

MOCCHAU DAIRY CATTLE BREEDING JSC.

[Food & Beverage/Dairy products]

Bloomberg Code (MCM VN) | Reuters Code (MCM.HM)

BUY

Initiate

Target price (6months) **VND62,500**

Current price (Jun30th) VND50,100

Upside(%) **+24.8**



[Analyst]

An Nguyen

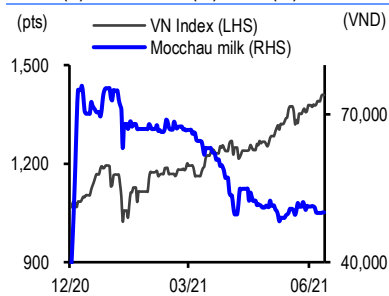
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VNINDEX	1,409
UPCOMINDEX	90.3
Market cap (bn VND)	5,511
Outstanding shares (1mn)	110
Free float (1mn)	110
52-week high/low (VND)	81,193/40,500
60-day avg. trading volume	25,486
60-day avg. turnover (bn VND)	1.7
Foreign ownership (%)	100

Major shareholders	Vilco	32.5
	GTN Foods	26.8

Performance	3M	6M	12M	
	Absolute (%)	(21)	(31)	-
	Relative (%)	(39)	(58)	-



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FERTILE HIGHLAND

Initiate coverage with BUY rating with target price of VND62,500

We initiate coverage Mocchau Milk (MCM VN) with a BUY rating and target price of VND62,500 which is based on DCF valuation methodology. Our target price is translated into 2021F PBR of 3.1x, which is a relatively attractive valuation for such an untapped potential company. We believe that Mocchau Milk will be successful in implementing projects, including: 1) enlarging the coverage of "MocChau Milk" brand recognition; 2) upgrading production capacity; and 3) developing premium products. Thus, the company's revenue and profits are expected to grow at a double-digit rate in the period of 2021-25.

Exploit competitive advantages in the future

Mocchau Milk resumed its growing trajectory in post-Vinamilk's M&A deal in 2020. The company will effectively exploit their competitive advantages, including: 1) Moc Chau breeding area locates in rare temperate climate in Vietnam, which is suitable for milk cow breeding; and 2) favorable geographical location to reach Northern Vietnam customers. We believe that Mocchau Milk will expand their market share over the upcoming years with the right strategy and supports from Vinamilk.

Enhance competitiveness thanks to supports from Vinamilk

Vinamilk is supporting Mocchau Milk to improve their competitiveness in three main aspects. Firstly, Mocchau Milk enlarges the coverage of the "MocChau Milk" brand by integrating MCM products into Vinamilk's Vietnam extensive distribution network. Secondly, Mocchau Milk can increase their advantage of economies of scale through Vinamilk's resources. Thirdly, Mocchau Milk improves the promotion of MCM products along with increasing the number of SKUs since inherited Vinamilk's product development experience.

Enter the growth phase by increasing production scale

We believe Mocchau Milk to enter a new growth phase in the period of 2021-25 thanks to three main reasons. Firstly, the increased production capacity, which is the result of upgrading existing lines and building new factories, in line with the increase in the coverage. Next, the increase in both raw milk volume and raw milk autonomy rate thanks to the increase in the number of livestock farmers and the operation of the new cow farm to save average production cost. Finally, the higher earnings from high-end customers due to the contribution of premium products through the development of organic cows.

