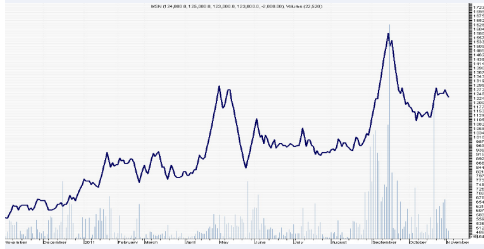


Price chart

Stock Data as of November 2nd 2011

Price (VND)	123,000
Current listed shares	515,272,269
Outstanding shares	515,272,269
52 Week high	158,000
52 week low	56,500
Price change (3 months)	30.2%
Price change (6 months)	-4.7%
Price change (12 months)	115.8%
Free float (share)	118,677,871
Trading value (VNDmil) (average last five trading days)	8,258
Market Cap (VNDmil)	63,378,489
Market Cap (US\$mil)	3,077
Total room (no. of share)	252,483,412
Current room (no. of share)	144,278,530
Foreign owned ratio (%)	21.0%
Foreign ownership limit (%)	49.0%

Source: HSC

Main Ratios	FY2010	FY2011F
Liquidity		
- Current Ratio	1.4	2.8
- Quick Ratio	1.3	2.6
Profitability		
- Gross margin	42.8%	42.4%
- Net margin	31.4%	38.2%
- ROE	22.8%	27.0%
- ROA	8.3%	9.8%
Operating Efficiency		
- Receivable Turnover	18.7	11.2
- Inventory Turnover	12.0	8.8
- Payables Turnover	9.0	6.4
- Asset Turnover	0.4	0.3
- Equity Turnover	1.3	0.9

Source: MSN

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MSN consolidated earnings forecast

Unit: VNDbillion	FY2009	FY2010	FY2011F	FY2012F	FY2013F
Net sales	3,958	5,586	7,145	11,743	15,118
Pre-tax profit (VAS)	733	2,746	2,398	3,988	5,274
Pre-tax profit (proforma)	1,117	1,872	2,975	4,566	5,851
Net profit (VAS)	680	2,629	2,155	3,611	4,804
Net profit (proforma)	1,063	1,755	2,732	4,189	5,382
Sales growth	NA	41.1%	27.9%	64.3%	28.7%
Pre-tax profit growth	NA	67.7%	58.9%	53.4%	28.2%
Net profit growth	NA	65.1%	55.6%	53.3%	28.5%
EPS (VAS)	2,683	4,685	3,117	4,465	5,729
EPS (proforma)	5,156	2,892	4,215	5,376	6,599
P/E	23.9	42.5	29.2	22.9	18.6
BVPS	9,813	20,618	17,189	21,653	29,132
P/B	12.5	6.0	7.2	5.7	4.2

Source: MSN, HSC estimates

MSN first 3Q FY2011 comment and FY2011-2012 outlook - Long term growth story very much intact. Reiterate HOLD as growth seems priced in for now.

- *MSN posted good 9m result with 22% y/y in sales and 88% y/y in net profit.*
- *The q/q sales growth was not satisfactory as it seems that tough competition in the noodle business has made some impacts.*
- *However we understand that the management postponed product launches to take advantage of strong demand heading into the Tet new year. Therefore a recover in Q4 is likely.*
- *The acquisition of Vinacafe Bien Hoa provides Masan Consumer a strong platform to build out its beverage business and could offer significant upside in FY2012.*
- *Meanwhile Techcombank is on track to reach full year target in spite of increasing provision costs.*
- *Nui Phao is on schedule to start production in early FY2013 with most of the off-take agreements in place or being finalized.*
- *We are positive on MSN outlook and keep our HOLD rating as growth seems priced in for now.*

Investment conclusion

In the first 9 months of FY2011 MSN consolidated sales came in at VND4,246 billion, up 21.9% y/y and fulfilled 53% of full year target. Meanwhile net profit was reported at VND1,803 billion, up 88% y/y and fulfilled 75% of the full year target. Consolidated sales came from Masan Consumer with the instant noodle segment making the main contribution and growing 71.2% y/y in sales. Meanwhile sauce products were slightly under expectation with only 10.2% y/y sales growth. However we see that q/q growth in Masan Consumer was down 7% on Q2 suggesting that tough competition in the noodle business recently has taken some toll. We are unclear as yet however having not seen a detailed sales breakdown. However we understand that management postponed the launch of several new products within the sauces and convenience food segment to take advantage of the strong seasonal demand heading into the Tet New Year. Hence we expect Q4 sales to recover well. We also note MSN has started to put capital to good use with the acquisition of VinaCafe, the leading instant coffee player commanding a 45% market share as of year-end 2010. We believe VinaCafe provides Masan Consumer a strong platform to build out its beverage business and could offer significant upside in 2012.

