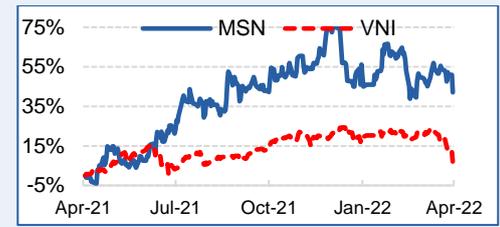


Industry:	Consumer		2021	2022F	2023F	2024F
Report Date:	April 29, 2022	Rev y/y	14.8%	2.9%	21.9%	20.4%
Current Price:	VND116,500	EPS y/y ¹	N.M.	48.3%	57.9%	48.3%
Target Price*:	VND158,000	GPM	25.0%	30.0%	30.9%	31.7%
Upside to TP:	35.6%	NPM ¹	3.6%	5.2%	6.7%	8.3%
Dividend Yield:	1.0%	EV/EBITDA ²	13.1x	11.2x	9.3x	7.6x
TSR:	36.7%	P/CFO	87.8x	65.8x	20.1x	13.1x
Rating*:	BUY	P/E ¹	51.9x	35.0x	22.2x	15.0x



	USD7.2bn		MSN	VNI
Market Cap:	USD7.2bn	P/E (ttm) ¹	43.3x	15.0x
Foreign Room:	USD1.5bn	P/B (curr)	6.0x	2.3x
ADTV30D:	USD6.5mn	Net D/E	1.7x	N/A
State Ownership:	0%	ROE ¹	18.3%	15.8%
Outstanding Shares:	1.4bn	ROA ¹	3.3%	2.6%
Fully Diluted Shares:	1.4bn			
3-yr PEG:	0.8x			

* TP and rating last updated February 28, 2022
¹ Based on recurring earnings
² EBITDA includes profits from TCB

Company Overview

Masan Group specializes in consumer businesses that span FMCG, retailing and meat value chain. New initiatives gear towards consumer-tech ecosystem with telecom and fintech products. Other businesses include metal-based materials and an associate stake in Techcombank.

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Foundation ready for a consumer-tech ecosystem

Key summary:

- We attended MSN's AGM on April 28. Two years following MSN's 2020 AGM at which the company first revealed its ambition to build a 'consumer-tech ecosystem', MSN is officially embarking upon this journey with a detailed plan and clear vision for 2022 – 2025.
- Additionally, MSN released Q1 2022 earnings results with revenue down 8.9% YoY due to deconsolidation of feed business, meanwhile like-for-like revenue grew 11.9% and NPAT-MI surged 753.5% YoY to VND1,596bn (USD69mn), representing 20% and 34% of our respective full-year forecasts.

AGM Note:

- **MSN aims to create a seamless offline-to-online platform backed by artificial intelligence (AI) and machine learning (ML) to serve 80% of consumer wallet shares.**
 - * In 2022, MSN will apply AI and ML in its acceleration of rolling out a mini-mall concept to (1) select new store locations, (2) plan for supply & demand and (3) optimize product assortment. MSN will also expand into content and media services to serve digital needs of consumers later this year.
 - * In 2023, MSN plans to scale up its AI and ML applications to (1) accelerate its loyalty program through Reddi, (2) build its online grocery and fourth-party logistic (4PL) supply chain and (3) provide comprehensive financial solutions (e.g., payment processing, credit, insurance and wealth management) as a distribution partner without taking balance sheet risk. MSN also aims to target business-to-business (B2B) customers through initiatives (2) and (3).
 - * In 2024, MSN aims to accelerate the monetization of its content and media assets via advertising.
- **In order to achieve its vision, MSN has set the following ambitious targets for 2025.**
 - * 30,000 mini malls (including self-owned and franchise), generating USD7bn-8bn of annual revenue and acquiring a 50% catchment share as well as a >10% EBIT margin. Mini mall is a store model that integrates Phuc Long tea & coffee kiosks, pharmacies, Techcombank (TCB) and Reddi transaction points into WinMart+.
 - * Reddi having 30-50 million loyal customers.
 - * Advertising revenue contributing 5% to MSN's total revenue.

- In attempt to empower its consumer-tech journey, MSN announced a partnership with Trusting Social Company JSC** — the Vietnamese subsidiary of Singapore-based Trust IQ Pte. Ltd. Trusting IQ is the leading company in Asia in AI and ML-led products for banks. According to the CEO & founder of Trusting Social Mr. Nguyen Nguyen, there are only two companies that provide credit scores for 1 billion users — Ireland-based Experian and Trusting Social.

