

Masan Group (MSN)

Consumer-product diversity

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Analyst Luong Ngoc Tuan Dung
dunglnt@kbsec.com.vn

MSN is a leading consumer goods provider, underpinned by MCH and WCM

In our view, Masan Consumer Corp (MCH) has a special competitive advantage over other peers as it can make use of WinCommerce (WCM) retail chain from the parent group Masan Group (MSN). MCH's NPAT is forecast to hit double-digit growth of 10.03%, 12.21%, and 11.0% respectively each year from 2022 to 2024.

WCM continues to improve operational efficiency and profit margin

We believe WCM will continue to improve revenue and profit margin in the coming time. The EBITDA margin when MSN started to own WCM in 1Q20 was only -5.1%, but it gained significantly to 2.2% in 1Q22 and should grow further because: (1) The use of AI and ML technology from its strategic partner Trusting Social will help WCM speed up the opening of new stores; (2) good negotiation ability continues to bring positive signals when working with suppliers; and (3) the group plans to expand the models of mini malls that integrate small kiosks into WinMart+ stores.

MSR expects the main business segments to be driven by stable demand and good product prices

For the period 2022-2026, we expect Masan Hi-tech Materials' (MSR) NPAT-MI CAGR to hit 13.5% thanks to (1) good prices of key products such as tungsten and fluorspar, and (2) increasing demand for these two products thanks to their good applications in many fields such as defense, energy, and petrochemical.

We recommend BUY for MSN stocks with a target price of VND165,900

KBSV recommend BUY for MSN stocks with target price of VND165,900, 49.5% higher than the closing price on July 26, 2022. In 2022, we forecast MSN NPAT will reach VND6,107 billion (-40% YoY, excluding MNS Feed segment) on revenue of VND88,274 billion (-0.4% YoY). MSN's NPAT and net sales should hit VND7,755 billion (+27% YoY) and VND97,425 billion (+10.4% YoY) respectively.

Buy initiate

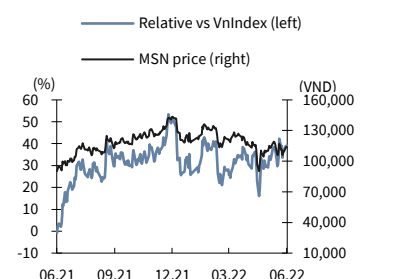
Target price	VND165,900
Upside/Downside	49.5%
Current price (Jul 26, 2022)	111,000
Market cap (VNDtn/USDtn)	162/7.2

Trading data	
Free float	40.0%
3M avg trading value (VNDbn/USDmn)	182.6/8.1
Foreign ownership	28.78%
Major shareholder	Masan Group (MSN) (31.5%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0	-11	-20	26
Relative	5	9	-2	39

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	77,218	88,629	88,274	97,425
Earnings/Loss (VNDbn)	1,196	11,273	7,714	9,795
NPAT (VNDbn)	1,395	10,101	6,107	7,755
EPS (VND)	1,054	7,269	4,311	5,474
EPS growth (%)	-77.8	+589	-40.8	26.9
P/E (x)	84.3	23.5	26.4	20.8
P/B (x)	7.4	8.4	5.6	5.5
ROE (%)	9	41	19	23
Dividend yield (%)	0	1.05	0	0



MSN – a business group operating in different fields

MSN's business lines are diverse

MSN is a corporation operating in a variety of different industries. Its main business lines are livestock & animal feed, food, consumer goods, retail supermarket, and natural resource exploitation. Most recently in September 2021, MSN started to enter the field of telecommunications through The Sherpa Co., Ltd.

Currently, MSN owns three direct subsidiaries, including Masan MEATLife (Upcom: MML) operating in the field of animal feed production and meat processing, Masan Vision Co., Ltd. and The Sherpa Co., Ltd.). The latter two subsidiaries mainly major in investment management and consulting for smaller, indirect subsidiaries of the group.

Through two subsidiaries, Masan Vision Co., Ltd and The Sherpa Co., Ltd., MSN indirectly owns 76 other large and small subsidiaries operating in a variety of fields: mining, commodities consumer, retail supermarket chain, and telecommunications.

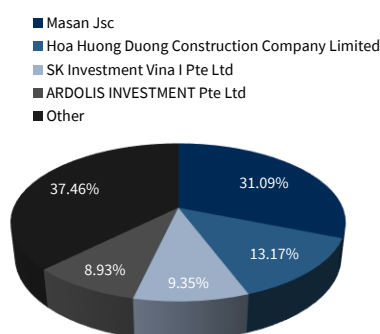
Revenue structure has changed significantly over the years

By the end of 2021, the proportion of revenue from the retail supermarket chain was the highest at 33%, while mining revenue was the lowest at 14.7%. In the previous years, revenue from the consumer goods segment accounted for a relatively high proportion (45% – 50%), but it changed after the opening of WCM.

Internal shareholders hold a large stake

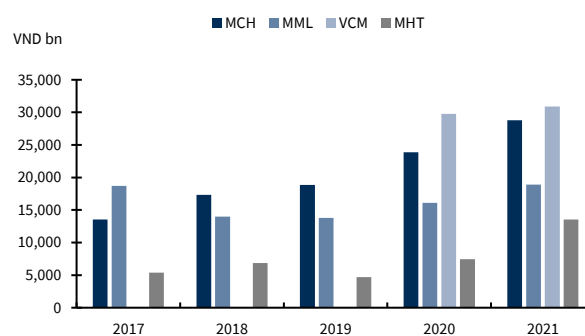
Currently, the group of internal shareholders with more than 50% of capital are senior leaders and related parties. Of that, MSN and Sunflower Construction and Trading own 44%. SK Investment Vina or Ardolis Investment are also two major shareholders of the group.

Fig 1. MSN – Ownership structure (%)



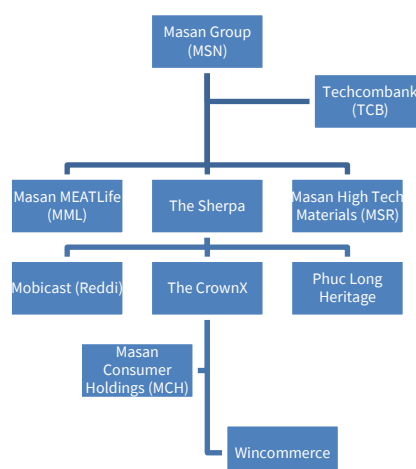
Source: Masan Group, KB Securities Vietnam

Fig 2. MSN – Revenue structure (VNDbn)



Source: Masan Group, KB Securities Vietnam

Fig 3. MSN – Organizational structure



Source: Masan Group, KB Securities Vietnam

Masan Consumer – a wide distribution network with a diverse product portfolio

Consumer goods (MCH) – 98% of Vietnamese households use at least one Masan product (Kantar Worldpanel)

For the spice industry, MSN continues to be the market leader and sets the general trend. Spices, sauce, and salad dressings are the mainstay of MCH, which is also profitable to MSN. 2021 net revenue of the spice industry was VND10,028 billion (+18.4% YoY). Some main products of this industry are Nam Ngu fish sauce, Tam Thai Tu fish sauce, and Chin-su chili sauce.

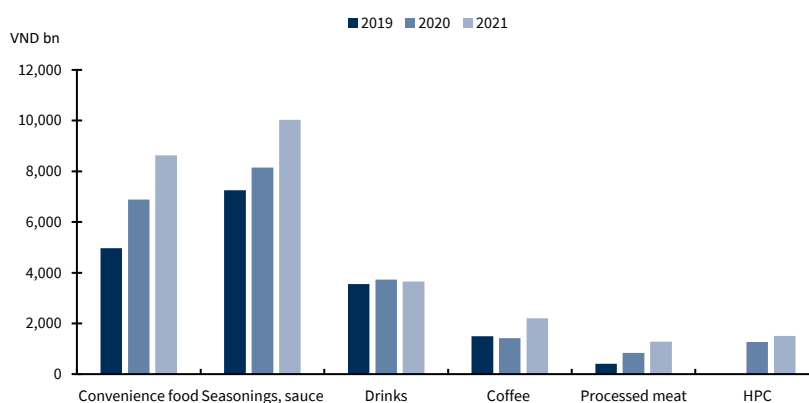
For the convenience food segment, MCH sells instant products which brought in VND8,629 billion in 2021 revenue. Of particular note was Omachi noodles, which dominate the high-end segment with a growth of 25.4% YoY. Meanwhile, in the mid-end segment, Kokomi noodles also outperformed last year (+33.5% YoY).