We expect the in the full year FY2011 and FY2012 the consumer business will continue to do well with sales growth of 27.9% and 64.3% respectively and net profit growth of 74.7% y/y and 51.8 y/y% respectively. Meanwhile the Nui Phao mine is on schedule to start production in FY2013 with most of the off-take agreements in place or being finalized. To date the project is fully funded and has completed 95% of the C&R phase. And there was no surprise in Techcombank's first 3Q with net profit of VND1,694 billion (up 42.4% y/y), the bank is on track to reach full year target. However provision costs will jump as NPLs soar following an industry-wide trend. Therefore we forecast the bank's FY2011 net profit at VND2,364, billion up 14.1% y/y and VND3,035 billion, up 28.4% y/y respectively in FY2011 and FY2012. Overall we forecast that FY2011 consolidated net profit will come at VND2,732 billion, up 55.6% y/y and next year forecast this will increase to VND4,189 billion, up 53.3% y/y. Overall we are very positive on MSN's outlook despite some wrinkles. They have emerged as the consolidator par excellence amongst Vietnamese companies able to grow organically while executing key M&A deals. However given fairly expensive valuations we keep our HOLD rating for the time being.

HSC earnings model for MSN and company snapshot - consolidation number

(Million VND)	FY2009 Proforma	FY2010 Proforma	% y/y	9m FY2010 Proforma	9m FY2011 Proforma	% y/y	Company target	% Fulfilled	FY2011F Proforma	% y/y	FY2012F Proforma	% y/y
Net sales	3,958	5,586	68.6%	3,484	4,246	21.9%	8,000	53.1%	7,145	27.9%	11,743	64.3%
Cost of goods sold	(2,584)	(3,195)	82.2%	(2,021)	(2,443)	20.9%			(4,119)	28.9%	(7,221)	75.3%
Gross profit	1,374	2,392	50.5%	1,463	1,803	23.2%	3,200	56.4%	3,026	26.5%	4,522	49.4%
Net financial income	57	1,351	-68.5%	64	556	772.5%			617	-54.3%	1,221	98.0%
SGA expenses	(742)	(1,165)	27.8%	(696)	(840)	20.7%			(1,241)	6.5%	(1,948)	57.0%
Operating profit	689	2,577	-1.6%	832	1,520	82.8%			2,402	-6.8%	3,795	58.0%
Net other Income	(4)	8	-17.6%	2	(5)	-324.9%			-		-	
Share of profit in an associate	492	600	31.1%	209	522	149.6%	712	73.4%	573	-4.5%	771	34.5%
Pretax profit	1,117	1,872	67.8%	1,043	2,037	95.2%			2,975	58.9%	4,566	53.4%
Net profit	1,063	1,755	65.1%	959	1,804	88.0%	2,400	75.2%	2,732	55.6%	4,189	53.3%
Gross margin	34.7%	42.8%		42.0%	42.5%		40.0%		42.4%		38.5%	
Pre-tax margin	28.2%	33.5%		29.9%	48.0%				41.6%		38.9%	
Net margin	26.9%	31.4%		27.5%	42.5%		30.0%		38.2%		35.7%	
Average Outstanding Shares									526,323,571		634,099,515	
Current Outstanding Shares									515,272,279		634,099,515	
Market price (November 2nd 2011)									123,000			
Market Capitalization (VNDbn)									63,378			
EPS (VND)									4,215		5,376	
PE (time)									29.2		22.9	

First nine results for Masan Group

Overall consolidated result quite decent with a large increase in net profits

On the consolidated report for the first nine months of FY2011, MSN net sales were reported at VND4,246 billion, up 21.9% y/y meanwhile the pro forma net profit came in at VND1,803 billion, up 88%y/y. As such, as of 30 September 2011, MSN has fulfilled 53.1% of full year sales target and 75% of net profit target.

We believe Masan is on course to hit FY2011 profit targets. We forecast this year, sales will come at VND7,145 billion, up 27.9% y/y and next year, sales will reach VND11,743 billion, up 64.3% y/y. Consolidated sales come just from Masan Consumer sales and also will include VinaCafe Bien Hoa since FY2012 going forward. We expect MSN's consolidated pro-forma net profit will be VND2,732 billion, up 55.6% y/y in FY2011 and then forecast a further increase to VND4,189 billion, up 53.3% y/y in FY2012.

Masan Consumer

Masan Consumer 9M FY2011 result

Unit: VNDbillion	9M FY2009	9M FY2010	y/y%	9M FY2011	y/y%	FY2011F	y/y%	FY2012F	y/y%
Net sales	2,626	3,484	32.7%	4,246	21.9%	7,145	27.9%	11,743	64.3%
Gross profit	900	1,463	62.6%	1,803	23.2%	3,026	28.9%	4,522	49.4%
Net profit	395	721	82.6%	1,353	87.8%	2,189	74.7%	3,322	51.8%
Gross margin	34.3%	42.0%		42.5%		42.4%		38.5%	
Net margin	15.0%	20.7%		31.9%		30.6%		28.3%	

Sales growth still respectable albeit slowing in Q3

In the first 3Q of FY2011, Masan Consumer reported sales of VND4,246 billion, up 21.9% y/y. Although sales continued to grow, the y/y growth rate in the first nine months this year was actually noticeably lower than that of the same period last year of 32.7% and 1H FY2011 of 36.5%. And the company only fulfilled 53% of the low range target for sales in FY2011.

Looking at Q3 result, we note that net sales in Q3 decreased by 7% q/q. Though the q/q growth sometimes does not reflect properly the company performance due to seasonal nature of the business, we still concern as the y/y growth was quite modest at 0.2%. This slow down was quite sudden given the fact that in previous quarters the company had enjoyed very strong y/y growth. We note that y/y growth in Q4 FY2010, Q1 FY2011 and Q2 FY2011 were 57.9%, 53.8% and 24.3% respectively. Therefore Q3 number for Masan Consumer looks rather disappointing seen in that context.

