Shinhan Securities



# Quang Ngai Sugar JSC (QNS VN)

[Vietnam / Food and beverages] Bloomberg Ticker (QNS VN) | Reuters Ticker (QNS.HM)

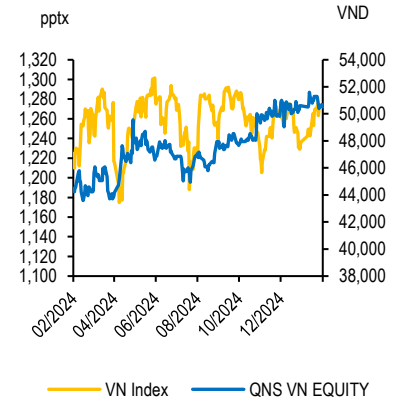
## BUY

Update Report

| | |
|---|---|
| **Target price** (12 months) | **63,500 VND** |
| Current price (26/02/2025) | 50,400 VND |
| Upside/downside (%) | 26% |

| | |
|---|---|
| VNINDEX | 1,308 |
| P/E market (x) | 10.4 |
| Market Cap (bn VND) | 18,529 |
| Outstanding shares (mn) | 368 |
| Free-Floating (mn) | 246 |
| 52-Wk High/Low (VND) | 52,300/45,200 |
| 90-day avg. trading volume (mn) | 0.32 |
| 90-day avg. turnover (bn VND) | 14 |
| Foreign ownership (%) | 13.28 |
| Major shareholders (%) Thành Phát trading company | 15.56 |
| Vinacapital | 6.54 |

| Performance | 3M | 6M | 12M |
|---|---|---|---|
| Absolute (%) | -1.0 | 3.5 | 5.0 |
| Relative to VN-Index (%) | -6.3 | 1.4 | -0.7 |




Source: Bloomberg

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## Sustain a strong profit trajectory

### Update recommendation BUY, target price at VND 63,500

Quang Ngai Sugar Joint Stock Company (UpCOM: QNS) is a leading enterprise in soymilk production and the second-largest sugar producer in Vietnam. Based on the FCFF and PE methods, we recommend buying QNS with a target price of VND 63,500. QNS recorded record-high revenue and profit in 2024, and business results are expected to remain positive in 2025 as: (1) QNS continues to reinforce its leading position in soy milk with a dominant market share, and soy milk's gross profit margin could improve thanks to benefiting from lower raw soybean prices; (2) Sugar prices are expected to remain high, supporting the sugar segment; and (3) A healthy financial structure and a high cash dividend payout ratio are expected to be maintained.

### Update on 2024 results

In Q4 2024, QNS recorded revenue of VND 2,174 billion (-4% YoY), with the two main segments showing contrasting growth (revenue from the sugar and soymilk segments reached VND 714 billion and VND 987 billion, -22% YoY and +10% YoY, respectively). Gross profit reached VND 782 billion (-13% YoY) and net profit after tax (NPAT) reached VND 623 billion (-5% YoY).

For the full year, revenue reached VND 10,243 billion (+2.2% YoY) and NPAT reached VND 2,377 billion (+8.9% YoY). The net profit margin improved to 23.2% from 21.8% in 2023, thanks to a 1.6% increase in the gross profit margin of the sugar segment and efforts to reduce SG&A expenses. Although the soymilk segment saw revenue recovery after a decline in 2023, its gross profit margin decreased by 3.4% due to the impact of exchange rates, resulting in a 4.5% decrease in its contribution to gross profit.

### Forecast for 2025

We project that QNS will continue to maintain record-high revenue and profit in 2025. Specifically, we conservatively project a slight decrease of -3% in sugar selling prices in 2025, based on the high base of 2024, and flat production volume compared to last year; so revenue from the sugar segment will reach VND 3,795 billion (-3.7% YoY). For the soymilk segment, we project continued recovery in production volume with a growth rate of 3% and stable selling prices, resulting in 2025 revenue of VND 4,308 billion (+3.2% YoY) and an improved gross profit margin of 38% (compared to 37.6% in 2024) thanks to benefiting from lower imported soybean prices. As a result, we project that QNS will record 2025 revenue of VND 10,254 billion (+0.1% YoY) and 2025 NPAT of VND 2,364 billion (-0.5% YoY).

### Risks

(1) Risk of increased raw soybean prices; (2) Diversification risk; (3) Risk of unpredictable ENSO affecting sugar volume; (4) Risk of excise tax on sugary beverages; (5) Risk of smuggled sugar.

| Year to Dec. | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| **Revenue (bn VND)** | **8,255** | **10,021** | **10,243** | **10,254** | **10,100** |
| Operating Profit (bn VND) | 1,359 | 2,155 | 2,380 | 2,332 | 2,137 |
| **Net Profit (bn VND)** | **1,287** | **2,183** | **2,377** | **2,364** | **2,214** |
| EPS (VND) | 4,226 | 7,172 | 7,680 | 7,501 | 7,025 |
| BPS (VND) | 24,766 | 28,468 | 32,650 | 35,000 | 37,762 |
| OPM (%) | 16.5 | 21.5 | 23.2 | 22.7 | 21.2 |
| NPM (%) | 15.6 | 21.8 | 23.2 | 23.1 | 21.9 |
| **ROE (%)** | 17.2 | 25.5 | 23.77 | 21.6 | 18.8 |
| PER (x) | 8.5 | 6.4 | 6.5 | 8.5 | 9.0 |
| PBR (x) | 1.4 | 1.6 | 1.5 | 1.8 | 1.7 |

Source: Company data, Shinhan Securities Vietnam

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# Update on 2024 results and forecast for 2025

| Billion VND | Q4/2024 | Q4/2023 | Change (YoY) | 2024 | Change (YoY) | 2025F | Change (YoY) |
|---|---|---|---|---|---|---|---|
| **Net Revenue** | **2,174** | **2,272** | **-4%** | **10,243** | **2.2%** | **10,254** | **0.1%** |
| Sugar | 714 | 910 | -22% | 3,939 | -2.4% | 3,795 | -3.7% |
| Soy milk | 987 | 897 | 10% | 4,174 | 4.3% | 4,308 | 3.2% |
| Thanh Phat subsidiary* | 288 | 478 | -40% | 2,112 | -13.2% | 2,133 | 1.0% |
| Others** | 185 | -13 | -1523% | 18 | -104.0% | 18 | 0.0% |
| **Gross profit** | **782** | **897** | **-13%** | **3,487** | **4.1%** | **3,440** | **-1.3%** |
| Sugar | 248 | 395 | -37% | 1,290 | 2.6% | 1,176 | -8.8% |
| Soy milk | 340 | 382 | -11% | 1,569 | -4.5% | 1,637 | 4.3% |
| Thanh Phat subsidiary | 9 | 7 | 29% | 44 | 11.7% | 43 | -2.3% |
| Others | 185 | 113 | 65% | 584 | 42.1% | 584 | 0.0% |
| **Before-tax profit** | 715 | 735 | -3% | 2,646 | 8.1% | 2,627 | -0.7% |
| **Net profit** | **623** | **654** | **-5%** | **2,377** | **8.9%** | **2,364** | **-0.5%** |

(*) Thanh Phat Trading Company Limited, 100% owned by QNS, mainly distributes QNS products
(**) Includes other segments such as confectionery, beer, beverages and revenue deductions

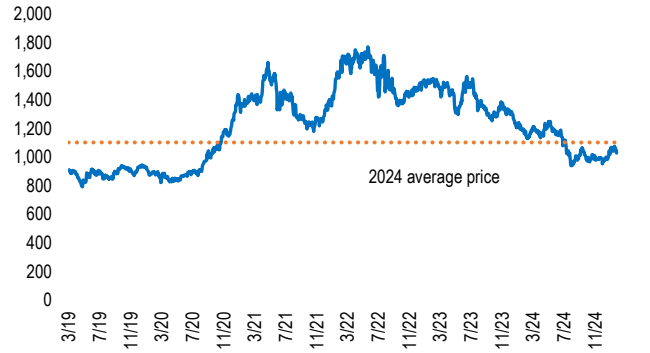
**Net revenue in Q4 reached VND 2,174 billion (-4% YoY).** Of which, the sugar segment and contribution from Thanh Phat subsidiary decreased compared to the same period, only the soy milk segment recorded positive growth (+10% YoY). Net profit in Q4 reached VND 623 billion (-5% YoY).

**Accumulated for the whole year of 2024, revenue still recorded an increase of 2.2% YoY, reaching VND 10,243 billion.** The two segments with the highest proportion in revenue – sugar and soy milk, grew in opposite directions. Full-year net profit reached VND 2,377 billion (+8.9% YoY), net profit margin improved to 23.2% (compared to 21.8% in 2023). Specifically:

- Sugar revenue reached VND 3,939 billion (-2.4% YoY), mainly due to a decrease in output, although partially offset by an increase in average selling price. Gross profit margin of this segment also improved to 32.7% (+1.6% YoY) thanks to sugar prices remaining at a high level.
- After a decline in revenue in 2023, the soy milk segment recovered in 2024 with revenue reaching VND 4,174 billion (+4.3% YoY), revenue started to increase from the second quarter and achieved relatively good results in the last 2 quarters of the year thanks to the improved market demand. With a reasonable development strategy, QNS expanded its soy milk market share in 2024 to 90.6%, up 2 percentage points compared to 2023. However, the gross profit margin of this segment decreased by 3.4% YoY, we believe that the reason is due to the impact of increased input material costs caused by the sharp increase in exchange rates during the year. Although the price of imported soybeans decreased during the year, it could not offset the increase in exchange rates.

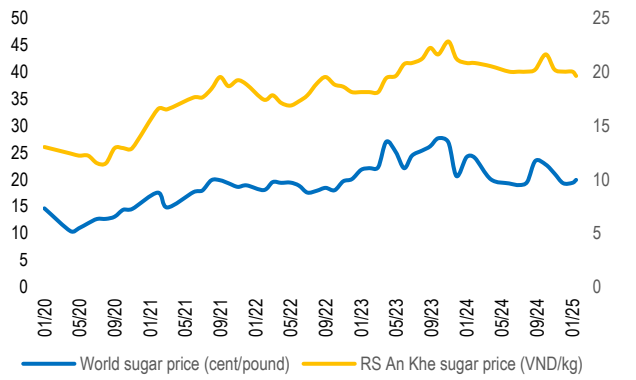
- Thanh Phat subsidiary also recorded better contribution with gross profit increasing by 11.7% YoY and profit margin improving to 2.1% (from 1.6% in 2023).
- Another factor that contributed to the improvement of net profit margin was good cost management efforts with Selling and Administrative Expenses (SG&A)/Revenue margin decreasing by 1.1% YoY.

**World soybean prices (USD/bushel)**




Source: Bloomberg, Shinhan Securities Vietnam

**World sugar price (left) RS An Khe sugar price (right)**




Source: Bloomberg, Agromonitor, Shinhan Securities Vietnam

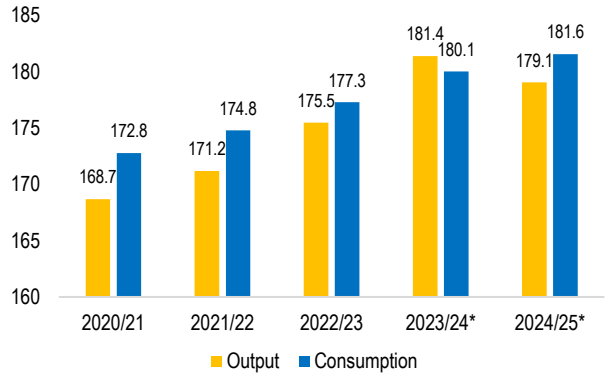
**Update on sugar price:**

According to the latest forecast from ISO, the world sugar deficit in the 2024/2025 crop year is forecast at 2.51 million tons, of which global sugar production is forecast at 179 million tons (down nearly 2.3 million tons compared to the previous season, equivalent to -1.2%). In January 2025, India - the world's second largest sugar producer - announced that it would allow 1 million tons of exports in the current season, which lasts until the end of September, to help mills export surplus sugar and support domestic sugar prices. Reflecting this information, world raw and white sugar prices fell in January but recovered in February, and are currently anchored at 21 cents/pound.