The beverage industry includes sub-sectors such as bottled beverages (energy drinks and bottled water), coffee and beer. Beer products are developed by Masan Brewery (a subsidiary of MCH). Among beverage products, the most prominent is Wake-up 247 coffee-flavored energy drink, which holds 10% of the national market share after being launched to the market in 2015.

For the processed meat industry, Masan has also distributed nationwide-popular products such as Cowboy Pork and Ponnies. Founded since 2018, MCH's subsidiary Saigon Nutri Food (SNF) officially signed a strategic partnership contract with Jinju Ham, a leading processed meat producer from Korea.

MSN has joined the home & personal care (HPC) market since early 2020 through the acquisition of NET Detergent JSC. In 2021, this category contributed VND1,502 billion to MCH's revenue.

Fig 4. MCH – Revenue structure (VNDbn)



Source: Masan Consumer, KB Securities Vietnam

Masan MEATLife – putting resources into the branded cool meat segment

Cool meat (MML) – focusing on branded meat in the value chain

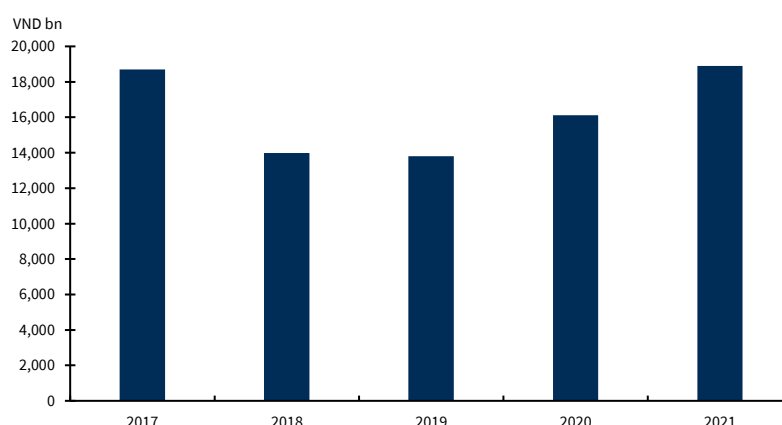
MML, formerly known as Masan Nutri – Science JSC, does business in the field of animal feed and raw meat. With the goal of becoming a leading meat supplier in Vietnam in the future, MML chose to develop a closed meat supply chain (Feed – Farm – Food) right from the start.

For animal feed products, MML owns 13 high-standard plants. The total capacity of the plants was nearly 3.3 million tons in 2020. In the same year, MML sold 1.4 million tons of animal feed thanks to a distribution network of more than 2,500 agents under the parent brand “Bio-zem”. The animal feed segment accounts for 33% of the total productivity of the animal protein value chain. **In 2021, Masan sold all of the feed business to De Heus and focused resources on the branded cool meat segment.**

For the livestock and meat segment, MML put into operation two meat processing complexes in Ha Nam and Long An equipped with modern technology and strictly inspected in December 2018 and October 2020. Each complex has a capacity of 1.4 million heads/year or 140,000 tons/year. In addition, they also produce other meat products like spring rolls, rolls, and sausages. In November 2020, MML officially broke into the chicken market by contributing 51% capital to 3F Viet JSC. As of December 2020, MEATDeli is present at more than 1,606 points of sale, mainly in Hanoi, Ho Chi Minh City, and neighboring provinces. It is expected that the total number of points of sale equipped with cold-storage facilities will reach 4,200 by the end of December 2021.

By taking advantage of the link between the production process and modern retailers from WCM (Winmart, Winmart+), MEATDeli branded meat products will easily reach the end consumers. This can also be considered as a good competitive advantage of MEATDeli over brands from other manufacturers.

Fig 5. MML – Annual revenue (VNDbn)



Source: Masan MEATLife, KB Securities Vietnam

Masan High-tech Materials – reaching out to the international market

Mining segment (MSR) – taking advantage of resources and gaining market share through the merger of HC Starck

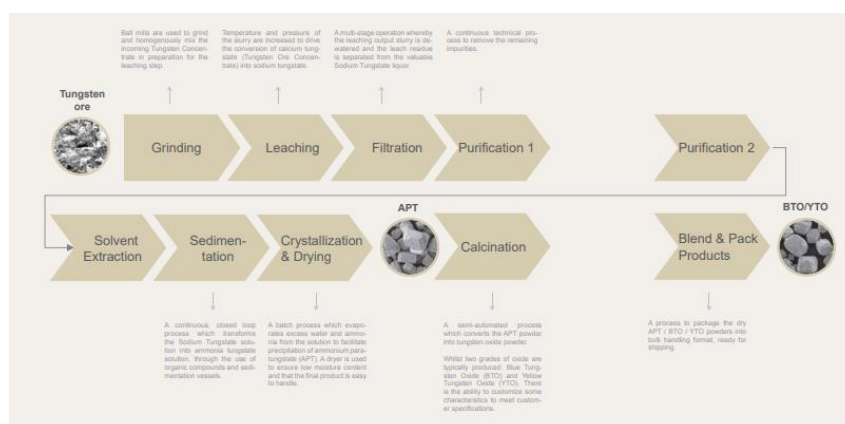
Formerly known as a joint venture between Nui Phao Mining Processing and HC Starck GmbH from Germany (NHTCM), Masan Hi-tech Materials' shares were first listed on the UpCom (ticker MSR). In 2018, MSN acquired 49% of HC Starck's stake at NHTCM and renamed it Masan Tungsten Limited Liability Company (MTC). In June 2020, after the acquisition of the global tungsten business platform and ChemiLytics of H.C Starck GmbH, MSN changed the company's name from Masan Resources Corporation to High-Tech Materials (UpCom: MSR). Also in 2020, MSR successfully offered a private placement of 10% to Mitsubishi Materials Corporation (MMC).

MSR operates four companies of separate segments in the production chain of tungsten, fluoride, copper, and bismuth. Nui Phao Mining Company Limited (NPMC) will focus on exploiting the multi-metal Nui Phao mine and distribute the products to markets around the world thanks to its favorable geographical location (197km from Quang Ninh port). These tungsten concentrates can also be transferred to MTC, which connects NPMC's to the global tungsten market and makes resources become products with higher value.

Meanwhile, HC Starck Tungsten Powders (HCS) is a leading tungsten supplier with a system of tungsten powder production plants in Germany, China, and Canada. HCS offers a wide range of products in the tungsten powder value chain (Figure 5). In addition, with a sustainable development strategy, HCS can recycle and save a large amount of used materials.

In addition, ChemiLytics owns one of the largest industrial laboratories in Germany. The company mainly provides analytical services for many market segments from traditional manufacturing industry, aerospace applications to mobile electronics technology.

Fig 6. MSR – Tungsten production process in MTC & HCS



Source: Masan High-tech Materials

MSR's products can be used in many fields

Products such as tungsten, fluoride, copper, and bismuth are all strategic metals of Vietnam and also very important to many industries around the world.

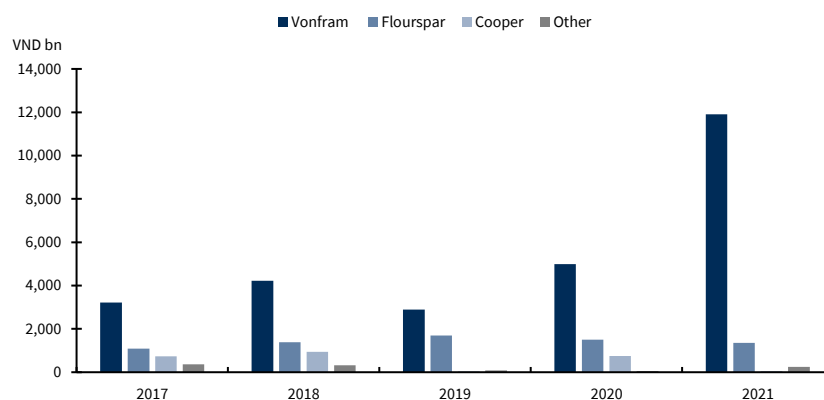
Table 1. Some applications of MRS products

Products	Main applications	Product advantage
Tungsten	Machine tool industry, petroleum industry, medical engineering, aerospace, chemical industry, and electrical industry	Environmentally friendly, proposed to replace lead in the future
Fluoride	The production of hydrofluoric acid, metallurgy, specialized glass, ceramics, and enameled metals	
Bismuth	Medical, pharmaceutical, cosmetic applications	Environmentally friendly, proposed to replace lead in the future
Copper	The production of electric cables and wires (mainly in the construction industry)	

Source: Masan High-tech Materials, KB Securities Vietnam

Fig 7. MSR – Revenue by products

MSR's revenue mainly comes from tungsten products. On average, tungsten accounted for more than 62% of revenue in the period 2017–2020. In 2021, the proportion in revenue from tungsten surged to more than 87% after MSR recorded business results from HC Starck as it made the acquisition of tungsten segment.



