

## MASAN MEAT LIFE JSC (MML) – UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND73,000	VND81,400	0%	HOLD	CONSUMER GOODS

13 Aug 2021

**Outlook – Short term: Positive**

**Outlook – Long term: Positive**

**Valuation: Neutral**

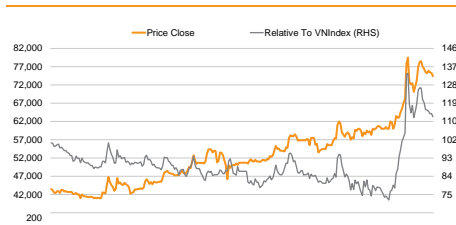
Consensus\*: Add: 1 Hold: 0 Reduce: 0

Target price / Consensus: NA

### Key changes in the report

- Increasing EPS FY21F by 29.1%
- Increasing EPS FY22F by 12.2%

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	79,330
52w low (VND)	40,920
3m Avg daily value (VNDn)	2,069
Market cap (VNDbn)	24,738
Free float (%)	5.0
TTM P/E (x)	43.7
Current P/B (x)	4.2

### Ownership

Masan Group	79.3%
Masan Horizon Company Limited	8.0%
VN Consumer Meat II Pte.Ltd	7.1%
Others	5.6%

Source: VND RESEARCH

### Analyst(s):



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## Steady results but valuation looks fair

- Growth momentum extended in 2Q21 with 45.3% yoy/730.4% yoy in top line and bottom line, respectively.
- 1H21 revenue surged 42.1% yoy to VND10,231bn while net profit (NP) recorded VND290bn, fulfilling 52.3% of our FY21F forecast.
- We downgrade our rating from Add to Hold with higher TP of VND81,400 as earnings growth outlook in FY21/22F appears to have been priced in.

### 1H21 results: in line with our expectation

In 2Q21, MML posted VND5,528bn of revenue (+45.3% yoy), mainly driven by 38.7% yoy growth of pork and new contribution of poultry. Animal feed revenue increased 38.7% yoy thanks to the recovery of sales volume from all products. Meanwhile, gross margin (GM) contracted by 5.2% pts yoy due to material price hike in animal feed segment. The decline was offset by 6,502.9% yoy increase in net other income. Thus, MML's 2Q21 net profit rose 730.4% yoy. For 1H21, net revenue surged 42.1% yoy, while NP reached VND290bn from negative VND13bn in 1H20, fulfilling 52.3% of our full-year forecast.

### Increasing demand support the meat revenue in short term

We believe the nationwide social distancing has lifted the demand of using packaged meat products as consumers rushed into supermarkets or online shopping while most of wet markets have been closed. Additionally, MML is among a few food producers that have ability to maintain the stability of supply chain, from farm to point of sales. The company's two processing factories locate in Long An and Ha Nam, far away from the epidemic centre. In 2Q21, MML launched new products under "MEATDeli Premium" and "MEATChoice" with higher selling prices and more eye-catching packaging to keep up with the growing demand for packaged meat.

### We forecast MML to achieve net profit CAGR of 29.1% in FY21-23F

Due to the higher-than-expected prices of input material for animal feed in 1H21, we lower animal feed's GM by 1.5% pts/0.8% pts in FY21-22F. We upgrade FY21-22F NP forecast by 29.1%/12.2% given the decrease in minority interest by 69.5%/63.1% as we forecast 3F Viet to record a loss in FY21F. Overall, we expect MML's net profit CAGR of 29.1% in FY21-23F thanks to the recovery of pig feed from FY21F and an increase in utilization capacity of the meat factory.

### Downgrade to Hold with higher TP of VND81,400

We revise up our TP to VND81,400 following a 29.1%/12.2% FY21-22 EPS upgrade and a rollover to average FY21-22F EBITDA with higher EV/EBITDA target of 15.0x. As recent share price rally has already factored the strong outlook, we downgrade our rating from Add to Hold. A re-rating catalyst is the fast expansion of retail network. Downside risks include 1) the prices of key animal feed inputs rising faster than expected and 2) higher-than-expected live hog price.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	13,799	16,119	19,762	22,185	24,403
Revenue growth	(1.3%)	16.8%	22.6%	12.3%	10.0%
Gross margin	16.4%	16.9%	16.3%	17.1%	17.7%
EBITDA margin	11.2%	11.2%	10.8%	10.9%	10.8%
Net profit (bn)	115	263	714	935	1,191
Net profit growth	20.7%	128.3%	171.3%	30.8%	27.4%
Recurring profit growth	20.7%	138.5%	159.7%	30.8%	27.4%
Basic EPS	427	809	2,187	2,861	3,487
Adjusted EPS	405	803	2,077	2,718	3,487
BVPS	16,424	17,183	19,161	21,778	25,325
ROAE	2.2%	4.8%	12.0%	14.0%	12.1%