We don't have quarterly breakdown for product segments hence it's hard to tell the full story at least mathematically. It does appear however that growth rates for key segments slowed somewhat in Q3. We note for example that Acecook has been indulging in aggressive marketing tactics through the media. This may have slowed growth for their Tien Vua instant noodle. Masan has taken a lot of market share from the existing players in recent years and now it seems the competition is resorting to all sorts of tactics in an attempt to slow their progress.

However, according to the company, instant noodle continued to be the main growth driver during the period thanks to strong performance from Omachi and Oh Ngon. As Omachi and Oh Ngon focus on higher income

Masan Consumer sales breakdown

Unit: VNDbillion	9M FY2010	9M FY2011	y/y%
Sauce products	2,503	2,760	10.2%
Noodle	868	1,486	71.2%

customer segments they face less competition than in the mainstay middle and low end product segments where Acecook, Asia Food and Vifon are strong. And we should point that over the first 3Q of FY2011 noodle sales reached VND1,486 billion, up 71% y/y. We also understand that to combat the increasing competition within the instant noodles segment, Masan Consumer will launch a new instant noodle product line specifically targeting the mass market segment. Hence its reasonable to assume that in Q4 sales growth will recover following these product launches.

Meanwhile sauce products showed much slower sales growth rate which can be expected given Masan's dominant market share in the branded sauce market. Sales of all sauce products, including fish sauce, soy sauce and chili sauce for the first 3Q, came in at VND2,760 billion, up just 10.2% y/y.

Masan Consumer's gross margin increased slightly to 42.5% in the first nine months FY2011 from 42% in the same period last year. This was due to a combination of a slightly better product mix which boosted gross margins for both fish sauce and noodles. Then we note the new automated fish sauce production line which came on stream this year has helped to reduce labor costs. It only requires 6 workers to operate it compared to 200 workers for a manual line. And then due to its dominant position in the fish & soy sauce Masan has been able to pass most of the raw material cost increases into customers. Then gross margin in the noodle product segment also improved as Omachi and Oh Ngon; the higher margin premium brands grew faster than Tien Vua, the lower tier brand.

We saw that SG&A as % of sales decreased significantly thanks to economies of scale. In the first 3Q FY2011 it came in at 17.6% compared to 19.6% and 19.1% in 9m FY2010 and 1-H FY2011. Selling expenses in absolute terms rose just 3.1% y/y.

In the first nine months, Masan Consumer recorded significant level of net financial income mostly on higher

Masan Consumer quarterly sales

Unit: VNDbillion	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Sales	629	860	1,137	1,331	862	1,217	1,405	2,102	1,326	1,513	1,407
q/q % change		36.6%	32.3%	17.1%	-35.2%	41.1%	15.5%	49.6%	-36.9%	14.1%	-7.0%
y/y % change					37.0%	41.5%	23.5%	57.9%	53.8%	24.3%	0.2%

interest income from bank deposits given its strong cash position. We estimate that net financial income in the first 3Q of FY2011 was VND448 billion, accounting for 57% of pretax profit and was twenty times higher than the same period last year. As of 30 September 2011, cash and cash equivalents was reported at nearly VND6,700 billion. This amount included VND3,327 billion which are the proceeds of the share issuance to KKR.

Even taking this amount out of the equation the cash position illustrates that Masan Consumer is clearly a cash cow business with a very low number of receivable days. For general trade clients, it does not give credit which means clients must pay cash on or before delivery. Meanwhile general trade accounts for 94.5% of total sales. And credit for modern trade clients is from 30 to 45 days however this accounts for just 5.5% of total sales.

Higher gross margin, lower SG&A and especially the significant increase in net financial income enabled Masan Consumer to lift net margins to an all-time high level of 31.9% in FY2011. As a result, net profit came at VND1,353 billion, up 88% y/y.

Forward FY2011 & FY2012 outlook

Our forward table for Masan Consumer looks only at future growth from existing or known categories and at this point we make no assumptions about sales coming from new categories as information about this is still unclear. Therefore while we obviously include VinaCafe in the sales we have not made any allowance for their likely entry into several new categories over the next few years. This could possibly double our projected sales growth rate forecast for Masan Consumer hence please see this model as low-balled and including only our forecast for existing and known categories.

Last week Masan Consumer launched a new fish sauce named Nam Ngu III which specifically targets rural consumers in an attempt to capture more market share from the unbranded fish sauce market. According to Euromonitor, the total market size of the unbranded fish sauce segment may be as large as the branded one which was estimated at VND5,494 billion in 2010. This new offering which is priced at only VND11,875 per liter makes it very affordable for rural residents and low income people living in the cities. Therefore we believe

that Nam Ngu III will help boost the sales of sauce products in Q4 and into next year.

Indeed as the current main brands Chinsu, Nam Ngu and Nam Ngu II are unlikely to gain significant incremental market share given dominant market position and competition pressure from competitors. The new sauce product marks an important move into the unbranded mainly rural market. If successful as we have assumed it will enable Masan to increase its overall market share further by breaking into a new segment where organised competition is weak. And help to revive growth in a segment where growth rates have matured this year.

