



MSN UPDATE- HOLD

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Company Update

Recommendation

HOLD
HOSE: MSN
Consumer goods
Current price (VND) 110,700

Target price (VND) 115,922

Expected share price return 4.7%

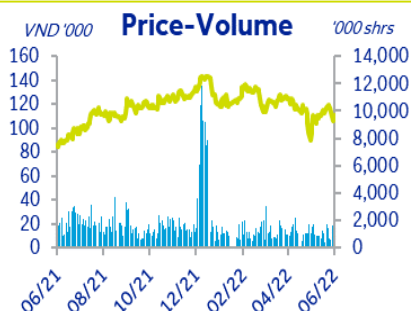
Expected dividend yield 0

Expected total return 4.7%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-20.4	9.4	-9.9	20.6
Relative	-3.9	6.5	6.3	30.7

Source: Bloomberg



Ownership

CTCP Masan	31.23%
CT TNHH MTV TVXD Hoa Hường Dương	13.21%
SK Investment Vina I	9.26%

Stock Statistics

16-Jun-22

Bloomberg code MSN VN

52-week range (VND) 85,700 - 145,833

Shares O/S (m) 1,424

Mkt cap (VND bn) 161,450

Mkt cap (USD m) 7,013

Foreign room left (%) 20.1

Est. free float (m) 45.4

3m avg daily vol (shrs) 1,119,923

VND/USD 23,020

Index: VNIndex / HNX 1244.89/ 289.19

MASAN GROUP CORPORATION (MSN VN)

MSN continues to develop its consumer-retail ecosystem and posted improved results in 1Q 2022 driven by strong performance in the consumer and resources sector. We maintain our **HOLD** recommendation with a target price of VND115,922/share, using NAV method, on the back of growth in their consumer products and the accelerating path to profitability of Wincommerce.

Ending 2021, audited financial statement of MSN shows a top line of 88,629bn (+14.8% YoY) and Net Profit of VND 8,562bn (+593.9% YoY). Primarily thanks to:

- MCH's growth in social distancing environment (+20% YoY in top line),
- TCB continued to shine with its net profit VND18,052bn (+46% YoY) which translated to a 48% increase in profit from associates of MSN, and
- Improved operating result of Wincommerce (WCM) from a negative EBITDA to a positive one, with EBITDA margin improving from (4.0%) to 3.6%.

Going forward to Q1 2022, unaudited financial statement of MSN shows a top line of VND18,189bn (-8.9% YoY) and Net profit of VND 1,595.8bn (+752% YoY). The decline in top line was due to deconsolidation of the feed segment in MML after MSN sold this segment to De Heus end of last year. If excluding the feed segment, net revenue grew 11.9% in Q1 2022 with MCH and MHT reporting double digit growth. Core business growth is the driving force for increase in bottom line for MCH. While MHT benefited from price hike in commodities market.

	Q1 2021	Q1 2022	%	2022F	%
Total Net Revenues	19,997	18,189	(8.9%)	87,759	(6%)
• MCH	5,494	6,448	17.4%	31,048	12%
• WCM	7,242	7,297	0.8%	37,008	20%
• MHT	2,963	3,930	32.6%	14,920	10%
• MML	4,704	931	(80.2%)	4,783	7%*

*If excluding feed segment in 2021

For 2022, the Company set a target top line to be between VND90 trn to 100 trn (+22%-36% YoY if exclude feed segment revenue) while EAT is expected to be between VND6.9 trn – VND8.5trn (+82% - 124% YoY not including one-time gains/losses and feed segment contribution).

We hold a slightly more conservative view with our forecasts for top line of VND 87.7 trn (-1% YoY or +18% if exclude feed segment revenue) and EAT of VND 7,058bn (-29.7% YoY or +87% YoY not including one-time gains/losses and feed segment contribution). Key growth driver for MSN is still MCH with consumer spending to focus on cheaper alternative food (i.e. instant noodles) as CPI increase and MHT to maintain high asp thanks to price hike in commodities market.