Source: VND RESEARCH

## Investment thesis

### Downgrade to Hold with higher TP of VND81,400

MML has delivered impressive returns with its share price rising 48.6% since the start of this year, thanks to positive expectation of investors for the company's business results after penetrating deeper into the chilled meat and expanding into a new market (poultry) through 3F Viet. However, we still like MML for long-term investment regarding high NP growth over the next 2-3 year (FY21-23F NP CAGR of 29.1%).

Thus, we downgrade to Hold rating with higher TP of VND81,400 based on DCF valuation (WACC: 10.5% COE: 12.9%, LTG: 1.0%) and 15.0x FY21F EV/EBITDA. We rollover our multiples model to average FY21-22F EBITDA and lift our target FY21F EV/EBITDA of MML from 12.0x to 15.0x to reflect the market re-rating. A re-rating catalyst is the fast expansion of retail network. Downside risks include 1) the prices of key animal feed inputs rising faster than expected and 2) higher-than expected live hog price.

**Figure 1: Valuation summary**

Methodology	Price	Weight	Weighted price
FCFF	83,417	50%	41,709
EV/EBITDA	79,300	50%	39,650
<b>Target price</b>			<b>81,400</b>

SOURCE: VNDIRECT RESEARCH

**Figure 2: Discounted cash flows - future cash flows to firm (FCFF) approach**

Present value of Free Cash Flows to Firm (VNDbn)	13,028
Present value of Terminal value (VNDbn)	18,083
Enterprise Value (VNDbn)	31,111
Net debt (VNDbn)	(3,857)
Equity Value	27,254
No. of Outstanding Share (million)	327
<b>Equity value per share (VND)</b>	<b>83,417</b>
WACC	10.5%
Cost of Equity	12.9%
Long-term growth	1.0%

SOURCE: VNDIRECT RESEARCH

**Figure 3: Multiples (EV/EBITDA)**

EBITDA 2021F	2,124
Target EV/EBITDA 2021F	15.0
Total debt	5,168
Minority interest	2,196
Cash & Equivalent	1,402
<b>Market capitalization 2021</b>	<b>25,898</b>
Total share outstanding (m)	326.7
<b>Implied share price 2021F</b>	<b>79,300</b>

SOURCE: VNDIRECT RESEARCH

**Figure 4: Discounted cash flow model**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	0	0	1	2	3	4	5	6	7	8
<b>EBIT</b>	<b>1,073</b>	<b>1,249</b>	<b>1,471</b>	<b>1,764</b>	<b>2,101</b>	<b>2,489</b>	<b>2,933</b>	<b>3,440</b>	<b>4,020</b>	<b>4,681</b>
Add: Depreciation & Amortization	695	733	795	863	926	989	1,051	1,114	1,177	1,240
Less Capital expenditure	(1,011)	(968)	(994)	(1,022)	(1,045)	(945)	(945)	(945)	(945)	(945)
Changes in Working Capital	(864)	599	255	119	(114)	(125)	(137)	(151)	(166)	(183)
<b>Free Cash Flow (FCF)</b>	<b>(107)</b>	<b>1,613</b>	<b>1,527</b>	<b>1,724</b>	<b>1,869</b>	<b>2,408</b>	<b>2,902</b>	<b>3,459</b>	<b>4,086</b>	<b>4,794</b>
Less Taxes Paid	(188)	(201)	(228)	(243)	(306)	(369)	(438)	(515)	(607)	(707)
<b>Free Cash Flows to Firm</b>	<b>(295)</b>	<b>1,412</b>	<b>1,299</b>	<b>1,481</b>	<b>1,563</b>	<b>2,039</b>	<b>2,464</b>	<b>2,943</b>	<b>3,480</b>	<b>4,087</b>
<b>Terminal Value</b>										<b>47,734</b>
<b>PV of FCFF</b>	<b>(295)</b>	<b>1,412</b>	<b>1,176</b>	<b>1,213</b>	<b>1,159</b>	<b>1,370</b>	<b>1,498</b>	<b>1,621</b>	<b>1,735</b>	<b>1,844</b>
<b>PV of Terminal Value</b>										<b>18,083</b>

