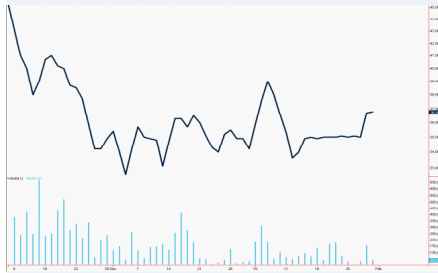


**Price chart**

**Stock Data**

As of 29 <sup>th</sup> Jan 2010	
Price (VND)	36,800
Current listed shares	476,399,820
Outstanding shares	476,399,820
52 Week high	45,300
52 Week low	32,600
Price change (3 months)	NA
Price change (6 months)	NA
Price change (12 months)	NA
Trading volume (shares)	48,200
Trading value (VNDbil)	1,784
Market Cap (VNDbil)	17,531,513
Total room (no. of share)	233,435,912
Current room (no. of share)	163,183,143
Foreign owned ratio (%)	14.75%
Foreign ownership limit (%)	49%

Source: HOSE

**Ownership structure**

As of 29 Jan 2010	Number of shares	Percentage
Masan Corporation	350,239,051	73.5%
Foreigners	74,668,889	13.8%
Others	60,491,880	12.7%
<b>Total</b>	<b>485,399,820</b>	<b>100%</b>

Source: Company, HOSE

**Analysts**

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**MSN consolidated earnings forecast**

VNDbillion	FY2009A	FY2010F	FY2011F	FY2012F	FY2013F
Net sales	3,979	5,636	7,143	8,375	9,674
Pre-tax profit	692	892	1,273	1,689	2,021
Net profit	371	575	866	1,209	1,442
Adjusted net profit	387	744	988	1,230	1,442
Sales growth	NA	41.6%	26.7%	17.3%	15.5%
Pre-tax profit growth	NA	28.9%	42.7%	32.6%	19.7%
Net profit growth	NA	54.9%	50.7%	39.6%	19.3%
EPS	764	1,176	1,667	2,328	2,777
Adjusted EPS	797	1,523	1,903	2,368	2,777
BVPS	9,759	10,327	11,907	13,023	14,279
P/E at market price	48.2	31.3	22.1	15.8	13.3
P/B at market price	3.77	3.56	3.09	2.83	2.58
P/E at target price	40.9	21.4	17.1	13.8	11.7
P/B at target price	3.3	3.2	2.7	2.5	2.3

Source: HSC forecast

**Masan Group (MSN – HOSE): Initiate coverage as HOLD**

- We rate MSN as a HOLD with a fair price of VND33,000 per share. At that price, MSN trades at a FY2010 P/E of 21.4xs. While not absolutely cheap we think its premium is justified at that price.*
- We expect MSN's consolidated sales to grow at a CAGR of 24.5% and MSN's consolidated net profit to grow at a CAGR of 39% from 2010 to 2013. This high growth rate justifies a higher valuation in our opinion.*
- Holding controlling stakes in Masan Food, a leading F&B player and Techcombank, one of the best private banks in Vietnam, MSN future earnings stream is secured.*
- MSN's dynamic management team has a clear focus and have begun to execute their business strategy which is centred on acquiring complementary businesses in new growth segments in order to build out their existing core businesses.*
- We think MSN is an excellent long term holding giving investors good access to two fast growing market segments; consumer goods and financial services and the promise of more to come. Buy on weakness.*

## Valuation

We value MSN at VND32,610 per share which leads to a FY2010 P/E of 21.4x. As MSN is a holding company, we use the NAV method to value the company. We calculate MSN's NAV based on the fair value of Masan Food shares and Techcombank shares owned by the company net of liabilities plus cash.

Using the average forward P/E of 7 domestic and regional peers of Masan Food, we came to a fair value of VND250,904. In our comparison group we included VNM as domestic peers and Nestle (Malaysia) Berhad, Ajinomoto Co. Inc, Uni-President Enterprises Corporation, Nong Shim Company Limited, Tingyi Holdings Corporation and Want Want China Holdings Limited as regional peers. We have calculated the group's average FY2010F P/E of 22.2x. We then discounted it by 20% to get a FY2010F P/E of 17.7x and used it to value Masan Food given the fact that Masan Food's scale is smaller than these companies.

In Vietnam, we believe VNM is the best F&B player to compare with Masan Food. Both companies dominate their respective basic food segments, dairy products and seasoning products. Like VNM, Masan Food's key advantages are marketing, branding and an extensive distribution network. VNM and Masan Food rank first and second amongst Vietnam F&B players in terms of retail distribution units throughout the country. Although currently VNM sales are 2.5x larger than Masan Food's, the latter is growing much faster and it is possible that in five years Masan Food might even catch up with VNM in terms of sales.

Amongst the 6 regional peers, Tingyi and Want Want China are the closest in terms of earnings growth and profitability. These two companies are trading at FY2010F P/E of 27.0x and 21.4x respectively. Meanwhile with exponential growth in sales and net profit, healthy margins and a high ROE, Masan Food outperforms the remaining companies in the group although these companies are much larger in scale.

At the target price of VND250,904, Masan Food would have FY2010F PEG of 0.5x, well below the average FY200F PEG of its peers at 1.3x. FY2010F PEG is calculated by dividing FY200F P/E by forecasted EPS growth FY2010F over FY2009.

As for Techcombank we made a comparative table including domestic banking peers, mostly other large joint stock commercial banks. Techcombank is one of a small leading group which also includes ACB, Eximbank and Military Bank that have successfully broken away from the pack in terms of developing retail banking arms of-

## MSN valuation

	No. of shares owned by MSN	Fair price	Fair Value
<b>Assets</b>			
Masan Food	45,864,000	250,904	11,507,483,692,866
Techcombank	107,946,000	43,258	4,669,507,993,440
Liabilities as of 31 Dec 09			-
Cash as of 31 Dec 09			660,100,767,832
Net Asset Value			16,837,092,454,139
Outstanding shares			516,321,583
Net Asset Value per Share			32,610
Discount/Premium			0.0%
MSN fair price			32,610

Source: HSC

fering a broad product suite backed by a growing network of branches and core banking IT backbone. With strong support from its strategic partner HSBC we rate Techcombank as second only to ACB in terms of its banking platform.

Using the average P/E and P/B of domestic peers, we arrived at a fair value for Techcombank at VND43,258.

We combined both and then adding net liabilities plus cash. This brings MSN's NAV to VND32,610 per share. As of 31 December 2009, MSN had a debt level of VND630 billion and a cash level of VND660 billion. The company has paid back long term bank borrowing of VND900 billion in Q4.

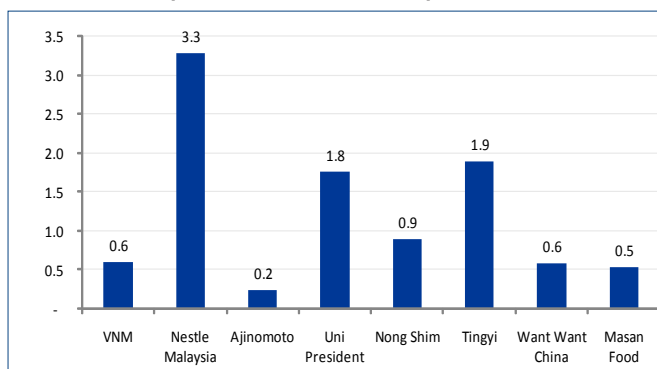
The amount of VND630 billion consists of four convertible bonds that were issued to TPG last year. As these bonds will be convertible at any time from 1 April 2011 to November 2012, we treat them as equity and add the number of new shares that are expected to be converted from these bonds to number of outstanding shares for NAV calculation.

In our valuation, we do not incorporate earnings from new business lines through private equity investments as well as investments that will be injected from Masan Ventures to MSN in future, but would rather wait until the company announces these deals.

Instead, we apply zero discount and premium for MSN valuation as we believe that the discount that we should apply to a holding company valuation can be offset by the premium that MSN deserves due to our assessment of their current deal flow pipeline in private equity investments.

MSN deserves a discount as its current portfolio companies are not publicly traded. A discount for lack of marketability should be used to compensate for the

**Masan Food vs peers - FY2010 PEG comparison**



Note: FY2010 PEG of Masan Food is calculated based on target price

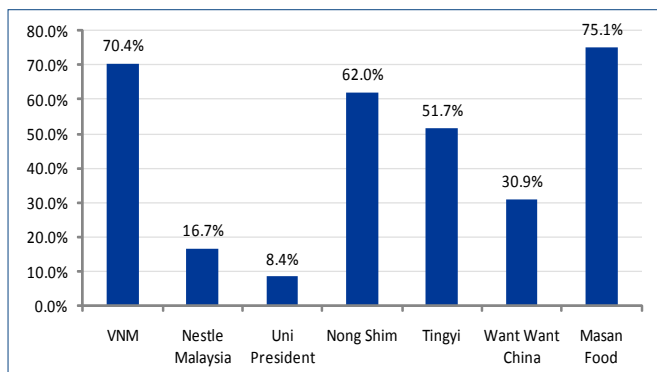
difficulty of selling shares of stock that are not traded on a public stock exchange, compared with those that are publicly traded. Moreover as MSN holds controlling stakes in Masan Food and Techcombank, it will be difficult for it to sell a large number of shares at their fair prices.

On the other hand, MSN deserves a premium because is capable of exploiting business opportunities in new growth segments through M&A and venture capital given a management with significant experience in capital raising, private equity and investment banking from a global investment banking perspective.

In our view the positive arguments hold equal weight with the negative ones so we neither apply a discount or a premium to our valuation.

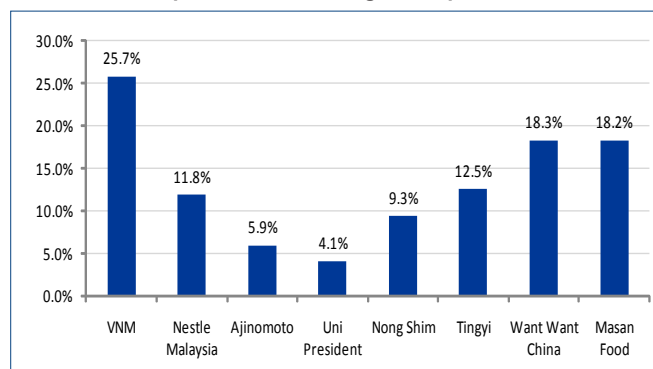
Investors effectively have two choices, to buy MSN itself, or to buy the two main components in the OTC market. From the point of view of access; although MSN is not a very heavily traded listed entity but it offers of course the most liquid way to own both companies.