Source: Masan Group, KB Securities Vietnam

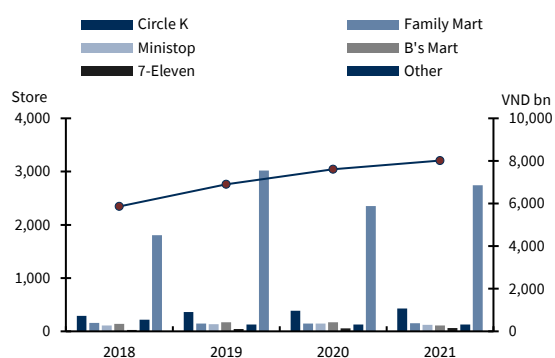
WinCommerce – the largest retail chain in Vietnam in terms of number of points of sale

Retail (WCM) – operates two models WinMart+ and WinMart

MSN entered the retail market at the end of 2019 through the acquisition of Vingroup's VinMart chain, which is considered one of the future mainstays of the group thanks to its spacious stores.

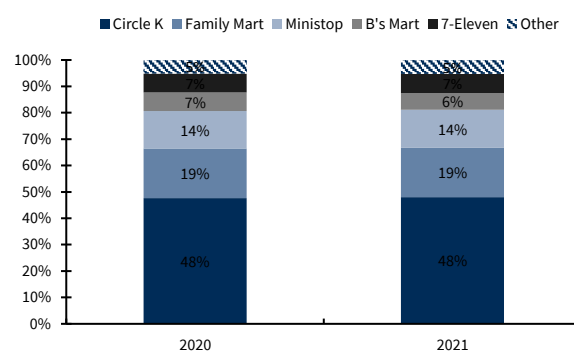
In our opinion, WCM's operating model is a hybrid between a convenience store and a grocery store. The market of convenience stores is currently dominated by foreign businesses with four out of five brands owned by multinational companies in 2021 (Figure 8&9). With remarkable financial capacity and long operating experience, foreign enterprises are easier to adapt to market trends than domestic ones.

Fig 8. WCM – Quantity & size of convenience store sales



Source: KB Securities Vietnam

Fig 9. WCM – Market share of convenience stores in 2021



Source: KB Securities Vietnam

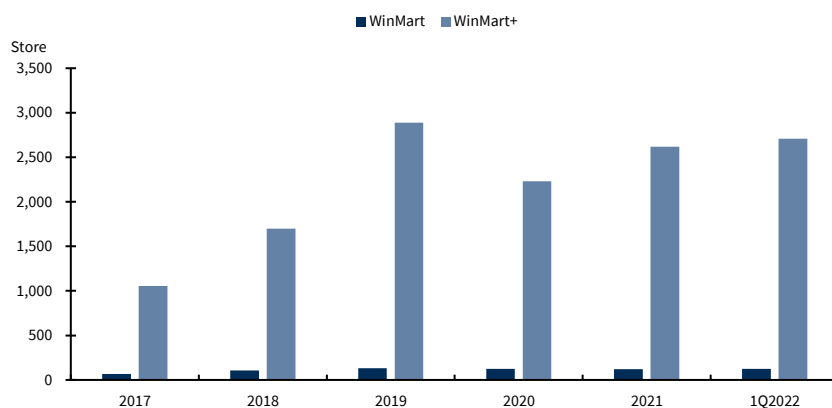
MSN changed the name of Vinmart to Winmart and improve customer services and SSSG

In 2021, the VinMart and VinMart+ chains have changed their names to WinMart and WinMart+. In addition, MSN also has many other changes from products and customer services to focus on young customers.

MSN is constantly introducing new tests to increase the same-store sales growth (SSSG). One of the most obvious examples can be mentioned that MSN placed Phuc Long kiosks in WinMart+ stores, which normally serve 15–20 Phuc Long's best-selling products. Phano or Techcombank drugstores are also integrated to the stores (Figure 11). MSN said the changed added 20% revenue for the tested stores. In the future, MSN plans to bring Phuc Long kiosks to the entire WCM system.

Fig 10. WCM – The number of Winmart and Winmart+ (store)

By the end of 1Q22, WCM operated more than 2,800 stores, of which there are 124 WinMart stores and 2,708 WinMart+ stores, up 89 stores compared to the end of 2021.



Source: Masan Group, KB Securities Vietnam

Fig 11. WCM – Different kiosks inside WinMart+ store



Source: Masan Group, KB Securities Vietnam

Techcombank – the leading bank in the private sector

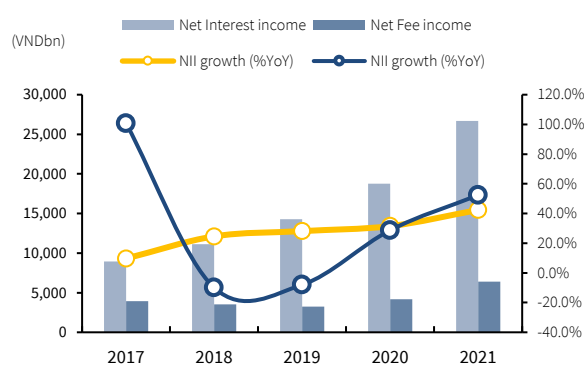
Financial segment (TCB) – the journey to digitize the financial industry

Techcombank (TCB) was established in 1993 when the country started its transition from a centralized economy to a market-oriented one. After 28 years of establishment and development, TCB has become the second most profitable bank. With a network covering 46 provinces and cities nationwide through two representative offices and 307 transaction points, TCB offers a wide range of products and services to more than 9.6 million individual and corporate customers in Viet Nam.

TCB's total operating income grew steadily, coming from both net interest income (NII) and net fee income (NFI). The bank's NII & NFI impressively grew 42.4% YoY last year, which was supported by the expansion of the balance sheet, strong credit growth with diversified sources of capital, namely CASA and international syndicated loans from major institutions in the world.

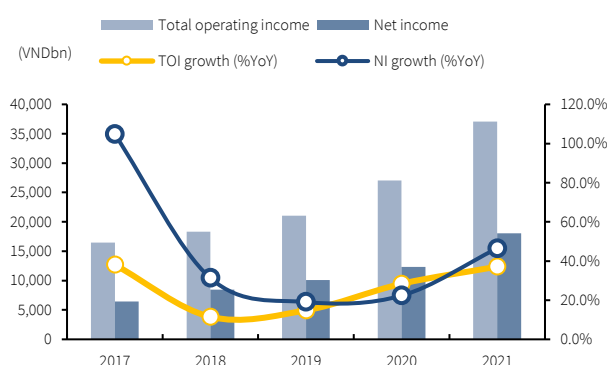
We believe that TCB is an indispensable contributor to Masan's Point of Life model (PoL) as financial activities accounts for 26% of consumers' needs according to Masan's "PoL formula". The introduction of small TCB counters such as kiosks in WinMart+ stores initially brought many positive signals, as the number of consumers entering WinMart+ to shop and open new bank accounts is rising.

Fig 12. TCB – NII & NFI growth (%)



Source: Techcombank, KB Securities Vietnam

Fig 13. TCB – TOI & NPAT growth (%)



Source: Techcombank, KB Securities Vietnam

Mobicast/Reddi and other businesses completing PoL model

Phuc Long Heritage – strengthens its position in the consumer goods industry

In January 2022, MSN purchased an additional 31% stake in Phuc Long Heritage via its affiliate the Sherpa, raising the ownership rate to 51%. After becoming a subsidiary of MSN, Phuc Long Heritage has well-coordinated with the PoL strategy. In the long term, MSN aims to serve the growing demand for on-premises dining and enhance the tea and coffee experience. The effectiveness of the combination between WCM essential retail and tea and coffee retail is even more evident as Phuc Long kiosks helped to improve the profit margin of WCM stores.

Mobicast/Reddi telecommunications field – a piece that helps to complete PoL

In September 2021, MSN acquired 70% shares of Mobicast JSC via the Sherpa for VND295.5 billion, thereby initially encroaching on the telecommunications field. Mobicast is a company operating in mobile virtual network operator (MVNO).

