

FOR IMMEDIATE RELEASE

Masan Consumer Demonstrates Growth Fundamentals and Greater Profitability after Transforming Business Model

Ho Chi Minh City, 30 January 2018 – Masan Consumer Corporation (**HNX-UPCoM: MCH**, “Masan Consumer”, and the “Company”), reported its management accounts for the financial year 2017 today.

4Q2017 and FY2017 Consolidated Financial¹ Highlights

VND Billion	4Q2016	4Q2017	Growth	FY2016	FY2017	Growth
Net Revenue	4,689	4,423	(5.7)%	13,790	13,214	(4.2)%
Gross Profit	2,212	2,055	(7.1)%	6,250	6,033	(3.5)%
SG&A	(1,032)	(1,029)	(0.2)%	(3,460)	(3,735)	7.9%
Earnings from Associates	-	-	-	7	5	(20.0)%
D&A	196	187	(4.4)%	726	715	(1.4)%
EBITDA	1,376	1,213	(11.9)%	3,522	3,018	(14.3)%
Net Financial Expense	78	94	20.5%	366	321	(12.3)%
Corporate Income Tax	(152)	(190)	25.0%	(372)	(376)	1.1%
NPAT Pre-MI	1,107	930	(16.0)%	2,791	2,246	(19.5)%
NPAT Post-MI	1,181	994	(15.8)%	2,903	2,360	(18.7)%

- Transforming business model from “product pushing” to “brand building” required sacrificing sales to build a more sustainable route-to-market. 1H2017 efforts resulted in greater second half profitability and momentum across key growth categories going into 2018.
 - MCH’s FY2017 net revenue declined by 4.2% to VND13,214 billion compared to FY2016, which takes into account over VND1,000 billion in distributor stock level reduction. By selling less into the distributors and allowing them to sell their existing stock level to consumers, MCH was able to cut back on trade promotion expenses and invest more into building brands. Notably, 2H2017 sales of MCH’s core categories stabilized and growth pillars demonstrated greater momentum. MCH saw a strong recovery in instant noodles (up 16.3% in 2H2017 as opposed to declining 18.7% in 1H2017, period on period). Strong growth in energy drinks (up 54.9% YoY) and processed meat (up ~6x YoY) validates MCH’s entry into new growth categories.
 - The shift to a brand driven business model has enabled MCH to sustainably reduce trade promotion activities, **resulting in EBITDA margin increasing by more than 10%, from 16.6% in 1H2017 to 27.2% in 2H2017.**

¹ Financial numbers are based on management figures and in accordance to Vietnamese Accounting Standards.

VND Billion ²	FY2015	FY2016	FY2017	Growth '16 vs. '15	Growth '17 vs. '16
Seasonings	5,551	5,788	5,159	4.3%	(10.9)%
Convenience Foods ³	4,005	3,621	3,585	(9.6)%	(1.0)%
Processed Meat	85	36	220	(57.5)%	513.0%
Coffee	1,850	1,816	1,532	(1.8)%	(15.6)%
Beverages (Non-alcoholic)	970	1,643	2,045	69.4%	24.5%
Others ⁴	752	886	672	12.1%	(25.0)%

- Seasonings was most impacted by de-stocking initiative:** Seasonings' net revenue in FY2017 declined by 10.9% to VND5,159 billion from VND5,788 billion in FY2016. This is a result of VND579 billion worth of distributor level stock reduction. With less trade promotion which partially impacted the net selling price for consumer, MCH experienced a sales decline in the economy segment where consumers are more price sensitive. However, mainstream and premium segments remain stable or have performed better. Management estimates 2018 revenue will be over VND6,000 billion supported by more marketing spend and new product launches. New launches in 2017 include "Nam Ngu Phu Quoc" (launched in 2Q2017), "Nam Ngu Nhan Vang" (launched in 4Q2017) and "Chin-su Man Ma" (launched in 4Q2017). All of these products are more premium and is part of MCH's strategy to up-trade its consumer base.
- Strong recovery in convenience foods due to new launches backed by innovation and brand investment:** Convenience foods, MCH's worst performing category in FY2016 is returning to growth despite a reduction in distributors' stock of approximately VND140 billion in FY2017. While FY2017 net revenue was flat at approximately VND3,600 billion, the 16.3% increase in sales in 2H2017 YoY reflects solid recovery in contrast to the de-growth of 18.7% in 1H2017 YoY. Return to growth in 2H2017 has been supported by innovations such as Kokomi Dai. Omachi products have also been performing better, supported by instant noodles with meat and the recent launch of Omachi in cup format. Management expects convenience foods sales to grow between 15% to 20% in 2018 with approximately one-third of the growth coming from new innovations.
- Processed meat grew by ~6x in FY2017:** Processed meat currently represent less than 1% of Vietnam's meat consumption as compared to ~14% in China. While still a relatively new category for MCH, processed meat is a high potential growth driver as MCH currently sells only snack sausages under the "Heo Cao Boi" umbrella brand. In December 2017, MCH launched Heo Cao Boi 3-Minute Meat Ball to broaden the umbrella brand's processed meat portfolio and cover in-home meal solutions. This launch will help MCH cater to a larger variety of occasions. Management believes processed meat sales will reach between VND500 billion and VND1,000 billion in 2018 thanks to both more snack sausages and the recent entry into meal solutions.
- Wake-Up brand to drive coffee growth:** MCH's coffee category (excluding Wake-Up 247, which is covered under beverages) experienced over VND200 billion in de-stocking and sales declined by 15.6% to VND1,532 billion in FY2017 from VND1,816 billion in FY2016.

