

15 November, 2013

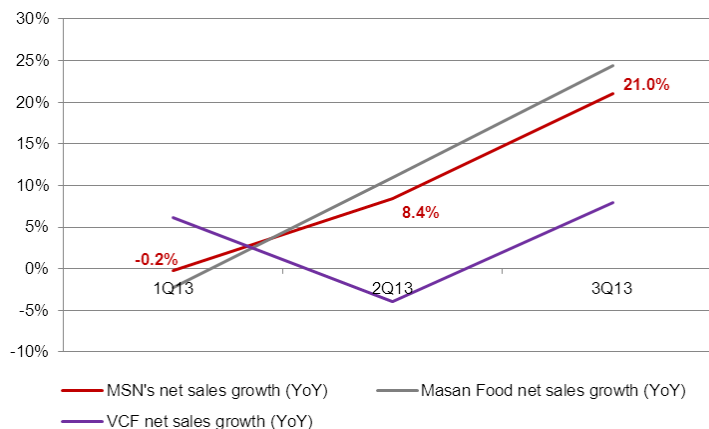
Masan Group (HOSE: MSN) 3Q13 Consumer regaining prominence Quick Update

Masan Group (HOSE: MSN) has released its financial results in which **core business, consumer staples, witnessed a significant improvement** due to strong revenue growth and new product launches, however, bottom line results were down due to poor performance of its non-core businesses such as banking and financial activities. In 3Q13, MSN's net sales increased by 21% YoY, gross margin improved to 43% compared to 40.3% in 2Q2013 while net profit declined by 35.8% YoY to VND 309 billion (USD 14.7 mn). On a pro-forma basis, MSN's 3Q13 net profit declined by 21.2% YoY.

What's new?

Positive points

- ❖ Consumer business witnessed a **significant improvement** in 3Q13 when its net sales increased by **21% YoY** to VND 3,235 billion (USD 154 mn). As mentioned in our 1H13 Update Report, almost all of Masan Consumer's new products in 2013 were launched in 2H, such as B-fast, Sagami instant noodle and Phinn roasted and grounded coffee, which boosted sales in 3Q13. This growth is mainly thanks to higher sales growth of Masan Food (+24.4% YoY) while VCF sales growth was not so high (+8.0% YoY).



Source: MSN, SSI Research

- ❖ As reported in our 1H13 Update Report, **gross margin increased to 43.1% in 3Q13** which is higher than 40.6% in 2Q13, 33.1% in 1Q13 and 40.6% in 3Q12. The growth was a result of growth in core seasonings category in addition to improvement in the coffee business gross margin (28.9% in 3Q13 vs. 26.9% in 2Q13 and 26.3% in 3Q12). The improvement in the coffee business can be explained by the decline in the prices of various raw materials (coffee bean, wheat, sugar, etc.) and the continuous improvement in production efficiencies as well as the commissioning of a new facility at Long Thanh for Vinacafe.

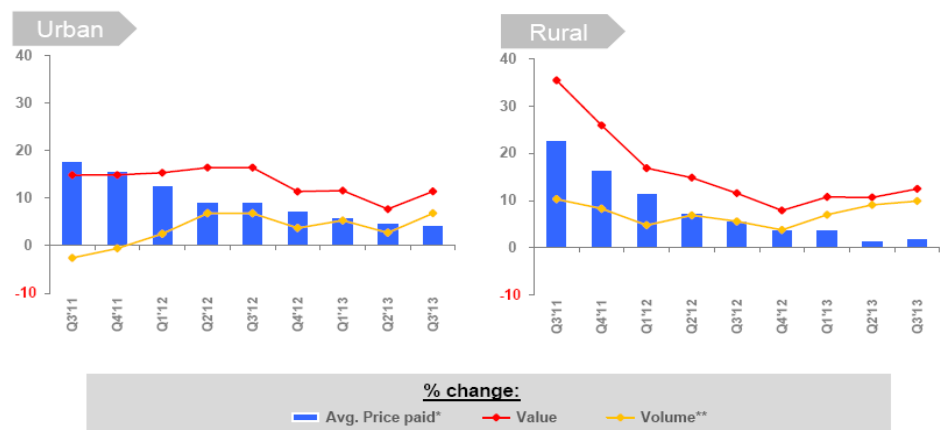
Negative points

- ❖ **Poor performance of Techcombank in 3Q13:** Due to prolonged difficulties in Vietnam’s banking system, TCB’s net profit declined by 84% YoY to VND 73 billion.
- ❖ **Lower net financial income:** In 3Q13, MSN incurred a financial loss of VND 30 billion while it enjoyed a financial profit of VND 48 billion in 3Q12. Lower deposit interest rate and cash balance were key reasons. Cash balance on 30 Sep 2013 was VND 6,115 billion while this figure was VND 7,459 billion on 30 Sep 2012.

What’s impact?

We are positive about MSN’s consumer business outlook thanks to improvements in 3Q given that Vietnam’s FMCG sector has signified a recovery in Sep 2013. However, negative effects from Techcombank are difficult to forecast and may influence MSN’s overall financial results.

FMCG growth picks up slightly upon recent improvement in economic conditions.



Source: Kantar Worldpanel – Sep 2013



What we recommend

We reiterate our investment view of **BUY** over MSN for a 1-year investment horizon as mentioned in our [1H Update Report](#). Improved consumer business in 2H13 and significant contribution from Nui Phao mine in 2014 are key rationales. However, in the short-term, investors should take into account negative impacts from its non-core business, Techcombank, which may exert downside risks on MSN performance. New foods and coffee products that are centered on the concept of convenience, coupled with healthy products pipeline within the beverage confine (i.e. green tea and herbal tea) would provide significant growth momentum in the near future.



RATING

Within 12-month horizon, SSIResearch rates stocks as either BUY, HOLD or SELL determined by the stock's expected return relative to the market required rate of return, which is 18% (*). A BUY rating is given when the security is expected to deliver absolute returns of 18% or greater. A SELL rating is given when the security is expected to deliver returns below or equal to negative 9%, while a HOLD rating implies returns between negative 9% and 18%.

Besides, SSIResearch also provides Short-term rating where stock price is expected to rise/reduce within *three* months because of a stock catalyst or event. Short-term rating may be different from 12-month rating.

Industry Rating: We provide the analyst' industry rating as follows:

- ❖ **Overweight:** The analyst expects the performance of the industry over the next 6-12 months to be attractive vs. the relevant broad market
- ❖ **Neutral:** The analyst expects the performance of the industry over the next 6-12 months to be in line with the relevant broad market
- ❖ **Underweight:** The analyst expects the performance of the industry over the next 6-12 months with caution vs. the relevant broad market.

**The market required rate of return is calculated based on 1-year Vietnam government bond yield and market risk premium derived from using Relative Equity Market Standard Deviations method. Our rating bands are subject to changes at the time of any significant changes in the above two constituents.*

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