In addition, we expect Masan Consumer will further penetrate into the condiment category with the launch of its braised fish sauce product line in Q4 or early next year. This opens up a new market where the company has not historically focused and will help to increase fish sauce market share.

The new sauce products including Nam Ngu III and braised fish sauce are launched in Q4 as the management believes that a product launch in Q4 will take advantage of the strong seasonal demand heading into the Tet New Year.

Therefore we forecast that sales of fish sauce will reach VND3,872 billion and VND5,195 billion respectively in FY2011 and FY2012. This is based on the assumption that Masan's market share in fish sauce will increase to 57.3% and 61.5% respectively this year and next year from 56.3% last year. Masan also plans to launch some other new sauce products in Q4. We have not assumed braised fish sauce to contribute meaningfully to our estimates due to limited information available. If its launch were to be successful, it will add upside potential to our forecast.

We also expect Omachi instant noodle, to be the key contributor for Masan's instant noodle segment. Besides, our check indicates that Masan Consumer plans to launch a new mass market instant noodles product with the goal to replicate its success in the premium instant noodles segment. Based on this and despite tougher competition in the low to mid prices segments we forecast Masan's noodle sales will grow 47.5% y/y and then 47.4% in 2011 and 2012 respectively. Over the

Masan Consumer - HSC sales forecast by product categories

Product category	FY2009	FY2010	FY2011F	FY2012F	FY2013F	FY2014F	FY2015F	CAGR 11F-15F
Soya sauce	543.2	638.8	726.7	831.9	939.7	1,052.0	1,167.0	
y/y%		17.6%	13.8%	14.5%	13.0%	11.9%	10.9%	12.6%
as % of sales	13.7%	11.4%	10.2%	7.1%	6.2%	5.6%	5.2%	
Fish sauce	2,114.2	3,093.0	3,872.2	5,195.0	6,704.9	8,513.1	10,641.4	
y/y%		46.3%	25.2%	34.2%	29.1%	27.0%	25.0%	28.8%
as % of sales	53.4%	55.4%	54.2%	44.2%	44.4%	45.3%	47.0%	
Chili sauce	84.5	122.1	138.3	161.9	197.5	237.0	286.8	
y/y%		44.5%	13.2%	17.1%	22.0%	20.0%	21.0%	20.0%
as % of sales	2.1%	2.2%	1.9%	1.4%	1.3%	1.3%	1.3%	
Instant noodles	948.6	1,340.5	1,977.4	2,914.2	4,175.1	5,418.3	6,442.4	
y/y%		41.3%	47.5%	47.4%	43.3%	29.8%	18.9%	34.4%
as % of sales	24.0%	24.0%	27.7%	24.8%	27.6%	28.8%	28.5%	
Cooking oil		34.5	-	-	-	-	-	
y/y%								
as % of sales	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	
Coffee	-	-	-	1,670.4	1,894.4	2,107.8	2,361.1	
y/y%					13.4%	11.3%	12.0%	
as % of sales	0.0%	0.0%	0.0%	14.2%	12.5%	11.2%	10.4%	
Cereals	-	-	-	385.8	435.9	488.2	546.8	
y/y%					13.0%	12.0%	12.0%	
as % of sales	0.0%	0.0%	0.0%	3.3%	2.9%	2.6%	2.4%	
Other sales	266.8	357.4	430.4	583.4	770.2	975.5	1,188.1	
y/y%		34.0%	20.4%	35.6%	32.0%	26.7%	21.8%	28.9%
as % of sales	6.7%	6.4%	6.0%	5.0%	5.1%	5.2%	5.2%	
Total sales, including VCF	3,957	5,586	7,145	11,743	15,118	18,792	22,634	
y/y%		41.2%	27.9%	64.3%	28.7%	24.3%	20.4%	33.4%

next few years we forecast that noodle sales will grow at a CAGR of 34.4% making it the fastest growing segment over the lifetime of our model. Our research also indicates that management plans to enter adjacent convenience food categories such as cured meat, which is consistent with Masan Consumer's strategy to become the market leader in the convenience food market.

Masan Consumer strengthened its management team recently with several key hires including the Head of Sales and Head of Supply Chain. Masan Consumer Head of Sales and Head of Supply Chain come from top tier MNC companies such as P&G and Unilever. We believe the depth of management talent will enable Masan Consumer to accelerate its growth strategy within the beverage and convenience food category. We note that the professional management platform that Masan Consumer has put together is still unparalleled in Vietnam.

VinaCafe Bien Hoa adds an important new sales driver into FY2012

Then Masan Consumer is also completing final procedures to acquire a 50.1% stake in VinaCafe Bien Hoa (VCF) which was recently approved at the latter's EGM. And if as we assume the procedures can be completed by Q4, the coffee business will make a very important contribution to the consolidated overall result of MSN. In fact we forecast that in 2011 and 2012, VCF sales, including coffee and cereals sales, will come to VND1,730 billion and VND2,056 billion (up 20.2% y/y) respectively and account for 17.5% of Masan Consumer consolidated sales in FY2012.

