

3 Aug 2022

Masan Group (MSN)

12M rating **HOLD (Maintain)**

AM Brief: Maintaining strong expansion in 2H22

Weak consumer sentiment was susceptible to 2Q22 topline

On 02 August, we joined Masan Group's analyst meeting to update more details on 2Q22 business result. MSN posted VND17,834bn revenue (-16.0% yoy) and VND918bn NPAT-MI (+24.0% yoy) in 2Q22, EBITDA margin was improved by 3.1%p to 20.7%, which are driven by:

- **Masan Consumer (MCH)** revenue declined slightly by 1.3% to VND5,907bn in 2Q22 due to slipped revenue of Seasonings (-2.6% yoy) and Convenience foods (-17.4% yoy) in 2Q22. 2Q22 EBITDA margin decreased 30bps, mainly due to the higher logistic costs and sale expenses.
- **Masan MEATLife (MML)** reached VND1,010bn revenue (-81.7% yoy) since the deconsolidation of the feed segment in late 2021 and lower selling pork prices. Excluding fed segments, MML revenue would decrease 6.7% yoy while EBITDA was VND-21bn, impacted significantly by increased feed price and logistic cost.
- **WinCommerce (WCM)** posted revenue of VND7,008bn (-3.0% yoy), driven by 1) high base in 2Q21 due to the high demand during the lockdown period from May 2021 and 2) the 2Q22 weaker demand impacted by inflation pressure making the alternatives at the wet market. 2Q22 EBITDA margin was flattened vs 2Q21 due to mainly aggressive store expansion with 301 new stores in 1H22 (vs 73 in 1H21) and 2) rent and salary (as a percentage of sales) increased yoy in 2Q22.
- **Masan High-Tech Materials (MHT)** revenue reached VND4,194bn (+33.4% yoy), assisted by higher selling prices and demand for the commodities. The EBITDA margin declined 0.3%p to 22.5% due to the rising energy price.

MSN recorded VND36,023bn revenue (-12.6% yoy) and VND2,577bn NPAT-MI (+163.3% yoy) in 1H22, fulfilling of 38%/47% of 2022 guidance. Excluding the feed segment, the revenue of MSN would record an increase of 9.1% yoy and 6.3% yoy in 1H22 and 2Q22, respectively.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	37,621	38,188	37,354	77,218	88,629
chg. (% YoY)	(13.1)	1.5	(2.2)	106.7	14.8
Operating profit (VND bn)	4,429	5,552	4,843	1,682	6,283
Net profit (VND bn)	3,103	4,917	5,558	1,234	8,563
EPS (VND)	2,677	4,225	4,010	1,491	7,084
chg. (% YoY)	(26.3)	57.8	(5.1)	(62.8)	375.2
EBITDA (VND bn)	7,039	8,257	7,591	6,266	10,915
PE (x)	40.0	25.3	26.7	71.8	15.1
EV/EBITDA (x)	0.6	1.6	2.6	2.6	2.6
PB (x)	6.1	3.7	2.4	5.0	3.0
ROE (%)	17.8	20.7	14.8	3.6	30.0
Dividend yield (%)	2.2	1.0	0.3	1.1	2.7

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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Stock Data

VNIndex (03 Aug, pt)	1,240
Stock price (03 Aug, VND)	107,000
Market cap (USD mn)	6,518
Shares outstanding (mn)	1,424
52-Week high/low (VND)	142,287/89,541
6M avg. daily turnover (USD mn)	5.12
Free float / Foreign ownership (%)	45.4/28.8
Major shareholders (%)	
Masan Joint Stock Company	31.50
Sunflower Construction Co., Ltd	13.35
SK Investment Vina I Pte. Ltd.	9.31

Performance

	1M	6M	12M
Absolute (%)	(1.6)	(9.5)	(6.0)
Relative to VNIndex (%p)	(5.4)	5.9	(0.4)

Stock price trend



Source: Bloomberg

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Key 2H22F initiatives

Amid the challenging consumer environment, Masan Group will focus on fulfilling the 2022 target by:

- **Wincommerce:** open 700+ WinMart+ stores (WMP), 40+ WinMart (WMT), and 100+ franchise stores. Per management, the new opened stores have higher sales as strategic locations. WCM will continue to negotiate with suppliers to improve its margins. They also roll out 30 pilot mini mall stores and a membership program to set foundation for new growth engine.
- **Phuc Long:** opening 45 flagship stores while rolling out a new menu across 449 kiosks to grow 150% revenue /day/kiosks.
- **Masan MEATLife:** reducing the price gap of branded pork with wet market to increase sale volume. Also, MML will expand its distribution network outside WCM.
- **Masan High-Tech Materials:** Continue exploring international and domestic options to sell cooper inventory. They will reduce HCS inventory level from 4,100 tonnes to 475 tonnes.

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