

Masan Group (MSN)

BUY +36.2%

Industry	FMCG & Retail
Report Date	May 29, 2024
Current Price	VND75,500
Target Price	VND102,800
Last Target Price	VND89,700
Upside to TP	+36.2%
Dividend Yield	0.0%
TSR	+36.2%
Market Cap	USD4.2bn
Foreign Room	USD857mn
30D ADTV	USD18.5mn
State Ownership	0.0%
Outstanding Shares	1.43 bn
Fully Diluted O/S	1.43 bn

	MSN	VNI
P/E (ttm) ¹	342.6x	15.8x
P/B (cur.)	3.9x	1.8x
ROE ¹	1.2%	12.2%
ROA ¹	0.2%	1.9%

¹ Based on core earnings

Company overview

MSN 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.

Share price performance



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	2023	2024F	2025F	2026F
Revenue (VND bn)	78,252	85,354	94,043	104,105
Revenue % YoY	2.7%	9.1%	10.2%	10.7%
EBIT % YoY	-10.5%	46.3%	33.3%	17.4%
PBT % YoY	-50.2%	80.5%	60.7%	33.4%
NPAT-MI ¹ (VND bn)	419	1,066	3,130	4,840
EPS ¹ % YoY	-84.7%	153.0%	192.2%	53.8%
EBITDA margin ²	12.3%	13.7%	14.8%	15.0%
EBIT margin	5.3%	7.2%	8.7%	9.2%
NPM ¹	0.5%	1.2%	3.3%	4.6%
FCF/Sales	0.1%	-1.4%	1.4%	2.6%
EV/EBITDA ²	21.9x	18.1x	15.2x	13.5x
P/E ¹	257.1x	101.6x	34.8x	22.6x
P/B	4.0x	3.9x	3.5x	3.1x
ROE ¹	1.6%	3.9%	10.7%	14.8%

¹ Based on core earnings that exclude one-off financial income; ² Core EBITDA excludes profits from Techcombank (TCB)

Enhanced focus on consumer retail to drive long-term growth

- We increase our target price (TP) for MSN by 15% and reiterate our BUY rating.
- We believe MSN's diverse consumer businesses are well-positioned for Vietnam's consumption growth. We project an 18% 2023-28F EBIT CAGR for MSN's consumer-retail arms.
- Our higher TP is because we increase our valuation for Masan Consumer Holdings Company Limited (MCH Ltd.) by 17% mainly due to our 9%-uplift in our aggregate 2024F-28F EBIT forecasts of its subsidiary Masan Consumer Corporation (UpCOM: MCH). Also, we roll over our TP horizon forward to mid-2025.
- For 2024F, we cut our MSN's NPAT-MI forecast by 14%, due to our 62%-decrease in Masan High-Tech Materials (MSR)'s earnings for the year as its Q1 2024 result was weaker than expected. For 2025-26F, we raise MSN's aggregate NPAT/MPAT-MI by 20%/ 30%, respectively. This is driven by (1) a 10% increase in MCH Ltd.'s aggregate EBIT and (2) a 9% increase in TCB's aggregate NPAT. As TCB is MSN's associate company, our changes in TCB's forecast positively impact MSN's profits while having no effect on minority interest. Please refer to our [TCB Update Report](#) for further details.
- Upside potential:** Reduced exposure to MSR to reduce net debt; corporate action following the listing of MCH UpCOM on HOSE; MCH UpCOM's stronger-than-expected earnings growth.
- Key risks to our positive view:** MSR's weaker-than-expected profitability; WCM's lower-than-expected like-for-like (LFL) sales growth and profitability improvements.

