November 21st, 2024

Shinhan Securities



# Vietnam Dairy Products JSC

[Vietnam / Food and Beverages] Bloomberg Ticker (VNM VN) | | Reuters Ticker (VNM.HM)

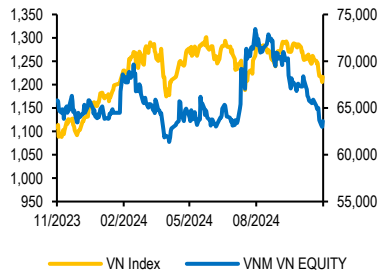
## BUY

**Update Report**

| | |
|---|---|
| **Target price** (12 months) | **76,000 VND** |
| Current price (20/11/2024) | 63,600 VND |
| Upside/downside | 19.5 % |

| | | |
|---|---|---|
| VNINDEX | | 1,217 |
| Market P/E | | 11.4 |
| Market Cap (bn VND) | | 132,921 |
| Outstanding shares (mn) | | 2,090 |
| Free-Floating (mn) | | 737 |
| 52-Wk High/Low (VND) | | 76,200/62,900 |
| 90-day avg. trading volume (mn) | | 4.04 |
| 90-day avg. turnover (bn VND) | | 223 |
| Foreign ownership (%) | | 51,78 |
| Major shareholders (%) | State Capital Investment Corporation (SCIC) | 36.0 |
| | F&N Diry Investments Private Limited | 17.69 |

| Performance | 3M | 6M | 12M |
|---|---|---|---|
| Absolute (%) | -15.9 | -4.2 | -8.2 |
| Relative to VN-Index (%) | -11.5 | 0.6 | -18.5 |




Source: Bloomberg

# MOTIVATION FROM OVERSEAS MARKETS

### Update BUY recommendation, target price at 76,000 VND

Vietnam Dairy Product Joint Stock Company (Vinamilk, HOSE: VNM) is a dairy company with the leading market share along with the largest distribution system and cow herds in Vietnam. Besides, the business is also continuously expanding to large countries and territories such as China and the Middle East. At the current market price, VNM deserves to be considered as an investment opportunity for the following reasons: (1) High dividend payout ratio and healthy financial ability to meet the expanding investment needs in the future, (2) Growth drivers come from export markets and overseas companies and (3) Growth room in Vietnam's dairy industry is still attractive as the compound growth is forecasted at 4.1%/year in the period 2024-2028 (according to Euromonitor) and milk consumption per capita is still low compared to other Southeast Asia countries, despite barriers to production expansion and heavy dependence on imported raw materials. Based on the FCFF and P/E methodologies, we update our valuation (mostly due to adjustment in P/E of peers). We recommend BUY on VNM with a target price of VND 76,000, equivalent to an expected return of 19.5%.

### Business Results Update for Q3 and 9M2024

VNM announced its Q3 business results with net revenue of VND 15,537 billion, decreasing -6.72% compared to Q2 and approximately equal to the same period last year. Profit after tax reached VND 2,403 billion, down -11% compared to the previous quarter and -4% lower than the same period last year. Accumulating in 9 months, VNM has recorded more than VND 46,000 billion in revenue and VND 7,300 billion in net income, completing 73% and 71% of the 2024 plan, respectively.

The decline in business results in Q3 mostly resulted from the domestic segment (accounting for more than 83% of the revenue structure) with the sharpest decline in liquid milk, due to (1) the impact of Yagi Typhoon on domestic consumption and (2) the recovery rate of the FMCG market was still slow.

### Business results forecast for 2024

The recovery rate was strong in Q2 when revenue increased sharply thanks to innovation in packaging and strong export growth. However, this pace has not maintained for Q3, as exected for the last quarter of this year. Therefore, we forecast revenue in 2024 to reach VND 62,552 billion, +3.6% yoy and net profit to reach VND 9,742 billion, +8.02% yoy. We expect domestic revenue to grow by about 2%; foreign revenue to increase by 12% for the overall 2024 based on the positive results achieved in the first 9 months of the year and is expected to remain steadily at 4-5% for the following years.

### Risks

(1) The increase in milk powder prices from July 2024 may affect profits in 2025; (2) Geographical limitations in expanding farms and increasing milk yields; (3) The pace of consumption recovery is weaker than expected.

| Year | 2021 | 2022 | 2023 | 2024F | 2025F |
|---|---|---|---|---|---|
| **Revenue (bn VND)** | **60,919** | **59,956** | **60,369** | **62,552** | **64,021** |
| Operating profit (bn VND) | 11,760 | 9,753 | 9,771 | 10,989 | 11,471 |
| **Net profit (bn VND)** | **10,633** | **8,577** | **9,019** | **9,742** | **10,025** |
| EPS (VND) | 4,517 | 3,632 | 3,796 | 4,148 | 4,269 |
| BPS (VND) | 15,829 | 14,282 | 15,166 | 15,627 | 16,101 |
| OPM (%) | 19.3 | 16.3 | 16.2 | 17.6 | 17.9 |
| NPM (%) | 17.5 | 14.3 | 14.9 | 15.6 | 15.7 |
| ROE (%) | 30.6 | 25.0 | 26.6 | 27.4 | 27.5 |
| PER (x) | 16.4 | 19.2 | 17.0 | 18.2 | 17.7 |
| PBR (x) | 4.7 | 4.9 | 4.3 | 4.8 | 4.7 |

Source: Company data, Shinhan Securities Vietnam


**Nhi Nguyen**

(84-28) 6299-8000
support@shinhan.com




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# Update 9M business results and 2024 forecast

| VND Billion | 9M/24 | 9M/23 | *Change* | Complete 2024 Plan | 2024 Forecast |
|---|---|---|---|---|---|
| **Net Revenue** | **46,306** | **44,750** | ***3.5%*** | **73%** | **62,552** |
| Domestic | 37,957 | 37,563 | *1.1%* | | 51,629 |
| Foreign | 8,349 | 7,187 | *16.2%* | | 10,922 |
| **Gross Profit** | **19,380** | **18,103** | ***7.1%*** | | 26,272 |
| Domestic | 15,804 | 15,439 | *2.4%* | | 22,396 |
| Foreign | 3,576 | 2,664 | *34.2%* | | 3,876 |
| Profit before tax | 8,956 | 8,116 | *10.4%* | 78% | 11,832 |
| **Net profit** | **7,306** | **6,669** | ***9.6%*** | **71%** | **9,742** |

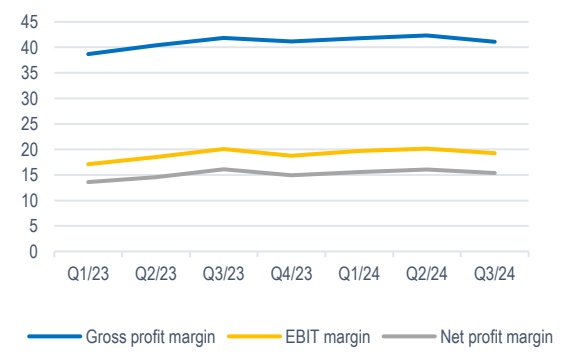
**Q3 net revenue reached VND 15,537 billion, down -6.72% compared to Q2 and approximately the same period last year.** In which, domestic revenue reached VND 12,928 billion, down -2.4% yoy due to consumer spending not really improving significantly and additionally some impacts from Typhoon Yagi, especially affecting Moc Chau milk with the main Northern market suffering a lot of direct damage from the storm. However, we believe that the situation may improve in the last quarter of the year thanks to more favorable weather.

