

Masan Group

(MSN VN)

2H21 onward: Gain after pain

Trading Buy
(Update report)

Target price
VND 131,000
(Upside +15.3%)

Mirae Asset Securities (Vietnam) LLC

Duc Nguyen, duc.nt@miraeeasset.com.vn

Recommendation and valuation

- We recommend Trading Buy with a target price of VND131,000 for Masan Group (MSN). The target price is based on the sum-of-the-parts valuation method applied to MSN's five business segments: packaged food (MCH), feed-meat production (MML), minor metal mining (MSR), modern grocery retailing (VCM), and financial services (TCB).

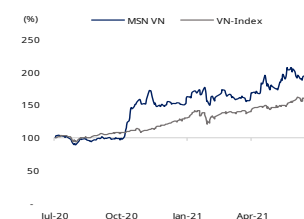
5M21: Things are getting better

- MSN posted 1Q21 net profit of VND342bn, a hefty improvement from the net loss of VND261bn in 1Q20. The rebound was thanks to improved performance by three of its four subsidiaries. MCH and TCB remained as the key contributors to the group's bottom line, with net profit up 7.9% YoY and 79.5% YoY, respectively, thanks to strong growth in sales. In addition, VCM reported a reduction in net loss to VND108bn in 1Q21, from VND866bn a year ago, thanks to better commercial margin from suppliers.
- In 2Q21, SK Group and Alibaba invested a total of US\$800mn in the group. MSN's CEO also revealed in an analyst's meeting in late-May that another M&A deal is in the final stage and will be announced in 4Q21. We expect MSN to gain a total amount of US\$1.2bn in FY21 in order to strengthen its balance sheet and reduce the group's debt level.
- In 1H21, tungsten prices have been increasing strongly, while live hog prices have been falling. We expect MSN's 2H21 gross profit margin to improve strongly, thanks to these developments.

Strong bounce-back expected

- We forecast MSN net profit in FY21F to reach VND4,699bn, which translates to a surge of 280.8% YoY. This would be a great bounce-back after the sharp drop in net profit in FY20 from the impact of net losses from its modern grocery retail subsidiary, VCM. TCB and MCH are expected to remain as major contributors to the group's profit, accounting for 42.7% and 51.5%, respectively. VCM's FY21F net loss is forecast to decline to VND416bn from VND3,353bn in FY20.
- Our FY21F forecast result is 17% higher than MSN's target bottom line, approved by shareholders at the 2021 AGM. We believe 2021 will mark a return to form for MSN, after a step backward in 2020

Key data



Share price change

(%)	1M	6M	12M
Absolute	7.0	23.5	102.5
Relative	1.1	7.8	34.3

Current price (02/07/2021, VND)	113,900	Market capital (VNDbn)	133,991
Net profit (21F, VNDbn)	4,699	Outstanding shares (m)	1,181
EPS growth (21F, %)	280.8%	Free float (%)	38.7
Current P/E (x)	86.4	Foreign ownership (%)	32.9
P/E forward 2021F	28.3	Beta (12M)	1.0
VNIndex current P/E (x)	16.0	52-wk low	48,900
		52-wk high	115,500

Financial and valuation data

FY	2018	2019	2020F	2021F
Net revenue (VNDbn)	38,188	37,354	77,218	88,623
EBIT (VNDbn)	5,552	4,843	1,682	7,922
EBIT growth (YoY)	25.4%	-12.8%	-65.3%	371.1%
Net profit (VNDbn)	4,916	5,558	1,234	4,699
NP growth (YoY)	58.5%	13.0%	-77.8%	280.8%
EPS (Fully diluted) (1)	4,185	4,731	1,050	4,001
EPS growth (YoY)	58.5%	13.0%	-77.8%	280.8%
ROE%	19.5%	14.3%	5.9%	27.2%
ROA%	9.0%	6.5%	0.8%	5.0%
Dividend (%)	0.0%	10.0%	0.0%	5.0%

Note: EPS diluted does not include bonus & welfare fund

Source: Bloomberg, Mirae Asset VN Research

2H21 ONWARD - GAIN AFTER PAIN

1Q21 update: Better Off

Masan Group's (MSN) top line accelerated 13.3% YoY to VND19,977bn in 1Q21: The excellent results were due to the strong growth of three of the group's four main subsidiaries: Masan Consumer Holdings (MCH), for packaged food; Masan MEATLife (MML), for meat value chain; and Masan High-Tech Materials (MSR), which operates a minor metals mining business. VinCommerce (VCM) was the only major subsidiary that reported a decline in top line for 1Q21, driven by the impact of the COVID-19 pandemic and restructuring process.

Figure 1. MSN's revenue accelerated in 1Q21, thanks mainly to MEATLife and High-Tech Materials

