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Moc Chau Milk JSC.

02/25/2021

RATING	BUY
Current price (VND)	68,600

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COMPANY INFORMATION

Industry	Food Producers L3
Ticker	MCM
Stock Exchange	UPCOM

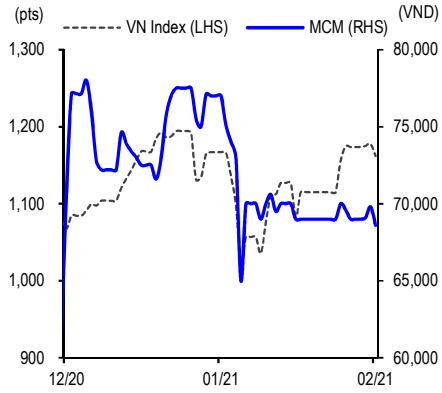
STOCK TRADING DATA

VN INDEX	1,162
Market Cap. (bn VND)	7,546
Outstanding Shares (1mn)	110
Free Floating Shares (1mn)	110
52-week High (VND)	81,193
52-week Low (VND)	40,500
Avg. Trading Volume (mn)	-
Avg. Reading T/O (bn VND)	-

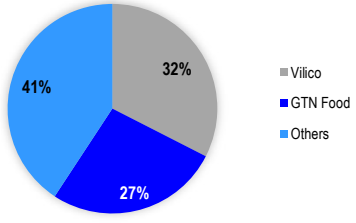
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	-	-	-
Percentage	-	-	-

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Business Position:

- Customers: Cow milk-based consumers aged from 3-year-olds.
- Competitors: Local dairy producers (TH True Milk, IDP, Da Lat Milk, etc.) and imported products
- Substitutes: Plant-based milk (i.e. soya, almond milk).

2. Investment Catalysts:

- MCM (a subsidiary of Vinamilk) is a Vietnam dairy company, which is well-known for not only the 4th largest market share (2020: 2%) but also the 2nd biggest charter capital (VND701bn) amongst listed local dairy companies (after Vinamilk). The company aims to aggressively boost its market share by: 1) selling its products via Vinamilk's largest distribution network across Vietnam, then exploiting untapped customers in the Central and Southern Vietnam; and 2) enhancing "Moc Chau Milk" brand awareness to customers thanks to advertising and promotion programs.
- MCM's milk production is estimated to increase by +16%YoY (to 174,000 units/hour) in 2021 and an average of 10% during 2022 and 2025, via purchasing a new production line (capacity of 24,000 units/hour) and upgrading capacity of their 3 existing production lines. Currently, MCM is operating at ~100% capacity, thus higher production capacity will capture the increasing sales of MCM which is expected to show a two-digit growth over the next 3 years.
- MCM's gross margin is strongly improving (2020: 31% from 2019: 19%) thanks to supports from Vinamilk to not only lower input material prices but also better discount policies with distributors. MCM also have a plan to increasing their cow herds (to 34% in 2021 from 8% in 2020). Thus, their GM is expected to improve to 40% over the next 3 years.
- The positive growth of 2020 business performance is a premise for future strong growth in the next stage. The company reported 2020 revenue and net profit at VND2.82 tn (+10%YoY) and VND281 bn (+68%YoY), respectively. In 2021, we expect that the revenue and net profit will reach VND3.31 tn (+18%YoY) and VND460 bn (+64%YoY), respectively. Based on this, 2021F P/E of MCM is at 16.4x with a market cap of VND7,568 bn (from closed price of VND68,600 per share), which is considered relatively attractive.

3. Risks

- MCM is exposed to a risk of fiercer-and-fiercer competition, in light of: 1) the saturation point of Vietnam dairy market (2015-20 CAGR of 6.6%); and 2) the effective EVFTA in 2020 with lower taxes for imported EU milk products. Besides, MCM's brand awareness is remaining low in the Central and Southern market while there is limited room for growth in the Northern, thus the company will have to increase selling & advertising expenditure.
- In 2020, over 90% of MCM's fresh input milk was purchased from dairy farmers. Low self-control of raw materials (8%) leads the company to bear two risks: 1) high cost of purchasing raw materials; and 2) disruption of supply chain due to the less proactive in managing supply raw materials (quantity and quality).

FINANCIAL INFORMATION

	2016	2017	2018	2019	2020
Sales (bn VND)	**2,281**	**2,466**	**2,482**	**2,558**	**2,823**
OP (bn VND)	176	186	162	142	261
Pre-tax (bn VND)	216	228	201	186	298
NP(1bn VND)	**204**	**217**	**181**	**167**	**281**
EPS(VND)	3,324	3,520	2,892	2,601	3,772
BPS(VND)	12,469	13,489	13,508	10,879	13,651
PER(x)	19.3	18.1	21.7	27.6	16.4
EV/EBITDA(x)	15.8	14.5	15.9	22.2	14.6
PBR(x)	5.5	5.1	5.1	6.3	5.1
ROE(%)	28.7	29.4	23.5	22.3	34.3

(*) Database information provided by FiinPro

[FLASHNOTE]

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