**Masan Food vs peers - Net profit growth comparison**



Source: Reuters, Bloomberg, HSC forecast

**Masan Food vs peers - Pretax margin comparison**



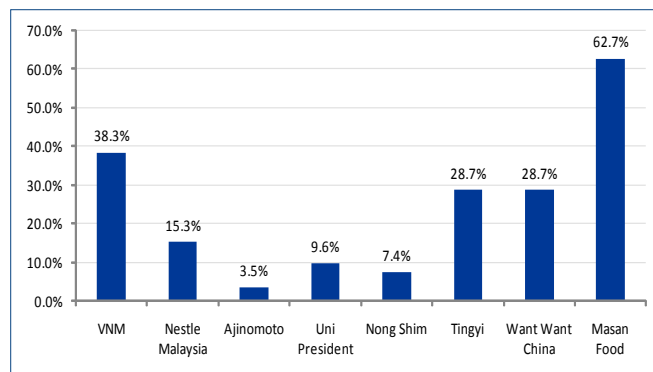
Techcombank is fairly regularly traded in the OTC market with daily average volume of around 100,000 shares recently. However Masan Food has rarely traded in the OTC market.

Given the current market price of MSN of VND36,800 we then calculate implied value of Masan Food share with the following formula:

Implied value of a share Masan Food owned by MSN = (Market value of MSN + Debt of MSN - Cash of MSN - Fair value of Techcombank shares owned by MSN) / number of Masan Food shares owned by MSN.

The result is VND298,077 per share. It appears that the implied value of Masan Food shares given MSN's market price of VND36,800 is at a premium of 19% over the fair value of Masan Food at VND250,904.

**Masan Food vs peers - ROE comparison**



Source: Reuters, Bloomberg, HSC forecast

## Comparative valuation for Masan Food

Company	Country	Description	Market cap	P/E 2010F	PEG 2010F	EPS 2010F	Gross margin	Pretax margin	Sales growth	Net profit growth	ROE
Vietnam Dairy Products	Vietnam	Leading F&B player in Vietnam with a focus on dairy products. The company's key products include powdered milk, condensed milk, liquid milk (including fresh milk, UHT milk and drinking yoghurt) and yoghurt. Vinamilk currently holds 40% market share in domestic milk market.	1,690	12.4	0.7	0.39	36.5%	25.7%	29.3%	70.4%	38.3%
Nestle (Malaysia) Berhad	Malaysia	Nestle (Malaysia) Bhd is an investment holding company. The company, together with its subsidiaries, is engaged in the manufacture, marketing and sale of food products in Malaysia. The company offers milk products, chocolate malt drink, coffee, seasonings, noodles and chocolate.	2,294	20.0	3.3	0.49	32.9%	11.8%	13.5%	16.7%	15.3%
Ajinomoto Co. Inc.	Japan	A Japan-based food company mainly engaged in the manufacture and sale of food products and fine chemicals. Key products include processed food, seasonings, edible oil, beverages and frozen food, sweetener for functional nutritional food, medical products, medical food products, packaging, logistics and other services. The company has 133 subsidiaries and 20 associated companies.	6,712	24.2	0.2	0.40	32.9%	5.9%	-6.6%	547.2%	3.5%
Uni-President Enterprises Corporation	Taiwan	Principally engaged in the manufacture, processing and sale of food products. The company provides its products under five major groups: the Provision Groups (soybeans, corn, wheat, animal feeds, edible oils, flour & cereals); the Instant Food Group (instant noodles); the Beverage Group (fruit juices, sport drinks, coffee, mineral water, energy drinks, tea drinks, fresh milk, soybean milk, yoghurts & puddings); the General Food Group (frozen food, soy sauces, meat products, seasoning & ice cream); the Consumer Health Group (milk powder, breads & cakes)	4,121	14.5	1.8	0.07	29.0%	4.1%	3.9%	8.4%	9.6%
Nong Shim Company Limited	Korea	Nongshim Co. Ltd is a Korean food manufacturer specializing in instant noodles, snacks, instant rice and beverages. Currently it is the biggest instant noodles producer in Korea.	1,191	9.6	0.9	20.49	NA	9.3%	10.1%	62.0%	7.4%
Tingyi Holdings Corporation	China	Tingyi Holdings Corporation is an investment holding company. The company and its subsidiaries are engaged in the manufacture and sale of instant noodles, bakery and beverages in China. The company distributes its products throughout China via its sales network consisting of 5,552 sales offices and 84 warehouses serving 5,872 wholesalers and 69,096 direct retailers. The company's products are marketed under the Master Kong brand name.	12,620	27.0	1.9	0.08	35.0%	12.5%	20.8%	51.7%	28.7%
Want Want China Holdings Limited	China	Want Want China Holdings Limited is a Hong Kong-based investment holding company. The company and its subsidiaries are engaged in the manufacturing, distribution and sale of rice crackers, dairy products, beverages, snack foods and other products.	8,733	21.4	0.6	0.03	39.0%	18.3%	42.0%	30.9%	28.7%
<b>Peer average</b>				<b>22.2</b>	<b>1.3</b>						
Masan Food at market price	Vietnam		375	7.8	0.2	0.76	35.0%	18.2%	107.0%	75.1%	62.7%
Masan Food at target price	Vietnam		854	17.7	0.5	0.76	35.0%	18.2%	107.0%	75.1%	62.7%

Source: HOSE, Reuters, Bloomberg

Notes:

- Market cap: in US\$million; EPS: in US\$

- Gross margin, pretax margin, and ROE are trailing twelve months numbers (TTM); - Sales growth, net profit growth, EPS growth are growth of trailing twelve months vs. 1 year ago; As Nestle Malaysia has not released FY2009 numbers, we use its FY2008 numbers.  
- Fiscal year of Ajinomoto ends at 31 March and the company also has not released financial statement as of 31 December 2009, so we use numbers from financial statements as of 30 September 2009; - Nong Shim ROE: FY2008

## Comparative valuation for Techcombank

	Price	Outstanding share	Market Cap (VNDbil)	EPS 2009	P/E 2009	BVPS 2009	P/B 2009	EPS 2010	P/E 2010	BVPS 2010	P/B 2010
ACB	35,400	770,574,400	27,278	2,777	12.7	14,161	2.5	2,537	14.0	16,746	2.1
STB	22,600	670,058,024	15,143	2,413	9.4	15,468	1.5	1,675	13.5	16,936	1.3
EIB	23,700	880,000,000	20,856	1,380	17.2	15,170	1.6	1,396	17.0	16,416	1.4
MB	26,500	530,000,000	14,045	1,940	13.7	12,438	2.1	1,910	13.9	14,348	1.8
VCB	42,800	1,322,371,500	56,598	2,856	15.0	12,695	3.4	3,121	13.7	14,698	2.9
CTG	28,100	1,206,000,000	33,889	1,823	15.4	13,067	2.2	2,279	12.3	11,768	2.4
<b>Average</b>			<b>167,809</b>		<b>14.4</b>		<b>2.5</b>		<b>13.9</b>		<b>2.3</b>
<b>TCB at market price</b>	<b>31,000</b>	<b>540,041,700</b>	<b>16,741.29</b>	<b>3,528</b>	<b>8.8</b>	<b>13,108</b>	<b>2.4</b>	<b>3,535</b>	<b>8.8</b>	<b>16,565</b>	<b>1.9</b>
<b>TCB at target price</b>	<b>43,258</b>	<b>540,041,700</b>	<b>23,361.12</b>	<b>3,528</b>	<b>12.3</b>	<b>13,108</b>	<b>3.3</b>	<b>3,535</b>	<b>12.2</b>	<b>16,565</b>	<b>2.6</b>

Source: HOSE, analyst forecast, companies

**Masan Food earnings forecast**

(VNDbillion)	FY2007	FY2008	FY2009A	FY2010F	FY2011F	FY2012F	FY2013F
Net sales	660	1,922	3,979	5,636	7,143	8,375	9,674
Pre-tax profit	115	435	725	967	1,239	1,459	1,678
Net profit	82	382	668	891	1,143	1,346	1,510
EPS	7,109	15,433	10,609	14,150	18,140	21,358	23,969
Sales growth	15.7%	191.2%	107.0%	41.6%	26.7%	17.3%	15.5%
Pre-tax profit growth	215.3%	277.6%	66.7%	33.4%	28.2%	17.7%	15.0%
Net profit growth	206.8%	366.5%	75.1%	33.4%	28.2%	17.7%	12.2%
EPS growth	200.8%	240.3%	61.7%	33.4%	28.2%	17.7%	12.2%
DPS (*)	NA	15,433	3,183	4,245	5,442	6,407	7,191
Dividend payout ratio	NA	100.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Dividend yield	NA	14.0%	2.9%	3.9%	4.9%	5.8%	6.5%

(\*) Cash dividend from FY2010 onward is forecasted by HSC. Masan Food does not disclose any plan on dividend payment for coming years.

Source: Company, HSC forecast

**Earnings Model****1. Masan Food earnings model****Sales assumptions**

We expect Masan Food net sales to grow at a CAGR of 25% from 2010 to 2013 mostly driven by fish sauce and instant noodles. Expanding their market share in both segments holds the key to their medium term growth.

**Soy sauce:** We assume that sales from soy sauce will increase by 10% on average over the next four years. Market share expansion and industry growth will be the major contributors. Given its already dominant position with a 66% market share in soy sauce market last year, we believe their future market share in soy sauce will expand gradually over the medium term. We expect by the end of this year the company will hold a 69% share

of the market and by FY2013 its market share will be 74.5% for this product.

**Fish sauce:** We forecast a 2010-2013 CAGR of 25% for fish sauce. Our forecast is based on the assumption that their market share in fish sauce can grow from 34% in FY2009 to 45% by FY2010. And expand significantly over the next four years to reach 60% by FY2013.

Although Masan Food is the leader in the fish sauce market, there is still room for Masan Food to expand its market share especially in the middle and low income market segments. They are also penetrating more deeply into the rural market where unbranded products still dominate. According to a recent research by Euromonitor, the unbranded segment market could be as large as the branded segment.

**Masan Food's market share**

Products	2008	2009E	2010F	2011F	2012F	2013F
Soya sauce	62.80%	66.4%	69.0%	71.5%	73.0%	74.5%
<i>Chinsu</i>	6.20%	7.4%	9.0%	9.5%	10.0%	10.5%
<i>Tam Thai Tu</i>	56.60%	59.0%	60.0%	62.0%	63.0%	64.0%
Fish sauce	19.40%	34.0%	45.0%	53.0%	57.0%	60.0%
<i>Chinsu</i>	6.40%	8.0%	10.0%	11.0%	12.0%	12.0%
<i>Nam Ngu</i>	13%	18.0%	20.0%	22.0%	23.0%	24.0%
<i>Nam Ngu De Nhi</i>		8.0%	15.0%	20.0%	22.0%	24.0%
Chili sauce	25.50%	27.5%	28.5%	29.5%	30.5%	31.5%
Granule	9.50%	10.0%	10.0%	10.0%	10.0%	10.0%
Noodle	2.50%	8.0%	12.0%	15.0%	17.0%	19.0%
<i>Omachi</i>	2.30%	3.0%	4.0%	5.0%	6.0%	7.0%
<i>Tien Vua</i>	0.20%	5.0%	8.0%	10.0%	11.0%	12.0%

Source: Company, HSC forecast

The launch of Nam Ngu De Nhi, a low-end brand is the key to lifting market share further. Introduced last August, this product has the same brand design as Nam Ngu, the mainstream fish sauce which contributed 25% to sales last year, but has a different name. Nam Ngu De Nhi is 55% cheaper than normal Nam Ngu and targets the low-end market, mainly in the countryside. With a large population and very low consumption of branded fish sauce, the rural market has lots of growth potential.