Domestic market:

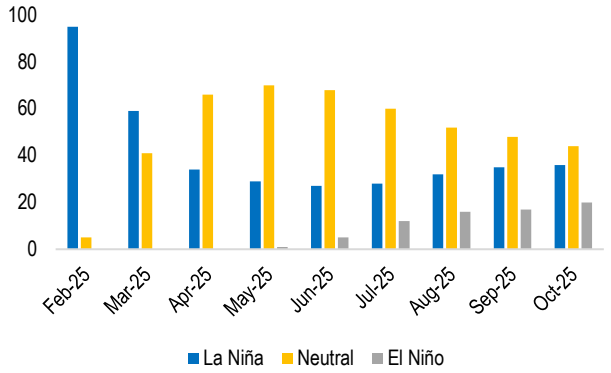
Sugar transactions in February 2025 are quite slow due to the abundant sugar supply from the year-end trade inventory, along with the sugar supply from factories supplying the market in January after the Lunar New Year ends. Informal-traded sugar is expected to continue to contribute to the sugar supply in February, leading to an oversupply that may impact sugar prices in the coming time.

**Sugar output and sonsumption (million tons)**




Source: ISO, Shinhan Securities Vietnam
**ISO estimates and forecasts*

**ENSO probabilities (%)**




Source: CPC (Climate Prediction Center) 13/02/25, Shinhan Securities Vietnam

Based on ISO's deficit projection for the 2024/2025 crop year, combined with the current gap between ethanol and sugar prices, we believe that world sugar prices in 2025 will not fluctuate much and will continue to be maintained at a high level.

For domestic sugar prices, which are further affected by factors such as imported sugar sources (both official and smuggled) and domestic demand, based on the high base in 2024, we cautiously forecast that sugar selling prices in 2025 will decrease slightly by -3% and output will remain flat compared to 2024; correspondingly, revenue from the sugar segment will reach VND 3,795 billion (-3.7% YoY). For the soy milk segment, we forecast 2025 output to continue to recover with a growth rate of 3% and unchanged selling price, resulting in 2025 revenue reaching VND 4,308 billion (+3.2% YoY) and gross profit margin improving to 38% (compared to the same period of 37.6%) thanks to the benefit from lower imported soybean prices. Thereby, we forecast 2025 revenue to reach VND 10,254 billion (+0.1% YoY) and 2025 net profit to reach VND 2,364 billion (-0.5% YoY).

The Board of Directors also announced the business plan for 2025 with expected revenue of VND 10,000 billion and after-tax profit of VND 1,790 billion, both decreased compared to the results achieved in 2024. However, we also note that QNS's Board of Directors has a tradition of setting cautious plans and often exceed the annual plan.

# Valuation and Recommendation

We use a combination of DCF and P/E valuation methods to value QNS with a 50% weighting for each method.

For the FCFF method, we use the following assumptions and projections:

| **Weighted Average Cost of Capital (WACC)** | |
|---|---|
| **WACC (%)** | 8.9% |
| Risk-free rate (%) | 3.1% |
| Equity risk premium (%) | 8.4% |
| Beta | 0.79 |
| After-tax debt cost (%) | 4.5% |
| The cost of equity(%) | 9.7% |
| Debt-to-equity ratio | 0.17 |
| Total debt (Billion VND) | 2,714 |

Source: Company data, Shinhan Securities Company

| **FCF valuation** | | | | | |
|---|---|---|---|---|---|
| Unit: billion VND | **2025F** | **2026F** | **2027F** | **2028F** | **2029F** |
| Net profit | 2,364 | 2,214 | 2,144 | 2,136 | 2,087 |
| Plus: After-tax interest expense | 123 | 113 | 134 | 113 | 159 |
| Plus: Depreciation & Amortization | 434 | 446 | 458 | 470 | 489 |
| Minus: Change in working capital | 226 | 69 | 210 | -202 | 509 |
| Minus: CapEx | 308 | 313 | 307 | 315 | 476 |
| Free Cash Flow (FCF) | **2,387** | **2,391** | **2,219** | **2,606** | **1,750** |
| Discount rate | 0.92 | 0.84 | 0.77 | 0.71 | 0.65 |
| PV of FCF | 2,196 | 2,008 | 1,709 | 1,850 | 1,138 |
| Lont-term growth rate | 0% | | | | |
| Present value of long-term value | 12,752 | | | | |
| Enterprise value | 21,653 | | | | |
| Debt | 2,714 | | | | |
| Cash and cash equivalents | 539 | | | | |
| Minority interest | 0 | | | | |
| Number of shares outstanding (billion shares) | 0.312 | | | | |
| **Target price (VND)** | **62,400** | | | | |

Source: Company data, Shinhan Securities Company

Using the P/E method, we conduct valuation for each business segment of the enterprise. For each segment, the target P/E value we use is the average value between the industry average P/E and the 5-year historical P/E of QNS stock. Specifically as follows:

- Sugar segment (39% of 2024 Revenue): We use target P/E of 8.9x.
- Soy milk segment (41% of 2024 revenue): Due to the limited number of listed companies in the soy milk segment, we used the reference P/E value as the average P/E of milk manufacturing and distribution companies, then we applied a 30% discount to reflect (1) the level of competition with traditional unbranded soy milk and other nut milks that are becoming more popular and (2) limited growth potential when QNS has captured over 90% of the branded soy milk market share (2024). The target P/E applied to value this segment is 9.6x.
- For other segments (biomass electricity, beer, mineral water, confectionery): We apply a target P/E price of 5x because these are non-core segments and have unstable business results over the years.

| | Net profit 2025F | Target P/E | Equity value |
|---|---|---|---|
| **Sugar** | 809 | 8.9x | 7,200 |
| **Soy milk** | 1,125 | 9.6x | 10,800 |
| **Others** | 430 | 5.0x | 2,150 |
| Total equity value | | | 20,150 |
| Number of shares (billion shares) | | | 0.312 |
| Target price (VND) | | | **64,500** |

Companies we used for compiling peer in the sugar segment:

| Ticker | Company name | Country | Market cap (VND bil) | Rev growth (%) | EPS growth (%) | P/E | ROE (%) |
|---|---|---|---|---|---|---|---|
| DCB IN Equity | DALMIA BHARAT SUGAR & INDUST | Ấn Độ | 7,973 | -10.87 | -0.95 | 9.9x | 8.59 |
| BRCM IN Equity | BALRAMPUR CHINI MILLS LTD | Ấn Độ | 26,421 | 19.89 | 81.94 | 15.8x | 16.21 |
| KSL TB Equity | KHON KAEN SUGAR INDUSTRY PCL | Thái Lan | 5,884 | -10.88 | 20.35 | 8.4x | 5.28 |
| LSS VN Equity | CTCP MÍA ĐƯỜNG LAM SƠN | Việt Nam | 951 | 49.00 | 275.00 | 8.3x | 6.91 |
| SLS VN Equity | CTCP MÍA ĐƯỜNG SƠN LA | Việt Nam | 2,050 | -17.00 | 0.60 | 3.9x | 38.48 |
| | **Average** | | | | | 9.3x | |
| | QNS's 5Y historical P/E | | | | | 8.5x | |
| | Targer P/E | | | | | **8.9x** | |

