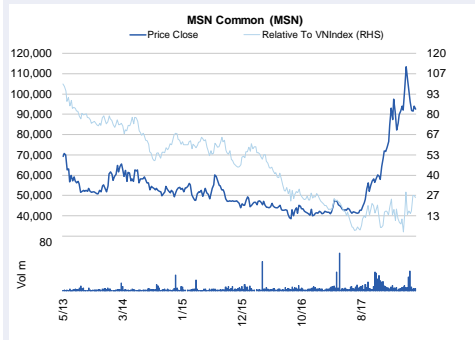


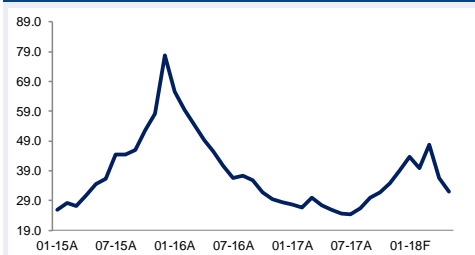
Price chart



Stock Data as of 22 May 2018

Price (VND)	85,000
Listed shares (mn)	1,047
Outstanding shares (mn)	1,047
52 week high (VND)	114,600
52 week low VND	40,650
Price change (3 months)	5%
Price change (6 months)	26.4%
Price change (12 months)	59.4%
Free floating shares (mn)	419
Trading value (5 days average – VNDmn)	95,394
Market Cap (VNDmn)	89,035,296
Market Cap (US\$mn)	3,916
Total room (mn)	567
Current room (mn)	229
Foreign owned ratio (%)	32.3%
Foreign ownership limit (%)	49%

Rolling P/E Chart



Director
Tran Huong My
my.th@hsc.com.vn

Financial summary	12-16A	12-17A	12-18F	12-19F
Net sales (VNDbn)	43,297	37,621	40,593	43,731
Net sales growth	41.4%	(13.1%)	7.9%	7.7%
Gross profit (VNDbn)	12,930	11,632	13,395	14,517
Gross profit growth	31.8%	(10.0%)	15.2%	8.4%
EBITDA (VNDbn)	6,023	4,429	6,473	7,092
EBITDA growth	46.9%	(26.5%)	46.2%	9.6%
NPAT (VNDbn)	3,772	3,675	4,725	6,471
NPAT growth	49.3%	(2.6%)	28.6%	37.0%
NPATMI (VNDbn)	2,791	3,170	3,781	5,348
NPATMI growth	88.8%	13.5%	19.3%	41.4%
EPS (VND)	1,447	1,965	3,610	5,106
EPS growth	128.0%	35.8%	83.7%	41.4%
P/E (x)	58.7	43.3	23.5	16.6
EV/EBITDA (x)	16.0	21.8	13.8	12.6
P/B (x)	4.22	6.00	5.26	4.00

Source: Company data, (F): HSC forecasts

- Masan published a press release giving a Q2 revenue forecast at VND 9.5 trillion, roughly similar to Q2 FY2017 and then a net profit forecast of VND 679 billion (+211% y/y) vs. VND 218 billion a year ago.
- And with this, Masan is giving 1-H guidance calling for revenue of VND 17.8 trillion vs. VND 18 trillion a year ago and net profit of VND 1.5 trillion vs. VND 455 billion a year earlier.
- Q1 net sales was dragged down by the decline in Masan Nutri Science (MNS) while both Masan Consumer Holdings (MCH) and Masan Resources (MSR) showed strong sales.
- HSC revises down net revenue forecast by 5.7% from VND 43,040 billion to VND 40,592 billion up 7.9% y/y and at the same time has decided to revise up our NPATMI forecast by 6.7% from VND 3,545 billion to VND 3,781 billion, up 19.3% y/y.
- We value the company at a fair value price of VND 110,000 per share or a FY2018 P/E of 30.2xs and EV/EBITDA of 12.8xs.
- Reiterate BUY.