Year to Dec.	2019	2020	2021F	2022F	2023F
Revenue (bn VND)	2,558	2,823	3,132	3,530	4,020
OP (bn VND)	141	262	274	307	367
NP (bn VND)	167	281	312	350	378
EPS (VND)	2,309	3,773	2,545	2,860	3,085
BPS (VND)	10,879	13,651	19,966	20,334	20,731
OPM (%)	5.5	9.3	8.7	8.7	9.1
NPM (%)	6.5	9.9	10.0	9.9	9.4
ROE (%)	22.3	34.3	20.1	15.8	16.7
PER (x)	21.7	13.3	19.7	17.5	16.2
PBR (x)	4.6	3.7	2.5	2.5	2.4
EV/EBITDA (x)	17.4	10.7	16.7	14.2	9.1

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Initiate coverage with BUY call and target price VND62,500/ share

We initiate coverage Mocchau Dairy Cattle Breeding JSC or Mocchau Milk (MCM VN) with a BUY rating based on the target price of VND62,500 (a potential upside of +24.8% compared to the close price of VND50,100 on Jun 30th 2021). Our recommendation is mainly attributable to:

- 2020-25F CAGR of revenue will present at 13.6% which is higher than 2016-19 CAGR of 3.9%, thanks to: 1) expanding coverage as Mocchau Milk's products via intergration into extensive distribution network of Vinamilk; 2) upgrading production line to increase capacity by ~+40% from the current level of 150,000 units/hour in the period of 2021-22; and 3) launching a new factory with a double capacity to 300,000 units/hour in 2025.
- Mocchau Milk's profit margins is expected to improve steadily from 2024 from the prints of 2021-23. Mocchau Milk will put a 4.0-technology dairy farm into operation in 2023, resulting in: 1) an increase in their raw milk autonomy rate to 16% in 2025 from 7.7% in 2020; and 2) higher average selling prices (ASPs) due to the contribution of premium products developed from organic cow herds. We believe its net profit margin to increase to 10.2% in 2025 from the 2021-23 average of 9.7%.

Valuation

We employ DCF-based methodology as the main valuation measure for Mocchau Milk, given that it is able to capture changes in the earnings and cash flow of the company, even it is going to increasingly capex over the next 5 years for promising capacity upgrading. Our target price at VND62,500 is translated into 2021 forward PBR of 3.1x, which is considered as a reasonable entry point for a long-term growth potential dairy producer in Vietnam.

DCF-based valuation of Mocchau Milk					
(Unit: VND bn)	2021F	2022F	2023F	2024F	2025F
Revenue	3,132	3,530	4,020	4,601	5,338
EBIT	274	307	367	522	649
Less: Taxes	51	57	62	74	89
Plus: D&A	57	81	236	302	322
Less: Net working capital	66	(78)	48	(91)	49
Less: Capex	(216)	(503)	(1,286)	(661)	(203)
FCFF	219	(149)	(624)	22	726
Discount factor	0.96	0.88	0.81	0.75	0.69
PV of FCF	210	(131)	(505)	16	498
Sum of PV	88				
Terminal growth (%)	1.0				
PV of Terminal value	6,572				
Implied equity value	6,871				
# of outstanding shares (mn)	110				
Value per share (VND)	62,500				
Current price (VND) (Jun 30 th)	50,100				
Upside (%)	24.8				
WACC calculation		Remark			
WACC (%)	8.7				
Risk-free rate (%)	1.2	5-year government bond yield			
Equity risk premium (%)	8.2				
Beta	0.91	5-months historical data since the first listing day (Dec 18th 2020)			
Cost of equity (%)	8.7				
Equity to capital ratio (%)	100				
Value of equity (bn VND)	5,500				

Source: Bloomberg, Shinhan Securities Vietnam

Mocchau Milk- 12M forward PBR



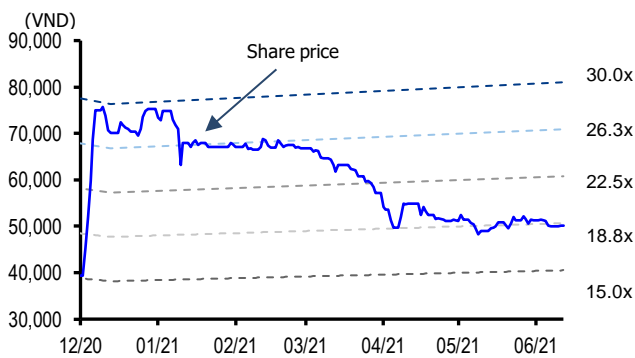
Source: Bloomberg, Company data, Shinhan Securities Vietnam.