VCF is currently the leader in the instant coffee market with a market share of 45% in 2010. The company's strengths include a loyal customer base thanks to high

product quality centering on the traditional Vietnam dark & rich coffee taste, a long standing brand name and highly experienced management. The company's key products are 3 in 1 instant coffee and cereals. From 2005 to 2010, VCF net sales and net profit grew at a CAGR of 28.3% and 29% respectively. The balance sheet is quite clean with no non-core investments and almost zero debt. Cash flows from operations as % of net profit remained very high at 65% in 2010.

We forecast that in FY2012, VCF will report net sales and net profit at VND2,056 billion and VND254 billion respectively. Growth drivers going forward will be volume & margin growth thanks to the new factory as well as synergies following integration with Masan Consumer. So if the VCF transaction is completed by the end of this year, we forecast that Masan Consumer's net sales in FY2012 will come at VND11,743 billion, up 64.3% y/y.

Masan Consumer gross margins may slip a bit next year on continued tough competition in the noodle business

Regarding profit margins, we forecast overall gross margin in FY2011 and FY2012 will come to 42.5% and 41.2% respectively. We forecast that gross margins will decrease slightly in FY2012 as we expect that competition in instant noodle market will heat up further. Based on this we assume gross margin in the noodle business will decline to 27.8% in 2012 from the current level of 29.8%. Accordingly we forecast that net profit will come at VND2,189 billion, up 74.7% y/y in FY2011 and then come to VND3,322 billion, up 51.8% y/y in FY2012.

Techcombank

TCB result fragments

Snapshot	FY2010	1-H FY2011	Q3 FY2011	3Q FY2011	FY2011F	y/y growth
Net interest income	3,184,349	2,318,000	1,301,000	3,619,000	4,705,414	48%
Net fees	929,800	587,000	173,000	760,000	1,115,760	20%
FX gains	(91,383)	(500,000)	(100,000)	(600,000)	(456,915)	400%
Other income	526,591	440,000	220,000	660,000	881,438	67%
Total operating income	4,719,021	2,845,000	1,594,000	4,439,000	6,332,344	34%
Pretax profit	2,743,627				3,152,049	15%
Net profit	2,072,755	1,075,000	619,000	1,694,000	2,364,037	14%
Loan growth YTD		10%		12%		

HSC estimates FY2011 figures based on their released figures of :

- Net interest income in Q1 FY2011 and Q2 FY2011;
- Net fee earnings in Q1 FY2011 and Q2 FY 2011;
- Net profits in Q1 FY2011, Q2 FY2011 and Q3 FY2011.

9M FY2011 Result

Techcombank has released some result fragments for the first 3Q of FY2011. They achieved a net profit of VND1,694 billion (+42.4% y/y) in the first 9 months of FY2011. According to the released figure, the strong performance was driven by the 54.3% growth of net interest income over the same period. Loan growth which was up 12% YTD in Q3 FY2011 and up 30% y/y. NIM came to 3.9% and was flat compared to our estimates for last year. Net interest income growth was therefore driven by the y/y 42% growth of interest earning assets (including loans, bonds, interbank term deposits, interbank bonds and trust investments). We estimate that net interest income contributed 80-81% of total operating income in 3Q FY2011.

Then fee service income doubled in 3Q FY2011 compared to 3Q FY2010 according to our estimate. We estimate that net fee earnings contributed 17-18% of total operating incomes. This means that other income earnings contributed only a very small share of total operating incomes.

Apart from the strong streams of net interest income and fee service earnings, we speculate that the combined earnings of FX gains, equity investments and other incomes are weaker or lower in our estimates in 3Q FY2011. In fact, we don't think the bank is active in the equity market so they didn't incur loss or earn nothing from equity investment lines in 3Q FY2011.

We remember the bank had a large trust investment worth VND7,870 billion at end-2010 on their balance sheet. Not having any up to date breakdown we can only say that if the bank hasn't reduced this balance during 3Q FY2011, we estimate they would have earned around VND650 – 660 billion from lending out trust in-

vestment funds which would be booked in the other incomes category for 3Q FY2011. And of course if this balance increased then the resulting income stream would have been higher. This also means that other income likely virtually offset FX losses in 3Q FY2011. If so the combined earnings of equity income, FX gains/loss and other income only contributed around 1-2% of total operating income in 3Q FY2011.

FX lines include gold trading and foreign currency trading. Because the FX lines are increasing gradually we think that the loss more likely came from a gold trading line. This could involve switching from gold into VND. In this carry trade, the bank can then use the resulting VND amount to fund their loan book and lower cost of funds. Then hopefully any ensuing gold trading loss is net off against the much lower cost of VND funds. However this trade depends on a fairly stable gold price and we suggest the bank may have incurred a net loss during Q3 as the domestic gold price was up 21.62% YTD at end-Q3 FY2011.

The bank increased their loan book 12% YTD in Q3 FY2011 while they kept their LDR at 63-68% during the first 9 months of FY2011. Deposits also advanced at the same growth rate as loans. As with other banks, their loan book expansion slowed down in FY2011 in line with the general trend of the whole sector. However, we should point out that loan growth calculations exclude any trust investment or corporate bonds exposure and is therefore not a full reflection of credit activity. And as mentioned we don't have these figures for 3Q FY2011.