MSN Q1 FY2018 unaudited consolidated result

(VND million)	Q1 FY2017	Q1 FY2018	y/y%	FY2018 target - low end	FY2018 target - high end	% fulfilled - low end	% fulfilled - highend
Net sales	8,539,865	8,273,993	-3.1%	45,000,000	47,000,000	18.4%	17.6%
COGS	6,070,243	5,512,483	-9.2%				
Gross profit	2,469,622	2,761,510	11.8%				
Financial income	134,160	86,268	-35.7%				
Financial expense	922,609	781,390	-15.3%				
Net financial income	(788,449)	(695,122)	11.8%				
Profit and loss in associates	325,137	517,072	59.0%				
Selling expense	1,214,391	956,899	-21.2%				
General Administration expense	437,194	452,325	3.5%				
SG&A expense	1,651,585	1,409,224	-14.7%				
EBITDA	1,863,000	2,606,000	39.9%				
Pre-tax profit	351,385	1,172,030	233.5%				
NPAT	262,829	1,022,477	289.0%				
NPATMI	237,043	816,068	244.3%	3,400,000	4,000,000	24.0%	20.4%
Gross margin	28.9%	33.4%					
EBITDA margin	21.8%	31.5%					
Pre-tax margin	4.1%	14.2%					
Net margin	3.1%	12.4%					

Source: Company data

MSN Q2 prospects positive with a call for 211% y/y increase in net profit. Forward prospects decent. Reiterate BUY.

Masan Group Corporation (MSN; BUY) released guidance for Q2 looking for strong 211% y/y growth in the bottom line alongside a fairly flat top line. This follows the recent publication of Q1 numbers showing a fairly similar trend. As such after Q1, the company has fulfilled 18.4% of net sales target and 24% of net profit target. In fact, the results are a bit above our expectation. Revenue growth would have been positive for Masan Group in 1Q FY2018 but was dragged down due to MNS as the full impact of livestock crisis did not occur until late 2Q FY2017. However, we should expect a sharp recovery in 2H FY2018, pork prices now are at VND 48,000 per kilo as there is a structural supply deficit in the Vietnam pork market.

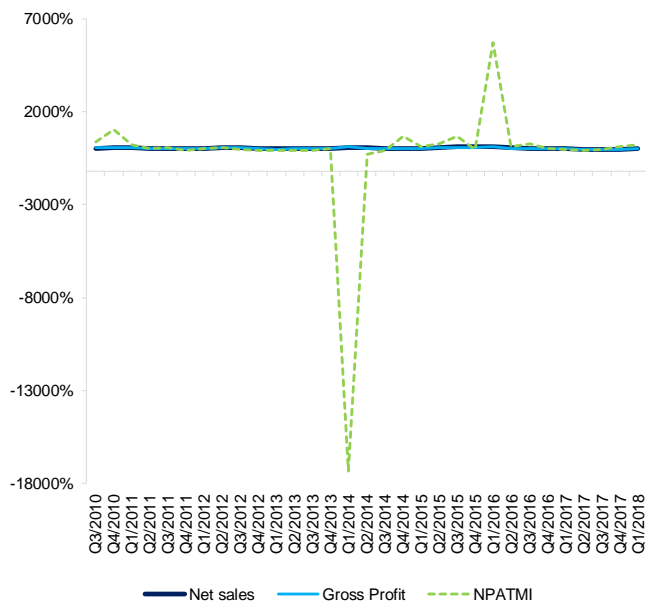
Quick conclusion - Reiterate BUY. We value the company at a fair value price of VND 110,000 per share or a FY2018 P/E of 30.2xs and EV/EBITDA of 12.8xs. MSN gave early Q2 guidance calling for revenue of VND 9.5 trillion, roughly similar to Q2 FY2017 and then a net profit forecast of VND 679 billion (+211% y/y) vs. VND 218 billion a year ago. Previously released strong Q1 result with net sales of VND 8,273 billion, down 3.1% y/y but net profit surged by 244.3% y/y to VND 816 billion.

Seems the performance is coming from strong organic growth at Masan Consumer; incremental improvement in Masan NutriSciences and a strong result for Masan Resources. The stock price has performed well since last year but now seems to be consolidating with the market. However as long as growth is mainly being driven by new products over at Masan Consumer this stock remains a buy.

MSN published optimistic guidance for Q2 – Masan published a press release giving a Q2 revenue forecast at VND 9.5 trillion, roughly similar to Q2 FY2017 and then a net profit forecast of VND 679 billion (+211% y/y) vs. VND 218 billion a year ago. This continues the pattern we saw in Q1 of small changes in the top line while the bottom line surges given improved performance especially for Masan Consumer. Easy comparisons aside due to the difficulties they faced with supply chain oversupply and the collapse in pig prices last year, there have also been some significant improvements to the business.

