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Energy Drinks and Processed Meat segment emerged as long-term growth drivers but investment to rebalance distributor inventory level to prepare for 2H2017 and 2018 innovation pipeline resulted in lower sales and profitability in 1H2017.

Ho Chi Minh City, 28 Jul 2017 – Masan Consumer Corporation (HNX-UPCoM: MCH, “Masan Consumer”, and the “Company”), reported its management accounts for the first half of 2017 today.

Category Revenue (VND Billion)	1H 2017	1H 2016	Growth
Seasonings	2,195	2,356	(7)%
Convenience Foods ⁽¹⁾	1,468	1,804	(19)%
Processed Meat	88	19	359%
Beverages and Others ⁽²⁾	1,711	1,625	5%
Branded Food and Beverages	5,462	5,804	(6)%

⁽¹⁾ Includes instant noodles, instant congee. In past earnings releases, processed meat was included but has since been separated given its growing significance.

⁽²⁾ Includes bottled beverages, soluble coffee, nutrition cereals, and exports

- **Net revenue analysis and outlook:** Net revenue for Masan’s food and beverage portfolio declined by 6% in 1H2017 to VND5,462 billion due to the planned effort to promote sell-out growth and rebalance distributor inventory levels announced in 1Q2017. Main categories impacted by this one-off initiative include seasonings, convenience foods and instant coffee.
 - De-stocking initiative effectively completed as momentum has picked up in 2Q2017 with net revenue increasing 1.8% compared to 2Q2016. Such initiative had an immaterial impact on MCH’s market share position across categories as sales from distributors to consumers remained stable.
 - Energy drinks and processed meat emerged as USD100 million plus potential net revenue categories. Wake-up 247, a caffeine based energy drink, delivered 1H2017 net revenue of VND560 billion, up 72%, and processed meat delivered net revenue of VND88 billion, up 359% versus 1H2016, respectively. Masan expects growth momentum to continue with increased nationwide coverage.
 - Full year revenue is expected to be up 5% compared to normalized FY2016 net revenue for de-stocking initiative.

- **Strategic innovation pipeline and highlights:** Several brand relaunches and new products launches to reaffirm the power of Masan’s brands in the market and achieve nationwide market share. With a more efficient distribution network, Masan is better positioned for innovative product launches to deliver potential net revenue upside in 2H2017 and momentum going into 2018. As a result, key categories are estimated to deliver the following results:
 - Convenience foods is expected to grow net revenue from VND1,468 billion in 1H2017 to VND2,145 billion in 2H2017, delivering FY2017 net revenue of VND3,613 billion which is flat compared to FY2016.

- As a result of the strategic innovation pipeline, MCH’s net revenue in 2H2017 is expected to be VND7,868 billion compared to VND5,462 billion in 1H2017, resulting in FY2017 net revenue of VND13,331 billion, a decline of 3% compared to FY2016. If 2H2017 sales estimates are achieved, MCH will have effectively delivered sales growth of 5% when normalizing FY2016’s net sales for the excess stock level. Momentum forecasted in 2H2017 is expected to continue into 2018. Management believes the estimates can be achieved while maintaining distributor stock levels at VND1,000 to VND1,200 billion.

- **1H2017 profitability analysis: slightly higher gross margin offset by higher raw material prices, portfolio mix and one-time SG&A investment to reduce distributor stock levels.**
 - **Gross margin up 146 bps to 44.4%:** Gross margin improved compared to 1H2016 as a result of better product mix.
 - **1H2017 EBITDA margin down 456 bps to 16.6%** due to one-off expenses related to de-stocking initiative.
 - Net profit after tax post minority interest of VND618 billion in 1H2017, a decrease of 36% from VND963 billion compared to 1H2016 primarily as a result of the previously discussed increase in selling expenses to support de-stocking.

- **MCH to reallocate SG&A spend to focus more on marketing and television commercials to strengthen existing brands and build new power brands. Management expects to invest VND523 billion on marketing and TVC, an increase of 130% compared to the same period last year and 61% compared to the initial budget.**

Masan Consumer Consolidated 1H2017 Snapshot ⁽¹⁾

VND Billion	1H2017	1H2016	Growth
Net Revenue	5,462	5,804	(6)%
EBITDA⁽²⁾	907	1,229	(26)%
NPAT Post Minority Interest	618	963	(36)%
Cash NPAT Post Minority Interest⁽³⁾	670	1,042	(36)%

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

⁽²⁾ *EBITDA is Masan Consumer's consolidated net profit after tax, with net financial expense, tax, depreciation and amortization added back.*

⁽³⁾ *Cash NPAT (or pro forma NPAT), for each of the reporting periods and its respective comparative period, have been computed by reversing the impact from the amortization of goodwill, tangible assets and intangible assets as a result of the Masan Consumer's M&A transactions in the past. In 1H17, amortization expenses alone before minority interest amounted to VND52 billion. Management believes that these figures reflect the Company's true earnings performance and cash generating potential.*

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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