

**FOR IMMEDIATE RELEASE**

**Masan Consumer Achieved Net Profit Post MI of VND1,515 billion in 1H2018, Increase of ~2.5x as a Result of Higher Sales and 10% Increase in EBITDA Margin**

**Ho Chi Minh City, 25 July 2018** – Masan Consumer Corporation (HNX-UPCoM: MCH, “Masan Consumer”, and the “Company”), reported its management accounts for the first six months of 2018 today.

- MCH’s re-emergence as a Top 3 brand builder and successful innovation launches since 2H2017 drove net revenue to VND7,338 billion in 1H2018, compared to VND5,462 billion in 1H2017. This has resulted from strong growth in seasonings and convenience foods portfolio as consumers are increasingly purchasing MCH’s premium innovations. Beverage, led by energy drink Wake-up 247, delivered 32.1% sell-out growth on the back of increased distribution coverage and strengthening brand power.
- Net revenue was up in 1H2018 due to higher sell-out growth from distributors to retailers as investments on brand communication continued to increase demand from end-consumers. Selling expenses were down 40% in 1H2018 vs. 1H2017, while marketing expenses were up 60%. Strong innovation pipeline continued to be the main driver as 6 innovations were launched in 2Q2018 with spending on brand communication nearly 7% of net revenue.
- Core portfolio premiumization was another major factor as premium seasoning products now contribute 25% of total seasonings portfolio net revenue versus 20% in 2Q2017. Omachi Cup, a premium meal solution is expected to contribute 10%+ of Omachi’s portfolio in FY2018.
- MCH formed a strategic partnership with Jinju Ham Co., Ltd, a leading Korean branded processed meat company. The strategic partnership will launch new innovations in 2H2018, by creating significant synergies: combining Jinju Ham’s cutting-edge technology and R&D know-how with Masan’s deep understanding of Vietnamese consumers and brand building capabilities.
- Stock levels were maintained at an optimal level of 2-3 weeks, same as end of 1Q2018.

VND Billion	2Q2018	2Q2017	Growth	1H2018	1H2017	Growth
<b>Net Revenue<sup>1</sup></b>	<b>3,842</b>	<b>3,464</b>	<b>10.9%</b>	<b>7,338</b>	<b>5,462</b>	<b>34.3%</b>
Seasonings	1,474	1,377	7.0%	3,038	2,141	41.9%
Convenience Foods <sup>2</sup>	1,021	861	18.6%	1,996	1,457	37.0%
Processed Meat	45	53	(16.0)%	81	88	(7.6)%
Coffee	381	392	(2.7)%	648	558	16.3%
Beverages	719	629	14.3%	1,233	992	24.3%
Others <sup>3</sup>	202	151	34.2%	340	225	50.8%
<b>Gross Profit</b>	<b>1,668</b>	<b>1,575</b>	<b>5.9%</b>	<b>3,353</b>	<b>2,423</b>	<b>38.4%</b>
<b>EBITDA</b>	<b>949</b>	<b>683</b>	<b>39.0%</b>	<b>1,954</b>	<b>907</b>	<b>115.3%</b>

<sup>1</sup> These numbers are based on management figures.

