Shinhan Securities

Food and Beverage

The recovery of consumption



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Food and Beverage: The recovery of consumption

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F&B sector 2024: Tightened spending remained a prominent feature

The tightening trend in spending still remained a prominent feature of 2024, however the long-term outlook opens up many bright opportunities for the Food and Beverage sector in Vietnam.

1. F&B sector 2024: Tightened spending remained a prominent feature

FMCG consumption declined in both urban and rural areas in comparison to the last year's same period

FMCG expenditure change in urban areas (% YoY)



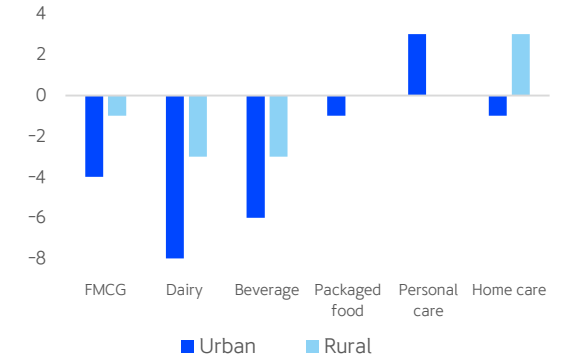
Source: Kantar World Panel, Shinhan Securities Vietnam

FMCG expenditure change in rural areas (% YoY)



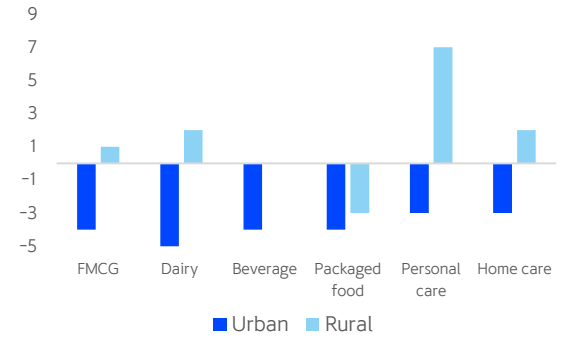
Source: Kantar World Panel, Shinhan Securities Vietnam

Detail FMCG expenditure change in Q1/2024 (% YoY)



Source: Kantar World Panel, Shinhan Securities Vietnam

Detail FMCG expenditure change in Q2/2024 (% YoY)



Source: Kantar World Panel, Shinhan Securities Vietnam

Data shows that FMCG consumption has declined since the beginning of the year in both areas. The reason for the decline in spending was that the increase in selling prices has not been able to compensate for the decrease in consumption volume, leading to a decrease in total spending.

Rural areas have begun to recover since the second quarter, while urban areas have not recorded growth but the rate of decline has slowed down, showing that domestic consumption demand was starting to recover.

Negative growth resulted mainly from the Food and beverage sector. The reasons for the impact on the dairy sector include a declining birth rate, an increasing breastfeeding rate and fierce competition with nutritional alternatives.

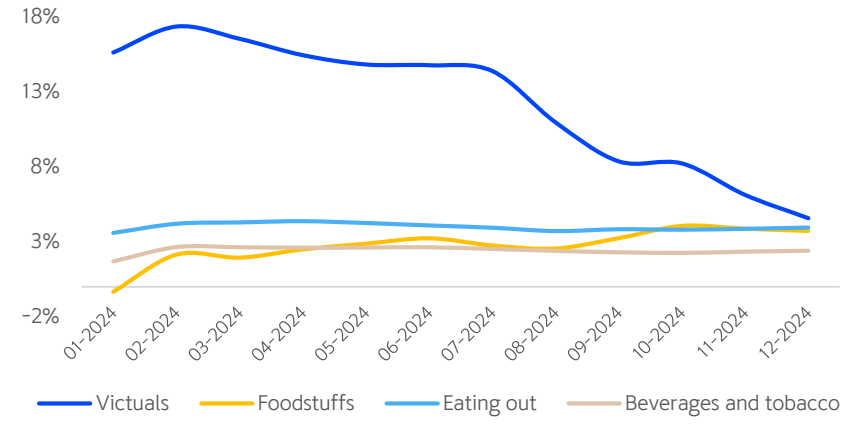
For beverages, **Decree 100*** continued to hamper beer growth. For packaged foods, basic cooking spices were competing with more convenient cooking products.

**Decree 100/2019/ND-CP is a regulation on administrative penalties for violations when participating in road traffic and rail transport.*

1. F&B sector 2024: Tightened spending remained a prominent feature

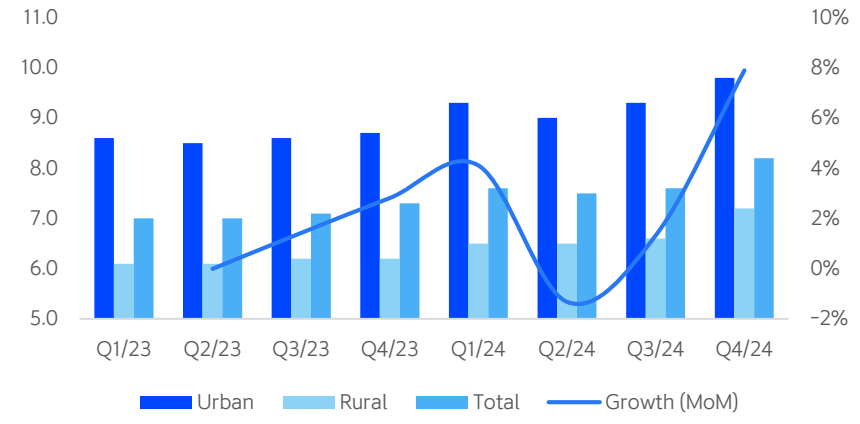
Slow income growth in the first three quarters of the year, which was disproportionate to price increases, was one of the reasons why consumers tightened their spending.

Consumer price index (YoY, %)



Source: GSO, Shinhan Securities Vietnam

Per capita income (VND million/month)



Source: GSO, Shinhan Securities Vietnam

Per capita income grew slowly in the first three quarters of the year, and Q2 even saw a decline in both urban and rural areas compared to the previous quarter. It only increased sharply in Q4/2024.

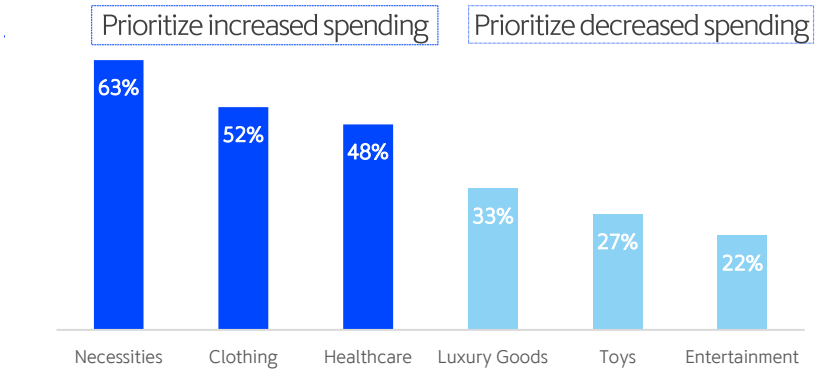
Meanwhile, CPI for Victuals, Foodstuffs and Beverages still grew, especially the Victuals group which increased sharply since the beginning of the year due to high rice prices and the peak consumption season during Tet. On a year-over-year basis, the Victuals price index in December increased by 4.58%, Eating out increased by 3.95%, Foodstuffs increased by 3.72%, Beverages and tobacco increased by 2.4%.

1. F&B sector 2024: Tightened spending remained a prominent feature

Rising prices and affordability are the top challenges facing Vietnamese consumers

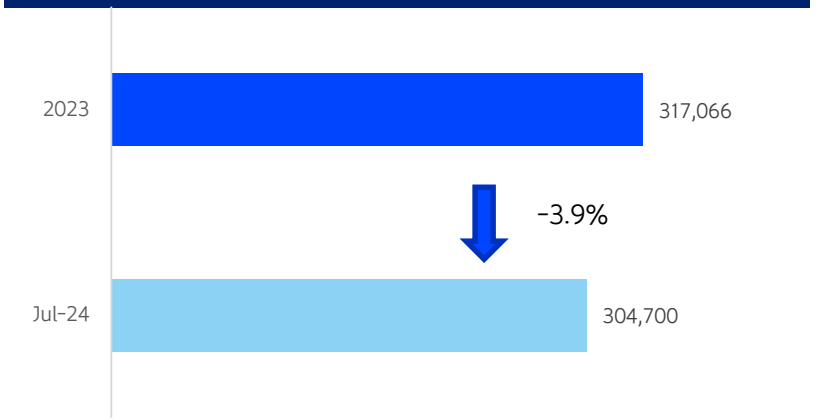
According to a survey report by PwC in August 2024, rising prices and ensuring affordability were the main concerns of Vietnamese consumers. In general, they tended to spend more cautiously through (1) cutting back on non-essential items such as luxury goods, entertainment products, books/newspapers; (2) prioritizing essential products/services such as necessities, clothing and healthcare.

Expected consumer spending level



Source: PwC, Shinhan Securities Vietnam

Number of F&B enterprises



Source: iPos, Shinhan Securities Vietnam

As of July 2024, Vietnam recorded 304,700 F&B enterprises, -3.09% compared to the end of 2023. At least 30,000 have closed nationwide, along with a somewhat limited number of new openings. In particular, Ho Chi Minh City was the most heavily affected area with the number of stores decreasing by 5.97%. In Hanoi, the number of stores gained a slight growth of about 0.1%. This partly reflects the difficulties and great competitive pressure in the industry, but at the same time also plays a role in improving the industry structure when weak businesses are eliminated.

This is also an opportunity to expand market share for businesses with strong potential and development strategies that are able to adapt to new consumer trends.

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Outlook for F&B sector 2025: The recovery of consumption

Sugar industry: Sugar price is projected to maintain at a high level and support profits for companies in sugar industry.

Beer industry: Increasing excise tax may affect business results in the short term but will soon recover

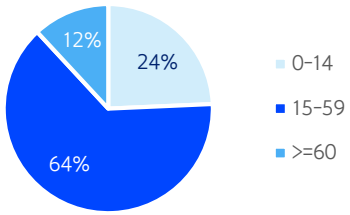
Dairy industry: Projected to grow at the compound rate of 4.1%/year until 2028 while the rise of imported raw materials will soon fade

2. Outlook for F&B sector 2025

F&B is still a potential industry in the long term thanks to the favorable demographic factors

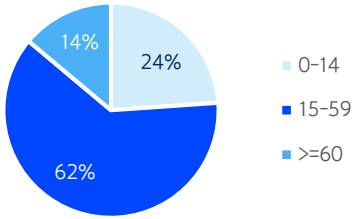
Advantages from the golden population structure which is expected to maintain until at least 2036

Population structure by age 2019 (%)



Source: GSO, Shinhan Securities Vietnam

Population structure by age 2023 (%)



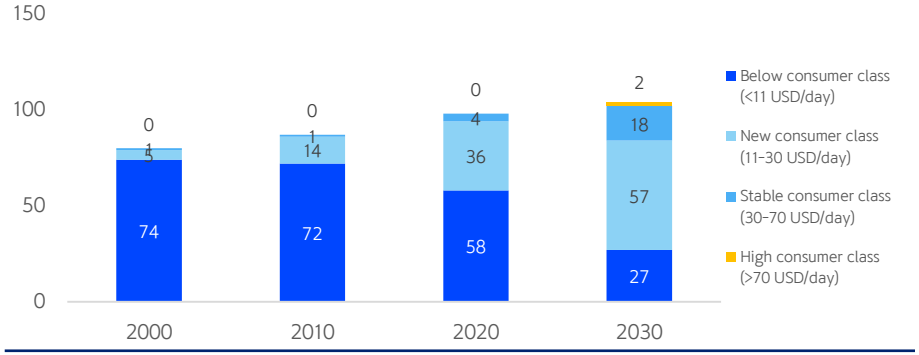
Source: GSO, Shinhan Securities Vietnam

While experiencing the aging trend, Vietnam still possesses the golden population structure and is expected to maintain it until at least 2036 (according to the United Nations Population Fund).

