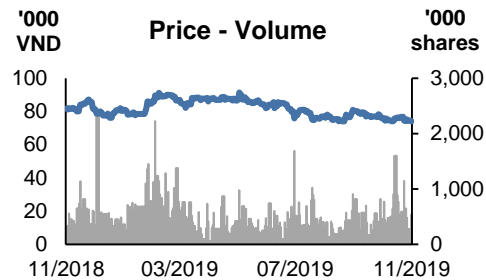


MSN (HOSE) Beating Jacobs saves the game

Rating NEUTRAL

Diversified

Market price (VND)	73,600
1-Y target price (VND)	73,000
1-Y price return (%)	-1%
1-Y dividend yield (%)	0%
1-Y total return (%)	-1%



Stock performance (%)

	YTD	1M	3M	12M
Absolute	-5%	-3%	-3%	-10%
Relative	-19%	-5%	-6%	-21%

Source: Bloomberg, compare to VNI

Stock Statistics 20-Nov-19

52-week range (VND)	73.6k-91.3k
Shares o/s (m)	1,169
Mkt cap (VNDbn)	86,034
Mkt cap (USDmn)	3,708
% Foreign owned	39.9%
Est. free float (ml. shares)	301.1
3m avg. daily vol. (shares)	465,721
VND/USD	23,199
Index: VN-Index/HNX	1,001/105

Source: Bloomberg, KIS

Ownership 20-Nov-19

Masan Jsc	31.2%
Sunflower Construction Co Ltd	12.2%
Sk Investment Vina Pte Ltd	9.4%
Ardolis Inv Pte Ltd	5.6%

Source: Bloomberg, KIS

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3Q2019 hit by Tungsten

In 3Q2019, Masan Group recorded consolidated net revenue of VND8,968bn, decreasing 2.2% YoY. Particularly, MCH and MML recorded net revenue of VND4,610bn and VND3,363bn, increasing 5.2% YoY and 0.6% YoY, respectively. MSR recorded net revenue of VND996bn, decreasing 31.3% YoY.

Because of lower Tungsten selling price (-19% YoY) and high fixed expenses, MSR recorded operating loss of VND35bn in 3Q2019. Weak performance of MSR was the main reason decelerating Masan Group's EBIT, which decreased 35.4% YoY to VND896bn.

As being the winner of international arbitration settlement with Jacobs, Masan Group recorded other income of VND1,213bn, boosting up consolidated net income to VND2,424bn in 3Q2019 (+164% YoY).

In aggregate 9M2019, Masan Group recorded VND26,378bn net revenue and VND4,616bn net profit, decreasing 1% YoY and increasing 6.5% YoY, respectively.

MCH - Premiumization leads the growth

MCH's revenue structure has shown the strong growth rate of premium products. Processed meat (+102% YoY), energy drink (+30% YoY), premium instant noodle (+15% YoY) and full-meal noodle (+60% YoY) were the highest growing segments in 9M2019.

We expect that premiumization in consumer sector continues to lead MCH's growth. We estimate MCH will record revenue of VND5,650bn in 4Q2019, increasing 4% YoY. In which, processed meat (+97% YoY) and energy drink (+35% YoY) remain as key growth drivers.

MML - Meat revenue to accelerate in 4Q2019

After the recovery of Ha Nam Meat facility's utilization in 3Q2019, meat revenue recorded VND69bn, increasing 306% QoQ. In 4Q2019, we expect an acceleration of pork revenue thanks to the expansion of store-in-store channel (Co.opmart & VinMart) in Hanoi and Ho Chi Minh by the end of 2019. We estimate meat revenue can reach VND194bn in 4Q2019 (+182% QoQ) and VND301bn for the entire 2019.

2020 to see strong supports from premium products and pork

In 2020 fiscal year, we project that Masan Group can record consolidated revenue of VND42,704bn, increasing 11.6% YoY. Assuming the strong growths of premium products and pork, revenue of MCH and MML can reach VND20,122bn and VND17,078bn, increasing 10.3% YoY and 21% YoY, respectively. Without extraordinary profit like 2019, we estimate 2020 earnings to be almost flat at VND5,616bn. Each MSN share can earn VND4,182, growing 2.1% YoY.

Recommendation

Despite of outlook of innovation products, we believe that much of the prospects have already been reflected at 17.6 times P/E forward 2020E. Using sum-of-the-parts valuation, we value MSN share at **VND73,000** by the end of 2020. Total expected return is -1% at the market price of VND73,600. **NEUTRAL**.

