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Masan Consumer continues to track expectations, on course to deliver over 25% topline and 50% profitability growth for 2018

Ho Chi Minh City, 29 October 2018 – Masan Consumer Corporation (HNX-UPCoM: MCH, “Masan Consumer”, and the “Company”), reported its management accounts for the first nine months of 2018 today.

- **3Q2018 Update:** 3Q2018 revenue was up 29.8% compared to 3Q2017, due to premiumization of foods portfolio and continued momentum in beverages categories. MCH continues to track expectations, on course to deliver 30% topline and ~3x profitability growth for 2018.
 - **Foods portfolio:** 36% year on year growth in seasonings, and more importantly, 50%+ growth in premium portfolio. 32% growth in convenience foods driven by premium SKU’s growing 60%+, as Omachi cup innovation has achieved 3x run rate revenue since launch 5 quarters ago.
 - **Beverage portfolio:** 38% growth in beverage portfolio anchored by Wake-up 247 strong performance and growing brand power. Beverage point of sales have increased from 75k last year to 130k as of 3Q2018.
 - **Instant coffee portfolio:** 17% growth compared to 3Q2017, mainly driven by rebound of Vinacafé brand. Vinacafé delivered 25% year on year top-line growth as MCH revitalized the heritage, premium brand. Focus will be to upgrade coffee R&D platform, as sustaining 15%+ growth going forward will require market break-through innovations.
 - **Processed Meat:** Underperformed versus management annual forecast due to lack of innovation and technology capabilities. Partnership with Jinju provides MCH world-class innovation and technology processed meat capabilities. First co-product to be launched in 4Q2018 and innovation pipeline for 2019 being solidified.
 - **Operations:** Profitability intact as MCH maintained disciplined stock management and optimized sales spending, delivering 800 bps reduction in SG&A in 9M2018 compared to the same period last year. 4Q2018 SG&A as a percentage of net revenue is expected to be higher vs. 9M2018, as management invests in marketing activities for 4Q2018 innovation launches, Tet and to prepare for 2019 growth.

VND Billion	3Q2018	3Q2017	Growth	9M2018	9M2017	Growth
Net Revenue¹	4,321	3,328	29.8%	11,659	8,791	32.6%
Seasonings	1,723	1,266	36.1%	4,761	3,408	39.7%
Convenience Foods ²	1,275	966	32.0%	3,271	2,423	35.0%
Processed Meat	50	70	(28.0)%	131	157	(16.6)%
Coffee	417	356	17.3%	1,066	913	16.7%
Beverages (Non-alcoholic)	676	489	38.4%	1,910	1,480	29.0%
Others ³	153	181	(15.5)%	493	407	21.3%
Gross Profit	1,938	1,554	24.7%	5,291	3,978	33.0%
EBITDA	1,223	898	36.2%	3,177	1,805	76.0%

¹ These numbers are based on management figures.

² Includes instant noodle and instant congee.

³ Includes nutrition cereals and exports.

