



# BUY

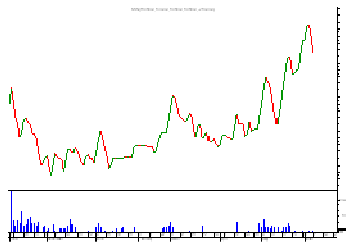
## Initiating Coverage

### Analyst

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**Price** VND 50,500  
**Target** VND 64,000  
**VN Index** 496.89

### Historical Chart



Performance	1m	3m	6m
Absolute (%)	11.2	24.7	44.3
Relative (%)	18.2	30.2	42.6

### Stock Information

Ticker code	<b>MSN</b>
Market cap (VND bn)	24,512.7
52-week high (VND)	54,500
52-week low (VND)	32,600
Shares issued (m)	458.4
6m avg d.vol (VND bn)	3.9
Free float (%)	14.3%
Major shareholders (%)	
MSC (51.6%)	
Bank Invest (11.3%)	
House Food (1.9%)	

### Key Indicators

ROE (%)	17.6
Net gearing (%)	Net cash
NTA (VND)	12.780
Interest cover (x)	0.6

# Masan Group

## The hidden value!!!

We are initiating coverage on the Masan Group (MSN) with a BUY recommendation. We have valued MSN at VND 64,000 per share based on our sum-of-part (SOP) model. We like the Group due to its competent management team, deep asset value, turnaround earnings and high corporate governance standard. Our valuation implies a forward P/E of 25x, which is marginally higher than the peer average P/E. Given its superior market positioning and strong earnings stream over next few years, we believe that MSN deserves to trade at a premium to its peers.

**Aiming to become a unique listed stock that comprises Vietnam's key private sectors.** Masan Group's (MSN) strategy is to secure and operate enterprises that are market leaders in their respective sectors. Enterprises in its existing portfolio are from the F&B and financial services sectors. MSN has just stepped into the natural resources and infrastructure sectors with the acquisition of the Nui Phao Mining Joint Venture Co. Ltd. (Nuiphaovica) – the largest mining project in Vietnam. Going forward, MSN aims to enter hi-technology, FMCG, logistic, commodities sectors by engaging in an increasing number of M&A activities and ventures. MSN aims to become a unique listed stock that comprises key private sectors in Vietnam.

**Double-digit growth bolstered by underlying economic factors.** The long-term economic growth of emerging markets will spur demand for consumption and, in turn, benefit Masan. The Group is currently holding controlling stakes in two private, rapidly-growing enterprises: Masan Food (one of Vietnam's largest F&B companies) and Techcombank (one of the country's leading joint stock commercial banks with HSBC as a strategic partner). We expect MSN's top and bottom lines to grow at the CAGR of 20.6% and 32.8%, respectively, for the 2010-2013 period.

**New catalysts.** Key earnings catalysts for MSN include: the acquisition of Nuiphaovica; the further improvement of operating efficiency in Techcombank and Masan Food via its collaboration with strategic partners, HSBC and House Food; and the creative value from new M&A activities and ventures. Furthermore, we believe that the MSN management aims to expand its footprint in the F&B sector, especially in condiments. Aside from sauces, there is potential growth in gravy granules and monosodium glutamate (MSG) segments.

Year End Dec 31	2008	2009	2010E	2011F	2012F
Sales (VND bn)	1,922.1	3,957.8	6,858.8	8,645.6	10,782.7
Pre-tax (VND bn)	454.9	732.9	1,312.2	1,788.3	2,243.5
Net profit (VND bn)	210.3	416.6	921.5	1,279.6	1,628.7
EPS (VND)	65,729.7	2,677.1	1,898.4	2,636.1	3,355.4
EPS growth (%)	0.0	-95.9	-29.1	38.9	27.3
PER (x)	0.8	18.9	26.6	19.2	15.1
Adj. EPS (VND)		3,317.7	2,564.9	3,330.5	4,048.0
Adj. PER (x)		15.2	19.7	15.2	12.5
EV/EBITDA (x)	0.2	37.3	22.1	17.4	13.9
Yield (%)	0.0	0.0	0.0	0.0	0.0

**SEE APPENDIX I FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS**

## Investment Merits

### The pioneer of Vietnam’s business group

MSN is one of Vietnam’s largest private sector business groups. After its restructuring in late 2009, the Group currently holds controlling stakes in two private, rapidly-growing enterprises: Masan Food (MSF; one of Vietnam’s largest F&B companies) and Techcombank (TCB; one of the country’s leading joint stock commercial banks with HSBC as a strategic partner). With the vision and aim to become “Vietnam’s largest private sector group”, MSN is well-positioned to continue its success in acquiring and operating leading businesses with tremendous growth potential.

### Become the unique listed stock that comprises key private sectors

MSN’s strategy is to secure and operate enterprises that are market leaders in their respective sectors. The enterprises in its existing portfolio offer it good exposure in the F&B and financial services sectors. MSN has just stepped into the natural resources and infrastructure sector with the acquisition of the Nui Phao Mining Joint Venture Co. Ltd. (Nuiphaovica) – the largest mining project in Vietnam. Going forward, MSN aims to enter the hi-technology, FMCG, logistic, commodities sectors by engaging in an increasing number of M&A activities and ventures. MSN aims to become the unique listed stock that comprises key private sectors in Vietnam.

**Figure 1: MSN’s investments in key sectors**

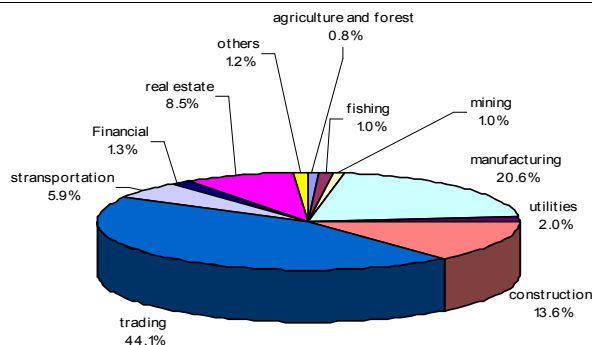
	Current control	On going to control	Focusing on enterprises
Financial services	Techcombank	VP bank	
Food and beverage	Masan Food	Monosodium enterprises	
National resources		Nuiphaovica	
Hi-tech		CompOne Services	
Health care			Investee size >\$100mn IRR > 30% p.a. Increase value to \$1bn in 5yrs
Infrastructure			
FMCG			
Agro-commodities			Business process outsourcing
Logistic			
Warehousing			

Source: Company AGM 2010

### Underlying economic factors

Vietnam with its strong growth potential has created opportunities for those companies that want to crystallise Vietnam value for shareholders. Vietnam has around 130,000 enterprises of which approximately 90% are private enterprises. We believe these factors create a favourable environment for M&A activities.