<sup>2</sup> Includes instant noodle and instant congee

<sup>3</sup> Includes nutrition cereals and exports

- **Seasonings growth backed by recovery of core brands and premium innovations launched in 2017:** Seasonings' net revenue in 1H2018 increased by 41.9% to VND3,038 billion from VND2,141 billion in 1H2017. Revenue growth was backed by recovery of core brands, Nam Ngu and Chin-su, as volume contributed 70% of the growth, with the rest 30% growth attributed to higher ASP's. Revenue growth from core brands contributed for 90% of growth, while innovations (i.e. Nam Ngu Nhan Vang, Nam Ngu Phu Quoc, Chinsu Man Ma, Tam Thai Tu Thuong Hang) contributed the rest 10%. Premiumization strategy continued to work well, as revenue contribution from premium products (i.e. Chinsu brand, Nam Ngu Phu Quoc, Nam Ngu Nhan Vang, Tam Thai Tu Thuong Hang) increased to 25% in 2Q2018 from 20% in 2Q2017. Distributor stock levels within seasonings category were VND344 billion as of end-June 2018, compared to VND494 billion as of YE2017, and VND660 billion as of end-June 2017. As the stock levels were not increased, sell-out growth was the real driver for improved performance, as sell-out growth for 1H2018 was 29.6% for the category. Management estimates FY2018 net revenue will be between VND6,000 billion and VND7,000 billion, supported by premiumization and innovation of core portfolio, though the risk of developing new products and achieving market success could affect these estimates.
- **Continued strong momentum in convenience foods due to recovery of core brands and new innovation in meal solution:** Convenience foods net revenue was up by 37.0% to VND1,996 billion in 1H2018, compared to VND1,457 billion in 1H2017. Volume growth was the main driver for this segment, contributing 85% to 1H2018 growth. Revenue growth from core brands contributed 90% of growth, while innovations (i.e. Omachi Cup, Tien Vua) delivered the rest 10%. Premium brand, Omachi Cup, a meal solution, is expected to contribute 10%-12% to Omachi revenue during FY2018. Sell-out growth was robust at 31% during the period, while distributor inventory was lower at VND138 billion as of end-June 2018, compared to VND172 billion at both YE2017 and as of end-June 2017. The launch of a new brand targeting millennials and the expansion into adjacent categories like "boiling noodles" can provide further impetus to category growth. Management expects convenience foods sales to reach approximately VND4,500 billion in FY2018.
- **Processed meat growth will be driven by fundamental innovation pipeline:** Processed meat represents one of the fastest growing categories for MCH. After growing nearly ~6x in FY2017, the category will undergo a fundamental change in terms of product innovation. Recently announced joint-venture with Jinju Ham – the leading processed meat player in Korea, will help in acquiring technology to develop new innovations starting 3Q2018. Fundamental innovation pipeline will be developed in 2H2018, as the JV starts operations.
- **Coffee net revenue up 16.3%:** MCH's coffee category (excluding Wake-Up 247, which is covered under beverages) recorded VND648 billion in net revenue for 1H2018, up 16.3% compared to VND558 billion in 1H2017, with nearly all of the growth attributable to increased volumes. Sell-out growth was healthy at 5.1% as stock levels declined to VND102 billion as of end-June 2018, compared to VND201 billion as of YE2017. FY2018 sales for coffee category are expected to reach VND1,700 – 2,000 billion.
- **Beverages net revenue increase driven by high growth in energy drinks:** Net revenue for beverages was VND1,233 billion in 1H2018, growing by 24.3% compared to 1H2017,

mainly driven by the ~50% increase in energy drinks to VND825 billion in 1H2018 from VND560 billion in 1H2017. This growth in energy drinks was driven by expanding Wake-up 247's distribution nationwide from 75k POS as of end-2017 to nearly 90k POS as of today. Sell-out growth was up 32.1% during the period with inventory levels maintained at VND89 billion as of end-June 2018, compared to VND129 billion as of end-June 2017. A new energy drink brand "Compact" was launched in April 2018 to further grow market share and expand into the heavy duty energy drink segment. All in, management expects beverages to deliver approximately VND3,000 billion in sales in FY2018.

- **Profitability analysis: completion of de-stocking initiative leads to significant growth in margins**
  - Gross margin increased by ~133 bps to 45.7% for 1H2018 thanks to premiumization in seasonings and convenience foods, higher growth in higher margin products specifically seasonings and energy drinks, offset by higher raw material prices.
  - 1H2018 EBITDA margin increased by 10.0% in 1H2018 to 26.6%, compared to 16.6% in 1H2017 mainly due to the completion of the de-stocking initiative and related costs. SG&A expenses for MCH reduced sharply from 34.2% of sales in 1H2017, to 24.1% of sales in 1H2018.
  - Net profit after tax post minority interest of VND1,515 billion in 1H2018, an increase of ~2.5x as a result of higher sales and increased profit margins.
- **2018 is expected to deliver topline and bottom-line growth above 25% and 50%, respectively:** Subject to net revenue achieving management 2018 forecasts, MCH is expected to deliver similar gross margins and achieve EBITDA of ~VND4,000 billion in FY2018, up over 50% versus FY2017. Masan Consumer is expected to achieve NPAT Post-MI of VND3,100 to VND3,400 billion. Risks to the forecast include possibility of lower sales from new innovations and higher raw material prices which could affect margins.

## **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.

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