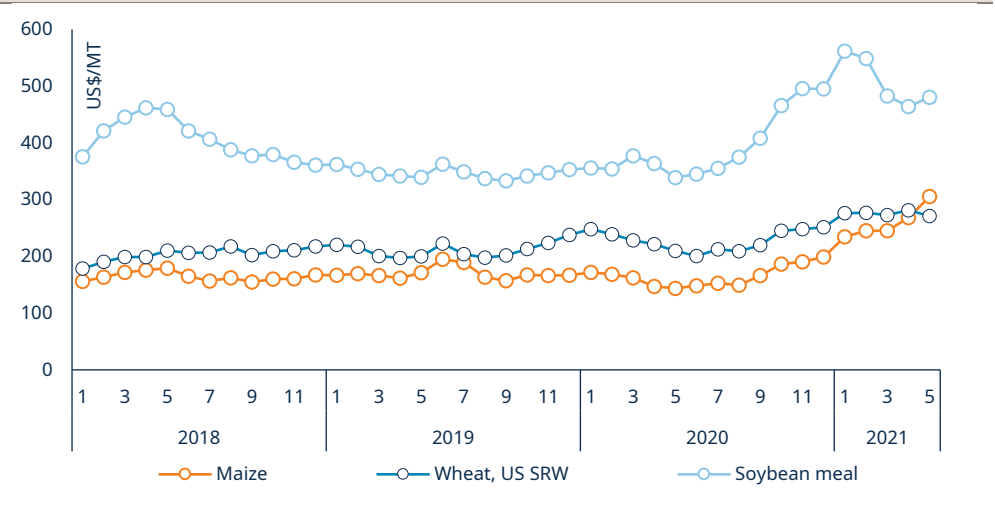
Unit: VNDbn	1Q21	1Q20	Change	Comments
MASAN GROUP	19,977	17,638	13.3%	
Masan Consumer Holdings	5,494	4,625	18.8%	
Seasoning	N/a	N/a	14.3%	<ul style="list-style-type: none"> Premiumization of the core portfolio continued to progress well, as premium fish sauce contributed 13.5% of fish sauce sales. Soy sauce sales up 5.9%, while chili sauce segment up 20.6%. The granules segment continued to scale up rapidly, growing 31.3% in 1Q21 vs. 1Q20, accounting for 10.2% of total seasonings category revenue in 1Q21, compared with 8.9% in 1Q20.
Convenient food	N/a	N/a	-5.7%	<ul style="list-style-type: none"> Expected decline of -5.7% mainly due to a high base effect in 1Q20, on COVID-19-related stockpiling by consumers. Expect category to enjoy double-digit growth in FY21, as the core brands continue to gain market share and investments in home meal replacement comprise a larger portion of sales. The premium segment contributed 48.8% of revenue, while home meal replacements contributed 11.1% of overall category revenue.
Processed meat	N/a	N/a	48.6%	<ul style="list-style-type: none"> "Ponnie" brand a leading driver of growth, as processed meat premiumization continues to expand.
Total beverage	N/a	N/a	35.5%	<ul style="list-style-type: none"> Growth in total beverage segment, including beer and energy drinks, recovered to pre-pandemic levels, with overall revenue up by 35.5%, as consumption at on-premises channel recovered. The energy drink segment grew the fastest, at 35.7%, as consumption recovered from COVID-19 impact. Diversification in the beverage segment continues, with exciting new innovations lined up for 2Q21
Home Personal Care	N/a	N/a	8.0%	<ul style="list-style-type: none"> New brand "Joins", detergent and softener, launched in 2H20 continues to track well on a run-rate basis, and now contributes 11.8% of segment revenue.
Masan MEATLife	4,704	3,397	38.5%	
Animal feed	3,719	2,994	26.3%	<ul style="list-style-type: none"> All segmental volumes were up. Pig feed volume up 44%, thanks to recovery of national pig herd. Chicken feed up 10%, and aqua feed up 9%.
Meat	985	453	117.4%	<ul style="list-style-type: none"> Pork: Integrated branded meat business, which consolidates MML's pork farm supply chain, delivered 1Q21 net revenue of VND701bn, accounting for 16% of MML's consolidated net revenue. Chicken: MML acquired 51% of 3F Viet, the leading branded integrated domestic poultry platform, in 2020. Integration with Masan Group ecosystem is happening across the vertical: MML is supplying feed into 3F Viet, MEATDeli chicken products were launched in VCM's locations in December 2020. As of end 1Q21, MML's chicken brands were available in 1,023 VCM stores

Masan High-Tech Materials	2,963	1,065	178,2%	
Tungsten (WO3)	2,624	663	295.9%	<ul style="list-style-type: none"> Tungsten revenues were significantly higher, due to the consolidation of HCS and increasing demand, but were offset by lower realized prices, as the full flow-through impact of improved pricing will not be felt until 2Q21 Tungsten APT prices have increased from US\$230/mtu as of Dec. 31, 2020, to US\$270/mtu at the time of writing, a 17% increase.
Fluorspar Acid Grade	328	400	-18.0%	<ul style="list-style-type: none"> Fluorspar revenues were down, due to lower realized pricing. Average price of Fluorspar Acid Grade fell 1.4% YoY in 1Q21 to US\$423/t.
Copper Ore	-24	0	N/a	<ul style="list-style-type: none"> Average copper price surged 51.2% YoY in 1Q21 to US\$8,522/t. MHT has yet been unable to take advantage of this pricing due to the restrictions on exporting copper and the very limited number of domestic smelters.
Bismuth	35	2	+165%	
VinCommerce	7,242	8,709	-16.8%	
Vinmart Plus (VMP)	4,563	4,189	-9.2%	<ul style="list-style-type: none"> VMP delivered 1Q21 net revenue lower compared with 1Q20, mainly due to store closures, although Like for like (LFL) revenue/m² was up 4.1% during the same period. LFL stores (opened before 2020) contributed 96.0% of overall VMP segment revenue in 1Q21. Ho Chi Minh City and Tier 2 cities continued to post double-digit LFL revenue/m² growth of 10.7% and 14.8%, respectively. Hanoi and Tier 1 cities were down by 3.1% and 4.8%, respectively, on the impact of higher base revenue in 1Q20 from consumers stockpiling due to COVID-19.
Super Market (VMT)	2,679	4,520	-40.7%	<ul style="list-style-type: none"> LFL revenue/m² was down by 15.8%. The reduction of LFL revenue/m² was partly attributable to COVID-19's re-emergence as an issue of public concern 10 days prior to 2021 Tet, which is the highest sales season for the supermarket format, and higher base revenue in 1Q20, which witnessed stockpiling. Such buying did not reoccur during COVID-19's re-emergence in 2021.

Source: MSN, Mirae Asset VN Research

Lower gross margin partially dampened acceleration of top line in 1Q21: MSN reported gross profit up 8.9% YoY to VND4,314bn, with blended gross margin down by 0.9 ppt. VCM was the only subsidiary to record improved gross margin in 1Q21, thanks to higher margin from suppliers. In contrast, all remaining segments (including packaged food, meat value chain, and mining) had reduced gross margins in 1Q21, mainly driven by rising prices of global food and feed materials. Corn, wheat, and soymeal prices are at 10-year highs in May 2021, due to the impact of low supply and speculation amid the Covid-19 pandemic.