**Figure 2: Number of active enterprises in Vietnam**



Source: GSO

**Strong brand names**

MSN has acquired a reputable brand name for its major products. MSF dominates the premium market segments for all categories of condiments and convenient food. Its highly-popular brand, ‘Chin Su’, is viewed by many domestic consumers as the most trusted brand for safe soy sauce products after the 3-MCPD incident in 2007. Its TCB has reshaped its strategy and acquired a strong base of retail clients, along with small and medium-sized enterprises (SME), since its partnership with HSBC. The Masan Group has successfully created demand for its products and services with brand names that have penetrated competitive markets.

**Extensive nationwide distribution network**

The Group currently has more than 140 distributors and approximately 126,000 points of sale for MSF’s products and more than 7,000 TCB ATMs, branches and sub-branches all over the country. With its extensive distribution networks, MSN enjoys a significant competitive advantage over new entrants or other players in the market given the highly-fragmented nature of Vietnam’s market.

**Partnerships strengthen corporate governance**

Amidst the economic uncertainties in 2009, the Masan Group attracted the best hires and significant investments from reputable firms such as Bank Invest, TPG, Mekong Capital and House Foods. MSN has capitalised on its relationships with its partners to strengthen its corporate governance at all levels. At the Masan Group, BankInvest has one seat on the board of directors and TPG is an observer of the Group’s performance. Two members of the board of TCB are from HSBC. They are all involved in the strategic decision-making, as well as the supervision of business operations.

**Excellent management team**

The Masan Group is managed by experienced and well-respected multinational professionals who possess strong knowledge and skills in their respective sectors such as financial services, FCMG, etc. Some of the previous experiences of MSN’s executives are presented in Figure 3.

**Figure 3: Masan key executives’ previous experience**

Masan Group	Accenture, AllianceBernstein, Deutsche Bank, J.P Morgan, KPMG Corporate Finance, Lehman Brothers, Merrill Lynch and Morgan Stanley
Masan Food	Kimberly-Clark, Nestle, P&G, Unilever
Techcombank	Citibank, DBS, HSBC, Standard Chartered Bank

Source: company data

### Segmental outlook

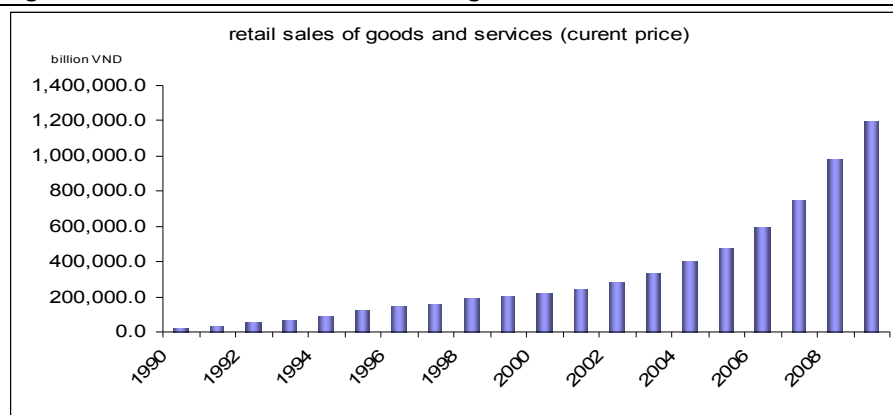
Vietnam is a growing country with a young and dynamic population. Low market penetration and increasing disposable income are driving the growth in consumer sectors.

#### Food sector – rising demand

Masan Group holds a 72.8% interest in Masan Food (MSF), one of the leading players in the sauces and condiments segments of Vietnam’s packaged food industry. MSF’s core products include fish sauce, soy sauce, chilli sauce, as well as instant-noodle and gravy granules. We are positive that the prospects of these segments remain promising, driven by favourable fundamental dynamics.

Vietnam’s total retail sales of goods and services have increased by six times in the past ten years. The chart below shows the development potential of the food sector that accounts for more than 50% of total retail sales.

**Figure 4: Vietnam’s total retail sales of goods and services**



Source: GSO

Rapid urbanisation has boosted domestic demand for convenient and easy-to-use food products. We expect improved living standards and rising healthcare awareness to encourage the consumption of trusted brand name products going forward. According to the Business Monitor International (BMI), food consumption in Vietnam is expected to increase from VND 255.2tn in 2009 to approximately VND 427tn in 2014, equivalent a CAGR of 13.8%.

**Figure 5: Sauces and condiment growth, and MSF’s market share**

	Market size (VND bn)	2003-2008 CAGR (%)	2008-2011E CAGR (%)	MSF market share (%)
Soy sauce	625.2	7.0	8.0	85.0
Fish sauce	4,966.0	12.0	9.0	59.3
Chilly sauce	220.5	18.0	15.0	40.0
instant noodle	13,627.5	19.0	14.0	8.0
Gravy granules	299.9	26.0	18.0	5.0

Source: Euromonitor, company data, KE estimated

There is speculation that the Masan Group may extend its business into the monosodium glutamate (MSG) segment via acquisition to enhance its market position in the condiments sector. Global’s MSG consumption volume is around 1.6mn tonnes per annual. MSG is the typical cooking ingredient in every household of Vietnam. We estimate the monosodium market size to be VND 1,200bn assuming the consumption rate of 1 kg p.a. per family.

**Banking – Strong growth potential**

The Masan Group holds a 20% interest in Techcombank (TCB) – the third largest bank (based on total assets) among 38 domestic commercial private banks.

