

5 Apr 2021

Masan Group (MSN)

12M rating **Hold (Maintain)**

Masan Group's earnings to see strong recovery

- On Apr 02, Masan Group held 2021 AGM to update more details about business operation.
- In 2021, Masan Group (MSN) plans to reach VND92,000-102,000bn revenue (increasing 19-32% yoy) and VND2,550-4,000bn NPAT (increasing 83-187% yoy). Optimistic business guidance of Masan Group comes from brighter business results of all segments (Masan Consumer, Masan MEATLife, VinCommerce and Masan Resources).
- On the path to 2025, The CrownX (the combination entity of Masan Consumer and VinCommerce) targets to reach USD9bn revenue with 15% revenue contribution from online channel and USD0.5bn revenue from F&B store-in-store chain. Particularly, Masan Consumer and VinCommerce set USD3bn and USD6bn revenue target, coupled by 22% EBIT margin and over 6% EBIT margin, respectively.

Stock Data

VNIndex (05 Apr, pt)	1,236
Stock price (05 Apr, VND)	93,000
Market cap (USD mn)	5,172
Shares outstanding (mn)	1,175
52-Week high/low (VND)	97,000/48,766
6M avg. daily turnover (USD mn)	7.53
Free float / Foreign ownership (%)	38.4/32.5
Major shareholders (%)	
Masan JSC	31.4
Sun Flower Construction	13.2
GIC	10.7
SK Investment Vina	9.4

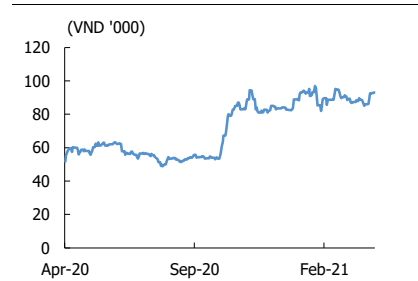
Performance

	1M	6M	12M
Absolute (%)	4.3	28.5	69.1
Relative to VNIndex (%p)	(1.5)	(5.0)	6.1

VinCommerce: Target to reach break-even point at EBIT level

- In 2021, VinCommerce plans to reach VND36,000-40,000bn revenue and open new 3,000 stores. Management board expects new opened stores can break even at EBITDA level after 06-month operation. Management board presents 05 strategic initiatives for VinCommerce in 2021:
 - Piloting and scaling profitable model for minimarts and supermarket
 - Building new assortment with focus on fresh and own brands
 - Enhancing commercial margin 2+ +% via partnership with suppliers and direct sourcing
 - Building new supply chain model, leveraging technology to automate and optimize
 - Fine-tuning store operations and enhancing staff performance

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A
Sales (VND bn)	37,621	38,188	37,354	77,218
chg. (% YoY)	(13.1)	1.5	(2.2)	107.0
Operating profit (VND bn)	4,429	5,552	4,843	1,682
Net profit (VND bn)	3,103	4,916	5,557	1,233
EPS (VND)	2,700	4,539	4,766	1,056
chg. (% YoY)	66.9	68.1	5.0	(78.0)
EBITDA (VND bn)	7,039	8,257	7,591	6,265
PE (x)	30.8	18.4	17.6	84.3
EV/EBITDA (x)	10.9	10.4	11.2	27.4
PB (x)	6.6	3.3	2.3	6.6
ROE (%)	20.6	22.2	15.4	3.2
Dividend yield (%)	3.6	-	-	1.1

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

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- VinCommerce expects EBITDA margin can reach 3-4% in 2021. Particularly, EBITDA margin of 1Q21 can deliver 1-2%. Moreover, VinCommerce has ambitious development plan for profit margin as targeting VinCommerce's EBIT margin to reach break-even point in 2H21, backed by:
 - Gross margin improvement, premised by higher portion of fresh foods and 2++% enhancement of commercial margin.
 - Lower operating expense thanks to sharing infrastructure model, targeting to tech-driven platform, consolidation to gain economy of scale and better nationwide access premised by small-scale local suppliers.
Simplifying the value chain will lead to significantly lower cost (estimated to improve EBITDA margin by 2-3%) while improving performance of working capital management via increasing stock availability and decreasing inventory level.
- Vinmart chain targets to own 125-130 stores with VND7-7.5mn revenue/m2/month in 2021, EBITDA margin to reach 1.5-2%. VinMart+ targets to own 3,000 stores with VND7-7.5mn revenue/m2/month in 2021, EBITDA margin to reach 2-3%.

Masan Consumer: Premiumization to buoy revenue growth

- Masan Consumer targets to reach VND28,000-32,000bn revenue in 2021, as well as has ambitious target of VND50,000-60,000bn revenue till 2025, coupled with profit margin of 22%. Especially, Masan Consumer's product lines can expand to Dairy products and OTC Pharmacy products in 2022-2025.
- About product lines, Masan Consumer targets that revenue growth of seasonings can reach 10% yoy. Revenue growth of convenient foods can reach 30% yoy. Revenue growth of beverage can reach 50% yoy and revenue of home & personal care can reach 2x growth.
- In 1Q21, Masan Consumer estimates that 1Q21 revenue can grow 30% yoy, backed by yoy 20% volume growth.
- According to market share of Noodle segment, Masan Consumer's value share has increase continuously year-by-year and is reaching 28% of the whole Vietnam market. In the North, Masan Consumer's value share has reached Top 1 since 2019 with nearly 42% value share, compared to 32% value share of the second manufacturer.

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