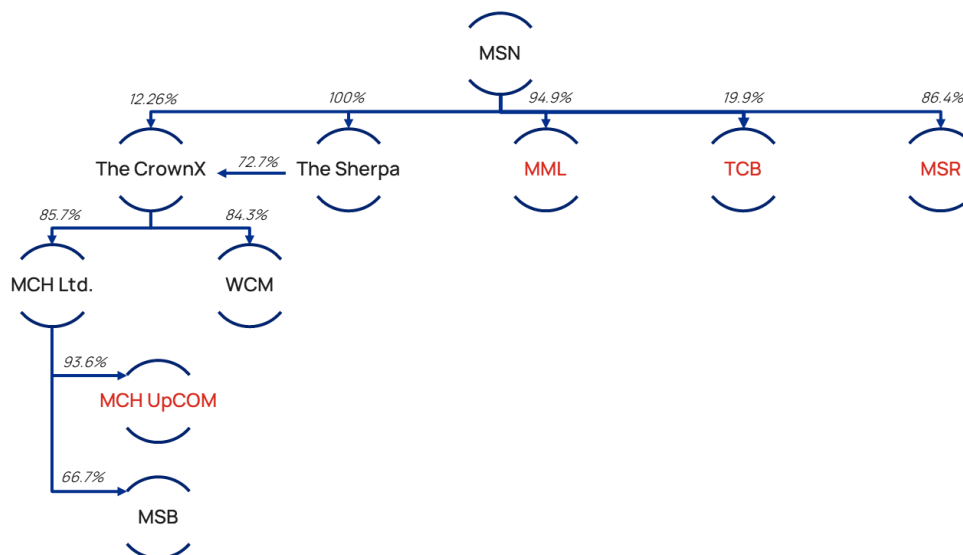
MCH UpCOM – strong pricing power and proven capability in product innovation to help secure a 2023-28F NPAT-MI CAGR of 11%. Renowned market position in seasonings and convenience foods has allowed for a 2020-23 CAGR of 7-8% in average selling prices in these segments of MCH (more on page 2), which has proven MCH's strong pricing power. Additionally, (1) better-than-expected sales traction of its new products and exports in Q1 2024, as well as (2) resilient double-digit growth of its key brands due to product innovation and expansion, prompts us to revise up our forecasts for MCH UpCOM by 3% in aggregate 2024-25F sales and 8% in aggregate 2026-28F. We believe the full recovery of consumption in coming years will help MCH to achieve a higher growth rate. We also increase our projected GPM by 40-50 bps in each year during 2024-28F to reflect better-than-expected GPM performance in Q1 2024.

MSR's potential downscaled operation to enhance MSN's focus on consumer-retail and deleverage. In May 2024, MSR announced a framework agreement with Mitsubishi Materials Corporation intending to acquire 100% of H.C. Starck (HCS). We expect this potential transaction to allow MSR to further focus on its domestic operations as well as pose less volatility to MSN's earnings, boding well for MSN's enhanced focus on its consumer-retail business. Additionally, we expect this transaction to help MSR unload HCS's net debt balance, aligning with MSN's deleverage direction. Management expects the deal to be closed by YE 2024.

Masan Consumer Corp. (MCH UpCOM) at a glance

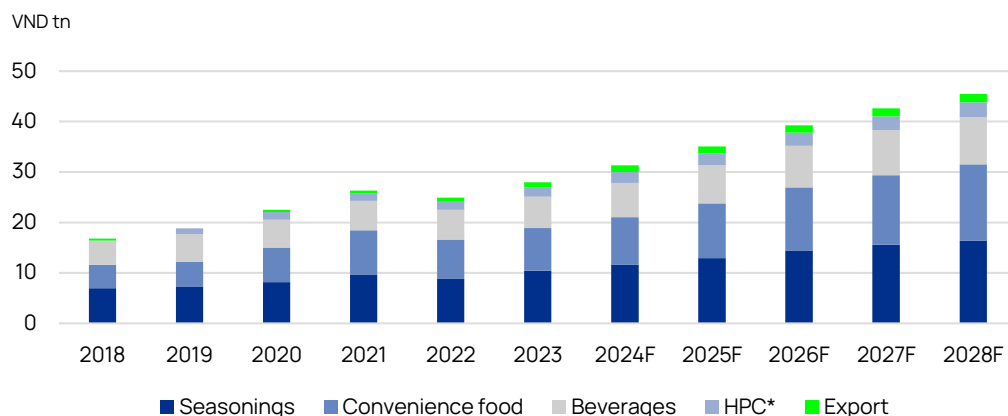
Masan Consumer Corp. (MCH UpCOM) is a leading Vietnamese FMCG company specializing in food and beverage products. MSN effectively owns 72.8% of Masan Consumer Holdings (MCH Ltd.), which owns 93.6% of MCH UpCOM.