The high proportion of the population aged 15-59 (62.2% by the end of 2023) will bring many driving forces for growth in general and the Food and Beverage industry in particular thanks to diverse consumer demand, the ability to expand income and modern consumption habits. Along with that are the challenges of product innovation and upgrading to meet the ever-changing needs of consumers.

The expansion of the middle class creates momentum for consumption in the long term

Population structure by income (millions people)



Source: McKinsey, Shinhan Securities Vietnam

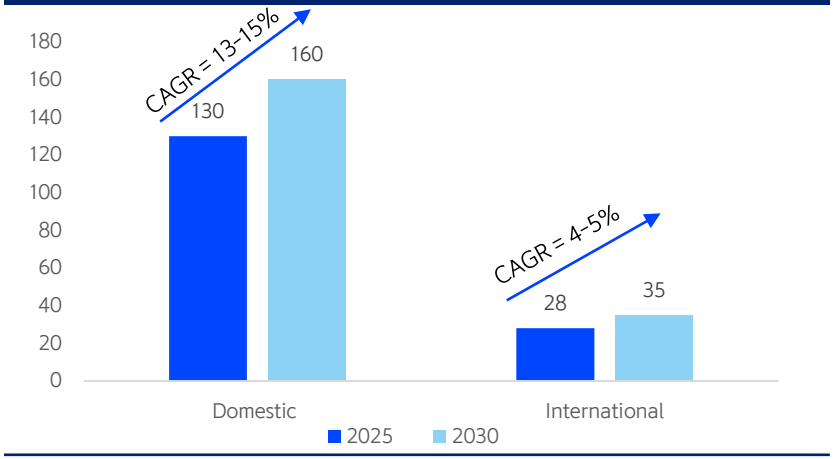
According to a McKinsey report, Vietnam could welcome additional 37 million people into the consumer class by 2030 (defined as those who spend at least $11 a day on purchasing power parity method).

In 2000, less than 10% of Vietnam's population was in the consumer class, but that number has now risen to 40%. By 2030, that figure could reach nearly 75%. The increased purchasing power will come not only from those entering the consumer class for the first time, but also from the expansion of incomes to higher levels of consumption.

2. Outlook for F&B sector 2025

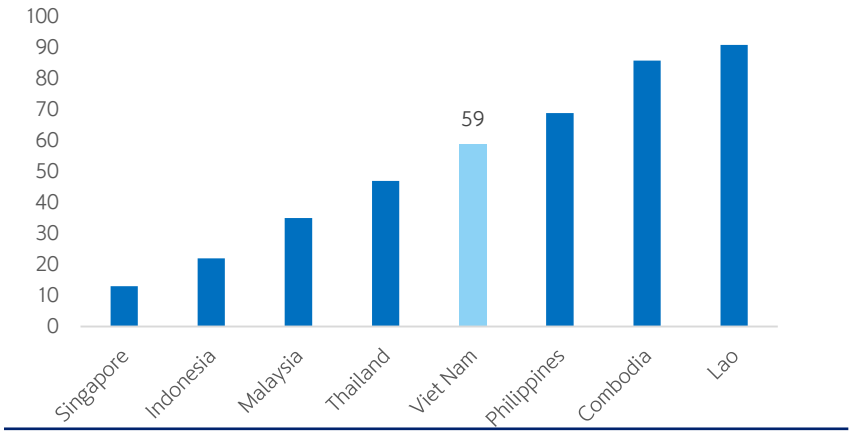
Besides, the potential for tourism development is also an important driving force to boost consumption and promote Vietnam F&B to the world market.

Number of tourists according to Government planning (millions)



Source: Government, Shinhan Securities Vietnam

Tourism & Travel Development Index 2024



Source: WEF, Shinhan Securities Vietnam

According to the recent 2024 Tourism & Travel Development Index (TTDI) ranking of the World Economic Forum (WEF), Vietnam ranked 59/119 globally and ranked 5th in the East Asia – Pacific region.

According to the Prime Minister's approval of the tourism system planning for the period 2021 – 2030, the goal is to welcome 25–28 million international visitors and 130 million domestic visitors by 2025. In 2030, it is expected to welcome 35 million international visitors and 160 million domestic visitors, contributing 13–14% to GDP.

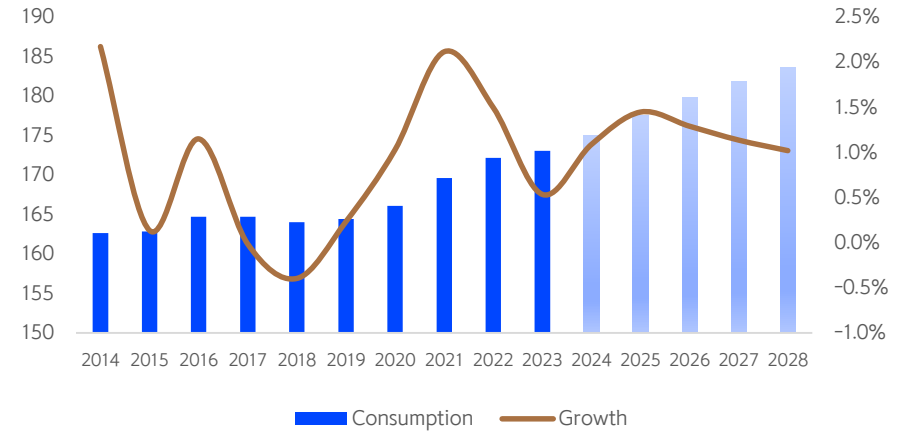
2. Outlook for F&B sector 2025: Sugar

Global Sugar Industry: Expected to maintain a CAGR of 1.2% per year in 2024-2033 period

Global sugar consumption has grown at a CAGR of 0-2% over the past decade. According to the OECD, global sugar consumption is expected to grow at a CAGR of 1.2% over 2024-2033 to reach 198 million tonnes, which is equivalent to the per capita consumption of 22.8 kg/person in 2033. The growth momentum comes from low and middle-income countries in Asia and Africa, where per capita consumption is low.

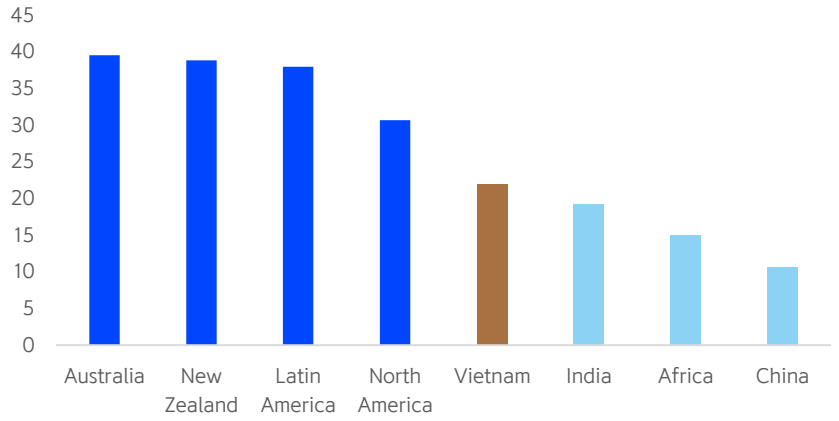
Despite efforts to find substitutes, sugar will remain the main source of sweeteners providing energy, accounting for up to 80% of the total in the next decade (according to OECD forecast).

Global sugar consumption (millions tonnes)



Source: OECD, Shinhan Securities Vietnam

Per capita sugar consumption 2023 (kg/person)



Source: OECD, Shinhan Securities Vietnam

Currently, the gap in sugar consumption between countries is quite large. In Africa and Asia (China and India), sugar consumption per capita remains low (under 20 kg/person). Meanwhile, in other developed regions such as Europe, America and Oceania, per capita consumption is high but tends to decrease in the future due to health concerns.

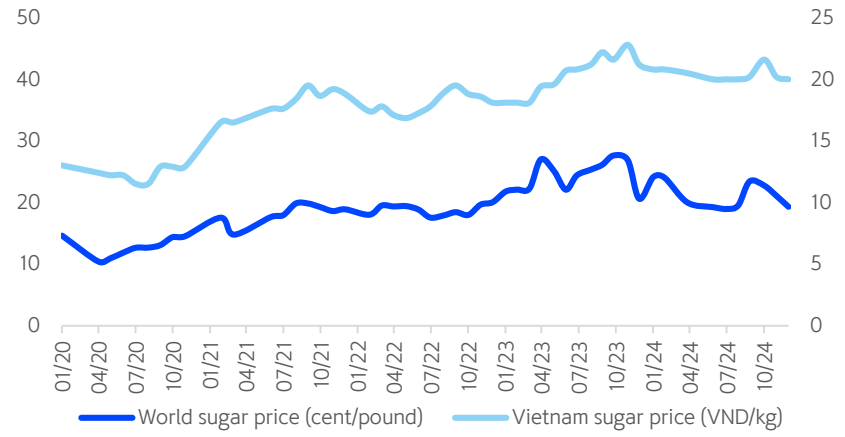
2. Outlook for F&B sector 2025: Sugar

Sugar price forecast: Projected to maintain at a high level and support profits for companies in sugar industry

World sugar price has generally been anchored at a fairly high level in recent years. After peaking in November 2023, world sugar price cooled down in 2024, mainly due to the recovery of sugar supply in Brazil when the weather was more favorable (El Nino weakened), helping sugar production increase again. On the other hand, sugar production in the 2023/2024 crop year of Thailand and India also showed better figures than forecast.

However, India (the world's second largest sugar producer, after Brazil) banned sugar exports indefinitely starting in October 2024 due to food security concerns, combined with forest fires and droughts that devastated sugarcane fields in Brazil, has caused world sugar price to rebound since September 2024 and are currently maintained at 19–20 cents/pound (equivalent to about 10–11 thousand VND/kg).

World sugar price (left) and domestic sugar price (right)



Nguồn: Bloomberg, Agromonitor, Shinhan Securities Vietnam

Domestic sugar price is relatively in line with world sugar price when it rebounded in July and has now increased by about 4% since the beginning of the year, maintaining at around 20–21 thousand VND/kg.

According to OECD forecast, world sugar price in 2025 may decrease slightly due to favorable cultivation. However, we suppose that domestic sugar price will still remain at a relatively high level compared to history. Businesses in the industry are expected to benefit from the high anchoring of sugar price.