Figure 2. Prices of global food and feed raw materials surged to 10-year highs in 5M21



Source: World Bank

Figure 3. MSN gross profit increased in 1Q21, but with slightly lower gross margin

	1Q21	1Q20	Change	Comments
MSN's GP	4,314	3,962	8.9%	
<i>Blended GM</i>	21.6%	22.5%	-0.9% p	
MCH	3,443	3,252	5.9%	
<i>MCH's GM</i>	39.7%	40.4%	-0.7% p	<ul style="list-style-type: none"> Higher gross margins for seasonings, processed meats, and beverages offset by lower margins in convenience foods and consolidation effects of HPC business. HPC gross margins have already started to trend up following the launch of "Joins" power brands.
MML	671	563	19.2%	
<i>MML's GM</i>	14.3%	16.6%	-2.3% p	<ul style="list-style-type: none"> MML gross margin fell in 1Q21, due to higher soft commodity prices dampening feed margins and consolidation effects of 3F Viet. Feed margins were strong, at 14%, although lower than 1Q20. Pork meat business delivered gross margins in excess of 20%, due to higher synergies from the integrated meat business, coupled with increasing scale and higher porker utilization rates.
MSR	189	153	23.5%	
<i>MSR's GM</i>	6.4%	14.4%	-8.0% p	<ul style="list-style-type: none"> MSR gross margin fell sharply in 1Q21, driven by lower realized prices.
VCM	1,293	1,384	-6.6%	
<i>MSR's GM</i>	17.9%	15.9%	2% p	<ul style="list-style-type: none"> VCM gross margin improved compared with 1Q20, thanks to higher margin from suppliers. In 1Q21, VCM completed negotiations with suppliers representing 40% of sales, lifting total commercial margin by ~1% on a run-rate basis.

Source: MSN, Mirae Asset VN Research

Net profit remained positive, but with very slim margins: The No.1 contributor to MSN's net profit in 1Q21 was TCB. The associate provided VND946bn of the group's net profit in 1Q21. MCH maintained second place, contributing VND876bn (+7.9% YoY) in net profit in 1Q21, thanks to its usual healthy performance. In addition, VCM reduced net loss from VND866bn in 1Q20 to VND108bn this year. MSR was the sole subsidiary to post increased losses in 1Q21, driven by lower gross margin. As a result, MSN reported a bottom line of VND342bn in 1Q21, with improved blended net margin of 0.9% in 1Q21. While net margin was still very slim, it was strong proof that MSN's profitability is getting better after a big step backward in 2020.

Figure 4. 1Q21 net profit improved, but net margin was slim

	1Q21	1Q20	Change	Comment
MSN's net profit	342	-216	N/a	
<i>Blended NM</i>	0.9%	-0.4%	1.4% p	
MCH	876	812	7.9%	
<i>MCH's NM</i>	16.6%	17.9%	-1.3% p	
MML	138	-31	N/a	
<i>MML's NM</i>	2.9%	-0.9%	3.8% p	
MSR	-293	-198	N/a	
<i>MSR's NM</i>	-9.9%	-18.0%	-8.1% p	
VCM	-108	-866	N/a	
<i>MSR's NM</i>	-1.5%	-10.7%	9.2% p	
Share profit from associates (TCB)	946	527	79.5%	Most of share profit from associates was contributed by Techcombank (of which MSN owns 20%). In 1Q21, TCB posted net profit of VND4,396bn, up 79.06% YoY, thanks to strong credit growth.
Un allocated expenses	-1,217	-460	N/a	We believe unallocated expense items record financial expenses mobilized by MSN that were not allocated to any of the four subsidiaries.