Mobicast or other MVNOs do not own the telecommunications network infrastructure, instead, they will cooperate with mobile network operators (MNOs) to use transmission services based on the electromagnetic spectrum with the infrastructure of MNO mobile networks to provide telecommunications services to consumers.

Integrating Consumer – Technology platform through Trusting Social

In April 2022, MSN bought 25% of shares in Trusting Social JSC for USD65 million, a subsidiary in Vietnam of Trust IQ Pte.Ltd. Trusting Social offers artificial intelligence (AI) and machine learning (ML) solutions that help banks and financial institutions deliver comprehensive financial products to consumers.

In the short term, the partnership will optimize costs and improve the efficiency of MSN's core business activities, including retail store location selection, supply and demand planning, and product portfolio, sales, marketing and product development optimization. In the long term, the retail platform using AI and ML will help MSN provide financial solutions to many ordinary consumers who currently do not have bank accounts.

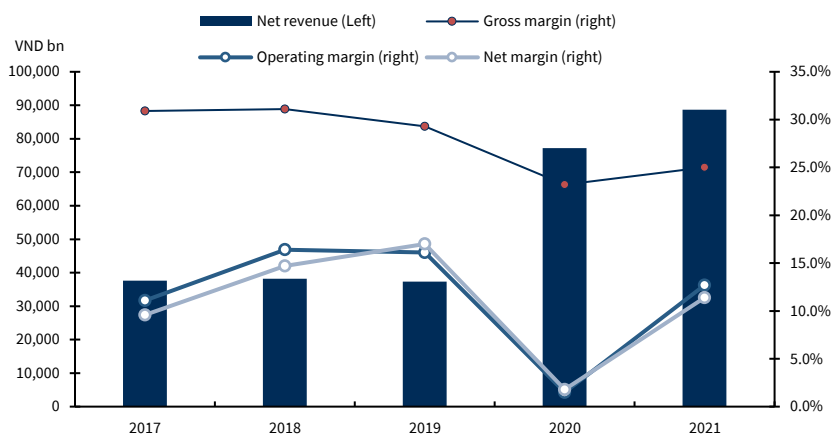
Financial status

In the period of 2017–2021, MSN's net revenue grew at a CAGR of 18.7%, mainly coming from the growth of MCH and MML.

Meanwhile, Masan's profit margin in the past five years has been on a downward trend, reflecting the consolidation of WCM in 2020.

In 2021, operating profit margin and net profit margin increased dramatically from 2020 lows, reflecting the benefit of key business segments such as MCH and MSR. The operational efficiency of WCM was also improved.

Fig 14. MSN – Gross and net profit margins (%)

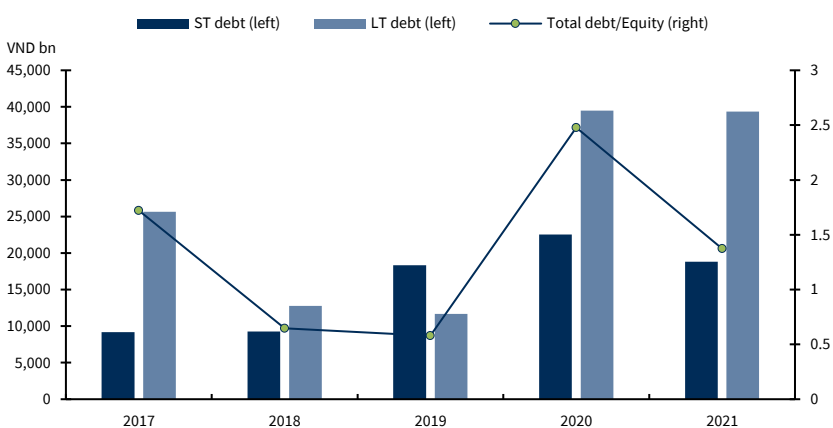


Source: Masan Group, KB Securities Vietnam

Fig 15. MSN – Short and long-term debts (%)

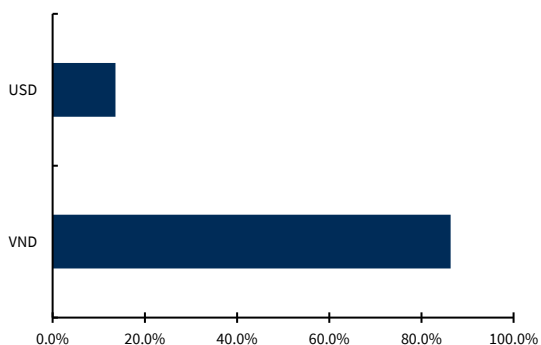
MSN's debt tended to increase in the past five years, mainly for investment in MSN's subsidiaries.

The ratio of debt (short-term and long-term)/equity is relatively high, more than 1.3x at the end of 2021.



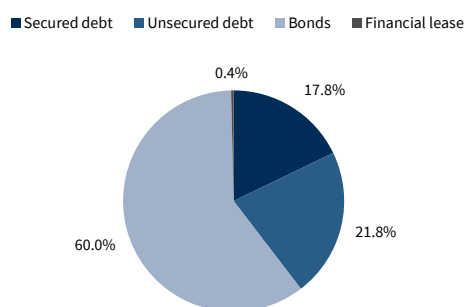
Source: Masan Group, KB Securities Vietnam

Fig 16. MSN – Debt types



Source: Masan Group, KB Securities Vietnam

Fig 17. MSN – Debt structure (%)

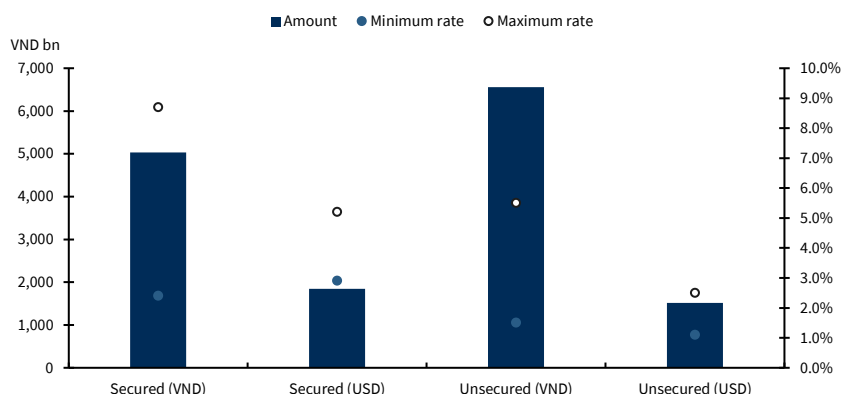


Source: Masan Group, KB Securities Vietnam

Fig 18. MSN – Short and long-term debts (%)

The weightings of secured and unsecured short-term loans are fairly even.

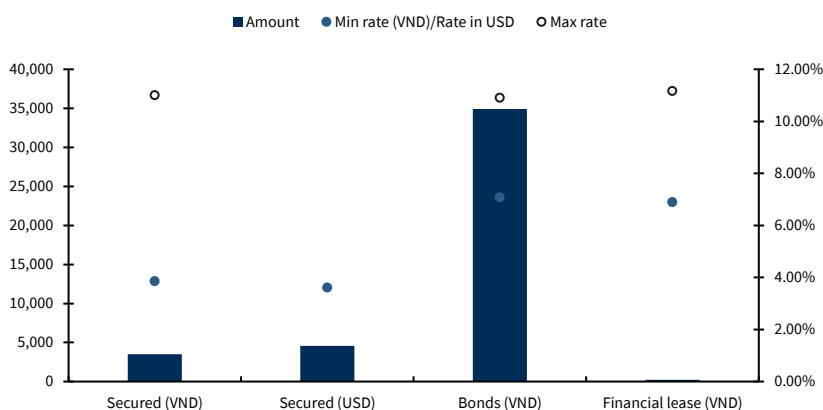
For secured loans, interest rates range from 2.4% to 8.7%/year. Meanwhile, unsecured loans have interest rates from 1.1% to 5.5%/year.



Source: Masan Group, KB Securities Vietnam

Fig 19. MSN – Short and long-term debts (%)

Long-term loans have a high proportion from common bonds and interest rates ranging from 7.08% to 10.9%/year. The common bonds will mostly mature in 2023.



Source: Masan Group, KB Securities Vietnam

1Q22 Business performance

Excluding the animal feed segment, 1Q22 business results maintain double-digit growth

In 1Q22, MSN's consolidated net revenue reached VND18,189 billion, down 8.9% YoY as MML spun off its animal feed business at the end of last year. Excluding this segment, net revenue grew by 11.9% YoY, mainly from the double-digit growth of MCH and MSR. However, NPATMI jumped by 452.5% YoY VND1,895 billion thanks to exceptional financial income of over VND1,000 billion (vs. only VND216 billion in 1Q21).