**Accumulating 9M, domestic net revenue still grew by 1%**, reaching VND 37,957 billion and maintaining double-digit growth for raw yeast drinking yogurt product lines, Green Farm fresh milk, condensed milk and nut milk. According to the BOD, Green Farm's nut milk and fresh milk are currently leading the market share with revenue growth of 9M twice and +16% yoy, respectively.

**The growth momentum continued to come from the export market and foreign companies with Q3 growth of 9.4% yoy**, reaching VND 2,609 billion. This number has returned to normal levels after soaring in Q2. In which, export revenue reached VND 1,375 billion (+10.3% yoy) and revenue from foreign companies reached VND 1,234 billion (+8.5% yoy).

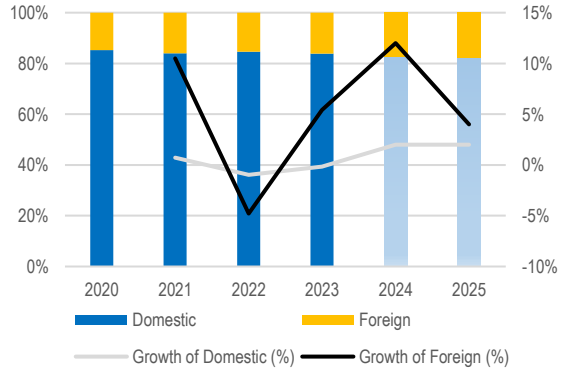
VNM currently owns four overseas subsidiaries, headquartered in the US, Cambodia, Poland and Laos. In addition, there are two affiliated companies in New Zealand and the Philippines with ownership rates of 11.8% and 50%, respectively. In addition to dairy products such as yogurt or condensed milk, Vinamilk is developing non-dairy products for export purpose, such as Vinamilk Cocofresh coconut water which is currently exported to the US, Canada, Japan, and Taiwan.

**Quarterly profit margin (%)**




Source: Company data, Shinhan Securities Vietnam

**Revenue structure by geography (%)**




Source: Company data, Shinhan Securities Vietnam

In terms of revenue structure, the main source of revenue still comes from the domestic market with a proportion of more than 80% of total revenue, the growth rate is almost flat, partly because Vinamilk has accounted for about 50% of the market share in the dairy segment, leaving limited room for growth in the domestic market share. Export revenue and revenue from overseas companies, although accounting for a small proportion, tend to expand with an expected growth rate of 4-5% per year.

Although there was a slight decrease in Q3, the cumulative gross profit margin of 9M still reached 41.9%, an improvement over the same period of 40.5% thanks to more stable import material costs. We expect gross profit margin to maintain in the last quarter of the year and give a gross profit margin forecast for the whole year 2024 of 42%.

For 2024, we forecast net revenue of VND 62,552 billion, an increase of 3.6% compared to 2023 and net profit of VND 9,742 billion (equivalent to an increase of 8.02% yoy). We expect domestic revenue to grow by about 2%; revenue from abroad will increase by 12% for the overall year 2024 based on the positive results achieved in the first 3 quarters of the year and remain steadily at 4-5% for the following years.

# Valuation and Recommendation

We use a combination of DCF and P/E valuation methods to evaluate VNM with a proportion of 50% for each method. For the FCFF method, we use the assumptions and projections as below:

| **Weighted Average Cost of Capital (WACC)** | |
|---|---|
| **WACC (%)** | **9.1** |
| Risk-free rate (%) | 2.5 |
| Equity risk premium (%) | 9 |
| Beta | 0.77 |
| Debt cost (%) | 3.4 |
| The cost of equity(%) | 9.5 |
| Debt-to-equity ratio | 0.06 |
| Total debt (Billion VND) | 8,456 |

Source: Company data, Shinhan Securities Vietnam

| **FCF valuation** | | | | | |
|---|---|---|---|---|---|
| **Unit: billion VND** | **2024F** | **2025F** | **2026F** | **2027F** | **2028F** |
| Net profit | 9,742 | 10,025 | 10,256 | 10,473 | 10,715 |
| Plus: After-tax interest expense | 281 | 285 | 287 | 292 | 298 |
| Plus: Depreciation & Amortization | 2,028 | 2,250 | 2,549 | 2,833 | 3,040 |
| Minus: Change in working capital | 178 | 437 | 448 | -202 | 238 |
| Minus: CapEx | -1,825 | -2,581 | -2,319 | -2,359 | -2,515 |
| **Free Cash Flow (FCFF)** | **10,405** | **10,416** | **11,221** | **11,037** | **11,776** |
| PV of FCFF | 10,405 | 9,548 | 9,428 | 8,500 | 8,312 |
| Long-term growth rate | 1.5% | | | | |
| Present value of long-term value | 110,908 | | | | |
| Enterprise value | 146,696 | | | | |
| Debt | 8,456 | | | | |
| Cash and cash equivalents | 23,049 | | | | |
| Minority interest | 3,329 | | | | |
| Number of shares outstanding (billion units) | 2.09 | | | | |
| **Target price (VND)** | **75,500** | | | | |

Source: Company data, Shinhan Securities Vietnam

For the P/E method, the P/E value we use for valuation is the mean P/E value of peer businesses in the industry and the average historical P/E of the enterprise in the recent 5 years. With a target P/E of 17.96x, the 12-month stock target price according to this method is 76,600 VND.

| Method | Current P/E | Average 5-year P/E | Mean P/E of peers | Target P/E | EPS 2025 | Target price |
|---|---|---|---|---|---|---|
| P/E | 15.3x | 18.2x | 17.7x | 17.96x | 4,269 | **76,600** |

Source: Bloomberg, Company data, Shinhan Securities Vietnam

| Ticker | Country | Market cap (bil VND) | Revenue growth (%) | EPS growth (%) | P/E | ROE (%) |
|---|---|---|---|---|---|---|
| CHINA MENGNIU DAIRY CO | China | 226,964 | 6.51 | -17.02 | 15.2X | 9.84 |
| NEW HOPE DAIRY CO LTD-A | China | 40,220 | 9.80 | 46.13 | 22.0X | 22.86 |
| FRASER & NEAVE HOLDINGS BHD | Malaysia | 60,452 | 4.88 | -2.94 | 19.4X | 15.76 |
| VIETNAM DAIRY PRODUCTS JSC | Vietnam | 137,310 | 0.69 | 4.23 | 16.0X | 27.89 |
| INTERNATIONAL DAIRY PRODUCTS | Vietnam | 15,457 | 9.34 | 12.71 | 16.2X | 38.56 |
| **Mean** | | | | | **17.7X** | |
| Median | | | | | 16.2X | |
| High | | | | | 22.0X | |
| Low | | | | | 15.2X | |