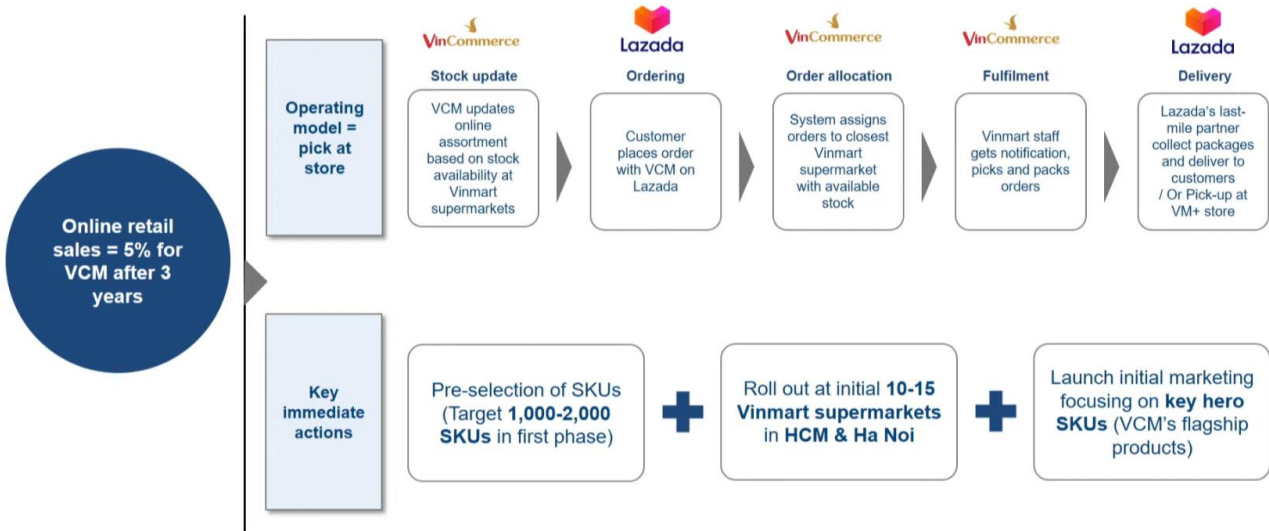
Source: MSN, Mirae Asset VN Research

Important events in 2Q21

(April 16) SK group invested US\$410mn to buy a 16.26% stake in the company holding VCM shares: VCM is valued at US\$2.5bn with this deal. MSN is planning to use the proceeds from this transaction (approximately US\$225mn) to strengthen its balance sheet and fund future growth initiatives. Mr. Woncheol Park, Representative Director of SK South East Asia Investment, the SK Group subsidiary making the investment, said *“We have a strong belief in the potential of Vietnam’s on/off-line retail sector and expect VinCommerce to play a vital role in its modernization. We are extremely proud of the work Masan Group has done to turnaround VinCommerce in such a short period of time and we believe VinCommerce will become the national champion of O2O (Offline to Online) retail in the near future. Our investment in VinCommerce is a part of SK’s broader strategy of investing in Vietnam’s fast-growing sectors. This is another landmark transaction for SK and reaffirmation of our commitment to Masan Group and Vietnam.”*

(May 18) MSN and a consortium led by Alibaba Group and Baring Private Equity Asia announced the signing of definitive agreements for the acquisition of a 5.5% stake in The CrownX for a total cash consideration of US\$400mn: The CrownX is MSN’s integrated consumer retail arm that consolidates its interests in MCH and VCM. The transaction implies a pre-money valuation of US\$6.9bn for 100% of The CrownX’s equity, equivalent to US\$93.5 (approximately VND2,150,000) per share. MSN will own 80.2% of the company following the consortium’s investment. After the agreement, MSN will establish an online kiosk on the Lazada e-commerce website. VCM’s responses are updating stock, order allocation, and fulfilment, with Lazada in charge of ordering and last-mile delivery. MSN targets online retail sales to reach 5% of VCM’s total revenue by 2024.

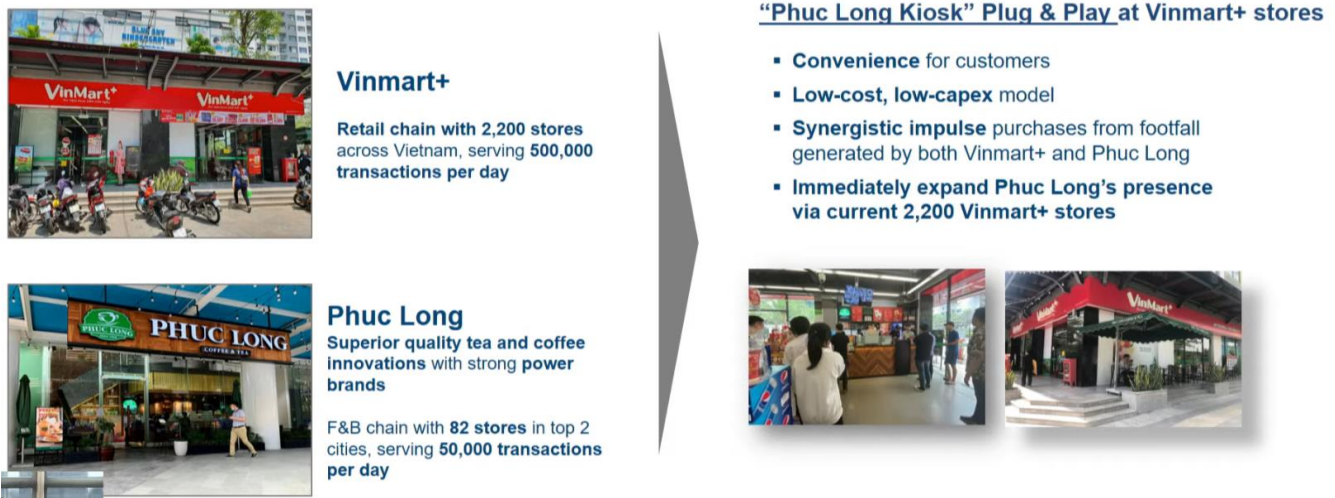
Figure 5. Cooperation model of VCM and Lazada