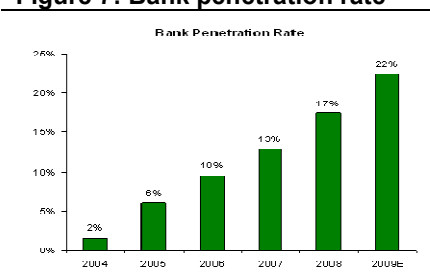
Vietnamese banks had ended the year of 2009 with enormous profits, exceeding most of their expectations. Sector-wide loans grew strongly by 37.7%, far higher than the State Bank of Vietnam’s (SBV) target of 23%-25% at the beginning of the year and its subsequent revised figure of 30%. Besides interest and fee incomes, banks also generated their earnings from provisions write-backs and gains from gold, bond and stock trading and investments. As many of these sources of income are expected to grow modestly, banks are now focusing on expanding their financing and banking services, as well as raising their fees and charges on services. Operating in a country with a banking penetration rate of less than 20% and a young population, we believe that the Vietnamese banks will be able to earn significant fees income in the coming years.

**Figure 6: Bank accounts**

	Bank accounts (mn)	Growth
2000	0.1	
2004	1.3	
2005	5.0	285.5%
2006	8.0	60.0%
2007	11.0	37.5%
2008	15.0	36.4%
2009E	19.5	30.0%

Source: company data, KE estimated

**Figure 7: Bank penetration rate**



Source: company data, KE estimated

The year 2010 has marked the final stage in which all commercial banks have to raise their chartered capital to VND 3,000 billion. Less than 50% of the Vietnamese banks have currently reached the required level; thus we foresee possible mergers and acquisitions among banks. We believe that this development will ultimately benefit Vietnam’s banking sector.

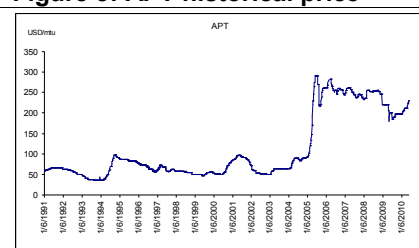
**Minerals and ore – steadfast progress**

Current global tungsten demand is about 81,200 tonnes per year and is expected to reach 122,000 tonnes in 2012. Mature markets such as Europe and North America are only expected to grow by 2% per annum. However, Chinese domestic consumption is forecast to continue growing in excess of 10% per annum, largely driven by the increase in requirements for cutting and drilling tools.

Given the growing domestic consumption in China and the lack of new production coming on-stream in the next few years, the global tungsten deficit could be as much as 17,500 tonnes.

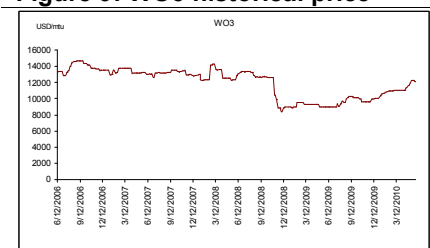
The price of tungsten (both concentrate and APT) has fluctuated significantly due to the switch role of China from an exporter to an importer. It has secured over 90% of the world markets for the production and sale of base concentrates.

**Figure 8: APT historical price**



Source: Bloomberg

**Figure 9: WO3 historical price**



Source: Bloomberg

## Earnings outlook

### Riding on the growth cycle of the sectors

In 2009, despite the global economic crisis last year, the Group was able to register a set of impressive financial figures with its revenue and earnings surging by 106% and 98%, respectively. We gather that its strong financial performance was mainly boosted by a restructuring in which MSN successfully raised growth capital and strengthened its partnership. Last year, MSN raised over USD 100mn in capital from reputable investors and partners such as Bank Invest, TPG and House Food.

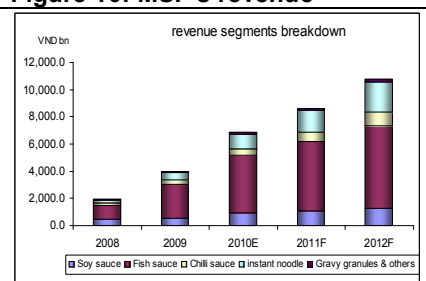
We remain positive that MSN, being one of the largest domestic groups, will continue to ride on the growth cycle of the sectors it operates. As of 31 December 2009, MSN owns a 72.8% and a 20.0% stake in MSF and TCB, respectively. We estimate that the Group's financial results would be consolidated from MSF's results and an added associate profit from TCB. Consequently, MSN consolidated results will register a commendable growth of 73% and 121.2% in revenue and profit for 2010, respectively.

Our projections for the Group's major profit are explained below:

### Masan Food

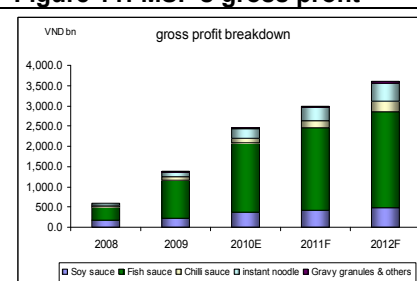
MSF hold dominant positions in sauces and instant noodle segments in both the premium and mass markets under brand names such as Chin-Su, Nam Ngu, Tam Thai Tu, Omachi and Tien Vua. From 2006-2009, MSF's top and bottom lines had strong compounded annual growth rates (CAGR) of 90.1% and 192.1%, respectively. We expect MSF to maintain its robust growth of two-digit figures over the next five years given its proven strength in sales, marketing, branding and distribution.