SOURCE: VNDIRECT RESEARCH

**Figure 5: Peer comparison (Data at 13 Aug)**

3F producer	Bloomberg code	Recom.	Target price (Local Cur)	Market cap (US\$m)	3-year EPS CAGR (%)	EV/EBITDA (x)		P/E (x)		ROE (%)		ROA (%)	
						FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Charoen Pokphand Foods	CPF TB	NR	N/a	6,670	54.4	11.2	11.9	11.1	10.9	3.8	4.0	10.8	11.4
Dabaco Group	DBC VN	ADD	64000	283	142.6	4.8	5.3	6.7	8.0	21.4	14.6	9.6	7.1
Nisshin Oillio Group LTD	2602 JP	NR	N/a	936	21.1	8.2	7.9	12.7	12.4			5.7	5.7
Juewei Food Co LTD	603517 CH	NR	N/a	6,796	11.2	36.3	30.1	49.7	40.3	16.7	17.9	19.9	18.6
<b>Average</b>				<b>3,671</b>	<b>57.3</b>	<b>15.1</b>	<b>13.8</b>	<b>20.0</b>	<b>17.9</b>	<b>14.0</b>	<b>12.2</b>	<b>11.5</b>	<b>10.7</b>
<b>Median</b>				<b>3,803</b>	<b>37.7</b>	<b>9.7</b>	<b>9.9</b>	<b>11.9</b>	<b>11.7</b>	<b>16.7</b>	<b>14.6</b>	<b>10.2</b>	<b>9.3</b>
<b>Masan Meatlife</b>	<b>MML VN</b>	<b>HOLD</b>	<b>81,400</b>	<b>1,066</b>	<b>69.0%</b>	<b>10.5</b>	<b>10.2</b>	<b>38.9</b>	<b>29.7</b>	<b>12.0</b>	<b>14.0</b>	<b>4.1</b>	<b>5.3</b>

SOURCE: VNDIRECT RESEARCH, BLOOMBERG

**STEADY RESULTS BUT VALUATION LOOKS FAIR**
**1H21 recap: The meat business boosted revenue to grow impressively**
**Figure 6: Results comparison**

