

Buy

Target Price: VND92,900

Up/downside: 39.1%

Share price (VND) (as of 17 Apr 2024)	66,800
Bloomberg code	MSN VN
52-week range (VND)	57,800-89,200
Trading value (5D) (VNDmn)	66,600
Market cap. (VNDbn)	95,580
Market cap. (USDmn)	3,762
Shares outstanding (mn)	1,431
Total FOL share room (mn)	701
Current FOL share room (mn)	324
Foreign ownership limit	49.0%
Foreign owned ratio	26.3%
Free float	0%
Major shareholder	Masan JSC (31.2%)

Source: Company, HSC Research estimates

Share price performance



Source: Company, FactSet

Summary financials and valuation

Year end: Dec	12-23A	12-24F	12-25F
Net sales (VNDbn)	78,252	83,714	89,664
EBITDA adj. (VNDbn)	8,302	9,571	11,356
Pre-tax profit (VNDbn)	2,563	4,917	8,026
Net profit adj. (VNDbn)	419	2,088	4,680
FCF (VNDbn)	(1,728)	(631)	753
EPS adj. (VND)	294	1,402	3,114
DPS (VND)	-	-	-
BVPS (VND)	18,647	24,302	27,573
EBITDA adj. growth (%)	(8.52)	15.3	18.7
EPS growth adj. (%)	(88.3)	397	124
DPS growth (%)	-	-	-
EBITDA adj. margin (%)	10.6	11.4	12.7
Pre-tax margin (%)	3.28	5.87	8.95
Net margin adj. (%)	0.54	2.49	5.22
Div. payout ratio (%)	-	-	-
Net debt/equity (%)	227	154	131
ROAE (%)	1.59	6.81	12.6
Return on avg. CE (%)	4.83	5.18	6.47
EV/sales (x)	1.98	1.77	1.63
EV/EBITDA adj. (x)	18.6	15.5	12.9
P/E adj. (x)	227	47.7	21.5
P/B (x)	3.58	2.75	2.42
Dividend yield (%)	-	-	-

Source: Bloomberg, HSC Research estimates

Company description

MSN through its subsidiaries and associates operates in sectors that include consumer retail, branded FMCG products, branded fresh meat, basic materials and financial service.

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Potential HSX listing for Masan Consumer

- Masan Consumer, the largest earnings contributor of MSN, is seeking shareholder approval to list on the HSX. This should have a positive impact on MSN.
- Masan Consumer's free float is only 6.2%, far below the VNallshare average free float of 52.8% and the VN30 average free float of 43.8%. In order to have a successful listing, we believe Masan Consumer would need to increase its free float ratio by issuing new shares or by selling shares owned by Masan Consumer Holdings.
- We maintain Buy on MSN with a TP of VND92,900.

Event: Masan Consumer proposes HSX listing

In its AGM documents, Masan Consumer has put forward a proposal to its shareholders to seek an HSX listing. Masan Consumer is an indirect subsidiary of MSN and the largest earnings contributor of MSN. It currently trades on UPCoM with the ticker MCH and a market cap of VND99tn (USD4bn). Currently, MSN indirectly owns 68.3% of Masan Consumer via The Sherpa (100% owned by MSN), The CrownX (72.7% owned by The Sherpa and 12.3% owned by MSN) and Masan Consumer Holdings (85.7% owned by The CrownX).

In FY23, Masan Consumer made an EBITDA of VND7,419bn (up 14% y/y and accounted for 56% of MSN EBITDA) and net profit of VND7,085bn (up 30% y/y), which was much larger than MSN net profit of VND419bn.

Current free float of Masan Consumer is extremely low

93.8% of Masan Consumer is held by Masan Consumer Holding, thus its free float is only 6.2%, far below the VNallshare average free float of 52.8% and the VN30 average free float of 43.8%. In order to have a successful listing, we think Masan Consumer would need to increase its free float ratio, implying that it may reduce its ownership of Masan Consumer Holdings (and accordingly the indirect ownership of MSN) via either issuing new shares or selling shares owned by Masan Consumer Holdings.

MSN management has declined to comment on the possibility of an IPO for Masan Consumer/Masan Consumer Holdings. Further details will be provided at the AGM of MSN and Masan Consumer on 25 April 2024.

The listing will have a positive impact on MSN

We think the listing and share issuance (if it happens) of Masan Consumer will help to increase the market value of Masan Consumer itself and generate cash inflows for MSN, helping it to reduce debts and invest in the existing business.

Maintaining Buy rating, target, and estimates

We expect in FY24, MSN will deliver a net profit of VND2,088bn, up 399% y/y from FY23 low base. Of which, Masan Consumer is forecast to generate a NPAT of VND7,500bn, up 4.3% y/y and close to the upper range of company guidance of VND7,300-7,500bn. We forecast Masan Consumer's EBITDA at VND8,359bn, up 11% y/y and accounts for 55% of MSN EBITDA in FY24.

