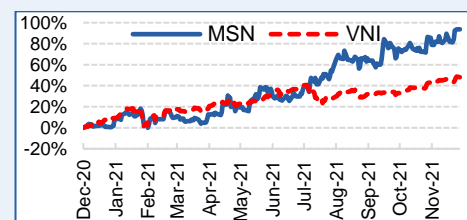




## Masan Group (MSN)

Visit Note

<b>Industry:</b>	<b>Consumer</b>		<b>2020</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
<b>Report Date:</b>	<b>December 2, 2021</b>					
Current Price:	VND152,000	Rev Growth	106.7%	20.2%	-3.3%	20.4%
Target Price <sup>3</sup> :	VND186,000	EPS Growth <sup>1</sup>	N.M.	N.M.	78.8%	35.1%
Upside to TP:	+22.4%	GPM	23.2%	24.6%	29.7%	30.3%
Dividend Yield:	0.7%	NPM <sup>1</sup>	-0.1%	4.0%	7.4%	8.3%
TSR:	+23.0%	EV/EBITDA <sup>2</sup>	23.7x	13.9x	11.9x	10.1x
Rating <sup>3</sup> :	BUY	P/CFO	89.2x	48.9x	20.2x	16.3x
		P/E <sup>1</sup>	N.M.	48.5x	27.1x	20.1x



Market Cap:	USD7.9bn		<b>MSN</b>	<b>VNI</b>
Foreign Room:	USD5.3bn	P/E (ttm)	74.9x	17.6x
ADTV30D:	USD8.5mn	P/B (curr)	8.3x	2.8x
State Ownership:	0%	Net D/E	1.5x	N/A
Outstanding Shares:	1,180.5 mn	ROE	11.4%	15.8%
Fully Diluted Shares:	1,180.5 mn	ROA	2.1%	2.5%
3-yr PEG:	1.0			

### Company overview

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

<sup>1</sup> Based on recurring earnings; <sup>2</sup> EBITDA includes profits from TCB

<sup>3</sup> TP and rating last updated November 17, 2021

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## Accelerating “Point of Life” ecosystem strategy through integration of loyalty program, data analytics

We recently met with Masan’s management to discuss the company’s strategy and execution plans for its consumer ecosystem that currently spans consumer products (FMCG and meat), grocery retailing, F&B retailing (coffee & tea via the Phuc Long chain), mobile telecom (Reddi brand), and financial services in association with Techcombank. There are three key takeaways from our meeting:

- **WinCommerce’s (WCM) new mini-mall concept has proven superior in terms of store traffic as well as revenue and profit per sqm** as it provides multiple daily essential products and services at one location. Pilot stores in HCMC, Hanoi and second-tier regions have shown average increases of 35% in traffic and 30% in revenue per sqm vs a standard WinMart+ (minimart) store. This format will be rolled out rapidly going forward as Masan targets to have a total of ~1,000 mini-mall stores in 2022.
- **Masan will soon launch a loyalty program that will consolidate customers across its consumer business platforms.** This loyalty program aims to enhance customer stickiness and interactions — via offering exclusive benefits to program members — as well as generate valuable customer data. Masan targets to have 20-30 million loyalty program members in the next five years.
- **Based on consumer profiling from collected data, Masan could partner with financial institutions to offer tailored financial products** (e.g., lending products such as credit cards) to further monetize its customers. WCM’s mini-mall stores will be the primary distribution channel for these financial products.

Our current forecasts have not accounted for the potential value from the future offerings of financial products, so this is a material upside catalyst to our MSN valuation in the medium to long term. That said, in our view, to successfully execute this plan, Masan must (1) have compelling loyalty offerings to attract and retain loyal customers and (2) equip itself with data analytics capabilities. Management has built a loyalty program that is set to be launched in December 2021. Consumer feedback in H1 2022 will be crucial to assess the attractiveness of the current scheme and if adjustments will need to be made. Regarding data analytics capabilities, given Masan’s track record of building its business both organically and inorganically, we believe M&A is a viable option for Masan regarding this issue as it would fast track the company’s learning curve.