VNDbn	2Q21	2Q20	% yoy	1H21	1H20	% yoy	% vs our 2021F forecast	Comment
<b>Revenue</b>	<b>5,528</b>	<b>3,805</b>	<b>45.3%</b>	<b>10,231</b>	<b>7,202</b>	<b>42.1%</b>	<b>51.8%</b>	
Animal Feed	4,444	3,203	38.7%	8,163	6,147	32.8%	56.1%	Animal feed revenue increased by 38.7% yoy in 2Q21 thanks to volume's recovery in all segments, especially pig feed segment which rose over 20% yoy. The sale volume of pig feed increased significantly as domestic farming activity recovered from the African swine fever (ASF) crisis. In early 2021, the total pig herd of Vietnam is estimated to increase by 20% yoy and equivalent to 87% of the total pig herd before the AFS epidemic broke out in 2019.
Meat	1,083	602	79.9%	2,068	1,055	96.0%	39.7%	In 2Q21, meat sales increased strongly, accounting for 20% of total revenue compared to 15% in 2Q20. The positive result mainly thanks to the expansion of MEATDeli's coverage (by the end of June 2021, the MEATDeli brand has been presented at more than 2,700 points of sale, of which 2,300 stores belong to the Vinmart system in Hanoi and Ho Chi Minh City) along with VND248bn from the new business - 3F Viet.
<b>Gross profit</b>	<b>638</b>	<b>636</b>	<b>0.3%</b>	<b>1,309</b>	<b>1,199</b>	<b>9.2%</b>	<b>37.4%</b>	
Gross margin	11.5%	16.7%	-5.2% pts	12.8%	16.6%	-3.8% pts	-4.9% pts	
<b>SG&amp;A</b>	<b>434</b>	<b>420</b>	<b>3.2%</b>	<b>827</b>	<b>833</b>	<b>-0.7%</b>	<b>39.9%</b>	
SG&A as % revenue	7.8%	11.0%	-3.2% pts	8.1%	11.6%	-3.5% pts	-2.4% pts	
Selling expenses	238	248	-4.2%	446	462	-3.3%	41.1%	Selling expenses fell in 2Q21 as the company cut the advertising and promotion costs by 39.1% yoy to offset the increase in input materials high in animal feed segment.
% revenue	4.3%	6.5%	-2.2% pts	4.4%	6.4%	-2.0% pts	-1.1% pts	
G&A expenses	196	172	13.8%	381	371	2.6%	38.5%	
% revenue	3.5%	4.5%	-1.0% pts	3.7%	5.2%	-1.4% pts	-1.3% pts	
<b>EBITDA</b>	<b>396</b>	<b>380</b>	<b>4.1%</b>	<b>866</b>	<b>718</b>	<b>20.5%</b>	<b>40.1%</b>	
EBITDA margin	7.2%	10.0%	-2.8% pts	8.5%	10.0%	-1.5% pts	-2.5% pts	
<b>EBIT</b>	<b>205</b>	<b>216</b>	<b>-5.2%</b>	<b>482</b>	<b>366</b>	<b>31.7%</b>	<b>33.8%</b>	
EBIT margin	3.7%	5.7%	-2.0% pts	4.7%	5.1%	-0.4% pts	-2.5% pts	
Financial income	36	25	43.2%	69	47	45.9%	72%	Financial income increased by 43.2% yoy in 2Q21 thanks to the increase in interest income from bank deposits and loan interest of 43.5% yoy.
Other income	80	1	6502.9%	75	(1)		538%	
<b>Pre-tax profit</b>	<b>190</b>	<b>114</b>	<b>67.3%</b>	<b>371</b>	<b>158</b>	<b>134.8%</b>	<b>34.8%</b>	Pre-tax profit rose strongly in 2Q21 mainly thanks to 43.2% yoy increase in financial revenue along with 6,502.9% yoy rise in net other income.
EBT margin	3.4%	3.0%	0.5% pts	3.6%	2.2%	1.4% pts	-1.8% pts	
<b>Tax</b>	<b>48</b>	<b>43</b>	<b>12.4%</b>	<b>82</b>	<b>73</b>	<b>13.1%</b>	<b>38.7%</b>	
Tax rate	25.2%	37.4%	-12.3% pts	22.2%	46.1%	-23.9% pts	2.2% pts	
Minority interest	(10)	53		(1)	98		-0.4%	Minority interest recorded a negative level compared to VND53bn in 2Q20 mainly due to the losses from 3F Viet (note that MML merged with 3F Viet from the end of 2020).
<b>Net profit to common</b>	<b>152</b>	<b>18</b>	<b>730.4%</b>	<b>290</b>	<b>(13)</b>		<b>52.3%</b>	
Net margin	2.7%	0.5%	2.3% pts	2.8%	-0.2%	3.0% pts	0.0% pts	
<b>EPS diluted</b>	<b>465</b>	<b>56</b>	<b>730.4%</b>	<b>886</b>	<b>(40)</b>		<b>54.6%</b>	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

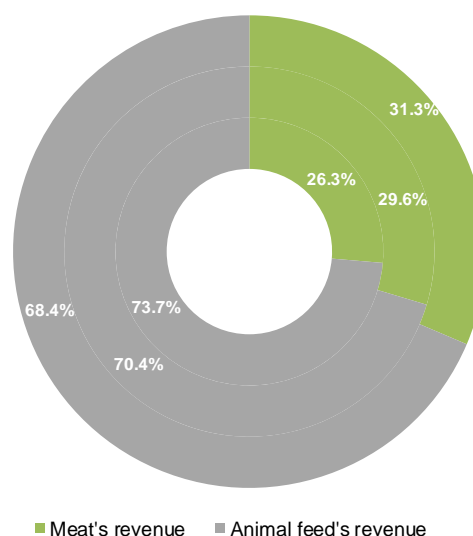
**FY21 – 23F outlook: Meat will be key driver for revenue growth**

**We expect meat to accelerate thanks to robustly growing demand and enlarging distribution network**

In our view, the social distancing order will have the effect of increasing the demand for packaged meat products in the short term since 1) consumers increased demand for home cooking and food storage to limit movement restriction and 2) consumers rushed into supermarkets or online shopping while most of wet markets have been closed. Additionally, MML is among a few food producers that have the ability to maintain the stability of supply chain, from farm to point of sales. The company's two processing factories are located in Long An and Ha Nam, far away from the epidemic centre. Thus, we believe the nationwide lockdown will positively impact meat revenue MML in the short term.