Source: Bloomberg, Company data, Shinhan Securities Vietnam

**Analysis of the sensitivity of stock prices when changing variables in valuation:**

**P/E Valuation**

| EPS 2025 \ P/E of peers | 76,600 | 15.2x | 16.2x | 17.7x | 22x |
|---|---|---|---|---|---|
| | 4,069 | 67,800 | 69,900 | 73,000 | 81,700 |
| | 4,169 | 69,500 | 71,600 | 74,800 | 83,700 |
| | 4,269 | 71,200 | 73,300 | **76,600** | 85,700 |
| | 4,369 | 72,900 | 75,000 | 78,400 | 87,700 |
| | 4,469 | 74,500 | 76,800 | 80,200 | 89,700 |

Source: Bloomberg, Company data, Shinhan Securities Vietnam

**FCFF Valuation**

| WACC \ Long-term growth rate of FCFF (g) | 75,500 | 1.00% | 1.25% | 1.50% | 1.75% | 2.00% |
|---|---|---|---|---|---|---|
| | 8.1% | 81,500 | 83,800 | 86,200 | 88,900 | 91,800 |
| | 8.6% | 76,400 | 78,400 | 80,500 | 82,800 | 85,200 |
| | 9.1% | 72,000 | 73,700 | **75,500** | 77,500 | 79,500 |
| | 9.6% | 68,100 | 69,600 | 71,200 | 72,800 | 74,600 |
| | 10.1% | 64,600 | 65,900 | 67,300 | 68,800 | 70,300 |

Source: Bloomberg, Company data, Shinhan Securities Vietnam

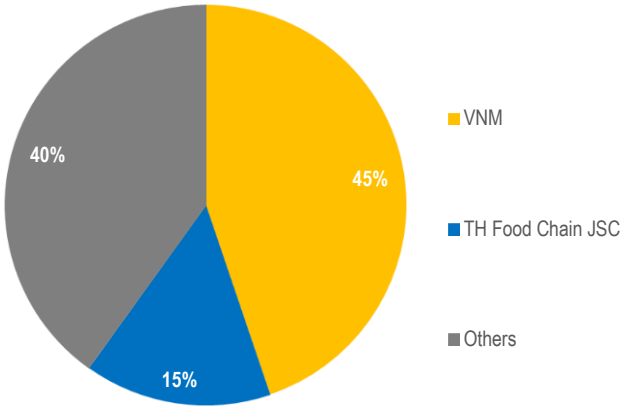
# Company background

### 1. History of development

Vietnam Dairy Products Joint Stock Company (Vinamilk, HOSE: VNM) was established in 1976 based on the takeover of 3 dairy factories from the previous period. By 1998, VNM successfully exported 300 tons of powdered milk and 2,000 tons of full cream milk to Iraq, paving the way for exports to the Middle East market and many other countries around the world. After 3 years of equitization, VNM was officially listed on the stock exchange in 2006 and gradually became the largest food and beverage company on HOSE. With over 47 years of establishment, Vinamilk is currently the leading dairy brand in Vietnam and the 6th largest dairy brand in the world.

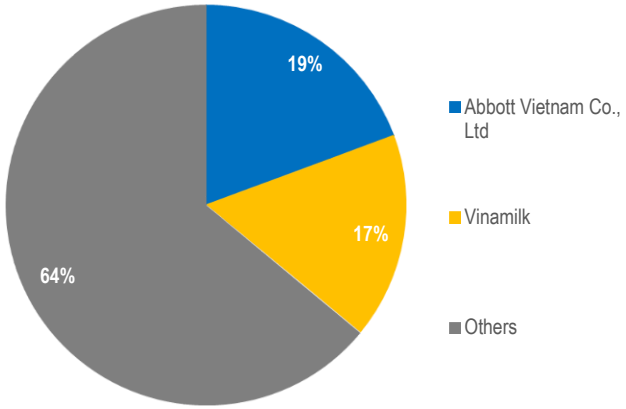
The success of the brand is reinforced by the company's continuous innovation. The company continuously launches and improves products from popular to high-end. Currently, Vinamilk is providing the market with 250 types of products with 4 main product categories including liquid milk (1), yogurt, condensed milk and formula (2). In which, 4 product categories (lliquid milk, infant milk, yogurt and condensed milk) accounts for more than 90% of milk product consumption by Vietnamese people (Euromonitor, 2023). In terms of product categories, Vinamilk holds the leading market share in the fresh milk, yogurt and condensed milk segments, and ranks second in the infant formula segment.

