

27 May 2021

Masan Group (MSN)

12M rating **HOLD (Maintain)**

AM Brief: Win – win strategies

On May 26th, we attended Masan's analyst meeting. The Key focus presented was largely centered on the partnership strategies of MSN – Lazada and MSN – Phuc Long Heritage.

LazMall: The leading partnership

- Alibaba Group and Baring invested USD400mn, equivalent to 5.5% ownership of The CrownX as of end-April. CrownX aims to build LazMall e-commerce platform co-operated by Lazada Vietnam (a subsidiary of Lazada Group which has been acquired by Alibaba Group) and CrownX.
- The competitive synergies arising from the partnership between The CrownX and Lazada e- commercial platform are propelled by:
 - The CrownX is the leading offline grocery in Vietnam thanks to owning 1) a strong network with 2,200 modern retail outlets across the country, 2) a 9-million loyal consumer base, 3) a well-diversified portfolio of fresh products including Meatdeali, 3F and VinEco, and 4) the Masan Consumer Holding (MCH) is the popular FMCG brand who reaches 98% Vietnamese households and 300,000 general stores.
 - Lazada Vietnam is among the top 3 e-commerce platforms in Vietnam and in Southeast Asia with 20 million active users thanks to 1) owning B2C logistic system across the country, 2) inheriting a well-developed ecosystem embedded in Lazada Group of which its partner RedMart (operated by Lazada Singapore), which is the top grocery delivery platform in Singapore.
- LazMall chooses Ho Chi Minh and Hanoi markets to run the delivery service in 4 hours from placing an order, focusing on delivering fresh and FMCG products.

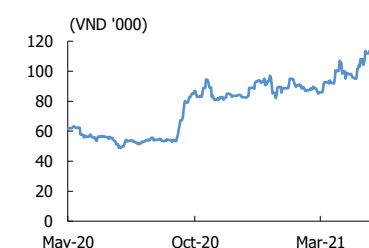
Stock Data

VNIndex (27 May, pt)	1,301
Stock price (27 May, VND)	110,900
Market cap (USD mn)	5,651
Shares outstanding (mn)	1,175
52-Week high/low (VND)	113,600/48,766
6M avg. daily turnover (USD mn)	7.83
Free float / Foreign ownership (%)	38.4/32.8
Major shareholders (%)	
Masan JSC	31.4
Sun Flower Construction	13.3
SK Investment Vina	9.4
Ardolis Investment	7.2

Performance

	1M	6M	12M
Absolute (%)	13.2	34.1	79.6
Relative to VNIndex (%p)	6.4	4.5	25.2

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021F
Sales (VND bn)	37,621	38,188	37,354	77,218	92,030
chg. (% YoY)	(13.1)	1.5	(2.2)	106.7	14.1
Operating profit (VND bn)	4,429	5,552	4,843	1,682	4,656
Net profit (VND bn)	3,103	4,916	5,557	1,395	2,221
EPS (VND)	2,700	4,539	4,766	1,054	1,900
chg. (% YoY)	66.9	68.1	5.0	(77.9)	63.8
EBITDA (VND bn)	7,039	8,257	7,591	4,924	11,402
PE (x)	30.8	18.4	17.6	79.7	43.1
EV/EBITDA (x)	10.9	10.4	11.2	11.0	8.0
PB (x)	6.6	3.3	2.3	6.2	4.0
ROE (%)	20.6	22.2	15.4	4.2	5.0
Dividend yield (%)	3.6	-	-	1.2	-

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

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Phuc Long Kiosk: Leverage Vietnamese tea & coffee brand

- MSN acquired 20% stake of Phuc Long Heritage in May and is eyeing building Phuc Long Kiosks (store in-store concept) inside VinMart+.
- Per management, Phuc Long Heritage is one of the icon brands name in the beverage sector and could ride on buoyant opportunities to scale up on the back of:
 - The number 1 in the retail coffee and tea market in Vietnam with innovated traditional products.
 - Phuc Long is among the most popular brands trusted by consumers, especially the young segment.
 - Benefiting from the abundant room for growth in the Northern market if the Phuc Long Heritage expands from the current Ho Chi Minh market, the key location centering with 82 stores 200 sqm wide.
 - The synergies impulse by the collaboration model between Phuc Long and VinMart+.
- MSN opened 4 pilot kiosks inside VinMart+ in 21 days as of April, recording a VND8mn revenue and 100 bills per day for each kiosk. The break-even is at 40 bills, per management.
- MSN aims to open 200-400 kiosks in 2021 and guilds for VND5mn per day/kiosk. MSN will enjoy a 20% revenue sharing scheme, which could contribute VND1mn revenue per day and around VND32bn-50bn NPAT for VinMart+ in 2021. With synergistic value, it will enhance 4% EBITDA margin of VinMart + (with break-even EBITDA currently).

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