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Masan Consumer delivers 29% net revenue and 58% net profit growth in FY2018

Ho Chi Minh City, 30 January 2019 – Masan Consumer Corporation (**HNX-UPCoM: MCH**, “Masan Consumer”, and the “Company”), reported its management accounts for FY2018 today.

2018 Performance Update

- **Net Revenue:** MCH delivered VND5,347 billion in net revenue during 4Q2018, up 21% vs VND4,423 billion in 4Q2017.
- **Food premiumization:**
 - Premium product sales in seasonings delivered growth of ~40% for FY2018 and now accounts for ~10% of the portfolio. Seasonings portfolio net revenue grew by 35% for FY2018 and 25% for 4Q2018 vs the same period last year.
 - Convenience foods premium portfolio delivered ~50% growth for FY2018 and represents ~40% of the portfolio. Convenience foods grew by 29% for FY2018 and 17% for 4Q2018 vs the same period last year.
- **Beverage:** Net revenue up by 56% in 4Q2018 and 36% for FY2018 led by energy drinks. Energy drink segment grew by ~60% for the year due to Wake Up 247 increasing brand power and expanding point of sales from ~75k last year to ~160k as of 4Q2018.
- **Instant Coffee:** Achieved VND643 billion in net revenue during 4Q2018, growth of 4% compared to 4Q2017. For the full year, segment achieved 11% growth in net revenue.
- **Processed Meat:** Delivered 24% growth in net revenue for 4Q2018, but declined by 5% for FY2018. First co-product launched with Jin-Ju in 4Q2018, “Ponnie”, a premium sausage brand, driving 4Q2018 sales growth. Innovation pipeline to cater to Vietnamese taste and preferences for 2019 will be key to driving future growth.
- **Operations:** MCH delivered 429 basis points (“bps”) reduction in SG&A as a percentage of net revenue by strategically reducing total selling expenses. As a result, EBITDA margins were up by 228 bps to 25.1% in FY2018, compared to 22.8% in FY2017.

4Q2018 and FY2018 Financial Highlights

VND Billion	4Q2018	4Q2017	Growth	FY2018	FY2017	Growth
Net Revenue¹	5,347	4,423	20.9%	17,006	13,214	28.7%
Seasonings	2,197	1,751	25.5%	6,958	5,159	34.9%
Convenience Foods ²	1,365	1,162	17.4%	4,636	3,585	29.3%
Processed Meat	79	63	24.5%	210	220	(4.8)%
Coffee	643	619	3.8%	1,708	1,532	11.5%
Beverages (Non-alcoholic)	880	565	55.8%	2,789	2,045	36.4%
Others ³	183	263	(37.8)%	656	669	(1.9)%
Gross Profit	2,328	2,055	13.3%	7,618	6,033	26.3%
NPAT Post-MI	883	865	2.1%	3,367	2,132	57.9%

FY2018 Update

- Focus on innovation based brand-building helped MCH delivered VND17,006 billion in net revenue for FY2018, up by 28.7% compared to VND13,214 billion in FY2017, and up 23.3% compared to VND13,790 billion in FY2016. Main drivers were successful premiumization in seasonings and convenience foods, coupled with scaling up of beverages business.
- Consolidated stock levels at distributors of VND1,046 billion across distributors translated into 22 days of inventory, compared to VND1,006 billion as of year-end 2017 (28 days).
 - **Seasonings growth backed by strong volume growth in core brands and premium innovations:** Seasonings' net revenue in FY2018 increased by 35% to VND6,958 billion from VND5,159 billion in FY2017. Core brands, Chin-su and Nam Ngu continued to perform well, as volume growth of 26% was the main driver behind the seasonings category topline growth. Masan continued to launch premium SKU's, with contribution from premium portfolio comprising ~10% of net revenue in 2018. Premiumization strategy continued to work well, as successful launch of premium variants helped average selling price across the category to increase by ~7% in 2018 vs last year.
 - **Convenience foods delivered double-digit volume growth in core brands coupled with ASP growth, and new innovations in meal solution:** FY2018 turned out to be an inflection point for convenience foods category, with 23% volume growth, 6% growth in average selling price across the segment and innovative new products like Omachi Cup - full meal solutions, Omachi mashed potatoes continuing to track management's expectations. As a result, net revenue was up by 29% to VND4,636 billion in FY2018, compared to VND3,585 billion in FY2017. "Omachi" range of products delivered 34% growth during 2018 vs last year, and now comprise ~40% of the category. Omachi Cup continues to track especially well, and now represents over 15% Omachi portfolio in 4Q2018 since the launch in 3Q2017. MCH plans to enter into the super-premium category in 2019 with Omachi – Business Class (full-meal solution with meatballs).
 - **Processed meat growth will be driven by innovation pipeline:** Processed meat category delivered VND210 billion in net revenue for FY2018, decline by 5% compared to FY2017. During 4Q2018, MCH launched Ponnies - premium sausage brand, the first co-produced innovation between Masan and Jin-Ju. Solid innovation pipeline for 2019

¹ These numbers are based on management figures.

² Includes instant noodle and instant congee

³ Includes nutrition cereals and exports

augurs well for this category, as more premium product launches are expected. MCH would also invest to build a high-tech production line for processed meat during 2019.

- **Coffee net revenue up by 11%:** MCH's coffee category (excluding Wake-Up 247, which is covered under beverages) recorded VND1,708 billion in net revenue for FY2018, up by 11% compared to VND1,532 billion in FY2017, with all of the growth attributable to increased volumes. R&D platform for the coffee category needs to be scaled up, as delivering double-digit growth going forward would require significant innovations.
- **Energy drinks continues to be major growth for beverages:** "Wake Up 247" brand has been one of the most successful innovations built by MCH, with net revenue growing at CAGR of ~50% since 2015. Focused brand communication, increase in distribution from 75K last year to 160K in 2018, has helped energy drinks category delivering VND1,947 billion in net revenue for FY2018, growth of nearly 60% compared to VND1,225 billion in FY2017. Overall, the beverages category (including bottled water and energy drinks) achieved net revenue of VND2,789 billion in FY2018, up 36% compared to FY2017. "Vivant" premium mineral water brand launched in October 2018 would serve as an important growth driver for beverages segment in the near future.
- **Profitability analysis: Significant growth in profitability due to lower selling expenses**
 - Gross margin were 44.8% in FY2018 compared to 45.7% FY2017, lower by 86 bps, due to higher growth in higher margin products like seasonings and energy drinks, offset by higher raw material prices in seasonings and convenience foods.
 - FY2018 EBITDA margin was up 228 bps to 25.1%, compared to 22.8% in FY2017 mainly due to the completion of the de-stocking initiative and related costs. SG&A expenses for MCH reduced sharply from 28.3% of sales in FY2017, to 24.0% of sales in FY2018, mainly due to lower sales expenses.
 - MCH achieved net profit after tax post minority interest of VND3,367 billion in FY2018, up 57.9% compared to FY2017, as a result of higher sales and increased EBITDA margins.
- **2019 is expected to deliver top line and bottom line growth above 20%:** MCH net revenue expected to grow from 20% to 25%. Drivers will be accelerating premiumization contribution in seasonings and convenience foods and beverage portfolio growing at similar pace witnessed in 2018. Primary risks will be unsuccessful or slower consumer offtake of innovation pipeline. MCH is expected to deliver 20% to 25% growth in NPAT Post-MI during FY2019, keeping pace with revenue growth.

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 Chinsu, Nam Ngu, Tam Thai Tu, Omachi, Kokomi, Vinacafe, Wake-Up, Vinh Hao, and Quang Hanh.

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