	2018	2019	2020	2021	2022E
Net Sales (VNDbn)	38,187	37,354	77,218	88,629	87,759
Growth (%)	1.5%	-2.2%	106.7%	14.8%	-1.0%
EBITDA (VNDbn)	9,243	7,968	9,150	11,028	9,546
Growth (%)	20.6%	-13.8%	14.8%	20.5%	-13.4%
Net income (VNDbn)	4,916	5,558	1,234	8,563	5,983
Growth (%)	58.4%	13.1%	-77.8%	593.9%	-30.1%
EPS (VND)	4,226	4,754	1,050	7,253	4,223
Growth (%)	42.7%	12.5%	-77.9%	590.5%	-41.8%
ROE (%)	22.2%	15.4%	4.2%	35.1%	16.7%
Net debt/EBITDA (x)	1.6	2.7	5.7	2.6	3.2
PER (x)	26.0	23.1	104.7	15.2	26.0
EV/EBITDA (x)	2.7	3.1	2.7	2.3	2.6
EV/sales (x)	0.4	0.4	0.2	0.2	0.2
PBR (x)	4.3	3.0	8.1	4.0	4.0
DPS (VND)	0	0	0	0	0
Dividend yield (%)	0%	0%	0%	0%	0%

Masan Consumer ("MCH"): This segment continued to report sizable growth in 2021 with a top line of VND28.8 trn (+20% YoY) driven by 19% growth in seasonings and 27% growth in convenience foods.

In Q1 2022, while Seasoning's growth slowed down to only single digit, Convenience food sector remained key driver to MCH's growth, reporting a 34.5% growth.

	Q1 2021	Q1 2022	%
Total Net Revenues	5,494	6,448	17.4%
Seasonings	1,788	1,918	6.80%
Convenience	1,354	2,067	34.50%
Processed Meat	169	399	57.60%
Beverages	1,386	1,492	7.10%
Home Personal Care	383	352	-8.70%

Despite a price increase in the overall commodities market, MCH's gross margin improved to 40.7% in Q1 2022 (compared to 39.7% in Q1 2021). According to management, the company has already negotiated materials prices for the whole year, thus maintaining the company's profitability despite the price hikes in commodities market.

Wincommerce ("WCM"): WCM reported a top line of VND30.9 trn (-0.3% YoY) and a positive EBITDA of VND1.1 trn in FY2021. Going forward to Q1 2022, WCM delivered a net revenue of VND7,297 bn (+0.8% YoY) and an EBITDA of VND160bn (+22% YoY). While net revenue remained flat, EBITDA margin improved by 40bps compared to Q1 2021 driven by re-negotiating with suppliers. EBITDA margins in 2H2022 are expected to more than double compared to Q1 2022 as MSN expands the mini mall concept (includes Phuc Long kiosk, pharma Phano and financial services TCB) which improves foot-traffic and EBITDA margins at the store level.

Masan Meatlife ("MML"): In 2021, this segment reported a top line of VND 18,891 bn (+17.2% YoY). As the company sold the feed segment in December, this number does not include December revenue for feed segment. In Q1 2022, net revenue is VND 931 bn (-80.2% YoY) due to deconsolidation of feed segment. If excluding the feed segment, net revenue was down 5.4% YoY mostly due to lower pig farm revenues as a result of lower live pig prices. On the other hand, the branded chicken sector revenue up 31.4% YoY, reaching VND 373 bn. While overall Gross margin lowered compared to same period last year (6.0% in Q1 2022 compare to 14.3% Q1 2021) due to deconsolidation of feed segment, GM of pork meat segment improved significantly to 12.1% in Q1 2022 compared to (10.5%) in Q1 2021.