Please note that in addition to the influence of world sugar prices, domestic sugar prices are also affected by seasonal factors, antidumping policies on Thailand sugar and illegal sugar importation.

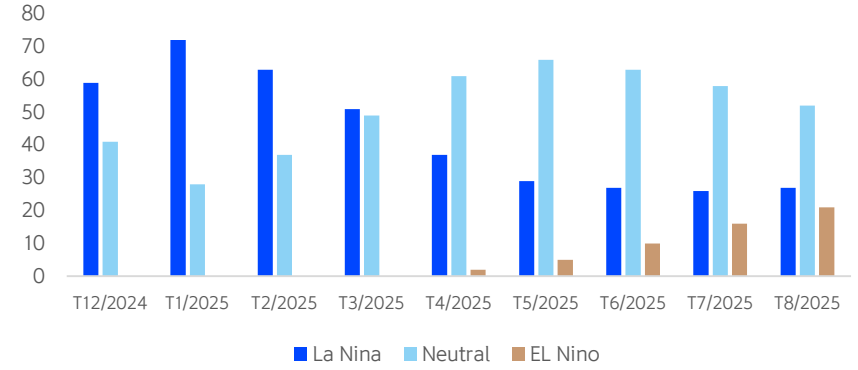
2. Outlook for F&B sector 2025: Sugar

Sugar price forecast: Projected to maintain at a high level and support profits for companies in sugar industry

According to the official forecast of the CPC (United States Weather Prediction Center) released in November, La Nina shall start sometimes around October–December 2024 with a probability of 57%. This situation may last until February, but most of 2025 will be in the neutral ENSO phase. Thus, the climate conditions for next year will be relatively favorable for global sugarcane cultivation and harvesting.

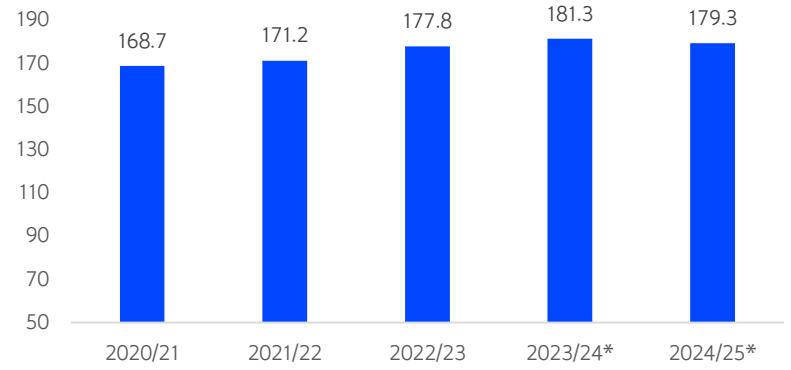
Global sugar production is expected to reach 179.3 million tonnes for the 2024/25 crop, decreasing slightly from 181.3 million tons in the previous crop year but still at a high level compared recent years. OECD forecasts that world sugar price is expected to decline slightly due to more favorable cultivation, but still at a high level in the last 5 years.

ENSO probabilities (%)



Source: CPC, Shinhan Securities Vietnam

Estimated global sugar production (millions tonnes)



Source: Agromonitor, Shinhan Securities Vietnam

One factor that should be tracked is that rising oil price could be a risk to the forecast, as higher oil price will encourage the use of sugarcane for ethanol production instead of sugar.

Please note that in Brazil, when ethanol price is 70% below gasoline price, it is much more profitable to use ethanol instead of gasoline. In India, the implementation of policies to promote biofuel development will put further pressure on sugarcane resources, with the Ethanol Blended Petrol Program (EBP) aiming for a 20% ethanol blend in gasoline (E20) by 2025/26. Any further policy developments that promote ethanol production could impact sugar production.

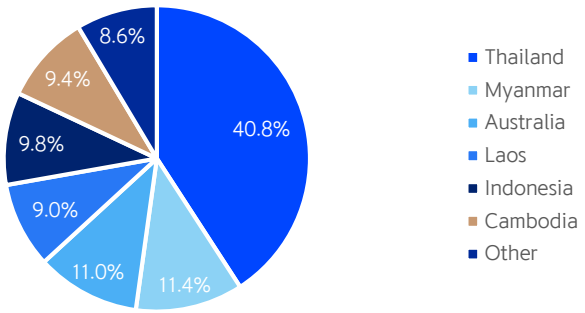
2. Outlook for F&B sector 2025: Sugar

Tax policy on imported sugar supports domestic enterprises

The current structure of the domestic sugar industry only meets about 1/3 of the total demand, which means we still depend a lot on imported sugar, including official imports (mainly Thai sugar with a proportion of nearly 50%) and illegally imported sugar.

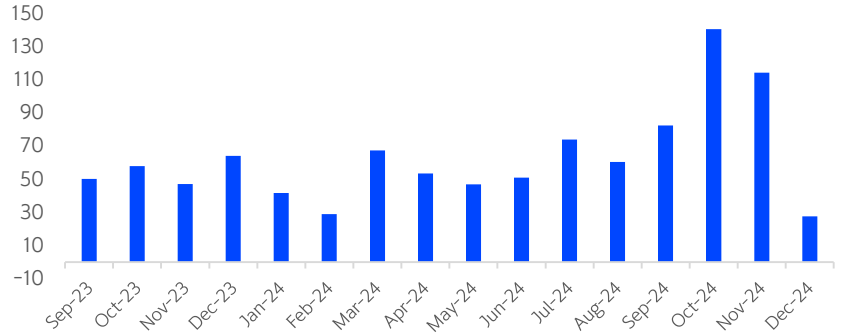
Thai sugar is cheaper than Vietnamese sugar due to advantages in raw material resources and lower production cost. Under pressure from dumping and subsidies of imported sugar which caused harm to domestic enterprises, the Vietnamese government has adopted a number of policies to protect the domestic sugar industry.

Import structure of raw sugar and refined sugar 10M/2024



Source: Agromonitor, Shinhan Securities Vietnam

Officially imported sugar output (thousands tonnes)



Source: Agromonitor, Shinhan Securities Vietnam

The protection policies currently in effect are:

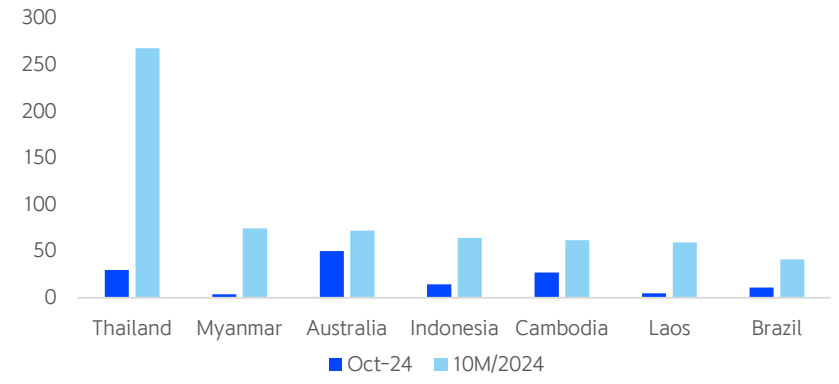
- Import tariff quota: In 2024, Vietnam set a sugar import quota of 126,000 tons, of which 121,000 tons have been allocated through auctions.
- Import tax: Sugar imported within the quota is subject to preferential tax rates according to commitments (Example: 5% for refined sugar under ATIGA*). Sugar outside the quota is subject to higher tax rates, up to 80 – 85% to limit uncontrolled imports.
- Anti-tax evasion measures: Vietnam has imposed anti-dumping and anti-subsidy taxes on sugar from Thailand since 2021. In addition, if sugar imported from Cambodia, Indonesia, Laos, Malaysia and Myanmar uses raw materials from Thai sugar, the same tax rate as for Thailand will also be applied (starting from 2022). The total applicable tax rate is 47.64%, of which the anti-dumping tax is 42.99% and the anti-subsidy tax is 4.65%.

ATIGA: ASEAN Trade in Goods Agreement*

2. Outlook for F&B sector 2025: Sugar

Thailand retained its dominant position in import quantity in 10M/2024

Raw and refined sugar imports by country (thousands tonnes)



Source: Agromonitor, Shinhan Securities Vietnam

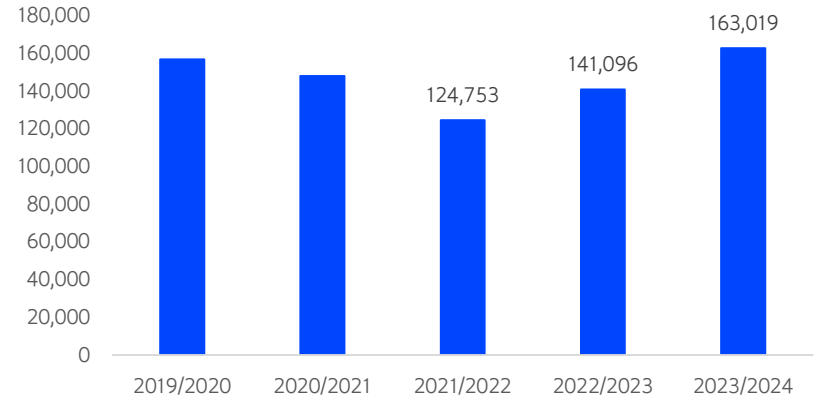
In October, Vietnam's raw sugar import reached approximately 89 thousand tonnes, three times higher compared to the same period last year (October 2023: 31.6 thousand tonnes). Refined sugar import was about 54.69 thousand tons, higher than the previous month and more than two times higher than the same period last year (October 2023: 26.7 thousand tonnes).

Import prices fluctuated around 450–616 USD/tonne CFR for raw sugar and 570–787 USD/tonne CFR for refined sugar.

Accumulated in 10M, Thailand still held the leading position with a total import volume of about 267.79 thousand tonnes since the beginning of the year. Following are Myanmar, Australia, Indonesia and Cambodia, respectively...

Improved sugarcane growing area and application of digital transformation in cultivation to increase productivity

Sugarcane area harvested over the years (ha)



Source: VSSA, Shinhan Securities Vietnam

Since the recovery from the COVID pandemic and the application of trade defense measures since 2021, the domestic sugar industry has been recording a revival. The sugarcane growing area has increased strongly in the 2021-2024 period. Sugarcane harvested area in the 2023/2024 crop year was 163,019 hectares, an increase of 11.4% compared to the previous crop year. The reason behind this was the rise in sugarcane purchase price, which guaranteed a stable source of income for farmers.

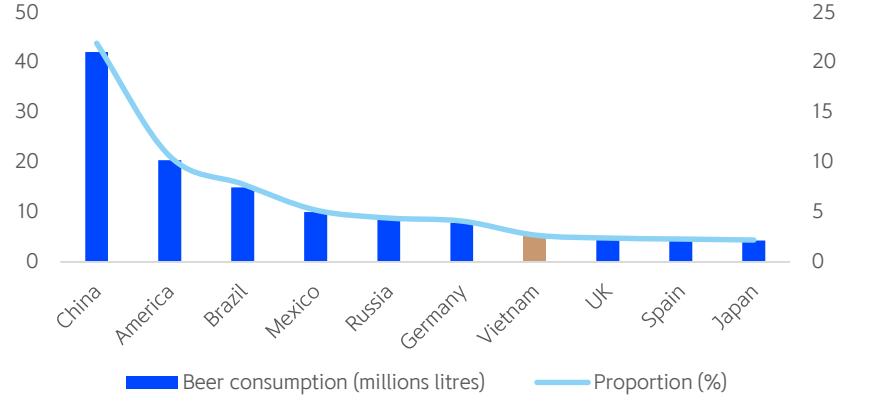
Thanks to the application of technology and foreign funding, digital transformation in the management of the sugarcane value chain is being carried out to improve sugarcane productivity and quality. Mechanization has been applied in many stages such as land preparation (mechanization rate over 90%), irrigation, although still limited in the care and weeding stages, etc.

