



**FOR IMMEDIATE RELEASE**

**MCH exceeds distributor level inventory reduction target, supporting “pull” model and return to sales growth in 3Q2017, driven largely by emerging categories such as energy drinks and processed meat**

**Ho Chi Minh City, 30 October 2017** – Masan Consumer Corporation (**HNX-UPCoM: MCH**, “Masan Consumer”, and the “Company”), reported its management accounts for the first nine months of 2017 today.

- MCH’s 3Q2017 financial results show signs of recovery with the end of period on period sales decline and strong momentum from future growth drivers such as energy drinks and processed meat. In 9M2017, MCH achieved net revenue of VND 8,791 billion, down 3.4% compared to VND 9,100 billion (in 9M2016), which takes into account approximately VND1,172 billion in stock reduction during the same period. With the de-stocking initiative completed, 3Q2017 is showing promise, with net revenue up 1% from VND 3,296 billion to VND 3,328 billion. Estimates for FY2017 net revenue are expected to be nearly VND13,304 billion, down 3.5%, mainly due to the aforementioned de-stocking initiative.
  - **Seasonings revenue dragged down by de-stocking initiative:** As a result of nearly VND600 billion in de-stocking, seasonings’ net revenue in 9M2017 declined by 6.5% to VND3,482 billion from VND3,723 in 9M2016. Moving towards a “pull model” with lower trade promotion (indirectly increase consumer price), MCH experienced a decline of sales to consumers in economy segment where consumers are more price sensitive. However, mainstream and premium segments remain stable or have performed better. Management believes FY2017 net revenue will reach VND5,200 billion and, starting 4Q2017 and throughout 2018, the seasoning category is expected to benefit from major brand re-launches with its marketing budget expected to grow 25% compared to FY2017.
  - **Strong recovery in convenience food in 3Q2017 due to new launches backed by innovation and brand investment:** MCH’s worst performing category in 2016 is returning to growth. 9M2017 net revenue was down 6.0% to VND2,435 billion. However, 3Q2017 sales reached VND967 billion, up 23.2% QoQ versus a period on period decline of 19.0% in 1H2017 thanks to launch of Kokomi Dai. Omachi products have also been doing better, instant noodles with meat and the recent launch of Omachi Cup noodles.
  - **Processed meat grew by ~10x in 3Q2017 QoQ:** 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. Upcoming processed meat launches in the nutrition and meal solution subcategories will help MCH cater to a larger variety of occasions to grow the business further. Processed meat currently represent less than 1% of Vietnam’s meat consumption as compared to ~14% in China.
  - **High growth in energy drinks offset decline in soluble coffee:** Net revenue for beverages declined by 1.7% in the first 9 months due to a decline of 18.3% in the soluble beverage category, which experienced ~VND375 billion in de-stocking during the same period. Net revenue for beverages is forecasted to be flat for FY2017 on the back of stronger performance in the next key future growth driver for MCH:

- **Energy drinks:** Exit volume share in energy drinks grew to 5% in 3Q17 supported by strengthening nationwide distribution (weighted distribution increased by 300 bps from 29% to 32%), especially in Mekong Delta (increased 700bps to 14% within one quarter). As a result, net revenue for energy drinks increased by 58.2% to VND836 billion from VND528 billion in the first 9 months.
- **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 VND1,172 billion in de-stocking in the first 9 months of 2017, second half trade promotion expenses are expected to decline by over 8.3% versus 2H2016. In contrast, marketing expenses are expected to be VND490 billion in 2H17, an increase of 29.4% from VND379 billion in 2H2016. 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 ~50 days to ~20 days, translating to fresher products for consumers.

Category Revenue (VND Billion)	9M 2017	9M 2016	Growth
Seasonings	3,482	3,723	(6.5)%
Convenience Foods <sup>(1)</sup>	2,435	2,589	(6.0)%
Processed Meat	157	25	528.0%
Beverages and Others <sup>(2)</sup>	2,717	2,763	(1.7)%
<b>Branded Food and Beverages</b>	<b>8,791</b>	<b>9,100</b>	<b>(3.4)%</b>

<sup>(1)</sup> Includes instant noodles, instant congee. In past earnings releases, processed meat was included but has since been separated since 1H2017 given its growing significance.

<sup>(2)</sup> Includes bottled beverages, soluble coffee, nutrition cereals, and exports

- **Profitability analysis: Winding down of de-stocking initiative leads to doubling of EBITDA margins in 3Q2017**
  - Gross margin were 45.2% for 9M2017.
  - 9M2017 EBITDA margin down 305 bps to 20.5% due to one-off expenses related to de-stocking initiative. However, 3Q2017 EBITDA margins have almost doubled to 27,0% from 16.6% in 1H2017 thanks to the completion of the de-stocking initiative and related costs.
- Masan Consumer achieved net profit after tax post minority interest of VND1,267 billion in 9M2017, a decrease of 23% primarily as a result of the previously discussed increase in selling expenses to support de-stocking. However, with improving margins in the second half, Masan Consumer’s NPAT Post-MI is expected to reach VND2,100 billion.

**Masan Consumer Consolidated 3Q2017 and 9M2017 Snapshot <sup>(1)</sup>**

VND Billion	3Q 2017	3Q 2016	Growth	9M 2017	9M 2016	Growth
<b>Net Revenue</b>	<b>3,328</b>	<b>3,296</b>	<b>1.0%</b>	<b>8,791</b>	<b>9,100</b>	<b>(3.4)%</b>
Seasonings	1,287	1,445	(10.9)%	3,482	3,723	(6.5)%
Convenience Foods	967	785	23.2%	2,435	2,589	(6.0)%
Processed Meat	70	6	1066.7%	157	25	528.0%
Beverages and Others <sup>(2)</sup>	1,004	1,060	(5.3)%	2,717	2,763	(1.7)%
<b>EBITDA<sup>(3)</sup></b>	<b>898</b>	<b>917</b>	<b>(2.1)%</b>	<b>1,805</b>	<b>2,146</b>	<b>(15.9)%</b>
<b>NPAT</b>	<b>690</b>	<b>719</b>	<b>(4.0)%</b>	<b>1,316</b>	<b>1,684</b>	<b>(21.8)%</b>
<b>NPAT Post-MI</b>	<b>649</b>	<b>684</b>	<b>(5.1)%</b>	<b>1,267</b>	<b>1,646</b>	<b>(23.0)%</b>
<b>Cash NPAT Post-MI <sup>(4)</sup></b>	<b>839</b>	<b>865</b>	<b>(3.0)%</b>	<b>1,645</b>	<b>2,081</b>	<b>(21.0)%</b>

<sup>(1)</sup> Financial numbers are based on management figures and in accordance to Vietnamese Accounting Standards.

<sup>(2)</sup> Includes all non-alcoholic beverages, coffee, cereals and exports.

<sup>(3)</sup> EBITDA is Masan Consumer's consolidated net profit after tax, with net financial expense, tax, depreciation and amortization added back.

<sup>(4)</sup> 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 9M 2017, amortization expenses alone before minority interest amounted to VND329 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.

### **CONTACTS:**

(Investors/Analysts)

Tanveer Gill

T: +8428 6256 3862

E: [tanveer@msn.masangroup.com](mailto:tanveer@msn.masangroup.com)

(Media)

Van Nguyen

T: +8428 6256 3862

E: [van.nguyen@msn.masangroup.com](mailto: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.*