**Vinamilk maintains its leading position in the liquid milk industry**



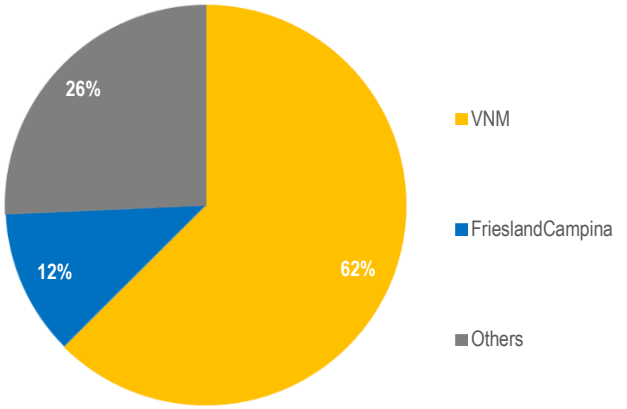

Source: Euromonitor, Shinhan Securities Vietnam

**Vinamilk holds the number two position in the infant milk industry**



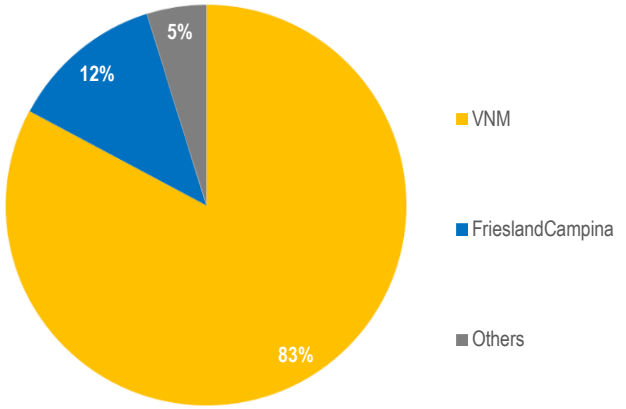

Source: Euromonitor, Shinhan Securities Vietnam

**Vinamilk maintains its leading position in the yogurt industry**




Source: Euromonitor, Shinhan Securities Vietnam

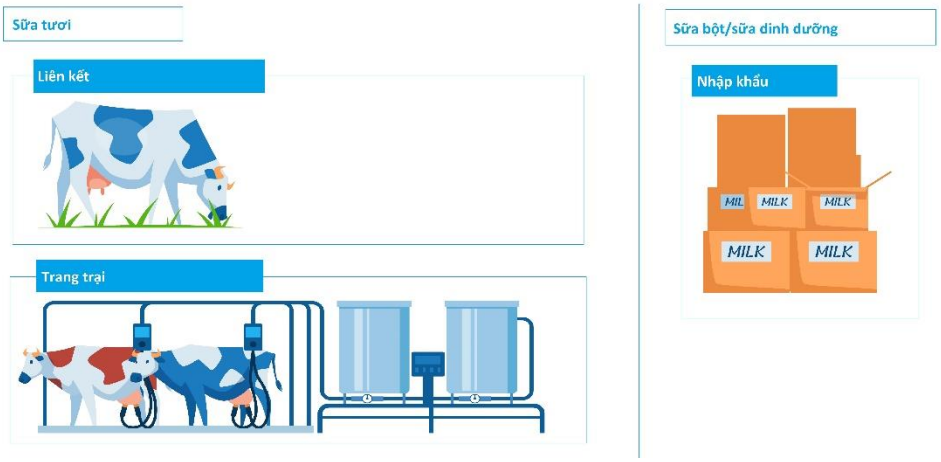
**Vinamilk maintains its leading position in the condensed milk industry**




Source: Euromonitor, Shinhan Securities Vietnam

## 2. Farms and raw materials

**VNM's raw materials primarily consist of imported fresh milk and powdered milk**




Source: VNM – Company presentation (2023), Shinhan Securities Vietnam

**To produce fresh milk products,** the company collects fresh milk from its own 15 farms and nearly 5,000 affiliated households. VNM is currently exploiting the largest dairy herd in the country with approximately 139,500 cows, supplying about 35% of the total fresh milk volume in the country.

**Vinamilk operates the largest dairy cow herd in the country (31/12/2023)**

| Farms | Herd (cows) | % cows | Milk production (ton/year) | % milk | Productivity (kg/cows/year) |
|---|---|---|---|---|---|
| VNM and MCM management | 38,000 | 27% | 168,000 | 40% | 4,421 |
| Associating with farmers | 101,500 | 73% | 240,000 | 60% | 2,365 |
| **Total** | **139,500** | **100%** | **408,000** | **100%** | |

Source: Annual Report (2023), Shinhan Securities Vietnam

Overall, the milk cow productivity of Vinamilk's high-yield farms is nearly double that of affiliated farmers and the national average. High productivity at Vinamilk's farms is mainly due to (1) increased imports of dairy cows from countries with high milk yields such as New Zealand and (2) dairy cows being cared for under a special regimen using advanced technology and animal welfare factors.

On the other hand, domestic milk production currently only meets 40-50% of domestic milk demand (Research and Markets, 2021). Therefore, to meet domestic milk demand and **produce milk powder and nutritional milk products**, VNM imports additional raw materials including whole milk powder (WMP), skim milk powder (SMP)(1) and fat powder from countries such as the US, Europe and New Zealand. This makes VNM's gross profit margin affected by the price of imported raw materials.

**Key Vinamilk projects planned for deployment in the next 5 years**

| Projects | Scale | Investment capital | Operation year |
|---|---|---|---|
| The Complex of Moc Chau Milk Paradise | 4,000 heads | VND3,150 billion | 2024 |
| Lao-Jagro dairy farm complex | Phase 1 including 24,000 heads | N/A | 8,000 heads were harvested in 2022 |
| The Complex of Breeding and Beef Processing Vinabeef Tam Dao – Phase 1 | 10,000 tons of products per year | ~VND3,000 billion | Commencing operations in 2024 |

Source: Annual Report (2023), Shinhan Securities Vietnam

The Vinabeef Tam Dao beef cattle breeding and processing project is a joint venture between (1) Vinamilk's high-quality beef cattle source, (2) Vilico's potential land fund, and (3) Sojitz Corporation of Japan's beef processing expertise in Tam Dao. The project consists of two main components: cattle breeding and a chilled beef processing plant with a capacity of 30,000 beef cattle per year (~10,000 products per year) with a total cooperation scale of USD 500 million. We believe that this cooperation opens up a new direction for Vinamilk, contributing to supporting the company's revenue in the next 5 years. If operating at full capacity, we estimate revenue of around VND 2,000-3,000 billion (accounting for about 3-5% of current revenue). However, due to insufficient information, we are cautious not to reflect the project's projected revenue in the company's revenue. We will provide updates when more information is available.

### 3. Distribution system

**Vinamilk's distribution system is superior its competitors**

| Distribution system | Vinamilk | Friesland Campina | TH True Milk |
|---|---|---|---|
| Selling points | 251,000 | >150,000 | >180,000 |
| Stores | 430 | N/A | >250 |
| Distributors | 200 | >150 | >180 |

Source: YCP Solidiance (2020), Shinhan Securities Vietnam

In addition to the raw material region, the distribution system also plays an important role in the market share battle. According to Euromonitor, about 97% of milk and dairy products are distributed through traditional retail channels such as grocery stores, supermarkets, etc., and only about 3% of products are sold through e-commerce. Therefore, owning a superior distribution system compared to competitors helps to increase the coverage of Vinamilk's products, thereby strengthening its market share.

### 4. Revenue and operating costs

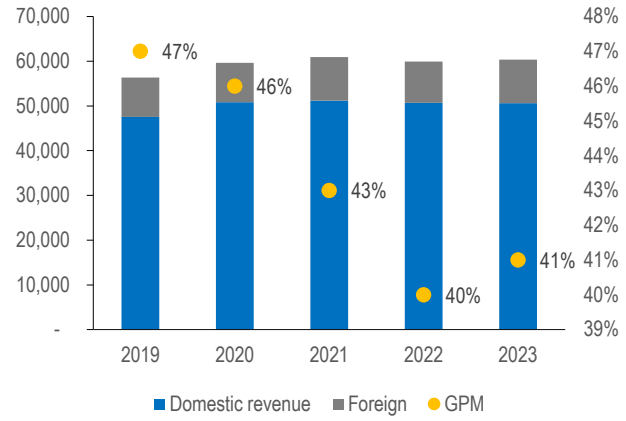
Vinamilk's revenue has grown by about 7.2% over the past 5 years, with about 84% coming from domestic sales and about 16% from foreign sales (exports and revenue from overseas branches). Of which, export revenue is mainly infant formula orders in the Middle East market, condensed milk in the Chinese market and condensed milk, yogurt, fresh milk products in the Asian market. In addition, the revenue of overseas branches including Driftwood - USA, Angkormilk - Cambodia and Del Monte - Vinamilk Joint Venture - Philippines also accounts for

nearly 50% of total foreign revenue. In general, domestic revenue is stable while foreign revenue mainly comes from the company's large and long-standing markets and partners.