Source: MSN

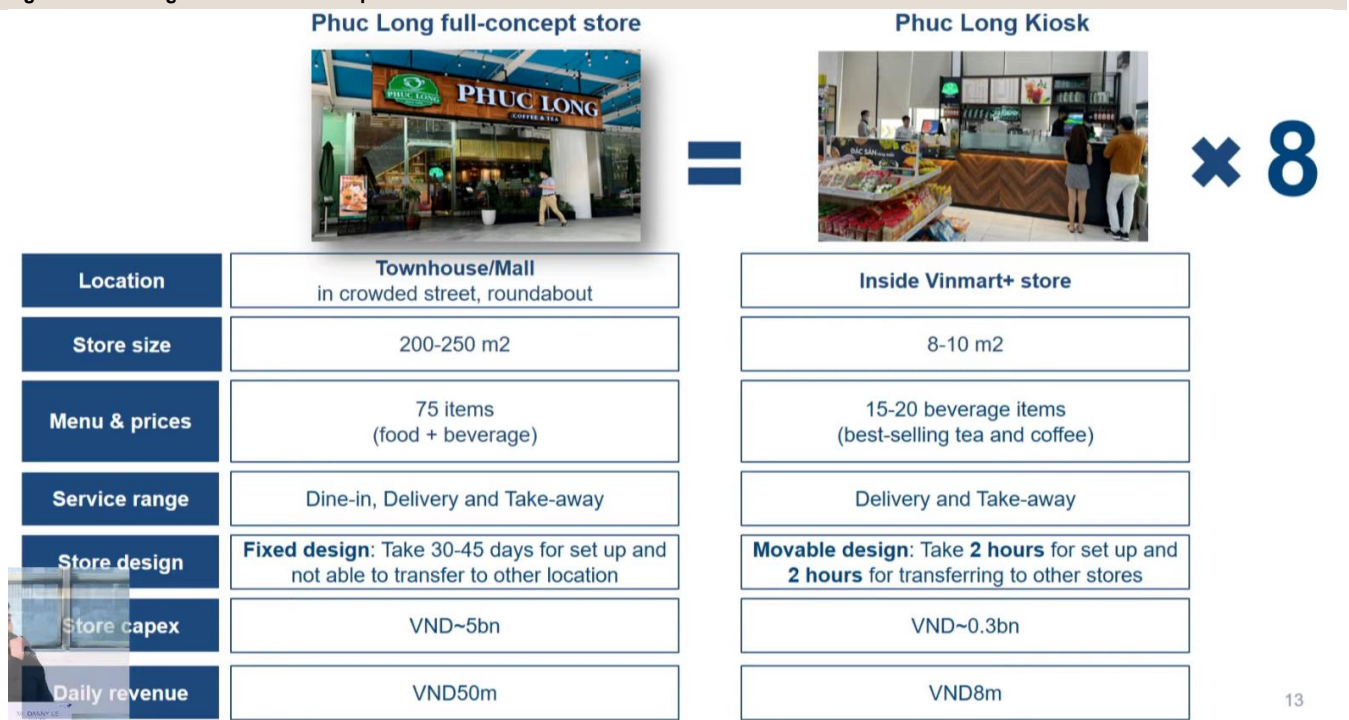
(May 24) MSN announced the signing of definitive agreements to acquire a 20% stake in Phuc Long Heritage Joint Stock Company: Phuc Long Heritage owns the Phuc Long brand, one of the leading tea and coffee brands in Vietnam. The purchase price of the transaction is US\$15mn. As a part of the transaction, VinCommerce entered into a Strategic Cooperation Agreement (SCA) with Phuc Long. Accordingly, both sides will jointly develop "Phuc Long Kiosk" through a network of more than 2,200 VinMart+ stores nationwide. "Phuc Long Kiosk" at VinMart+ not only brings fresh tea and coffee drinks to 100mn Vietnamese consumers, but also plays an important part in converting each of the VinMart+ stores into a destination that satisfies daily essential needs for consumers of all ages. Currently, Vietnam's tea and coffee market value is estimated at US\$2.3bn and is expected to grow more than 10% per annum. However, branded tea and coffee retail chains, including popular brands such as Highlands Coffee (over 300 stores), The Coffee House (over 150 stores) and Starbucks (over 70 stores), only account for 25% of the market. Given a young consumer base who aspire to innovative products and services, both Masan and Phuc Long believe that branded tea and coffee chains will explode in the next decade. With the pilot results of four Phuc Long Kiosks in Ho Chi Minh in the last three months, both parties are confident that they can achieve the target of 1,000 Phuc Long Kiosks in the next 18–24 months. According to the SCA with VinCommerce, Phuc Long Kiosk will share 20% of its revenue with VinMart+. Based on the results of the pilot model, MSN expects this partnership to enhance the profit margin of the whole VinMart+ chain by more than 4%, compared with the current level.

Figure 6. MASAN + Phuc Long strategic collaboration model: "Phuc Long Kiosk"



Source: MSN

Figure 7. Phuc Long kiosk x 8 = Full-concept store



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Source: MSN

MSN’s CEO made several important announcements at the May 26, 2021 analyst meeting:

- The group is in the final stages of another transaction with a strategic partner. MSN expects the transaction to be revealed in late-October. We expect the transaction size to be around US\$400mn (similar to deals of SK & Alibaba in 2Q21).
- MSN will IPO The CrownX and list it within the next five years.
- The group expects VCM to record positive net profit in the next 12–18 months.

2021 Outlook: Pain almost over, gain ahead

Quick bounce-back: We expect 305% surge in FY21 net profit

We expect MSN's net profit to reach VND4,699bn in FY21F, as we expect VCM to post a net loss of VND416bn in FY21 – a huge improve from net loss of VND3,353 in FY20.

- **Food and beverage:** We expect MCH's net profit to increase 10.3% YoY to VND5,023bn in FY21, with revenue accelerating 12.3% YoY on successful of premiumization of the seasoning segment, the recovery of beverage sales after Covid-19 is under control, and growth in the processed meat segment.
- **Grocery retailing:** We expect VCM's 2021 net loss to decline significantly, from VND3,353bn in 2020 to VND416bn, thanks to improved gross margin and SG&A cuts. Reduced losses from VCM should boost MSN's consolidated results in 2021.
- **Rare metal mining and processing:** We project MSR to report net profit of VND306bn in 2021, thanks to increased tungsten and copper prices.
- **Meat value chain:** We estimate net profit of VND552bn for MML in FY21F (+110% YoY), thanks to the recovery of Vietnam's pig herd.
- **Profit from associates and others:** We expect the profit contribution from TCB to rise by 20% YoY to VND3,028bn. Financial expense is projected to fall sharply, by 17% YoY, in 2021, thanks to a forecast reduction in net debt to VND48,290bn at year end from VND62,011bn in the end of 2020.