**Figure 10: MSF's revenue**



Source: company data, KE estimated

**Figure 11: MSF's gross profit**



Source: company data, KE estimated

**Figure 12: MSF's forecast**

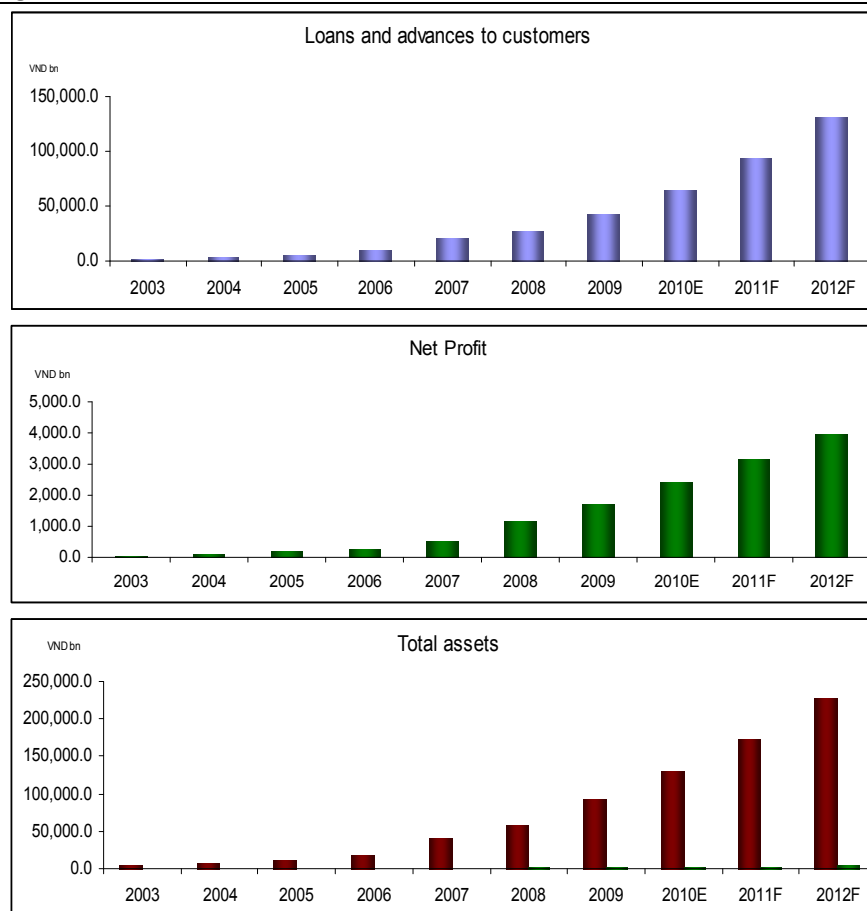
	2006	2007	2008	2009	2010E	2011F	2012F
Sales (VND bn)	570.5	660.1	1,922.1	3,957.8	6,858.8	8,645.6	10,782.7
Pre-tax (VND bn)	36.5	115.1	454.8	722.1	1,201.8	1,540.2	1,835.9
Net profit (VND bn)	26.7	81.8	401.6	664.4	1,074.7	1,377.3	1,641.7
EPS (VND)	351.7	839.8	3,322.7	5,320.5	8,267.0	10,594.3	12,628.4
EPS growth (%)	nm	138.8	295.7	60.1	55.4	28.2	19.2
PER (x)	284.4	119.1	30.1	18.8	12.1	9.4	7.9
EV/EBITDA (x)	294.1	127.8	30.0	17.0	10.6	8.1	6.4

Source: Company data, Kim Eng estimated

We believe that the MSN management aims to expand its footprint in the F&B sector after its partnership in December 2009 with House Food, a leading Japanese F&B. Our forecast for MSF's top and bottom lines will be revised positively, if MSF expands into the monosodium glutamate segment.

**Techcombank**

Some factors may undermine TCB's FY10 earnings prospects. They are: SBV's guidance on tightening credit growth at 25%; the termination of the interest-subsidised loans programme; the squeeze on its NIM due to the high cost of funds; and the expected modest gains from securities investments. However, we still believe in TCB's profitability, given its low cost-to-income ratio, low LDR, strong brand name and extensive network. Thus we project strong growth rates of 52.8% and 40.7% for its loans and net earnings, respectively, for 2010.

**Figure 13: TCB's forecast**

Source: Company data, Kim Eng estimated

**Figure 14: MSN's consolidated forecast**

	2008	2009	2010E	2011F	2012F
<b>Sales</b>	<b>1,922.1</b>	<b>3,957.8</b>	<b>6,858.8</b>	<b>8,645.6</b>	<b>10,782.7</b>
COGS	-1,324.2	-2,583.9	-4,397.5	-5,654.0	-7,187.0
<b>Gross profit</b>	<b>597.9</b>	<b>1,373.9</b>	<b>2,461.3</b>	<b>2,991.6</b>	<b>3,595.7</b>
Operating exp.	-223.0	-742.0	-1,335.1	-1,680.0	-2,092.3
<b>EBIT</b>	<b>374.9</b>	<b>631.9</b>	<b>1,126.2</b>	<b>1,311.6</b>	<b>1,503.4</b>
Net financial incomes (loss)	76.2	57.2	-25.5	114.9	222.4
Net Income (loss) from associate	0.0	48.0	226.3	380.5	541.1
Net extra-ordinaries	3.8	-4.1	-14.9	-18.8	-23.4
<b>PBT</b>	<b>454.9</b>	<b>732.9</b>	<b>1,312.2</b>	<b>1,788.3</b>	<b>2,243.5</b>
Income tax	-54.8	-53.4	-98.4	-134.1	-168.3
Minority interest	-189.8	-262.9	-292.3	-374.6	-446.5
<b>Net profit</b>	<b>210.3</b>	<b>416.6</b>	<b>921.5</b>	<b>1,279.6</b>	<b>1,628.7</b>
EBITDA	409.0	703.2	1,177.7	1,386.8	1,621.5
EPS	65,729.7	2,677.1	1,898.4	2,636.1	3,355.4

Source: Company data, Kim Eng estimated

**MSN's adjusted profit**

In late 2009, MSN issued three convertible bonds (CBs) tranches, each with the principal amount of VND 180bn, to TPG Star Masan, Ltd., TPG Star Masan II, Ltd. and TPG Star Masan III, Ltd. It also issued one CB tranche with the principal amount of VND 90bn to TPG Star Masan, Ltd. The coupon rate is 15% per annum, compounded annually and payable on the redemption of the bond. Interest is not payable if the conversion option is exercised. The bonds mature on 10 November, 2012. The conversion rate was preliminarily determined at VND 20,374 per share and the valuation will be adjusted based on a multiple of the Group's 2010 earnings and for any dilution. The bonds may be converted into common shares from 1 April 2011 to 10 November 2012 at the option of the bondholders.

**Figure 15: Accrued interest expenses**

	Principal (VND bn)	2009	2010E	2011F	2012F
TPG I	180.0	6.8	27.9	32.1	31.9
TPG II	180.0	6.8	27.9	32.1	31.9
TPG III	180.0	6.8	27.9	32.1	31.9
TPG	90.0	3.1	13.9	16.0	15.9
<b>Total</b>	<b>630.0</b>	<b>23.5</b>	<b>97.8</b>	<b>112.4</b>	<b>111.4</b>
Accumulated amount		653.5	751.3	863.7	975.1

Source: Company data, Kim Eng estimated

We foresee that the bonds will most likely be converted. Thus, we exclude the interest expenses accrued on the four CBs from the net profit to get an adjusted net profit for the parent company.

Moreover, the investment in TCB created a goodwill amount of VND 2,520bn, which is the difference between the fair value and the book value of TCB shares at the time of the acquisition. The goodwill will be amortised over ten years according to the accounting standard in Vietnam. We also added the amortised goodwill to MSN's adjusted profit.