Raw material costs are the highest proportion of Vinamilk's operating cost structure (55%), followed by selling expenses (26%). Vinamilk often locks in raw materials for 3-6 months in advance, however, the peak raw material prices in 2022 also caused the company's gross profit margin (GPM) to decrease slightly.

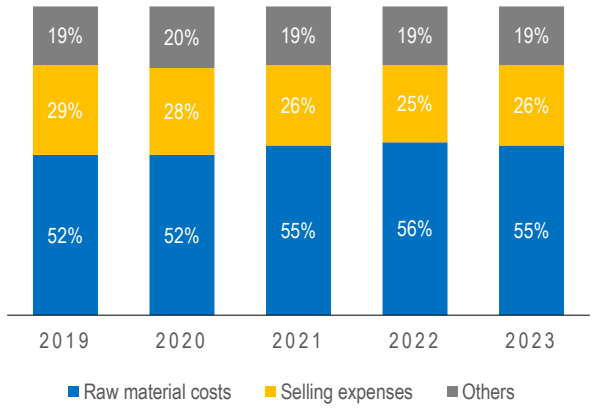
Selling expenses always account for a high proportion of operating costs. This shows the level of competition in the dairy industry in Vietnam when businesses have to increase selling expenses to increase brand awareness and maintain market share.