Table 2. MSN – 1Q22 business results

	1Q2022	1Q2021	+/-% YOY
Net revenue	18,189	19,977	-8.9%
The CrownX	13,450	12,533	7.3%
Masan Consumer Holdings	6,448	5,494	17.4%
WinCommerce	7,297	7,242	0.8%
Masan MEATLife	931	4,704	-80.2%
Phuc Long Heritage	257	-	-
Masan High-Tech Materials	3,930	2,963	32.6%
Gross profit margin	28.0%	21.6%	
The CrownX	31.2%	27.5%	
Masan Consumer Holdings	40.7%	39.7%	
WinCommerce	22.2%	17.9%	
Masan MEATLife	6.0%	14.3%	
Phuc Long Heritage	68.5%	-	
Masan High-Tech Materials	17.4%	6.4%	
EBITDA margin	20.1%	15.7%	
The CrownX	12.2%	9.7%	
Masan Consumer Holdings	22.7%	20.8%	
WinCommerce	2.2%	1.8%	
Masan MEATLife	-3.0%	10.6%	
Phuc Long Heritage	18.3%	-	
Masan High-Tech Materials	22.3%	16.1%	

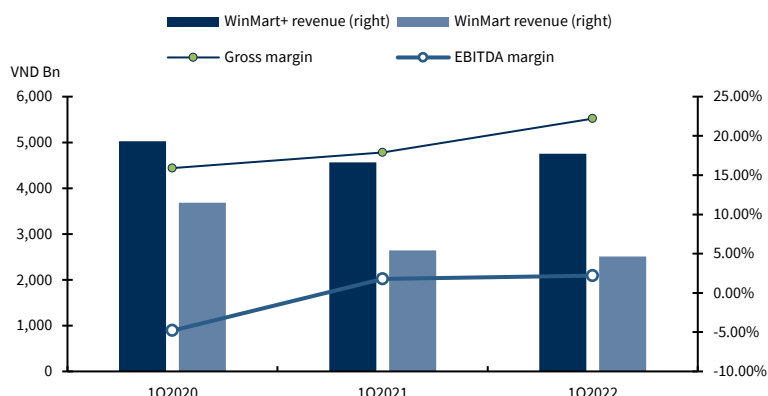
Source: Masan Group, KB Securities Vietnam

WCM's profit margin improved thanks to new store opening

WCM achieved VND7,297 billion (+0.8% YoY and +5.7% QoQ) in revenue. By the end of April 2022, WCM has opened 200 new stores, and the BOD aims toward 1,000 new minimarkets in 2022. The mini-mall concept has shown many positive signals, with foot traffic up 30%. In addition, there is a strong demand for opening bank accounts in second-tier cities given consumers' lack of bank accounts, proving the sensible strategy of introducing small kiosks at mini-malls.

Fig 20. MSN – Business results of WinMart+ & WinMart

By the end of 1Q22, WCM has owned 2,708 WinMart+ minimarkets and 124 WinMart supermarkets. Gross margin and EBITDA margin have continuously improved over the past three years. In 1Q22, EBITDA margin hit 2.2% (+40bps YoY despite the opening of 496 minimarkets and 2 supermarkets) thanks to successful negotiations with over 1,000 suppliers to improve back margin as well as logistics cost optimization.



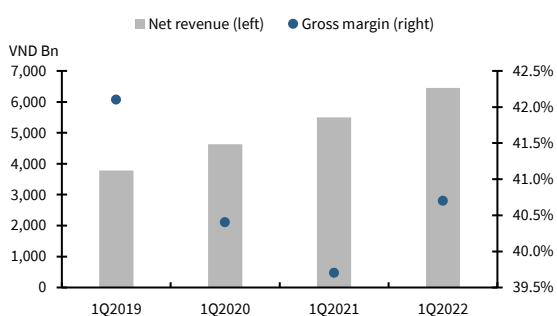
Source: Masan Group, KB Securities Vietnam

MCH maintains outstanding business performance, significantly contributing to earnings growth

MCH’s revenue grew by 17.4% to VND6,448 billion, primarily thanks to double-digit growth in consumer categories such as convenience foods (+34.5% YoY) and processed meat (+57.6% YoY). The integration between MCH and WCM continues to show positive results when revenue from MCH’s products distributed through WCM grew by 23% YoY.

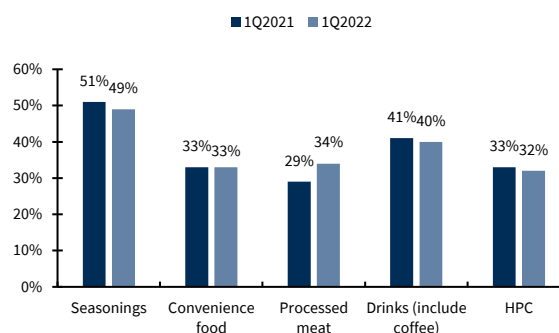
1Q22 gross profit margin rose to 40.7%, up 100bps YoY given improved gross margin of all categories except beverage and HPC products. In the coming quarters, despite enormous pressure on profit margin caused by surging commodity prices, the BOD believes MCH’s gross profit margin of 40% for FY22 is reachable.

Fig 21. MSN – Masan Consumer’s business results



Source: Masan Group, KB Securities Vietnam

Fig 22. MSN – Gross profit margin by product (%)

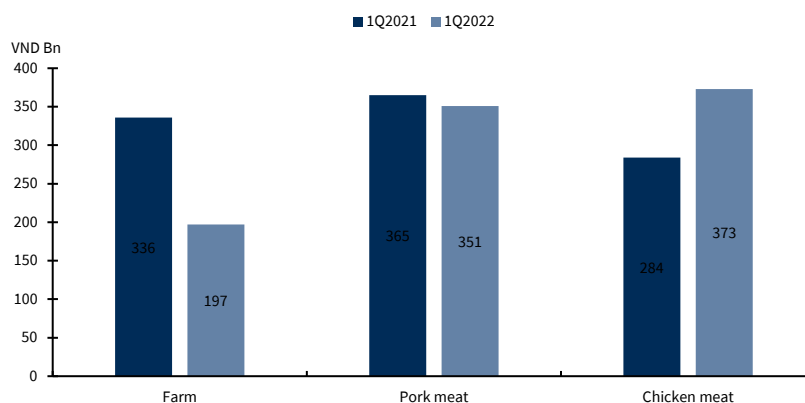


Source: Masan Group, KB Securities Vietnam

Fig 23. MSN – MML’s business results

MML's revenue in 1Q22 was VND931 billion, down 80.2% YoY since it spun off its animal feed business at the end of last year. Excluding this segment, MML's revenue was down 5.4% YoY given plunging hog prices.

Gross profit margin (GPM) decreased to 6.0% in 1Q22 from 14.3% in 1Q21. In particular, GPM of the branded pork business alone improved well thanks to increased scale and capacity. GPM of the branded chicken segment (3F Viet) remained negative but improved significantly from -10.5% in 1Q21.



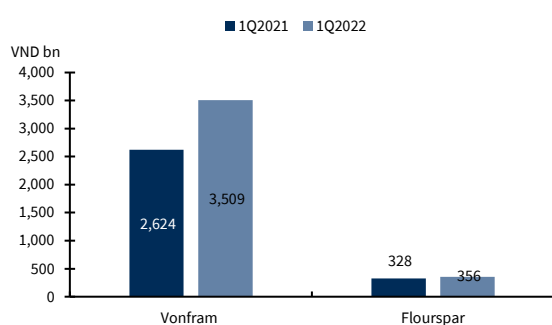
Source: Masan Group, KB Securities Vietnam

MSR grew well thanks to rising commodity prices

MSR's net revenue reached VND3,930 billion (+32.6% YoY). The high revenue growth was primarily driven by Tungsten sales which grew by 34% YoY thanks to high selling prices and production. Despite shrinking output, flourspar sales improved by 7.7% YoY with surging selling prices over the same period. Regarding copper, MSR has been looking for a partner to buy its inventory worth about VND3,000 billion.

