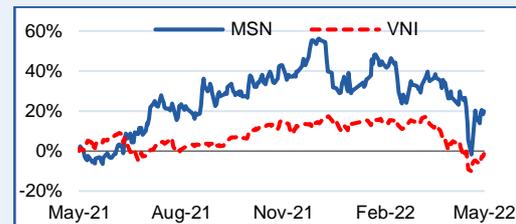


Masan Group (MSN) [BUY +43.8%]

Update Report

Industry:	Consumer		2021	2022F	2023F	2024F
Report Date:	May 27, 2022	Rev y/y	14.8%	1.1%	20.8%	21.2%
Current Price:	VND110,000	EPS y/y ¹	N.M.	38.7%	54.4%	48.2%
Target Price:	VND157,000	GPM	25.0%	29.8%	31.0%	31.7%
Last Target Price*:	VND158,000	NPM ¹	3.6%	4.9%	6.3%	7.8%
Upside to TP:	42.7%	EV/EBITDA ²	15.3x	13.4x	11.2x	9.2x
Dividend Yield:	1.1%	P/CFO	83.1x	74.9x	20.5x	13.4x
TSR:	43.8%	P/E ¹	49.0x	35.4x	22.9x	15.5x



	USD6.8bn		MSN	VNI
Market Cap:	USD6.8bn	P/E (ttm) ¹	39.0x	13.6x
Foreign Room:	USD1.4bn	P/B (curr)	4.2x	2.1x
ADTV30D:	USD5.4mn	Net D/E	1.2x	N/A
State Ownership:	0%	ROE ¹	18.3%	15.9%
Outstanding Shares:	1.4 bn	ROA ¹	3.3%	2.6%
Fully Diluted Shares:	1.4 bn			
3-yr PEG:	0.8			

* Adjusted for bonus share issuance
¹ Based on recurring earnings; ² EBITDA includes profits from TCB

Company Overview

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

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Consumer business remains earnings growth engine

- We trim our target price (TP) for MSN by 0.6% but maintain our BUY rating. Our lower TP is primarily driven by lower valuations of Masan Consumer Holdings (MCH), WinCommerce (WCM) and Phuc Long Heritage (PL) that are derived from aggregate decreases in each business's EBIT projection for 2022-2024F, which are offset by the positive effect of rolling our TP forward to mid-2023 vs previously YE2022.
- We remain bullish on MSN's ability to capture Vietnam's long-term consumption growth on the back of its leading, wide-ranging consumer businesses and the upcoming use of technology in its operations from its partnership with AI fintech company Trusting Social, which was announced at MSN's [2022 AGM](#). Nevertheless, we believe the prolonged impact from COVID-19 on consumer spending power and the threat of inflation will undermine sales volume and escalate the input costs of MSN's consumer businesses.
- Our 47% EPS CAGR forecast for 2021-2024 is driven by broad-based growth from operating businesses (29% EBIT CAGR in 2021-2024) and rising contributions from TCB vs stable net financial expenses.
- Potential upside catalysts: Successful pilot and following scale-up of technology application backed by Trusting Social; further ownership reductions in Masan Hi-Tech Materials (MHT) that would make MSN's business structure more consumer-focused; value-creating M&A surrounding MSN's consumer ecosystem.
- Key risks to our positive view: Ineffective store expansion at WCM and PL; ineffective product innovation and marketing that would lead to a significant slowdown in MCH's growth.

WCM: 2022F-2024F performance to be bolstered by store expansion and rollout of PL kiosks, which are partly offset by weak consumer spending power. We project MSN will add 680/1,000/1,200 new WinMart+ stores in 2022/2023/2024. In addition, WCM's margins via its revenue sharing with PL will benefit from MSN's plan to raise the number of PL kiosks from 600 at YE2021 to 2,000 by YE2022. However, we trim our forecast for SSSG of WinMart (supermarket) as we believe the spending power of mass consumers has been dampened by the prolonged adverse impact from two years of COVID-19 and recent inflation, which will hinder consumer basket size.