Source: Bloomberg, Shinhan Securities Vietnam

Companies we used for compiling peer in the milk segment:

| Ticker | Company name | Country | Market cap (VND bil) | Rev growth (%) | EPS growth (%) | P/E | ROE (%) |
|---|---|---|---|---|---|---|---|
| 2319 HK Equity | CHINA MENGNIU DAIRY CO | Trung Quốc | 192094 | 6.51 | -17.02 | 14.6x | 9.84 |
| FNH MK Equity | FRASER & NEAVE HOLDINGS BHD | Malaysia | 54 | 4.88 | -3.8 | 16.6x | 14.84 |
| MCM VN Equity | MOC CHAU DAIRY COW BREEDING | Việt Nam | 3500 | -6.9 | -41 | 16.1x | 9.49 |
| VNM VN Equity | VIETNAM DAIRY PRODUCTS JSC | Việt Nam | 126860 | 2.34 | 5.89 | 13.7x | 26.44 |
| IDP VN Equity | INTERNATIONAL DAIRY PRODUCTS | Việt Nam | 14215 | 9.34 | 12.71 | 15.8x | 38.56 |
| | **Average** | | | | | 15.4x | |
| | QNS's 5Y historical P/E | | | | | 8.5x | |
| | Targer P/E | | | | | **9.6x** | |

Source: Bloomberg, Shinhan Securities Vietnam

# Company background

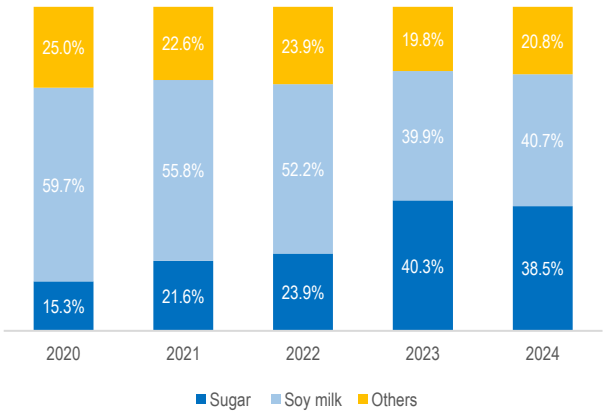
### 1. History of development

Quang Ngai Sugar Joint Stock Company (UpCOM: QNS), formerly known as Quang Ngai Sugar Company, was established in the 70s of the twentieth century. Initially, QNS mainly traded in raw sugar (Refined Standard - RS) and Alcohol. In 2005, the company changed its name to Quang Ngai Sugar Joint Stock Company and officially listed on the UpCOM Stock Exchange in 2016.

The company sells the food and beverage, including soy milk, sugar, beer, non-alcoholic beverages, confectionery and biomass electricity. QNS currently leads the canned soy milk segment with a market share of about 90% and is the second largest sugar producer in Vietnam.

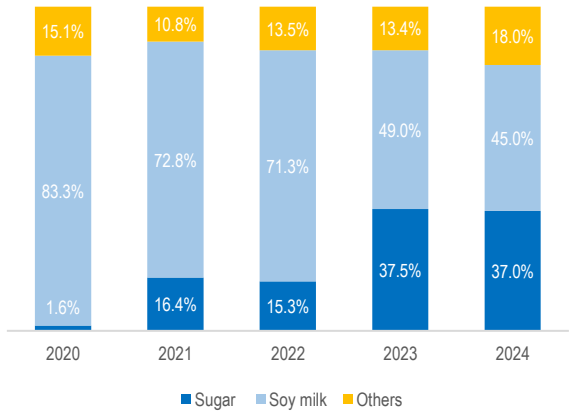
Soy milk is the key revenue contributor of QNS with two main products, Fami and Vinasoy. This segment contributes the highest proportion of revenue and gross profit to QNS with the proportion of 41% and 45% respectively (2024). Besides, the sugar segment also contributes about 39% of revenue and 37% of gross profit for the company. QNS mainly produces sugar from cane and refined sugar RE (Refined Extra - RE). Other segments including brewing, confectionery, and biomass power contribute 21% and 18%, respectively in revenue and gross profit.

**QNS's revenue structure**




Source: Company data, Shinhan Securities Vietnam

**QNS's gross profit margin structure**

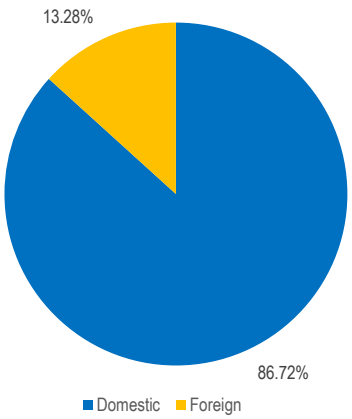



Source: Company data, Shinhan Securities Vietnam

### 2. Ownership structure

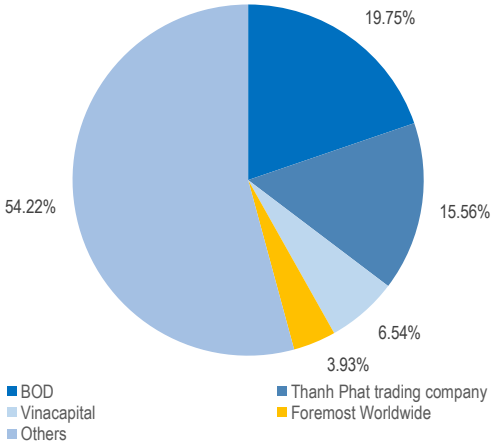
Foreign shareholders and domestic shareholders account for 13.28% and 86.72% of the ownership structure in QNS, respectively. In which, the largest shareholder is Thanh Phat Trading One Member Limited Liability Company with an ownership rate of 15.56%. This is a subsidiary in which QNS holds 100% ownership and voting rights.