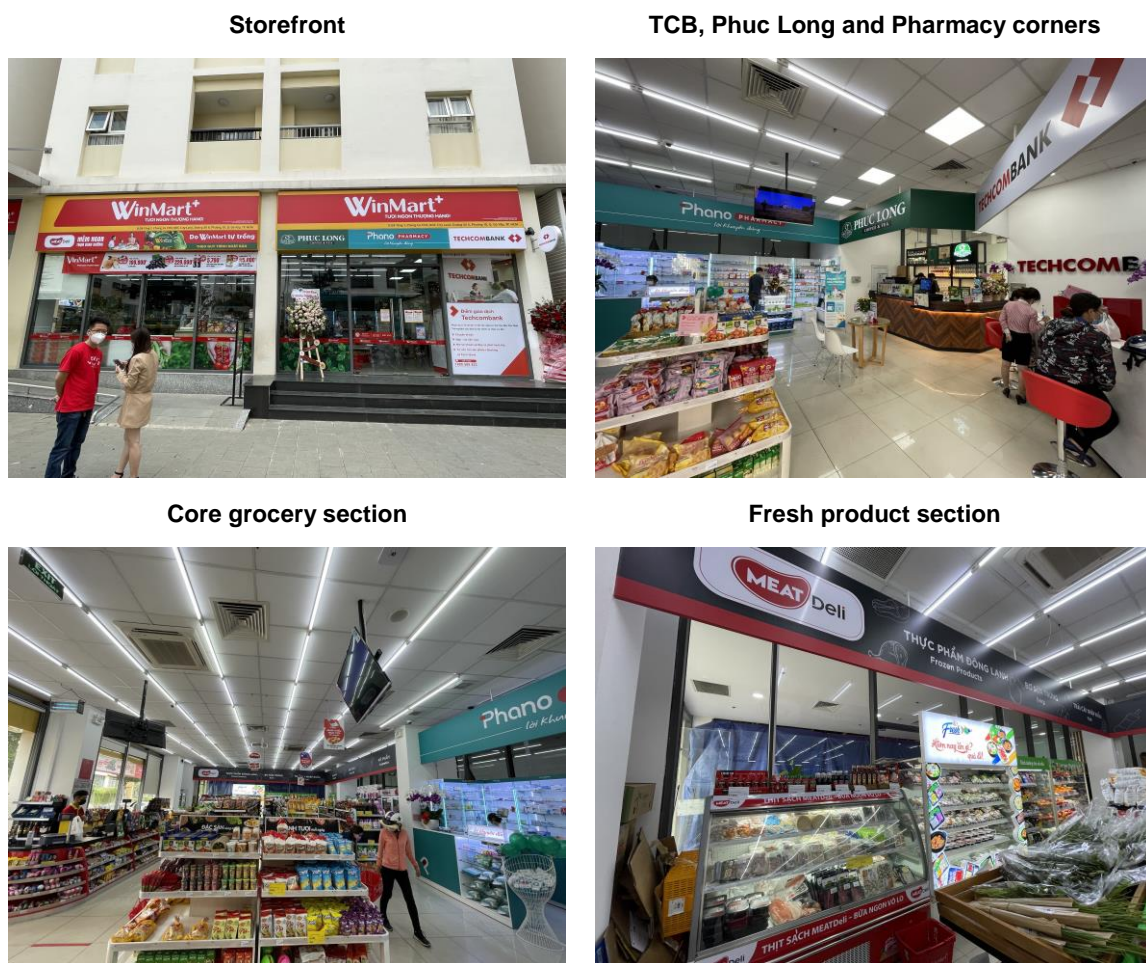
Please see pages 2-3 for our more detailed comments on the above takeaways.

## The mini-mall concept will be rolled out rapidly in 2022

**The mini-mall format shows a superior store performance vs a standard WinMart+ store.** The mini-mall concept integrates a WinMart+ (grocery), Phuc Long kiosk (coffee & tea for takeaway), pharmacy (currently in partnership with Phano Pharmacy — one of the leading pharmacy chains in Vietnam), Techcombank transaction point and Reddi kiosk in one store.

By leveraging mutual customer traffic as well as optimizing investment and operating costs thanks to shared selling space, the first five mini-mall stores (two in HCMC, one in Hanoi and two in second-tier areas) have displayed superior profitability and return on investment compared to a standard WinMart+ store. Specifically, Masan states that foot traffic and revenue/sqm of a mini-mall store could improve 30%-35% compared to an equivalent, standard WinMart+ store.

**Figure 1: Pictures of a WCM mini-mall store in HCMC that we visited**



Source: VCSC

**Given the positive pilot results from the first five stores, WCM and its partners are making the necessary preparations (e.g., recruiting and training personnel) for a rapid, nationwide rollout of the mini-mall concept in 2022.** Masan targets to have a total of ~1,000 mini-mall stores in 2022. Management is confident about achieving this target because (1) the mini-mall format only requires a store size of 150 sqm with a 6-meter store front — as such, finding suitable locations should not be a big challenge — and (2) the more favorable economics of this format (higher revenue/sqm as well as optimized capex and operating costs) will lower the required breakeven sales levels, which in turn will expand the addressable location universe for WCM (i.e., stronger scalability).

**Mini-mall stores will be the primary channel for customer acquisition as well as the distribution channel of potential financial products in the future.** These mini-mall stores will provide physical touchpoints for Masan to promote its products and services as well as recruit new customers for Techcombank, new subscribers for Reddi and members for Masan's loyalty platform.

At the same time, these stores will distribute the potential financial products targeting Masan's loyal customers.

## Masan to launch a loyalty platform that aims to increase customer stickiness and generate valuable consumer data

**The high frequency of consumer transactions and interactions with Masan's essential products & services will equip Masan with a rich, multifaceted pool of consumer data.** Groceries, coffee & tea, healthcare and mobile telecom are all essential products and services that consumers purchase and use frequently. Based on these interactions, Masan can gather data on its loyal customers' spending histories and patterns, data usage and income levels, compared to only basic information on bill sizes and purchased SKUs that are collected from non-loyal customers.

**The exclusive benefits offered to loyal customers should also strengthen their stickiness to Masan's ecosystem,** especially given that these benefits revolve around their daily essential needs. For example, loyalty program members will enjoy exclusive data packages from Reddi as well as earn points, price discounts and vouchers when purchasing groceries and Phuc Long products.

While Masan has not officially launched the loyalty program, our store visits showed that the company recently piloted the program in select stores. The table below summarizes the key benefits offered to loyal customers, per our observation.

**Figure 2: Preliminary demonstration of Masan's upcoming loyalty program**

Products/Services	Exclusive benefits
Reddi	Unlimited data package at price of VND99,000/month (USD4.3).
WinCommerce	Earn points (up to 3% for all transactions).
Phuc Long	Earn points (up to 3% for all transactions) and discount vouchers.

Source: VCSC compilations

## Financial products will be the next pillar of Masan's monetization strategy

**Given the potential data pool, Masan targets to apply analytics to profile its customers and then use the data to provide them with tailored financial products such as lending products.** Masan is open to work with different financial institutions to develop these products.

**Nevertheless, the realization of this strategy requires strong data analytics capabilities that Masan does not currently have.** Given Masan's track record of growing its businesses both organically and inorganically, we think it is possible that Masan will acquire these analytics capabilities via M&A.



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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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