MCH: To maintain double-digit growth over the next few years; gross margin compresses due to input cost inflation. We believe MCH's strong core competencies in product R&D, marketing and distribution will enable it to maintain a 15% revenue CAGR and 19% NPAT-MI CAGR in 2021-2024. Nonetheless, we trim our forecast for 2022F gross margin by 0.7 ppts vs our previous forecast to 41.5% (vs 42.5% in 2021) in order to reflect the ongoing input (e.g., wheat, oil and packaging materials, among others) cost inflation that we believe cannot be fully passed on to consumers.

Q1 2022: Operating leverage from Masan Consumer, Masan High Tech Materials

Figure 1: MSN's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	VCSC comments
Net revenue ⁽¹⁾	19,977	18,189	-9%	Excluding 2021 feed revenue, LFL revenue growth was 12% YoY
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.
WCM	7,242	7,297	1%	Mainly driven by a higher number of minimart stores. Nevertheless, LFL revenue/sqm of WinMart (supermarket) and Winmart+ (minimart) fell 6.2% YoY and 4.4% YoY, respectively. In addition to weak consumer spending power that affects overall performance of modern trade retailers, we attribute the drop for Winmart+ to Q1 2021's high base that was elevated by consumers stocking up on goods due to the spread of COVID-19 in northern Vietnam. Regarding Winmart, we believe increasing consumer preference for minimart shopping has always affected supermarket sales on some level. New supermarket pilot stores with better layouts achieved 8% growth in revenue/sqm compared to existing stores. Store counts of WinMart and WinMart+ were 124 and 2,708 as of Q1 2022 vs 122 and 2,619 at YE2021, respectively.
MML	4,704	931	-80%	Mainly dragged 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% YoY drop in pig farm revenue mainly due to lower average pork and live hog prices.
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 pts YoY to 22.7% as gross margins improved by 1 ppt. Meanwhile, SG&A/revenue dropped 1.8 pts.
WCM	131	164	25%	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).
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.
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 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.
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.

2022F: Consumer business to lead earnings growth

Figure 2: VCSC's 2022 forecasts

VND bn	2021	Old 2022F	New 2022F	New 2022F YoY	VCSC comments on New 2022F
Revenue	88,629	91,237	89,561	1%	
MCH	28,764	33,682	33,682	17%	Led by convenience foods (+20% YoY), energy drinks (+25% YoY), processed meat (+40% YoY), home/personal care (+30% YoY) and seasonings (+9% YoY).
WCM	30,900	38,092	36,602	18%	We trim our forecast for SSSG of WinMart (supermarket) by 8 ppts to a low single digit and also revise down our SSSG forecast for WinMart+ by 2 ppts. Meanwhile, we project WinMart+/WinMart store counts will be 3,299/127 (vs our previous forecast of 3,319/127) by YE2022 from 2,619/122 as of YE2021.
PL	N/A	2,539	2,395	N/A	We assume PL will add 100 full-concept stores and 1,000 kiosks (located inside WinMart+) vs our previous forecast of 1,400; as such, their respective store counts will be 178 and 1,600 by YE2022.
MML	18,891	6,326	6,221	-67%	No more contributions from the feed business. We project revenue from the entire integrated meat portfolio (pork + chicken) will surge 39% YoY to VND6.2tn (USD270mn) on the back of distribution expansion — especially via WCM's store network — and softer COVID-19 disruptions on 3F Viet's B2B sales channels.
MHT	13,564	15,602	15,602	15%	Mainly aided by higher realized selling prices for tungsten and fluorspar as well as a bigger contribution from copper as MHT is working with domestic copper smelters to offload its copper stock.
Intercompany adjustments & Others	-3,490	-5,003	-4,940	42%	Elimination of intercompany transactions between MCH/MML and WCM.
EBIT	6,283	7,905	7,371	17%	
MCH	5,769	6,686	6,469	12%	We trim our forecast for 2022F gross margin by 0.7 ppts vs our previous forecast to reflect ongoing input cost inflation, which we believe cannot be fully passed on to consumers.
WCM	-706	153	83	N.M.	We expect WCM to remain EBIT positive in 2022; however, we trim our forecast for WCM mainly due to our downward revision for (1) operating leverage and (2) PL's EBIT, which is nearly offset by our upward revision for gross margin by 20 bps to 21.6%.
PL	N/A	321	257	N/A	
MML	648	299	180	-72%	
MHT	1,187	2,259	2,259	90%	Thanks to operating leverage, a large portion of gains from selling price increases will flow straight to the bottom line.
Others (e.g., holdco overhead, goodwill amortization, interco adjustments)	-614	-1,813	-1,804	194%	Our projection increases due to (1) additional goodwill amortization related to the PL acquisition that amounts to nearly VND400bn/year (USD17mn) and (2) our fuller incorporation of intercompany transactions at the profit level.
Associate profits	3,897	4,832	4,867	25%	Shared profits primarily from TCB.
Interest expenses	-4,669	-4,586	-4,585	-2%	
Other non-operating items, net	5,978	-158	-158	-103%	
PBT	11,489	7,993	7,568	-34%	
NPAT	10,101	7,134	6,710	-34%	
NPAT-MI	8,563	4,722	4,418	-48%	
Recurring NPAT-MI	3,171	4,722	4,418	39%	