**QNS's domestic and foreign ownership at 25/02/2025**




Source: Fiinpro, Shinhan Securities Company

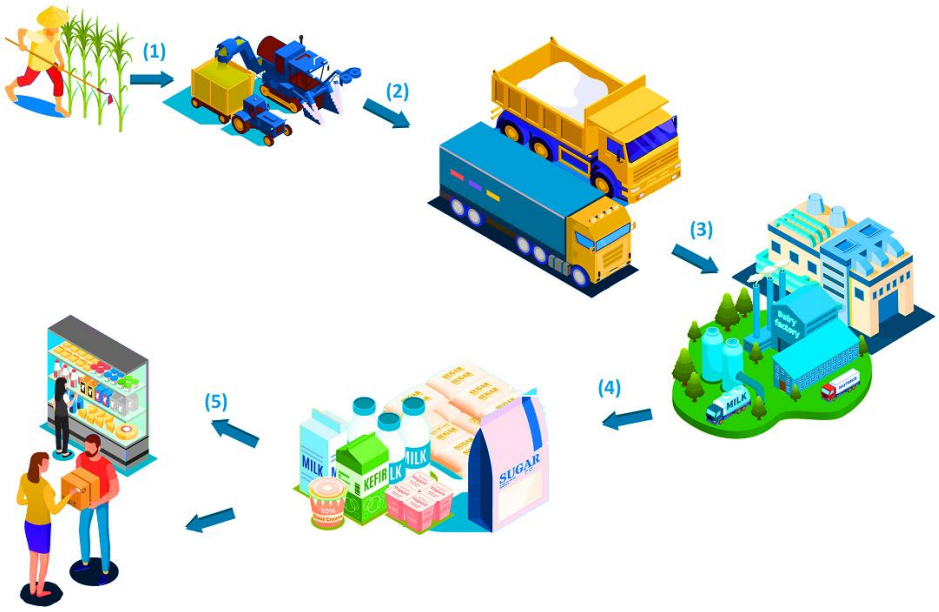
**QNS's ownership structure at 25/02/2025**




Source: Fiinpro, Shinhan Securities Company

### 3. Soy milk and cane sugar industry value chain

**Sugar value chain**




Source: Company data, Shinhan Securities Vietnam

With the sugar segment, businesses use raw sugar cane, going through a series of processes to distribute sugar to consumers.

1. Raw sugarcane: QNS cooperates with farmers in An Khe - Gia Lai to grow sugarcane. The agricultural area in this region is large (87 thousand hectares), and productivity and conversion rate of sugarcane to sugar (Commercial Cane Sugar - CCS) are high. The material area for An Khe sugar factory in 2024 reaches 26,000 hectares. QNS often transfers well-tested sugarcane to farmers who have signed cooperation contracts with QNS, which helps control yield and sugar. In addition, QNS also manages the raw material area in Quang Ngai with an area of 2,500 thousand hectares, serving Pho Phong factory.

2. Harvesting: The time to harvest and process sugar cane generally is from the quarter IV of the previous year to quarter II of the following year. The sugar industry usually has one crop for trading whole year.

3. Transporting to the sugar factory: After harvesting, the sugarcane will be transported to the sugar factory. Normally, sugarcane needs to be processed within 16 hours after harvest to ensure the quality of sugarcane. Therefore, sugar factories are often close to raw material areas and the size of raw material areas also affects the size of sugar mills.

4. Production: Sugarcane put into production goes through stages including preliminary processing - pressing water, filtering and refining sugar. In general, the sugar refining technique is uncomplicated, but sugar mills need to have a large capacity to gain economies of scale and improve price competitiveness. QNS's An Khe - Gia Lai sugar factory was invested with a capacity of up to 18,000 tons of sugarcane/day (TMN). This is the sugar factory with the largest capacity in Vietnam. Invested with modern equipment, An Khe sugar factory can optimize production and reduce loss in processing.

5. Distribution: Products are stored and distributed to consumers.

**Soy milk value chain**




Source: Company data, Shinhan Securities Vietnam

In the soy milk segment, QNS uses soybeans through a series of processes to deliver to consumers.

1. Raw soybean: Company invests in material area in 4 regions, including the Central Region, the Central Highlands, the Red River Delta, and the Mekong Delta with an area of up to 9,000 hectares. With genetic resources of more than 1,500 units, the Board of Directors plans to create soybeans that are well adapted to climate change, contributing to the sustainability of domestic supply. In addition, the company also imports 40-60% of soybeans from other countries to serve the purpose of mixing and enhancing the flavor of soy milk.

2. Transportation: Soybeans are transported to the factories for production.

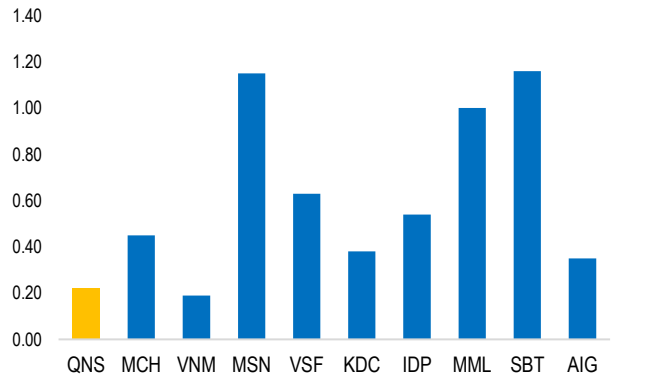
3. Production: Soybeans are transported to the factories of QNS for processing. QNS currently has 3 VINASOY factories located in Bac Ninh, Quang Ngai, and Binh Duong with a total installed capacity of up to 390 million liters of milk per year.

4. Distribution: Finished goods are delivered to consumers. Currently, QNS is focusing on traditional channels (General Trade – GT) and supermarkets with 150,000 points of sale and cooperating with 178 distributors. As a result, QNS can effectively bring products to consumers.

### 4. Strong financial position, maintaining stable dividend

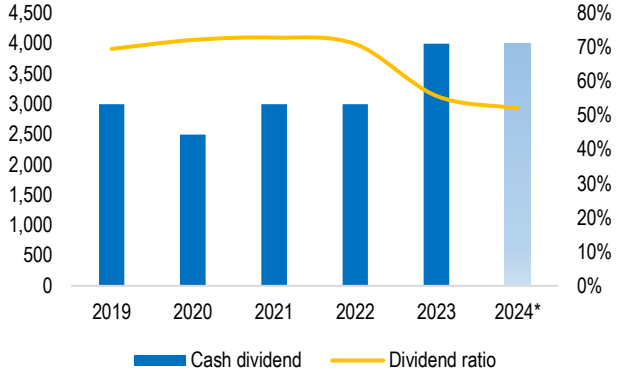
QNS is a business operating in the Food and beverage industry with its main products being milk and sugar. QNS's net debt/equity ratio is generally much lower than the average of the industry.