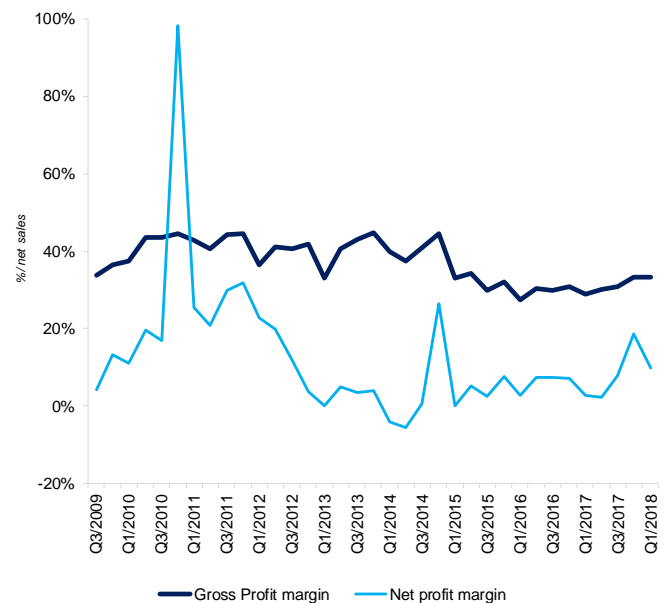
And with this, Masan is giving 1-H guidance calling for revenue of VND 17.8 trillion vs. VND 18 trillion a year ago and net profit of VND 1.5 trillion vs. VND 455 billion a year earlier. These are based on the following assumptions;

MSN - Quarterly growth of sales and profits



Source: Company data

MSN - Quarterly gross profit margin & net profit margin



Source: Company data

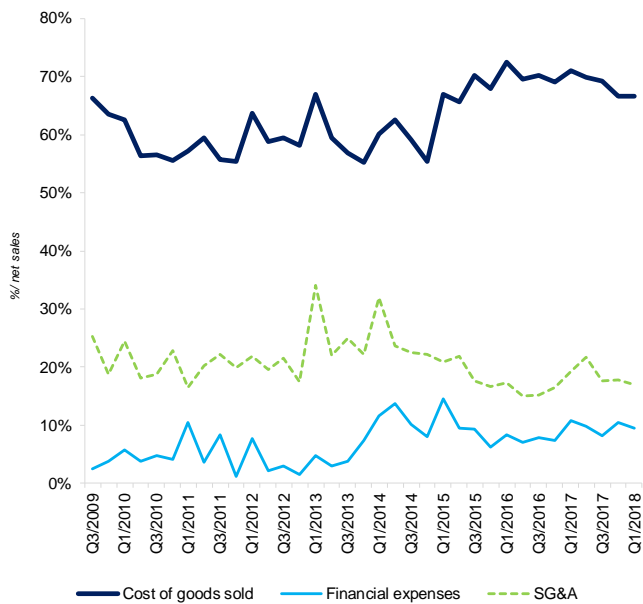
- Masan Consumer Holdings can deliver net sales of VND 7,646 billion, up 39.1% y/y and EBITDA of VND 1,814 billion, up 161% y/y thanks to the innovative new product pipeline, some core product premiumization and then the growth momentum of the beverage segment.
- Masan Nutri Science's net sales is forecasted at VND 6,774 billion, down 32% y/y and EBITDA of VND 612 billion, down 45% y/y. In fact management projects that Q2 results of MNS would be much better than Q1 and reach net sales of VND 3,499 billion, down 24% y/y and EBITDA of VND 271 billion, down 29% y/y on the recovery of pig price. Current pig price is now over 48,000 per kg which is far higher than last month level of VND 35,000 per kg and is expected to remain at above VND 45,000 per kg in the coming months.
- Masan Resources is expected to have net sales of VND 3,382 billion, up 32% y/y and EBITDA of VND 1,676 billion, up 32% y/y with tungsten price above USD 300 per mtu since beginning of FY2018 and recovery rate increased from 64% in FY2017 to 68%+ in 2Q FY2018.
- Earnings from Techcombank will increase by 53% y/y from VND 672 billion in 1H last year to VND 1,027 billion in 1H this year.

Q1 net sales was dragged down by the decline in Masan Nutri Science (MNS) while both Masan Consumer Holdings (MCH) and Masan Resources (MSR) showed strong sales.

