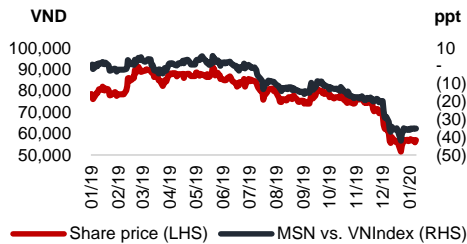


Vietnam: Consumer

10 January 2020

HOLD - OPF
TP upside (downside) +49%
Close 10 Jan 2020

Price	VND 56,500
12M Target	VND 84,100
Previous target	VND 84,100

Share price performance relative to VNINDEX


Market cap (USD bn)	3.7
6M ADT (USD mn)	2.0
Outstanding shares (mn)	1,168.9
Free float (%)	25.8
FINI ownership (%)	39
Major shareholders (%)	44.4
Net debt/equity (x)	0.5
BVPS (VND)	32,949
P/B (x)	1.7
P/E (x)	12.5
EV/EBITDA (x)	6.5

Financial outlook

Year to Dec	2018	2019E	2020E	2021E
Sales (VND bn)	38,188	39,177	42,955	47,211
EPS (VND)	4,561	4,140	4,372	5,377
ROE (%)	20.7	15.2	14.0	15.0
Div. yield (%)	1.4	-	-	-

Source: Company data, Yuanta Vietnam

Note: Fully diluted weighted average EPS is based on weighted average number of shares.

Quang Vo

Consumer Analyst

+84 28 3622 6868 (ext. 3872)

quang.vo@yuanta.com.vn
<http://research.yuanta.com>

Bloomberg code: YUTA

Masan Group (MSN VN)
VCM deal: Conference call takeaways
Event

MSN held a conference call to discuss the VinCommerce deal.

Key Takeaways

The new entity holds 83.7% of VinCommerce-VCM and 85.7% of Masan Consumer Holding. Masan Group will hold 70% of the new entity and Vin Group (VIC - not rated) will hold the other 30%. The 2020 action plan comprises three strategies to turn around the acquired business: footprint, traffic, and profitability.

For the footprint strategy, VCM will increase its coverage in Hanoi, where its stores are performing well, but will be selective in HCMC. For example, management plans to close down 150-300 VinMart+ stores with poor performance and low chance of improvement.

For the traffic strategy, VCM plans to focus on product localization and strengthening the fresh portfolio. MEATDeli and VinEco will be positioned as core products in Vinmart+, contributing up to 35% of total sales (up from 30% in 2019), according to MSN.

For profitability, management targets -3% to 0% EBITDA margin in 2020E (vs the -7.5% EBITDA margin in 2019). Increasing sales / m², optimizing costs, and logistics and warehousing are key areas where MSN believes it can improve the acquired business.

Our view: We believe MSN's post-merger net profit will be reduced by two factors: (1) pre-tax losses from VCM and reduced profit from its core consumer business (fish sauce, noodles, etc), because MSN's net ownership in MCH VN will decline from 86% to 60%.

If we (unfairly) extrapolate VCM's 2019E EBITDA loss of VND2.1 trillion into 2020E, our back-of-the-envelope calculation suggests a 52% reduction in MSN's 2020E consolidated PBT. This is likely too bearish, but our forecasts for MSN (which do not incorporate the deal) now appear optimistic and are under review.

VCM expected loss for 2020		Reduced profit from MCH	
VCM 2020 EBITDA (trn VND)	(2.1)	MSN's ownership rate in new entity	70%
Interest expense	(0.5)	New entity's ownership rate in MCH	86%
Depreciation	(0.6)	MSN's ownership rate in MCH	60%
VCM 2020 pre-tax loss	(3.2)	MCH's 2020E PBT (VND trn)	5.1
		Impact of deal (VND trn)	(1.3)
		Post deal 2020E PBT (VNDtrn)	3.8

Source: Company data, Yuanta Vietnam

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2019 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam
