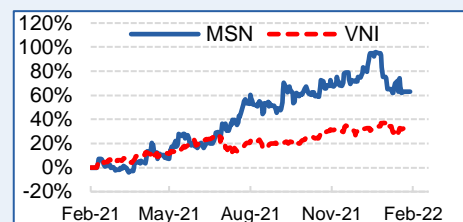


<b>Industry:</b>	<b>Consumer</b>		<u>2020</u>	<u>2021</u>
<b>Report Date:</b>	<b>February 9, 2022</b>	Rev Growth	106.7%	14.8%
Current Price:	VND146,600	EPS Growth	-77.9%	589.7%
Target Price**:	VND186,000	GPM	23.2%	25.0%
Upside to TP:	+26.9%	NPM	1.6%	9.7%
Dividend Yield:	<u>0.8%</u>	EV/EBITDA*	21.6x	13.6x
TSR:	+27.7%	P/CFO	86.0x	92.1x
Rating**:	BUY	P/E	139.1x	20.2x



Market Cap:	USD7.5bn		<u>MSN</u>	<u>VNI</u>
Foreign Room:	USD1.6bn	P/E (ttm)	20.2x	17.1x
ADTV30D:	USD9.3mn	P/B (curr)	5.3x	2.6x
State Ownership:	0%	Net D/E	0.8x	N/A
Outstanding Shares:	1,180.5 mn	ROE	35.1%	15.8%
Fully Diluted Shares:	1,180.5 mn	ROA	7.1%	2.6%

\*\*TP & rating last updated Nov. 17, 2021      \*EBITDA includes profit contributions from TCB

**Company overview**  
 Masan Group specializes in consumer businesses that span FMCG, meat and grocery retailing. Other businesses include metal-based materials and a significant holding in Techcombank.

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## Management guides for strong consumer growth in 2022

- We attended MSN's online analyst meeting on February 9, 2022. Management reviewed 2021 business results and provided preliminary guidance for 2022.
- While MSN's 2022 revenue and EBITDA targets are within our expectations, its NPAT guidance trails our current forecast (see **Figure 1**), which we think is partly attributed to potential cash outlays for M&A deals and hence financial expenses that we have not accounted for.
- In January 2022, Masan spent USD110mn on acquiring a 31% stake in Phuc Long — one of the leading coffee & tea chains in Vietnam — thereby raising its ownership in Phuc Long to 51%. Based on management's 2022 targets for Phuc Long, this transaction puts Phuc Long's valuations at 2022 EV/EBITDA of ~9x and P/E of ~15x, which we believe are value-accretive to Masan given Phuc Long's leading brand, extensive growth headroom and substantial synergies with Masan's consumer ecosystem — especially with WinCommerce (WCM).
- Our key takeaways from the meeting — particularly regarding the strong growth prospects of the consumer businesses — reinforce our bullish view on MSN. Below are our more detailed comments.

**Figure 1: MSN's preliminary 2022 guidance**

VND tn	MSN	WCM	MCH	MML	MHT	Phuc Long & Reddi
<b>Revenue guidance</b>	<b>90-100</b>	<b>38-40</b>	<b>34-40</b>	<b>5-6.5</b>	<b>14.5-15</b>	<b>3-3.5</b>
YoY growth	22%-36%*	23%-29%	18%-39%	11%-45%	7%-11%	N.M.
VCSC's current forecasts	90	39	34	6.5	15	N/A
<b>EBITDA guidance</b>	<b>16.5-20</b>					
YoY growth	13%-37%*					
VCSC's current forecast	20					
<b>Core NPAT pre-MI guidance</b>	<b>5-7</b>					
YoY growth	32%-84%*					
VCSC's current forecast	8.6					

Source: MSN, VCSC (\*Like-for-like growth, which excludes contributions from the divested feed business)