Figure 1: MSN's corporate structure



Source: MSN, Vietcap; Listed entities are in red.

Figure 2: MCH UpCOM's sales by categories; 2018-23 sales CAGR of 11%



Source: MSN, Vietcap; * Home and personal care

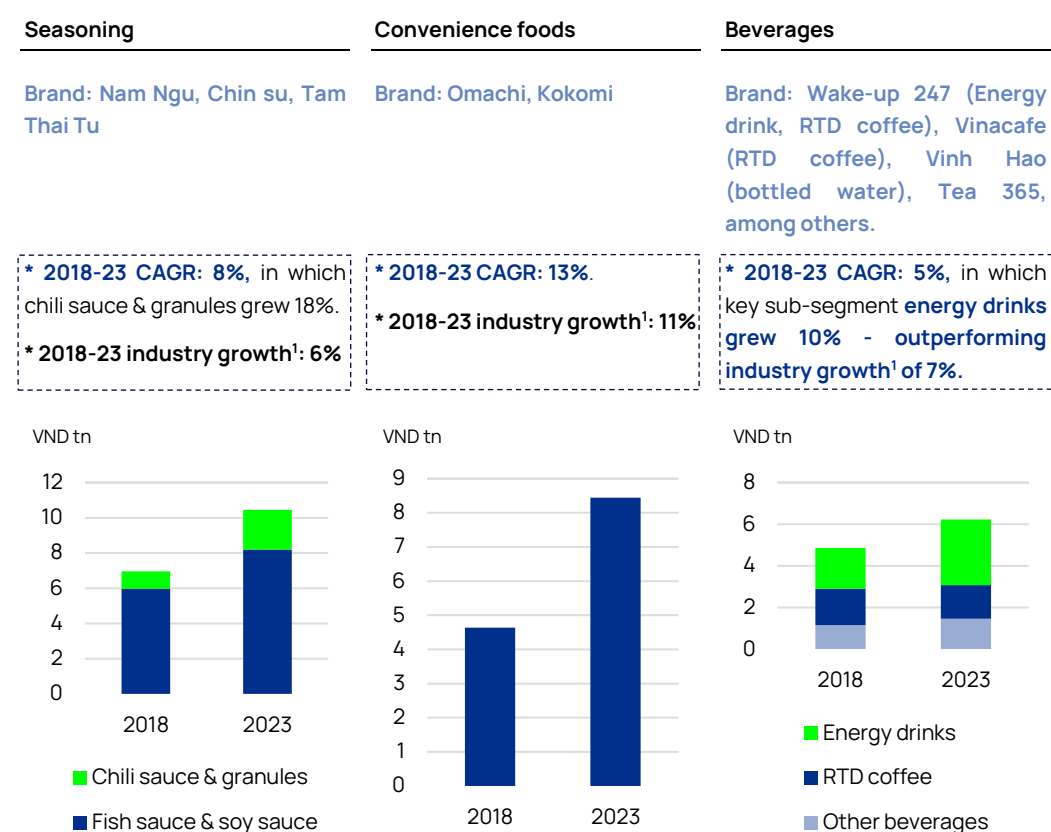
Strong pricing power and product innovation to sustain double-digit top-line and bottom-line growth.

Strong pricing power: MCH UpCOM is renowned for its robust portfolio of brands in seasonings and convenience foods, holding respective market shares of 33% and 13% in 2023, according to Euromonitor. These two categories of MCH UpCOM exhibited resilient sales growth, mainly driven by an increase in average selling price. Specifically, seasonings and convenience foods demonstrated respective 2020-23 sales CAGRs of 9% and 7%, primarily driven by average selling price growth of 7% and 8%, respectively.