**Revenue (billion VND) and GPM (%) of Vinamilk**




Source: Company data, Shinhan Securities Vietnam

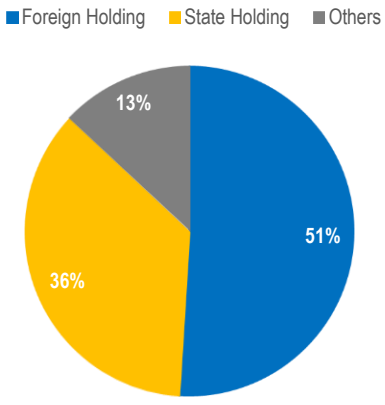
**Operating costs of Vinamilk**




Source: Company data, Shinhan Securities Vietnam

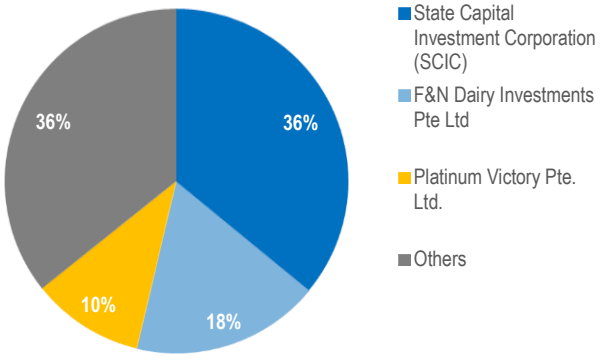
## 5. Ownership structure

**Ownership structure at 20/11/2024**



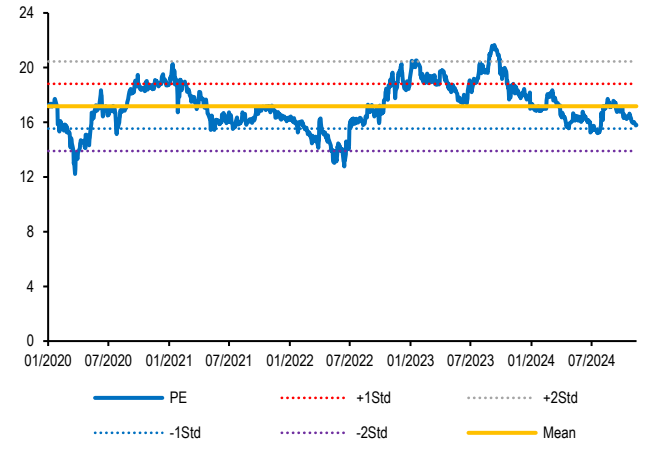

Source: Company data, Shinhan Securities Vietnam

**Ownership ratio by company at 19/11/2024**



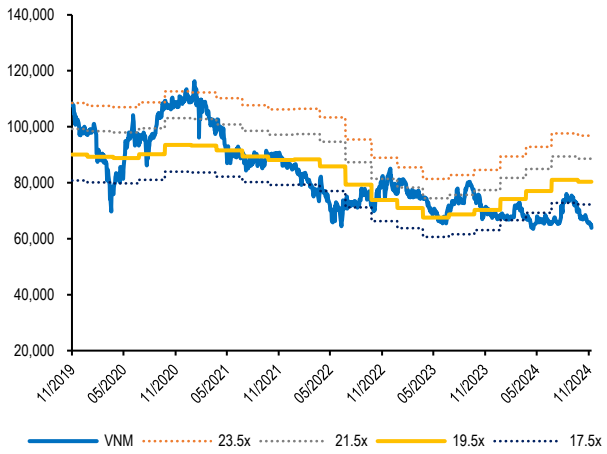

Source: Company data, Shinhan Securities Vietnam

## P/E



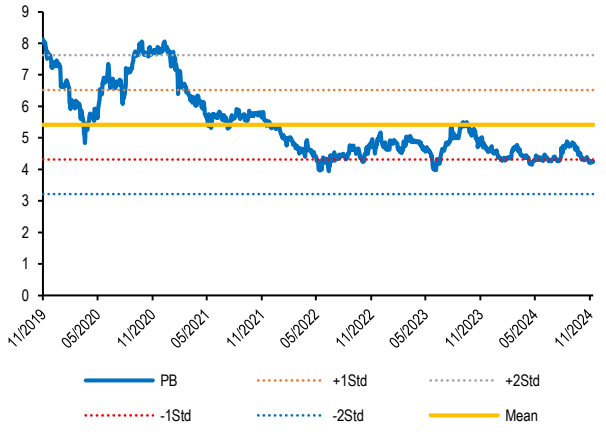

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## PE Band



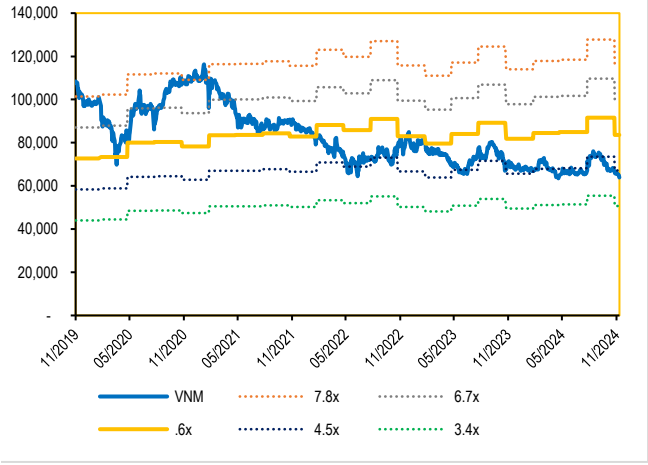

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## P/B



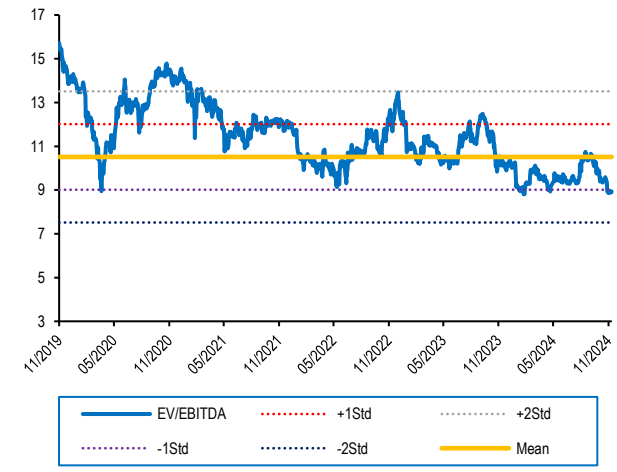

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## PB Band



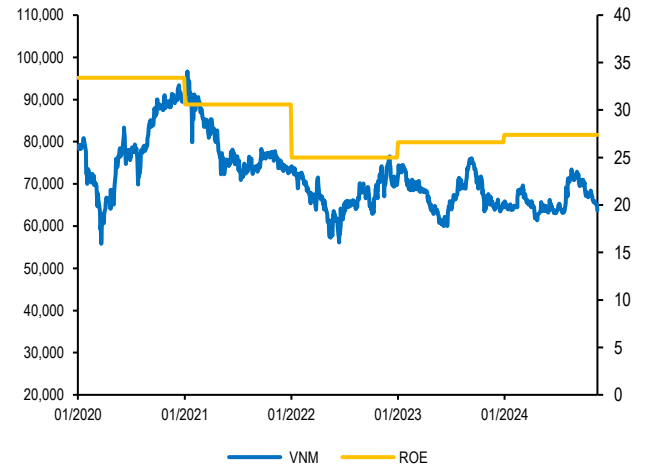

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## EV/EBITDA



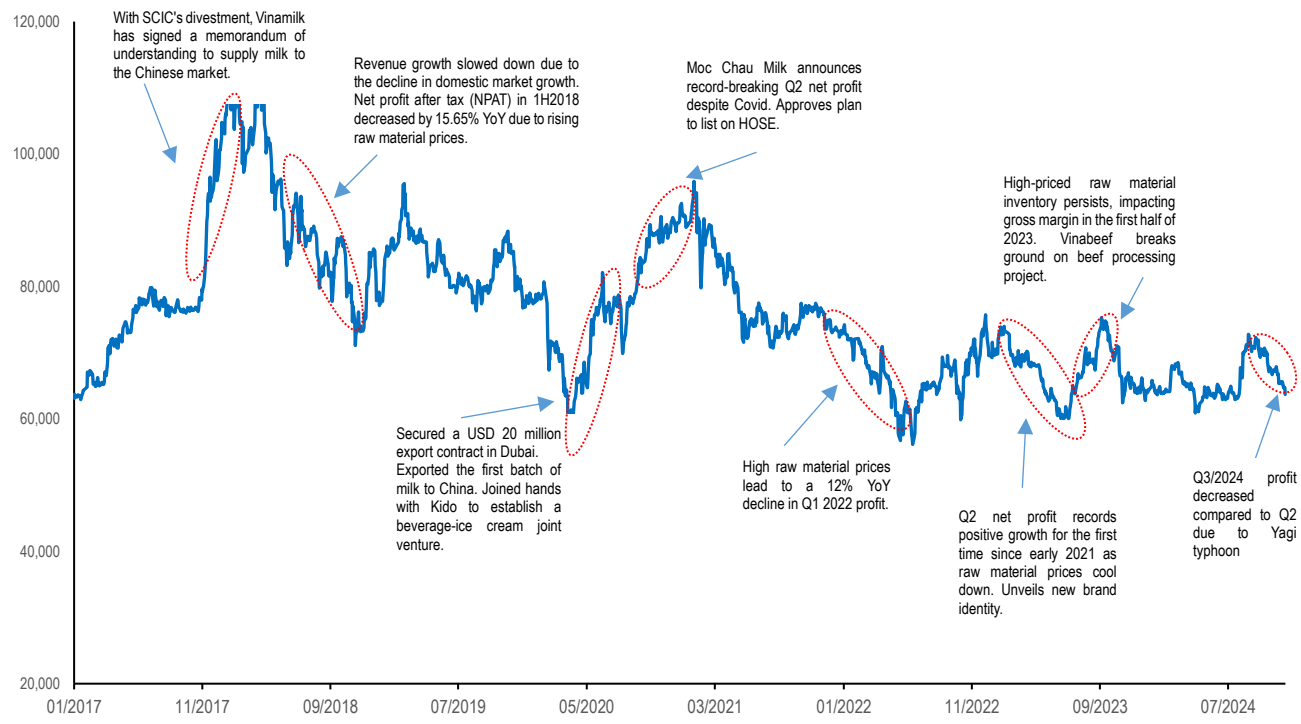

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## Price and ROE




Source: Bloomberg, Company data, Shinhan Securities Vietnam

**Key events chart of VNM**




Source: Company data, Shinhan Securities Vietnam

# Risks

## Geographical constraints in expanding farms and increasing milk productivity

According to the US Department of Agriculture (USDA), when the temperature-humidity index (THI) exceeds 70, cattle are prone to heat stress and this can affect milk yield. Specifically, milk production can decrease by 10-25% when cows are heat-stressed. At temperatures above 27 degrees Celsius, milk production decreases significantly.

In a tropical climate like Vietnam, where the average temperature is often above 25 degrees Celsius and the relative humidity often exceeds 80%, the THI regularly exceeds 75. These factors affect the overall milk yield of the industry. Therefore, to limit the effects of climate, dairy cattle farming is mainly concentrated in areas with natural, geographical and technical advantages.