- MNS reported a 40% decrease in net sales from VND 5,353 billion to VND 3,201 billion.
- MCH showed net sales of VND 3,586 billion, up 78.3% y/y from VND 2,011 billion.
- MSR's net sales came at VND 1,487 billion, up 26.4% y/y.

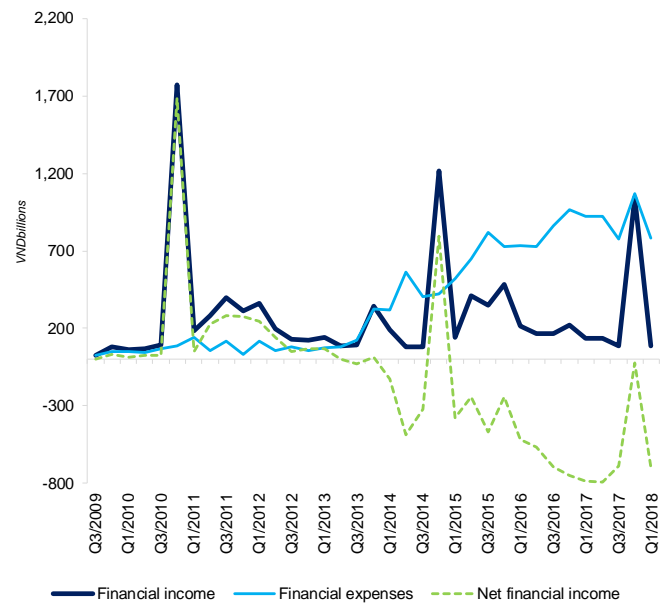
Gross profit improved significantly from 28.9% in Q1 last year to 33.4% in Q1 this year – COGS declined by 9.2% y/y which led to a significant improvement in gross margin. Analyzing gross margin by business we see that;

MSN - Quarterly COGS vs. SG&A vs. financial expenses on sales



Source: Company data

MSN - Quarterly financial income and expenses



Source: Company data

- MCH gross margin increased from 40.5% to 47% thanks to higher proportion of high margin products such as seasoning and energy drinks and also the premiumization in other products. The beer company also reported positive gross profit.
- MNS gross margin decreased from 23.9% to 17.2% given lower selling price.
- MSR gross margin also improved from 30.9% to 34.5% on higher selling price of all products and improved operations.

SG&A dropped substantially by 14.7% y/y - SG&A came at VND 1,409 billion, down 14.7% y/y mostly on a sharp decline in the SG&A of MNS while MCH's SG&A rose slightly. As a result, SG&A/sales narrowed from 19.3% in Q1 last year to 17% in Q1 this year.

- MCH SG&A was posted at VND 903 billion, up 7.7%. Then SG&A/sales fell significantly from 41.7% in Q1 last year to 25.2% in Q1 this year as the company reduced promotion expenses and increased marketing expense. Specifically, trade promotion expenses/sales were reduced from 20.8% in Q1 last year to just 6.2% in Q1 this year and sales expenses/sales was cut from 23.2% to 7.3%. At the same time marketing expenses/sales surged from 3.2% in Q1 FY2017 to 7.7% in Q1 FY2018.
- MNS SG&A declined by 47.5% from VND 714 billion to VND 375 billion following the weak sales.
- MSR SG&A came to VND 66 billion, up 13% y/y.

Net financial expense slipped 11.8% y/y – Net financial expense was VND 695 billion, down 11.8% y/y given lower financial expense (-15.3% y/y from VND 923 billion to VND 781 billion) with lower debts (-12.4% y/y from VND 39,506 billion to VND 34,597 billion).

Share of profit from associates soared by 59% - Share of profit from associates came at VND 517 billion, up 59% y/y which was mostly driven by the strong earnings growth of Techcombank. In Q1 Techcombank reported profit before tax of VND 2,569 billion, up 93.9% y/y which was

supported by 26.8% growth in operating income. As at end of Q1, MSN has 25.2% of economic interest in Techcombank.