Masan High-tech ("MHT"): Thanks to the recovery of Vonfram price (+33% YoY) and bismuth (+22% YoY), MHT reported an increase of 32.6% YoY in top line reaching VND 3.930bn while NPAT post MI recorded VND123 bn for the period from a loss making of VND293bn in Q1 2021. Notably, there were no copper sales during Q1 2022 as the company seeks opportunities to monetize the copper stocks while commodities price continues to rise. The mark to market value of the recoverable metals in the copper concentrate inventory approximates VND3,000 billion on 31 March 2022, a further VND700 billion increases from 31 December 2021.

Techcombank: MSN recorded VND 3,897bn (+48% YoY) in profit from associates (39% of MSN's EAT), mainly from Techcombank ("TCB"). TCB continued to shine in the first quarter of 2022, reporting a top line of VND 10,112bn (+ 13%YoY) and an PBT of VND 6,785bn (+ 23% YoY). This year, we forecast TCB will slowdown its growth rate with a topline of VND 40,593bn (+9.5% YoY) and NPAT post MI of VND20,102bn (+11.4% YoY). The slowdown is mainly due to lower Income from IB fees may be negatively affected by the Government's actions to tighten real estate corporate bond issuance.

MSN FINANCIALS MODEL	Price (VND):	110,700	Target (VND):	115,922	Mkt cap (VND bn):	156,822
(VND bn except where stated)	2017	2018	2019	2020	2021	2022E
Total Net Sales	37,621	38,187	37,354	77,218	88,629	87,759
<i>Sales growth (%)</i>	<i>-13.1%</i>	<i>1.5%</i>	<i>-2.2%</i>	<i>106.7%</i>	<i>14.8%</i>	<i>-1.0%</i>
CoGS ex-dep'n	23,552	23,768	23,897	51,751	66,882	61,951
SG&A	7,203	6,330	6,098	16,207	15,851	15,696
<i>SG&A as % of sales</i>	<i>19.1%</i>	<i>16.6%</i>	<i>16.3%</i>	<i>21.0%</i>	<i>17.9%</i>	<i>17.9%</i>
EBITDA	7,664	9,243	7,968	9,150	11,028	9,546
<i>EBITDA margin (%)</i>	<i>20.4%</i>	<i>24.2%</i>	<i>21.3%</i>	<i>11.8%</i>	<i>12.4%</i>	<i>10.9%</i>
Depreciation	2,436	2,538	2,515	7,578	(388)	1,929
Operating profit	5,228	6,705	5,452	1,572	11,416	7,617
<i>Operating profit margin (%)</i>	<i>13.9%</i>	<i>17.6%</i>	<i>14.6%</i>	<i>2.0%</i>	<i>12.9%</i>	<i>8.7%</i>
Other profits/losses	(43)	(33)	1,092	1,129	216	231
Profit/Loss of investments in associates and joint ventures	2,044	1,914	2,182	2,640	3,897	4,676
Net interest expense	3,090	2,343	1,622	3,016	4,040	3,834
<i>as % of avg. net debt</i>	<i>12.5%</i>	<i>11.7%</i>	<i>8.9%</i>	<i>8.2%</i>	<i>10.0%</i>	<i>12.9%</i>
Interest cover (x)	1.7	2.9	3.4	0.5	2.8	2.0
Tax	531	622	740	930	1,387	1,632
<i>Effective tax rate (%)</i>	<i>24.8%</i>	<i>14.3%</i>	<i>19.3%</i>	<i>-64.4%</i>	<i>18.8%</i>	<i>43.1%</i>
Minorities	505	705	807	161	1,538	1,075
Net profit	3,103	4,916	5,558	1,234	8,563	5,983
<i>Net profit margin (%)</i>	<i>8.2%</i>	<i>12.9%</i>	<i>14.9%</i>	<i>1.6%</i>	<i>9.7%</i>	<i>6.8%</i>
Cash earnings	5,539	7,454	8,073	8,812	8,175	7,912
Number of shares (m)	1,157	1,163	1,169	1,175	1,181	1,417
EPS (VND)	2,962	4,226.1	4,754	1,050	7,253	4,223
Bonus factor (x)	0.8	0.8	0.8	0.8	0.8	1.0
Adjusted EPS (VND)	2,469	3,522	3,962	875	6,044	4,223
<i>EPS growth (%)</i>	<i>22.3%</i>	<i>42.7%</i>	<i>12.5%</i>	<i>-77.9%</i>	<i>590.5%</i>	<i>-30.1%</i>