**Dairy cattle farming is concentrated mainly in provinces with geographical and technical advantages.**

| Province | Number of cow heads | Weight (%) |
|---|---|---|
| Nghe An | 78,906 | 24.3 |
| HCMC | 61,340 | 18.9 |
| Lam Dong | 29,338 | 0.09 |
| Son La | 26,024 | 0.08 |
| Others | 129,546 | 39.8 |
| **Total** | **325,154** | **100** |

Source: Livestock statistics (2022), Shinhan Securities Vietnam

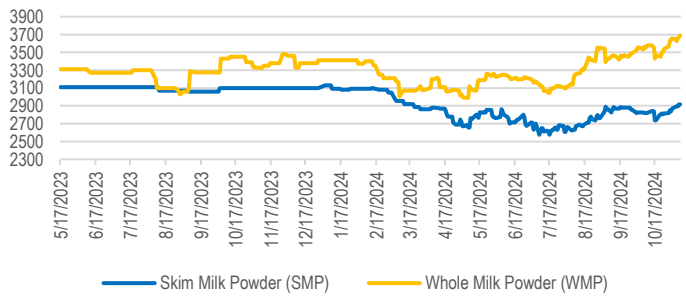
We believe that geographical and natural limitations can affect (1) the expansion of dairy farms in Vietnam in general and Vinamilk in particular, and (2) milk yield at farms where modern technology cannot yet be applied to reduce the effects of heat stress.

## Risk of dependence on imported raw materials

The characteristic of Vietnam's dairy industry is that domestic production can only meet 40% - 50% of consumption demand. Therefore, most dairy enterprises have to import milk powder from countries with high milk production productivity such as Australia, the US, and France,... to meet domestic demand. This pushes Vietnamese businesses into a position of dependence and risk on imported raw materials, and at the same time pushes the initiative into the hands of foreign dairy enterprises such as Abbott and FrieslandCampina.

**After a period of sideways movement and decline in the first half of the year, the price of milk powder including skim milk powder (SKM) and whole milk powder (WMP) both increased from July and has returned to the high range of 2022**. One of the main reasons comes from China when it reduces milk production (-4% in August and -1.9% in September 2024), causing the demand for milk powder to increase. Regarding the plan to expand the farm to reduce dependence on imported raw materials, the current situation is relatively difficult due to the limitation of applying for leased land, therefore the company can only focus on improving productivity to increase milk production. For that reason, it is necessary to monitor the price of these materials. If material price of imports continues to increase, it may affect VNM's profit margin in the following year if the company lacks the ability to transfer this cost increase to the selling price.

**Prices of imported materials (USD/ton)**




Source: Company data, Shinhan Securities Vietnam

# Appendix: Financial Statements

## Statement of financial position

| Year to Dec. (bn VND) | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Total assets** | **48,483** | **52,673** | **53,940** | **55,509** | **57,119** |
| Current assets | 31,560 | 35,936 | 37,618 | 39,080 | 41,142 |
| Cash & equivalents | 2,300 | 2,912 | 3,700 | 4,365 | 5,609 |
| Short-term financial asset | 17,414 | 20,137 | 20,865 | 21,355 | 21,858 |
| Accounts receivable | 6,100 | 6,530 | 6,769 | 6,928 | 7,091 |
| Inventories | 5,538 | 6,128 | 6,047 | 6,189 | 6,334 |
| Other short-term assets | 208 | 229 | 237 | 243 | 249 |
| Non-current assets | 16,923 | 16,737 | 16,321 | 16,429 | 15,977 |
| Net fixed assets | 11,903 | 12,690 | 12,585 | 12,576 | 12,546 |
| Investment assets | 743 | 831 | 831 | 831 | 831 |
| Other long-term assets | 4,277 | 3,216 | 2,906 | 3,022 | 2,599 |
| **Total liabilities** | **15,666** | **17,647** | **17,949** | **18,544** | **19,164** |
| Current liabilities | 15,308 | 17,139 | 17,513 | 18,223 | 18,857 |
| Accounts payable | 4,284 | 3,806 | 4,052 | 4,255 | 4,288 |
| Short-term borrowings | 4,867 | 8,218 | 8,470 | 8,667 | 8,768 |
| Others | 6,157 | 5,115 | 4,991 | 5,301 | 5,801 |
| Non-current liabilities | 358 | 508 | 436 | 321 | 306 |
| Long-term borrowings | 66 | 238 | 156 | 35 | 13 |
| Other financial liabilities | 292 | 270 | 280 | 286 | 293 |
| **Total shareholders' equity** | **32,817** | **35,026** | **35,991** | **36,965** | **37,955** |
| Capital stock | 20,900 | 20,900 | 20,900 | 20,900 | 20,900 |
| Investment and development fund | 5,267 | 6,164 | 7,123 | 8,047 | 8,974 |
| Other capital | 330 | 707 | 707 | 707 | 707 |
| Retained earnings | 3,353 | 3,926 | 3,930 | 3,998 | 4,085 |
| Non-controlling interest equity | 2,967 | 3,329 | 3,330 | 3,313 | 3,289 |
| *Total debt | 4,933 | 8,456 | 8,626 | 8,701 | 8,781 |
| *Net debt (cash) | (14,781) | (14,593) | (15,939) | (17,019) | (18,686) |

## Statement of comprehensive income

| Year to Dec. (bn VND) | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Revenue** | **59,956** | **60,369** | **62,552** | **64,021** | **65,529** |
| Growth (%) | -1.6 | 0.7 | 3.6 | 2.3 | 2.4 |
| **COGS** | **36,059** | **35,824** | **36,280** | **37,132** | **38,007** |
| **Gross profit** | **23,897** | **24,545** | **26,272** | **26,889** | **27,522** |
| GPM (%) | 39.9 | 40.7 | 42.0 | 42.0 | 42.0 |
| **SG&A** | 14,144 | 14,774 | 15,282 | 15,417 | 15,821 |
| **Operating profit** | **9,753** | **9,771** | **10,989** | **11,471** | **11,701** |
| Growth (%) | -17.1 | 0.2 | 12.5 | 4.4 | 2.0 |
| OPM (%) | 16.3 | 16.2 | 17.6 | 17.9 | 17.9 |
| **Non-operating profit** | **742** | **1,196** | **843** | **732** | **790** |
| Financial income | 1,380 | 1,716 | 1,546 | 1,436 | 1,529 |
| Financial expense | (618) | (503) | (727) | (738) | (744) |
| In which: interest expenses | (166) | (354) | (342) | (347) | (350) |
| Net other non-operating profit | (20) | (17) | 24 | 34 | 5 |
| **Pre-tax profit** | **10,495** | **10,967** | **11,832** | **12,204** | **12,491** |
| Income tax | 1,918 | 1,948 | 2,090 | 2,179 | 2,234 |
| **Net profit** | **8,577** | **9,019** | **9,742** | **10,025** | **10,256** |
| Growth (%) | -19.3 | 5.2 | 8.0 | 2.9 | 2.3 |
| NPM (%) | 14.3 | 14.9 | 15.6 | 15.7 | 15.7 |
| Controlling interest | 8,515 | 8,873 | 9,633 | 9,914 | 10,139 |
| Non-controlling interest | 62 | 146 | 110 | 110 | 117 |
| **EBIT** | **10,661** | **11,321** | **12,174** | **12,550** | **12,841** |
| Growth (%) | -18.1 | 6.2 | 7.5 | 3.1 | 2.3 |
| EBIT Margin (%) | 17.8 | 18.8 | 19.5 | 19.6 | 19.6 |
| **EBITDA** | **12,756** | **13,375** | **14,202** | **14,801** | **15,389** |
| Growth (%) | -15.7 | 4.9 | 6.2 | 4.2 | 4.0 |
| EBITDA Margin | 21.3 | 22.2 | 22.7 | 23.1 | 23.5 |