Q1 debts were reduced by 12.4% y/y - As at end of Q1, MSN has total debts of VND 35,597 billion, down 12.4% y/y and down 0.6% YTD. This is in line with Masan's stated policy of using improved profitability to reduce debt;

Q1 performance by business segment – In more detail we look at the Q1 performance by business;

1. Masan Consumer Holdings (MCH) saw an above expectation with net sales of VND 3,586 billion, up 78.3% y/y and EBITDA of VND 1,004 billion, up 417.4% y/y. Net sales growth was backed of growth of most of the major product categories. Gross margin improved thanks to the upgrade in product portfolio while SG&A/sales fell with much less trade promotion expenses. According to management, stock level (inventory value) at distributor has reduced significantly from VND 1,517 billion as at end of Q1 FY2017 to VND 785 billion as at end of Q1 FY2018. And stock days at distributors has also decreased from 39 days to 16 days. By products;

- Seasonings saw net sale of VND 1,565 billion, up 104.8% y/y. Of which volume growth was 74% while price growth was 2.5%. Growth came mostly from premium products under brand Chinsu and newly launched premium Nam Ngu fish sauce products. Price of premium products are 1.5 times of mid end products and premium products contributed 15% to seasonings sales compared to 4% same period last year.
- Convenient food posted net sales of VND 976 billion, up 63.7% y/y. Like seasonings, premiumization and product innovation are the key behind the growth. Sales of Omachi, the premium brand, has rose by 89% y/y. New instant noodles “Omachi cup with real meat” contributed 7-8% to total Omachi sales.
- Coffee had net sales of VND 298 billion, up 79.5% y/y driven by volume growth.
- Non-alcohol beverage with net sales of VND 541 billion, of 41.7% y/y. Of which energy drink under brand Wake-up 247 reached sales of VND 358 billion, up 75.7% y/y thanks to expansion in distribution network.

2. Masan Nutri Science earnings were lower than our expectation with net sales of VND 3,201 billion, down 40.2% y/y and EBITDA of VND 341 billion, down 53.1% y/y. Pig price remained at low at around VND 30,000 per kg for most of FY2017 and Q1 FY2018. Hence management estimated that in FY2017 volume sales of the pig feed market was 46% lower than FY2016. Which led to a decrease of 40.2% in MNS sales in Q1 FY2018. This decline is actually lower than HSC forecast of 10%-15%.

EBITDA margin of MNS dropped from 13.6% to 10.7% given lower ASP while proportion of the “value for money” products called Biozeem xanh increased.

3. Masan Resources performance was in line with expectations with net sales of 1,487 billion, up 26.4% y/y and NPATMI of VND 117 billion, up 165.9% y/y. Growth of top and bottom line were mostly driven by higher selling price in all products (+67% y/y for tungsten prices; +13.3% y/y for bismuth prices; 19.2% y/y for copper prices and 73% for fluorspars prices).

FY2018 forecast

HSC trims FY2018 sales forecast but is also revising up our net profit forecast by 6.7% and now look for 19.3% growth - HSC revises down net revenue forecast by 5.7% from VND 43,040 billion to VND 40,592 billion up 7.9% y/y and at the same time has decided to revise up our NPATMI forecast by 6.7% from VND 3,545 billion to VND 3,781 billion, up 19.3% y/y. Our key assumptions for each business segment are shown below;



1. We revise up Masan Consumer Holding net sales VND 16,502 billion to VND 17,641 billion, up 30% y/y and NPATMI from VND 2,169 billion to VND 2,639 billion, up 128.8% y/y. Masan Consumer Holdings has completed the restructuring of its business model with wholesaler inventory days having dropped back to normalized industry levels. They also have an impressive new product launch pipeline for 2018 and the launched products have shown good results in Q1.
2. Masan Nutri Science net sales was revised down from VND 19,621 billion to VND 15,581 billion, down 16.6% y/y and NPATMI was revised down from VND 789 billion to VND 138 billion, down 77.7% y/y.
3. We revise up Masan Resources net sales forecast from VND 6,916 billion to VND 7,370, up 36.4% y/y and revise up NPATMI from VND 476 billion to VND 855 billion, up 326.7% y/y assuming average tungsten prices at US\$ 300 per mtu, up 25.5%; fluorspar price at US\$ 450 per ton, up 60.1% y/y, copper price at US\$ 6,400 per ton, up 9.4% y/y and bismuth price at US\$ 5 per pound, up 11.1% y/y.

