1	0.0	51.0	29.2	18.2	0.9	6.1	n.a.	2.4	1.0	2.6	-1.5	-3.2	-36.9	-2.6	-3.6	n.a.			
Shufersal Ltd	SAE IT	2,330.0	20.0	n.a.	n.a.	n.a.	2.7	7.7	5.2	0.0	n.a.	11.0	2.8	7.6	161.1	3.0	7.64	5.19			
Bindawood Holding Co	BINDAWOO AB	2,151.2	24.3	25.7	22.0	20.0	5.4	11.7	10.8	11.2	3.9	14.6	5.0	14.4	114.0	2.2	5.56	-3.76			
East Buy Holding Ltd	1797 HK	1,957.1	53.7	42.1	39.2	32.7	2.8	23.1	-3.8	26.4	0.0	6.3	26.4	27.5	-90.5	-11.0	9.26	10.78			
Philippine Seven Corp	SEVN PM	1,889.6	29.8	27.2	22.8	19.6	15.6	12.0	11.0	8.6	13.2	11.6	4.4	27.4	-16.5	0.2	13.04	14.08			
GS Retail Co Ltd	007070 KS	1,626.0	23.8	14.8	9.1	8.1	0.5	4.4	3.2	5.3	3.4	9.4	-0.7	9.3	59.4	2.4	-0.67	3.19			
Puregold Price Club Inc	PGOLD PM	1,606.5	10.2	8.4	7.7	7.0	0.9	5.9	8.6	4.7	3.1	9.3	4.2	10.9	7.6	0.9	7.33	8.56			
BGF Retail Co Ltd	282330 KS	1,429.7	10.6	9.5	8.6	8.0	1.6	2.1	11.9	2.4	4.0	8.9	2.2	20.6	46.0	-0.4	17.69	11.9			
E-Mart Inc	139480 KS	1,292.5	0.0	192.3	12.7	8.6	0.2	9.4	0.6	8.0	3.3	5.0	-0.2	5.9	66.7	6.2	0.12	0.61			
Beijing Ubox Online Technology	2429 HK	1,171.2	0.0	n.a.	n.a.	n.a.	3.2	0.0	n.a.	0.0	n.a.	1.2	-12.2	-24.3	-24.7	n.a.	-28.45	n.a.			
Pick N Pay Stores Ltd	PIK SJ	1,089.3	0.0	n.a.	n.a.	19.3	6.7	9.2	7.7	6.0	0.0	3.9	-3.0	-26.4	n.a.	4.8	0.49	7.69			
Midi Utama Indonesia Tbk Pt	MIDI IJ	970.5	25.8	22.3	19.2	15.0	3.4	9.4	11.9	12.3	1.4	9.2	3.1	21.1	7.9	0.2	17.69	11.9			
Guoquan Food Shanghai Co Ltd	2517 HK	943.2	27.4	21.2	19.0	14.6	1.0	12.4	n.a.	25.7	n.a.	7.3	3.9	-5.2	-38.7	-2.9	8.33	n.a.			
M Yochanan of & Sons Ltd	YHNF IT	860.9	18.3	n.a.	n.a.	n.a.	2.5	8.8	n.a.	0.0	n.a.	11.6	4.1	11.7	104.2	2.8	9.08	n.a.			
Rami Levy Chain Stores	RMLI IT	2,596.6	17.9	n.a.	n.a.	n.a.	3.2	7.4	12.0	0.0	#	8.4	2.4	33.3	170.1	1.9	8.83	10.04			
Average		4,803.8	24.0	37.4	25.3	18.9	4.5	12.2	11.1	10.5	3.0	8.5	2.9	13.4	54.8	1.2	7.5	8.2			
Median		2,054.1	24.0	23.7	21.6	18.7	3.2	9.4	9.7	8.3	3.0	8.7	3.0	14.2	59.4	1.8	8.0	8.6			

Source: Bloomberg

Figure 125: Restaurants peers (MSCI)