MSN's strong forecast growth is driven by better performance of core business Masan Consumer Holdings (with Masan Consumer being the key), higher contributions from TCB, and a significant reduction of net financial expense. This growth trajectory should attract fundamental long-term investors.

We maintain our Buy rating for MSN with a target price of VND92,900. We also keep our forecasts unchanged.

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Figure 1: SOTP valuation, MSN

VNDbn	Approach	Equity value	MSN economic interest	Contribution to MSN
Masan Consumer Holdings	DCF	181,447	72.8%	132,093
Wincommerce	Price to Sales	26,858	71.5%	19,204
Masan MeatLife	DCF	3,058	94.9%	2,903
Masan High Tech Materials	DCF	3,580	86.4%	3,093
Phuc Long Heritage	DCF	4,082	85.0%	3,469
Techcombank	At target valuation	182,949	21.4%	39,151
Mobicast	Book value	425	69.9%	297
Trusting Social	Book value	6,027	25.1%	1,511
Gross asset value				201,721
Net debt at parent co/other subsidiaries, adj.				(27,212)
Net asset value				174,510
Number of shares - fully diluted (mn)				1,503.9
NAV per share				116,115
Assumed discount				20%
Target price				92,892

Financial statements and key data

Income statements (VNDbn)						Cash flow statements (VNDbn)					
	12-22A	12-23A	12-24F	12-25F	12-26F		12-22A	12-23A	12-24F	12-25F	12-26F
Sales	76,189	78,252	83,714	89,664	94,911	EBIT	4,669	4,179	5,136	6,755	8,138
Gross profit	21,035	22,121	24,553	27,339	29,785	Depreciation & amortisation	(4,407)	(4,124)	(4,435)	(4,601)	(4,766)
SG&A	(16,366)	(17,942)	(19,417)	(20,584)	(21,647)	Net interest	(4,848)	(7,422)	(6,189)	(5,821)	(5,840)
Other income	-	-	-	-	-	Tax paid	(903)	(816)	(1,223)	(1,331)	(1,463)
Other expenses	-	-	-	-	-	Changes in working capital	(7,047)	631	(335)	(279)	(251)
EBIT	4,669	4,179	5,136	6,755	8,138	Others	(66.5)	(195)	(323)	(323)	(638)
Net interest	(4,848)	(7,422)	(6,189)	(5,821)	(5,840)	Cash flow from operations	(3,789)	500	1,501	3,603	4,712
Associates/affiliates	4,340	3,896	4,972	6,077	7,306	Capex	(4,165)	(2,229)	(2,132)	(2,850)	(2,802)
Other non-operational	-	-	-	-	-	Acquisitions & investments	(16,636)	709	0	0	0
Exceptional items	986	1,911	998	1,014	973	Disposals	308	(28,674)	0	0	0
Pre-tax profit	5,147	2,563	4,917	8,026	10,577	Others	(5,954)	22,370	1,063	1,172	1,352
Taxation	(393)	(693)	(1,030)	(1,137)	(1,269)	Cash flow from investing	(26,447)	(7,824)	(1,070)	(1,678)	(1,450)
Minority interests	(1,187)	(1,451)	(1,799)	(2,209)	(2,611)	Dividends	0	0	0	0	0
Exceptional items after tax	-	-	-	-	-	Issue of shares	(40.4)	71.1	0	0	0
Net profit	3,567	419	2,088	4,680	6,696	Change in debt	23,104	(87,325)	(4,544)	(2,481)	(1,610)
						Other financing cash flow	(1,267)	90,800	15,953	12.7	60.6
Net profit adj'd	3,567	419	2,088	4,680	6,696	Cash flow from financing	21,796	3,546	11,409	(2,468)	(1,549)
EBITDA adj.	9,076	8,302	9,571	11,356	12,904						
						Cash, beginning of period	22,305	13,853	10,125	12,341	11,797
EPS (VND)	2,505	294	1,460	3,271	4,680	Change in cash	(8,440)	(3,777)	11,840	(543)	1,712
EPS adj. (VND)	2,505	294	1,402	3,114	4,455	Exchange rate effects	(11.8)	48.4	0	0	0
DPS (VND)	-	-	-	-	-	Cash, end of period	13,853	10,125	21,965	11,797	13,510
Basic shares, average (mn)	1,424	1,424	1,430	1,431	1,431						
Basic shares, period end (mn)	1,424	1,424	1,431	1,431	1,431	Free cash flow	(7,954)	(1,728)	(631)	753	1,910
Fully diluted shares, period end (mn)	1,424	1,424	1,503	1,503	1,503						
Balance sheets (VNDbn)						Financial ratios and other					
	12-22A	12-23A	12-24F	12-25F	12-26F		12-22A	12-23A	12-24F	12-25F	12-26F