**Instant noodles:** 31.5% is our forecasted CAGR from FY2010 to FY2013 for Masan Food's instant noodles segment. We expect "Tien Vua", a new brand aimed at the mainstream segment will contribute considerably to market share gains this year. Officially launched in Q2 FY2009, "Tien Vua" carries a new message. It is being sold as a healthier alternative because the noodles are fried in fresh oil.

The noodle market is very competitive and fragmented at the moment and product stickiness is low. Therefore we believe "Tien Vua" with its fresh healthy image can win considerable market share from its competitors.

As of the end of 2008, Masan Food's share in the noodle market was only 2.5%. But after the introduction of Tien Vua, its market share by the end of 2009 was much higher at 8%. We expect the market share of "Tien Vua" instant noodle in FY2010 will increase to 12%. And by FY2013, we forecast the combined market share of both Tien Vua and Omachi noodles will reach 19%.

**Other products:** We project that sales of other products including chili sauce, granules and packaging will grow at CAGR of 10.8%, 5.5% and 10% respectively over the next four years.

### Gross margin assumptions

We expect that Masan Food's overall gross margin will stay at a narrow range between 33.8%-34.2% from FY2010 to FY2013.

We assume over the next three years average fixed costs per product for the company's growth segments including fish sauce, noodles and soy sauce will be lower as these categories continue to enjoy economies of scale.

Accordingly we forecast an improvement in gross margin for fish sauce from 42% last year to 43% this year and with more afterwards given that material costs for fish sauce are likely to remain stable over the medium term.

### Gross margin by product category

Gross margin	2009E	2010F	2011F	2012F	2013F
Soya sauce	48.0%	46.0%	47.0%	47.0%	47.0%
Fish sauce	42.0%	43.0%	43.0%	43.0%	43.0%
Chili sauce	39.0%	39.0%	39.0%	39.0%	39.0%
Granule	30.0%	30.0%	30.0%	30.0%	30.0%
Noodle	22.3%	21.0%	21.0%	21.1%	21.2%
Omachi	26.0%	25.0%	25.0%	25.0%	25.0%
Tien Vua	20.0%	19.0%	19.0%	19.0%	19.0%
Packaging	10.8%	10.8%	10.8%	10.8%	10.8%
<b>Overall gross margin</b>	<b>35.0%</b>	<b>34.2%</b>	<b>34.0%</b>	<b>33.9%</b>	<b>33.8%</b>

Source: Company, HSC forecast

As for the noodles segment, in FY2009 gross margins for "Omachi" noodles came to 26% while gross margins for "Tien Vua" came to 20%. We believe margins for both brands would tend to expand slightly from FY2010 due to economies of scale. However, we believe this will be offset by higher input costs such as wheat flour costs.

Specifically we forecast gross margin for "Omachi" and "Tien Vua" in FY2010 at 25% and 19% respectively. And as the contribution of "Tien Vua" which carries lower margin is expected to increase, overall gross margin of noodles segment will fall slightly from 22.3% last year to 21% this year.

And soy sauce segment gross margin is forecasted to slip to 45% in FY2010-2013 from 48% in FY2009 as the price of soya bean, its major raw material, is soaring.

Although overall key product gross margins are expected to increase for the next four years, overall gross margin will fall gently due to a worsening product mix as the sales weight of low margin noodles increases over time. Last year noodles accounted for 31.8% of total sales and we forecast it will contribute 40.3% to total sales by FY2013.

### SG&A assumptions

With a target of being the leading domestic F&B player in 2012, growth is the top priority of Masan Food for the time being. Thus we believe they will invest more aggressively in brand building, distribution channel and advertising.

The company's SGA to sales ratio increased sharply from just 7.2% in FY2006 to 18.8% in FY2009 and they achieved a secular revenue growth of 91% during that period. The ratio came to its all time high level of 18.8% in FY2009 as the year witnessed the launch of two new products: Tien Vua and Nam Ngu De Nhi.

**SGA assumptions**

(VNDbillion)	FY2009E	FY2010F	FY2011F	FY2012F	FY2013F
SG&A expense	747	1,057	1,340	1,571	1,815
Selling expense	645	913	1,157	1,357	1,567
Advertising expenses	340	425	539	632	729
Other selling expenses	305	488	618	725	837
Administrative expense	102	144	183	214	248
SG&A expenses/sales (%)	18.8%	18.8%	18.8%	18.8%	18.8%
Selling expense/Sales (%)	16.2%	16.2%	16.2%	16.2%	16.2%
Advertising expenses/sales (%)	8.5%	7.5%	7.5%	7.5%	7.5%
Other selling expenses/sales (%)	7.7%	8.7%	8.7%	8.7%	8.7%
Administrative expense/Sales (9%)	2.6%	2.6%	2.6%	2.6%	2.6%

Source: Company, HSC forecast

We assume that from FY2010 the ratio of SGA to sales will be kept at 18.8%, of which selling expenses/sales will be at 16.2% and general administration expenses/sales will be at 2.6%.

We also assume that over the next two years the ratio of advertising expenses to sales will reach 7.5% and advertising expenses will account for 47% of total selling expenses.

**Financial income & expenses**

In FY2009 Masan Food received financial income worth VND141 billion which was mainly interest income from lending to other entities as well as bank deposits. Given a huge amount of excess cash generated from operating activities, we expect to see VND1,500 billion worth of short term investments including term deposits and lending to other corporates by end of FY2010. From FY2011 short term investments are forecasted to grow steadily and reach VND2,500 billion as end of FY2013.

Therefore we expect to see a considerable contribution from net financial income to the bottom line going forward.

**Effective tax rate**

We forecast the effective tax rate of Masan Food at 7.8% for the period FY2010-2012 and 10% for FY2013 based on the following assumptions:

**Net financial income**

(VNDbillion)	2009A	2010F	2011F	2012F	2013F
Shortterm investments	1,080	1,500	2,000	2,200	2,500
Financial income	145	104	144	172	192
Financial expense	59	47	47	43	40
Net financial income	86	57	97	129	152
Net financial income/ pretax profit (%)	11.9%	5.9%	7.8%	8.8%	9.1%

Source: Company, HSC forecast

- Applicable tax rate for the parent company is 25% from FY2010-2013

- Applicable tax rate for Minh Viet Packaging Joint Stock Company, a subsidiary of Masan Food, is 10% under the terms of its business registration certificate.

- Masan Industrial Corporation, a subsidiary of Masan Food has an obligation to pay the government CIT at the rate of 15% of taxable profits. However, the provisions of its registration certificate allow it to be exempt from CIT for 3 years starting from the first year it generates a taxable profit, and is entitled to receive a 50% reduction in CIT for seven subsequent years. Therefore the effective tax rate of MSI is 7.5% from FY2010 to FY2013.

- Viet Tien Food Technology Joint Stock Company. Masan Food's subsidiary that majors in producing sauce products, has an obligation to pay CIT at the rate of 15% of taxable profits. However, the provisions of its registration certificate allow it to be exempt from CIT for three years starting from the first year it generates a taxable profit (2003 to 2005) and entitled it to a 50% reduction in CIT also for seven subsequent years (2006 to 2012). That means its effective tax rate will be 7.5% from FY2010 to FY2012 and 15% in FY2013.

**2. Techcombank earnings model****FY2010 forecast**

As the bank will continue to focus on commercial banking lines, we believe net interest earnings will be a major contributor to Techcombank total earnings in FY2010.

We forecast the company will see loan growth of 35% in FY2010, outperforming the whole sector. This forecast is lower than the actual loan growth of 62% in FY2009 because



## Techcombank earnings and dividend forecast

	FY2008	FY2009F	FY2010F	FY2011F	FY2012F	FY2013F
Total asset	59,360	85,247	108,387	137,640	174,158	219,701
Total outstanding loans	26,019	42,082	56,865	76,910	102,806	132,215
Customer deposits +valuable papers	42,692	63,570	85,819	108,990	139,507	178,569
Total equity	5,616	7,254	7,808	8,678	9,894	11,723
Pre-tax profit	1,616	2,251	2,605	3,028	3,671	4,306
Net profit	1,183	1,689	1,954	2,271	2,753	3,229
Dilluted EPS	2,879	3,528	3,535	4,122	5,016	5,887
Asset growth	67.0%	43.6%	27.1%	27.0%	26.5%	26.1%
Loan growth	27.0%	61.7%	35.1%	35.2%	33.7%	28.6%
Deposit growth	62.8%	48.9%	35.0%	27.0%	28.0%	28.0%
Equity growth	57.1%	29.2%	7.6%	11.2%	14.0%	18.5%
Net profit growth	131.8%	42.7%	15.7%	16.2%	21.2%	17.3%
DPS (**)	3,573	2,000	2,000	2,000	2,000	2,000
Payout ratio	8.0%	6.4%	5.5%	4.8%	3.9%	3.3%
Dividend yield	11.2%	6.3%	6.3%	6.3%	6.3%	6.3%

(\*\*) Cash dividend from FY2010 afterward is forecasted by HSC. Techcombank does not disclose any plan on dividend payment for coming years

Source: Techcombank, HSC forecast

(1) lending rates are currently high and we think banks will continue to pass on a part of the cost of funds to borrowers in the form of fees. As a result of the high cost of borrowing, demand for loans is likely to decrease;

(2) SBV has set a FY2010 target of 25% for credit growth compared to actual growth of 38% in FY2010. Unlike last's years original target which was easily breached the SBV is likely to much tougher in enforcing growth limits for banks in FY2010.

We also expect the average NIM will be around 3.8% in FY2010, equal to the average level between FY2003-2009. Combining these two key assumptions, we believe that net interest income will increase by 24-25% y/y and contribute 66.8% of total operating income.

Fee service earnings are forecast to increase by 22% y/y in FY2010 and will contribute 16.5% to total operating income. The bank also intends to expand their loan book by 31% and will actively launch new products so they can achieve this target. In addition, TCB will increase their network from 167 branches and sub-branches currently to 200 by FY2010 year-end. The new branches opened in FY2009 will help the bank increase its reach so as to offer more services to retail customers. It should be noted that normally, new branches and sub-branches lose money in the first 6 months – 12 months, but are able to generate profits afterwards.

FX gains will decline because gold related earnings are expected to be non-incurring and the foreign exchange market will not change much. The FX market has low liquidity so FX gains (excluding gold related earnings) are moderate. Given these assumptions, we believe that FX gains will be reduced by 33%.