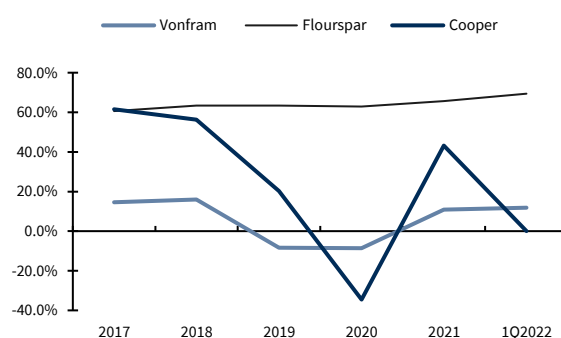
Over the first quarter of 2022, EBITDA increased 83.7% YoY to VND878 billion; the EBITDA margin reached 22% compared to 16% in the same period in 2021. NPATMI was VND123 billion, up significantly compared to the same period in 2021.

Fig 24. MSN – Revenue from tungsten and flourspar (VNDbn)



Source: Masan Group, KB Securities Vietnam

Fig 25. MSN – Gross profit margin by product (%)



Source: Masan Group, KB Securities Vietnam

Investment catalysts

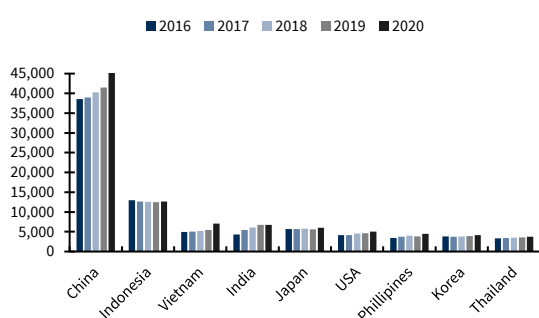
MCH has a superior competitive advantage over other peers thanks to its leading position in the consumer goods industry and taking advantage of the WCM retail chain

MCH has a superior competitive advantage over other businesses in the same industry when taking advantage of the WCM retail chain to: (1) reduce selling costs, optimize advertising costs and quickly introduce products to consumers; and (2) get feedback about products, thereby quickly offering replacement/improving products to suit consumer tastes.

For the 2022–2024 period, we forecast MCH's NPAT to grow by 10.03%/12.21%/11.0%, respectively, mainly thanks to the impressive growth of two main contributors, namely food (including sauces, dressings and condiments, convenience foods, and processed meats) as well as beverages. We believe MCH's food industry will enjoy the fastest growth rate in the industry thanks to: (1) advancing products, thus boosting sales by pushing up the average selling price; and (2) various models and designs compared to other peers.

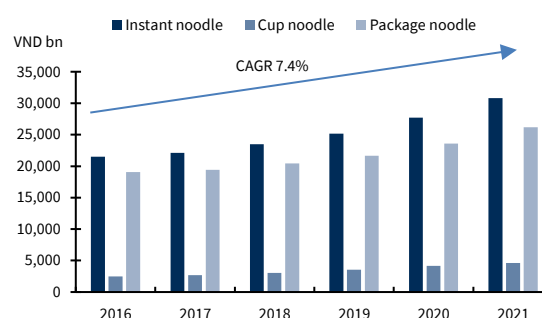
For the convenience foods industry, we highly appreciate MCH's position in the instant noodle segment with: (1) large market share, second only to Acecook; (2) diverse designs and models compared to competitors. In addition, given relatively high gross margin (~35%) and its leading position in the consumer goods industry, MCH can raise selling prices, thus easing pressures on profit margin in the future.

Fig 26. Global – Instant noodles consumption (million packs)



Source: World Instant Noodles Association

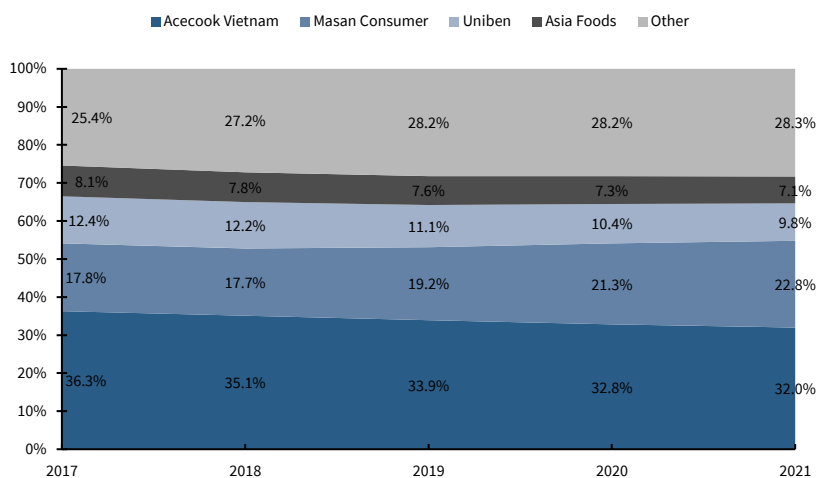
Fig 27. Vietnam – Instant noodles market



Source: KB Securities Vietnam

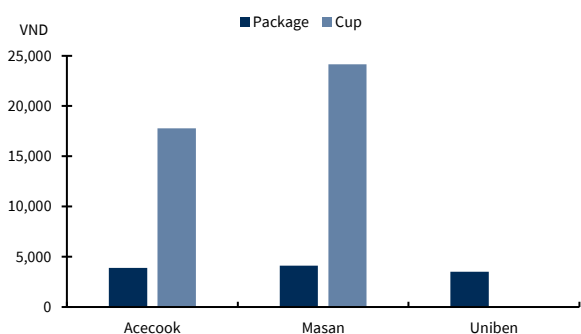
Fig 28. Vietnam – Market share of instant noodles producers (%)

The instant noodle market is now dominated by four giants, Acecook Vietnam, Masan, Uniben, and Asia Food, representing more than 70% of the market share. Over the past few years, Acecook Vietnam (Hao Hao noodle) has maintained a relatively stable growth rate. However, MSN has also made significant progress when taking advantage of its retail chains. As a result, Acecook Vietnam now accounts for only one-third of the market share of the whole industry (vs. 50% before 2010). We forecast that MCH will reach 25% of the market share of the whole industry by 2025 thanks to a large number of designs and models across plenty of segments.



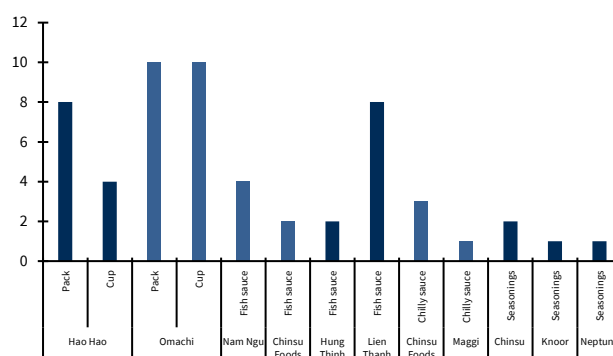
Source: KB Securities Vietnam

Fig 29. Vietnam – Prices of instant noodles among producers (VND)



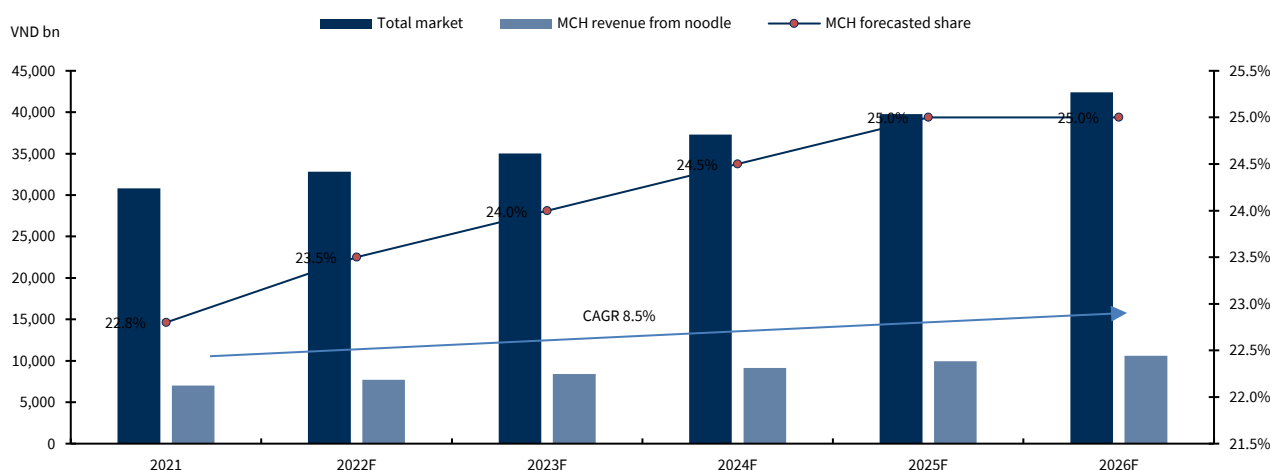
Source: KB Securities Vietnam

Fig 30. Vietnam – Number of products by MCH & competitors



Source: KB Securities Vietnam

Fig 31. MCH – 2021A-2026E revenue and market share of MCH (VNDbn, %)



Source: Masan Group, KB Securities Vietnam

However, in 2022, we assess MCH's main business segments will not maintain high gross profit margins as in the same period last year, given surging input material costs.