**Figure 16: MSN's adjusted profit**

	2009	2010E	2011F	2012F
Net profit	416.6	921.5	1,279.6	1,628.7
Amortised goodwill after tax	77.9	233.1	233.1	233.1
Accrued interest expenses after tax	21.8	90.4	104.0	103.1
<b>Adjusted profit</b>	<b>516.3</b>	<b>1,245.0</b>	<b>1,616.6</b>	<b>1,964.9</b>
Adjusted EPS	3,317.7	2,564.9	3,330.5	4,048.0
Compared to EPS (%)	23.9	35.1	26.3	20.6

Source: Company data, Kim Eng

**In conclusion**, after adjustments, we expect MSN to enjoy a CAGR of 25.6% for the 2010-2012 period. We estimate that the Group would register adjusted EPS of VND 2,565 and VND 3,330, respectively, for 2010 and 2011.

### Nuiphaovica

According to the announcement from MSN, it will acquire the control of Nuiphaovica from Tiberon, a company owned by Dragon Capital, a Vietnam-based asset management company. Nuiphaovica is a joint venture between Tiberon (70%) and two Vietnam partners (15% each), with proposed plans to mine 3.5mn tonnes ore per year from a single open pit. This will result in an output of about 6,000 tonnes of tungsten trioxide, 196,000 tonnes of fluorspar, 360 tonnes of bismuth and 5,600 tonnes of copper containing 5,000 ounces of gold as a smelter credit. Roughly 80% of the mined products will be exported, thus enabling the joint venture to exert a significant influence on the world market, given that Nuiphaovica will produce 5% of the global tungsten output when it is fully operational.

We tentatively estimate that this project will contribute about USD200mn to MSN's earnings p.a. for almost 20 years starting from 2013.



**Figure 17: Nuiphaovica's tentative estimates**

	annual output (ton)	estimated price (USD/ton)	Revenue (USD mn)
tungsten trioxide	6,000.0	14,500.0	87.0
Fluorspar	196,000.0	400.0	78.4
Bismuth	360.0	40,000.0	14.4
Copper	5,600.0	8,500.0	47.6
Gold (ounces)	5,000.0	1,200.0	6.0

Source: Company data, Kim Eng estimated, Bloomberg

## Key risks

### A double dip economic recession

The global economic recovery is still at its nascent stage. Although we are optimistic that the stimulus packages undertaken by the governments around the world have gradually put the global economy back on a growth track, we are concerned that a double dip recession could happen given the recent rise in the contagion of national solvency crises. In that case, we are not excluding the possibility that MSN's earnings growth could be dampened significantly.

### Regulatory changes

Changes in the regulatory climate such as import-export taxes, withholding taxes, environment standards and asset ownership rules may affect MSN's earnings. In particular, taxes on mineral and ore-related activities have dramatically changed in recent years due to the local government's efforts in controlling the mining sector. In 2009, export taxes on natural resources were extended to a wider range of 0-50%, instead of 0%-20%; meanwhile, taxes applied to the extraction and exploitation of various natural resources were also increased by 2%-10%, depending on the natural resource. In 2010, a new proposal on increasing taxes on natural resource was submitted to the government.

### Implementation challenges of Nuiphaovica

We believe that MSN would face challenges in implementing Nuiphaovica and ensuring timely revenue streams in 2013 as scheduled. Challenges include: clearing the site; getting the off-take agreement; obtaining financing for the project; and hiring an experienced management team. We gather that the clearing of the site of this project has been dragging on given the complications of resettlement and the raising of compensation. However, we believe that MSN has strong relationships with the local authorities (not excluding political support) to enable it to resolve these issues in a timely fashion. We also note some political risk in this project.

### Disruption in access to debt

Being in a growing stage, MSN has significant financial leverage to help drive a fast rate of expansion. While we believe that there is sufficient credit access to the Group given its proven success in raising loans from reputable partners last year, it is understood that financial institutions could quickly change their stance with a change in the credit environment. Increases in the cost of borrowing might also affect overall profitability and render new acquisitions unattractive.

### Highly competitive markets

The Group's subsidiaries (MSF and TCB) operate in highly competitive environments with many local, as well as international players. In the food business, MSF's competitors are Nam Duong, Nestle, Unilever, Ajinomoto and Ace-Cook. TCB faces ACB and Sacombank in the banking business. Therefore, the profit margin of the Company will likely be reduced due to the intensive sales and marketing expenses. Moreover, TCB also has to cope with the rising number of wholly foreign-owned banks. Their rapidly-expanding networks in Vietnam would inevitably intensify the competition of the domestic banking sector going forward. However, we believe that the pie remains large enough for all players to share in view of the low banking penetration rate in Vietnam.

### Valuation

We value MSF at VND 124,000 per share, pegged on P/E of 15.0x that is discounted by 20% from the average peer P/E of 18.8x. We believe the discount is justified in view of MSF's smaller scale than its peers.

We also derive TCB's target price of VND 37,500 that implies an FY10 P/B of 2.1x, 5% higher than the average P/B of the listed banking stocks. We believe this is justified in view of the Group's solid foundation and strong earnings prospect.

We assume that MSN will acquire a 70% interest in Nuiphaovica and value it using DCF methodology, based on a WACC of 12%.

Our SOP-based target price is set at VND 64,000 for MSN.

**Figure 18: SOP valuation**

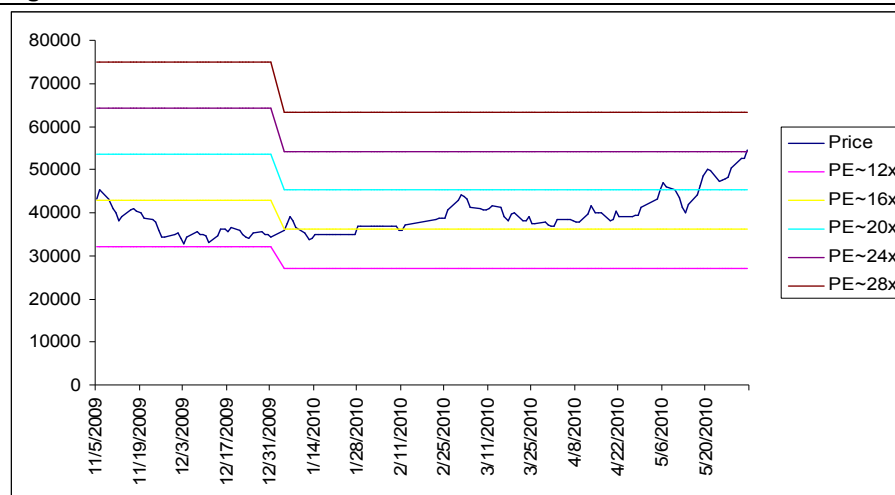
	% stake own	fair price (VND)	fair value (VND bn)	Note
MSF	72.8	124,000	11,735.4	P/E 15x
TCB	20.0	37,500	4,048.3	P/B 2.1x
Nuiphaovica	70.0		19,270.3	DCF base on 12% WACC
Net cash			689.9	
Net assets value			35,743.9	
MSN fair value			<b>64,033.1</b>	