Cash	13,853	10,125	12,341	11,797	13,510	Operating ratios					
Short-term investments	3,659	6,795	6,795	6,795	6,795	Gross margin (%)	27.6	28.3	29.3	30.5	31.4
Accounts receivable	13,930	11,985	12,197	12,434	12,688	EBITDA adj. margin (%)	11.9	10.6	11.4	12.7	13.6
Inventory	14,445	13,175	14,094	15,096	15,980	Net profit margin (%)	4.68	0.54	2.49	5.22	7.06
Other current assets	1,787	1,684	1,674	1,664	1,654	Effective tax rate (%)	7.63	27.0	20.9	14.2	12.0
Total current assets	47,675	43,763	47,101	47,786	50,626	Sales growth (%)	(14.0)	2.71	6.98	7.11	5.85
						EBITDA adj. growth (%)	(16.9)	(8.52)	15.3	18.7	13.6
PP&E	30,612	30,469	30,679	31,465	32,126	Net profit adj. growth (%)	(58.3)	(88.3)	399	124	43.1
Intangible assets	12,575	12,106	11,355	10,604	9,853	EPS growth (%)	(58.6)	(88.3)	397	124	43.1
Investment properties	730	709	601	543	485	EPS adj. growth (%)	(58.6)	(88.3)	377	122	43.1
Long-term investments	2,854	2,938	2,938	2,938	2,938	DPS growth (%)	-	-	-	-	-
Associates/JVs	28,480	30,282	34,123	39,069	45,245	Dividend payout ratio (%)	-	-	-	-	-
Other long-term assets	18,418	27,117	26,812	26,524	26,188						
Total long-term assets	93,668	103,620	106,508	111,143	116,834	Efficiency ratios					
Total assets	141,343	147,383	153,609	158,929	167,460	Return on avg. equity (%)	12.1	1.59	6.81	12.6	15.6
						Return on avg. CE (%)	5.57	4.83	5.18	6.47	7.32
Short-term debt	40,567	28,030	28,960	27,596	27,461	Asset turnover (x)	0.57	0.54	0.56	0.57	0.58
Accounts payable	7,489	6,318	6,659	7,015	7,330	Operating cash/EBIT (x)	(0.81)	0.12	0.29	0.53	0.58
Other current liabilities	16,161	14,109	14,398	14,784	15,125	Inventory days	95.6	85.7	87.0	88.4	89.6
Total current liabilities	65,321	50,423	52,139	51,688	52,385	Accounts receivable days	92.2	77.9	75.3	72.8	71.1
						Accounts payable days	49.6	41.1	41.1	41.1	41.1
Long-term debt	30,426	41,542	36,067	34,950	33,476	Leverage ratios					
Deferred tax	3,542	3,406	3,406	3,406	3,406	Net debt*/equity (%)	221	227	154	131	105
Other long-term liabilities	777	8,250	8,221	8,221	8,221	Debt/capital (%)	50.6	47.8	42.9	40.0	37.0
Long-term liabilities	34,744	53,198	47,695	46,578	45,104	Interest coverage (x)	0.96	0.56	0.83	1.16	1.39
Total liabilities	104,706	109,146	105,359	103,791	103,014	Debt/EBITDA (x)	7.88	8.48	6.89	5.59	4.80
						Current ratio (x)	0.73	0.87	0.90	0.92	0.97
Shareholders' funds	26,153	26,560	34,773	39,452	46,148	Valuation					
Minority interests	10,484	11,678	13,477	15,686	18,297	EV/sales (x)	2.00	1.98	1.77	1.63	1.51
Total equity	36,637	38,237	48,250	55,138	64,446	EV/EBITDA adj. (x)	16.8	18.6	15.5	12.9	11.1
Total liabilities and equity	141,343	147,383	153,609	158,929	167,460	P/E (x)	26.7	227	45.7	20.4	14.3
						P/E adj. (x)	26.7	227	47.7	21.5	15.0
BVPS (VND)	18,369	18,647	24,302	27,573	32,253	P/B (x)	3.64	3.58	2.75	2.42	2.07
Net debt/(cash)*	57,140	59,448	52,687	50,750	47,428	Dividend yield (%)	-	-	-	-	-

Note: *Excluding short-term investments.
Source: Company, HSC Research estimates

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Buy: Expected to rise by more than 20% on an absolute basis in the next 12 months
Add: Expected to rise by between 5% and 20% on an absolute basis in the next 12 months
Hold: Expected to rise or decline by less than 5% on an absolute basis in the next 12 months
Reduce: Expected to decline by between 5% and 20% on an absolute basis in the next 12 months
Sell: Expected to decline by more than 20% on an absolute basis in the next 12 months



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