Earnings projection

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19E	2018	2019E	2020E
Sales	8,274	9,184	9,171	11,558	8,160	9,250	8,968	11,887	38,188	38,265	42,704
Consumer	3,586	3,940	4,381	5,439	3,780	4,199	4,610	5,650	17,346	18,239	20,122
Meat value chain	3,201	3,492	3,341	3,942	3,192	3,549	3,363	4,022	13,977	14,126	17,078
Resources	1,487	1,752	1,449	2,177	1,188	1,501	996	2,215	6,865	5,900	5,505
Sales YoY Growth %	-3.1%	-3.1%	-2.8%	13.7%	-1.4%	0.7%	-2.2%	2.8%	1.5%	0.2%	11.6%
Gross profit	2,762	2,808	2,774	3,539	2,463	2,667	2,432	3,454	11,881	11,016	12,140
Growth (%)	11.8%	-2%	-4.5%	4.3%	-10.8%	-5.0%	-12.3%	-2.4%	2%	-7.3%	10.2%
Margin (%)	33.4%	30.6%	30.2%	30.6%	30.2%	28.8%	27.1%	29.1%	31.1%	28.8%	28.4%
Operating profit	1,353	1,310	1,388	1,502	1,160	1,225	896	1,721	5,552	5,003	5,427
Growth (%)	65.3%	64%	12.3%	-4.7%	-14.2%	-6.5%	-35.4%	14.6%	25.4%	-10%	8.5%
Margin (%)	16.3%	14.3%	15.1%	13.0%	14.2%	13.2%	10.0%	14.5%	14.5%	13.1%	12.7%
NPAT	1,180	1,238	1,161	1,341	1,016	1,145	815	1,528	4,998	4,504	4,886
Growth (%)	92.8%	115%	8.2%	-6.9%	-13.9%	-7.5%	-29.8%	13.9%	29.5%	-9.9%	8.5%
Margin (%)	14.3%	13.5%	12.7%	11.6%	12.5%	12.4%	9.1%	12.9%	13.1%	11.8%	11.4%

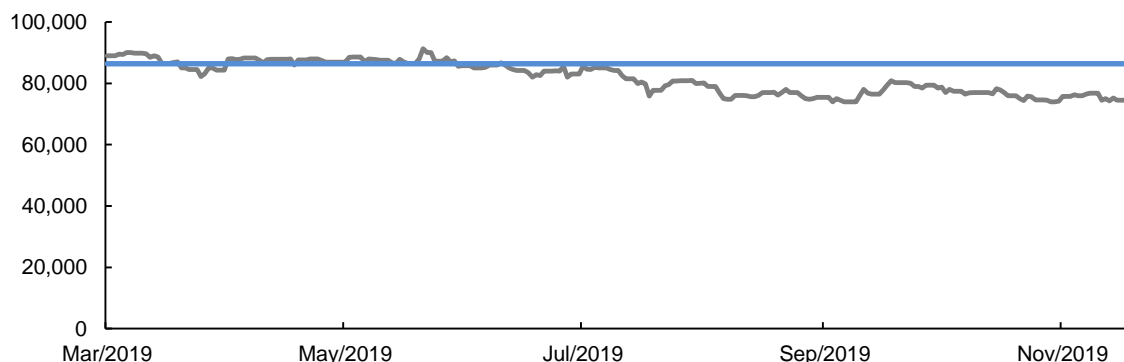
Source: KIS estimate

Valuation

Sum Of The Parts, VNDbn	2019E	2020E	Remarks
1) Consumer			EV/EBITDA method
EBITDA	4,196	4,629	
Consumer part value (A)	46,748	51,575	EV/EBITDA multiple = 13
2) Meat Value Chain			EV/EBITDA method
EBITDA	979	1,132	
Meat Value Chain part value (B)	8,701	10,065	EV/EBITDA multiple = 11
3) Resources			EV/EBITDA method
EBITDA	2,256	2,362	
Resources part value (C)	12,981	13,587	EV/EBITDA multiple = 6
4) Long-term investment value			
Techcombank	18,127	21,479	P/B multiple = 1.5
Other long-term investment	1,061	1,061	Market value
Total long-term investment part value (D)	19,188	22,540	
Total Enterprise Value (E) = (A) + (B) + (C) + (D)		97,768	Sum of the Parts
Consolidated Net Debt		12,347	
Equity Value		85,421	
Common outstanding shares (mn shares)		1,175	
Target Price		73,000	2020
<i>Annualized price return</i>		-1%	
<i>Expected dividend yield</i>		0%	
Total expected return		-1%	2020

Changes to recommendation and price target

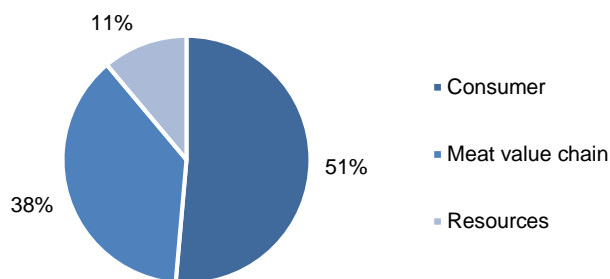
Company	Date	Recommendation	Price target (VND)	Consensus
MSN	01 Mar 2019	NEUTRAL	86,400	-4%
	19 Nov 2019	NEUTRAL	73,000	-1%