Table 3. MSN – Decreasing gross margins due to pressure from input materials

Product	2021A	2022F	+/- %YoY
Food	42.6%	42.0%	-0.6%
Drink	46.5%	46.0%	-0.5%
HPC	25.1%	25.0%	-0.1%
Blended GPM	42.5%	42.1%	-0.4%

Source: KB Securities Vietnam

WCM's operational efficiency continues to improve, contributing to increased profit margin

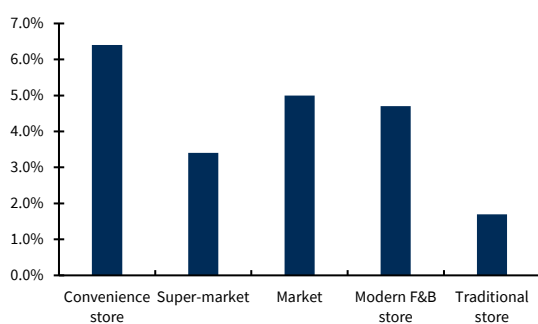
We believe that WCM's revenue and profit margin will continue to increase in the coming period. In terms of revenue, the application of AI and ML from the strategic partner Trusting Social will help WCM optimize new store opening in crucial locations, meeting the needs of consumers. With 200 new stores since the beginning of 2022, the BOD's plan to open 1,000 minimarkets in 2022 is feasible.

Besides, WCM's profit margin would keep rising since the EBITDA margin reached 2.2% in 1Q22 (up 40bps YoY) thanks to: (1) successful negotiation with suppliers; (2) the expansion of the mini-mall format integrating small kiosks in the WinMart+ supermarkets; and (3) logistics costs optimization via increasing the proportion of goods through the distribution center (DC) of WCM.

The shift to modern channels is the main growth driver for WCM in the long term

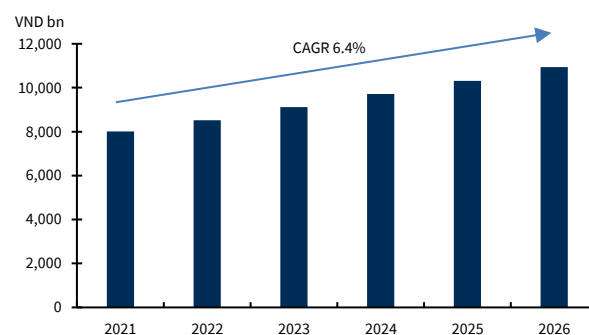
In the long term, WCM may benefit from: (1) the shift from traditional channels (fresh markets) to modern ones such as convenience stores and grocery stores; and (2) lots of room left for growth given low penetration compared to other countries in the region.

Fig 32. Vietnam – 2021A–2026F CAGR across channels (%)



Source: KB Securities Vietnam

Fig 33. Vietnam – 2021A–2026F revenue of convenience store (VNDbn)



Source: KB Securities Vietnam

MSR's key businesses should be driven by stable demand and high selling prices

We believe that **MSR's Tungsten sales will bring positive results**, supported by: (1) The demand for tungsten in heavy industry is increasing, especially in national defense, energy, and petrochemical sectors in the new normal following the economic reopening. These three sectors use up to 21% of global Tungsten production; and (2) China, the largest Tungsten producer in the world, has only partially abandoned its Zero-Covid policy, thus affecting Tungsten production and transportation in this country.

Global Tungsten reserves are approximately 3.7 million metric tons, with about 30% of Tungsten waste recycled thanks to its large tungsten proportion, even more than in tungsten ore. It, therefore, boosted the tungsten recycling market. Currently, Asia Pacific is the largest supplier and consumer of tungsten worldwide. The tungsten market is currently quite fragmented, focusing mainly on enterprises in China, which is also the leading consumer. Market Watch predicted that the total tungsten market would grow with a CAGR of 7.1% during 2022F–2028F.

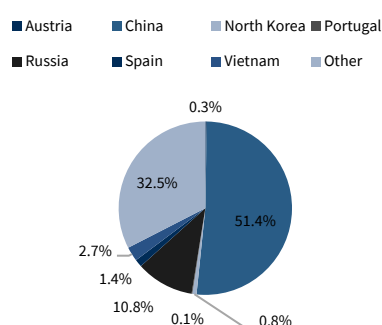
For 2022–2026, we forecast MSR's NPATMI to grow at a CAGR of 13.5% for the following reasons: (1) high selling prices of key products such as tungsten and fluorspar; and (2) ever-growing demand for these two products thanks to their applicability in many fields.

Table 4. MSR – Prices of some products

Average price	Unit	Avg 1Q2022	Avg 1Q2021	+/- %YoY
APT Europe low price	USD/mtu	337	252	33%
Bismuth low price	USD/lb	3.9	3.2	22%
Cooper price	USD/t	9,983	8,522	17%
Fluorite acid	USD/t	439	423	4%
Coban	USD/lb	33.2	20.5	62%

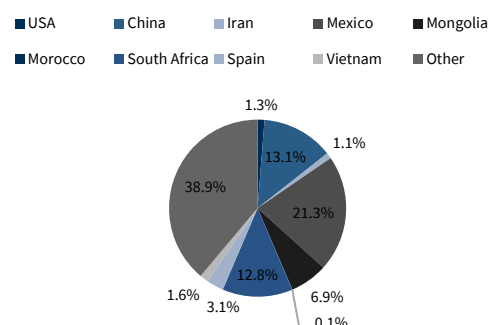
Source: Masan High-Tech Materials, KB Securities Vietnam

Fig 34. Global – Tungsten reserves



Source: USGS

Fig 35. Global – Fluorspar reserves



Source: USGS

Forecast & Valuation

2022–2023F business results

In 2022, we forecast MSN's NPAT of VND6,107 billion (-40% YoY, excluding MNS Feed segment) and net sales of VND88,274 billion (-0.4% YoY). In 2023, these figures should rise to VND7,755 billion (+27% YoY) and VND97,425 billion (+10.4% YoY)

We recommend BUY for MSN stock with a target price of VND165,900/share

Based on the sum-of-the-parts (SOTP) valuation method for MSN's subsidiaries, we recommend BUY for MSN stock with a target price of VND165,900/share (Table 4), 49.5% higher than the closing price on July 26, 2022.

For MCH, we use the discounted cash flow (DCF) method with the following assumptions: beta (0.25), risk-free return (5.5%), risk premium (8.0%), perpetual growth (1.5%). Accordingly, we value the MCH's equity at VND140,800 billion.

For WCM, we use the price-to-sales (P/S) method and keep a 1.8x P/S as the SK Group used USD410 million to buy 16.26% stake in WCM. We value WCM's equity at VND61,182 billion with 2022F revenue of VND33,990 billion.

For MSR, we combine two methods DCF and EV/EBITDA with a weight of 50–50 and the following assumptions: beta (1.1), risk-free return (5.5%), risk premium (8.0%), perpetual growth (2.0%).

For TCB, we utilize our previous forecast as of May 9, 2022 (TCB).

Table 5. MSN – SOTP valuation method

Subsidiaries	Method	Equity value (VND Bn)	MSN interest	Equity value to MSN
The CrownX		201,982	84.9%	171,483
MCH	DCF	140,800		
WCM	P/S	61,182		
MML	Market price	21,254	87.9%	18,682
MSR	DCF & EV/EBITDA	21,831	86.4%	18,862
Phuc Long Heritage	Deal value	8,161	51.0%	4,162
TCB	KBSV's forecast	228,209	21.5%	49,065
Total asset of Masan				262,254
Debt of parent company				-27,233
Equity value MSN				235,021
Outstanding shares				1,416,641,576
Fair price (VND)				165,900

Source: KB Securities Vietnam

Risks

Risk of fierce competition in the consumer goods industry of MCH

Despite MCH's high market share in many categories such as spices, instant noodles, and instant coffee, its competitors are constantly introducing many new products to consumers, putting enormous pressure on MCH. In case of fierce competition, consumer goods companies can gain market share by decreasing selling prices, which can cause profit margin to decline. Furthermore, MCH also faces the risk of product launch failures or defective/damaged products that seriously affect the brand.