Mocchau Milk- PBR band chart



Source: Bloomberg, Company data, Shinhan Securities Vietnam.

Mocchau Milk- 12M forward PER



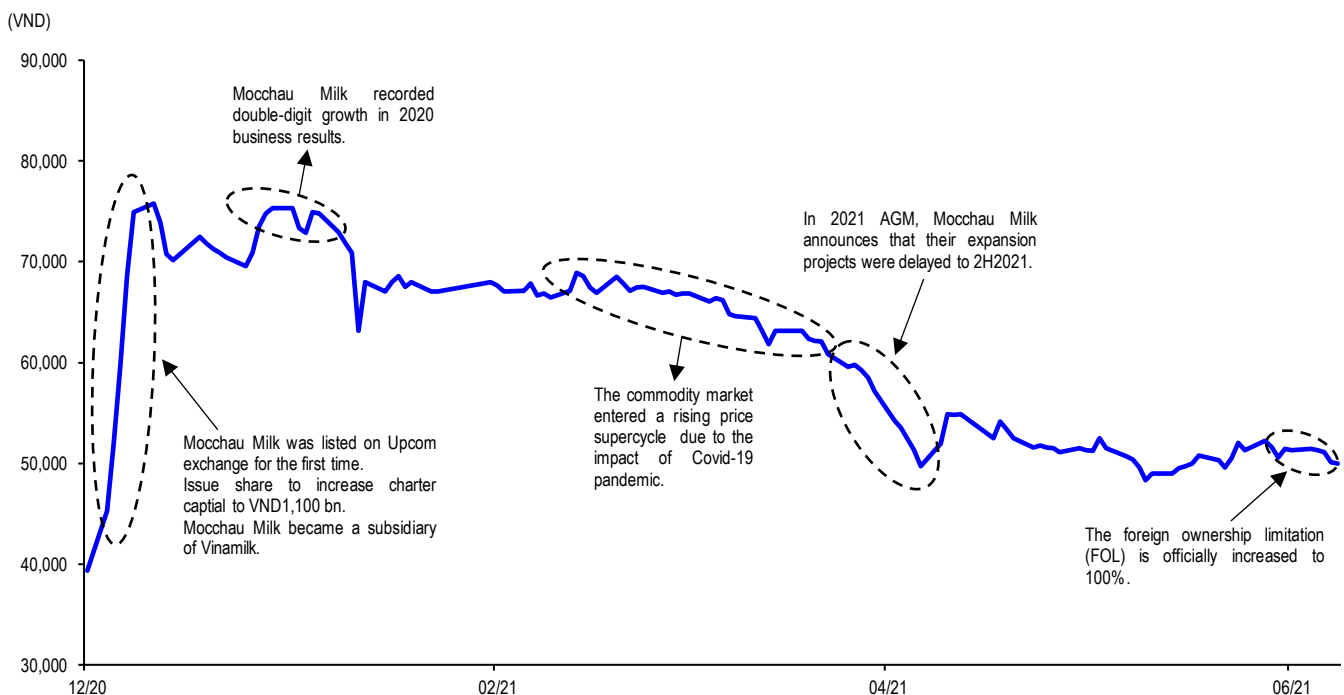
Source: Bloomberg, Company data, Shinhan Securities Vietnam.

Mocchau Milk- PER band chart



Source: Bloomberg, Company data, Shinhan Securities Vietnam.

Mocchau Milk's key event chart (2020-2021)



Source: Bloomberg, Company data, Shinhan Securities Vietnam.