KEY CASHFLOW AND BS ITEMS	2017	2018	2019	2020	2021	2022E
Increase in working capital	1,827	-20	2,694	332	500	1,175
Capex	2,122	2,649	3,217	3,734	2,825	3,259
Change in investment in affiliates	-897	4,007	2,164	2,828	4,218	0
Other cashflow items	-9,198	8,963	-5,930	-32,837	22,618	-5,383
Free cash flow	-6,710	9,781	-5,932	-30,920	23,250	-1,905
Share issues	3,513	11	0	2	17	0
Dividends paid	(2,713)	(1)	(0)	(1)	(3)	-
Increase in net debt	485	-9,793	5,931	30,916	-23,271	1,905
Net debt, end of year	24,985	15,191	21,122	52,038	28,768	30,673
Enterprise value	181,807	172,014	177,945	208,861	185,590	187,495
Shareholders' equity	14,837	29,485	42,780	15,938	32,811	38,794
BVPS (VND)	12,819	25,349	36,597	13,568	27,793	27,384
<i>Net debt / equity (%)</i>	<i>168.4%</i>	<i>51.5%</i>	<i>49.4%</i>	<i>326.5%</i>	<i>87.7%</i>	<i>79.1%</i>
<i>Net debt / EBITDA (x)</i>	<i>3.3</i>	<i>1.6</i>	<i>2.7</i>	<i>5.7</i>	<i>2.6</i>	<i>3.2</i>
Total assets	63,528	64,573	97,297	115,737	126,093	133,982

KEY RETURN AND VALUATION RATIOS	2017	2018	2019	2020	2021	2022E
<i>ROE (%)</i>	<i>20.6%</i>	<i>22.2%</i>	<i>15.4%</i>	<i>4.2%</i>	<i>35.1%</i>	<i>16.7%</i>
<i>ROA (%)</i>	<i>4.5%</i>	<i>7.7%</i>	<i>6.9%</i>	<i>1.2%</i>	<i>7.1%</i>	<i>4.6%</i>
<i>ROIC (%)</i>	<i>8.2%</i>	<i>10.6%</i>	<i>8.5%</i>	<i>3.4%</i>	<i>9.8%</i>	<i>7.0%</i>
<i>WACC (%)</i>	<i>11.5%</i>	<i>12.9%</i>	<i>12.3%</i>	<i>8.3%</i>	<i>11.5%</i>	<i>12.6%</i>
<i>EVA (%)</i>	<i>-3.3%</i>	<i>-2.3%</i>	<i>-3.8%</i>	<i>-4.8%</i>	<i>-1.7%</i>	<i>-5.7%</i>
<i>PER (x)</i>	<i>44.8</i>	<i>31.4</i>	<i>27.9</i>	<i>126.5</i>	<i>18.3</i>	<i>26.2</i>
<i>EV/EBITDA (x)</i>	<i>2.0</i>	<i>2.7</i>	<i>3.1</i>	<i>2.7</i>	<i>2.3</i>	<i>2.6</i>
<i>EV/FCF (x)</i>	<i>-3.7</i>	<i>2.6</i>	<i>-4.2</i>	<i>-0.8</i>	<i>1.1</i>	<i>-13.1</i>
<i>PBR (x)</i>	<i>8.6</i>	<i>4.4</i>	<i>3.0</i>	<i>8.2</i>	<i>4.0</i>	<i>4.0</i>
<i>PSR (x)</i>	<i>4.2</i>	<i>4.1</i>	<i>4.2</i>	<i>2.0</i>	<i>1.8</i>	<i>1.8</i>
<i>EV/sales (x)</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>
<i>Dividend yield (%)</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>

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DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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