## Techcombank earnings breakdown

	FY2006	FY2007	FY2008	FY2009E	FY2010F	FY2011F	FY2012F	FY2013F
Net interest income	74.8%	76.2%	55.7%	63.6%	66.8%	68.4%	71.0%	72.9%
Net fee and commission income	16.6%	14.6%	15.4%	15.2%	15.6%	16.0%	15.7%	15.6%
Foreign exchange gains - net	1.2%	2.0%	0.7%	3.9%	2.2%	1.9%	1.5%	1.3%
Income from trading securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Income from Investment securities	0.1%	6.6%	24.9%	10.3%	8.8%	7.5%	6.1%	5.1%
Other income	7.2%	0.4%	0.3%	4.4%	3.7%	3.2%	2.6%	2.2%
Dividends	0.0%	0.2%	3.0%	2.6%	2.8%	3.0%	3.0%	3.0%
Total operating income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total operating income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Techcombank, HSC forecast

Forecasting earnings from equity and debt investment, on the other hand, is difficult. The bond market wasn't favorable for bond trading gains in FY2009 and TCB hasn't invested actively in the listed market. TCB's investment income contributed 10.2% of total operating income of FY2009. While the bond market will continue to be as liquid in FY2010 as it was in FY2009, it will be tougher to see net gains in the stock market. As a result, HSC projects that TCB's investment income numbers will not change.

With respect to dividend earnings, we expect that long-term investment will increase by 20% y/y and the bank will receive an 8% dividend at par value from their long-term investments. Based on these assumptions, the bank will receive dividend earnings of VND123 billion, between 31-37% higher than FY2008-2009.

HSC further expects that TCB will see a growth in total operating income by 18-19% y/y in FY2010 to VND4,553 billion and 45% y/y compared to FY2008. Most of this growth will come from growth in net interest income.

We also anticipate that non-interest costs will increase by 24% y/y in FY2010. With this cost base, the total non-interest costs/total interest earning assets ratio will be 1.7%, compared to 1.8% in FY2009. Furthermore, we expect that NPL groups 3-5 will accelerate to 2.88% before being written off. Total provision expense for loan loss is predicted to hover around VND514 billion, up from VND431 billion in FY2009 in our estimates. Finally, the cost to income ratio will be at 32%, higher than FY2009 (30% according to our estimations) and FY2008 (28.9%).

Using these key assumptions, HSC forecasts that TCB will earn a pre-provision profit of VND2,653 billion, 20% higher than in FY2009. This would lead to an EPS of around VND3,603, up only 2% y/y because of dilution. Without dilution, the EPS growth would come in 18% higher than FY2009. This would leave us with a forward P/E at 9xs and P/B of 2.0 at end-2010. While this forecast has both upside and downside risks, TCB's shares are still cheaper than other bank shares.

### **FY2011 – FY2013**

After a two year restructuring in FY2008-2009, the bank boasts a well-organized platform and a strong management team. This should help the bank develop swiftly and efficiently over the coming year. In our opinion, TCB will continue to outperform the sector over FY2011-2013. Net interest income will account for 70% of total operating income, while their service income share is forecast to come to 15-16%.

For the banking system we assume that there will be average annual credit growth of 25-30% per year over this period. The bank now has an intensive distribution network and diversified retail banking products that help it to increase private customer deposits to sustain loan growth. We believe that TCB will see annual deposit growth and loan growth of 30-35% over the period.

With credit and deposit growth of 30-35% on average and sufficient funding for long-term loans, TCB can increase its service fee income by 20% per year, an earning stream which could contribute 15-16% of total operating income. Investment income will come in at VND400 billion or equal to FY2009 level, while FX gains are expected to come in at VND100 billion or 33% lower than FY2009.

After the restructuring, we believe that TCB's non-operating expenses will increase by 20% per year and non-interest income over average earning assets could be at 1.6%, compared to 17-18% in our forecasts for FY2009-2010. TCB's cost to income ratio is forecast at 32-33% on average.

Given these assumptions, the bank should continue to grow faster than sector averages although their earnings breakdown won't change much over the next 3 years. TCB could see a pretax profit growth of 18% on average in FY2011–2013. And EPS will grow by less than that due to some dilution via dividend shares.

### **3. MSN earnings prospects**

Given the bright earnings prospects for both companies according to our forward forecasts we believe that the investment portfolio of MSN should generate a good dividend stream in future. However the dividend payment of MSN will depend heavily on the actual dividend policy of both companies. We find it difficult to predict Masan Food's dividend policy as they do not disclose their plan for dividend payment either for this year or next.

In FY2008, Masan Food performed very well and has announced a dividend payout ratio of 100%. In fact its shareholders did not receive any cash.

Instead they lent this amount to Masan Corporation – the mother company of the group. Masan Corporation issued VND382 billion worth of 5 year bonds to Masan Food shareholders at an annual coupon of 9%.

When the bond matures, shareholders have two options: either to receive cash repayment or convert these bonds to Masan Food shares which are currently owned by Masan Corporation at a conversion price of VND272,000 per share.

**MSN dividend forecast**

	2009E	2010F	2011F	2012F	2013F
Dividend income	361.9	410.6	465.5	509.8	545.7
From MF	146.0	194.7	249.6	293.9	329.8
From TCB	215.9	215.9	215.9	215.9	215.9
Dividend payment	361.9	410.6	465.5	509.8	545.7
MSN dividend per share	745.5	845.9	901.5	987.3	1,056.9
Dividend yield	2.0%	2.3%	2.4%	2.7%	2.9%

Source: HSC forecast

As Masan Food had a bonus issue after that, the adjusted conversion price is around VND113,000 per share.

Therefore there is still a possibility that Masan Food will pay dividend by shares in FY2009. In our base scenario, we assume that the dividend payout ratio will be 30% of net profit for FY2009 and FY2010. That means according to our assumptions in FY2009 and FY2010 cash dividend from Masan Food would come to VND3,182 and VND4,194 per share respectively.

With those numbers, Masan Food's forecast dividend yield for FY2009 and FY2010 comes to 2.9% and 3.9% respectively.

As for Techcombank, at the FY2009 AGM, Techcombank management announced that it planned to pay cash dividend of VND2,000 per share in FY2009. We assume that this amount will remain flat in FY2010 as we forecast a small y/y growth in FY2010 net profit. Accordingly dividend yield this year and next year is expected to come at 6.3%, quite high in our opinion.

Therefore in our base scenario, we expect MSN to generate a cash flow purely from dividend income of VND362 billion and VND412 billion in FY2009 and FY2010 respectively. We also assume that these amounts will be paid to MSN's shareholders as cash dividend.

**MSN consolidated earnings**

VNDbillion	FY2009	FY2010F	FY2011F	FY2012F	FY2013F
Net sales	3,979	5,636	7,143	8,375	9,674
Pre-tax profit	692	892	1,273	1,689	2,021
Net profit	371	575	866	1,209	1,442
Adjusted net profit	387	744	988	1,230	1,442
EPS	718	1,113	1,677	2,342	2,793
Adjusted EPS	797	1,523	1,903	2,368	2,777
Sales growth	NA	41.6%	26.7%	17.3%	15.5%
Pre-tax profit growth	NA	28.9%	42.7%	32.6%	19.7%
Net profit growth	NA	92.4%	32.8%	24.5%	17.3%
EPS growth	NA	91.2%	24.9%	24.5%	17.3%

Source: MSN financial statements, HSC forecast

That means the overall dividend yield will be 2.0% and 2.3% in FY2009 and FY2010, much lower than the dividend yields for both Masan Food and Techcombank.

However, our model does not include income streams from new investments in FY2010 and afterward. Currently MSN's cash on hand is VND660 billion, including US\$20 million worth of proceeds from 9 million new shares offered to House Foods in early December. In addition, the company has announced a plan to issue an additional 3 million shares to other institutional investors from December 2009 to March 2010.

This money will be used to develop new businesses that are believed to grow rapidly and bring sustainable profits. We are believers in MSN's capabilities to raise more capital in the next few years given a very experience management in terms of capital raising.

**MSN consolidated earnings**

As a subsidiary of MSN, financial statements of Masan Food must be consolidated into MSN's under Vietnam accounting standards (VAS). The financial statements of the parent company and Masan Food are combined on a line-by-line basic by adding together like items in assets, liabilities, equity, income and expenses. There is no operating activity at the MSN level so far, therefore in MSN's consolidated P&L, items such as revenue, cost of goods sold, gross profit just equal to those of Masan Food.

The parent company, however, has generated some interest income from its bank deposits. From August to December FY2009, interest income came to VND5.2 billion. We assume that from FY2010 to FY2013 the parent company will not earn any interest income.

On 30th September 2009 and 8<sup>th</sup> October 2009, MSN issued 4 convertible bonds to Texas Pacific Group (TPG). These bonds have a notional value of VND630 billion, interest rate of 15% and maturity of 3 years. They are convertible to common shares at any time between April 2011 and November 2012 at a conversion price of VND20,374 per share. However under the terms of these bonds, the issuer does not have to pay interest annually. If the buyer converts the bonds to shares, it will be paid zero interest. Otherwise, the issuer will pay the buyer an accrued interest of VND328.2 billion at maturity. The interest is compounded annually.

Under VAS, the company has to allocate the expected accrued interest expense from FY2009 to FY2012. Last year MSN recorded an interest expense of VND15.8 billion for its CB and is expected to book VND169.3 bil-

lion, VND122.3 billion and VND20.8 billion in FY2010, FY2011 and FY2012 respectively. As there is a high possibility that the bonds will be converted, we added the interest expenses on the CB back to net profit to get an adjusted net profit for the parent company.

There are also some other expenses at MSN level which occurred in FY2009 including salary expenses, rent etc. These expenses are stated as general administration expenses on the P&L. Last year the parent company posted GA expenses of VND20.7 billion. We forecast these expenses will grow at 5% per annum from FY2010.

The investment in TCB shares is booked under the equity method. On the P&L, the parent company records a profit equal to 19.99% xs TCB net profits. This profit is then net of annual goodwill amortization of VND252 billion, as there was a goodwill line item of VND2,520 billion when MSN acquired TCB shares. This goodwill is the difference between the acquisition price and the book value of TCB shares at the time MSN bought them and is amortized over 10 years.

#### Accrued interest on convertible bonds

VNDbillion	FY2009	FY2010	FY2011	FY2012	Total
Interest Accrued	94.5	203.2	328.2		
Interest Expensed Per Period	15.75	169.31	122.26	20.83	328.2

Source: MSN

After combining Masan Food's P&L and profit from TCB net of goodwill, we have consolidated the P&L of MSN. We forecast MSN consolidated net profit to grow at CAGR of 39% from FY2010-2013.

## Company Analysis

### 1. Company overview

Masan Group Corporation (MSN) is a holding company with an investment portfolio including shares of Masan Food Corporation and Techcombank. With a current market price of VND34,000 and outstanding shares of 485,399,820, the company has a market capitalization of VND17.7 trillion, the seventh largest amongst HOSE listed stocks.

The biggest shareholder of MSN is Masan Corporation, the mother company of the whole group. Masan Corporation and its subsidiary Hoa Huong Duong currently hold 72.2% of MSN.