Product innovation capability: MCH UpCOM has strong market expansion and innovation capability evidenced by strong growth of its key seasonings brand, Chin-su, and its energy drinks brand, Wake-up 247 (i.e., coffee-infused energy drink). Chin-su, which was originally a soy sauce and fish sauce brand, has expanded its scope to underpenetrated areas in seasonings, namely chili sauce and granules, which achieved a 2018-23 sales CAGR of 18%, and contributed 22% to MCH UpCOM's seasonings sales in 2023. Wake-up 247, which was Vietnam's first-ever coffee-infused energy drink and launched by MCH in 2014, maintained a resilient 2018-23 sales CAGR of 10%, beating Vietnam's energy drink market growth of 7% in the same period (per Euromonitor). In Q1 2024, its new product lines in seasonings, convenience foods, and HPC, has brought in USD 7.5mn of export sales, growing 22% YoY. The launch of new RTD beverage in Q4 2023 (i.e., Tea 365) also showed promising signs with sales of USD 4.2mn in Q1 2024.

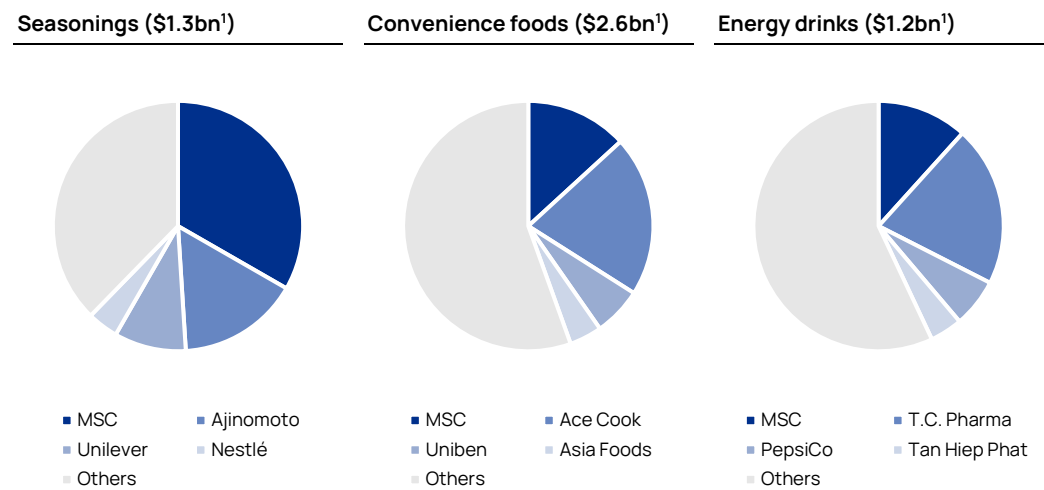
Considering these outstanding results, we increase our forecasts of MCH UpCOM by 3% in aggregate 2024-25F sales and 8% in aggregate 2026-28F. We also increase our projected GPM by 40-50 bps in each year during 2024-28F, to reflect better-than-expected GPM performance in Q1 2024. We forecast a 11% CAGR for MCH UpCOM's NPAT-MI in 2023-28F, driven by (1) projected sales CAGR of 11% and (2) the EBIT margin expanding 40-60 bps p.a.