² Breakdown by category is provided in more details to provide greater sight into MCH business performance. These numbers are based on management figures.

³ Includes instant noodle and instant congee

⁴ Includes nutrition cereals and exports

Key to MCH’s coffee category is the Wake-up brand, which decreased by only 7.5% in FY2017. In 4Q2017, Masan re-launched the Wake-up brand to i) revitalize the brand image, ii) upgrade the portfolio and support its efforts to expand nationwide (currently strong in the Southern region). The re-launch Wake-up will upgrade it from one popular product in the economy segment into an umbrella brand playing across different price points, which is expected to improve its brand image and distribution coverage. 2018 sales for all of coffee are expected to grow by approximately 15%.

- **Beverages revenue increase driven by high growth in energy drinks:** Net revenue for beverages was VND2,045 billion, growing by 24.5% YoY compared to FY2016, mainly driven by the 54.9% increase in energy drinks to VND1,225 billion in FY2017 from VND791 billion in FY2016. This growth in energy drinks was driven by increasing Wake-up 247’s availability (from 50k points of sale to 75k). Energy drinks will be one of the growth pillars of MCH in 2018 and is expected to contribute around VND1,500 billion in sales on the back of coverage increasing to 150k points of sale. Given its importance as a growth pillar, MCH, through its subsidiary Masan Beverages, launched a tender offer for all of the shares of Vinacafé Bien Hoa (owner of the brand) it currently does not own in 4Q2017, resulting in its ownership increasing from 68.5% to 98.5%. All in, management expects beverages to grow by 20% to 25% in 2018.
- **Success of transformation from “push” to “pull” model:** Objectives behind de-stocking distributor level inventory were to i) improve route to market efficiency and ii) reduce reliance on trade promotion to free up resources for investing in brand building activities. As a result of over VND1,000 billion in de-stocking in FY2017, second half trade promotion expenses declined by around 10% versus 2H2016 while marketing expenses increased by 27%. This has led to sales growth in key categories and higher success rates for new launches. In addition, MCH distributor-level inventory days have gone down from roughly 2 months to below 1 month, translating to fresher products for consumers.

VND Billion ⁵	4Q2016	1Q2017	2Q2017	3Q2017	4Q2017
Distributor Stock Level ⁶	2,028	1,391	1,204	870	1,006
Distributor Stock Days ⁷	39	62	31	23	20
% Marketing vs. A&P ⁸	21%	-	24%	28%	57%
EBITDA Margin	29%	11%	20%	27%	27%

- **Strategic R&D hires and partnerships across categories upgrade R&D capabilities and support innovation pipeline:** Key hires includes R&D expert for convenience food with experience from a leading Korean instant noodles company. In 2018, the company is working on over 20 innovations across categories. Ahead of the Tet holiday, MCH introduced new products and variants such as: i) Tam Thai Tu Thuong Hang (soya sauce), ii) Heo Cao Boi 3-minute meat ball (processed meat), and iii) Nam Ngu Nhan Vang (fish sauce).

⁵ Information is based on management figures/calculations and is not audited.

⁶ Distributor Stock Level is the inventory value (based on MCH sell in price) held by MCH’s distributors.

⁷ Distributor Stock Days is calculated by dividing Distributor Stock Level by MCH’s sales to distributors for the relevant quarter multiplied by 90.

⁸ Calculated by dividing Marketing expenses by total Advertising and Promotion expenses (“A&P”). Marketing expenses include media, advertising activities and market research

- **Profitability analysis: Winding down of de-stocking initiative leads to 10% increase in EBITDA margins in 2H2017**
 - Gross margin increased by 33 bps to 45.7% for FY2017 due to better raw material management and increased operational efficiency.
 - FY2017 EBITDA margin down 270 bps to 22.8% due to one-off expenses related to de-stocking initiative. However, 2H2017 EBITDA margins increased by more than 10% to 27.2% from 16.6% in 1H2017 thanks to the completion of the de-stocking initiative and related costs.
 - MCH achieved net profit after tax post minority interest of VND2,132 billion in FY2017, a decrease of 20.4% primarily as a result of the previously discussed increase in selling expenses to support de-stocking.
- **2018 is expected to deliver topline and bottom-line growth above 20% and 40%, respectively:** Subject to net revenue achieving management 2018 forecasts, MCH is expected to deliver similar gross margins and EBITDA to increase by over 30% in FY2018 compared to FY2017.
 - Management plans to provide an updated 2018 forecast when it has detailed visibility on 1Q2018 results ahead of the Annual Shareholders' Meeting.

MASAN CONSUMER CORPORATION

Masan Consumer Corporation (**HNX-UPCoM: MCH**), a subsidiary of Masan Group Corporation, is one of Vietnam's largest branded food and beverage companies with market leadership in large consumer categories such as seasonings, convenience food, and beverages. Masan Consumer Corporation's portfolio includes some of Vietnam's most trusted and loved brands such as Chin-su, Nam Ngu, Tam Thai Tu, Omachi, Kokomi, Vinacafe, Wake-Up, Vinh Hao, and Quang Hanh.

CONTACTS:

Investors/Analysts

Tanveer Gill

T: +848 6256 3862

E: tanveer@msn.masangroup.com

Media

Van Nguyen

T: +848 6256 3862

E: van.nguyen@msn.masangroup.com

This press release contains forward-looking statements regarding Masan Consumer's expectations, intentions or strategies that may involve risks and uncertainties. These forward-looking statements, including Masan Consumer's expectations, involve known and unknown risks, uncertainties and other factors, some of which are beyond Masan Consumer's control, which may cause Masan Consumer's actual results of operations, financial condition, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions, future events or promises of future performance.