Source: Bloomberg, KIS

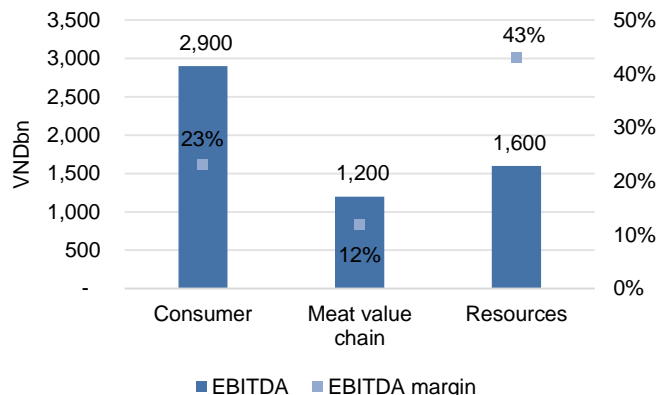
Appendix

Fig 01. MSN's revenue structure, 3Q2019



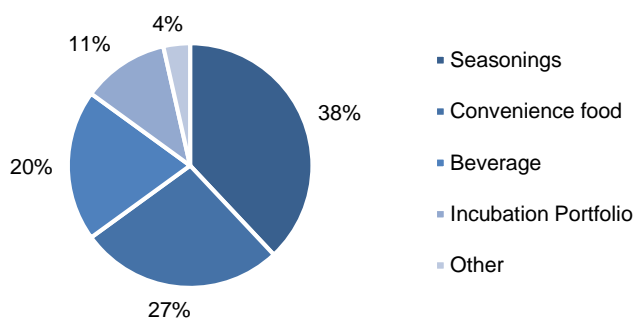
Source: MSN, KIS

Fig 02. MSN's EBITDA structure, 3Q2019



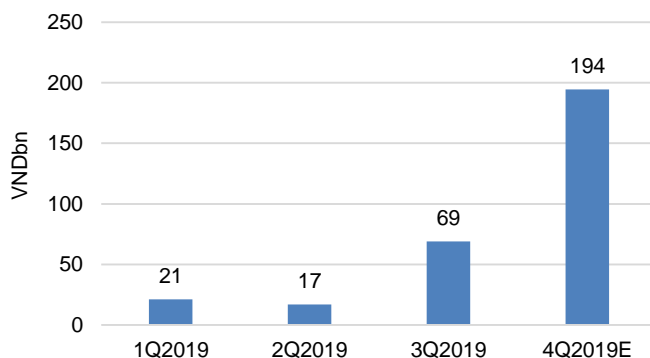
Source: MSN, KIS

Fig 03. MCH's revenue breakdown by product, 9M2019



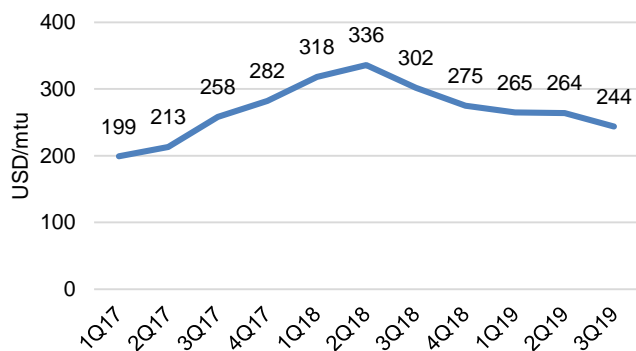
Source: MSN, KIS

Fig 04. MML's meat revenue, QoQ



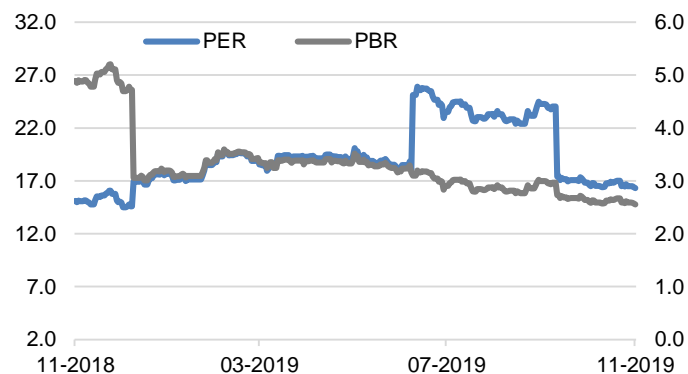
Source: MSN, KIS estimate

Fig 05. Tungsten price, 2018-2019



Source: MSN, KIS

Fig 06. MSN's historical PER and PBR



Source: Bloomberg, KIS

FINANCIAL MODEL						BS & CF ITEMS (VNDbn)					
Unit: VNDbn	2016	2017	2018	2019E	2020E	2016	2017	2018	2019E	2020E	
Net Revenue	43,297	37,621	38,188	38,265	42,704	<i>Receivable turnover (x)</i>	16.0	16.6	16.4	16.4	
<i>Sales growth (%)</i>	41.4%	-13.1%	1.5%	0.2%	11.6%	<i>Inventory turnover (x)</i>	4.1	3.3	3.5	3.5	
Consumer	14,826	13,526	17,345	18,239	20,122	<i>Payable turnover (x)</i>	2.9	2.6	3.1	3.1	
Meat value chain	24,422	18,690	13,977	14,126	17,078	Increase in WC	-11,265	1,897	377	668	
Resources	4,049	5,405	6,865	5,900	5,505	Capex	2,921	2,111	2,638	2,878	
COGS	30,367	25,989	26,306	27,249	30,564	Other cash flow items	29,067	3,578	5,230	3,019	
<i>Gross margin (%)</i>	29.9%	30.9%	31.1%	28.8%	28.4%	Free cash flow	-14,572	-1,368	82	1,810	
SG&A	6,907	7,203	6,330	6,065	6,764	Share issues	15,580	3,513	10,928	-	
EBITDA	8,402	7,039	8,257	7,903	8,595	Dividends paid	177	2,713	1,304	-	
<i>EBITDA margin (%)</i>	19.4%	18.7%	21.6%	20.7%	20.1%	Increase in net debt	-830	568	-9,705	-1,810	
Depr'n & Amort'n	2,379	2,611	2,705	2,900	3,168	Net debt, end of year	26,171	26,739	17,034	15,223	
Operating profit	6,023	4,429	5,552	5,003	5,427	Enterprise value	64,462	64,246	74,657	77,154	
