

31 Jan 2023

# Masan Group (MSN)

## Adverse by macro factors in 4Q22

On Jan 30<sup>th</sup>, Masan Group released the IR earnings release, delivering a normal but stable business result in 4Q22 and 2022 after 2021 phenomenal growth.

### EBITDA margin slightly improved in 2022

In 4Q22, MSN posted VND20,643bn consolidated revenue, -13.4% yoy due to the absences of MML's feed business contribution, and VND447bn NPAT post-MI, -93.1% yoy since 4Q21 high base recording one-of financial income gains from deconsolidation of feed business. In 2022, MSN reached VND76,189bn consolidated revenue (-14% yoy), VND3,567bn NPAT Post-MI (-58.3% yoy), fulfilling 80%/61% of 2022 guidance, while 2022 EBITDA margin reached 18.9% (vs 18.5% in 2021)

- **WinCommerce (WCM):** recording VND29.4tn revenue and VND7.4tn, -5% yoy and +7.7% yoy in 2022 and 4Q22, respectively. WCM opened 253 and 730 new Winmart+ (minimart) in 4Q22 and 2022, respectively, totaling 3,268 Winmart+ locations. Despite a significant number of store openings, WCM maintain to profitability with positive EBITDA margin of 3.2% in 4Q22 due to 65% of Winmart+ store opening in 2022 achieving positive store-level EBITDA. Yet, WCM's EBITDA decreased by 27% yoy and 29.9% yoy in 2022 and 4Q22.
- **Masan Consumer (MCH):** achieving VND28.1tn revenue (-2.3% yoy) and VND6.6tn EBITDA (-4.1% yoy) in 2022. In 4Q22, MCH declined yoy in revenue by -16.5% yoy due to weaker consumer sentiment of distributors. In which, core categories Seasoning and Convenience Foods cooled down in growth, -8.7% yoy and -11.4% yoy while Beverage, Home Personal Care, and Beer sales recovered by +3.9% yoy/ 4.4% yoy/16.1% yoy, respectively.
- **Masan MEATLife (MML):** delivering VND4.7tn revenue in 2022, down 74.7% yoy as lessen the feed business contribution in 2021. As excluding the feed business, MML revenue increased 6.7% yoy and 34.3% yoy in 2022 and 4Q22, driven by greater volume of chilled meat sold. Yet, the lower meat livehog and poultry prices brought down gross margin, delivering slight negative EBITDA by VND(36)bn and VND(2)bn in 2022 and 4Q22.
- **Masan High-Tech Materials (MHT):** delivered revenue of VND15.5tn in 2022, +14.6% yoy, driven by higher APT price.

	2018A	2019A	2020A	2021A	2022U
Sales (VND bn)	38,187.6	37,354.1	77,217.8	88,628.8	76,189.2
chg. (% YoY)	1.5	(2.2)	106.7	14.8	(14.0)
Operating profit (VND bn)	6,277.0	6,012.9	1,195.8	11,273.2	5,222.7
Net profit (VND bn)	5,621.5	6,364.6	1,395.0	10,101.4	4,754.4
EPS (VND)	4,227.0	4,754.0	1,050.0	7,253.0	6,735.0
chg. (% YoY)	57.7	12.5	(77.9)	590.8	(7.1)
EBITDA (VND bn)	8,257.0	7,591.4	6,265.7	10,915.2	10,165.8
PE (x)	24.1	21.5	97.1	14.1	15.1
EV/EBITDA (x)	16.5	18.8	27.8	14.3	20.7
PB (x)	4.0	2.8	7.5	3.7	5.7
ROE (%)	18.1	12.9	3.2	25.4	24.9
Dividend yield (%)	1.30	0.40	1.40	3.50	0.80

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

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12M rating **HOLD (Maintain)**

### Stock data

VNIndex (31 Jan, pt)	1,094
Stock price (31 Jan, VND)	101,000
Market cap (USD mn)	6,132
Shares outstanding (mn)	1,424
52-Week high/low (VND)	135,090/72,800
6M avg. daily turnover (USD mn)	3.67
Free float / Foreign ownership (%)	45.4/30.6
Major shareholders (%)	
Masan Joint Stock Company	31.5
Sunflower Construction Co., Ltd	13.35
SK Investment Vina I Pte., Ltd	9.31

### Performance

	1M	6M	12M
Absolute (%)	8.6	(4.8)	(14.6)
Relative to VNIndex (%p)	(0.0)	4.0	10.4

### Stock price trend



Source: Bloomberg

### Research Dept

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## Continue to scale up despite challenges forehead 1H23

Amid weaker consumer expectations, Masan Group plans to deliver VND90-100tn in consolidated revenue (+18% yoy to +31% yoy) and VND4-5tn in NPAT pre-MI (+4% yoy to +30% yoy) in 2023 for the base case. In the downside scenario where tougher macro conditions, MSN projects an increase of 10% yoy to 15% yoy for 2023 revenue.

- **WCM:** targeting to open 800-1,200 new stores in 2023 with mainly minimart/minimall models and drive 5-10% LFL store revenue growth to reach VND36-40.5tn in (+23% yoy to +38% yoy) by initiatives as 1) bringing value to consumers via membership and private label development, 2) serving 4-6 million members with exclusive value-for-money offering to drive more traffic to the store, and 3) working with suppliers to ensure competitive offering.
- **MCH:** projecting VND30.5-33.5tn revenue in 2023 (+15% yoy to +30% yoy), driven by Convenient food, Beverage, Home personal care sales growth, estimated to account for 2/3 of total revenue growth in 2023.
- **Phuc Long Heritage (PLH):** expected to deliver VND2.5-3.5tn revenue, strongly surge by 58% yoy to 90% yoy, driven by 1) 75-90 flagship stores revenue performance, 2) implementing loyalty integration into WIN membership, giving more benefits, and 3) innovating menu by new “Hero” products.
- **MML:** planning up 78% yoy to 88% yoy revenue growth with VND8.5-9tn, driven by 1) expanded pork and chicken products, especially in processed meat, and 2) increasing distribution via WIN channel by reducing the price gap with the wet market for WIN membership.
- **MHT:** projecting to deliver VND16.5-18.2tn revenue (+6% yoy to +17% yoy) by focusing on cost optimization, integration with Nyobolt, and ongoing preparation for tungsten scrap and black-mass recycling.

**Table 1. 4Q22 earnings**

	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY
Sales	23,828	18,189	17,834	19,523	20,643	5.7	(13.4)
MCH	10,070	6,448	5,907	7,340	8,409	14.6	(16.5)
WCM	6,904	7,297	7,008	7,631	7,433	(2.6)	7.7
MML	3,739	931	1,010	1,291	1,553	20.3	(58.5)
PLH	-	257	563	323	436	35.0	-
MHT	3,961	3,930	4,194	3,528	3,898	10.5	(1.6)
OP	7,929	2,028	1,270	963	962	(0.1)	(87.9)
OP margin	33	11	7	5	5	(0.3)	(28.6)
EBITDA	5,024	3,655	3,684	3,486	3,612	3.6	(28.1)
EBITDA margin	21	20	21	18	17	(0.4)	(3.6)
NP	7119	1895	1215	841	804	(4.5)	(88.7)

Source: Company data, Korea Investment & Securities

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Prepared by: Research Dept

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