The company's major customer pool is comprised of 170 financial institutions across Vietnam, Indonesia, India and the Philippines. MSN has invested USD65mn to acquire a 25% stake of this start-up; however, management commented that it does not have any intentions to acquire a controlling stake in Trusting Social. The first initiative of this partnership is a fintech joint venture initiated via the launch of EVO — a credit card based on credit scoring system built by Trusting Social. Furthermore, Trusting Social will play an essential role in optimizing the rollout of mini malls beginning this year. Notably, Trusting Social has built a real-time map that can identify optimal areas to open new stores based on categorizing areas by level of purchasing power. The partnership between MSN and Trusting Social aims to leverage the latter's AI and ML expertise to personalize MSN's product offerings to consumers.

- 2022 business plan.** In addition to earnings guidance (see **Figure 1**), MSN plans to add 500-1,400 WinMart+ stores and 10-40 WinMart stores. Management also targets like-for-like (LFL) store revenue growth of 11%-13% YoY for WinMart+ and 5%-7% YoY for WinMart, which is partly backed by its target to roll out 1,000 mini malls. Furthermore, WinCommerce (WCM) targets 5% EBIT margin on the back of an increasing contribution from the mini mall. Management also targets >20% EBITDA margin for Masan Consumer Holdings (MCH), which is the pillar of the group. Finally, Reddi targets to reach 500 thousand – one million subscribers.

Figure 1: MSN's 2022 guidance

VND tn	MSN	MCH	WCM	Phuc Long	MML	MHT
Revenue guidance	90-100	34-40	38-40	2.5-3.0	5-6.5	14.5-15
YoY growth	22%-36%*	18%-39%	23%-29%	N/A	11%-45%	7%/11%
VCSC's current forecasts	91.2	33.6	38.0	2.5	6.3	15.6
NPAT-MI guidance	4.8-6.2					
YoY growth	51%/96%*					
VCSC's current forecast	4.7					

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

Summary of key AGM resolutions:

- Shareholders approved 2022 guidance for revenue of VND90tn-100tn (USD3.9bn-4.4bn) and NPAT-MI of VND4.8tn-6.2tn (USD210mn-271mn) in its most conservative and optimistic scenarios, respectively. Our forecasts broadly align with the lower range of the company's guidance.
- Shareholders also approved an ESOP of up to 0.5% of outstanding shares with a one-year lock-up period.
- Furthermore, shareholders approved a private placement with a potential issuance of ordinary shares of up to 12% of total outstanding shares, in which up to 99 investors — including strategic investors and professional securities investors — would participate. If carried out, this issuance would be executed in either 2022 or before the 2023 AGM. The lock-up period is three years for strategic investors and one year for professional investors. At MSN's 2020 and 2021 AGMs, the company also made similar proposals; however, no issuance has taken place up to now. We believe that receiving shareholder approval for this private placement plan will give MSN the flexibility to take swift action when opportunities emerge.
- Additionally, shareholders approved an issuance of convertible bonds in the international market of up to USD500mn with a tenure of five years. This issuance is expected to be executed in 2022 and/or 2023. Shareholders also approved an issuance plan of new shares for conversion of bonds of up to 5% of MSN's total outstanding shares post conversion.

Key takeaways from Q1 2022 results:

- In Q1 2022, revenue declined 8.9% YoY while NPAT-MI surged 753.5% YoY to VND1,596bn (USD69mn). Revenue was mainly dragged by the deconsolidation of the feed segment in November 2021. Excluding 2021 feed revenue, LFL revenue growth was 12% YoY, which was driven by high double-digit growth at MCH and Masan High-Tech Materials (MHT) and a new contribution from Phuc Long. Meanwhile, WCM experienced single-digit growth.
- There was a significant improvement in profitability as MSN's EBITDA margin was 20.1% in Q1 2022 vs 15.7% in Q1 2021, which was primarily driven by MCH, MHT and TCB. Additionally, WCM's profitability continued to improve on the back of results delivered from negotiations with suppliers and cost control. Phuc Long generated a high-teen EBITDA margin.
- Consolidated margin was partly offset by Masan MEATLife (MML) due to the deconsolidation of feed business as well as lower live hog prices amid rising animal feed prices.
- In Q1 2022, MSN recorded a one-off financial income from (1) the revaluation of the 20% stake in Phuc Long from the first tranche of this acquisition, and (2) one-off fee income from the transaction with De Heus. Excluding this gain, NPAT-MI still surged 440% YoY, which we attribute to operating leverage obtained from (1) increased sales from MCH (40.7% gross margin), (2) increased sales from MHT (17.4% gross margin) and (3) new contributions from Phuc Long (68.5% gross margin).
- MSN's Q1 2022 revenue/NPAT-MI/recurring NPAT-MI completed 20%/34%/21% of our respective full-year forecasts.