According to the management, MML's distribution of fresh meat products will go along with VCM's store network. Meanwhile, VCM plans to open 300-700 new stores in 2021F — mainly in the form of minimarts. Therefore, we forecast MML's total POS to increase by 60% yoy in FY21F. Besides, we expect MML to actively research and launch new products in 2H21 to gain 1-2% market share amid the increased demand for packaged meat in the short term. We believe that with the wide product coverage through Vinmart system's expansion plan along with abundant product portfolio, MML will raise MEAT/Deli products' awareness in the market, thereby increasing sales volume by 92.0%/37.5%/15.5% yoy in 2021-23F. Thus, meat is expected to record a 118.9%/60.1%/16.4% yoy rise in FY21-23F net revenue.

**Figure 7: We expect meat revenue to increase its contribution to MML's revenue in FY21-23F**

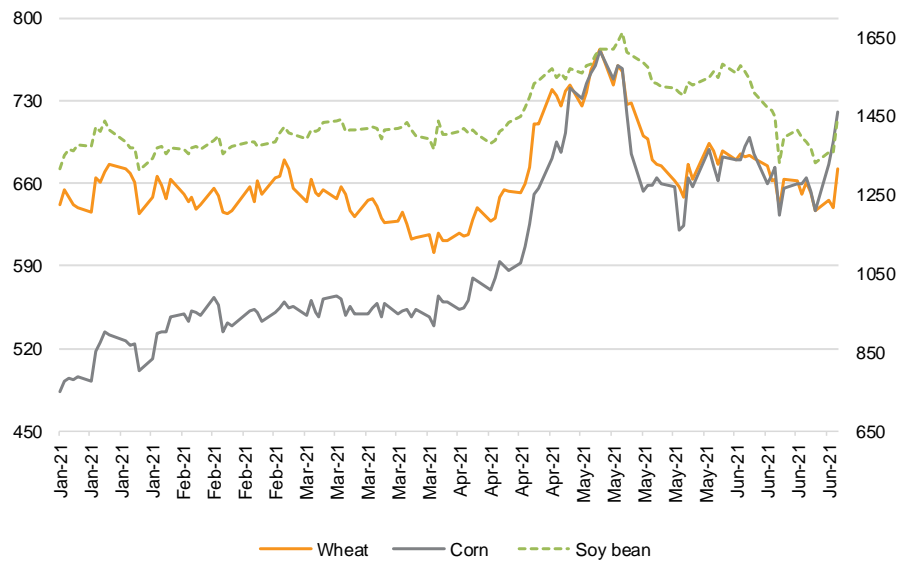


Inner circle: FY21F – Middle circle: FY22F – Outer circle: FY23F  
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Animal feed to maintain single-digit growth over FY21-23F**

After the sharp fall in April 2020 due to the COVID-19 crisis, global cereal prices strongly recovered. Specifically, corn and soybean prices increased by 73.5% yoy and 65.7% yoy, respectively, in 1H21. We expect agricultural prices to be 14%-15% higher in 2021F, followed by a slight gain in 2022F. As raw materials cost accounts for about 80-85% of the cost of goods sold (COGS), we believe higher global cereal prices will hurt the animal feed segment's GM as the rising in raw material cost cannot be fully converted into selling prices. Thus, we project revenue in the animal feed to rise by 5.9%/7.2%/7.0% yoy in FY21-23F. Meanwhile, its GM contract by 1.2% pts/0.2% pts in FY21-22F and maintain at 13.3pts in FY23F.