- **Successful premiumization of core categories supported by scaling up of beverages platform:** MCH's re-emergence as one of the biggest brand builders in Vietnam due to successful innovation launches drove net revenue to VND11,659 billion in 9M2018, compared to VND8,791 billion in 9M2017 and VND9,101 billion in 9M2016, resulting in 32.6% growth vs. 9M2017 and 28.1% growth vs. 9M2016, respectively.
- Seasonings, convenience foods and beverages categories were all up more than 25% in revenue terms in 9M2018 vs. 9M2017, signaling the broad based nature of growth profile. New product launches across categories, Vivant – premium mineral water, Omachi mashed potatoes, re-launch of Compact – heavy duty energy drink, can potentially be drivers of future growth.
- Key driver of revenue growth was sell-out growth from distributors, up 23.2% for the period, with consolidated stock levels of VND911 billion across distributors, compared to VND1,006 billion as of year-end 2017 and VND2,028 billion as of year-end 2016.
 - **Seasonings growth backed by recovery of core brands and premium innovations:** Seasonings' net revenue in 9M2018 increased by 39.7% to VND4,761 billion from VND3,408 billion in 9M2017. Volume growth of 30% was the main driver underpinning the topline growth as core brands, Nam Ngu and Chin-su, continued to perform well. Premiumization strategy continued to work well, as Masan has been able to successfully launch premium variants. 3Q2018 net revenue was up 36.1% compared to 3Q2017, as premium fish sauce revenue was up 51% during the same period. Distributor stock levels within seasonings category were VND429 billion as of end-Sep 2018, compared to VND494 billion as of YE2017, and VND482 billion as of end-Sep 2017. Management estimates FY2018 net revenue will be between VND6,000 and 7,000 billion.
 - **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 35.0% to VND3,271 billion in 9M2018, compared to VND2,423 billion in 9M2017. Volume growth of 28% was the main driver for this segment, signalling recovery of core brands. Distributor inventory was at VND201 billion as of end-Sep 2018 with 14 days of inventory, compared to VND172 billion as of year-end 2017. During 3Q2018, convenience foods net revenue was up 32.0% compared to 3Q2017, as premium "Omachi" range of products delivered 60% growth. New innovations like Omachi Cup – full meal solution and Omachi mashed potatoes continue to perform up to management expectations. Omachi Cup continues to track especially well, with 3x run-rate from launch within just 5 quarters. Management expects convenience foods sales to reach approximately VND4,500 billion in FY2018.
 - **Processed meat growth will be driven by fundamental innovation pipeline:** MCH formed a strategic partnership with Jinju Ham Co., Ltd, a leading Korean branded processed meat company in 3Q2018. The strategic partnership will create significant synergies by combining Jinju Ham's cutting-edge technology and R&D know-how with Masan's deep understanding of Vietnamese consumers and brand building capabilities. First co-product to be launched in 4Q2018 and innovation pipeline for 2019 being solidified.
 - **Coffee net revenue up 16.7%:** MCH's coffee category (excluding Wake-Up 247, which is covered under beverages) recorded VND1,066 billion in net revenue for 9M2018, up 16.7% compared to VND913 billion in 9M2017, with all of the growth attributable to increased volumes. Strategic personnel to be hired in 4Q2018 as the category requires significantly upgraded R&D capabilities to jump-start growth again. Stock levels were kept stable, VND138 billion as of end-Sep 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:** Success of “Wake Up 247” brand over the last 4 years continues to be a major growth river for the beverages category, supported by the focused brand communication and increased POS from 75K last year to over 130K today. Energy drink segment contributed VND1,294 billion net revenue during 9M2018, up 55% compared to same period last year. Entire beverages category net revenue of VND1,910 billion in 9M2018 were up 29.0% compared to 9M2017. Distributors’ inventory levels were at VND95 billion as of end-Sep 2018, compared to VND62 billion as of year-end 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. “Vivant” premium mineral water brand launched in October 2018 would serve as an important growth driver for beverages segment in the near future. All in, management expects beverages to deliver approximately VND3,000 billion in sales for FY2018.
- **Profitability analysis: completion of de-stocking initiative leads to significant growth in margins**
 - Gross margin increased by 20 bps to 45.4% for 9M2018 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.
 - Trade promotion were down by 30% in 9M2018 vs. 9M2017, while marketing expenses were up 50% to support new innovations and product relaunches. Strong innovation pipeline continued to be the main driver as 6 big innovations were launched during 9M2018 with spending on brand communication reaching nearly 6% of net revenue. EBITDA margins improved significantly to 27.2% in 9M2018, up 671 basis points compared to same period last year. SG&A expenses for MCH reduced sharply from 30.8% of sales in 9M2017, to 22.8% of sales in 9M2018.
 - Net profit after tax post minority interest was VND2,484 billion in 9M2018, 96.0% higher than same period last year, as a result of higher sales and increased profit margins.
- **2018 is expected to deliver top line and bottom line growth above 25% and 50%, respectively:** Subject to net revenue achieving management 2018 forecasts, MCH is expected to achieve EBITDA of ~VND4,000 billion and NPAT Post-MI of VND3,100 to VND3,400 billion in FY2018. 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, Vinacafé, Wake-Up, Vinh Hao, Vivant and Quang Hanh.

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