Source: Company data, Kim Eng estimated, Bloomberg

There is speculation that MSN would increase its stake in Nuiphaovica to 85%, or even 100%. If so, MSN's target price will tentatively increase upward by at least 10%.

MSN currently trades at a forward P/E of 19.7x. This is marginally higher than the peer average P/E. Given its superior market positioning and strong earnings stream over the next few years, we believe that MSN deserves to trade at a premium to its peers.

**Figure 19: MSN P/E band**



Source: Company data, Kim Eng estimated, Bloomberg

**APPENDIX**

**I. Company profile**

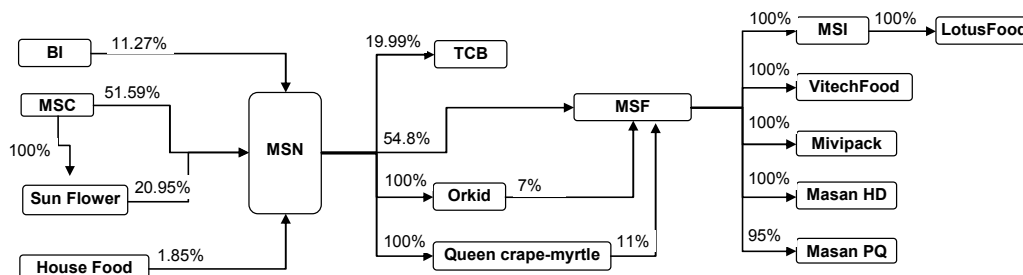
Since its successful restructuring in late 2009, MSN has become a leading private sector group with rapidly-growing enterprises in its portfolio. It has a 72.8% interest in MSF and a 20.0% interest in Techcombank. The Group was listed on HOSE on 5 November 2009 and has since become one of the top five largest market capitalisation stocks.

In 2009, MSN raised USD 100mn from its global partners. BankInvest, with more than USD 20mn in assets under management, has become the largest foreign shareholder in the Group. MSN also issued a convertible bond amounting to VND 630bn to TPG. Recently, House Food, a leading Japanese group specialising in food processing, has also become MSN's investor.

The five-layered structure in the Masan Group still confuses investors a lot, especially as the word 'Masan' is present in most of the companies' names in the Group. The Masan Corporation (MSC), the investment company, owns the largest portion of MSN with 51.6%.

The details of the Group's main subsidiaries and joint venture entities are presented below:

**Figure 20: The Group structure**



Source: Company data, Kim Eng

**II. Masan Food – tremendous growth**

Established in 2000, Masan Food (MSF) has grown rapidly to become the largest domestic player in the sauces and condiments segments of Vietnam market. Its core products include fish sauce, soy sauce, instant noodle, gravy granules and chilli sauce with famous brands such as Chin Su, Nam Ngu, Omachi, Tien Vua, Rong Viet, which are perceived by consumers as the most trusted brands in terms of food safety.

**Double-digit growth underpinned by favourable economic factors.** We believe that rural consumers are willing to pay for branded quality products at a low price. MSF can dominate the rural market by introducing small products at cheap prices. We believe that this strategy can boost MSF's revenue and profit growth to double digits over the next five years given that 80% of Vietnam's population is rural. In 2009, MSF posted an increase of 105.6% in its revenue and 65.4% in net profit.

**Increasing market share bolstered by intensive distribution network.** A distribution network is the highest barrier for a new player entering the FMCG sectors. With one of the largest distribution systems comprising 140 distributors and 126,000 POS, MSF can extend its market share further. According to

ACNielsen, MSF's core products market share has increased sharply in the past three years. For example, its market share in soy sauce products increased from 42.3% in 2007 to 62.8% in 2008 and then to 85% in 2009. For fish sauce, its market share surged from 3.6% in 2007 to 19.4% in 2008 and further to 59.3% in 2009.

**Prospects for 2010.** Given its strong marketing, branding and distribution, MSF's revenue is expected to register a growth rate of 73.3% for the full year of 2010. We also forecast its gross margin to rise marginally to 35.9% from 34.7% last year. However, its ratio of selling expenses to net sales is projected to reach 16.6% due to MSF's increased spending in R&D and marketing activities. Consequently, MSF's net profit for the full year of 2010 is estimated at VND 1,074.7bn, equivalent to a 61.8% increase.

We derive MSF's target price at VND 124,000, pegged on a P/E of 15.0x. This is at a 20% discount from the average peer P/E of 18.8x, based on the fact that MSF's scale is smaller than that of its peers.

**Figure 21: MSF's key ratio**

Year end 31 Dec	2008	2009	2010E	2011F	2012F
Sales (VND bn)	1,922.1	3,957.8	6,858.8	8,645.6	10,782.7
Pre-tax (VND bn)	454.8	722.1	1,201.8	1,540.2	1,835.9
Net profit (VND bn)	401.6	664.4	1,074.7	1,377.3	1,641.7
EPS (VND)	3,322.7	5,320.5	8,267.0	10,594.3	12,628.4
EPS growth (%)	295.7	60.1	55.4	28.2	19.2
PER (x)	30.1	18.8	12.1	9.4	7.9
EV/EBITDA (x)	30.0	17.0	10.6	8.1	6.4
Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Kim Eng estimated

### III. Techcombank – hefty growth potential

Registered in 1993, Techcombank (TCB) was one of the first joint-stock commercial banks (JSCB) in Vietnam and also the fastest-growing bank in the last decade. TCB is currently the seventh largest bank in Vietnam and the third largest in private banks by asset. Its assets have expanded at a CAGR of 84.2% since 2001, compared to those of the largest private JSCBs, ACB (69.0%) and STB (76.0%), and almost triple that of the sector. We believe that the Group is capable of maintaining this hefty growth rate in the future, given its solid foundation, strong core business and support from its well-known strategic partner, HSBC.

