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International Dairy Products JSC.

1/7/2021

RATING	Trading BUY
Current price (VND)	50,000

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COMPANY INFORMATION

Industry	Food & beverage
Ticker	IDP
Stock Exchange	Upcom

STOCK TRADING DATA

VN INDEX	1,151.3
Market Cap. (bn VND)	2,947.7
Outstanding Shares (1mn)	58.9
Free Floating Shares (1mn)	5.5
52-week High (VND)	N/A
52-week Low (VND)	N/A
Avg. Trading Volume (mn)	N/A
Avg. Reading T/O (bn VND)	N/A

INVESTMENT THESIS

1. Business Position:

- Customers: Northern Vietnam market, with targeted customers are young people aged from 5 to 19-year-olds. Competitors: Leading dairy producers such as Vinamilk, TH True Milk, Nestle Vietnam, etc. Substitutes: Plant-based milk (i.e. soy milk or almond milk).

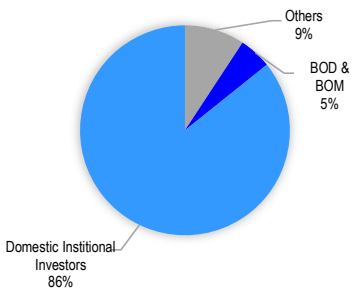
2. Investment Catalysts:

- IDP is a Vietnam dairy company, well-known for not only the 5th largest market share (2019: 4%) but also the 3rd biggest charter capital (VND589bn) amongst listed local dairy companies (after Vinamilk and Mocchau Milk). The company aims to aggressively boost its market share by further supporting its distributors to enhance sales, via cuts-off ineffective point-of-sales (POS) as well as increasing discounts and promotions to effective POSes.
- IDP spent VND400bn on upgrading their factory to improve the product packaging in 2021. Besides, the company pushes-up marketing activities and sharply enlarges their brand awareness (LIF and Ba Vi milk products) to their target customers, accounting for 25% of the Vietnam population. We expected that the demand for IDP's products will be stimulated, resulting in higher sales growth.
- IDP's business performance has been significantly growing in 9M20, revenue and net profit reached VND2.82tn (+51.92% from FY19 print) and VND309bn (+174% from FY19 print), respectively. This result exceeded 2020 targets by 37.9% and 106% in revenue and net profit, respectively. We believe FY20 revenue and net profit to reach VND3.85tn (+107% YoY) and VND500 bn (+342% YoY), respectively.
- The listing price of VND50,00 is translated into trailing P/E and forward P/E of 9.5x and 5.9x, respectively, which are relatively lower than P/E of Vinamilk or Mocchau Milk of 19.9x and 14.9x. Thus, we expected that share price will show an uptrend.

3. Risks

- The key risk of IDP is high dependence on imported raw-material from Australia, New Zealand, and the U.S. Therefore, an increase in raw milk price will lift COGS of IDP significantly, resulting in lower margins. In fact, during 2016-2017, the uptrend of raw milk price led to losses of IDP in the same period.
- IDP is experiencing a risk of fiercer-and-fiercer competition, in light of: 1) the saturation point of Vietnam diary market (2015 - 2019 CAGR of 5.6%); 2) the effective EVFTA agreement in 2020 with lower taxes for imported EU milk products; and 3) the leading Vietnam milk producers (Vinamilk or TH True Milk) is aggressively expanding its cow herds to improve their position in the industry. As a result, the market share of IDP will be hard to strongly increase. The company has to spend a lot of money (bearing higher costs) to implement the "market share expansion" strategy.
- IDP is recording an accumulated loss (around VND269.8 bn) until September 30th, 2020, thus it might not pay the dividend over the next 1-2 years.
- IDP's shareholder structure is condensed, of which, the 3 big local institutional investors occupy 85.7% of its stake, while only 123 individual investors take 14%. As a result, IDP shares have a risk of low liquidity, leading to high volatility in stock price.

SHAREHOLDER STRUCTURE



FINANCIAL INFORMATION

	2018	2019	2Q20	3Q20	9M TTM
Sales (mn VND)	**1,317**	**1,861**	**992**	**1,135**	**2,828**
OP (mn VND)	(42)	118	114	157	306
Pre-tax (mn VND)	(44)	113	114	159	309
NP (mn VND)	**(44)**	**113**	**114**	**159**	**309**
EPS (VND)	N/A	2,143	N/A	N/A	5,245
BPS (VND)	N/A	N/A	N/A	N/A	10,180
PER (x)	N/A	N/A	N/A	N/A	9.5
EV/EBITDA (x)	N/A	N/A	N/A	N/A	N/A
PBR (x)	N/A	N/A	N/A	N/A	4.9
ROE (%)	(4.7)	11.0	N/A	N/A	20.4

(*) Data is provided by IDP

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