Figure 3: MCH UpCOM's sales of key categories; 2018-23 CAGR outperformed industry



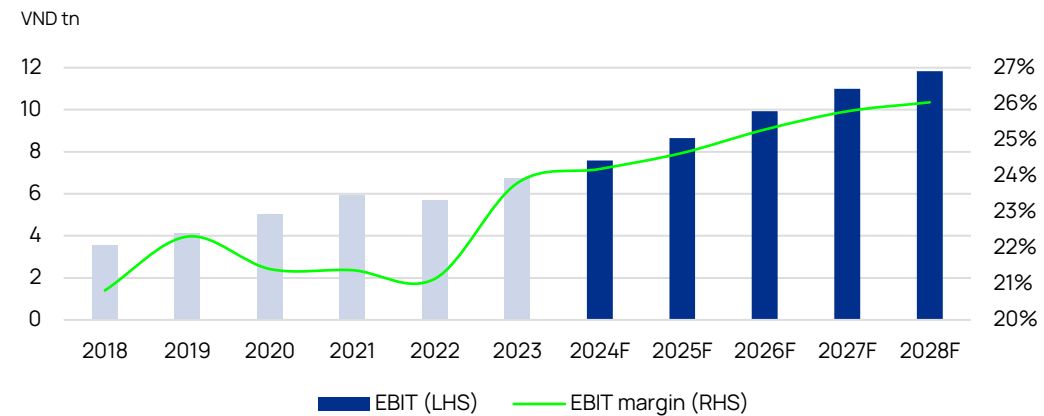
Source: MSN, Vietcap's estimates; ¹ Vietnam's industry growth according to Euromonitor.

Figure 4: MCH UpCOM's market share in key categories



Source: MSN, Euromonitor, Vietcap; ¹Total addressable market

Figure 5: MCH UpCOM's EBIT; 2018-23 CAGR of 14%; EBIT margin expanding 60 bps p.a. on average



Source: MSN, Vietcap

2024F: Reducing NPAT-MI forecast by 14% mainly due to cut in MSR's EBIT forecast

Figure 6: Vietcap's 2024F forecasts

VND bn	2023	2024F old	2024F new	2024F new YoY	Vietcap's comments
Net revenue	78,252	84,765	85,354	9%	
– MCH Ltd. ¹	29,076	31,547	32,178	11%	* Mainly driven by 12% YoY growth in convenience foods (31% of total sales).
– WCM	30,054	33,971	33,971	13%	* Fueled by (1) 10% SSSG due to WMP store renovations, (2) the full-year contribution from 312 stores opened in 2023, and (3) our assumption of 500 new minimarts in 2024F. * Early progress showed WCM's LFL growth at 6% in Q1 2024 (from -7% in FY 2023).
– PL	1,535	1,772	1,772	15%	* Our sales growth forecast is mostly derived from (1) our expectation for 30 new flagship stores and (2) 5% SSSG.
– MML	6,984	7,173	7,173	3%	
– MSR	14,093	15,026	15,026	7%	
EBIT	4,179	6,285	6,116	46%	
– MCH Ltd. ¹	6,591	7,149	7,452	13%	* We raise our EBIT projection by 4% after the better-than-expected product mix and margin improvements in Q1 2024.
– WCM	-264	144	245	-193%	* EBIT margin was -1.1% in 2023 and -0.1% in Q1 2024. We expect the EBIT margin to expand to 0.7% in 2024F due to (1) strong SSSG and (2) a 90 bps GPM expansion YoY due to larger scale.
– PL	85	253	252	196%	* We expect that the removal of the loss-making kiosks business in 2023 will help drive PL's margin expansion in 2024F.
– MML	-224	-156	-156	-31%	
– MSR	-92	918	352	-481%	* We cut our forecast by 62% due to weaker-than-expected earnings results due to the delayed blasting operation in Q1 2024.
Associates' profit	3,896	4,072	4,335	11%	* Shared profits primarily from TCB.
Net financial loss	-5,724	-5,825	-5,826	2%	
Financial income	2,405	1,647	1,647	-32%	
Financial expense	-8,130	-7,472	-7,473	-8%	* Driven by our assumption of (1) lower borrowing rates by 70 bps YoY and (2) a 3% YoY lower total debt balance.
Core NPAT	1,870	3,551	3,567	91%	
Core NPAT-MI	419	1,236	1,066	155%	
EBIT margin	5.3%	7.4%	7.2%		
– MCH Ltd. ¹	22.7%	22.7%	23.2%		
– WCM	-0.9%	0.4%	0.7%		
– PL	5.6%	14.3%	14.3%		
– MML	-3.2%	-2.2%	-2.2%		
– MSR	-0.7%	6.1%	2.3%		

Source: MSN, Vietcap; ¹ Masan Consumer Holdings Company Limited (MCH Ltd.) owns (1) 93.6% of Masan Consumer Corporation (MCH UpCOM)'s total outstanding shares and (2) 66.7% of Masan Brewery Company Limited (MSB).