Source: MSN, VCSC

WCM: We maintain our view that 2022F-2024F performance will be driven by store expansion and the rollout of Phuc Long kiosks. However, we expect weak consumer spending power will make this growth less strong than our previous expectations.

First and foremost, we project MSN will add 680 new WinMart+ stores in 2022. This projection is decreased from 700 as the rollout progress is tracking behind our expectations with 107 new stores in Q1 2022. However, this revision does not have a material impact on our earnings forecast for WCM. Despite the lagging progress in Q1 2022, we believe the expansion will rapidly accelerate starting in end-Q2 2022 once MSN has run its pilot phase long enough to find the optimal formula for the mini mall format — especially with the application of artificial intelligence and machine learning from the Trusting Social partnership to (1) select new store locations, (2) plan for supply & demand and (3) optimize product assortment. We project MSN will add 1,000/1,200 new WinMart+ stores in 2023/2024.

Regarding Phuc Long, WCM's margins via 20% revenue sharing from PL will benefit from MSN's plan to raise the number of PL kiosks from 600 at YE2021 to 2,000 by YE2022. However, we trim our YE2022 store count assumption to 1,600 from 2,000 due to the same rationale used for WinMart+. We believe the rollout progress will accelerate beginning in Q3 2022 once MSN optimizes the format and operation of existing PL kiosks. We also revise down our operating leverage forecast for 2022F as PL's SG&A/sales in Q1 2022 tracked ahead of our previous expectation. Our forecast revision for PL reduces WCM's aggregate 2022F-2024F EBIT by 6% vs our previous forecast.

In addition, we trim our forecast for SSSG of WinMart to a low single digit from double digits as we believe the spending power of mass consumers has been dampened by the prolonged adverse impact from two years of COVID-19 and recent inflation, which will take time to recover from and thus hinder consumer basket size and WinMart's recovery process. This scenario is evidenced by the fact the consumer spending on FMCG in during the 2022 Tet Holiday declined by 4% YoY in four key cities (HCMC, Hanoi, Da Nang and Hai Phong) and stagnated at 0% YoY in rural areas, according to Kantar Worldpanel. In Q1 2022, LFL revenue/sqm of WinMart declined by 6.2% YoY. Additionally, we revise down our operating leverage forecast for 2022F as WCM's SG&A/sales in Q1 2022 tracked ahead of our expectation. The reduction in WCM's aggregate 2022F-2024F EBIT is nearly offset by our upward revision of gross margin by 20 bps to 21.6% as WCM's gross margin in Q1 2022 (22.2%) was well ahead our expectation.