Company	Ticker	Mcap	P/E (x)				P/B (x)		EV /EBITDA (x)			Div. Yield (%)	EBITDA margin (%)	Net margin (%)	ROE (%)	Net debt /equity (x)	Net debt /EBITDA (x)	ROIC (%)	
		(USD mn)	2023a	2024e	2025e	2026e	Latest	2023a	2024e	2025e	2023a	T12M	3 Yr Avg	3 Yr Avg	023a	2023a	T12M	5 Yr Avg.	
Devyani International Ltd	DEVYANI IN	2,455.1	436.6	179.2	98.7	69.9	18.7	36.6	24.1	19.4	0.0	18.2	1.3	25.2	199.9	4.2	-20.9	1.3	
Alamar Foods	ALAMAR AB	524.0	86.6	54.9	24.3	20.1	6.7	12.2	11.9	8.7	1.9	19.7	2.6	23.5	15.3	0.4	5.6	17.1	
Wowprime Corp	2727 TT	634.8	15.7	14.3	12.6	n.a.	4.5	4.8	0.0	0.0	6.2	17.7	5.8	22.7	-26.0	-0.2	14.6	6.5	
Jubilant Foodworks Ltd	JUBI IN	4,532.0	95.3	124.4	78.2	61.0	18.5	36.8	22.2	18.5	0.3	20.5	7.1	20.6	176.2	3.5	8.3	12.7	
Haidilao International Holdings	6862 HK	11,424.3	18.4	17.1	15.2	13.9	8.1	8.8	7.4	6.9	4.6	20.9	9.7	13.6	-35.4	-0.9	24.1	8.3	
Jollibee Foods Corp	JFC PM	5,094.2	30.9	27.8	23.4	19.8	3.4	10.8	10.5	9.2	1.2	12.9	4.0	11.8	71.3	2.1	6.3	1.9	
Westlife Foodworld Ltd	WESTLIFE IN	1,442.7	175.2	236.9	91.0	63.2	18.7	36.1	37.5	27.8	0.3	15.4	2.9	11.1	205.8	3.3	7.4	3.9	
Sapphire Foods India Ltd	SAPPHIRE IN	1,240.6	195.8	183.6	78.2	52.3	7.3	24.8	21.3	16.8	0.3	17.8	2.0	10.3	74.4	2.2	4.4	2.3	
Mk Restaurants Group Pcl	M TB	729.4	15.2	15.9	15.0	14.2	1.7	7.0	8.0	7.9	5.5	24.1	10.1	10.0	16.2	0.7	10.1	8.5	
Jiumaojiu International Hold	9922 HK	625.7	15.1	19.7	13.4	10.4	1.4	4.9	6.4	5.1	2.4	23.7	4.9	7.5	36.7	1.4	6.6	9.9	
Gourmet Master Co Ltd	2723 TT	506.8	33.9	25.5	16.8	13.7	1.5	4.5	4.9	4.5	2.8	17.6	2.1	5.9	-13.5	-0.1	2.8	5.6	
Cafe De Coral Holdings Ltd	341 HK	627.9	14.8	11.5	9.8	8.8	1.5	3.7	0.0	0.0	9.4	19.0	3.8	5.4	40.8	0.7	6.2	4.0	
Central Plaza Hotel Pcl	CENDEL TB	1,420.5	34.2	31.3	25.7	21.7	2.4	13.1	12.5	11.2	1.4	24.3	6.6	3.2	114.2	4.3	3.5	0.2	
Meituan-Class B	3690 HK	146,773.5	45.7	23.6	18.9	15.0	6.1	32.4	12.0	9.3	n.a.	7.7	7.4	1.3	-55.6	-3.1	14.8	-1.3	
Americana Restaurants Intern	AMR UH	5,229.8	34.8	29.0	21.0	16.0	14.1	12.3	13.2	10.8	2.3	22.5	7.1	n.a.	28.4	0.6	17.2	n.a.	
Sichuan Baicha Baidao Indust	2555 HK	1,841.0	n.a.	n.a.	n.a.	n.a.	n.a.	7.6	0.0	0.0	n.a.	25.1	20.0	n.a.	-266.2	-1.6	140.9	n.a.	
Jahez International Co	JAHEZ AB	1,564.0	n.a.	n.a.	n.a.	n.a.	n.a.	35.6	22.8	18.5	0.0	8.7	n.a.	n.a.	-97.7	n.a.	n.a.	n.a.	
Super Hi International Holdi	9658 HK	1,078.6	33.2	39.0	21.3	16.6	3.8	9.2	7.2	5.5	0.0	18.0	3.7	n.a.	19.5	0.4	6.9	n.a.	
Zomato Ltd	ZOMATO IN	26,164.3	607.3	244.3	105.0	62.9	11.5	4906.1	142.7	58.2	0.0	0.3	2.9	-4.5	-57.0	-276.8	-0.8	-35.2	
DPC Dash Ltd	1405 HK	1,066.2	n.a.	143.1	59.3	33.6	4.5	15.5	15.5	10.6	0.1	16.6	-0.9	-24.8	10.4	0.4	-26.7	n.a.	
Restaurant Brands Asia Ltd	RBA IN	543.9	n.a.	n.a.	n.a.	n.a.	n.a.	24.5	n.a.	n.a.	n.a.	n.a.	-8.9	-25.5	208.9	5.5	n.a.	n.a.	
Average		10,262.8	92.5	77.7	40.7	30.4	7.4	249.9	18.1	11.9	1.9	17.5	4.7	5.6	31.7	-12.7	12.2	3.0	
Median		1,420.5	33.9	31.3	23.4	19.9	6.1	12.3	11.9	9.2	0.8	18.1	3.9	5.9	19.5	0.6	6.6	4.0	

Source: Bloomberg

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