**Net debt/equity structure of food and beverage enterprises (2024)**




Source: Fiinpro, Shinhan Securities Company

**Cash dividend payment per share and dividend payout ratio**




Source: Fiinpro, Shinhan Securities Company
(*) Expected dividend payment, QNS actually paid 2,000 VND dividend/share for 2024

QNS only has short-term bank debts, mainly financing working capital for business activities, and has paid off all long-term loans since 2018. With total cash, cash equivalents, and short-term financial investment reaching VND 7,838 billion (accounting for 57% of total assets as of 31/12/2024), the enterprise has abundant financial resources to finance projects to expand its business for the following years.

In addition, the company maintains a regular dividend payment over the years at 3,000 VND to 4,000 VND/share, with a cash dividend payout ratio of 50-70% in the past 3 years after long-term debt obligations have been fulfilled and we expect the company to continue to maintain this dividend level in the future.

# Risks

## The risk of the raw soybeans' import price

QNS imports raw soybeans with a ratio of 70-80% from other countries such as Canada to blend and improve product quality. Approximately 70% of the cost of soymilk comes from raw soybeans; therefore, fluctuations in world prices will affect QNS's gross profit margin. In addition to weather, many factors affect world soybean prices, such as the value of the USD, fertilizer prices, and other factors.

## Risk of business expansion

The habit of consuming phytonutrient products is still not high. According to Euromonitor, the main reason comes from biased thought that plant-based nutritional products do not have high nutrition like the traditional milk. Therefore, market expansion and production of plant-based products such as plant-based yogurt is potential but also pose certain risks for QNS when the market is still unfamiliar with this type of products.

## Risk of impact of ENSO on sugar volume

Sugarcane production is strongly affected by El Nino and La Nina, so the amount of sugar produced in years with two kinds of weather often decreases sharply. Specifically, in the 2015/16 crop year, QNS's sugar output was only 134 thousand tons compared to 175 thousand tons in the previous crop when affected by El Nino. However, these two types of extreme weather events are often difficult to predict in the long term

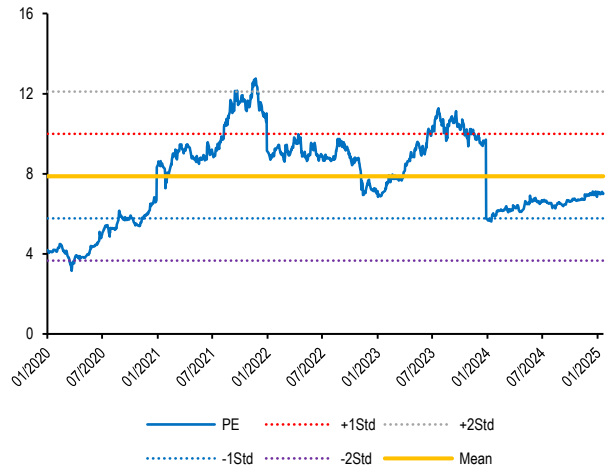
## Risk of excise tax on sugary beverages

Due to the negative health impacts of sugar, the Ministry of Finance has proposed imposing a Excise tax on sugary beverages in the draft Excise Tax Law. Specifically, certain beverages are exempt from the tax, including: milk; liquid foods for nutritional purposes; natural mineral water, bottled water, vegetable and fruit juices, vegetable and fruit nectar, and cocoa products. With a proposed tax rate of 10%, expected to be passed in the May 2025 session and take effect from 2026, the imposition of excise tax on sugary beverages is expected to reduce consumer demand for sugary drinks and negatively impact the revenue of the sugar industry in general and refined sugar production companies in particular.

## The complicated situation of smuggled sugar

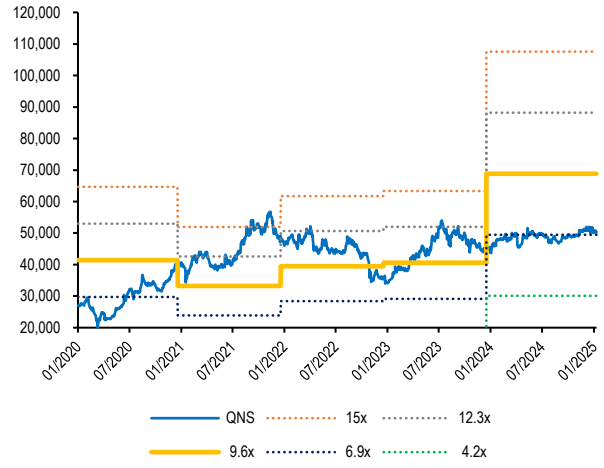
Smuggled sugar is one of the large obstacles of Vietnam's sugar industry. The sugar produced only meets about 30% of domestic consumption demand and the tax rate for Thai sugar officially imported to Thailand is up to 47.64%, leading to an increase in the smuggling of sugar into Vietnam in the border area. Smuggled sugar at low prices restrains domestic sugar prices and negatively affects sugar producers. Therefore, the development of the sugar industry highly dependends on the ability to control smuggled sugar of the authorities.