Valuation

We maintain our sum-of-the-parts (SoTP) valuation approach for MSN.

Our valuation is 15% higher compared to our last Update Report mainly because we increase our valuation for MCH by 17% mainly due to our 9%-uplift in our aggregate 2024F-28F EBIT forecasts of its subsidiary, MCH UpCOM. Also, we roll over our TP horizon forward to mid-2025.

Figure 7: Valuation summary

Valuation method	Method	100% equity value (VND bn)	MSN's ownership	Contributed equity value (VND bn)	Implied 2024F multiples at target valuation
MCH Ltd.	DCF	166,703	72.8%	121,377	P/E of 25x
WCM	DCF	33,152	71.5%	23,704	P/S of 1.0x
PL	EV/EBITDA 18x ¹	8,851	85.0%	7,523	EV/EBITDA of 19x
MML	EV/EBITDA 16x ¹	1,491	94.9%	1,415	EV/EBITDA of 18x
MSR	EV/EBITDA 8x ¹	4,222	86.4%	3,648	EV/EBITDA of 9x
Trusting Social	Book value	1,511		1,511	
- Net debt at Holdco				-29,797	
TCB		183,297	19.9%	36,476	P/B of 1.3x
Total equity value				165,858	
YE 2025 share count (mn)				1,445	
TP before discount (VND)				114,800	
Conglomerate discount				10%	
Target price (VND)				102,800	

Source: Vietcap; ¹ Target EV/EBITDA @ average EBITDA in 2024F and 2025F.

Masan Consumer Holdings (MCH Ltd.)

For MCH Ltd., we apply (1) a **5-year DCF** valuation with a terminal growth rate of 4% for subsidiary Masan Consumer Corp. (MCH UpCOM), and (2) a target **P/S of 1x** for average sales of 2024F and 2025F of Masan Brewery (MSB).

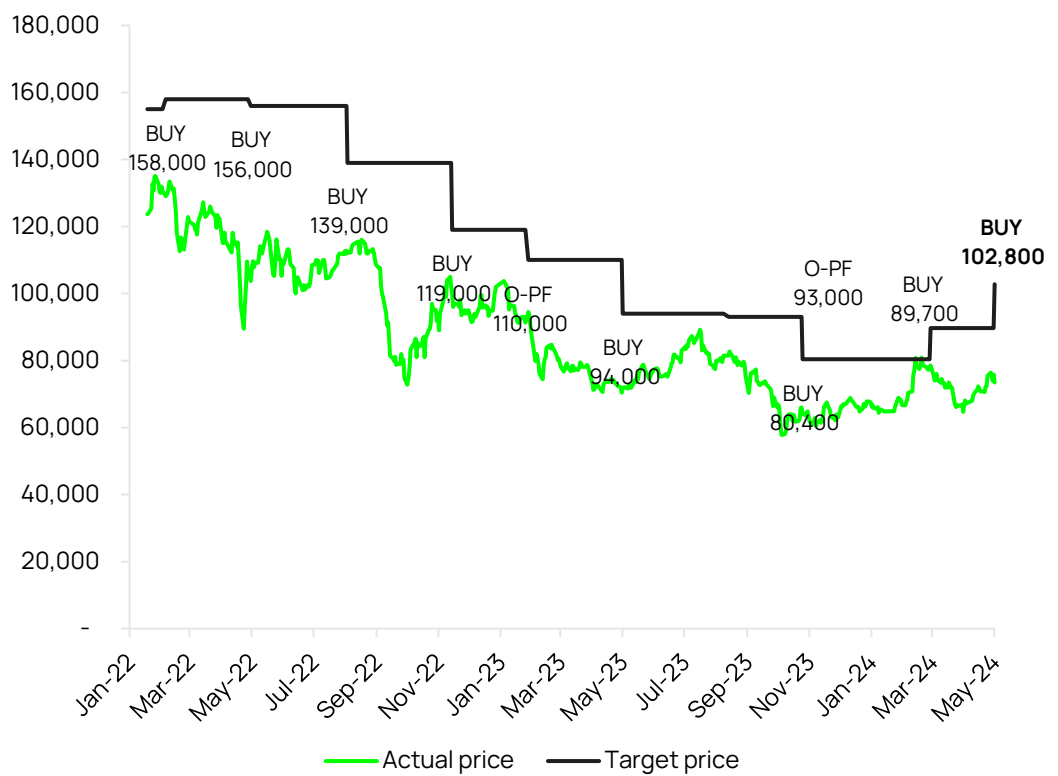
Figure 8: Summary of valuation for MCH Ltd.