Investment thesis

Reiterate BUY. We value the company at a fair value price of VND 110,000 per share or a FY2018 P/E of 30.2xs and EV/EBITDA of 12.8xs. The stock price has run dramatically over the past few months on a brighter outlook of the company. This is partly due to the one-off factors that hurt them last year and partly because of structural reforms within the consumer business that is restoring growth momentum there. Earnings in FY2017 were severely impacted by a perfect storm of the sharp decline in the animal feed business due to the collapse in pig prices and the radical destocking exercise across their entire consumer distribution network. In Q1 of 2018 sales and earnings for the consumer had already begun to recover strongly. And we expect this to continue especially in the 1H where the y/y comparison is easy. Therefore, we argue that overall earnings growth will return to normalized growth of at least 10%-20%. Then the long-term outlook for the 3F model at MNS is quite promising.

FINANCIAL RATIOS

Company Update

Wednesday, 23 May 2018

Income statement (VNDbn)	12-17A	12-18F	12-19F	Cashflow statement (VNDbn)	12-17A	12-18F	12-19F
Net sales	37,621	40,593	43,731	Operating cashflow	2,766	4,379	7,891
COGS	(25,989)	(27,198)	(29,214)	Investing cashflow	3,134	(5,502)	(1,247)
Gross profit	11,632	13,395	14,517	Financing cashflow	(11,635)	(1,097)	(8,763)
Net financial income	(2,291)	(2,723)	(1,589)	Net cashflow	(5,735)	(2,219)	(2,119)
SGA expenses	(7,203)	(6,922)	(7,425)	Cash & equivalents at period start	13,149	7,417	5,198
Operating profit	4,249	5,497	7,423	Forex effects	3	0	0
EBITDA	4,429	6,473	7,092	Cash & equivalents at period end	7,417	5,198	3,079
PBT	4,206	5,472	7,390				
NPAT	3,675	4,725	6,471				
NPATMI	3,170	3,781	5,348				
Balance sheet (VNDbn)	12-17A	12-18F	12-19F	Key ratios	12-17A	12-18F	12-19F
Assets				Valuation			
Current assets	15,145	13,420	11,789	EPS (VND)	1,965	3,610	5,106
Cash & cash equivalents	7,417	5,198	3,079	EBITDA (VNDbn)	4,429	6,473	7,092
Short-term investments	640	640	640	BVPS (VND)	14,164	16,165	21,271
Short-term receivables	2,247	2,366	2,491	DPS (VND)	3,000	0	0
Inventories	4,333	4,669	5,032	P/E (x)	43.3	23.5	16.6
Other current assets	508	548	548	EV/EBITDA (x)	21.8	13.8	12.6
Long-term assets	48,384	53,198	53,737	P/B (x)	6.00	5.26	4.00
Long-term receivables	1,454	1,454	1,454	Dividend yield	3.5%	0.0%	0.0%
Fixed assets	29,830	29,110	31,069	Profitability			
Investment properties	0	0	0	Gross margin	30.9%	33.0%	33.2%
Long-term investments	11,338	13,022	14,959	EBITDA margin	11.8%	15.9%	16.2%
Other long-term assets	3,292	2,993	2,694	Pretax margin	11.2%	13.5%	16.9%
Goodwill	632	1,819	1,562	Net margin	8.4%	9.3%	12.2%
Total assets	63,529	66,618	65,527	SG&A/sales	19.1%	17.1%	17.0%
Resources				ROAE	21.1%	23.8%	27.3%
Liabilities	43,303	43,353	35,790	ROAA	4.6%	5.8%	8.1%
Current Liabilities	15,533	17,493	12,031	Liquidity			
Long-term Liabilities	27,770	25,860	23,760	Current ratio	0.98	0.77	0.98
Owners' equity	14,837	16,933	22,281	Quick ratio	0.70	0.50	0.56
Share capital	11,574	11,574	11,574	Leverage			
Retained earnings	12,350	16,131	21,479	Debt/Equity	234.5%	203.0%	118.0%
Funds and other capital	(9,087)	(10,772)	(10,772)	Total debt ratio	68.2%	65.1%	54.6%
Minority interest	5,388	6,332	7,455	EBIT interest coverage ratio	1.29	2.34	4.30
Liabilities & Equities	63,529	66,618	65,527	Efficiency			
				Days sales outstanding	21.9	20.7	20.3
				Days in inventories	68.3	60.4	60.6
				Days payables outstanding	31.8	29.4	29.5
				Cash conversion cycle (days)	58.4	51.8	51.4

Source: Company data, (F): HSC forecasts

Source: Company data, (F): HSC forecasts

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



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