## P/E of QNS



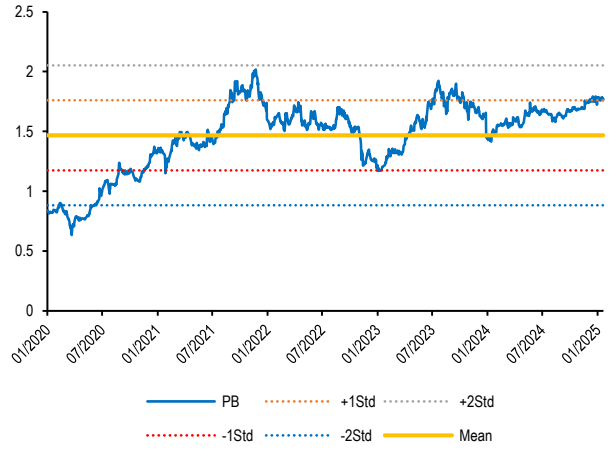

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## PE Band of QNS



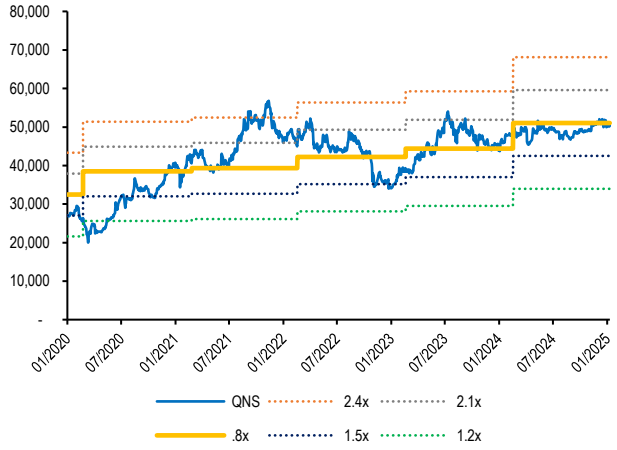

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## P/B of QNS




Source: Bloomberg, Company data, Shinhan Securities Vietnam

## PB Band of QNS



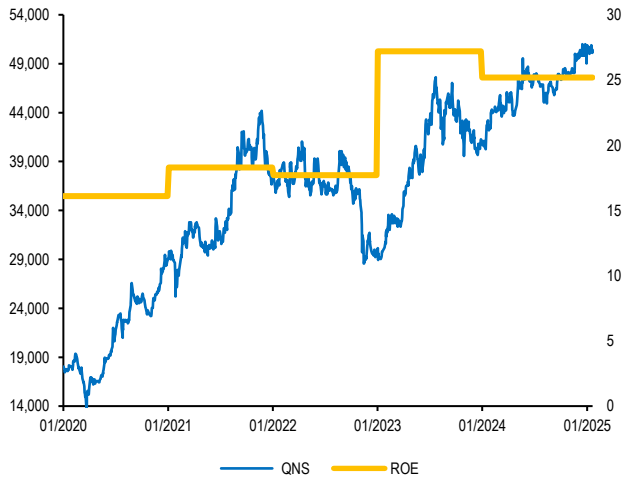

Source: Bloomberg, Company data, Shinhan Securities Vietnam

## EV/EBITDA of QNS




Source: Bloomberg, Company data, Shinhan Securities Vietnam

## Price and ROE




Source: Bloomberg, Company data, Shinhan Securities Vietnam

**Key events chart of QNS**




Source: Company data, Shinhan Securities Vietnam

# Appendix: Financial Statements

## Statement of financial position

| Year to Dec. (bn VND) | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| **Total assets** | **10,266** | **12,052** | **13,809** | **14,686** | **15,569** |
| Current assets | 6,090 | 8,093 | 10,011 | 10,968 | 11,989 |
| Cash & equivalents | 203 | 289 | 539 | 1,020 | 1,635 |
| Short-term financial asset | 4,296 | 6,165 | 7,299 | 7,691 | 8,080 |
| Accounts receivable | 587 | 661 | 810 | 893 | 880 |
| Inventories | 844 | 816 | 947 | 958 | 1,324 |
| Other short-term assets | 160 | 162 | 416 | 406 | 70 |
| Non-current assets | 4,176 | 3,959 | 3,798 | 3,718 | 3,580 |
| Net fixed assets | 3,914 | 3,666 | 3,454 | 3,304 | 3,144 |
| Investment assets | 33 | 53 | 82 | 106 | 133 |
| Other long-term assets | 262 | 293 | 344 | 414 | 436 |
| **Total liabilities** | **2,802** | **3,472** | **3,806** | **3,762** | **3,783** |
| Current liabilities | 2,750 | 3,281 | 3,626 | 3,582 | 3,603 |
| Accounts payable | 479 | 456 | 464 | 461 | 465 |
| Short-term borrowings | 1,896 | 2,411 | 2,714 | 2,741 | 2,796 |
| Others | 375 | 414 | 448 | 380 | 342 |
| Non-current liabilities | 52 | 191 | 180 | 180 | 180 |
| Long-term borrowings | 0 | 0 | 0 | 0 | 0 |
| Other financial liabilities | 52 | 191 | 180 | 180 | 180 |
| **Total shareholders' equity** | **7,465** | **8,581** | **10,002** | **10,924** | **11,786** |
| Capital stock | 3,569 | 3,569 | 3,676 | 3,676 | 3,676 |
| Capital surplus | 354 | 354 | 529 | 529 | 529 |
| Other capital | (159) | (120) | (55) | 17 | 88 |
| Retained earnings | 3,701 | 4,778 | 5,852 | 6,702 | 7,493 |
| Non-controlling interest equity | 0 | 0 | 0 | 0 | 0 |
| *Total debt | 1,896 | 2,411 | 2,714 | 2,741 | 2,796 |
| *Net debt (cash) | (2,603) | (4,043) | (5,124) | (5,970) | (6,919) |

## Statement of comprehensive income

| Year to Dec. (bn VND) | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| **Revenue** | **8,255** | **10,021** | **10,243** | **10,254** | **10,100** |
| Growth (%) | 12.5 | 21.4 | 2.2 | 0.1 | -1.5 |
| **COGS** | (5,796) | (6,670) | (6,759) | (6,815) | (6,812) |
| **Gross profit** | **2,459** | **3,351** | **3,484** | **3,439** | **3,288** |
| GPM (%) | 29.8 | 33.4 | 34.0 | 33.5 | 32.6 |
| **SG&A** | (1,100) | (1,196) | (1,104) | (1,107) | (1,151) |
| **Operating profit** | **1,359** | **2,155** | **2,380** | **2,332** | **2,137** |
| Growth (%) | 3.3 | 58.6 | 10.4 | (2.0) | (8.4) |
| OPM (%) | 16.5 | 21.5 | 23.2 | 22.7 | 21.2 |
| **Non-operating profit** | 146 | 293 | 265 | 295 | 323 |
| Financial income | 191 | 341 | 262 | 338 | 354 |
| Financial expense | (84) | (139) | (96) | (138) | (127) |
| In which: interest expenses | (83) | (136) | (94) | (137) | (126) |
| Net other non-operating profit | 39 | 91 | 99 | 95 | 96 |
| **Pre-tax profit** | 1,505 | 2,447 | 2,645 | 2,627 | 2,460 |
| Income tax | (219) | (263) | (268) | (263) | (246) |
| **Net profit** | **1,286** | **2,184** | **2,377** | **2,364** | **2,214** |
| Growth (%) | 2.6 | 69.6 | 8.9 | (0.5) | (6.3) |
| NPM (%) | 15.6 | 21.8 | 23.2 | 23.1 | 21.9 |
| Controlling interest | 1,286 | 2,184 | 2,377 | 2,364 | 2,214 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 |
| **EBIT** | **1,588** | **2,583** | **2,739** | **2,764** | **2,586** |
| Growth (%) | 5.5 | 62.7 | 6.0 | 0.9 | (6.4) |
| EBIT Margin (%) | 19.2 | 25.8 | 26.7 | 27.0 | 25.6 |
| **EBITDA** | **2,078** | **3,028** | **3,183** | **3,198** | **3,032** |
| Growth (%) | 5.0 | 45.7 | 5.1 | 0.5 | (5.2) |
| EBITDA margin (%) | 25.2 | 30.2 | 31.1 | 31.2 | 30.0 |