	Method	100% equity value (VND bn)	MCH's ownership	Contributed equity value (VND bn)
MCH UpCOM	DCF (FCFF)	181,222	93.6%	169,624
MSB	P/S	856	66.7%	571
Minus: Debt owed by MCH Ltd. to MCH UpCOM ¹				-3,492
Total equity value for MCH Ltd.				166,703

Source: Vietcap; ¹ In MCH UpCOM's financial statements as of Q1 2024, its short-term loans receivables to MCH Ltd. was VND3.5tn. This loan is unsecured and earns annual interest rate as agreed in the contract between MCH and MCH Ltd.

Recommendation History

Figure 9: Historical Vietcap target price vs share price (VND/share)



Source: Fiinpro, Vietcap

Financial Statements

P&L (VND bn)	2023	2024F	2025F	2026F
Revenue	78,252	85,354	94,043	104,105
COGS	-56,131	-59,365	-63,722	-69,580
Gross Profit	22,121	25,989	30,321	34,524
Sales & Marketing exp.	-14,192	-15,360	-17,281	-19,471
General & Admin exp.	-3,750	-4,513	-4,886	-5,484
Operating Profit	4,179	6,116	8,154	9,569
Financial Income	2,405	1,647	1,539	1,609
Financial Expenses	-8,130	-7,473	-7,416	-7,420
- o/w Interest Expense	-6,946	-6,368	-6,311	-6,315
Associates	3,896	4,335	5,158	6,162
Net Other Income/(Loss)	213	0	0	0
Profit Before Tax	2,563	4,625	7,434	9,919
Income Tax	-693	-1,058	-1,168	-1,353
NPAT Before MI	1,870	3,567	6,266	8,567
Minority Interest	-1,451	-2,501	-3,136	-3,727
NPAT Less MI, Reported	419	1,066	3,130	4,840
NPAT Less MI, Adjusted ¹	419	1,066	3,130	4,840
EBITDA ²	13,532	15,988	19,083	21,737
EPS Reported, VND	294	743	2,171	3,341
EPS Adjusted, VND ¹	294	743	2,171	3,341
EPS Diluted, VND ¹	294	743	2,171	3,341
DPS Reported, VND	0	0	0	1,000
DPS/EPS (%)	0%	0%	0%	30%