**Figure 8: Input material price rose significantly in 1H21 (US\$/bushel)**

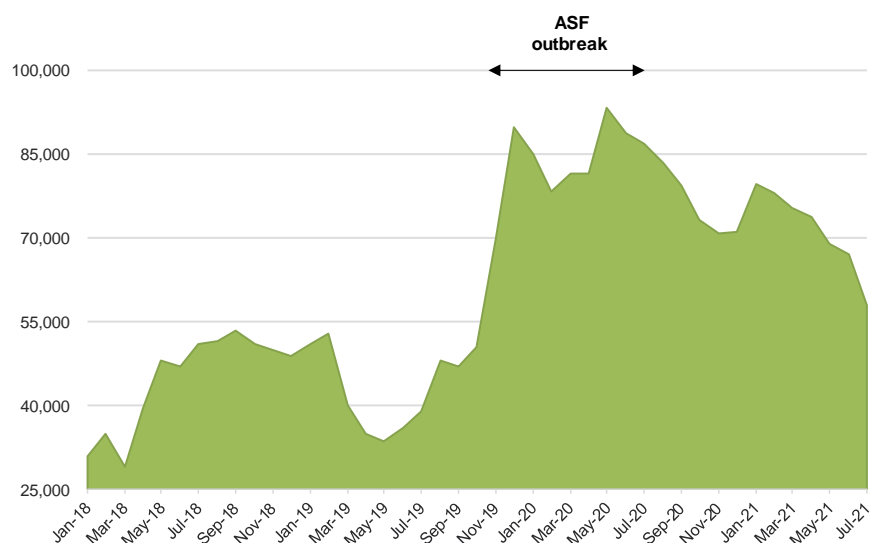


Source: VNDIRECT RESEARCH

**Gross margin slightly declines due to input material price hike**

We expect agricultural prices to stay flat in 2H21 after increasing significantly in 1H21, thus squeezing feed's GM by 1.2% pts/0.2% pts in FY21-22F. However, in our view, the plunge in feed segment's GM will be partly offset set by an improvement in meat segment's GM. We expect pork prices to decline and stabilize gradually at 19.9%/26.1% lower than ASF levels in FY21-22F, reducing the pressure on the GM as 40% of MML's raw pork are imported from third parties. As a result, we forecast meat segment's GM will expand by 2.5% pts/2.1% pts in FY21-22F. Meanwhile, the total GM slightly contract by 0.6% pts in FY21F due to a plunge in animal feed segment's GM and recover by 0.8% pts in FY22F thanks to higher contribution from meat to total gross profit.

**Figure 9: Live hog price has cooled down 6M21 after a sharp increase due to the ASF**



Source: VNDIRECT RESEARCH, ANOVA FEED

### FY21-23F earnings forecasts

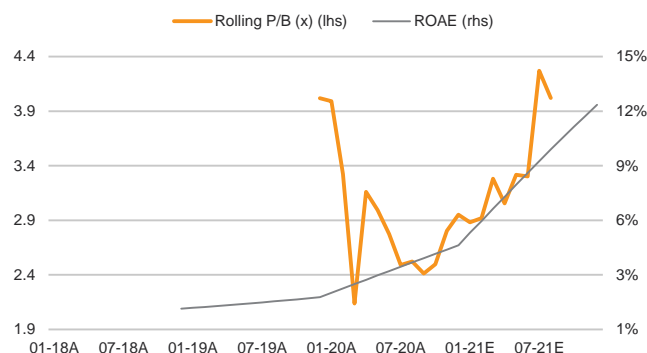
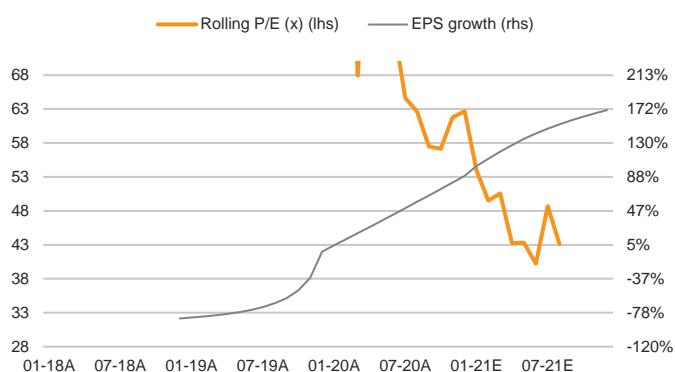
We change our forecasts for MML's business as follows:

- Due to the higher-than-expect prices of input material for animal feed in 1H21, we lower feed's GM by 1.5% pts/0.8% pts in FY21-22F as we revise up our raw material price forecast by 5%/2%. Thus, blended GM narrow by 1.4%/0.9% compare to the previous forecast and maintain at 17.7% in FY23F.
- We adjust SG&A expenses by 0.5% in FY21F to reflect lower-than-expected level in 1H21 and the company tends to streamline operating expenses in animal feed to optimize its profitability.
- We increase the interest income by 41.2%/17.6% to in line with 1H21 figures, thus raising financial income in FY21-22F by 36.6%/16.1% compare to the previous forecast.
- We cut FY21-23F minority interest by 69.5%/63.1%/24.8% as we forecast 3F Viet to record a loss in FY21F and contribute less to pre-tax profit in FY22F (instead of recording profit from FY21F in previously forecast).
- Thus, FY21-23F NP forecast increase by 29.1%/12.2%/1.8% compare to the previously forecast.