In addition, the capital structure also includes VND630 billion worth of convertible bonds held by Texas Pacific Group (TPG), a US based hedge fund. These bonds are convertible to common shares from 2011 with a conversion price of VND20,374 per share.

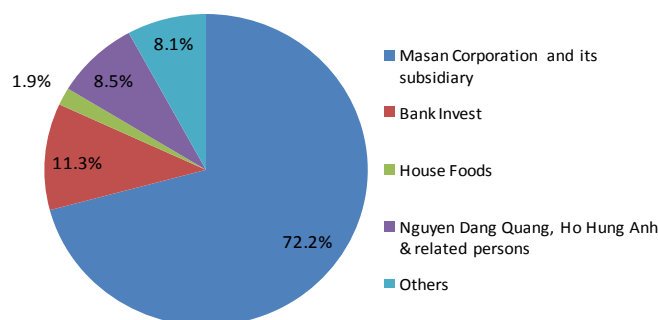
From July to October last year, key shareholders of Masan Food including Masan Corporation, BankInvest and other individuals swapped Masan Food shares for MSN shares at a certain ratio. They also did the same way with their Techcombank shares. Apart from that, MSN raised cash from some shareholders and others and then borrowed from banks to buy shares of Masan Food and Techcombank.

As of 30 September 2009, the total book cost of the company's investments came at VND5.588 trillion, of which VND4.08 trillion was the investment in 107,946,000 shares of Techcombank and VND1.5 trillion was represented for 59.34% or stake in Masan Food or 37,384,200 shares. The average book cost of Techcombank was VND37,838 per share while the average book cost of Masan Food came at VND40,229 per share. In October 2009, MSN bought another 8,479,000 shares of Masan Food, however, the cost of these additional shares has not been disclosed yet.

At the moment, MSN owns 45,864,000 shares or a 72.8% stake in Masan Food (including ownership of MSN' subsidiaries Hoa Phong Lan and Hoa Bang Lang) and 107,946,000 shares or a 19.99% stake in Techcombank.

There are 5 different levels in the structure of Masan Group. With no cross holding or overlapping holding, the current structure looks much clearer than the complicated structure we saw two years ago. But with so many layers, it still confuses investors a little bit. Masan Corporation, the investment company at the top of the

Shareholder structure as of 04 Feb 2010



Source: MSN prospectus, HOSE

pyramid, holds 51.6% of Masan Group (MSN) and Hoa Huong Duong, a 100% owned subsidiary of Masan Corporation holds 20.6% of MSN. MSN owns 100% of Hoa Phong Lan, 100% of Hoa Bang Lang and 52.8% of Masan Food. Hoa Bang Lang and Hoa Phong Lan currently also hold 11% and 7% of Masan Food respectively. And Masan Food has three subsidiaries: Viet Tien Food Technology (96.97%), Minh Viet Packaging or Mivipack (100%) and Masan Industrial Corporation or MSI (99%). And MSI even has a subsidiary namely Hoa Sen Food Technology (89% owned by MSI).

However, with participants of strategic partners into the group such as TPG, BankInvest and House Foods in MSN, Mekong Capital in Masan Food and HSBC in Techcombank, we hope that corporate governance will be improved gradually.

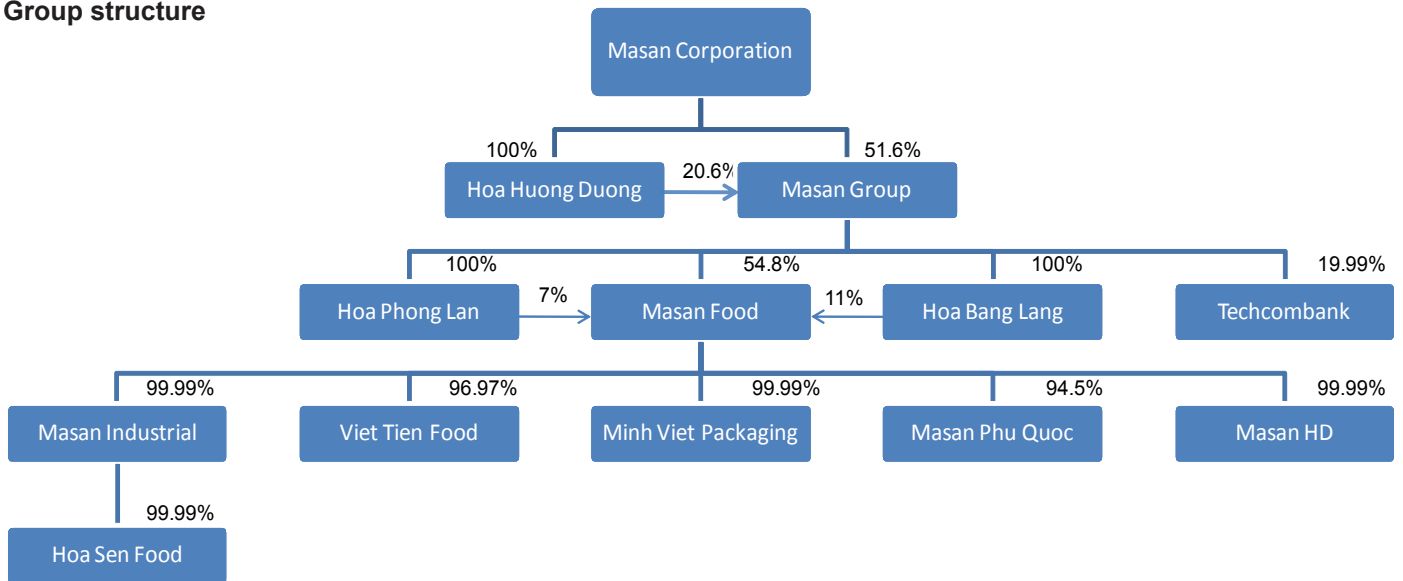
### 2. MSN's existing investments

#### 2.1 Masan Food

Masan Food is one of the leading F&B players in Vietnam focusing on sauce products and convenience food. Over the past three years the company enjoyed stellar growth with net sales CAGR of 91% and net profit CAGR of 193% from 2006 to 2009. With five product categories including soy sauce, fish sauce, chili sauce, gravy granule and instant noodles, the company is a dominant in sauce market with a 62.8% soy sauce market share and 19.4% fish sauce market share as of FY2008.

Masan Food (formerly Masan Trading) emerged as a star in soy sauce market in FY2007 when a number of leading manufacturers of soy sauce such as Nam Duong, Mekong, Thuan Phat and Trung Thanh were affected by the 3-MCPD scandal. Together with Nestle, Masan Food's soy sauce products met the safety standards and won most of market share from affected competitors. The company entered into the branded segment of the fish sauce market two years ago when competition in branded sauce market was not as tough as in other

## Group structure



Source: MSN

food segments such as dairy or confectionery. With an outstanding management team, the company has succeeded in exploiting one of the fastest growing and largest F&B segment.

Growth drivers of Masan Food include quality products supported by advanced technology; a strong sales network; excellent R&D capability and strong brand equity with marketing-driven sales strategy and a team of experienced sales and marketing staff mostly coming from leading FMCG multinational backgrounds.

Masan Food hopes to become the largest F&B producer in Vietnam with sales of US\$1 billion and overall F&B market share of 10% by 2012. It is looking at three product groups; (1) fast growth group (sauce products) with growth of 50%; (2) growth group (convenient foods such as instant noodles and curries) with growth from 30-50% and (3) "expand to whitespace" group (new products including cooking oil, frozen processed foods and snacks).

The company aims to introduce one new product category to the market every year. It has set an annual sales growth target for the next five years at 30% for existing products and 45-50% including sales from launching one new category each year.

Masan Food has been investing a lot to marketing and R&D. In FY2008, its advertising expense came to US\$20 million, ranked the second highest in Vietnam. The ratio of SGA expense to sales has been rising over time; from 7.2% in FY2006 to 18.8% in FY2009. R&D expense is also considerable at 0.5% of annual sales. The R&D team includes 50 people who are mostly food

technologists. The company also hopes that current and future partnerships will help to significantly enhance its R&D.

The company believes that rural consumers are willing to pay for any high quality food products with a price tag of less than VND5,000. Therefore one of its strategies is to dominate the rural market with the introduction of small and cheap products, via traditional distribution channel. Over the next few years, the distribution system has been growing rapidly. It currently has 132 distributors across the country, up 50% compared to 2007. Number of outlets has increased by 216% from 38,000 in 2007 to 130,000 in 2009 out of a total 500,000 outlets in Vietnam.

Amongst all domestic consumer players, Masan Food's distribution system is the second largest in Vietnam. Furthermore, the company also has a large sales team with 1,200 salespersons. Therefore its products are available in all provinces from urban to rural areas.

Although Masan Food's position in food market was initially built on the success of its high end brands such as Chinsu soy sauce and fish sauce, key growth drivers for the company for the time being are its lower end brands including Nam Ngu fish sauce, Tam Thai Tu soy sauce and Tien Vua noodles.

### FY2009 performance

In FY2009, Masan Food saw sales of VND3.98 trillion, up 107% y/y and exceeded by 17% its full year target at VND3.4 trillion. Net profit came in at VND668 billion, up 75% y/y and was 33.6% higher than the full year target

at VND500 billion. According to management, the key contributors in sales were fish sauce and instant noodles as a result of the launch of Nam Ngu De Nhi fish sauce and Tien Vua instant noodles.

Gross margin reached 35%, an increase of 390 bps compared to the FY2008 gross margin of 31.1%. This was because of lower average fixed costs as the production scale in FY2009 was almost double that of FY2008.

And the ratio of SGA to sales rose to 18.8% in FY2009 from 12.5% in FY2008 due to intensive marketing campaigns for the new Tien Vua and Nam Ngu De Nhi brands.

## Industry overview

**Soy sauce:** Soy sauce is a popular dressing in Southern Vietnam and consumer acceptance has been increasing. Before May 2007, the soy sauce market was very crowded with thousands of producers (Nam Duong, Trung Thanh were the biggest players) and Masan had only a 25-30% market share. However, following the scandal, most competitors were eliminated and Masan has become a dominant player with a 66% market share. The most important competitor is Nestle, with its famous Maggi soy sauce. Nestle currently takes up around 14% of the market and the remaining 20% belongs to some other firms. Market size as at end of 2008 was VND625 billion and 2004-2008 CAGR was 34%. For 2009, it is estimated that the soy sauce market worth VND720 billion.

**Fish sauce:** Fish sauce plays a key role in Vietnamese meals, therefore the market size is much larger than that for soy sauce. Last year the fish sauce market worth VND5,800 billion. From 2004 to 2009 the market grew steadily at compound average growth rate of 14%. In the South region, fish sauce is produced mainly in Phu Quoc and bottled in major cities. The fish sauce market is highly fragmented with many branded and un-branded products. Chin-su fish sauce is aimed at the premium segment and holds around 8% total market share. The major competitors in the fish sauce market are Unilever, Trung Thanh, Hung Thinh and Hong Hanh.