Figure 8. MSN's FY21 consolidated results forecast

Unit: VNDbn	FY20A	FY21F	YoY	Comments
Revenue	77,218	78,797	110.9%	
MCH	23,343	26,222	12.3%	<ul style="list-style-type: none"> • In 2021, MCH's seasoning segment sales are expected to accelerate by 13.7% YoY, thanks to premiumization of fish sauce products, a rapid increase in sales of granular products, and strong growth of chili sauce/salad sauce sales. • Growth in sales of convenience food is forecast to slow to 5.2% YoY in 2021, after a 38.5% YoY surge in 2020 under increasing food storing of household amid the first wave of the Covid-19 pandemic. • Beverage sales are expected to grow by 8% YoY, due to limited travel and dining out by Vietnamese amid the current fourth wave of Covid-19, which broke out on April 27. • Processed meat sales are projected to post rapid growth of 50% YoY, thanks to the expanded distribution system of the Ponnie brand.
MML	16,119	20,429	26.7%	<ul style="list-style-type: none"> • Feed segment sales are forecast to increase 12.9% YoY to VND15,514bn in FY21, on growth of all feed products. Pig feed sales are expected to surge 20% YoY to VND6,447bn on the back of the recovery of the national pig herd, following a two-year decline due to the impact of African Swine Flu disease. Poultry and aqua feed revenue are projected to increase by 10% YoY and 12% YoY, respectively, in 2021. • Meat value chain revenue is likely to jump 106.7% to VND4,915bn in 2021, thanks to higher capacity of chilled pork (as the MEAT Deli Saigon factory went live in November 2020) and consolidation of 3F Viet. The 3F Viet poultry chain is expected to reach VND1,500bn in revenue in 2021.
MSR	7,426	13,320	79.4%	<ul style="list-style-type: none"> • Tungsten's FY21 revenue is forecast to rise 56.4% to VND10,840bn, thanks to a 17% rise in APT price (as global demand recovers in 2021) and 39% increase in sales volume (on the back of full-year consolidation of H.C. Starck). • Fluorspar Acid Grade revenue is expected to drop by a modest 5% YoY to VND1,488bn on lower prices. • Copper prices are at a 10-year high, as of May 2021. We expect MSR to obtain a new copper ore export permit in 4Q21, and to reach VND942bn in copper ore revenue in FY21 (+25% YoY).
VCM	30,978	28,652	-7.5%	<ul style="list-style-type: none"> • Revenue of VCM's supermarket chain is forecast to decline by 5% YoY in 2021 to VND9,542bn, as the average number of stores falls to 123 from 129. • Sales of the Vinmart Plus chain are expected to drop by 9% YoY to VND19,109bn, driven by the average store number declining from 2,560 in 2020 to 2,222 in this year. Meanwhile, the average revenue per store is expected to increase by 5% YoY, thanks to adjustment of the product portfolio and co-operation of Alibaba/Phuc Long.

Gross profit	17,889	22,170	23.9%	
Blended GPM	23.2%	25.0%	1.8% p	
<i>MCH</i>	42.5%	41.5%	-1.0% p	<ul style="list-style-type: none"> • Packaged food's gross margin is expected to fall slightly, due to increasing global staple food prices.
<i>MML</i>	16.9%	15.0%	-1.9% p	<ul style="list-style-type: none"> • Feed's gross margin is likely to decline 2%p to 14% in FY21, driven by increasing corn and soymeal prices. • Meat's gross margin should improve gradually in FY21, on the combined impact of lower live hog prices and consolidation of 3F Viet.
<i>MSR</i>	2.2%	12.7%	10.5% p	<ul style="list-style-type: none"> • MSR's gross margin is likely to improve sharply, thanks to a strong recovery in tungsten and copper prices.
<i>VCM</i>	16.9%	22.8%	5.9% p	<ul style="list-style-type: none"> • VCM's gross margin is forecast to improve by 5.9%p, thanks to increased margin from suppliers and a higher revenue portion from private-label products.
SG&A	(16,207)	(14,248)	-12.1%	
SG&A as % of revenue	-21.0%	-16.1%	4.9% p	<ul style="list-style-type: none"> • SG&A as % of revenue in 2021 is forecast to decline sharply, mainly thanks to cost cuts at VCM
Operating profit	1,682	7,922	371.1%	
Operating margin	2.2%	8.9%	6.8% p	
Financial profit/loss (net)	(3,126)	(3,100)	-0.8%	<ul style="list-style-type: none"> • We expect MSN to receive US\$1.2bn in investments by strategic partners in 2021. Therefore, MSN's total debt is projected to drop from VND63.3tr in 1Q21 to VND35.0tr by end-2021.
Share profit from associates and others	3,769	2,995	-20.5%	<ul style="list-style-type: none"> • Share profit from Techcombank in FY21 is forecast to increase 20% YoY to VND3,028bn, thanks to strong credit growth of the bank. • However, other net profit is expected to decline from VND1,252bn in FY20 to -VND34bn in FY21, as we do not expect MSN to have any one-off event.
Pre-tax profit	2,325	7,818	236.3%	
EBT margin	3.0%	8.8%	5.8% p	
Corporate Income Tax	(930)	(1,971)	111.9%	
Tax rate	-40.0%	-25.2%	14.8% p	
Net profit	1,395	5,847	319%	
% YoY	-78.1%	319.1%	N/a	
Net margin	1.8%	6.6%	4.8% p	
Net profit attribute to common shareholder	1,234	4,699	280.8%	
FD EPS (VND)	1,050	4,001	280.8%	

Source: MSN, Mirae Asset Research

Valuation

Our recommendation for MSN is Trading Buy, with TP of VND131,000: We like MSN for its: 1) sustainable leading position in Vietnam's packaged food industry, backed by strong manufacturing capability and innovation; and 2) modern clean meat and grocery retail markets, which have high growth potential, as they are in the early stages of development.

We applied the sum-of-the-parts valuation method to MSN's five business segments: packaged food/beverage producing (MCH); meat value chain (MML); minor metal mining and processing (MSR); modern grocery retailing (VCM); and financial services (TCB).

Subsidiary	Valuation method	Multiplier ratio FY21 (x)	EV FY21F (VNDbn)	MSN economic interest	Proportionate share (VNDbn)
Masan Consumer Holdings	P/E	18.0	90,411	73%	65,729
Masan MEATLife	EV/EBITDA	11.0	21,614	88%	18,999
Masan High-Tech Materials	EV/EBITDA	2.3	31,473	86%	21,368
VinCommerce	EV/Sales	2.1	60,025	80%	48,080
Techcombank	EV/B	2.0	209,957	20%	41,781
Total					201,782
Net debt 2021					48,290
Masan Group EV 2021					153,492
Shares outstanding 2021 (mn)					1,175
Price per share 2021 (VND)					130,667
Target price 2021 (VND)					131,000

Source: Mirae Asset Research

We take the P/E valuation approach to assess MCH's enterprise value. We believe that a P/E value of 18.0x (premium to the peer average level of 13.6x) is fair for MCH, due to its advantage in ROE (31.7%, versus 15.6% peer average in trailing 12 months, or TTM, in 1Q21) and ROA (17.8% ,versus 7.2% peer average in TTM in 1Q21), as well as its strong growth. MCH is trading at a TTM P/E of 17.8x FY20 forward P/E of 11.6x.