**Robust earnings growth bolstered by strong core business.** Unlike the other banks, TCB has consistently focused on its core business. We believe that this has helped the Group to survive and sustain its growth through the recent financial turmoil. Typically, 80-96% of its income profile comes from lending and fee-generated activities. In 2008, while most banks suffered losses or declines in earnings, TCB posted 129.9% in net profit growth. In 2009, the Group continued to register an increase of 44.9% in its bottom line. Its net earnings of VND 1,700bn in 2009 was second only to ACB among private banks and the fifth in the sector.

**Impressive lending growth, but accompanied by a quite high NPL.** With an extensive network and strong brand name, TCB has been one of the top domestic lenders. The Group's loan book surged by a CAGR of 64.7% in 2004-2009, which was the highest among banks and double that of the sector. However, compared to its nearest peers, the Group's FY09 NPL of 2.49% seemed to be quite high. The management guided that it would slash down this ratio to around 2% in 2010. Given the recovery of the economy in general and TCB's strict credit policy, we believe that this is achievable; this would help to improve its net profit.

**2010 prospects.** Some factors may undermine TCB's FY10 earnings prospects. They are: SBV's guidance on tightening credit growth at 25%; the termination of the interest-subsidised loans programme; the squeeze on its NIM due to the high cost of funds; and the expected modest gains from securities investments.

However, we still believe in TCB's profitability, given its low cost-to-income ratio, low LDR, strong brand name, and extensive network. Thus we project strong growth rates of 52.8% and 40.7% for its loans and net earnings, respectively, for 2010.

We value TCB's target price at VND 37,500. This implies an FY10 P/B of 2.1x, 5% higher than the average P/B of the listed banking stocks. We believe this is justified in view of the Group's solid foundation and strong earnings prospects; but it has low liquidity due to trading on the OTC market and low free float.

**Figure 22: Techcombank's key ratio**

Year end 31 Dec	2008	2009	2010E	2011F	2012F
Net profit (VNDbn)	1,173	1,700	2,393	3,164	3,968
EPS (VND)	3,221	3,148	4,431	5,859	7,347
EPS growth (%)	121.5	-2.3	40.7	32.2	25.4
PER (x)	9.0	9.2	6.5	4.9	3.9
BVPS (VND)	15,419	13,562	17,993	23,852	31,199
P/BV (x)	1.9	2.1	1.6	1.2	0.9
ROA (%)	2.4	2.2	2.2	2.1	2.0
ROE (%)	25.5	26.3	28.1	28.0	26.7

Source: Company data, Kim Eng estimated

#### IV. NuiPhaovica – steadfast progress

In May 2010, MSN announced a definitive agreement to acquire the Nui Phao Mining JV Co. Ltd. (Nuiphaovica) from Tiberon Mineral Pte. Ltd., a company owned by funds managed by Dragon Capital (DC), a Vietnam-based asset manager. Nuiphaovica is a joint venture between the Canadian Tiberon Minerals Pte. Ltd. (70% stake) and two Vietnamese stakeholders, Thai Nguyen Export-Import and Investment Company (Batimex) and Thai Nguyen Mineral Company (Intracorp), each holding 15%.

The investment licence issued in early 2004 accords the joint venture the right to explore, exploit and process tungsten, fluorspar, bismuth, copper and gold ore for 30 years that may be extended if more ore reserves are discovered. The mining licence was awarded in July last year by the Ministry of Natural Resources and Environment.

Located in the Thai Nguyen Province, Nuiphaovica has one of the largest deposits of tungsten in the world. It has the potential to produce around 5% of the global tungsten output when fully operational. Through open-pit methods, the overall production unit costs are projected to be in the lowest cost quartile relative to the world's current tungsten producers. Over US\$130 million has been invested in the project and production is expected to begin in 2012/2013.

The company proposes to mine 3.5 million tonnes of ore per year from a single open pit for an output of about 6,000 tonnes of tungsten trioxide, 196,000 tonnes of fluorspar, 360 tonnes of bismuth and 5,600 tonnes of copper containing 5,000 ounces of gold as a smelter credit. Roughly 80 per cent of the mined products will be exported, thus enabling the joint venture to exert a significant influence on the world market.

**Profit and loss**

YE Dec (VND bn)	2008	2009	2010E	2011F	2012F
<b>Sales</b>	<b>1,922.1</b>	<b>3,957.8</b>	<b>6,858.8</b>	<b>8,645.6</b>	<b>10,782.7</b>
COGS	-1,324.2	-2,583.9	-4,397.5	-5,654.0	-7,187.0
<b>Gross profit</b>	<b>597.9</b>	<b>1,373.9</b>	<b>2,461.3</b>	<b>2,991.6</b>	<b>3,595.7</b>
Operating exp.	-223.0	-742.0	-1,335.1	-1,680.0	-2,092.3
<b>EBIT</b>	<b>374.9</b>	<b>631.9</b>	<b>1,126.2</b>	<b>1,311.6</b>	<b>1,503.4</b>
Net financial incomes (loss)	76.2	57.2	-25.5	114.9	222.4
Net Income (loss) fr. jv	0.0	48.0	226.3	380.5	541.1
Net extraordinary	3.8	-4.1	-14.9	-18.8	-23.4
<b>PBT</b>	<b>454.9</b>	<b>732.9</b>	<b>1,312.2</b>	<b>1,788.3</b>	<b>2,243.5</b>
Income tax	-54.8	-53.4	-98.4	-134.1	-168.3
Minority interest	-189.8	-262.9	-292.3	-374.6	-446.5
<b>Net profit</b>	<b>210.3</b>	<b>416.6</b>	<b>921.5</b>	<b>1,279.6</b>	<b>1,628.7</b>
<b>Adjusted net profit</b>	<b>mn</b>	<b>516.3</b>	<b>1,245.0</b>	<b>1,616.6</b>	<b>1,964.9</b>
EBITDA	409.0	703.2	1,177.7	1,386.8	1,621.5
EPS	65,729.7	2,677.1	1,898.4	2,636.1	3,355.4
Adjusted EPS	mn	3,317.7	2,564.9	3,330.5	4,048.0