MCH: We believe MCH could maintain double-digit growth over the next few years, but we think gross margin compression is inevitable amid ongoing high inflation. We believe MCH's strong core competencies in product R&D, marketing and distribution will enable it to maintain a 15% revenue CAGR and 19% NPAT-MI CAGR in 2021-2024. In addition to processed meat, we expect convenience foods and seasonings will continue to perform well going forward as we believe the COVID-19 situation over the past two years has boosted consumers' underlying needs for convenience, which has created opportunities for dining solutions offering convenience, personalization and at home experiences. Furthermore, we expect growth in energy drink and home/personal care sales to strengthen in 2022 on softer COVID-19 disruptions. That said, we trim our forecast for 2022F gross margin by 0.7 pts vs our previous forecast to 41.5% (vs 42.5% in 2021) to reflect ongoing input cost inflation that we believe cannot be fully passed on to consumers.

MML: Meat volume to ramp up — especially with a secured high-quality pig supply from De Heus. We forecast MML's integrated meat revenue will soar 39% to VND6.2tn (USD270mn) in 2022, which is backed by a distribution expansion along with WCM's retail network as well as a recovery in 3F Viet's B2B sales channel. Potential upside to our forecasts is tied to MML's ability to successfully roll out its processed meat portfolio and expand its agent (i.e., general trade) distribution model. In terms of margin, we trim our EBIT margin forecast by 2 pts in 2022F vs 2021 as MML's EBIT performance in Q1 2022 lagged behind our expectation, which we partly attribute to the rise in input animal feed prices due to inflation. In March 2022, Masan Horizon (a direct subsidiary of MSN) acquired 100% equity interest in Hatsun and Taivas, which are investment holding companies. With these acquisitions, MSN's effective equity interest in MML increased from 87.9% to 94.9% because these companies are holding equity interest in MML. This increase in ownership does not have a material impact on our valuation.

MHT: We maintain our view that firmer ASP will buoy MHT's profitability. We estimate EBITDA margin will step up from ~23% in 2021 to ~27% in 2022 thanks to stronger realized selling prices — especially in tungsten and fluorspar.

In summary, we cut our aggregate 2022F-2024F EBIT by 5% and recurring NPAT-MI by 8% vs our last [Update Report](#) mostly owing to (1) our downward revision by 2% in MCH's aggregate 2022F-2024F EBIT, (2) our downward revision by 18% in PL's aggregate 2022F-2024F EBIT and (3) our downward revision by 11% in WCM's aggregate 2022F-2024F EBIT.

Figure 3: Summary of our three-year forecast revisions

VND bn	2022F	2023F	2024F	2022F-2024F Aggregate
New forecasts				
EBIT	7,444	10,034	13,467	30,945
MCH	6,469	7,571	8,674	22,714
WCM	83	932	2,639	3,654
PL	257	727	1,223	2,207
MML	180	639	1,243	2,062
MHT	2,259	2,302	2,257	6,818
Others (holdco overhead, goodwill amortization)	-1,804	-2,137	-2,570	-6,510
Associate profits (mainly TCB)	4,867	5,608	6,504	16,979
Net financial expenses	-4,744	-4,901	-4,816	-14,461
Recurring NPAT-MI	4,418	6,854	10,206	21,477
Old forecasts				
EBIT	7,905	10,557	14,142	32,604
MCH	6,686	7,698	8,834	23,218
WCM	153	1,112	2,843	4,108
PL	321	896	1,474	2,691
MML	299	706	1,317	2,321
MHT	2,259	2,302	2,257	6,818
Others (holdco overhead, goodwill amortization)	-1,813	-2,156	-2,583	-6,553
Associate profits (mainly TCB)	4,832	5,790	6,839	17,461
Net financial expenses	-4,744	-4,871	-4,746	-14,361
Recurring NPAT-MI	4,722	7,501	11,177	23,400
New vs Old				
EBIT	-6%	-5%	-5%	-5%
MCH	-3%	-2%	-2%	-2%
WCM	-46%	-16%	-7%	-11%
PL	-20%	-19%	-17%	-18%
MML	-40%	-9%	-6%	-11%
MHT	0%	0%	0%	0%
Others (holdco overhead, goodwill amortization)	-1%	-1%	-1%	-1%
Associate profits (mainly TCB)	1%	-3%	-5%	-3%
Net financial expenses	0%	1%	1%	1%
Recurring NPAT-MI	-6%	-9%	-9%	-8%

