

31 Oct 2022

Masan Group (MSN)

12M rating **HOLD (Maintain)**

Earnings drop strongly yoy in 3Q22

By Oct 28th, Masan Group (MSN) released the IR earnings release for 3Q22. Here are some noticeable updates.

EBITDA margin of WCM and MML improved qoq

MSN posted VND19,523bn revenue (-17.3% yoy) and VND543bn NPAT-MI (-52.7% yoy) in 3Q22, and EBITDA margin was subdued by 2.1%p to 17.9%. Excluding the feed segment for a like-for-like (LFL) comparison, MSN recorded VND55.5tn revenue (+4.8% yoy) and VND3.1tn NPAT-MI (+47% yoy) in 9M22, fulfilling 58%/53% of 2022 guidance, 9M22 EBITDA margin reached 19.5% (vs 19.2% in 9M21).

- **Masan Consumer (MCH)** achieved VND19.7tn in revenue (+5.4% yoy) and VND4.5tn in EBITDA (-2.3% yoy) in 9M22. In 3Q22, MCH decreased slightly yoy in gross margin to 39.1% due to inflationary pressures. MCH delivered top-line growth by 24.3% qoq in 3Q22, showing a strong momentum heading into the Tet holiday for 4Q22. In Which, Seasonings and Convenience Foods recorded strong growth momentum, up 34% qoq and 46.3% qoq, respectively.
- **WinCommerce (WCM)**: Revenue was up 8.1% and 17.8% yoy in 9M22 and 3Q2022, respectively, and up 8.9% qoq. WCM opened 176 and 477 new WinMart+ (minimarket) stores in 3Q22 and 9M22, respectively, totaling 3,049 WinMart+ locations. In terms of the number of minimarkets and convenience stores, WinMart+ has increased its market share from 40% in 2021 to 48% in 3Q22, 128 WinMart (supermarket) stores were operational by the end of 3Q22. Despite a significant number of new store openings, WCM improved profitability with an EBITDA margin of 3.3% in 3Q22 compared to 2.2% in 2Q22 due to improved new stores' performance and higher traffic at existing stores. WCM's EBITDA increased by 66.2% qoq to VND251bn.
- **Masan MEATLife (MML)** On an LFL basis, which excludes the feed business in 2021, MML's 3Q22 revenue increased 2.3% yoy, and 27.9% qoq driven by a 53.8%/35.2%/15.8% qoq increase in pig farm, branded pork, and chicken, respectively. In 3Q22, MML delivered positive EBITDA for the first time in 2022 thanks to improved gross margins of farm and chicken businesses. Pig farm's gross margin and EBITDA margin in 3Q22 recorded 33.9% and 41.2%, a significant improvement from 23.8% and 35.6% in 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)	31.4	19.9	20.9	56.4	11.9
EV/EBITDA (x)	0.6	1.6	2.6	2.6	2.6
PB (x)	4.8	2.9	1.9	3.9	2.3
ROE (%)	17.8	20.7	14.8	3.6	30.0
Dividend yield (%)	2.8	1.3	0.4	1.4	3.5

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

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Stock Data

VNIndex (31 Oct, pt)	1,020
Stock price (31 Oct, VND)	84,000
Market cap (USD mn)	4,813
Shares outstanding (mn)	1,424
52-Week high/low (VND)	142,287/72,800
6M avg. daily turnover (USD mn)	3.87
Free float / Foreign ownership (%)	45.4/29.4
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 (%)	(15.2)	(27.0)	(32.6)
Relative to VNIndex (%p)	(5.4)	(2.5)	(4.3)

Stock price trend



Source: Bloomberg

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- **Masan High-Tech Materials (MHT)** Driven by rising commodity prices and strong demand, MHT delivered revenue of VND11.7tn in 9M22, up 21.3% yoy, EBITDA of VND2.5 tn, up 36.3% yoy.

Key 4Q22F initiatives to ramp up the earnings growth

Amid the weaker consumer environment, Masan Group Masan expects to deliver VND75 - 80 tn in revenue and VND4.8 – 5.5 bn in NPAT Pre-MI for 2022F. The updated guidance is lower than MSN's FY guidance at the beginning of the year. And Masan will focus on the below initiatives for Q422F:

- **Wincommerce (WCM):** Open 300+ new stores in 4Q22. Continue to optimize total commercial margin, product assortment, and operating costs to protect profitability. Roll out 50 - 70 WIN stores and as well as finalize benefits scheme with Trusting Social and Techcombank to roll out financial products within WIN and WinMart+. Launch 23 private-label SKUs with lower prices and higher TCM.
- **MCH:** Focus R&D efforts on a few key categories such as seasonings and convenience foods. Increase efforts for the Tet holiday sales season.
- **Phuc Long:** Open 30 flagship stores to generate revenue and profit growth. Build operation system and processes to set the foundation for hyper-scaling in FY2023.
- **Masan MEATLife:** A key value item within WIN membership to reduce the price gap with the wet market. Continue to expand the distribution network outside of WCM.
- **Masan High-Tech Materials:** Focus on cost and cash flow optimization, exploring international and domestic options to sell copper inventory.

Table 1. 3Q22 earnings

	3Q21	4Q21	1Q22	2Q22	3Q22	% qoq	% yoy
Sales	23,605	23,828	18,189	17,834	19,523	9.5	(17.3)
Gross profit	6,096	6,877	5,089	4,967	5,424	9.2	(11.0)
GP margin	25.8	28.9	28.0	27.9	27.8	(0.1)	2.0
Operating profit	1,843	2,487	1,124	1,009	1,155	(54.8)	(37.3)
OP margin	7.8	10.4	6.2	5.7	5.9	0.3	(1.9)
EBT	1,863	7,997	2,074	1,261	909	(27.9)	(51.2)
NP	1,147	6,437	1,596	981	543	(44.6)	(52.7)

Source: Company data, KIS Research

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