**Instant noodles:** The noodles market worth about VND13,627 billion in 2008 and grew at CAGR of 10% during the period from 2004 to 2008. Estimated market size in 2009 was about VND15,800 billion. Competition is very tough, with a lot of big players such as Acecook Vietnam Joint Stock Company, Asia Food Industry Co. Ltd, Vifon, Colusa Miliket etc. By end of 2008, Acecook Vietnam was the number one player in the instant noodles market with 36% market share. The following positions were Asia Food Industry with 16%, Vifon with 15%,

Saigon Vewong with 6.6% and Colusa Miliket with 6.5% market share. Meanwhile market share of Masan Food in this market in 2008 was only 2.5% market share.

## 2.2. Techcombank

Techcombank has made giant strides towards building a modern retail banking platform. The bank is now the third largest private bank by total assets and second large private bank by pretax profit and could challenge for the number slot soon. Currently TCB has a market capitalization of VND17,281 billion (US\$934 million) given today's price of VND32,000. We rate TCB as the second best private bank with a good management team, strong capital base, high profitability, high asset quality and good liquidity.

Apart from ACB, HSC believes that TCB has the best retail banking model in Vietnam. At the end of FY2009, corporate loans accounted for 70% of total loan book while loans to private clients made up the rest. Most private clients are mortgage borrowers, car borrowers, consumer borrowers or micro business owners. By maturity, short term loans contributed 70% and long-medium loans contributed 30% to total loan book. By currency, VND loans accounted for 85% while loans in other currencies hold the remaining of 15%.

Analyzing TCB's loan book sector by sector, we see that trading, manufacturing and processing accounted for 36-38%, followed by agricultural related loans with 14-15%. Construction loans accounted for less than 10%.

In our calculation, the ratio of long-term loans funded by short-term deposits to total short-term deposits at the end of FY2009 came in at 21-22%, far lower than the SBV's new ceiling of 30%. In addition, the bank expanded their customer deposits very rapidly (58% y/y in FY2009) giving them lots of room to support credit growth in all tenors.

With a good franchise, a diversified product base of savings related products, payment services and many other facilities, the bank has some strong advantages enabling it to continue to expand its customer deposit base faster than the market. The bank is active in launching new products, boosting fee intake and attract new customers.

As of 31 December 2009, total customer deposits came at VND63.5 trillion, up 59% y/y which more than twice of sector average growth. In addition, interbank-funds only accounted for 12-13% of total funding so the bank was able to reduce liquidity risk.

With HSBC's 20% holding, the bank has received signif-

icant technical assistances. The bank has now installed the best IT system in Vietnam. With a strong IT system, the bank can control its business very efficiently. They are quick to launch new banking services customized to user needs which set them apart from their peers. This has helped the bank to offer many flexible saving services, current account services, plastic money services and credit services.

### **FY2009 performance**

TCB has announced an unaudited pretax profit of VND2,250 billion, up 39% y/y in FY2009, and has hit its adjusted target of VND2,200 billion. This impressive performance was driven by growth of 62% y/y in total loans to VND42,000 billion, and customer deposit growth of 58% y/y to approximately VND64,000 billion. In Q4, the bank achieved a pretax profit of VND620 billion and saw a 4% q/q growth. TCB out-performed the entire banking sector, which saw a deposit growth of 27% and loan increase of 37.7% y/y in FY2009. While TCB hasn't issued detailed numbers of the FY2009 results, we've used our earnings model for this report.

Since FY2006, TCB has diversified earnings streams. We estimate that net interest income contributed 63.6%, followed by net fee earnings with 15.2% and investment income with 10.3%. The rest came from FX gains, dividend incomes and others. The earnings breakdown has changed little, as the interest income share increased from 55.7% in FY2008 to 63.6% in FY2009, with investment income contributing 24.9% in FY2008 and only 10.3% in FY2009. In FY2008, the bond yield fluctuated from 9-20%, so the bank took this chance to make debt investment incomes.

Net interest income (which under VAS rules also includes coupons on bond holdings) was, as always, the main earnings driver. As we mentioned, TCB's net interest income stream contributed 63.6% of earnings in FY2009, as the bank saw loan growth of 62% and debt investment expanded between 15%-20%, according to our estimates. The NIM improved slightly from 3.9% in 2008 to 4% in FY2009, as the corporate lending rate is subjected to the ceiling rate. Although consumer lending rates are negotiable, the definition of what consumer lending is has been narrowed. Thanks to higher loan growth, net interest income increased by 40% while total operating income was up 22% y/y in FY2009. Interest income as to total income rose last year compared to FY2008.

Total non-interest incomes remained unchanged in FY2009 after the bank saw a spectacular growth rate of 380% y/y in FY2008. Net gains from investment were VND778 billion in FY2008 and fell to VND388 billion –

a 50% y/y decrease in FY2009 in our estimates. Most gains in FY2008 came from bond gains. However, due to changes in market conditions in FY2009, bond gains declined sharply, as did net investment by about 50%. TCB managed to offset this decrease of net bond investment by increasing service fees, FX gains and other income.

Net service income increased by 20% in our estimates, with the bank continuing to launch new personal banking products and expanding their loan book. FX gains were at VND150 billion in FY2009, compared to VND21 billion in FY2008, when the bank had some chances to generate gains on the gold market - although the foreign exchange market had low liquidity.

Other income contributed about 3-4% of total operating income. We believe that additional income came mainly from recovery rates of off-balance sheet bad debts that were higher than anticipated. TCB was aggressive in booking high NPLs, with high provision for loan loss and writing off NPLs to the tune of VND400 billion.

### **Bank's financial positions and corporate management**

#### ***Capital Adequate Ratio***

HSBC owns 20% of the bank. We expect tier 1 CAR will stay at 9.9% at end-2010. Both are well above the SBV's 8% requirement. The bank does their business very efficiently and they can strengthen their capital base through internal supplementary capital. We are confident that this source of capital is efficient to meet their loan growth and asset expansion to keep their CAR above 8% if the bank increases their chartered capital by 25% per year via dividend shares and others.

#### ***Asset quality***

The NPL ratio groups 3-5 will be stable within 2.8%-3.2% in FY2009-2012 some NPL groups 4-5 are written off. Loan loss coverage will come to 45-65% in FY2009-2012, lower than other peer banks. Given TCB's aggressive practice in both loan classification and writing-off bad debts, the ratio gives us some comfort about the bank's asset quality.

And the bank has enhanced the credit risk management function since Q4 2008. The bank has separated sales and management in the credit business. Previously, the bank gave branches more authorizations to make lending decisions but credit approvals are gradually being centralized at the Head-Office and branches are simply used as distribution channels. Loan approval powers are diversified amongst senior officers at the Head of-



fice. The higher the loan amounts, the more officers are needed to approve it.

### **Management**

TCB has very competent management team and a strong IT foundation. The head office (HO) is responsible for systems management. HSBC has assigned some representatives to join the BOD and BOM levels at TCB. In addition, several HSBC's managers also participate in knowledge transfer programs at departmental levels. The bank has had training courses in banking management skills for many manager levels and also to improve staff knowledge over the past two years. On the risk management front, market risks and liquidity risk are monitored by risk management units using several tools such as open FX positions, VAR for FX transactions, interest rate sensitivity gap and duration gap.

Based in Hanoi, TCB has added 33 branches and sub-branches to 200 branches and sub-branches so far, with the Northern branch network accounting for half of the total number of branches. Most of the branches operate in big cities and economic centers. However, TCB is now shifting its focus to shoring up its Southern branch network.

### **Liquidity**

The bank has kept its LDR from 65-70% in FY2008-FY2009 in line with the increase in its deposit base. We believe that the bank continues to maintain a reasonable liquidity over coming years. In line with this, the bank also slashed non-core funding from the inter-bank market and expanded customer deposits from retail customers. Total customer deposits increased by 58% to VND64,000-65,000 at end-2009.

### **Profitability**

However, this ratio shows TCB has the diversified earnings streams. The bank has never been exposed much to the equity market. Average ROA and ROE have improved significantly in FY2009. Now the bank has the best banking technological foundation in Vietnam. This helps the bank expand their size swiftly and efficiently. The net interest income still accounts for 68%-74% of total net operating income in FY2010-2013 and is the key contributor driven the pretax profit growth in the period.

The cost to income ratio was to 30% in FY2009 in our estimate, which didn't constitute a significant change compared to FY2008. HSC expects that the bank will continue to maintain a ratio of around 31-32% over the coming two years. This ratio is quite stable and lower than other peer banks.

### **3. MSN's future investments**

We believe in MSN's ability to raise more capital for their future investments via share issuance, bank loans and Singapore listing.

From December 2009 to March 2010, MSN is issuing an additional 12 million shares to institutional partners through private placement. The first agreement with House Foods, a Japanese food producer, was signed in early December, in which House Foods buys 9 million shares of MSN at US\$20 million.

Since September 2009, MSN and Masan Food has raised a total of US\$75 million, consisting of \$20 million from Bank Invest, \$35 million from TPG and \$20 million from House Foods. And another 3 million additional shares will be issued in 2010 to other investors through private placement. We have heard that an overseas investor has agreed to buy these 3 million shares at a price of VND40,000 per share. This investor also apparently may buy more shares in the secondary market.

The proceeds of the issuance will be used to expand into new sectors through M&A and venture capital investments through Masan Ventures. Besides, the company can increase bank borrowings given the low debt ratio of 0.3 as of 30 September 2009. It is also looking at a Singapore Stock Exchange secondary listing by the end of this year. As a result, we may see some other strategic partnerships in 2010 and beyond.

In terms of their M&A policy, MSN is looking to acquire controlling stakes in strong businesses in attractive sectors that stand to benefit from Vietnam's economic development and enhance value of these companies. It will focus on sectors that benefit from Vietnam's domestic consumption, distribution and rising middle class story. MSN also looks at large scale exit for these investments.

MSN may be about to close an M&A deal worth over \$100mm. The company believe this is a very profitable business and the transaction will be in the money from the beginning.

And MSN will also receive investments from Masan Corporation and Masan Ventures, another subsidiary of Masan Corporation. Masan Ventures is looking for high potential, growth and early-stage companies to nurture and accelerate their development through partnering with strategic and global players. These investments may then be transferred to MSN.

A couple of months ago, Masan Corporation acquired more than 90% of CompOne Services, one of the largest, privately held medical office management firms in the US.

## Partnership with House Foods

In early December, Japan's House Food (HF) signed an agreement with MSN to buy a 1.9% stake worth about US\$20 million at a price of VND40,000. House Foods is one of the regional leaders in pre-packaged curries and dried food. This company is well known for its Japanese curry brands: Vermont Curry and Jawa Curry. It also manufactures Japanese snacks, noodles, and soft drinks such as Ramune. It is listed on both the OSE and TSE with a quick code of 2810.

The agreement is of an exploratory nature and will give MSN access to HF's product library. The company spends US\$50 million on R&D annually and MSN wants to explore the possibility of introducing some of their products into Vietnam and distribute them through Masan Food's existing distribution network. The product fit is fairly complementary to Masan Food's existing distribution network and line-up. This would not be an exclusive agreement and therefore raises the possibility of co-operation with other international food companies in the future.