Figure 10. MCH valuation – EV/E approach

	Unit	FY21F value
Net profit FY21F	VNDbn	5,023
Target P/E FY21F	x	18.0
Target EV FY21F	VNDbn	90,411

Source: World Bank

Figure 11. Peer comparison: Packaged food producers (data: 29/06/2021)

Company name	Bloomberg Code	Market Capital	EPS Growth TTM	EV/Sales TTM	P/E TTM	EV/EBITDA	P/B current	Debt /Equity Current	ROE TTM	ROA TTM
		US\$m	%YoY	x	x	x	x	%	%	%
Uni-president Enterprise Co.	1216 TT	14,970	20.3	1.3	18.6	9.3	3.5	97.2	18.2	4.3
Charoen Pk Food	CPF TB	6,900	16.4	1.2	8.1	8.4	1.1	148.4	11.2	2.9
Thai President Foods Co	TFMAMA TB	1,970	-16.1	2.9	16.0	N/a	2.4	0.3	15.3	10.6
Samyang Foods Co	003230 KS	609	-41.6	1.0	11.9	6.6	2.0	25.3	17.9	10.8
Average		6,112	-5.2	1.6	13.6	8.1	2.2	67.8	15.6	7.2
Median		4,435	0.2	1.2	14.0	8.4	2.2	61.3	16.6	7.5
Masan Consumer Holdings	MCH VN	3,520	14.2	3.0	17.8	12.2	5.9	52.0	31.7	17.8

Source: Bloomberg, Mirae Asset Research

We arrived at MML's share value by applying a multiple of 10.5x to FY21 EBITDA. We believe a premium of 20% to its peers' average EV/EBITDA is reasonable for MML, thanks to its pioneer position in chilled meat in Vietnam, as well as support from VinCommerce's modern retail system. MML is currently trading at an EV/EBITDA forward 2021 of 10.0x.

Figure 12. MCH valuation – EV/EBITDA approach

	Unit	FY21F value
EBITDA FY21F	VNDbn	1,965
Target P/E FY21F	x	10.5
Target EV FY21F	VNDbn	20,551

Source: Mirae Asset Research

Figure 13. Peer comparison: Feed-meat producers (data: 29/06/2021)

Company name	Bloomberg Code	Market Capital	EPS Growth TTM	EV/Sales TTM	P/E TTM	EV/EBITDA	P/B current	Debt /Equity Current	ROE TTM	ROA TTM
		US\$m	% YoY	x	x	x	x	%	%	%
Tyson Foods Group	TSN US	26,850	26.2	0.9	11.2	7.7	1.7	64.5	15.9	7.1
Charoen Pok Food	CPF TB	6,900	16.4	1.2	8.1	8.4	1.1	148.4	11.2	2.9
Thai Union	TU TB	2,890	85.0	1.0	13.7	8.9	1.8	100.1	16.5	6.0
Great Wall Enterprises	1210 TT	1,800	40.3	0.7	14.1	10.1	2.5	58.2	18.5	6.4
Average		9,610	42.0	0.9	11.8	8.8	1.8	92.8	15.5	5.6
Median		4,895	33.2	0.9	12.4	8.7	1.7	82.3	16.2	6.2
Masan MEATLife	MML VN	858	463.9	1.5	74.7	13.9	3.5	119.9	7.5	2.4

Source: Bloomberg, Mirae Asset Research

We applied the average P/BV ratio of peers (2.3x) to MSR's current book value to estimate the subsidiary enterprise value.

Figure 14. Peer comparison: Minor metal miners (data: 29/06/2021)

Company name	Bloomberg Code	Market Capital	EPS Growth TTM	EV/Sales TTM	P/E TTM	EV/EBITDA	P/B current	Debt /Equity Current	ROE TTM	ROA TTM
		US\$m	% YoY	x	x	x	x	%	%	%
Nucor Corp	NUE US	28,320	4,328.6	1.2	15.3	8.1	2.5	45.0	17.4	9.7
Steel Dynamic Inc	STLD US	12,410	131.8	1.2	15.4	8.3	2.6	65.4	18.3	8.8
Commercial Metals Co	CMC US	3,670	100.0	0.8	10.0	6.3	1.7	58.1	18.8	8.9
China Tungsten & Hightech Corp	0000657 CH	1,650	40.0	1.0	41.3	N/a	2.4	57.4	6.4	2.7
Average		11,513	1,150.1	1.0	20.5	7.5	2.3	56.5	15.2	7.5
Median		8,040	115.9	1.1	15.3	8.1	2.5	57.7	17.8	8.8
Masan High-tech Material	MSR VN	983	N/a	5.1	528.2	30.1	1.6	95.2	0.4	0.1

Source: Bloomberg, Mirae Asset Research

A price-to-sales ratio of 2.1x (peers' median) is applied to VCM's FY21F sales to obtain the subsidiary enterprise value.