Source: Company data, Kim Eng estimates

**Cash flow**

YE Dec (VND bn)	2008	2009	2010E	2011F	2012F
<b>Operating cash flow</b>	<b>349.0</b>	<b>804.0</b>	<b>-89.7</b>	<b>1,694.9</b>	<b>992.6</b>
Net profit	210.3	416.6	921.5	1,279.6	1,628.7
Depreciation	34.1	71.3	51.5	75.1	118.0
Change in working capital	-439.9	421.4	-1,062.7	340.2	-754.1
Others	544.5	-105.3	0.0	0.0	0.0
<b>Investment cash flow</b>	<b>-403.5</b>	<b>-1,132.6</b>	<b>316.7</b>	<b>-1,745.2</b>	<b>150.8</b>
Net capex	-137.2	-411.4	-231.3	-477.2	-101.2
Change in investment	-383.7	-789.5	548.0	-1,268.0	252.0
Change in other assets	117.4	68.4	-0.0	0.0	0.0
Cash flow after Investment	-54.4	-328.6	227.0	-50.4	1,143.5
<b>Financing cash flow</b>	<b>133.6</b>	<b>1,354.8</b>	<b>402.6</b>	<b>487.6</b>	<b>558.6</b>
Change in share capital	14.3	1,164.4	0.0	0.0	0.0
Net change in debt	119.3	190.3	121.3	112.4	111.4
Others	0.0	-0.0	281.3	375.2	447.2
Div paid	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>79.1</b>	<b>1,026.1</b>	<b>629.6</b>	<b>437.3</b>	<b>1,702.1</b>

Source: Company data, Kim Eng estimates

**Balance sheet**

YE Dec (VND bn)	2008	2009	2010E	2011F	2012F
<b>Total assets</b>	<b>1,575.4</b>	<b>7,017.1</b>	<b>8,277.8</b>	<b>10,053.9</b>	<b>12,481.0</b>
Current assets	1,215.8	2,441.8	3,774.7	5,400.7	8,096.8
Cash	97.5	1,123.6	1,753.2	2,190.5	3,892.5
ST investment	308.9	776.0	480.0	2,000.0	2,000.0
Inventories	183.4	199.5	413.3	423.2	637.2
Trade receivable	593.5	282.9	1,070.6	729.5	1,509.5
Others	32.5	59.8	57.6	57.6	57.6
Other assets	359.6	4,575.3	4,503.1	4,653.2	4,384.3
LT Investment	71.9	3,919.8	3,667.8	3,415.8	3,163.8
Net fix assets	259.9	605.4	785.2	1,187.3	1,170.4
Others	27.7	50.1	50.1	50.1	50.1
<b>Total liabilities</b>	<b>702.6</b>	<b>1,947.6</b>	<b>2,003.5</b>	<b>2,124.8</b>	<b>2,476.1</b>
Current liabilities	666.9	1,210.9	1,147.5	1,156.5	1,396.3
Trade payable	164.2	278.4	460.2	469.2	709.0
ST borrowings	297.3	687.3	687.3	687.3	687.3
Others	205.4	245.2	0.0	0.0	0.0
Long-term liabilities	35.7	736.6	856.0	968.4	1,079.8
Long-term debts	34.3	734.7	856.0	968.4	1,079.8
Others	1.4	1.9	0.0	0.0	0.0
<b>Shareholders' equity</b>	<b>872.8</b>	<b>5,069.5</b>	<b>6,274.3</b>	<b>7,929.1</b>	<b>10,004.9</b>
Paid in capital	259.9	4,328.6	4,328.6	4,328.6	4,328.6
Reserve	213.3	434.7	1,356.2	2,635.8	4,264.5
Other provisions	-1.4	-1.2	-1.2	-1.2	-1.2
Minority interests	401.0	307.5	590.7	965.9	1,413.1

Source: Company data, Kim Eng estimates

**Key ratios**

YE Dec	2008	2009	2010E	2011F	2012F
<b>Growth (YoY %)</b>					
Sales	0.0	105.9	73.3	26.1	24.7
EBIT	0.0	68.5	78.2	16.5	14.6
EBITDA	0.0	71.9	67.5	17.7	16.9
Net profit	0.0	98.1	121.2	38.9	27.3
EPS	0.0	-95.9	-29.1	38.9	27.3
<b>Profitability (%)</b>					
Gross margin	31.1	34.7	35.9	34.6	33.3
EBIT margin	19.5	16.0	16.4	15.2	13.9
EBITDA margin	21.3	17.8	17.2	16.0	15.0
Net margin	10.9	10.5	13.4	14.8	15.1
ROA	26.4	9.7	12.0	14.0	14.5
ROE	88.9	15.9	17.6	20.2	20.9
<b>Stability</b>					
Gross debt/equity (%)	70.1	29.9	27.1	23.8	20.6
Net debt/equity (%)	-15.8	-10.0	-12.1	-36.4	-48.0
Interest coverage (x)	7.4	7.1	7.9	8.3	9.6
Interest & ST debt coverage (x)	1.9	1.1	1.4	1.6	1.8
OCF interest coverage (x)	6.8	9.0	-0.6	10.8	6.3
OCF interest & STdebt coverage (x)	1.7	1.4	-0.1	2.0	1.2
Current ratio (x)	1.8	2.0	3.3	4.7	5.8
Quick ratio (x)	1.5	1.8	2.9	4.3	5.3
Assets turnover (x)	2.4	0.9	0.9	0.9	1.0
Average inventories (days)	25.3	27.0	25.4	27.0	27.0
Avg. trade receivables (days)	56.5	40.4	36.0	38.0	38.0
Avg. trade payables (days)	22.7	31.3	30.7	30.0	30.0
Net cash (debt) (VND bn)	74.7	477.6	689.9	2,534.8	4,125.4
<b>Per share data (VND)</b>					
EPS	65,730	2,677.1	1,898.4	2,636.1	3,355.4
CFPS	24,724	2,114.0	1,297.0	900.8	3,506.5
BVPS	147,878	9,813	11,712	14,348	17,703
SPS	600,652	25,434	14,130	17,811	22,214
EBITDA/share	127,825	4,519	2,426	2,857	3,340
Cash Div/share	0.0	0.0	0.0	0.0	0.0

Source: Company data, Kim Eng estimates

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**Recommendation definitions**  
 Our recommendation is based on the following expected price performance within 12 months:

+15% and above: BUY  
 -15% to +15%: HOLD  
 -15% or worse: SELL

**APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLOSURES  
AND  
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