## Statement of cash flow

| Year to Dec. (bn VND) | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Cash flow from operations** | **8,827** | **7,887** | **10,402** | **11,276** | **11,724** |
| Net profit | 8,577 | 9,019 | 9,742 | 10,025 | 10,256 |
| D&A expense | 2,095 | 2,054 | 2,028 | 2,250 | 2,549 |
| (Gain) from investing activities | (1,098) | (1,397) | (1,546) | (1,436) | (1,529) |
| Change in working capital | 104 | (1,702) | 178 | 437 | 448 |
| Others | (851) | (87) | - | - | - |
| **Cash flow from investments** | **3,473** | **(2,989)** | **(1,006)** | **(1,635)** | **(1,293)** |
| Change in fixed assets | (1,457) | (1,580) | (1,825) | (2,581) | (2,319) |
| Change in investment assets | 3,592 | (2,882) | (728) | (490) | (503) |
| Others | 1,338 | 1,473 | 1,546 | 1,436 | 1,529 |
| **Cash flow from financing** | **(12,360)** | **(4,293)** | **(8,607)** | **(8,976)** | **(9,186)** |
| Change in equity | 338 | 347 | (963) | (991) | (1,014) |
| Net borrowing | (4,531) | 3,512 | 170 | 75 | 80 |
| Dividends | (8,167) | (8,152) | (7,814) | (8,059) | (8,252) |
| **Change in total cash** | **(60)** | **606** | **788** | **665** | **1,244** |
| Beginning cash | 2,348 | 2,300 | 2,912 | 3,700 | 4,365 |
| Change in FX rates | 12 | 6 | - | - | - |
| Ending cash | 2,300 | 2,912 | 3,700 | 4,365 | 5,609 |

Source: Company data, Shinhan Securities Vietnam

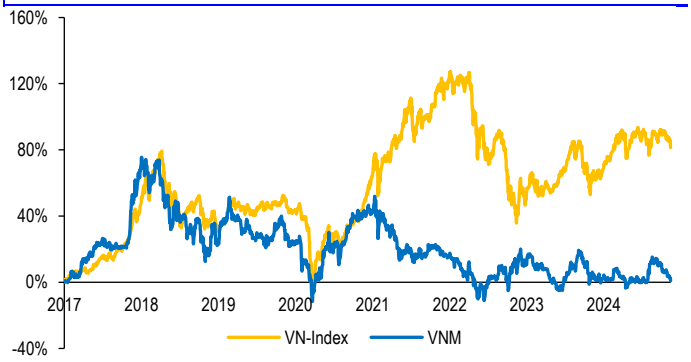
## Key ratios

| Year to Dec. | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| EPS (VND) | 3,632 | 3,796 | 4,148 | 4,269 | 4,366 |
| BPS (VND) | 14,282 | 15,166 | 15,627 | 16,101 | 16,586 |
| PER (x) | 19.2 | 17.0 | 18.2 | 17.7 | 17.3 |
| PBR (x) | 4.9 | 4.3 | 4.8 | 4.7 | 4.6 |
| Dividend payout ratio (%) | 128.9% | 69.5% | 80.0% | 80.0% | 80.0% |
| Dividend yield (%) | 7.10% | 4.23% | 5.72% | 5.01% | 5.13% |
| **Profitability** | | | | | |
| EBITDA margin (%) | 21.3 | 22.2 | 22.7 | 23.1 | 23.5 |
| OPM (%) | 16.3 | 16.2 | 17.6 | 17.9 | 17.9 |
| NPM (%) | 14.3 | 14.9 | 15.6 | 15.7 | 15.7 |
| ROA (%) | 16.8 | 17.8 | 18.3 | 18.3 | 18.2 |
| ROE (%) | 25.0 | 26.6 | 27.4 | 27.5 | 27.4 |
| **Stability** | | | | | |
| Debt to equity ratio (%) | 15.0 | 24.1 | 24.0 | 23.5 | 23.1 |
| Net debt/ EBITDA (%) | (115.9) | (109.1) | (112.2) | (115.0) | (121.4) |
| Cash ratio (%) | 128.8 | 134.5 | 140.3 | 141.1 | 145.7 |
| Interest coverage ratio (x) | 64.2 | 32.0 | 35.6 | 36.2 | 36.7 |
| **Activity (%)** | | | | | |
| Payables turnover (days) | 43.4 | 38.8 | 40.8 | 41.8 | 41.2 |
| Inventory turnover (days) | 56.1 | 62.4 | 60.8 | 60.8 | 60.8 |
| Receivables turnover (days) | 37.1 | 39.5 | 39.5 | 39.5 | 39.5 |

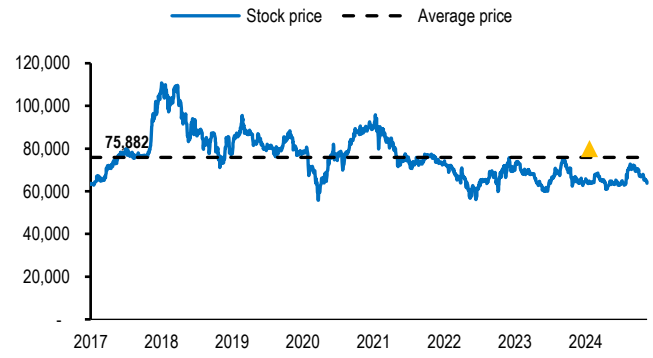
Source: Company data, Shinhan Securities Vietnam

# Viet Nam Dairy Products JSC (VNM VN)

## Stock price




## Target price




| Date | Rating | TP (VND) | TP gap (%) TB | TB |
|---|---|---|---|---|
| 25/04/2024 (Initiation) | BUY | 84,400 | 18.6 | 26.4/6.8 |
| 21/11/2024 (Update) | BUY | 76,000 | 15 | 3.5/23.8 |

Note: Calculation of target price gap based on past 12 months

**Shinhan Securities Vietnam**

| Stocks | Sector |
|---|---|
| ◆ **BUY:** Expected 12-month gain of 15% or more<br>◆ **HOLD:** Expected 12-month loss of 15% to gain of 15%<br>◆ **SELL:** Expected 12-month loss of 15% or more | ◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY<br>◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD<br>◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL |

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## Shinhan Investment Network

### SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

### NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

### Hong Kong
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

### Indonesia
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

### Shanghai
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

### Ho Chi Minh
Shinhan Securities Vietnam Co., Ltd.
18th Floor, The Mett Tower, 15 Tran Bach Dang, Thu Thiem Ward,
Thu Duc City, Ho Chi Minh City, Vietnam.
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

### Ha Noi
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000