

VIETNAM DAIRY PRODUCTS JSC (VNM)

CONSUMER GOODS

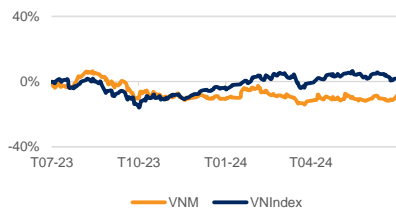
Current Price	VND67,700
52Wk High/Low	VND78,686/63,500
Target Price	VND81,000
Last Updated	May 13, 2024
Last Rating	ADD
TP vs Consensus	0.6%
Upside	19.6%
Dividend Yield	5.9%
Total stock return	25.5%

Market Cap	USD5,596.0mn
3MADTV	USD9.5mn
Avail Foreign Room	USD2,785.5mn
Outstanding Shares	2,090.0mn
Fully Diluted O/S	2,090.0mn

	VNM	VNI
P/E TTM	15.4x	14.3
P/B Current	4.3x	1.7
ROA	17.7%	1.3%
ROE	26.2%	4.8%

*as of July 31, 2024

Share Price Performance



Ownership

SCIC	36.0%
F&N Dairy Investment Pte, Ltd	17.7%
Platinum Victory Pte Ltd	10.6%
Others	35.7%

Business Description

Established in 1976, with nearly 50 years of experience, VNM has built itself as a prominent brand name for its portfolio that includes liquid milk, powdered milk, yogurt, condensed milk, and other beverages. The company is a dominant player with a strong footprint across all major segments with over 50% market share.

Analyst(s):



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Bottom line accelerated in 2Q24 – [In-Line]

- 2Q24 net profit jumped 21.5% YoY to VND2.6tn (USD104.9mn), recording the 3rd consecutive quarter of maintaining double-digit earnings growth.
- 1H24 results were in-line with our forecast as net profit completed 51.6% of our full-year projection.
- We see minimal pressure on our target price of VND81,000, which we will update after further review.

2Q24 revenue growth drivers came from both segments

2Q24 net revenue increased 9.6% YoY to VND16.6tn (USD654mn), setting the all-time high quarterly revenue in the Company's history. This quarter also marked the highest revenue growth since early FY22, in which both segments recorded positive growth:

- Parent domestic revenue (excluding MCM) increased 6.0% YoY, outperforming with 1.8% YoY declining in Vietnam dairy sector (according to Nielsen). Better results came from the double-digit growth of Drinking yogurt, Condensed milk, Plant milk segment. In which, Formula milk segment tend to recover after consecutive quarters of declining.
- Export markets recorded strong revenue growth of 37.1% YoY as VNM maintains its supply chain to Middle Eastern markets despite a volatile global landscape.
- Oversea subsidiaries recorded revenue growth of 21.9% YoY thanks to 1) marketing activities created more obvious effectiveness in the Cambodian market; and 2) packaging supply disruption at Driftwood has been improved.

Gross margins on recovery mode

2Q24 gross margin expanded by 2.0% pts YoY thanks to lower cost for whole milk powder. As a result, gross profit soared 14.9% YoY to VND7.1tn (USD277.7mn) in 2Q24.

The company has fixed 90% material for production to Dec 2024. The management expect gross margin to be equal to 2Q24 level.

Bottom line enjoyed double-digit growth

SG&A expenses increased 11% YoY mainly due to 14.8% YoY rise in promotion cost as the results of many marketing activities in 2Q24. Meanwhile, SG&A/revenue increased 0.3% YoY but declined 0.5% QoQ in 2Q24, showing management's efforts to control costs. As the results, net profit jumped 21.5% YoY to VND2.6tn (USD104.9mn) in 2Q24, recording the 3rd consecutive quarter of maintaining double-digit earnings growth.

VNDbn	2Q24	% YoY	6M24	% YoY	FY24	6M23/FY23	6M24/FY24
Net sales	16,656	9.6%	30,768	5.7%	61,999	48.2%	49.6%
Domestic revenue	13,532	5.8%	25,028	3.1%	51,634	48.0%	48.5%
Overseas revenue	3,125	29.9%	5,740	18.7%	10,364	49.6%	55.4%
- Export	1,740	37.1%	3,037	21.8%	5,073	49.5%	59.9%
- Overseas subsidiaries	1,385	21.9%	2,703	15.6%	5,291	49.6%	51.1%
Gross profit	7,068	14.9%	12,979	12.4%	25,890	47.0%	50.1%
SG&A	4,031	11.0%	7,522	8.1%	15,244	47.1%	49.3%
Net financial income	286	6.5%	570	7.7%	1,031	43.6%	55.3%
PBT	3,309	21.3%	6,014	19.3%	11,595	46.0%	51.9%
NPAT-MI	2,670	21.5%	4,865	20.0%	9,428	45.7%	51.6%
GPM	42.4%	2.0% pts	41.9%	3.1% pts	41.8%	-1.9% pts	0.1% pts
NPM	16.0%	1.6% pts	15.6%	2.2% pts	15.2%	-1.4% pts	0.3% pts

Source: VNDIRECT RESEARCH

[July 31, 2024] Key note in Analyst meeting

Business results:

- Domestic revenue recovered thanks to positive growth from both product lines, especially formula milk recorded recovery in 2Q24. Vinamilk has strategically partnered with two leading healthcare centers to penetrate medical channels and expand customer base.
- The Formula milk market recorded a double-digit decrease in 1H24, however VNM recorded a lower decrease than the market in which Dielac and Optimum product lines still recorded an increase of 15%/8.3% thanks to the advantage of reasonable prices.
- Export revenue increased in almost markets, in which the China market recorded positive growth in 2Q24. In 2H24, management estimates that export revenue will maintain a double-digit growth, but may not be as high as 2Q24 level.
- The price for 90% of input materials have been fixed until Dec 2024. Management expects gross profit margin to remain equivalent to the level in 2Q24.

Marketing activities:

- Vinamilk's market share in 2Q24 increased by about 1.2% pts. Management estimates VNM's market share in the Cambodian market to be about 40%.
- The Company has newly launched 03 innovative products including Ong Tho Condensed Milk in a 1-liter box with plastic lid, 7-nut high-protein plant milk and coconut flavored fresh milk in 2Q24.
- Introduced new packaging for Probi Drinking Yogurt in June and Eating Yogurt in July, 2024.

Progress of farm and factory projects:

- The Hung Yen dairy factory project has completed levelling. The Company plans to start construction of the factory in 2024 or early 2025.
- The beef slaughtering and farming complex of Vinamilk and Sojitz Group has been started in early 2023 in Vinh Phuc. The Company plans to operate the complex and bring products to the market in 4Q24.

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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