Figure 10: Changes in our forecast

	2020	2021F			2022F			2023F		
		Old	New	Changes	Old	New	Changes	Old	New	Changes
<b>Net revenue</b>	<b>16,119</b>	<b>19,762</b>	<b>19,762</b>	<b>0.0%</b>	<b>22,185</b>	<b>22,185</b>	<b>0.0%</b>	<b>24,403</b>	<b>24,403</b>	<b>0.0%</b>
Breakdown by segment										
Animal feed	13,746	14,556	14,556	0.0%	15,611	15,611	0.0%	16,704	16,704	0.0%
Meat	2,378	5,206	5,206	0.0%	6,574	6,574	0.0%	7,650	7,650	0.0%
<b>Gross profit</b>	<b>2,725</b>	<b>3,502</b>	<b>3,226</b>	<b>-7.9%</b>	<b>4,001</b>	<b>3,800</b>	<b>-5.0%</b>	<b>4,326</b>	<b>4,326</b>	<b>0.0%</b>
Gross margin	16.9%	17.7%	16.3%	-1.4% pts	18.03%	17.1%	-0.9% pts	17.7%	17.7%	0.0% pts
Breakdown by segment										
Animal feed	14.7%	14.9%	13.4%	-1.5% pts	14.1%	13.3%	-0.8% pts	13.3%	13.3%	0.0% pts
Meat	23.9%	26.5%	26.5%	0.0% pts	28.5%	28.5%	0.0% pts	28.7%	28.7%	0.0% pts
<b>SG&amp;A</b>	<b>1,652</b>	<b>2,075</b>	<b>1,976</b>	<b>-4.8%</b>	<b>2,329</b>	<b>2,329</b>	<b>0.0%</b>	<b>2,539</b>	<b>2,539</b>	<b>0.0%</b>
SG&A as % revenue	10.2%	10.5%	10.0%	-0.5% pts	10.5%	10.5%	0.0% pts	10.5%	10.5%	0.0% pts
<b>EBITDA</b>	<b>1,768</b>	<b>2,160</b>	<b>1,982</b>	<b>-8.2%</b>	<b>2,467</b>	<b>2,266</b>	<b>-8.1%</b>	<b>2,684</b>	<b>2,684</b>	<b>0.0%</b>
EBITDA margin	11.0%	10.9%	10.0%	-0.9%	11.1%	10.2%	-0.9%	11.1%	11.1%	0.0%
Financial income	109	95	130	36.6%	95	110	16.1%	96	110	14.0%
<b>Tax</b>	<b>188</b>	<b>213</b>	<b>201</b>	<b>-5.4%</b>	<b>244</b>	<b>228</b>	<b>-6.6%</b>	<b>250</b>	<b>252</b>	<b>0.8%</b>
Tax rate	27.7%	20.0%	20.0%	0.0% pts	18.0%	18.0%	0.0% pts	15.0%	15.0%	0.0% pts
Minority interest	229	298	90.8	-69.5%	278	102.5	-63.1%	241	181.1	-24.8%
<b>Net profit</b>	<b>263</b>	<b>554</b>	<b>714</b>	<b>29.1%</b>	<b>833</b>	<b>935</b>	<b>12.2%</b>	<b>1,175</b>	<b>1,196</b>	<b>1.8%</b>
Net margin	1.6%	2.8%	3.6%	0.8% pts	3.8%	4.2%	0.5% pts	4.8%	4.9%	0.1% pts
<b>EPS diluted</b>	<b>800</b>	<b>1,621</b>	<b>2,093</b>	<b>29.1%</b>	<b>2,440</b>	<b>2,738</b>	<b>12.2%</b>	<b>3,441</b>	<b>3,504</b>	<b>1.8%</b>