2. Outlook for F&B sector 2025: Beer

Vietnam is in the top 10 countries with the highest beer consumption in the world

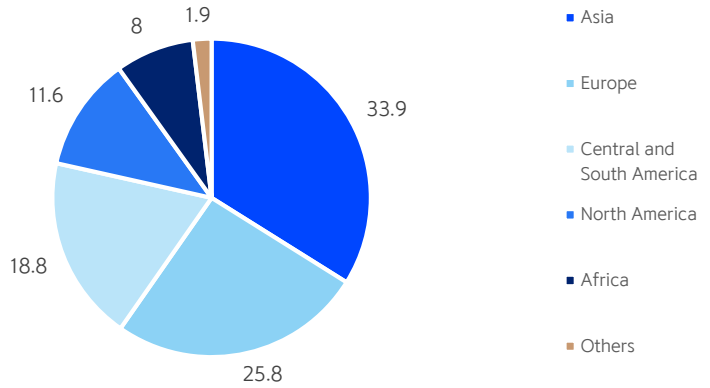
According to World Population Review, Vietnam is in the top 10 countries with the highest beer consumption in the world (2022). Specifically, beer consumption in Vietnam accounts for 2.7% of total global beer consumption. However, beer consumption per capita in Vietnam is only 43% compared to the average of the 10 countries with the highest beer consumption in the world. Therefore, we believe that Vietnam is still an attractive market. In addition, Asia is also the world's largest beer consumption market by geographical with a share of 33.9% in 2022.

Beer consumption by country (left) and proportions (right) 2022



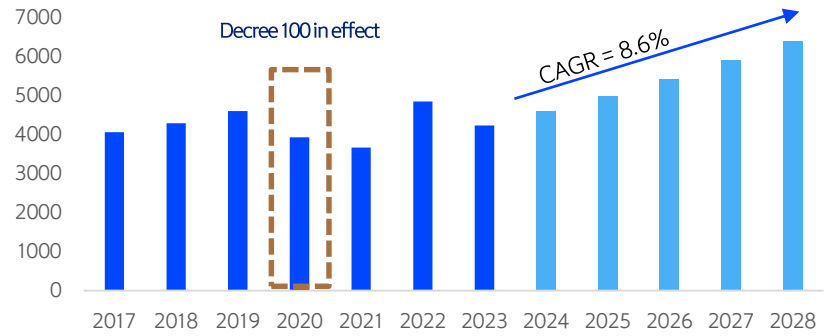
Source: World Population Review, Shinhan Securities Vietnam

Beer consumption by geography 2022 (%)



Source World Population Review, Shinhan Securities Vietnam

Beer consumption (millions litres)



Source: Euromonitor, Shinhan Securities Vietnam

Beer consumption in 2023 decreased by 12% to 4.2 billion litres due to the double impact of Decree 100 and the trend of tightening spending among economic difficulties, in which the popular beer segment was more affected than the premium beer.

However, the beer industry is still forecasted to grow at a compound rate of 8.6%/year in the 2024-2028 period and reach 6.4 billion litres in 2028 (Euromonitor) thanks to the economic recovery and consumers gradually adapting to the alcohol content penalty regulations, combined with the rapid expansion of ride-hailing services such as Grab, XanhSM, Be...

2. Outlook for F&B sector 2025: Beer

Characteristics and trends in beer consumption in Vietnam

For Vietnamese people, beer is not simply an alcoholic beverage but also associated with many factors related to culture and society.

Drinking beer has become a part of the communication culture to enhance relationships. In addition, the hot and humid climate makes beer, especially cold beer, a popular choice for quenching thirst – for both locals and tourists.







Market segments and products



Non-alcoholic and low-alcoholic beers is on the rise

Consumers are increasingly concerned about health issues and prioritize products that provide a lower "hangover". According to a study by the global beverage market analysis company International Wine and Spirits Record (IWSR), Generation Z drinks less than Millennials. Realizing this need, businesses have launched products to meet users' demand, such as Heieken 0.0, Sabibeco's Sagota beer or Sabeco's Lac Viet Beer.

Economy	Mid-priced	Premium and super premium
• For low and middle income class with prices below 30,000 VND/litre (equivalent to 10,000 – 12,000 VND/can). • Huda and Larue, in addition to Vietnamese fresh beer.	• For average income class with prices of VND30,000 – VND40,000/litre. • Habeco, Sabeco, Heineken and Carlsberg.	• For higher than average income class with prices higher or around 40,000 VND/litre. • Heineken with two products Heineken and Tiger has a market share of around 68%, followed by Sabeco with Saigon Chill and Saigon Gold.

2. Outlook for F&B sector 2025: Beer

Value chain of beer industry: Imported raw materials account for a large proportion of the cost structure

Barley
Hops
Aluminium
Yeast

Step 1: Grind the barley
Step 2: Mix and brew with hot water
Step 3: Cook the wort with hops
Step 4: Separate the dregs and cooling
Step 5: Add yeast to create alcohol, CO2 and aroma
Step 6: Brew, filter and cooling

Package and distribution

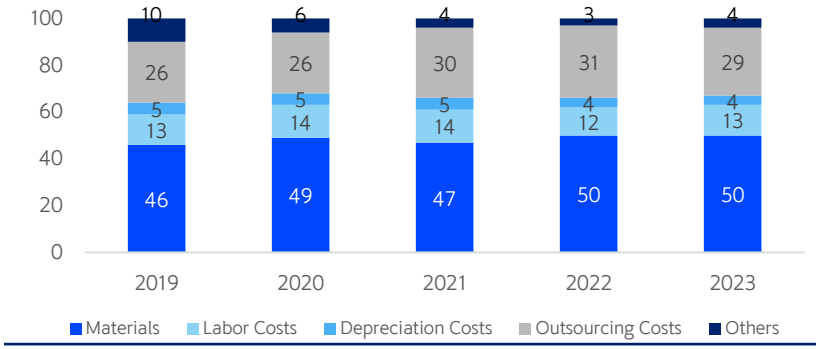
On-trade channels: food stalls, restaurants,

Off-trade channels: supermarkets, stores, agencies

Due to unsuitable tropical climate and soil conditions for cultivation, raw materials such as barley and hops must be imported from countries in Europe, Australia and the US – where the climate is more favourable. These raw materials often account for a large proportion of the production cost structure (this ratio at SAB is approximately 50%), so fluctuations in the imported raw materials' price can affect the gross profit margin.

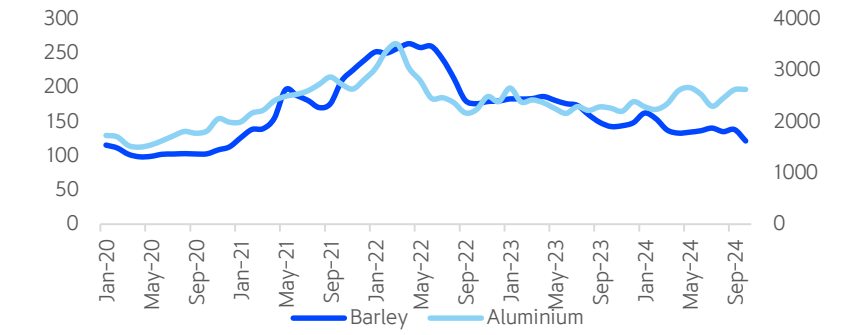
Recently, aluminum price in the international market has been on an uptrend, mainly due to tight supply and high demand from energy transition projects as well as electric vehicle manufacturing in China. On the contrary, barley price has been declining thanks to increased output from countries such as Australia and Canada, which helped to improve supply.

Production cost structure of SAB (%)



Source: Company data, Shinhan Securities Vietnam

Barley price (USD/tonne – left) and aluminium price (USD/tonne – right)

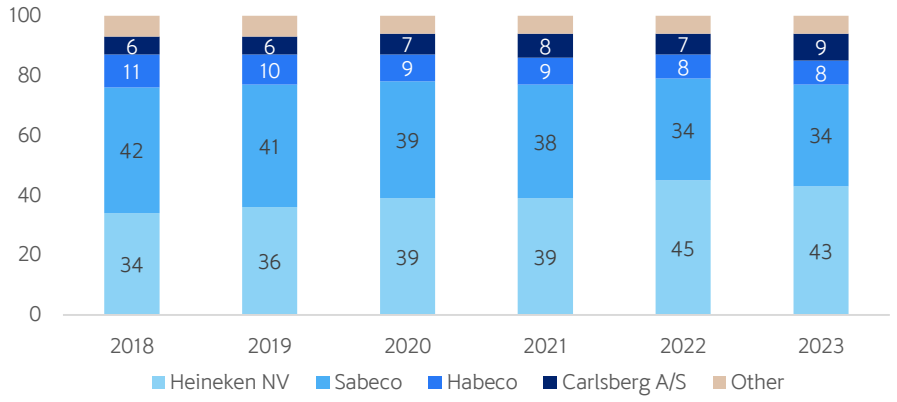


Source: IMF, Bloomberg, Shinhan Securities Vietnam

2. Outlook for F&B sector 2025: Beer

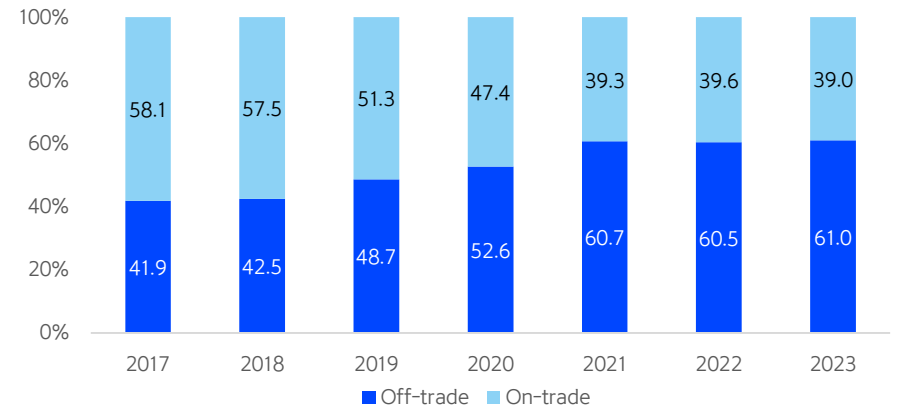
Concentrated market and the shift in consumption trend featured by increasing sales through Off-trade channel

Vietnam beer market shares (%)



Source: Euromonitor, Shinhan Securities Vietnam

Beer distribution via channels (%)



Source: Euromonitor, Shinhan Securities Vietnam

Vietnam beer market is quite concentrated with about 80% of shares in the hands of two giants, Heineken and Sabeco

In general, Heineken's market share increased over the years (except for 2023). This can be explained by Heineken's effective strategies during the pandemic, while Sabeco's market share reflected the general market situation.

