

MML (UPCOM) MEATDeli to play a key role

F&B First trading on 09 December 2019

Reference Price (VND) 80,000

Masan MEATLife lists its common shares on UPCoM on 09 December 2019 with the ticker MML and the reference price of of the first trading date of VND80,000. With 324.3mn listed shares, total market capitalization is more than USD1.1bn.



Animal feed to stay on top

As African swine fever is passing by, pork feed revenue is observing a recovery. Backed by strong double-digit growth in poultry and aqua feed, Masan MEATLife plans to reach EBITDA of USD65mn in 2019. Net income is also planned to be higher compared to last fiscal year.

- A subsidiary of Masan Group (MSN: HOSE).
- Specializes in meat business and animal feed business.
- One of the two largest players in animal feed market, ranging from pig feed, poultry feed to aqua feed.

As being announced in the strategy for period of 2020-2022 which is based on prospect of seafood industry and “Big Farm Feed” program, Masan MEATLife targets to maintain No.1 position in domestic animal feed market with 20% market share. EBITDA of animal feed segment is planned to reach USD100mn in 2022, equivalent to the 3-year annual growth rate of 15.4%.

MEATDeli pork to blossom

Masan MEATLife launched MEATDeli pork in late 2018. This line of product has showed the first success when receiving positive response from customers.

In 2019, Masan MEATLife expects to record pork revenue of at least VND307bn. In which, 4Q2019 will see an acceleration thanks to the expansion of MT stores (Co.opmart & VinMart) in Hanoi and Ho Chi Minh by the year-end.

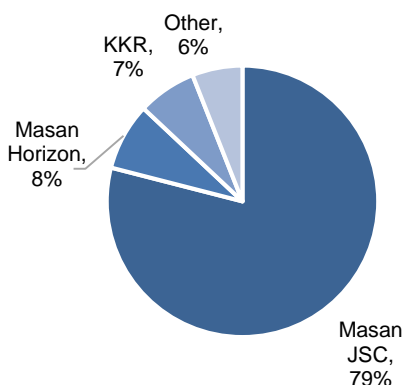
On the path to 2022, Masan MEATLife targets to gain 10% market share of domestic pork market and MEATDeli pork will reach at least USD1bn revenue, accounting for approximately 60% total revenue of Masan MEATLife. In our view, the key drivers include:

**(1) Masan MEATLife’s integrated production chain to provide high-quality pork to customers.** Masan MEATLife is the only pork producer in Vietnam, which owns pig farms and EU-standard processing chain. The integration of disease-free pig farm, disease-free slaughtering and cold-chain distribution makes MEATDeli pork more delicious, softer and safer for consumers.

**(2) Masan MEATLife plans to build nationwide distribution network to promote pork sales.** Masan MEATLife expects to have 550 points of sales (45 MEATDeli stores, 130 MT stores and 375 franchise stores) in Ha Noi and Ho Chi Minh by the end of 2019. Distribution expansion can be faster in 2020 thanks to the merger of Masan Consumers Holding (MCH) with VinCommerce and VinEco.

**(3) New pork processing plant will operate in the middle of 2020.** Masan MEATLife is operating Ha Nam Meat plant in Northern Vietnam with capacity of 140,000 tons of input pig per year. New plant in Long An Province, which starts to operate in the middle of 2020, will support revenue growth for MEATDeli pork.

Ownership 04-Dec-19



Source: Fiinpro, KIS

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FINANCIALS MODEL		
Unit: VNDbn.	2017	2018
<b>Net Revenue</b>	<b>18,690</b>	<b>13,977</b>
Sales growth (%)		-25.2%
<b>COGS</b>	<b>14,699</b>	<b>11,880</b>
Gross margin (%)	21.4%	15.0%
SG&A	2,721	1,542
EBITDA	<b>1,860</b>	<b>1,173</b>
EBITDA margin (%)	10%	8.4%
Depr'n & Amort'n	590	618
<b>Operating profit</b>	<b>1,270</b>	<b>554</b>
Operating margin (%)	6.8%	4%
Net interest expenses	231	340
As % of avg. net debt	6.6%	17.3%
Interest cover (x)	5	2
Other profit/loss	-83	122
Tax	159	104
Effective tax rate (%)	16.7%	30.9%
<b>Net profit</b>	<b>797</b>	<b>232</b>
Net margin (%)	4.3%	1.7%
Minorities	168	137
<b>Net attributable profit</b>	<b>629</b>	<b>96</b>
Number of shares (m)	216	216
<b>EPS (VND, bonus-adjusted)</b>	<b>2,909</b>	<b>442</b>
EPS growth (%)		-84.8%
DPS (VND)	6,391	6,391
Payout ratio (%)	220%	1,446%

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)- SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss

Payout ratio = Dividend paid / Net attributable profit

BS & CF ITEMS (VNDbn)	2017	2018
Receivable turnover (x)	25.9	20.0
Inventory turnover (x)	6.8	6.0
Payable turnover (x)	6.0	4.8
Increase in WC	-4,113	-1,616
Capex	654	1076
Other cash flow items	3,085	1,471
<b>Free cash flow</b>	<b>1,761</b>	<b>-80</b>
Share issues	3,364	0
Dividends paid	1382	554
Increase in net debt	-3,743	634
<b>Net debt, end of year</b>	<b>1,652</b>	<b>2,285</b>
Enterprise value	17,502	16,982
<b>Total equity</b>	<b>8,543</b>	<b>8,221</b>
Minority interests	1,857	1,970
<b>Shareholder's equity</b>	<b>6,686</b>	<b>6,252</b>
BVPS (VND, bonus-adjusted)	30,924	28,913
Net debt / equity (%)	19%	28%
Net debt / EBITDA (x)	0.9	1.9
<b>Total assets</b>	<b>14621</b>	<b>14299</b>

Net debt = debts – cash & equivalent

Key ratios & Valuation	2017	2018
ROE (%) (excl minority interest)	9.4%	1.5%
ROA (%)	5.5%	5.5%
ROIC (%)	9.6%	9.6%
WACC (%)	13.4%	13.4%
PER (x)	27.5	181
PBR (x)	2.6	2.8
PSR (x)	0.9	1.2
EV/EBITDA (x)	9.4	14.5
EV/Sales (x)	0.9	1.2
Dividend yield (%) (bonus-adjusted)	8%	8%

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## Recommendation System

**OVERWEIGHT:** where we believe prospective 12 months VND total return (including dividends) will be 15% or more.

**NEUTRAL:** where we believe it will be -5% to 15%.

**UNDERWEIGHT:** where we believe it will be -5% or less.

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