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	16,119	19,762	22,185
Cost of sales	(13,394)	(16,536)	(18,385)
Gen & admin expenses	(719)	(988)	(1,109)
Selling expenses	(933)	(988)	(1,220)
<b>Operating profit</b>	<b>1,073</b>	<b>1,249</b>	<b>1,471</b>
Operating EBITDA	1,768	1,982	2,266
<b>Depreciation and amortisation</b>	<b>(695)</b>	<b>(733)</b>	<b>(795)</b>
<b>Operating EBIT</b>	<b>1,073</b>	<b>1,249</b>	<b>1,471</b>
Interest income	109	130	110
Financial expense	(508)	(484)	(441)
Net other income	(4)	99	111
Income from associates & JVs	10	12	14
<b>Pre-tax profit</b>	<b>680</b>	<b>1,007</b>	<b>1,265</b>
Tax expense	(188)	(201)	(228)
Minority interest	(229)	(91)	(102)
<b>Net profit</b>	<b>263</b>	<b>714</b>	<b>935</b>
Adj. net profit to ordinary	263	714	935
Ordinary dividends	(28)	(33)	(33)
<b>Retained earnings</b>	<b>236</b>	<b>682</b>	<b>902</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	1,636	1,236	1,869
Short term investments	135	165	186
Accounts receivables	1,990	1,560	1,530
Inventories	2,235	2,740	3,076
Other current assets	248	127	143
<b>Total current assets</b>	<b>6,244</b>	<b>5,829</b>	<b>6,803</b>
Fixed assets	8,567	8,710	8,893
Total investments	2,172	2,173	2,173
Other long-term assets	975	593	222
<b>Total assets</b>	<b>17,957</b>	<b>17,305</b>	<b>18,091</b>
Short-term debt	5,253	3,192	2,615
Accounts payable	1,212	1,486	1,775
Other current liabilities	905	1,306	1,577
<b>Total current liabilities</b>	<b>7,370</b>	<b>5,984</b>	<b>5,966</b>
Total long-term debt	1,588	1,976	1,994
Other liabilities	537	889	819
Share capital	3,267	3,267	3,267
Retained earnings reserve	403	1,049	1,905
<b>Shareholders' equity</b>	<b>5,614</b>	<b>6,260</b>	<b>7,115</b>
Minority interest	2,849	2,196	2,196
<b>Total liabilities &amp; equity</b>	<b>17,957</b>	<b>17,305</b>	<b>18,091</b>

**Cash flow statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>680</b>	<b>1,007</b>	<b>1,265</b>
Depreciation & amortisation	695	733	795
Tax paid	(202)	(201)	(228)
Other adjustments	324	(243)	(206)
<b>Change in working capital</b>	<b>(864)</b>	<b>599</b>	<b>255</b>
<b>Cash flow from operations</b>	<b>633</b>	<b>1,894</b>	<b>1,881</b>
Capex	(1,011)	(968)	(994)
Proceeds from assets sales	11	29	(15)
Others	(1,311)	(32)	(20)
Other non-current assets changes	55	382	372
<b>Cash flow from investing activities</b>	<b>(2,256)</b>	<b>(589)</b>	<b>(657)</b>
New share issuance	24	0	0
Shares buyback	0	0	0
Net borrowings	1,777	(1,673)	(559)
Other financing cash flow	(1)	0	0
Dividends paid	(28)	(33)	(33)
<b>Cash flow from financing activities</b>	<b>1,773</b>	<b>(1,705)</b>	<b>(592)</b>
Cash and equivalents at beginning of period	1,486	1,636	1,236
<b>Total cash generated</b>	<b>151</b>	<b>(400)</b>	<b>633</b>
Cash and equivalents at the end of period	1,636	1,236	1,869

**Key ratios**

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	1.6%	3.6%	4.2%
Asset turnover	0.99	1.12	1.25
ROAA	1.6%	4.1%	5.3%
Avg assets/avg equity	2.99	2.97	2.65
ROAE	4.8%	12.0%	14.0%
<b>Efficiency</b>			
Days account receivable	14.3	14.2	14.2
Days inventory	61.1	60.5	61.1
Days creditor	33.1	32.8	35.2
Fixed asset turnover	1.98	2.29	2.52
ROIC	1.7%	5.2%	6.7%
<b>Liquidity</b>			
Current ratio	0.8	1.0	1.1
Quick ratio	0.5	0.5	0.6
Cash ratio	0.2	0.2	0.3
Cash cycle	42.2	41.9	40.0
<b>Growth rate (yoy)</b>			
Revenue growth	16.8%	22.6%	12.3%
Operating profit growth	36.2%	16.4%	17.7%
Net profit growth	128.3%	171.3%	30.8%
EPS growth	89.6%	170.3%	30.8%

Source: VND RESEARCH



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## RECOMMENDATION FRAMEWORK

### Stock Ratings

Definition:

- Add                    The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold                    The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce                The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight            An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral                A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight         An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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