***This report continues on the next page.***

**Figure 2: MSN's 2021 results and additional comments on 2022 business plans**

VND bn	2020	2021	YoY	Additional comments
<b>Net revenue <sup>(1)</sup></b>	<b>77,218</b>	<b>88,629</b>	<b>15%</b>	
MCH (Masan Consumer Holdings)	23,971	28,764	20%	Led by key categories such as seasonings (+19% YoY) and convenience foods (+27 YoY%). Emerging categories such as processed meat (+52%) and beer (+54%) posted elevated growth. Beverage revenue rose only 4% YoY due to COVID-19-induced shutdowns of on-premise locations — especially in Q3 2021.
WCM (WinCommerce)	30,978	30,900	0%	Like-for-like (LFL) revenue/sqm of WinMart+ (minimart) advanced 15% YoY in 2021 amid robust demand for essential goods and COVID-19 disruptions to traditional trade channels (e.g., wet markets and street shops). Meanwhile, WinMart's (supermarket) LFL revenue/sqm fell 11% YoY in 2021 due to COVID-19 disruptions to stores located in shopping malls. The store count of WinMart+ increased from 2,231 at YE2020 to 2,619 at YE2021, while that of WinMart fell from 123 to 122. Masan plans to add 500-1,400 WinMart+ stores (vs our current forecast of 700) and 10-40 WinMart stores (vs our forecast of 5) in 2022. Management also targets LFL store revenue growth of 11%-13% for WinMart+ and 5%-7% for WinMart in 2022 partly backed by a rollout of 2,000 CVLife locations, which integrate different combinations of WinMart+, a Phuc Long kiosk, pharmacy, Techcombank transaction point and Reddi transaction point. The feed business was divested at the end of November 2021.
MML (Masan Meat Life)	16,119	18,891	17%	Revenue from the integrated meat business amounted to VND4.5tn (USD196mn; +89 YoY) in 2021 thanks to Meat Deli's widening distribution and the consolidation of 3F Viet — the latter contributed VND1.5tn (USD65mn). Meat Deli and 3F Viet products are currently available at almost all WCM stores.
MHT (Masan Hi-Tech Materials)	7,426	13,564	83%	Mostly lifted by the consolidation of H.C.Starck (HCS) and a firmer tungsten ASP.
<b>EBITDA</b>	<b>10,346</b>	<b>16,361</b>	<b>58%</b>	
MCH	5,749	6,845	19%	
WCM	-1,234	1,100	N.M.	WCM's EBITDA margin improved from -4.0% in 2020 to 3.6% in 2021 primarily backed by negotiation of trade terms with suppliers, a full-year's benefit from the closure of underperforming stores in 2020, supply chain optimization, and higher revenue/sqm. WCM's net profit was positive in H2 2021 as its EBITDA margin reached 5.5%. Masan believes WCM will remain profitable in 2022. WCM's total commercial margin (gross margin + other financial support from suppliers) broadened by 310 bps YoY in 2021. Management targets another 100-bp improvement in 2022.
MML	1,881	1,827	-3%	Integrated pork EBITDA margin rose to 13.4% in 2021 vs 7.8% in 2020. MML's pork processing plants ran at ~20% capacity in December 2021. Management expects MML's pork business will become net profitable at 26% capacity. Integrated chicken gross and EBITDA margins in 2021 were weak at -13% and -21%, respectively, due to the poultry industry's oversupply. However, GPM improved to -2% in Q4 2021. Management expects further improvement in 2022 thanks to larger contributions from business-to-customer (B2C) sales and a deeper integration with Masan's ecosystem.
MHT	1,433	3,070	114%	
Techcombank's contribution	2,646	3,866	46%	
Others	-129	-347	169%	Overhead expenses at the holdco level and eliminations of interco transactions.
<b>NPAT</b>	<b>1,395</b>	<b>10,101</b>	<b>624%</b>	
<b>NPAT-MI</b>	<b>1,234</b>	<b>8,563</b>	<b>594%</b>	In 2020, MSN recorded a one-off gain of VND1.4tn (USD60mn) from the revaluation of HCS's assets and liabilities. In 2021, MSN recorded a one-off gain from its divestment from the feed business, which we estimate at ~VND5.4tn (USD235mn).

Source: MSN, VCSC. <sup>(1)</sup> MSN's consolidated revenue is lower than the sum of its subsidiaries' revenue due to intercompany transactions between MCH/MML and WCM.

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OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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