RATIOS	2023	2024F	2025F	2026F
Growth YoY				
Revenue	2.7%	9.1%	10.2%	10.7%
Op. Profit (EBIT)	-10.5%	46.3%	33.3%	17.4%
PBT	-50.2%	80.5%	60.7%	33.4%
Diluted EPS	-84.7%	153.0%	192.2%	53.8%
Profitability				
Gross Profit Margin	28.3%	30.4%	32.2%	33.2%
Op. Profit, (EBIT) Margin	5.3%	7.2%	8.7%	9.2%
EBITDA Margin ²	17.3%	18.7%	20.3%	20.9%
NPAT-MI Margin ¹	0.5%	1.2%	3.3%	4.6%
ROE ¹	1.6%	3.9%	10.7%	14.8%
ROA ¹	0.3%	0.7%	2.0%	3.0%
Efficiency				
Days Inventory On Hand	89.8	80.7	77.2	75.7
Days Accts, Receivable	11.8	11.2	11.5	10.9
Days Accts, Payable	45.9	37.2	33.6	33.0
Cash Conversion Days	55.6	54.7	55.2	53.6
Liquidity				
Current Ratio	0.9	0.9	0.9	1.0
Quick Ratio	0.4	0.4	0.4	0.4
Cash Ratio	0.3	0.3	0.4	0.4
Debt / Assets %	47%	46%	44%	42%
Debt / Capital %	65%	62%	59%	56%
Net Debt / Equity	2.0	1.9	1.7	1.5
Interest Coverage	0.6	1.0	1.3	1.5

B/S (VND bn)	2023	2024F	2025F	2026F
Cash & Equivalents	10,125	9,982	11,387	12,756
ST Investment	6,795	6,795	6,795	6,795
Accounts Receivables	2,310	2,907	3,036	3,176
Inventories	13,175	13,075	13,894	14,975
Other Current assets	11,359	11,359	11,359	11,359
Total Current Assets	43,763	44,118	46,471	49,061
Fixed Assets, Gross	73,248	76,654	80,179	83,721
- Depreciation	-27,235	-30,736	-34,470	-38,440
Fixed Assets, Net	46,013	45,919	45,708	45,281
LT investments	33,219	36,508	41,652	47,801
LT assets, other	24,387	23,851	23,315	22,779
Total LT Assets	103,620	106,278	110,676	115,862
Total Assets	147,383	150,396	157,147	164,922
Accounts Payable	6,318	5,750	6,122	6,664
ST Debt	28,030	27,971	28,012	28,059
Other ST Liabilities	16,074	16,074	16,074	16,074
Total Current Liabilities	50,423	49,796	50,209	50,798
LT Debt	41,542	41,542	41,542	41,542
Other LT liabilities	17,182	17,182	17,182	17,182
Total Liabilities	109,146	108,520	108,933	109,522
Preferred Equity	0	0	0	0
Paid in capital	14,308	14,380	14,452	14,524
Share premium	8,723	8,723	8,723	8,723
Retained earnings	11,798	12,864	15,994	19,382
Other equity	-8,270	-8,270	-8,270	-8,270
Minority interest	11,678	14,179	17,315	21,042
Total equity	38,237	41,876	48,214	55,401
Liabilities & equity	147,383	150,396	157,147	164,922
Y/E shares out, mn	1,431	1,438	1,445	1,452

CASH FLOW (VND bn)	2023	2024F	2025F	2026F
Beginning Cash Balance	13,853	10,125	9,982	11,387
Net Income	419	1,066	3,130	4,840
Dep. & Amortization	4,124	4,245	4,479	4,714
Δ in Working Capital	1,512	-1,065	-576	-679
Other Adjustments	-3,734	-2,042	-2,230	-2,643
Cash from Operations	2,321	2,204	4,803	6,231
Capital Expenditures, Net	-2,211	-3,406	-3,524	-3,542
Investments, Net	-7,433	1,047	13	13
Cash from Investments	-9,644	-2,360	-3,511	-3,529
Dividends Paid	-244	0	0	-1,452
Δ in Share Capital	71	72	72	72
Δ in ST Debt	-12,537	-59	41	47
Δ in LT Debt	11,116	0	0	0
Other financing C/F	5,188	0	0	0
Cash from Financing	3,595	13	113	-1,333
Net Change in Cash	-3,729	-143	1,405	1,369
Ending Cash Balance	10,125	9,982	11,387	12,756

Source: MSN, Vietcap forecast; ¹ Based on core earnings that exclude one-off financial income; ² EBITDA includes profits from Techcombank (TCB).

Vietcap Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, 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%
SELL	If the projected TSR is -20% or lower
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