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# Masan Group (MSN)

## 1Q losses but revenue more than doubles

### 1Q losses of VND216 billion yet managed to double revenue

— 1Q losses reached VND216 billion vs VND1,000 billion in earnings during the same period last year and revenue more than doubled to VND17,632 billion (+116% YoY) with the addition of *VinCommerce* and strong topline growth across all divisions except *Masan Resources*. Losses were due to: 1) debt for the *VinCommerce* acquisition that added VND254 billion in financing costs (up 54% YoY); 2) consolidation of losses from *VinCommerce*; 3) lower global commodity prices negatively impacting *Masan Resources*; and 4) ramp up costs for the branded meat business at *Masan MEATLife*. The over two-fold increase in revenue was largely attributable to: 1) inclusion of *VinCommerce* to consolidated results but also strong double-digit same-store sales growth in major markets; 2) 22% topline growth at *Masan Consumer*; and 3) scaling up of the integrated meat business at *Masan MEATLife*.

### Retailing and consumer business fared well despite COVID-19 but commodities dragged

- *VinCommerce*: 1Q EBITDA was negative VND446 billion but the EBITDA margin improved dramatically to minus 5.1% from minus 9.1% seen in 1Q 2019 supported by gains in the gross margin and lower SG&A expenses. Revenue growth was impressive at 40.3% YoY after management successfully achieved: 1) double-digit same-store sales growth in Hanoi (+13%) and tier 1 cities (+12%) and solid growth in Ho Chi Minh (6%) despite COVID-19; 2) revamp of 27 *VinMart* supermarkets (20% of all locations) and 1,192 *VinMart+* minimarkets (42% of all locations) to increase revenue-per-store via premiumization; and iii) early gains in optimizing the distribution footprint by closing underperforming stores to maintain strong sales growth during the slowdown in new store expansion.
- *Masan Consumer*: Revenue grew 22.4% YoY driven by 59.7% YoY growth in convenience foods (mainly stockpiling instant noodles during COVID-19) and tripling of sales of processed meats (higher ASPs from premium sausages). The premiumization and urbanization strategy showed 75.0% growth in sales through the modern trade channel.
- *Masan MEATLife*: Net losses reached VND31 billion in 1Q as investments remain high for the fresh meat business to achieve operational scale and greater national brand awareness. Overall revenue grew by 6.4% to VND3,397 billion as the swine flu still weighed on animal feed prices but the integrated meat business rose by 85% QoQ to VND453 billion.
- *Masan Resources*: Revenue fell by 10.4% YoY as the global COVID-19 pandemic exacerbated the weak prices for minerals.

### Management plans to release 2020E guidance at the AGM

— The date is yet to be confirmed but management plans to hold its annual general shareholders' meeting in June and formally announce 2020E guidance. Early indications from management for 2020E performance include double-digit growth for consolidated revenue and profitability to catch up in the second half of the year.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

| Buy:         | Hold:        | Sell:        |
|--------------|--------------|--------------|
| +15% or more | +15% to -15% | -15% or more |

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

| Positive:             | Neutral:                        | Negative:               |
|-----------------------|---------------------------------|-------------------------|
| Outperform the market | Perform in line with the market | Underperform the market |

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