One possible outcome might be a JV with a licensing agreement with HF which would import and distribute (and possibly eventually manufacture) HF goods in which MSN (or Masan Foods) and also HF would hold a stake. However that is getting a little bit ahead of the story at the moment.

As a first step, HF has recently sent a R&D team to Masan Food to work with Masan Food's R&D team for 6 months. They will help Masan Food to upgrade product quality and hygiene. However, researching new products for Masan Food is their top priority.

HF is also implementing a marketing study which is expected to last for 6 months for some curry products in Viet Nam market. If successful, these products will be distributed and eventually manufactured by the JV.

Given the fairly high price at which HF has bought into MSN this is a vote of confidence in MSN's future potential and may help to anchor the share price at or above current levels. And while the news is unlikely to be revenue generating next year it raises the possibility of future revenues and gives a clearer insight into MSN's long term strategy in the F&B segment.

We think MSN is moving into a more active business phase now that the listing is behind them and that next year will see a series of actions and announcements from them concerning their future plans. And while valuations are not that cheap we are believers in their long term potential to expand and develop their core businesses whilst adding new product groups.

## Masan Food financials

Income Statement (VNDbillion)	FY2006	FY2007	FY2008	FY2009	FY2010F	FY2011F	FY2012F	FY2013F
Net sales	570.5	660.1	1,922.1	3,979.5	5,635.7	7,142.6	8,374.7	9,673.5
Cost of goods sold	(503.1)	(498.9)	(1,324.2)	(2,586.9)	(3,707.8)	(4,710.6)	(5,531.8)	(6,400.5)
Gross profit	67.4	161.2	597.9	1,392.6	1,927.9	2,432.0	2,842.9	3,273.0
Financial income	16.7	26.7	134.4	145.2	103.8	143.8	171.8	191.8
Financial expense	(8.4)	(13.0)	(60.8)	(59.2)	(47.2)	(46.6)	(43.1)	(40.0)
Selling expenses	(24.0)	(42.4)	(150.0)	(644.6)	(873.5)	(1,107.1)	(1,298.1)	(1,499.4)
General administration expenses	(17.3)	(20.8)	(90.3)	(101.9)	(144.3)	(182.9)	(214.4)	(247.7)
Net profit from operating activities	34.5	111.8	431.2	732.0	966.7	1,239.2	1,459.1	1,677.8
Other profit	0.6	2.1	3.6	(7.2)	-	-	-	-
Profit before tax	1.5	1.3	-	-	-	-	-	-
Net profit after tax	28.9	86.7	380.0	668.4	891.5	1,142.8	1,345.6	1,510.0
Net profit after tax belongs to parents' shareholders	26.7	81.8	381.7	668.4	891.5	1,142.8	1,345.6	1,510.0
Balance Sheet (VNDbillion)	FY2006	FY2007	FY2008	FY2009	FY2010F	FY2011F	FY2012F	FY2013F
<b>Current Assets</b>	<b>192.9</b>	<b>714.9</b>	<b>1,785.6</b>	<b>2,607.0</b>	<b>3,640.9</b>	<b>4,774.9</b>	<b>6,330.1</b>	<b>6,530.9</b>
Cash and cash equivalents	3.3	17.8	159.3	265.8	566.4	1,309.6	2,363.3	2,564.1
Short term investments	-	5.5	1,080.0	1,500.0	2,000.0	2,200.0	2,500.0	2,500.0
Receivables	138.9	545.1	288.8	452.9	571.3	668.2	770.3	770.3
Inventories	45.5	126.0	193.1	292.9	382.3	455.4	532.8	532.8
Other current assets	45.5	20.4	64.4	95.3	120.8	141.6	163.6	163.6
<b>Long-term Assets</b>	<b>119.9</b>	<b>307.6</b>	<b>645.4</b>	<b>1,312.8</b>	<b>1,440.2</b>	<b>1,447.0</b>	<b>1,269.6</b>	<b>1,269.6</b>
Long-term receivables	-	-	-	-	-	-	-	-
Fixed assets	61.6	168.7	602.1	1,251.8	1,362.9	1,356.4	1,164.9	1,164.9
Investment Properties	0.4	5.2	46.0	-	-	-	-	-
Long-term investments	55.9	60.6	-	-	-	-	-	-
Other long-term assets	1.4	78.3	43.1	61.0	77.3	90.6	104.7	104.7
Goodwills	-	-	4.2	4.2	4.2	4.2	4.2	4.2
<b>Total Assets</b>	<b>312.8</b>	<b>1,022.5</b>	<b>2,431.0</b>	<b>3,919.8</b>	<b>5,081.0</b>	<b>6,221.9</b>	<b>7,599.7</b>	<b>7,800.5</b>
<b>Liabilities</b>	<b>164.9</b>	<b>375.3</b>	<b>1,306.5</b>	<b>2,171.2</b>	<b>2,532.5</b>	<b>2,731.5</b>	<b>3,052.3</b>	<b>3,052.3</b>
Current Liabilities	161.6	366.1	1,181.3	2,056.5	2,428.3	2,827.0	3,042.7	3,042.7
Long-term Liabilities	3.3	9.2	125.2	114.7	104.3	(95.5)	9.6	9.6
<b>Owners' Equity</b>	<b>138.1</b>	<b>612.4</b>	<b>1,123.4</b>	<b>1,747.4</b>	<b>2,547.3</b>	<b>3,489.2</b>	<b>4,546.3</b>	<b>4,747.1</b>
Owners' Equity	138.0	612.9	1,123.4	1,702.8	2,445.6	3,320.2	4,301.8	4,502.6
Other capital and funds	0.1	(0.5)	-	44.6	101.7	169.0	244.5	244.5
<b>Minority Interest</b>	<b>9.8</b>	<b>34.7</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>Total Resources</b>	<b>312.8</b>	<b>1,022.5</b>	<b>2,431.0</b>	<b>3,919.8</b>	<b>5,081.0</b>	<b>6,221.9</b>	<b>7,599.7</b>	<b>7,800.5</b>

## Techcombank financials

<b>Income Statement (VNDbillion)</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010F</b>	<b>FY2011F</b>	<b>FY2012F</b>	<b>FY2013F</b>
Interest income	1,207.5	2,326.0	6,213.7	7,112.1	11,460.3	14,909.0	17,601.3	22,204.5
Interest expenses	(750.1)	(1,400.7)	(4,469.4)	(4,668.9)	(8,418.0)	(11,251.6)	(12,966.2)	(16,439.8)
Net interest income	457.4	925.3	1,744.3	2,443.2	3,042.3	3,657.4	4,635.1	5,764.8
Fee and commission income	133.0	207.0	543.3	679.1	828.5	994.2	1,193.0	1,431.6
Fee and commission expenses	(31.5)	(30.0)	(60.4)	(96.6)	(116.0)	(139.1)	(167.0)	(200.4)
Net fee and commission income	101.5	176.9	482.9	582.5	712.5	855.0	1,026.0	1,231.3
Foreign exchange gains - net	7.5	24.6	21.8	150.0	100.0	100.0	100.0	100.0
Income from trading securities	-	-	-	-	-	-	-	-
Income from Investment securities	0.7	79.9	778.9	396.0	400.0	400.0	400.0	400.0
Other income	44.2	4.5	9.4	170.0	170.0	170.0	170.0	170.0
Dividends	-	3.0	94.4	98.4	129.0	161.1	195.7	237.2
Total operating income	611.4	1,214.2	3,131.6	3,840.1	4,553.8	5,343.6	6,526.8	7,903.3
Administration expenses	(224.2)	(425.4)	(904.0)	(1,157.1)	(1,434.9)	(1,779.2)	(2,206.2)	(2,713.7)
Profit before loan loss provision	387.2	788.8	2,227.6	2,682.9	3,119.0	3,564.4	4,320.6	5,189.6
Provision loss	(30.7)	(79.1)	(611.7)	(431.4)	(514.3)	(536.7)	(649.6)	(884.1)
Profit before tax	356.5	709.7	1,615.9	2,251.5	2,604.7	3,027.7	3,671.0	4,305.5
Income tax	(99.6)	(199.4)	(432.8)	(562.9)	(651.2)	(756.9)	(917.8)	(1,076.4)
Net profit	256.9	510.4	1,183.1	1,688.6	1,953.6	2,270.7	2,753.3	3,229.1
Net profit belongs to their shareholders	256.9	510.4	1,183.1	1,688.6	1,953.6	2,270.7	2,753.3	3,229.1
<b>Balance Sheet (VNDbillion)</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010F</b>	<b>FY2011F</b>	<b>FY2012F</b>	<b>FY2013F</b>
Cash and cash equivalents	203.9	496.2	2,487.2	3,814.2	5,149.1	6,539.4	8,370.4	10,714.2
Balances with State bank	409.3	1,298.7	2,296.6	5,349.9	6,007.3	7,629.3	9,765.5	12,499.9
Deposits with other banks	4,458.3	9,303.7	15,526.0	17,527.0	21,190.1	23,309.1	25,640.0	31,386.3
Securities - Held for trading	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Loans and advances to clients	8,696.1	20,486.1	26,019.0	42,082.0	56,865.3	76,909.8	102,806.4	132,215.2
Investment securities	2,876.8	6,842.2	10,501.0	12,139.2	13,563.7	16,306.1	18,850.6	21,792.0
Long term investments	30.8	36.9	475.8	577.8	693.4	832.0	998.4	1,198.1
Fixed assets	338.3	437.0	574.5	795.5	1,068.8	1,495.0	1,952.7	2,677.1
Other assets	312.8	641.8	1,480.5	2,961.1	3,849.4	4,619.3	5,774.1	7,217.7
<b>Total Assets</b>	<b>17,326.4</b>	<b>39,542.5</b>	<b>59,360.5</b>	<b>85,246.6</b>	<b>108,387.1</b>	<b>137,640.0</b>	<b>174,158.3</b>	<b>219,700.6</b>
Deposits & Loans from SBV	57.9	302.0	-	-	-	-	-	-
Deposits from Banks	5,070.9	8,458.9	8,970.3	7,176.2	5,741.0	8,713.5	10,668.4	11,735.3
Customer deposits	9,566.0	24,476.6	39,930.7	63,569.6	85,819.0	108,990.1	139,507.4	178,569.5
Trusted funds	277.3	161.2	232.0	232.0	232.0	232.0	232.0	232.0
Liabilities from derivatives	-	-	-	-	-	-	-	-
Bonds & CDs	192.2	1,750.7	2,761.8	3,314.2	3,977.0	4,772.4	5,726.9	6,872.2
Other liabilities	400.3	819.7	1,850.2	3,700.5	4,810.6	6,253.8	8,129.9	10,568.9
Equity and other funds	1,761.7	3,573.4	5,615.6	7,254.2	7,807.6	8,678.3	9,893.7	11,722.8
<b>Liabilities and Equities</b>	<b>17,326.4</b>	<b>39,542.5</b>	<b>59,360.5</b>	<b>85,246.6</b>	<b>108,387.1</b>	<b>137,640.0</b>	<b>174,158.3</b>	<b>219,700.6</b>