This dual-dominant position is expected to maintain for the upcoming periods, while Carlsberg has been gaining more market share over the past 5 years.

The proportion of sales through the Off-trade channel is gradually Increasing

Beer is distributed through two channels: On-trade (on-site consumption at pubs, restaurants, hotels) and Off-trade (take-away at supermarkets, convenience stores and agencies).

Although the On-trade channel has recovered, the Off-trade channel still accounted for a larger market share due to its convenience and price advantage, especially since the COVID pandemic and Decree 100, which affected consumer habits. This trend is expected to continue, especially with the strong boom of e-commerce and online shopping.

2. Outlook for F&B sector 2025: Beer

Draft Law on Excise Tax may affect businesses in the industry in the short term

According to the Global Excise Tax Application and Trends 2023 report, Vietnam is among the 27% of countries in the world that mainly apply the percentage method of calculating excise tax.



Currently, there are two streams of opinions about the method of calculating excise tax:
(1) continue to apply the ad valorem tax which is calculated based on percentage (relative method) and adjust the tax rate according to the roadmap;
(2) switch to a hybrid tax calculation method (both ad valorem and specific tax methods combined).

The rationale behind the need to change the tax calculation method is as follows: For products such as alcohol, the factors that directly affect consumers' health are the amount consumed and the alcohol content, rather than the prices of the products. Taxing based only on the selling prices can create motivation for consumers to switch to cheaper products to reduce tax obligations. At the same time, ad valorem taxes can also reduce the incentive for manufacturers to develop high-quality products at higher prices, because higher prices will lead to higher taxes.

Method	Definition	Advantage	Disadvantage
Ad valorem	Determining tax as a percentage of the taxable value of goods	• Progressive tax • Self-adjusting for inflation	• Unstable, unpredictable revenue • Unfair, leading to incentives to use cheap, low-quality products • Affected by the manufacturer's pricing strategy
Specific	Specify a certain amount of tax on a unit of goods	• Transparent, consistent • Ensure stability in estimated tax revenue	• Unable to keep up with price fluctuations during inflation and deflation • Must be adjusted frequently
Hybrid	Apply both the percentage tax calculation method and the absolute tax calculation method at the same time.	• Overcome the disadvantages of both methods • Ensure public health goals	• Complex tax system leads to high costs for both state management and manufacturers

Source: Shinhan Securities Vietnam

2. Outlook for F&B sector 2025: Beer

Draft roadmap for increasing excise tax on alcohol, beer and spirits is as follows:

Product	Effective tax rate	Option 1	Option 2
Wine from 20% ABV*	65%	Increase from 70% to 90% in the 2026-2030 period (increase 5% each year).	Increase from 80% to 100% in the 2026-2030 period (increase 5% each year).
Wine below 20% ABV	35%	Increase from 40% to 60% in the 2026-2030 period (increase 5% each year).	Increase from 50% to 70% in the 2026-2030 period (increase 5% each year).
Beer	65%	Increase from 70% to 90% in the 2026-2030 period (increase 5% each year).	Increase from 80% to 90% in the 2026-2030 period (increase 5% each year).
Spirits with sugar content over 5g/100ml	Not applicable	10%	10%

Source: Government, Shinhan Securities Vietnam

Among these two options, the Government is more in favor of option 2. According to this option, the selling price of alcohol and beer in 2026 will increase by about 10% compared to 2025, and increase by 2-3% compared to the previous year in the following years to ensure that product prices increase correspondingly with the inflation rate and income increase.

This draft law was submitted to the National Assembly in the October 2024 session, will be reviewed for approval in the May 2025 and will begin to be applied in January 2026.

**ABV: alcohol by volume*

2. Outlook for F&B sector 2025: Beer

Increasing excise tax may affect business results in the short term but will soon recover

We cannot yet quantify the impact of the new tax law on the profits of businesses in the industry. However, we believe that the impact will likely be short-term, after which the industry will quickly return to growth because of three reasons:

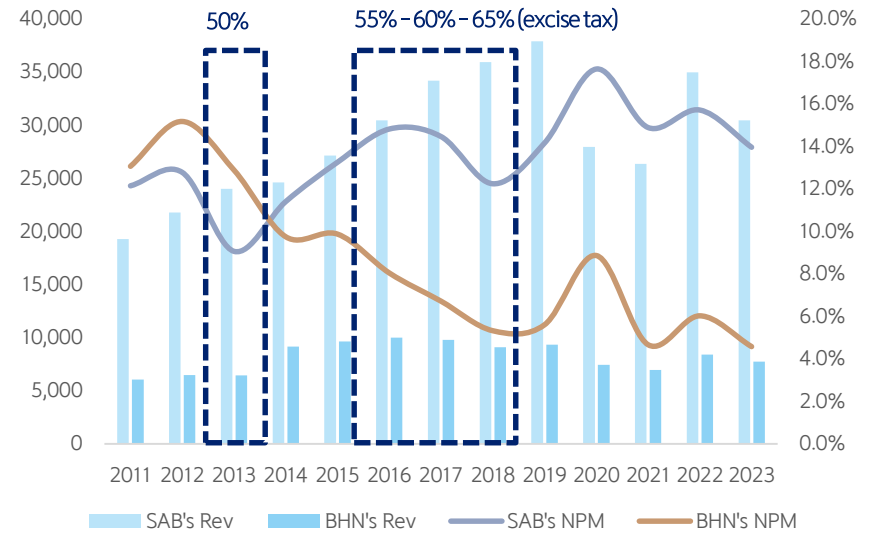
(1) Due to many cultural factors, wine and beer are not simply a drink but also a habit for many people, indispensable in parties or intimate meetings;

(2) Consumption trends and consumer behavior are not only affected by product prices but also by other factors such as demographics, regions, and culture;

(3) Companies can pass the increased tax on to consumers through higher prices.

Looking back at previous increases in excise tax on beer

Revenue (billion VND) and net profit margin (NPM) of beer enterprises



Source: Company data, Shinhan Securities Vietnam

Vietnam has experienced 4 increases in excise tax on beer. The tax rate applied was 45% in the 2010-2012 period, then increased to 50% from 2013, 55% from 2016, 60% from 2017 and 65% from 2018.

- For Sabeco (SAB), its revenue was almost unaffected by the excise tax increase (excluding the impact of the COVID pandemic in 2020-2021); except for 2014 when revenue almost saw no growth, the revenues in 2016-2018 still increased at a rate of 12%/12%/5% respectively. Net profit margin decreased during the years of tax increase and then quickly recovered.
- Hanoi Beer (BHN) seemed to have been more heavily affected by the excise tax increase. Revenue and profit margin both decreased during the periods of tax increase. This could be attributable to the fact that BHN was gradually losing power in the market share race when it could not compete in the mid-range and high-end segments.

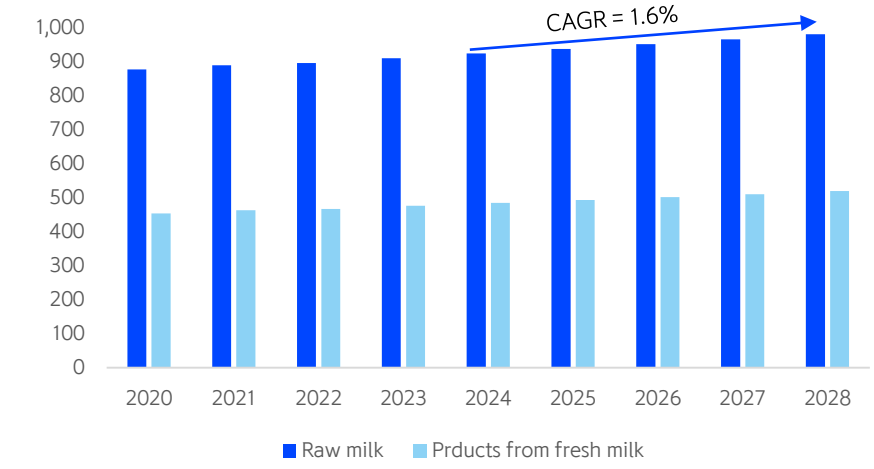
2. Outlook for F&B sector 2025: Dairy

Global milk production: Expected to maintain a CAGR of 1.58% in 2024-2028

Global milk production growth (constituted by 81% cow milk, 15% buffalo milk, 4% goat, sheep and camel milk respectively) is expected to grow at a CAGR of 1.58% per year in 2024-2028 period to reach 981 million tonnes in 2028. The growth is mainly driven by India and Pakistan, which together account for around 30% of global milk production.

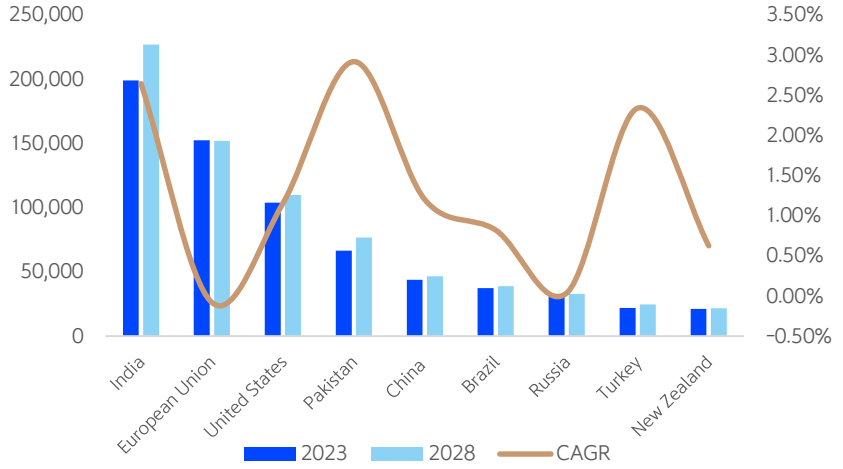
India – the world's largest milk producer – is expected to maintain a CAGR of 2.5% per year until 2028 although almost all of its milk is used for domestic consumption. In the second ranking, the EU's milk production is likely to show negative growth due to declining herd numbers and milk productivity. In addition, the US and Pakistan are also expected to increase their milk production. As US domestic demand is mainly for full-fat milk, the country will continue to expand exports of skim milk powder (SMP).

Global milk production (million tonnes)



Source: OECD, Shinhan Securities Vietnam

Top 10 largest milk producers in the world (thousand tonnes)



Source: OECD, Shinhan Securities Vietnam

2. Outlook for F&B sector 2025: Dairy

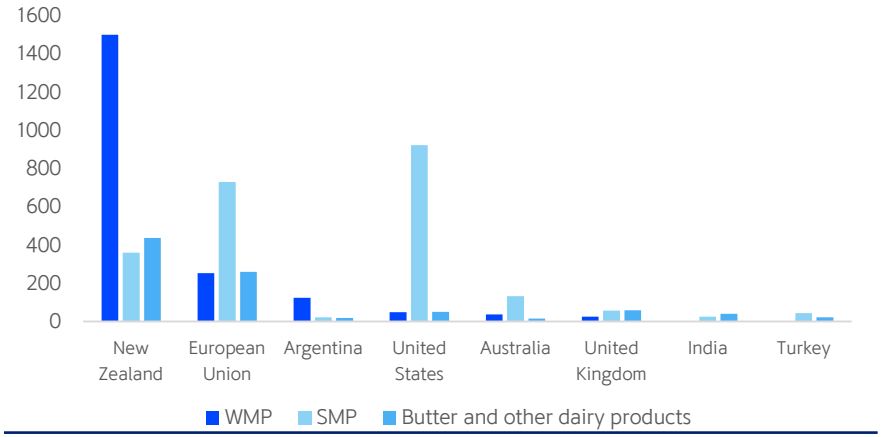
New Zealand takes the lead in exports, China retains its top import position despite expected output decline

Despite accounting for only about 2.5% of global milk production, New Zealand is the world's leading dairy exporter, with exports of 2.3 million tonnes in 2023, equivalent to 35% of global exports.