Source: VCSC

Valuation

We maintain our sum-of-parts valuation approach for MSN. In this report, we trim down our TP by 0.6%, which is primarily attributed to our downward revision on aggregate earnings forecasts for 2022 – 2024F of MCH, WCM and PL and mostly offset by the positive effect of rolling our TP forward to mid-2023 vs previously YE2022.

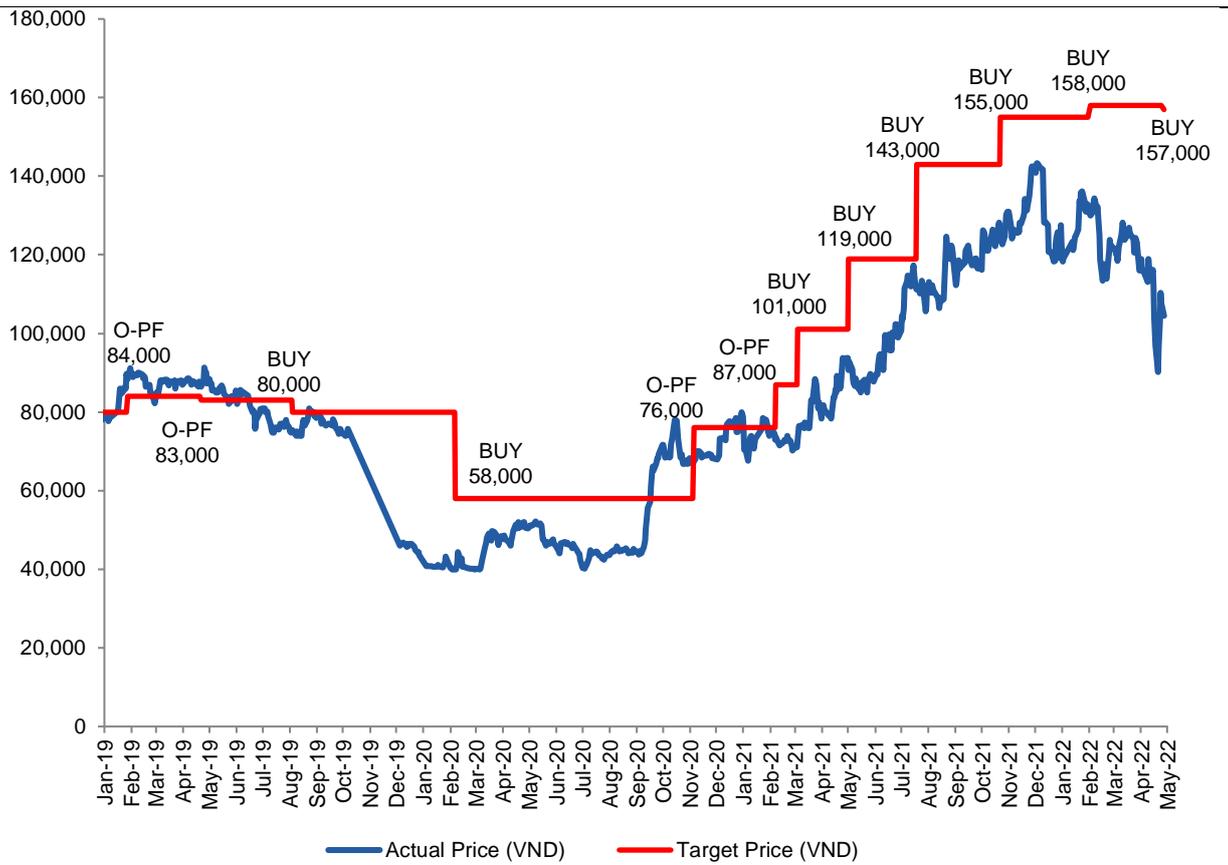
Figure 4: VCSC's sum-of-parts valuation for MSN