The whole banking sector faced the prospect of fast growing NPLs in Q3 FY2010 compared to the beginning of this year. The overall sector NPL ratio accelerated to 3.12% at end-June FY2011 from 2.45% in November FY2010. We think that TCB followed this trend. To re-

TCB - HSC income statement earnings model

INCOME STATEMENT	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011F	FY2012F	FY2013F	FY2014F
Net interest income	351,266	457,447	925,274	1,760,743	2,499,821	3,184,349	4,705,414	5,545,537	6,695,927	8,296,135
Net fee & commission income	66,846	101,476	176,936	482,877	641,059	929,800	1,115,760	1,394,700	1,743,375	2,179,219
Foreign exchange gains - net	1,872	7,491	24,583	21,793	48,089	(91,383)	(456,915)	130,010	156,012	187,214
Income from trading securities	-	-	-	2,587	150,453	(71,418)	(16,000)	20,000	20,000	20,000
Income from Investment securities	549	724	79,926	780,197	372,165	160,335	40,000	50,000	50,000	60,000
Other income	14,552	44,221	4,462	10,294	178,127	526,591	881,438	881,438	881,438	881,438
Equity income/dividends	-	-	2,992	79,582	28,441	80,747	62,647	73,930	87,012	102,185
Total operating income	435,085	611,359	1,214,173	3,138,074	3,918,154	4,719,021	6,332,344	8,095,615	9,633,763	11,726,190
Administration expenses	(154,835)	(224,180)	(425,381)	(910,511)	(1,183,772)	(1,587,749)	(2,140,656)	(2,786,964)	(3,438,552)	(4,239,919)
Profit before loan loss provision	280,250	387,179	788,792	2,227,563	2,734,382	3,131,272	4,191,689	5,308,650	6,195,211	7,486,271
Provision loss	5,817	(30,657)	(79,052)	(611,707)	(481,485)	(387,645)	(1,039,640)	(1,262,162)	(1,383,595)	(1,507,601)
Profit before tax	286,067	356,522	709,740	1,615,856	2,252,897	2,743,627	3,152,049	4,046,489	4,811,616	5,978,671
Income tax	(79,911)	(99,616)	(199,356)	(432,773)	(552,728)	(670,872)	(788,012)	(1,011,622)	(1,202,904)	(1,494,668)
Net profit	206,156	256,906	510,384	1,183,083	1,700,169	2,072,755	2,364,037	3,034,866	3,608,712	4,484,003
Net profit for their shareholders	206,156	256,906	510,384	1,183,083	1,700,169	2,072,754	2,364,036	3,034,867	3,608,712	4,484,003

mind you at end – 2010, the bank announced an NPL ratio of 2.3% but is likely to have risen since.

The bank is growing more slowly than before although earnings streams from core businesses have held up well, the did bank lose money in its FX lines. For the whole year, HSC estimates the bank can achieve a pre-tax profit of VND3,152 billion (+15% y/y) as we assume the bank books a provision cost of VND1,040 billion (+168% y/y).

Forward FY2012 outlook

We currently forecast Techcombank will post net profit of VND3.03 trillion in FY2012 up 28.3% and driven by a 17.8% increase in net interest income. The swing factor will be FX where we forecast a profit next year and not a loss such as we expect in FY2011. We further assume that provision losses will increase by 21% to VND1.26 trillion having likely almost trebled in FY2012.

Techcombank has seen one of the fastest growth rates in deposit & lending growth over the past 5 years and hence is vulnerable to higher than expected provision losses if as expected the real estate sector corrects next year as small to medium sized developers are consolidated. This carries a risk given that the underlying value of collateral is likely to fall as banks force developers to drop prices as loans are recalled. Its hard at this point to speculate on what this might mean for NPLs or provision cost next year except to point it out and forecast what we see as a most likely case scenario.

Even so we believe that Techcombank will be a long term beneficiary of the consolidation in the banking sector given its size and retail focus. Furthermore its current valuation is cheap as it trades below book value suggesting that the likelihood of higher NPLs is already at least partially priced in.

TCB key numbers

<i>Unit: VNDmillion</i>	FY2010	FY2011F	FY2012F	FY2013F	FY2014F
Total Assets	150,291,215	174,894,282	201,920,579	243,598,638	290,659,019
Total outstanding loans	52,927,857	62,984,150	73,452,116	85,694,820	100,957,068
Customer deposits	80,550,753	98,271,919	119,891,741	146,267,924	175,521,508
Total equity	9,389,161	11,699,486	14,532,609	18,091,321	22,525,324
Pretax profit	2,743,627	3,152,049	4,046,489	4,811,616	5,978,671
Asset growth	62%	16%	15%	21%	19%
Loans growth	26%	19%	17%	17%	18%
Deposit growth	29%	22%	22%	22%	20%
Capital growth	28%	25%	24%	24%	25%
Pretax profit growth	22%	15%	28%	19%	24%
VALUATION					
Outstanding shares	689,217,922	874,807,422	874,807,422	874,807,422	874,807,422
Diluted EPS	2,997	2,621	3,365	4,001	4,972
EPS growth	25%	11%	28%	19%	24%
Book Value	13,295	13,027	16,126	20,004	24,814
P/B at year-end prices	1.5	1.00	0.81	0.65	0.53
P/B at the current price	0.98	1.00	0.81	0.65	0.53
P/E at year-end prices	6.67	4.99	3.89	3.27	2.63
P/E at the current price	4.37	4.99	3.89	3.27	2.63
Market capitalization in million VND		11,503,595			