New Zealand, the US and EU are the top three exporters of processed dairy products, accounting for about 70% of the global share. New Zealand is the leading exporter of butter and whole milk powder (WMP), while the EU is the main exporter of cheese. Since 2021, the US has surpassed the EU to become the world's dominant exporter of skimmed milk powder (SMP), and this trend is expected to continue in the medium term.

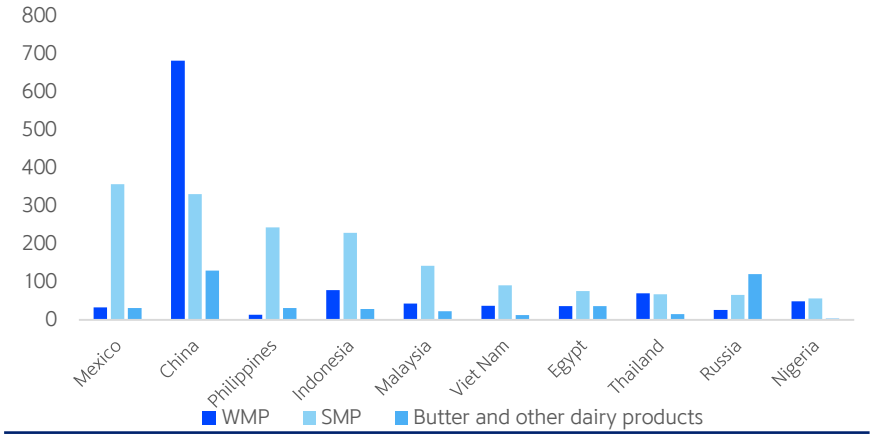
China is expected to remain the world's largest importer of dairy products, including SMP, WMP, cheese and butter. However, the country is expected to import less WMP due to inventory reason, government subsidies to stabilize the domestic processing industry and consumer preferences shifting to raw milk products over reconstituted milk. Vietnam is also among the top importers due to a shortage of domestic milk supply. These materials will be used in the processing of liquid milk, yogurt, or other products such as cheese, formula milk, etc.

Exports by country in 2023 (thousand tonnes)



Source: OECD, Shinhan Securities Vietnam

Imports by country in 2023 (thousand tonnes)

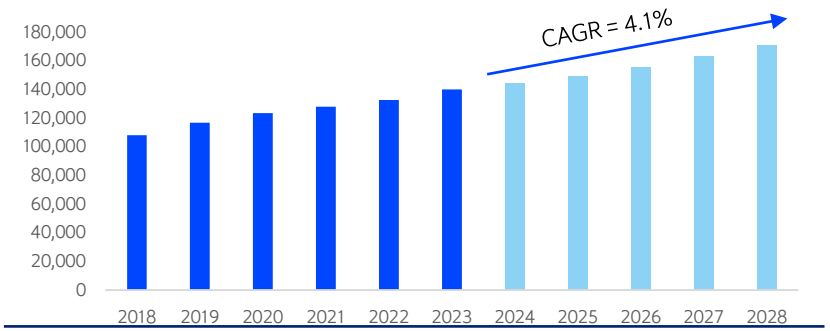


Source: OECD, Shinhan Securities Vietnam

2. Outlook for F&B sector 2025: Dairy

Vietnam's dairy market: Expected annual compound growth rate of 4.1% in the 2024-2028 period

Size of Vietnam's milk market (billion VND)



Source: Euromonitor, Shinhan Securities Vietnam

The demand for milk and dairy products is forecasted to grow at the CAGR of 4.1% in the 2024 – 2028 period (Euromonitor), which is higher than the growth rate of the world.

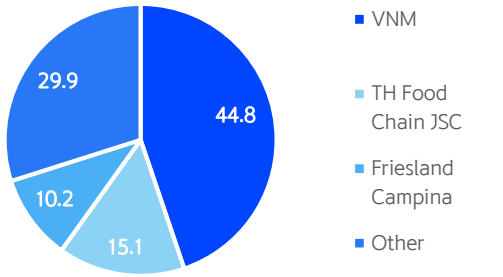
The growth momentum comes from increased spending on healthy foods motivated by improved incomes, and rich consumption potential when milk consumption in Vietnam is low compared to other Southeast Asian countries, only reaching 26-28 litres/person/year (those figures for Thailand is 35 litres and Singapore is 45 litres).

Vietnam milk market is quite concentrated with market shares in the hands of big players

The Vietnamese dairy market is quite concentrated and dominated by a few large companies such as VNM, Friesland or TH Food Chain JSC. VNM holds a leading position in the liquid milk, yogurt and condensed milk industry, and ranks second in the children milk.

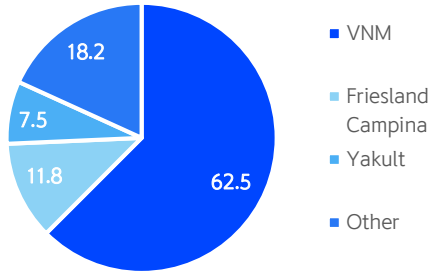
The Vietnamese dairy industry only meets 40-50% of domestic milk demand. There is still room for growth, but it is subject to huge competitive pressure from imported milk.

Fresh Milk Market Share 2023 (%)



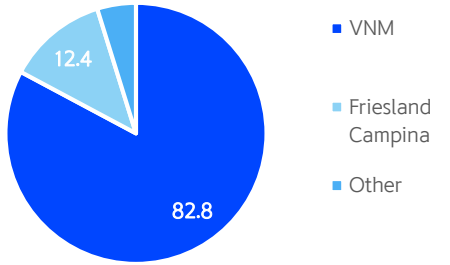
Source: Euromonitor, Shinhan Securities Vietnam

Yogurt Market Share 2023 (%)



Source: Euromonitor, Shinhan Securities Vietnam

Condensed Milk Market Share 2023 (%)



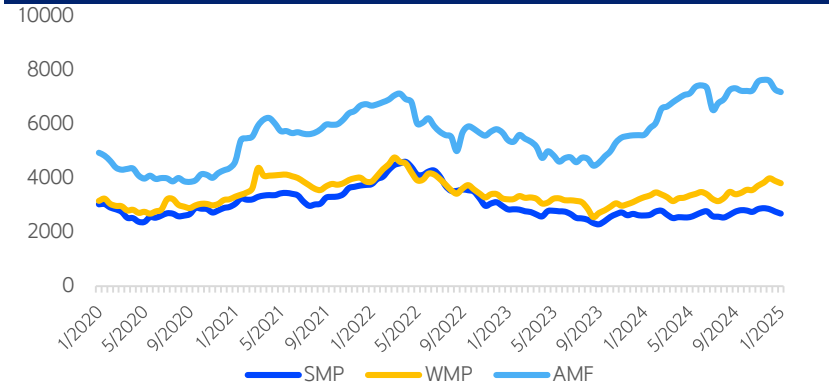
Source: Euromonitor, Shinhan Securities Vietnam

2. Outlook for F&B sector 2025: Dairy

Imported raw material prices are on the rise, but it will be difficult for the increase momentum to maintain

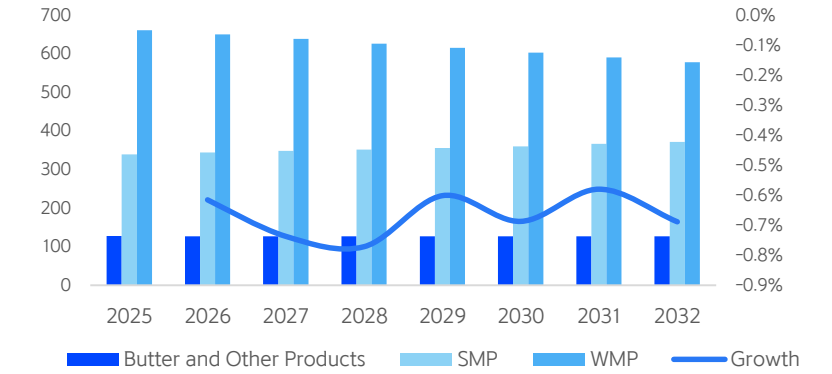
Due to the unfavorable climate and soil conditions for dairy farming as well as restrictions on land to expand raw material sources, the Vietnamese dairy industry still depends heavily on imported milk. Domestic enterprises must import additional raw materials including whole milk powder (WMP), skimmed milk powder (SMP) and anhydrous butter (AMF) from countries such as the US, Europe and New Zealand, causing gross profit margins to be affected by the price of those imported raw materials.

Material prices (USD/tonnes)



Source: Bloomberg, Shinhan Securities Vietnam

China's import forecast (thousands tonnes)



Source: OECD, Shinhan Securities Vietnam

Anhydrous butter (AMF) price remains significantly higher than milk powder prices due to increased demand for milk fat compared to other dairy solids.

After a period of declining in the first half of the year, milk powder prices including Skimmed Milk Powder (SKM), Whole Milk Powder (WMP) and Anhydrous Butter (AMF) have all increased since July 2024.

As the world's largest importer, China has been orienting its domestic dairy industry towards self-sufficiency. The country set a target of increasing milk production to 10 million tons in the 2018-2025 period and actually achieved it in 2023. Given that China is in the process of reducing imports (especially for whole milk powder WMP) while global milk supply is forecasted to increase; we believe that it will be difficult for the upward momentum of milk powder prices to maintain.