VND bn	Method	Equity value	MSN's ownership	Equity value attributed to MSN	Implied target valuation multiples
MCH	DCF	161,018	72.8%	117,211	2022F P/E of 30x.
WCM	DCF	61,076	71.3%	43,577	2022F Price/Sales of 1.7x.
PL	EV/EBITDA	10,838	51.0%	5,528	2022F EV/EBITDA of 20x.
MML	EV/EBITDA	9,549	94.9%	9,062	2022F EV/EBITDA of 20x.
MHT	EV/EBITDA	24,345	86.4%	21,034	2022F EV/EBITDA of 9x.
Net cash/(debt) at holdco level				-26,471	
TCB		244,926	21.4%	52,414	2022F P/B of 2.1x.
Total equity value				222,355	
Average share count (million) ⁽¹⁾				1,420.2	
Target price (VND)				157,000	

Source: VCSC, ⁽¹⁾ weighted average share count.

Recommendation History

Figure 5: Historical VCSC target price vs share price (VND, adjusted for bonus share)



Source: Bloomberg, VCSC

Financial Statements

P&L (VND bn)	2021	2022F	2023F	2024F	B/S (VND bn)	2021	2022F	2023F	2024F
Revenue	88,629	89,561	108,160	131,110	Cash & equivalents	22,305	11,110	11,891	15,075
COGS	-66,494	-62,835	-74,668	-89,576	ST investments	333	333	333	333
Gross Profit	22,135	26,726	33,491	41,534	Accounts receivable	2,480	3,843	4,416	5,047
Sales & Marketing exp	-11,786	-15,026	-18,632	-22,578	Inventories	12,813	13,754	15,885	18,196
General & Admin exp	-4,065	-4,255	-4,825	-5,489	Other current assets	5,699	5,699	5,699	5,699
Operating Profit	6,283	7,444	10,034	13,467	Total Current assets	43,630	34,739	38,224	44,350
Financial income	6,800	879	721	756	Fixed assets, gross	64,926	69,145	74,039	79,390
Financial expenses	-5,707	-5,623	-5,622	-5,572	- Depreciation	-20,459	-24,419	-28,660	-33,226
- o/w interest expense	-4,669	-4,586	-4,585	-4,535	Fixed assets, net	44,466	44,727	45,379	46,164
Associates	3,897	4,867	5,608	6,504	LT investments	23,980	28,834	34,429	40,919
Net other income/(loss)	216	0	0	0	LT assets other	14,017	17,373	16,820	16,266
Profit before Tax	11,489	7,568	10,741	15,154	Total LT assets	82,463	90,934	96,628	103,349
Income Tax	-1,387	-858	-680	-532	Total Assets	126,093	125,673	134,851	147,699
NPAT before MI	10,101	6,710	10,062	14,622	Accounts payable	7,970	6,004	7,079	8,446
Minority Interest	-1,538	-2,292	-3,208	-4,416	Short-term debt	18,806	19,087	18,775	17,288
NPAT-MI, reported	8,563	4,418	6,854	10,206	Other ST liabilities	7,772	7,772	7,772	7,772
NPAT-MI, adjusted ⁽¹⁾	3,171	4,418	6,854	10,206	Total current liabilities	34,548	32,863	33,625	33,505
EBITDA (including TCB)	16,361	18,325	21,937	26,592	Long-term debt	39,372	39,372	39,372	39,372
EPS reported, VND	6,057	3,111	4,802	7,115	Other LT liabilities	9,837	9,837	9,837	9,837