Risk of waning demand for consumer goods as a result of surging inflation

In the context of intensified inflation pressures, the prices of raw materials and key consumer goods tend to increase, which can cause the shrinking consumption of MCH's products. Moreover, MCH may encounter many challenges when focusing on high-end products if inflation does not show signs of cooling down.

Risk of commodity price fluctuations, affecting MSR's business results

In 2021, MSR's business results were underpinned by soaring prices of products such as tungsten and fluorspar. MSR will benefit from surging prices of these products in the medium and long term. However, China, the world's largest supplier and consumer of these products is progressively relaxing social distancing measures, which can lead to fluctuations in global commodity prices, including minerals that MSR is exploring.

MSN – 2020A–2023E financials

Income statement (VNDbn)	2020A	2021A	2022E	2023E
Net sales	77,216	88,629	88,274	97,425
Cost of sales	(59,329)	(66,494)	(64,884)	(70,480)
Gross Profit	17,889	22,135	24,090	26,945
Financial income	1,431	6,800	679	496
Financial expenses	(4,557)	(5,707)	(6,016)	(6,192)
of which: interest expenses	(3,770)	(4,669)	(6,009)	(6,191)
Gain/(loss) from joint ventures	2,640	3,897	4,748	5,971
Selling expenses	(13,166)	(11,786)	(11,739)	(12,956)
General & admin expenses	(3,041)	(4,065)	(4,049)	(4,468)
Operating profit/(loss)	1,196	11,273	7,714	9,795
Net other income/(expenses)	1,129	216	0	0
Pretax profit/(loss)	2,325	11,489	7,714	9,795
Income tax	(930)	(1,387)	(1,607)	(2,040)
Net profit/(loss)	1,395	10,101	6,107	7,755
Minority interests	161	1,538	1,538	1,538
Net profit after MI	1,234	8,563	4,568	6,216

Operating ratios (%)	2020A	2021A	2022E	2023E
Revenue growth	107%	15%	0%	10%
EBIT growth	-32%	165%	-15%	16%
EBITDA growth	-64%	167%	-15%	17%
NP after MI growth	-78%	594%	-47%	36%
Gross profit margin	23%	25%	27%	28%
EBITDA margin	8%	18%	15%	16%
EBIT margin	8%	18%	16%	16%
Pre-tax profit margin	8%	18%	16%	16%
Net profit margin	2%	10%	5%	6%

Cash flow (VNDbn)	2020A	2021A	2022E	2023E
Net profit	2,325	11,489	7,714	9,795
Plus: depreciation & amort	3,242	4,632	(63)	(71)
Plus: investing (profit)/loss	(3,236)	(10,025)	(10,025)	(10,025)
Change in working capital	(7)	(3,316)	2,274	914
(Inc)/dec - receivables	176	(801)	437	(906)
(Inc)/dec - inventory	(1,117)	(2,233)	1,110	(3,541)
(Inc)/dec - other curr assets	0	0	0	0
Inc/(dec) - payables	12	(655)	(1,945)	4,374
Inc/(dec) - advances	449	373	2,672	987
Inc/(dec) - other curr liab	0	0	0	0
Other adj for operations	0	0	0	0
Operating cash flow	1,351	1,144	(2,391)	(1,830)
ST investments	0	0	0	0
Capital expenditures	(3,678)	(2,805)	7,390	7,360
Investment properties	0	0	0	0
Investment in subsidiaries	(27,213)	(5,261)	0	0
Other assets	0	0	0	0
Other adj for investments	(2,866)	14,412	(2,881)	(3,069)
Investing cash flow	(33,757)	6,346	4,509	4,292
Issuance/(repayment) of debt	87,379	60,086	66,540	71,777
ST debt	(55,031)	(57,115)	(70,023)	(75,396)
Other liabilities	(1)	(20)	0	0
Issuance/(retirement) of equity	2,386	17,364	0	0
Dividends paid	(1,402)	(3,442)	(4,746)	(4,746)
Other adj for financing	0	(9,777)	0	0
Financing cash flow	33,331	7,096	(8,228)	(8,364)
Net increase in cash & equivalents	925	14,586	(6,110)	(5,902)
Cash & equivalents - beginning	6,801	7,721	22,305	16,195
Cash & equivalents - ending	7,721	22,305	16,195	10,292

Balance sheet (VNDbn)	2020A	2021A	2022E	2023E
Total assets	115,737	126,093	130,271	137,058
Current assets	29,761	43,630	37,568	36,584
Cash & equivalents	7,721	22,305	16,195	10,292
ST investments	447	333	331	366
Accounts receivable	2,062	2,480	2,044	2,949
Inventory	12,730	12,948	11,838	15,380
Other current assets	6,800	5,564	7,160	7,597
Long-term assets	85,976	82,463	92,703	100,474
LT trade receivables	1,592	1,878	0	0
Fixed assets	34,322	31,152	30,631	30,108
Investment properties	15	810	449	89
LT incomplete assets	2,275	2,022	4,328	6,874
LT investments	20,359	24,539	29,701	32,780
Goodwill	0	0	0	0
Other LT assets	27,392	21,853	27,593	30,624
Liabilities	90,706	83,757	88,069	94,070
Current liabilities	38,875	34,548	37,259	45,323
Trade accounts payable	6,833	7,970	6,025	10,400
Advances from customers	21	15	22	25
ST borrowings	22,545	18,806	21,434	24,334
Special reserves	0	0	0	0
Other current liabilities	9,476	7,757	9,777	10,564
Long-term liabilities	51,832	49,209	50,810	48,747
LT payables	0	0	0	0
LT borrowings	39,466	39,372	40,561	37,492
Other LT liabilities	12,366	9,837	10,249	11,255
Shareholders' equity	15,938	32,811	32,676	33,463
Paid-in capital	11,747	11,805	11,864	11,864
Share premium	11,084	11,084	11,084	11,084
Treasury stock	0	0	0	0
Undistributed earnings	2,182	18,796	18,116	18,903
Reserve & others	(8,564)	(8,388)	(8,388)	(8,388)
Minority interests	9,093	9,526	9,526	9,526
Total liabilities & equity	115,737	126,093	130,271	137,058

Key ratios (x, % VND)	2020A	2021A	2022E	2023E
Valuations				
P/E	84.3	23.5	26.4	20.8
P/E diluted	84.3	23.5	26.4	20.8
P/B	4.2	4.8	3.2	3.1
P/S	1.6	1.1	1.5	1.4
EV/EBITDA	14.8	11.4	13.2	11.7
EV/EBIT	26.0	14.7	13.1	11.6
EPS	1,054	7,269	4,311	5,474
DPS (annual, ordinary)	1,199	2,930	4,020	4,020
Dividend payout ratio (%)	45%	35%	35%	35%
Operating performance				
ROE	9%	41%	19%	23%
ROA	1%	8%	5%	6%
ROIC	2%	1%	6%	8%
Financial structure				
Total liab/equity	5.7	2.6	2.7	2.8
Current ratio (x)	0.8	1.3	1.0	0.8
Interest coverage (x)	1.6	3.5	2.3	2.6
Activity ratios				
Asset turnover	1.0	0.7	0.7	0.7
Receivables turnover	23.0	39.0	39.0	39.0
Inventory turnover	6.5	5.2	5.2	5.2
Payables turnover	10.0	9.0	9.0	9.0

Source: Masan Group, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh
Head of Research
binhnx@kbsec.com.vn

Equity

Duong Duc Hieu
Head of Equity Research
hieudd@kbsec.com.vn

Nguyen Anh Tung
Senior Analyst – Financials & Information Technology
tungna@kbsec.com.vn

Pham Hoang Bao Nga
Senior Analyst – Real Estate, Construction & Materials
ngaphb@kbsec.com.vn

Luong Ngoc Tuan Dung
Analyst – Retails & Consumers
dunglnt@kbsec.com.vn

Tieu Phan Thanh Quang
Analyst – Oil & Gas, Utilities
quangtpt@kbsec.com.vn

Nguyen Duc Huy
Analyst – Banks, Insurance & Securities
huynd1@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh
Head of Macro & Strategy
anhtd@kbsec.com.vn

Le Hanh Quyen
Analyst – Macroeconomics & Banks
quyenlh@kbsec.com.vn

Thai Huu Cong
Analyst – Strategy, Chemicals
congth@kbsec.com.vn

Tran Thi Phuong Anh
Analyst – Strategy, Fishery & Textiles
anhttp@kbsec.com.vn

Support team

Nguyen Cam Tho
Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong
Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

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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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