Source: TCB reports; (F) HSC forecasts

Masan Resources

Masan Resources snapshot

Item	Amount (US\$ million)	Terms
Vietnam Development Bank (VDB) Loan	113	9.6% VND interest, 8 year tenor with 2 year grace period
Commercial Bank Loan (VCB, Tienphong and Baoviet Bank)	79	US\$90 mm loan including interest during construction, 8 year debt facility at an interest rate of 6 month LIBOR + 7% per annum
Equity Available	55	US\$100 mm raised for Masan Resources from Mount Kellett and US\$25 million committed by MSN. Of which, US\$70 million had already been injected into Nui Phao.
Equity Already Injected	203	Included US\$133 million invested prior to acquisition and US\$70 mm injected post acquisition
TOTAL	450	
Total expected capex	550-575	
Remaining amount	100-125	The remaining US\$53 million is expected to be funded primarily by financing from offtakers. And the balance will be funded by more equity and debt

As the end of Q3 FY2011, a total of US\$203 million has already been injected into the Nui Phao mine. Of which, Masan Resources has spent approximately US\$70 million on the project, in which a significant amount has been funded by local debt. This is in addition to the US\$133 million was already invested prior to acquisition. At the moment, the project is fully funded and the company has been drawing down local bank credit loans to help progress the project. Thus, we estimate the financial income (interest received) from Nui Phao project was quite small in this period.

In term of the bank loans, Vietnam Development Bank (VDB) has provided a VND2,377 billion loan (equivalent to US\$115 million) at a rate of 9.6% VND interest, and 8 year tenor with 2 year grace period. In addition, other local commercial banks led by Vietcombank have also committed to finance a US\$90 million, 8 year debt facility at an interest rate of 6 month LIBOR + 7% per annum.

In March FY2011, Jacobs Engineering Group was engaged to provide the engineering design for the project and procure required equipment. They are on track to complete this process by February FY2012. This contract is expected to cost around US\$22 million.

Meanwhile the compensation and resettlement process as of the end of Q3 was virtually complete with most of the land already transferred to Nui Phao, enabling Masan Resources to start construction activities. Moreover, earthworks prior to construction commenced at the end of July FY2011. Overall progress in making the mine operational is still on track and the company expects the mine will start commercial production in early Q1 FY2013 as planned.

The company already has signed off-take contracts for fluorspar and bismuth products with CMC Comets (USA) and Sidech (Belgium) respectively. According to the agreements, the company will export around 200,000 metric tonnes of fluorspar to CMC Comets while Sidech requires 2,000 metric tonnes of bismuth products per annum. Besides that, Masan Resources have opened negotiations with global tungsten consumers and traders around the world however so far no tungsten off-take agreement has been finalized. Meanwhile the tungsten price has increased by 30%. However Masan Resources is in final talks and expects to finalize an off-take agreement by the end of this year with price of course linked to the market price. Then in terms of copper production, Masan Resources intends to sell the copper concentrate in-country to minimize transportation costs and export taxes however a final off-take agreement for copper product has not been signed yet.

For FY2012, Masan Resources will continue to disburse around US\$300 million for building the project and this amount will be spent on all aspects including infrastructure, construction and equipment. The total capital expenditure for Nui Phao is projected at US\$575 million. We estimate that Masan Resources will generate US\$450 million in revenue and US\$220 million in net profit annually once the Nui Phao mine goes into exploitation in FY2013 based on current price of the commodities.

MSN Parent company

MSN parent company financial income and expenses

Financial income	9M FY2010	9M FY2011	% y/y
Interest income from			
Deposits	63.0	94.1	49.3%
Loan to a subsidiary		93.4	
Loan to parent company		20.7	
Recharge to parent company		81.3	
Investments in bonds	70.5	57.9	
Foreign change gains		40.7	
Others		0.0	
Total	133.5	388.2	190.7%
Financial expenses	9m FY2010	9m FY2011	% y/y
Interest expense on loans from			
Banks			
Bonds holders	90.9	121.0	33.2%
Subsidiary		260.6	
Foreign exchange losses		59.5	
Others		6.2	
Total	90.9	447.3	392.2%
Net financial income	42.6	(59.1)	-239%

We note that in 9M FY2011, the parent company had negative net financial income of VND59.1 billion. However the amount is not significant. Most of the financial income came from interest income from bank deposits and loans to related companies. Meanwhile financial expenses included interest expenses on loans from bond holders and subsidiary.

Masan Group has a cash position of US\$400 million in addition to the approximately US\$100 million in cash flow from existing business. We believe the company has proven it can execute on transformational M&A especially in the current capital starved environment, which is hard to fully reflect in our valuation and financial forecast. This is one of the keys to understanding its premium valuation. We also note their intention to seek a foreign listing sometime over the medium term to improve the liquidity of their shares. This is a key step in improving access to the shares for regional and mainstream investors and also help Masan to improve its image as one of the few must-hold Vietnamese stocks.

Therefore next year we expect Masan to (1) launch into some new convenience food categories to maintain growth rates (2) integrate VinaCafe fully into Masan Consumer (3) follow through on an off-shore listing although timing is of course open (4) finish the execution stage on the mining side and bring the mine into operation by early FY2013 with all off-take agreements in place and come up with (5) one of possibly two other M&A deals to build out its business further. Masan's secret has always provided the professional personnel; strategic guidance and necessary capital to enable the group businesses to grow faster than the competition. And as the consumer; financial services and resource sectors consolidate over the next few years it's clear that at the end of it Masan will be right on top.