<i>Operating margin (%)</i>	13.9%	11.8%	14.5%	13.1%	12.7%	Total equity	20,313	20,225	35,470	40,946	
Net interest expenses	2,401	3,090	2,575	1,998	1,816	Minority interests	5,036	5,388	6,093	6,780	
<i>As % of avg. net debt</i>	9.0%	11.7%	11.8%	12.4%	13.2%	Shareholder's equity	15,276	14,837	29,377	34,165	
Interest cover (x)	2.5	1.4	2.2	2.5	3.0	BVPS (VND, bonus-adjusted)	19,889	12,819	25,259	29,231	
Other profit/loss	825	2,800	3,267	3,077	2,627	<i>Net debt / equity (%)</i>	129%	132%	48%	37%	
<i>Income from affiliates</i>	980	2,044	1,914	1,982	2,336	<i>Net debt / EBITDA (x)</i>	3.1	3.8	2.1	1.9	
Tax	674	531	622	606	622	Total assets	73,039	63,529	65,973	69,638	
<i>Effective tax rate (%)</i>	15.2%	12.8%	10.0%	10.0%	10.0%	<i>Net debt = debts – cash & equivalent</i>					
Net profit	3,772	3,608	5,622	5,475	5,616	Key ratios & Valuation	2016	2017	2018	2019E	
<i>Net margin (%)</i>	8.7%	9.6%	14.7%	14.3%	13.2%	<i>ROE (%) (excl minority interest)</i>	17.5%	20.6%	22.2%	15.1%	
Minorities	981	505	705	687	704	<i>ROA (%)</i>	5.2%	5.7%	8.5%	7.9%	
Net attributable profit	2,791	3,103	4,916	4,789	4,912	<i>ROIC (%)</i>	11.2%	12.9%	15.4%	13.0%	
Number of shares (m)	768	1,157	1,163	1,169	1,175	<i>WACC (%)</i>	10.5%	11.6%	13.2%	13.6%	
EPS (VND, bonus-adjusted)	2,400	2,668	4,227	4,097	4,182	<i>PER (x)</i>	29.0	36.5	24.0	23.3	
<i>EPS growth (%)</i>	88.8%	11.1%	58.5%	-3.1%	2.1%	<i>PBR (x)</i>	3.7	5.7	2.9	2.5	
DPS (VND)	-	3,000	-	-	-	<i>PSR (x)</i>	2.0	2.3	2.2	2.2	
						<i>EV/EBITDA (x)</i>	7.7	9.1	9.0	9.8	
						<i>EV/Sales (x)</i>	1.5	1.7	2.0	2.0	
						<i>Dividend yield (%) (bonus-adjusted)</i>	-	4%	-	-	

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

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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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