EPS adjusted ¹ , VND	2,243	3,111	4,802	7,115	Total Liabilities	83,757	82,072	82,834	82,714
EPS diluted, adj ¹ , VND	2,243	3,111	4,802	7,115	Preferred Equity	0	0	0	0
DPS, VND	1,200	1,200	1,200	1,200	Paid-in capital	11,805	11,876	11,947	12,019
DPS/EPS (%)	20%	39%	25%	17%	Share premium	11,084	11,084	11,084	11,084
RATIOS	2021	2022F	2023F	2024F	Retained earnings	18,796	17,697	22,834	31,314
Growth					Other equity	-8,874	-8,874	-8,874	-8,874
Revenue growth	14.8%	1.1%	20.8%	21.2%	Minority interest	9,526	11,818	15,026	19,442
Op profit (EBIT) growth	273.6%	18.5%	34.8%	34.2%	Total equity	42,337	43,601	52,017	64,985
PBT growth	394.2%	-34.1%	41.9%	41.1%	Liabilities & equity	126,093	125,673	134,851	147,699
EPS growth ¹	N.M.	38.7%	54.4%	48.2%	Y/E shares out, mn	1,416.6	1,423.7	1,430.8	1,438.0
Profitability					Y/E treasury shares, mn	0.0	0.0	0.0	0.0
Gross Profit Margin	25.0%	29.8%	31.0%	31.7%	CASH FLOW (VND bn)	2021	2022F	2023F	2024F
Op Profit, (EBIT) Margin	7.1%	8.3%	9.3%	10.3%	Beginning Cash Balance	7,721	22,305	11,110	11,891
EBITDA Margin	13.6%	15.0%	15.1%	15.3%	Net Income	8,563	4,418	6,854	10,206
NPAT-MI Margin ¹	3.6%	4.9%	6.3%	7.8%	Dep, & amortization	4,632	4,856	5,137	5,463
ROE ¹	13.0%	13.7%	19.9%	24.7%	Change in Working Cap	-4,968	-4,270	-1,630	-1,574
ROA ¹	2.6%	3.5%	5.3%	7.2%	Other adjustments	-6,348	-2,917	-2,743	-2,430
Efficiency					Cash from Operations	1,879	2,086	7,618	11,664
Days Inventory On Hand	69	77	72	69	Capital Expenditures, net	-2,786	-4,220	-4,893	-5,352
Days Accts, Receivable	9	13	14	13	Other investments, net	8,397	-7,705	13	13
Days Accts, Payable	40	40	31	31	Cash from Investments	5,611	-11,924	-4,880	-5,338
Cash Conversion Days	38	50	55	52	Dividends Paid	-3,442	-1,708	-1,717	-1,726
Liquidity					Δ in Share Capital	59	71	71	72
Current Ratio x	1.3	1.1	1.1	1.3	Δ in ST debt	-3,739	282	-312	-1,487
Quick Ratio x	0.7	0.5	0.5	0.6	Δ in LT debt	-94	0	0	0
Cash Ratio x	0.7	0.3	0.4	0.5	Other financing C/F	14,310	0	0	0
Debt / Assets	46.1%	46.5%	43.1%	38.4%	Cash from Financing	7,093	-1,356	-1,958	-3,141
Debt / Capital	57.9%	57.3%	52.8%	46.6%	Net Change in Cash	14,583	-11,194	780	3,185
Net Debt / Equity	83.9%	107.8%	88.3%	63.5%	Ending Cash Balance	22,305	11,110	11,891	15,075
Interest Coverage x	1.3	1.6	2.2	3.0					

Source: Company data, VCSC (¹ based on recurring earnings)

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
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%
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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