FINANCIAL RATIO

COMPANY UPDATE

Wednesday, November 02nd 2011

Ratio	FY2009	FY2010	FY2011F	FY2012F	FY2013F
Outstanding shares	485,399,800	515,272,269	559,117,160	634,099,515	663,869,980
Average outstanding shares	155,237,293	487,282,193	526,323,571	634,099,515	663,869,980
Valuation					
Basic EPS	2,683	4,685	3,117	4,465	5,729
Proforma EPS	5,156	2,892	4,215	5,376	6,599
P/E (basis EPS)	45.8	26.3	39.5	27.5	21.5
P/E (proforma EPS)	23.9	42.5	29.2	22.9	18.6
BVPS	9,813	20,618	17,189	21,653	29,132
P/B	12.5	6.0	7.2	5.7	4.2
Sales per share	25,495	11,464	13,575	18,518	22,772
P/Sales	4.8	10.7	9.1	6.6	5.4
Dividends					
DPS	0	0	0	0	0
Dividends (VNDb)	0	0	0	0	0
Yield	0%	0%	0%	0%	0%
Dividend Growth	NA	NA	NA	NA	NA
Payout Ratio	0%	0%	0%	0%	0%
Retention ratio	100%	100%	100%	100%	100%
Growth Rates (%)					
Sales growth		41.1%	27.9%	64.3%	28.7%
Pre-tax profit growth		67.7%	58.9%	53.4%	28.2%
NPAT growth		65.1%	55.6%	53.3%	28.5%
EPS growth		-43.9%	45.7%	27.6%	22.7%
Internal Liquidity					
Current Ratio	2.0	1.4	2.8	3.2	3.8
Quick Ratio	1.9	1.3	2.6	3.0	3.6
Cash Ratio	1.6	1.2	2.3	2.6	3.3
Receivable Turnover	14.0	18.7	11.2	11.2	12.7
Inventory Turnover	7.6	12.0	8.8	9.0	8.6
Payables Turnover	9.7	9.0	6.4	6.6	6.1
Profitability					
Gross Margin	34.7%	42.8%	42.4%	38.5%	38.9%
Pre-tax Margin	28.2%	33.5%	41.6%	38.9%	38.7%
Net Profit Margin	26.9%	31.4%	38.2%	35.7%	35.6%
Return on Assets (ROA)	15.2%	8.3%	9.8%	12.5%	13.1%
Return on Assets - 2 Yr. Avg.	15.2%	11.7%	9.0%	11.1%	12.8%
Return on Equity (ROE)	23.8%	22.8%	27.0%	35.9%	32.5%
Return on Equity - 2 Yr. Avg.	23.8%	23.3%	24.9%	31.4%	34.2%
Operating Efficiency					
Total Asset Turnover	0.6	0.4	0.3	0.4	0.4
Fixed Asset Turnover	8.6	10.5	1.6	1.5	1.9
Equity Turnover	0.9	1.3	0.9	1.2	1.3
Financial Risks					
Debt to Equity Ratio	0.4	0.8	0.5	0.4	0.3
Total Debt Ratio	0.3	0.4	0.2	0.2	0.2

MSN - Consolidated income statement

<i>Unit: VNDbillion</i>	FY2009	FY2010	FY2011F	FY2012F	FY2013F
Net sales	3,958	5,586	7,145	11,743	15,118
Cost of goods sold	(2,584)	(3,195)	(4,119)	(7,221)	(9,236)
Gross profit	1,374	2,392	3,026	4,522	5,882
Financial income	160	1,621	1,044	1,611	1,778
Financial expense	(103)	(270)	(428)	(389)	(265)
Selling expenses	(637)	(951)	(955)	(1,493)	(1,927)
General administration expenses	(105)	(214)	(286)	(455)	(533)
Net profit from operating activities	689	2,577	2,402	3,795	4,935
Other profit	19	19	-	-	-
Profit before tax	733	2,746	2,398	3,988	5,274
Net profit after tax	680	2,629	2,155	3,611	4,804
Net profit after tax (Proforma)	1,063	1,755	2,732	4,189	5,382

Masan Consumer - Income Statement

<i>Unit: VNDbillion</i>	FY2009	FY2010	FY2011F	FY2012F	FY2013F
Net sales	3,958	5,586	7,145	11,743	15,118
Cost of goods sold	(2,584)	(3,195)	(4,119)	(7,221)	(9,236)
Gross profit	1,374	2,392	3,026	4,522	5,882
Financial income	146	151	679	1,093	1,260
Financial expense	(59)	(108)	(169)	(132)	(123)
Selling expenses	(637)	(951)	(955)	(1,493)	(1,927)
General administration expenses	(93)	(118)	(150)	(312)	(383)
Net profit from operating activities	731	1,366	2,432	3,678	4,709
Other profit	(9)	4	-	21	23
Profit before tax	-	-	-	-	-
Net profit after tax	669	1,253	2,189	3,322	4,262
Net profit after tax belongs to parents' shareholders	664	1,253	2,189	3,195	4,075

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