Figure 15. Peer comparison: Modern grocery retailers (data: 29/06/2021)

Company name	Bloomberg Code	Market Capital	EPS Growth TTM	EV/Sales TTM	P/E TTM	EV/EBITDA	P/B current	Debt /Equity Current	ROE TTM	ROA TTM
		US\$mn	%YoY	x	x	x	x	%	%	%
CP ALL PCL	CPALL TB	16,740	(56.7)	1.6	41.0	17.7	5.4	257.8	13.1	2.8
Berli Jucker Public Co	BJC TB	4,280	(21.9)	2.2	37.0	15.9	1.2	134.8	3.3	1.2
John Keells holdings	JHK SL	895	27.2	2.2	38.2	26.9	0.8	71.2	2.3	1.1
Philippine Seven Group	SEVN PM	1,510	N/a	2.0	N/a	19.5	10.5	188.6	(10.8)	(2.8)
Average		5,856	(17.1)	2.0	38.7	20.0	4.5	163.1	2.0	0.5
Median		2,895	(21.9)	2.1	38.2	18.6	3.3	161.7	2.8	1.1

Source: Bloomberg, Mirae Asset Research

Masan Group (MSN VN)

P&L report - Consolidated (Summary)

VNDbn	2018	2019	2020F	2021F
Net revenue	38,188	37,354	77,218	88,623
COGS	(26,306)	(26,413)	(59,329)	(66,453)
Gross profit	11,881	10,941	17,889	22,170
SG&A	(6,330)	(6,098)	(16,207)	(14,248)
Operating profit	5,552	4,843	1,682	7,922
Other profit/(loss)	822	1,994	185	(493)
Net profit before tax	6,374	6,837	1,867	7,429
Tax expenses	(622)	(740)	(930)	(1,971)
Net profit after tax	5,751	6,097	937	5,459
NP attributes to common share holders	4,916	5,558	1,234	4,699
Minority interest	835	539	(297)	759

Balance sheet - Consolidated (Summary)

VNDbn	2018	2019	2020F	2021F
Current asset	12,500	24,262	29,761	28,203
Cash & Equiv.	4,586	6,801	7,721	4,687
ST investment	376	784	447	513
Account receivable	1,523	1,241	2,062	2,366
Inventory	4,333	9,622	12,498	13,293
Others	1,681	5,815	7,032	7,343
Non-current asset	51,559	69,050	82,144	81,265
Investment in joint venture	15,348	17,506	20,353	20,953
Tangible asset	23,798	29,171	34,322	32,617
Others	12,413	22,373	27,470	27,695
Total asset	64,059	93,312	111,905	109,468
Short-term liability	15,796	30,492	38,875	43,556
Account payable	2,669	5,635	6,833	7,842
ST borrowing	9,244	18,340	22,545	24,814
Other ST liabilities	3,883	6,517	9,497	10,900
Long term liability	14,703	14,917	51,832	38,629
LT borrowing	12,752	11,676	39,466	23,476
Other LT liability	1,952	3,241	12,366	15,153
Total liabilities	30,499	45,409	90,706	82,185
Shareholders' equity	29,487	42,780	15,938	20,050
Paid in capital	11,631	11,689	11,747	11,747
Retained profit	16,193	28,559	2,182	6,294
Others	1,662	2,532	2,009	2,009
Minority interest	4,593	9,108	9,093	10,911
Total equity	64,059	93,312	111,905	109,468

Cash flow (summary)

VNDbn	2018	2019	2020F	2021F
Net profit before tax	6,244	7,105	2,325	7,818
Depreciation	2,705	2,749	3,242	4,279
Other adjustment	(4,271)	(3,257)	(3,740)	(4,914)
Cashflow from operating activities before change in working capital	4,678	6,597	1,827	7,182
Change in non-cash current assets	(804)	(1,699)	(935)	(1,411)
Change in non-debt current liabilities	517	206	460	2,412
Cashflow from operating activities	4,391	5,104	1,351	8,183
Investment in fixed asset	(2,638)	(3,178)	(3,678)	(3,398)
Change in long term financial investment	(1,574)	(3,184)	(30,797)	(600)
Other change in long term assets	346	351	718	(93)
Cashflow from investment	(3,867)	(6,011)	(33,757)	(4,091)
Share issuance	10,928	271	2,386	-
Share buy back	-	-	-	-
Change in net debt	(12,971)	3,236	32,348	(13,721)
Dividend paid	(1,313)	(390)	(1,403)	(587)
Cashflow from financial activities	(3,357)	3,117	33,331	(14,309)
Net cashflow in period	(2,832)	2,210	925	(3,034)
Cash at beginning	7,417	4,586	6,801	7,721
Affect in change of foreign exchange	1	5	(4)	-
Net cash at end of period	4,586	6,801	7,721	4,687

Key ratios

	2018	2019	2020F	2021F
EPS Diluted (VND)	4,185	4,731	1,050	4,001
BVPS (VND)	25,351	36,597	13,568	17,068
Net debt/share (VND)	18,910	25,678	52,790	41,109
Dividend/net profit	26.7%	7.0%	113.7%	12.5%
Revenue growth	1.5%	-2.2%	106.7%	14.8%
EBITDA growth	17.3%	-8.1%	-35.1%	147.8%
Operating profit growth	25.4%	-12.8%	-65.3%	371.1%
EPS diluted growth	58.5%	13.0%	-77.8%	280.8%
Receivable cycle (x)	25	30	37	37
Inventory cycle (x)	6	3	5	5
Payable cycle (x)	14	7	11	11
ROA	9.0%	6.5%	0.8%	5.0%
ROE	19.5%	14.3%	5.9%	27.2%

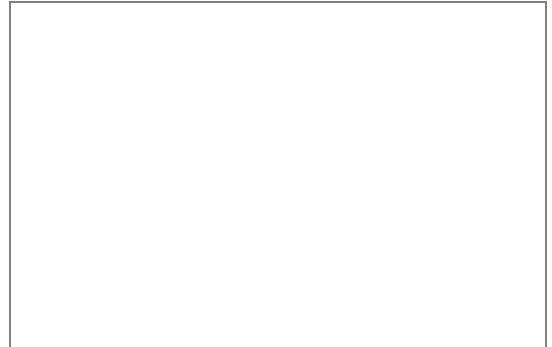
Source: Company report, Mirae Asset Vietnam Research

Appendix 1

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Two-year rating and TP history

Company	Date	Rating	TP (VND)
Masan Group	02/07/2021	Trading Buy	131,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (←), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

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Mirae Asset Daewoo International Network**Mirae Asset Daewoo Co., Ltd. (Seoul)**

One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

Equity Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-53
Jakarta Selatan 12190
Indonesia

Tel: 62-21-515-3281

Mirae Asset Securities Mongolia UTsK LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil
Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)