03

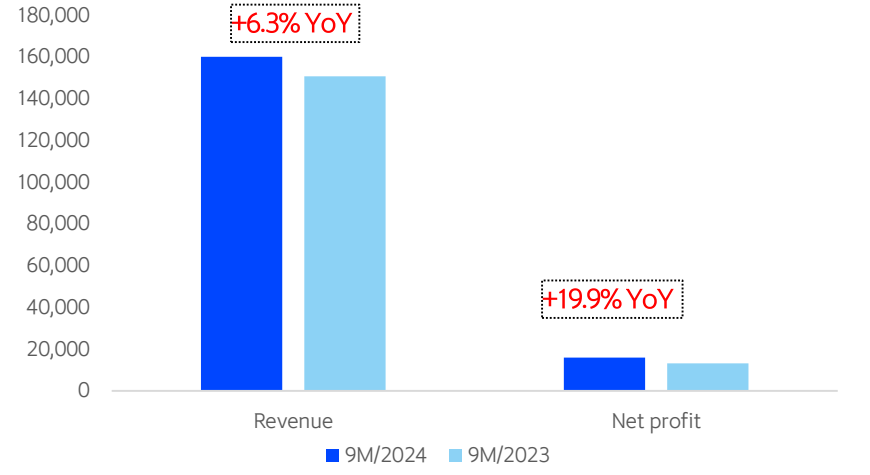
Investment opportunities with stocks in the F&B sector

QNS, SAB, VNM & MSN

3. Investment opportunities with stocks in the F&B sector

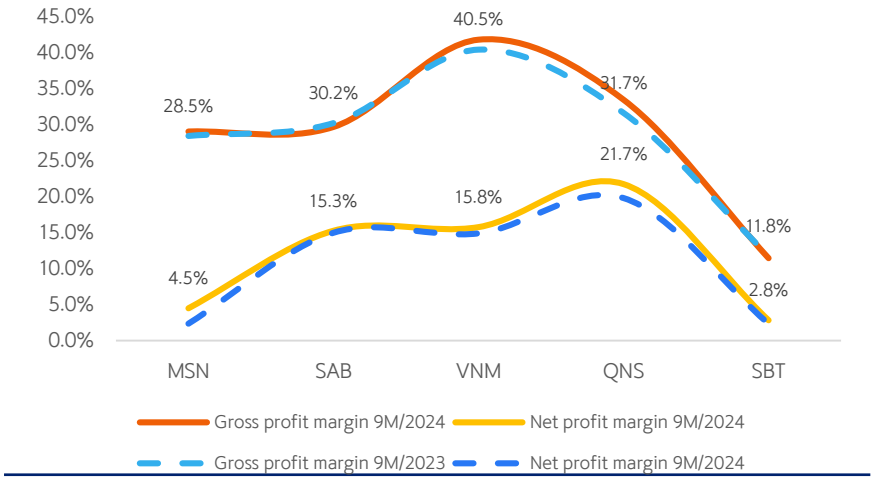
Update on 9M/2024 business results of listed companies in the F&B industry

Business results of listed companies* (billion VND)



Source: Company data, Shinhan Securities Vietnam
*Listed companies include MSN, SAB, VNM, SBT and QNS

Profit margins of listed companies



Source: Company data, Shinhan Securities Vietnam

Accumulated in 9 months of 2024, the F&B industry witnessed a slight growth in revenue of listed enterprises (+6.3% YoY), in which profit after tax achieved double-digit growth (19.9% YoY) – mainly thanks to the contribution of MSN (profit after tax doubled compared to the low base of 2023 due to a significant decrease in financial expenses and Wincommerce returning to record profit).

Profit margins improved in sugar enterprises (QNS and SBT) thanks to increased sugar prices during the year; and in MSN Group thanks to reduced financial expenses and better business results from the Wincommerce retail system. Across the 5 enterprises we monitor in the industry, gross profit margin and net profit margin reached 28.6% and 9.9% respectively for the first 3 quarters of 2024.

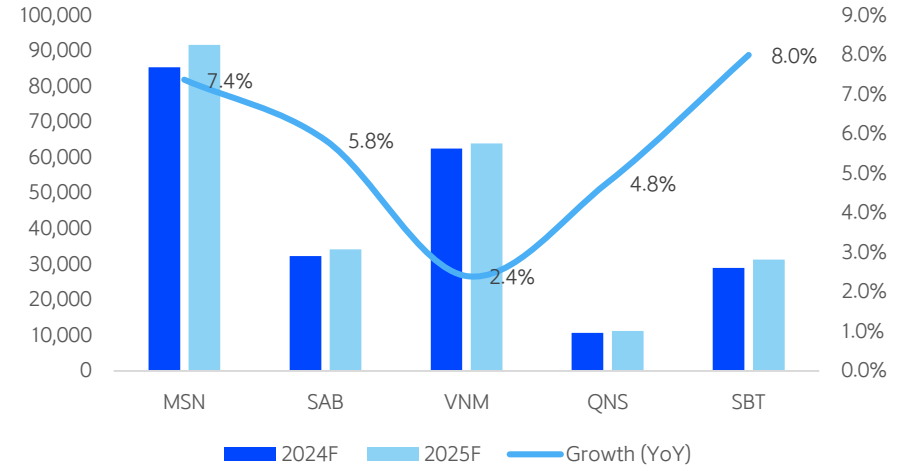
3. Investment opportunities with stocks in the F&B sector

Based on the results achieved in the first 9 months.2024, we believe that the growth trend of business results will continue to be maintained in Q4/2024 and 2025. We forecast the 2024F – 2025F business results of listed enterprises in the industry as below, in which:

SAB, VNM, QNS and SBT are forecasted to continue to achieve single-digit revenue and profit growth in 2025.

For MSN in particular, we forecast 2025 net profit growth to reach 31.3% thanks to (1) restructuring of core business activities through divestment from H.C Starck to reduce leverage and focus on core business activities and (2) positive growth in the retail consumer segment, Wincommerce starting to make a profit from Q3/2024 will support profit growth for 2025.

Revenue forecast 2024F – 2025F (billion VND)



Source: Company data, Shinhan Securities Vietnam

After-tax profit forecast 2024F – 2025F (billion VND)



Source: Company data, Shinhan Securities Vietnam

Typical listed companies in F&B sector

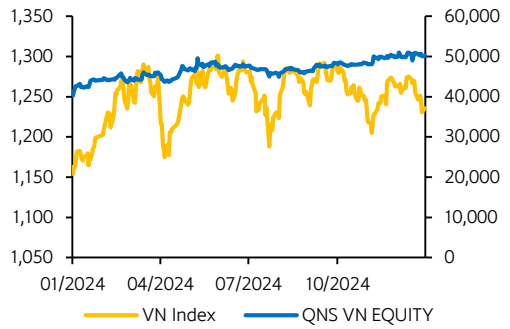
Ticker	Market Cap	Current price	Target price 2025	Upside (%)	Revenue forecast 2025	Revenue growth YoY	Net profit forecast 2025	Net profit growth YoY	Debt/Equity	P/B (2025F)	P/E (2025F)
	(VND billion)	(VND)	(VND)		(VND billion)	(%)	(VND billion)	(%)			
VNM	128,950	61,700	76,100	23.3%	64,021	2.4	10,025	2.9	0.5	4.7	17.7
SAB	70,541	55,000	71,300	29.6%	34,238	5.8	4,857	4.7	0.3	3.5	21
QNS	18,493	50,300	68,700	36.6%	11,248	4.8	2,357	3.3	0.4	2.3	8.8
MSN*	94,644	65,800	99,100	50.6%	91,732	7.4	5,737	31.3	2.7	4.4	40.2
SBT*	9,652	11,850	14,800	24.9%	31,343	8	871	8.1	2.1	1.1	10.8
	Total				**232,582**	**5.7%**	**23,847**	**9.2%**			

(*) Consensus data
Source: Bloomberg, Shinhan Securities Vietnam
Data collected on 01/15/2025

Quang Ngai Sugar JSC (UpCom: QNS)

Target price (12 months)	**68,700 VND**
Current price (01/15/25)	50,300 VND
Return (%)	36.6%
VNINDEX	1,236
PE market (25F,x)	11.6
Market cap (billion VND)	18,493
Outstanding shares (mil shares)	368
Free-float (mil shares)	247
52-week high/low (VND)	52,300/43,700
90-day avg. trading volume (mil shares)	0.34
90-day avg. turnover (bn VND)	16
Foreign ownership (%)	13.43
Major shareholders (%) Thanh Phat Trading	15.56
Major shareholders (%) Vinacapital	6.54

Performance	3M	6M	12M
Absolute (%)	2.7	1.2	15.1
Rel.to VN-Index (%)	6.2	4.6	8.0



Shinhan Securities

Sugar sector's performance is positive thanks to high sugar prices

Investment thesis

Quang Ngai Sugar JSC (UpCOM: QNS) is the leading enterprise in the production of soy milk and the second largest producer of cane sugar in Vietnam. We expect: (1) Positive revenue and profit in the sugar segment in 2024 thanks to domestic sugar price remaining at a high level at VND 20-21/kg despite fluctuations in world sugar price; (2) QNS continues to reinforce its leading position in the soy milk industry due to large growth potential and improved gross profit margin; (3) Efforts to control selling expenses to improve profit margin; and (4) Steady cash dividend payout ratio of 30-40%/year (equivalent to a yield of about 6%). Based on FCFF and PE methods, we recommend buying QNS with a target price of VND68,700

Business results update and forecast:

In Q3/2024, QNS recorded revenue of VND 2,726 billion, +10.5% YoY and -3.3% QoQ. Net profit reached VND 531.95 billion, -25.3% YoY and -23% QoQ. Although Q3's net profit decreased compared to the same period, the accumulated three quarters' revenue still reached VND 8,069 billion and net profit reached VND 1,754 billion, +4.1% YoY and +14.3% YoY, respectively. This result was achieved thanks to the good increase in gross profit margin in 9M, reaching 33.5%, which improved compared to the same period of 31.7%. Thus, QNS has completed 90% of the annual revenue target and 131% of the annual profit target after nine months.

The business results partly resulted from the increased sugar output and relatively high sugar price. We expect sugar price to remain favorable in the last quarter of the year, and forecast total revenue and net profit for 2024 are VND10,737 billion and VND2,281 billion (+7% YoY and +4% YoY, respectively). Forecasted revenue and net profit for 2025 are VND11,248 billion (+5% YoY) and VND2,357 billion (+3% YoY).

Risks (1) Sugar price risk; (2) Risk of weaker-than-expected demand for soy milk; (3) Risk of smuggled sugar affecting the sugar segment.

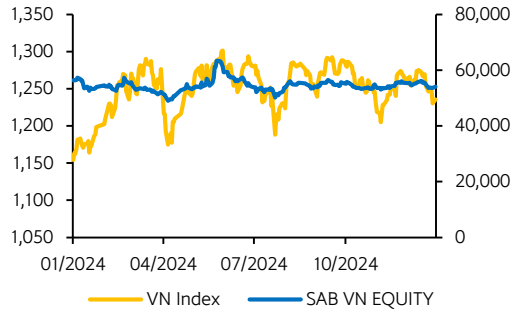
Year	2021	2022	2023	2024F	2025F
Revenue (bil VND)	**7,335**	**8,255**	**10,021**	**10,736**	**11,248**
Operating Income (bil VND)	1,392	1,466	2,356	2,450	2,498
NP (bil VND)	**1,254**	**1,287**	**2,183**	**2,281**	**2,357**
EPS (VND)	4,117	4,226	7,172	7,578	7,831
BPS (VND)	19,877	20,914	24,039	26,596	29,246
OPM (%)	19	18	24	23	22
NPM (%)	17	16	22	21	21
ROE (%)	**18**	**18**	**27**	**25**	**24**
P/E (x)	9.3	7.2	5.9	9.1	8.8
P/B (x)	1.9	1.5	1.8	2.6	2.3

Source: Company data, Shinhan Securities Vietnam

Saigon Beer – Alcohol – Beverage Corporation (HOSE: SAB)

Target price (12 months)	**71,300 VND**
Current price (01/15/25)	55,000VND
Return (%)	29.6%
VNINDEX	1,236
PE market (25F,x)	11.6
Market cap (billion VND)	70,541
Outstanding shares (mil shares)	1,283
Free-float (mil shares)	134
52-week high/low (VND)	69,400/52,000
90-day avg. trading volume (mil shares)	0.53
90-day avg. turnover (bn VND)	28
Foreign ownership (%)	60.75
Major shareholders (%) Vietnam Beverage	53.59

Performance	3M	6M	12M
Absolute (%)	-3.7	-1.4	-8.9
Rel.to VN-Index (%)	-0.2	2.0	-16.1



Expecting the recovery of consumption demand

Investment thesis

Saigon Beer – Alcohol – Beverage Corporation (Sabeco, HOSE: SAB) is the second largest beer producer in Vietnam with the market share of 34%. SAB is the leader in in terms of breweries quantity (26 breweries) with a capacity of 2.4 billion litres/year, providing products from mid-priced to premium segments. We expect that (1) beer consumption shall improve in Q4 thanks to the shopping trend in preparation for the year-end holidays and consumers gradually shifting from on-trade to off-trade consumption under the influence of Decree 100 on alcohol contention, (2) SAB shall continue to maintain stable cash dividends and (3) the plan to increase its ownership in Sabibeco (UPCOM: SBB) from 16.4% to 65.9% in 2025 will bring advantages in expanding packaging line capacity, although profits would not be much impacted. Based on FCFF and PE methods, we recommend buying SAB with a target price of VND71,300

Business results update and forecast:

In Q3/2024, Sabeco recorded VND 7,670 billion revenue, +3.4% YoY and -5.1% QoQ. Net profit reached VND 1,161 billion, +8.1% YoY and -11.9% QoQ. Accumulated in 9M, revenue reached VND 22,940 billion (+4.6% YoY) and net profit reached VND 3,504 billion (+6.6% YoY), respectively completing 66.7% and 76.5% of the yearly plan. Management shared that the company gained more market share in the first 9M thanks to rural areas with the increasing number of distribution points and revenue per point.