## MSN consolidated financials

<b>Income Statement (VNDbillion)</b>	<b>FY2009</b>	<b>FY2010F</b>	<b>FY2011F</b>	<b>FY2012F</b>	<b>FY2013F</b>
Net sales	3,979.5	5,635.7	7,142.6	8,374.7	9,673.5
Cost of goods sold	(2,586.9)	(3,707.8)	(4,710.6)	(5,531.8)	(6,400.5)
Gross profit	1,392.6	1,927.9	2,432.0	2,842.9	3,273.0
Financial income	150.4	103.8	143.8	171.8	191.8
Financial expense	(102.9)	(216.5)	(168.9)	(64.0)	(40.0)
Selling expenses	(644.6)	(873.5)	(1,107.1)	(1,298.1)	(1,499.4)
General administration expenses	(122.7)	(188.0)	(228.7)	(262.6)	(298.2)
Net profit from operating activities	672.7	753.7	1,071.1	1,390.2	1,627.3
Other profit	22.4	-	-	-	-
Profit before tax	692.2	892.2	1,273.1	1,688.5	2,020.8
Net profit after tax	635.8	817.0	1,176.6	1,575.0	1,853.0
Net profit after tax belongs to parents' shareholders	370.9	574.5	865.8	1,209.0	1,442.3
Adjusted net profit after tax belongs to parents' shareholders	386.6	743.8	988.0	1,229.8	1,442.3
<b>Balance Sheet (VNDbillion)</b>	<b>FY2009</b>	<b>FY2010F</b>	<b>FY2011F</b>	<b>FY2012F</b>	<b>FY2013F</b>
<b>Current Assets</b>	<b>2,447.7</b>	<b>2,690.0</b>	<b>3,723.9</b>	<b>4,858.0</b>	<b>6,413.2</b>
Cash and cash equivalents	819.4	347.7	648.3	1,391.5	2,445.2
Short term investments	1,080.0	1,500.0	2,000.0	2,200.0	2,500.0
Receivables	288.8	452.9	571.3	668.2	770.3
Inventories	193.1	292.9	382.3	455.4	532.8
Other current assets	66.4	96.5	122.0	142.8	164.8
<b>Long-term Assets</b>	<b>4,539.6</b>	<b>5,281.4</b>	<b>5,408.8</b>	<b>5,415.6</b>	<b>5,238.2</b>
Long-term receivables	-	-	-	-	-
Fixed assets	602.1	1,251.8	1,362.9	1,356.4	1,164.9
Investment Properties	0.3	0.3	0.3	0.3	0.3
Long-term investments	3,894.1	3,964.1	3,964.1	3,964.1	3,964.1
Other long-term assets	38.9	61.0	77.3	90.6	104.7
Goodwills	4.2	4.2	4.2	4.2	4.2
<b>Total Assets</b>	<b>6,987.3</b>	<b>7,971.4</b>	<b>9,132.6</b>	<b>10,273.5</b>	<b>11,651.3</b>
<b>Liabilities</b>	<b>1,950.4</b>	<b>2,534.9</b>	<b>2,190.4</b>	<b>2,327.3</b>	<b>2,582.4</b>
Current Liabilities	1,195.2	1,790.1	2,086.1	2,422.8	2,572.8
Long-term Liabilities	755.2	744.7	104.3	(95.5)	9.6
<b>Owners' Equity</b>	<b>4,730.6</b>	<b>5,088.5</b>	<b>6,285.3</b>	<b>6,931.9</b>	<b>7,659.8</b>
Owners' Equity	4,736.8	5,043.9	6,183.6	6,762.9	7,415.3
Other capital and funds	(6.2)	44.6	101.7	169.0	244.5
<b>Minority Interest</b>	<b>306.3</b>	<b>548.8</b>	<b>859.6</b>	<b>1,225.6</b>	<b>1,636.4</b>
<b>Total Resources</b>	<b>6,987.3</b>	<b>8,172.2</b>	<b>9,335.3</b>	<b>10,484.9</b>	<b>11,878.6</b>

## Masan Food \_ratio analysis

(Audited)	FY2007	FY2008	FY2009	FY2010F	FY2011F	FY2012F	FY2013F
Outstanding shares	13,839,536	25,719,123	63,000,000	63,000,000	63,000,000	63,000,000	63,000,000
Weighted average number of shares	11,509,321	24,730,069	63,000,000	63,000,000	63,000,000	63,000,000	63,000,000
<b>Valuation Ratios</b>							
Market price	110,000						
EPS	7,109	15,433	10,609	14,150	18,140	21,358	23,969
P/E	15.5	7.1	10.4	7.8	6.1	5.2	4.6
BVPS	44,284	39,221	17,831	27,029	38,819	52,702	68,282
P/B	2.5	2.8	6.2	4.1	2.8	2.1	1.6
Sales per share	57,354	77,723	63,167	89,456	113,374	132,932	153,548
P/Sales	1.9	1.4	1.7	1.2	1.0	0.8	0.7
<b>Dividends</b>							
DPS	NA	15,433	15,574	20,772	26,629	31,353	35,185
Yield	NA	14.0%	14.2%	18.9%	24.2%	28.5%	32.0%
Payout Ratio	NA	100%	147%	147%	147%	147%	0%
<b>Growth Rates (%)</b>							
Sales growth	15.7%	191.2%	107.0%	41.6%	26.7%	17.3%	15.5%
Pre-tax profit growth	215.3%	277.6%	66.7%	33.4%	28.2%	17.7%	15.0%
NPAT growth	206.8%	366.5%	75.1%	33.4%	28.2%	17.7%	12.2%
EPS growth	200.8%	240.3%	61.7%	33.4%	28.2%	17.7%	12.2%
<b>Internal Liquidity Ratios</b>							
Current Ratio	2.0	1.8	1.5	1.3	1.5	1.7	2.1
Quick Ratio	1.6	1.5	1.3	1.1	1.3	1.5	1.9
Cash Ratio	0.1	2.2	1.0	0.9	1.1	1.2	1.6
<b>Profitability Ratios (%)</b>							
Gross Margin	24.4%	31.1%	35.0%	34.2%	34.0%	33.9%	33.8%
EBIT Margin	17.4%	22.6%	18.2%	17.2%	17.4%	17.4%	17.3%
Operating Margin	16.9%	22.4%	18.4%	17.2%	17.4%	17.4%	17.3%
Pre-tax Margin	17.4%	22.6%	18.2%	17.2%	17.4%	17.4%	17.3%
Net Margin	12.4%	19.9%	16.8%	15.8%	16.0%	16.1%	15.6%
Effective Tax Rate	25.9%	13.6%	7.8%	7.8%	7.8%	7.8%	10.0%
Return on Assets (ROA)	12.3%	27.9%	32.3%	28.1%	25.4%	23.8%	21.9%
Return on Assets - 2 Yr. Avg.	14.7%	20.1%	30.1%	30.2%	26.7%	24.6%	22.8%
Return on Equity (ROE)	21.8%	47.1%	62.7%	63.1%	55.1%	46.7%	39.6%
Return on Equity - 2 Yr. Avg.	30.2%	34.4%	54.9%	62.9%	59.1%	50.9%	43.1%
<b>Operating Efficiency</b>							
Receivable days	189.1	105.1	39.2	24.2	26.3	27.1	27.3
Inventory days	65.6	44.4	29.7	27.6	29.1	30.1	30.3
Payable days	56.2	37.3	30.7	42.0	51.1	52.9	53.1
Current Asset Turnover	1.5	2.0	2.7	2.6	2.3	2.0	1.7
Total Asset Turnover	1.0	1.4	1.9	1.8	1.6	1.5	1.4
Fixed Asset Turnover	5.7	9.0	9.2	6.1	5.5	6.2	7.7
Equity Turnover	1.8	2.4	3.7	4.0	3.4	2.9	2.5
<b>Leverage</b>							
Debt to Equity Ratio	0.6	0.7	1.2	1.2	1.0	0.8	0.7
Total Debt Ratio	0.4	0.4	0.5	0.6	0.5	0.4	0.4

Source: Company, HSC forecast

## Techcombank – ratio analysis

Size	FY2005	FY2006	FY2007	FY2008	FY2009E	FY2010F	FY2011F	FY2012F	FY2013F
No. of branches and sub-branches	50	73	128	167	200	240	288	345.6	414.72
No. of employees	1039	1600	2900	3800	4560	5472	6292.8	7236.72	8322.228
<b>Capital Adequacy Ratio</b>									
CAR	12.0%	10.9%	16.2%	12.6%	10.0%	10.0%	9.9%	8.5%	8.2%
Equity/Total Assets	9.5%	9.9%	9.4%	9.3%	8.9%	7.8%	6.7%	6.0%	5.5%
Equity multiplier = TA/Equity	1056.7%	1010.2%	1065.9%	1076.3%	1123.6%	1285.6%	1492.4%	1678.9%	1822.0%
<b>Asset quality</b>									
Risk assets to total assets ratio	92.6%	92.7%	89.4%	84.8%	81.7%	81.7%	80.7%	80.3%	79.9%
NPL groups 3-5	0.3%	0.2%	1.4%	2.5%	1.8%	1.8%	1.8%	1.8%	1.8%
Loan loss reserve coverage	539%	661%	49%	49%	53%	45%	62%	56%	56%
<b>Liquidity</b>									
Liquid asset to customer deposit ratio	80.8%	82.2%	72.5%	56.3%	61.1%	53.5%	49.3%	44.9%	42.8%
Loans/customer deposit	85.4%	90.9%	83.7%	65.2%	66.2%	66.3%	70.6%	73.7%	74.0%
Loans/(customer deposits + CD)	85.4%	89.1%	78.1%	60.9%	62.9%	63.3%	67.6%	70.8%	71.3%
Interbank borrowing to total deposits	31.9%	34.2%	24.4%	17.4%	9.7%	6.0%	7.1%	6.8%	6.0%
<b>Profitability &amp; Efficiency</b>									
ROA	1.9%	1.8%	1.8%	2.4%	2.3%	2.0%	1.8%	1.8%	1.6%
ROE	20.4%	18.5%	19.1%	25.8%	26.2%	25.9%	27.5%	29.6%	29.9%
Net spread	3.2%	3.2%	3.2%	3.7%	4.2%	4.3%	4.2%	4.2%	4.2%
Net interest margin	3.6%	3.5%	3.5%	3.9%	4.0%	3.8%	3.6%	3.6%	3.5%
Non-interest expenses over AEA	na	1.6%	1.5%	1.9%	1.8%	1.7%	1.6%	1.6%	1.5%
Net interest income/total operating income	80.7%	74.8%	76.2%	55.7%	63.6%	66.8%	68.4%	71.0%	72.9%
Cost to income ratio	35.6%	36.7%	35.0%	28.9%	30.1%	31.5%	33.3%	33.8%	34.3%

Source: Company, HSC forecast

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