## Statement of cash flow

| Year to Dec. (bn VND) | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| **Cash flow from operations** | **1,385** | **2,408** | **2,033** | **2,264** | **2,267** |
| Net profit | 1,505 | 2,447 | 2,646 | 2,627 | 2,460 |
| D&A expense | 490 | 445 | 444 | 434 | 446 |
| (Gain) from investing activities | (159) | (311) | (234) | (308) | (323) |
| Change in working capital | (276) | (62) | (538) | (212) | (54) |
| Others | (175) | (111) | (285) | (277) | (262) |
| **Cash flow from investments** | **(322)** | **(1,782)** | **(1,153)** | **(393)** | **(379)** |
| Change in fixed assets | (102) | (219) | (250) | (308) | (313) |
| Change in investment assets | (373) | (1,869) | (1,134) | (392) | (389) |
| Others | 153 | 306 | 231 | 307 | 323 |
| **Cash flow from financing** | **(1,041)** | **(539)** | **(632)** | **(1,391)** | **(1,273)** |
| Change in equity | - | - | 282 | - | - |
| Net borrowing | (136) | 515 | 302 | 27 | 55 |
| Dividends | (904) | (1,055) | (1,216) | (1,418) | (1,328) |
| **Change in total cash** | **22** | **87** | **248** | **480** | **615** |
| Beginning cash | 179 | 203 | 289 | 539 | 1,020 |
| Change in FX rates | 2 | (1) | 2 | 1 | - |
| Ending cash | 203 | 289 | 539 | 1,020 | 1,635 |

Source: Company data, Shinhan Securities Vietnam

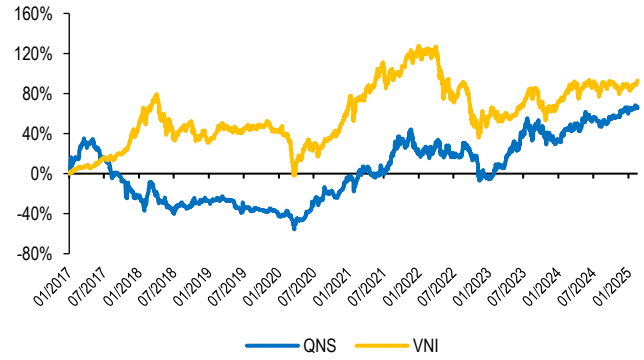
## Key ratios

| Year to Dec. | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| EPS (VND) | 4,226 | 7,172 | 7,680 | 7,501 | 7,025 |
| BPS (VND) | 24,766 | 28,468 | 32,650 | 35,000 | 37,762 |
| DPS (VND) | 8.5 | 6.4 | 6.5 | 8.5 | 9.0 |
| PER (x) | 1.4 | 1.6 | 1.5 | 1.8 | 1.7 |
| PBR (x) | 70.3 | 48.3 | 51.2 | 60.0 | 60.0 |
| EV/EBITDA (x) | 2.7 | 1.7 | 1.8 | 2.1 | 1.9 |
| Dividend payout ratio (%) | | | | | |
| Dividend yield (%) | 25.2 | 30.2 | 31.1 | 31.2 | 30.0 |
| **Profitability** | 16.5 | 21.5 | 23.2 | 22.7 | 21.2 |
| EBITDA margin (%) | 15.6 | 21.8 | 23.2 | 23.1 | 21.9 |
| OPM (%) | 12.5 | 18.1 | 17.2 | 16.1 | 14.2 |
| NPM (%) | 17.2 | 25.5 | 23.77 | 21.6 | 18.8 |
| ROA (%) | | | | | |
| ROE (%) | 25.4 | 28.1 | 27.1 | 25.1 | 23.7 |
| **Stability** | (125.3) | (133.5) | (161.0) | (186.7) | (228.2) |
| Debt to equity ratio (%) | 163.6 | 196.7 | 216.2 | 243.2 | 269.6 |
| Net debt ratio (%) | 19.1 | 19.0 | 29.1 | 20.2 | 20.5 |
| Cash ratio (%) | | | | | |
| Interest coverage ratio (x) | 25.9 | 25.5 | 23.6 | 24.7 | 24.7 |
| **Activity (%)** | 55.5 | 52.1 | 61.6 | 71.1 | 72.3 |
| Working capital turnover (times) | 21.5 | 22.7 | 26.2 | 30.3 | 32.0 |

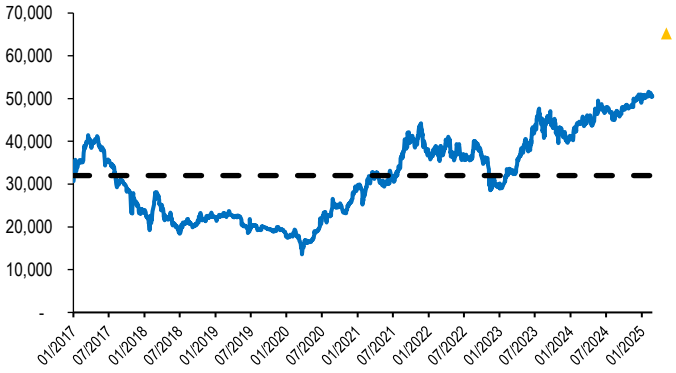
Source: Company data, Shinhan Securities Vietnam

# Quang Ngai Sugar JSC (QNS VN)

## Share price




## Target price




| Date | Rating | Target price (VND) | Target price gap (%) | |
|---|---|---|---|---|
| | | | Average | Max/Min |
| 14/06/2023 (Initiation) | BUY | 55,700 | 17.7 | 32.5/4.2 |
| 09/11/2023 (Update) | BUY | 64,200 | 54.5 | 21.5/102.6 |
| 27/02/2025 (Update) | BUY | 63,500 | 33.9 | 23.1/46.0 |

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

**Shinhan Securities Vietnam**

| Stock | 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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