A summary of MSN's Q1 2022 results and our additional comments are presented on the next page.

Figure 2: MSN's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	VCSC comments
Net revenue ⁽¹⁾	19,977	18,189	-9%	
MCH	5,494	6,448	17%	Mainly driven by convenience foods (+35% YoY — accounting for 32% of MCH's sales), processed meat (+58% YoY — accounting for 6% of MCH's sales) and seasonings (+7% YoY — accounting for 30% of MCH's sales), partly offset by -8.7% YoY growth in home personal care due to the early Tet Holiday in 2022.
WCM	7,242	7,297	1%	Mainly driven by a higher number of minimart stores, the fresh-focus assortment and improved store concepts amid increasing consumer preference for minimart shopping. Nevertheless, LFL revenue/sqm of WinMart (supermarket) and Winmart+ (minimart) fell 6.2% and 4.4%, respectively. We attribute the drop for Winmart+ due to Q1 2021's high base that was elevated by consumers stocking up on goods due to COVID-19. Regarding Winmart, we believe increasing consumer preference for minimart shopping has affected supermarket sales on some level; another quarter of results is needed before drawing a conclusion for this chain's performance. New supermarket pilot stores with better layouts performed well and achieved 8% growth in revenue/sqm compared to existing stores. Store counts of WinMart and WinMart+ respectively reached 124 and 2,708 as of Q1 2022 vs 122 and 2,619 at YE2021, respectively.
MML	4,704	931	-80%	Mainly dragged down by the deconsolidation of the feed business. Meanwhile, LFL growth was 5.4% YoY thanks to 31% YoY growth from the 3F Viet segment that was offset by a 4% YoY drop in branded pork and 57% drop in pig farm revenue mainly due to lower average pork and live hog prices, respectively.
Phuc Long Heritage	-	257	N.M.	MSN acquired a controlling stake in Phuc Long in January 2022. 70% of revenue was generated from flagship stores and 14% from kiosks. Phuc Long operated 78 flagship stores, 13 mini-stores and 760 kiosks (+160 vs YE2021) as of Q1 2022.
MHT	2,963	3,930	33%	Driven by rising commodity prices and strong demand for tungsten.
EBITDA	3,142	3,655	16%	
MCH	1,142	1,466	28%	EBITDA margins advanced 1.9 ppts YoY to 22.7% as gross margins improved by 1 ppt. Meanwhile, SG&A/revenue dropped 1.8 ppts.
WCM	131	164	25%	WCM's EBITDA margin improved to 2.2% in Q1 2022 from 1.8% in Q1 2021, which was backed by further improvements in total commercial margins (TCM) through negotiations with suppliers and cost optimization (e.g., store operations and logistics). MSN believes EBITDA margin in H2 2022 will more than double Q1 2022's margin.
MML	498	-28	N.M.	EBITDA margin dropped to -3.0% in Q1 2022 from 10.6% in Q1 2021 due to the deconsolidation of the feed business as well as lower live hog prices amid rising animal feed prices. In order to generate sustainable margin, MML plans to increase the contribution of processed meat from 13% currently to 50% by YE2025.
Phuc Long Heritage	N/A	47	N.M.	
MHT	478	878	84%	EBITDA margin increased to 22% in Q1 2022 from 16% in Q1 2021.
TCB's contribution	943	1,178	25%	Please see our Earnings Flash, TCB - NIM, lower provisions make up for drag on bond portfolio , dated April 26, 2022, for more details.
Others	-50	-63	N.M.	Overhead expenses at the holdco level and other items.
NPAT	343	1,895	453%	
NPAT-MI	187	1,596	754%	
Recurring NPAT	343	1,199	250%	One-off financial income as mentioned above.
Recurring NPAT-MI	187	1,010	440%	

Source: MSN, VCSC. ⁽¹⁾ 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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BUY	If the projected TSR is 20% or higher
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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