We forecast that Q4 business results could maintain good growth due to the peak consumption season and overall in 2024, Sabeco will record revenue of VND32,348 billion (+6.2% YoY) and net profit of VND4,638 billion (+9.0%). For 2025, we forecast revenue and net profit to reach VND34,238 billion (+5.8% YoY) and VND4,857 billion (+4.7% YoY), respectively.

Risks: (1) Policy risks; (2) Risks of rising raw material prices; (3) Risks of weak consumption demand; (4) Risks of excise tax regulations.

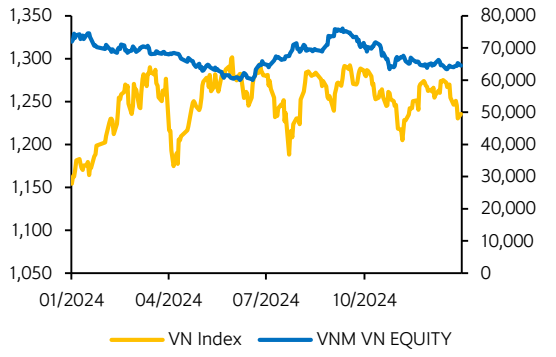
Year	2021	2022	2023	2024F	2025F
Revenue (bil VND)	**26,374**	**34,979**	**30,461**	**32,348**	**34,238**
Operating Income (bil VND)	4,780	6,830	5,403	5,801	6,093
NP (bil VND)	**3,929**	**5,500**	**4,255**	**4,638**	**4,857**
EPS (VND)	5,471	7,961	3,121	3,367	3,555
BPS (VND)	33,092	36,083	18,877	20,059	21,289
OPM (%)	18	20	18	18	18
NPM (%)	14.9	15.7	14.0	14.3	14.2
ROE (%)	**18**	**23**	**17**	**18**	**17**
P/E (x)	26	21	20	22	21
P/B (x)	4.3	4.6	3.3	3.8	3.5

Source: Company data, Shinhan Securities Vietnam

Vietnam Dairy Products JSC (HOSE: VNM)

Target price (12 months)	**76,100 VND**
Current price (01/15/25)	61,700 VND
Return (%)	23.3%
VNINDEX	1,236
PE market (25F,x)	11.6
Market cap (billion VND)	128,950
Outstanding shares (mil shares)	2,090
Free-float (mil shares)	737
52-week high/low (VND)	76,200/61,100
90-day avg. trading volume (mil shares)	2.43
90-day avg. turnover (bn VND)	137
Foreign ownership (%)	51.65
Major shareholders (%) F&N Dairy Investment Pte	17.69
Major shareholders (%) Platinum Victory Pte	10.62

Performance	3M	6M	12M
Absolute (%)	-7.6	-6.8	-7.9
Rel.to VN-Index (%)	-4.1	-3.4	-15.0



Shinhan Securities

Motivation from overseas markets

Investment thesis

Vietnam Dairy Products JSC (Vinamilk, HOSE: VNM) is the leading dairy company in Vietnam in terms of market share, which possesses the largest distribution system and herd of dairy cows. In addition, the company is also continuously expanding to large territories such as China and the Middle East. At the current price, VNM is a worthy investment because of three reasons: (1) High dividend payout ratio and strong financial potential to meet future expansion investment needs, (2) Growth momentum comes from export markets and overseas companies and (3) There is still room for growth in Vietnam's dairy industry when the compound growth rate is forecasted at 4.1%/year in the period 2024-2028 (Euromonitor) and per capita milk consumption is still low.

Business results update and forecast

Net revenue in Q3 reached VND15,537 billion, -6.7% QoQ and approximately equal to the same period last year. Net profit reached VND2,403 billion, -11% QoQ and -4% YoY. Accumulated in 9 months, VNM recorded more than VND46,000 billion in revenue and VND7,300 billion in net profit, completing 73% and 71% of the yearly plan, respectively.

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

We forecast 2024 revenue to reach VND62,552 billion (+3.6% YoY) and net profit to reach VND9,742 billion (+8.0% YoY); 2025 revenue and net profit will reach VND64,021 billion (+2.4% YoY) and VND10,025 billion (+2.9% YoY) respectively. We believe that 2024 domestic revenue will grow by about 2% and revenue from overseas markets will increase by 12% based on positive results achieved in the first 3 quarters and maintain at 4-5% for the following years.

Risks (1) Rising prices of imported raw materials reduce gross profit margins; (2) Geographical constraints on farm expansion and productivity growth; (3) Weaker-than-expected consumption recovery.

Year	2021	2022	2023	2024F	2025F
Revenue (bil VND)	**60,919**	**59,956**	**60,369**	**62,552**	**64,021**
Operating Income (bil VND)	11,760	9,753	9,771	10,989	11,471
NP (bil 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**
P/E (x)	16.4	19.2	17.0	18.2	17.7
P/B (x)	4.7	4.9	4.3	4.8	4.7

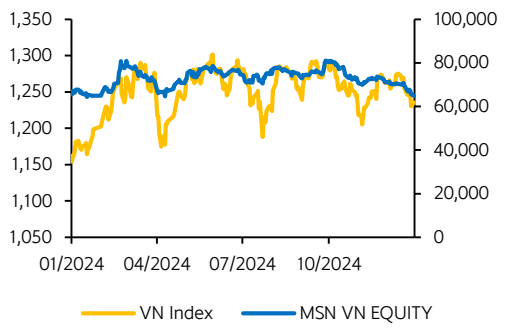
Source: Company data, Shinhan Securities Vietnam

Masan Group JSC (HOSE: MSN)

MASAN GROUP

Target price (12 months)		**99,100 VND**
Current price (01/15/25)		65,800 VND
Return (%)		50.6%
VNINDEX		1,236
PE market (25F,x)		11.6
Market cap (billion VND)		94,644
Outstanding shares (mil shares)		1,438
Free-float (mil shares)		664
52-week high/low (VND)		82,300/63,700
90-day avg. trading volume (mil shares)		4.55
90-day avg. turnover (bn VND)		3.31
Foreign ownership (%)		26.25
Major shareholders (%)	Masan	31.19
	Hoa Huong Duong Construction	13.21

Performance	3M	6M	12M
Absolute (%)	-18.6	-11.7	0.3
Rel.to VN-Index (%)	-15.1	-8.3	-6.8



Shinhan Securities

Retail consumer segment grew beyond expectations

Investment thesis

Masan Group Corporation (Masan, HOSE:MSN) is a multi-industry enterprise operating in the consumer sector including FMCG, retail and meat value chain. In addition, the company also participates in other segments such as metal materials and has an affiliated company stake in TCB. At the current price, we recommend buying MSN with the following expectations: (1) Positive growth in the retail consumer segment is the driving force for profit growth; (2) Restructuring of non-core business activities helps reduce leverage and reinforce the focus on the main segment and (3) 2024 business results growth reaching a high level thanks to the low base of the same period last year. The expected target price is VND99,100.

Business results update and forecast

Q3's net revenue reached VND21,486 billion (+7% YoY) and NPATMI increased 14.5 times YoY, reaching VND701 billion. Accumulating in 9 months, MSN recorded VND60,476 billion in revenue and VND1,308 billion in NPATMI, completing 130.8% of the base scenario net profit plan. This result was achieved thanks to the retail consumer business segment maintaining positive growth momentum combined with higher profits from non-core activities, in which: (1) WCM had its first profitable quarter since the COVID period with a 9.1% YoY revenue growth, mainly contributed by the new store models Winstore in urban areas and WinMart + Rural in rural areas, (2) MML reported profits after many quarters of losses thanks to rising pork and chicken prices and growth in processed meat sales, (3) MCH achieved a 10.4% YoY revenue growth and maintained a high gross profit margin of 46.8%, (4) Phuc Long Heritage (PLH) revenue also increased by 12.8% YoY thanks to the contribution from 21 new stores outside WCM opened in the same quarter and (5): TCB associate also contributed VND 1,136 billion to Q3 EBITDA (+8.7% YoY). Management expects MCH to continue its double-digit revenue and profit growth momentum and enter an acceleration phase as the trend of premiumization and out-of-home consumption increases. Based on this, we forecast 2024 revenue and NPATMI to reach VND85,433 billion and VND2,326 billion (+9.2% and 5.5x YoY respectively). For 2025, we forecast revenue and NPATMI to reach VND91,732 billion (+7.4%) and VND3,625 billion (+55.8%).

Risks (1) Weaker-than-expected consumption; (2) Livestock profit margin fluctuates; and (3) MSR achieves lower-than-expected profits.

Year	2021	2022	2023	2024F	2025F
Revenue (bil VND)	**88,629**	**76,189**	**78,252**	**85,433**	**91,732**
Operating Income (bil VND)	11,273	5,223	2,350	7,096	8,557
NP (bil VND)	**10,101**	**4,754**	**1,870**	**4,369**	**5,737**
EPS (VND)	2,028	2,511	129	1,565	2,467
BPS (VND)	23,161	18,369	18,562	20,450	22,405
OPM (%)	12.7	6.9	3.0	8.3	9.3
NPM (%)	11.4	6.2	2.4	5.1	6.3
ROE (%)	**35.1**	**12.1**	**1.6**	**7.9**	**11.5**
P/E (x)	74.5	22.5	32.2	63.3	40.2
P/B (x)	6.5	5.2	3.6	4.8	4.4

Source: Company data, Shinhan Securities Vietnam

Important Disclosure

Stock

- **BUY:** Expected 12-month gain of 15% or more
- **HOLD:** Expected 12-month loss of 15% to gain of 15%
- **SELL:** Expected 12-month loss of 15% or more

Sector

- **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



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