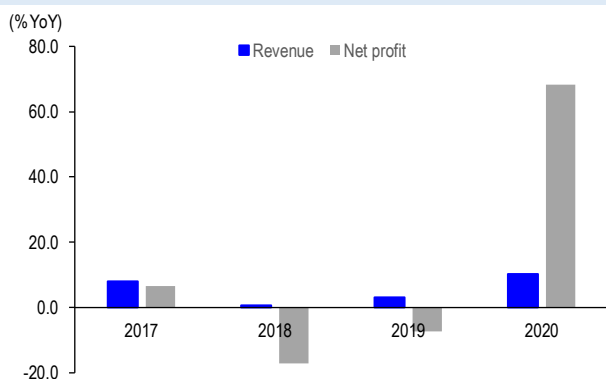
Investment Thesis

Exploit competitive advantages in the future

Mocchau Dairy Cattle Breeding JSC (MCM VN, or Mocchau Milk) is the fourth largest dairy product manufacturer in Vietnam in terms of market share (in 2020 Mocchau Milk held 2.7% and 18% of market share in nationwide and Northern Vietnam, respectively). Mocchau Milk owns two potential competitive advantages that had not been effectively exploited. The company's breeding area is located in Moc Chau highland, where is one of the only three temperate climate highlands in Vietnam (besides Ba Vi and Da Lat). This is the most favorable condition to develop large-scale dairy cow herds with a high quality raw milk. Mocchau Milk's geographical location is more convenient to access the Northern Vietnam's market (especially in rural areas) than its peers.

Pre-Vinamilk's acquisition deal ([VNM.VN/BUY/TP: VND: 110,000](#)) in 2020, Mocchau Milk's business performance was relatively weaker than its rivals. Moreover, the company's customer base is not large in a few Northern provinces and cities, due to weak distribution channels. 2016-19 CAGR of revenue and net profit were only 3.9% and -6.4%, respectively. However, Mocchau Milk's earnings have been improving, in 2020 revenue and profit growth of +10.4% YoY and +68.3% YoY, respectively. Thus, we believe that Mocchau Milk will continue to exploit their competitive advantages in order to improve its business results thanks to Vinamilk's support.

Mocchau Milk's business growth (2017 - 2020)



Source: Company data, Shinhan Securities Vietnam

Mocchau Milk is the most chosen dairy brand in Vietnam rural area

Vietnam FMCG Brand footprint 2020 (Dairy only)				
CRPs (M)			CRPs (M)	
Urban (4 cities)	Score	Rank	Score	Rural
Vinamilk	47	1	135	Vinamilk
TH TrueMilk	13	2	62	Fami
Southern Star Milk	11	3	50	Ong Tho Milk
Milo	11	4	32	Milo
Ong Tho Milk	10	5	25	Southern Star Milk
Dutch Lady	7	6	20	Susu
Fami	5	7	20	TH TrueMilk
Yakult	4	8	19	Mocchau Milk
Susu	3	9	16	Dutch Lady
Probi	3	10	12	Nuti

(*) Blue font is Vinamilk's brand

Source: Kantar World Panel, Shinhan Securities Vietnam / CRPs: Consumer Reach Points

Enhance competitiveness thanks to supports from Vinamilk

Mocchau Milk receive strongly supports from Vinamilk, given that: 1) integration Mocchau Milk's products into the Vietnam extensive distribution network of Vinamilk; 2) increasing the economies of scale; and 3) enhance production portfolio via Vinamilk's product development experience transferring.

① Enlarge the coverage of "MocChau Milk" brand thanks to Vinamilk's distribution network.

The "MocChau Milk" brand recognition has been gradually improve via intergration of MCM products into the Vietnam largest distribution system of Vinamilk, which is an outstanding competitive advantage against its main competitors (e.g. Bavi Milk of IDP Corp. or Dalat Milk of TH True Milk whose distribution network are smaller than Vinamilk). Additionally, we expect Mocchau Milk will prioritize promoting the company's selling activities in the North of Vietnam during 2021-22, as the production base of the company is less than 200 kilometers travelling to Hanoi. We believe that Mocchau Milk will succeed in strengthening their market share in this region within the next 2 years.

Mocchau Milk's distribution network (2020)

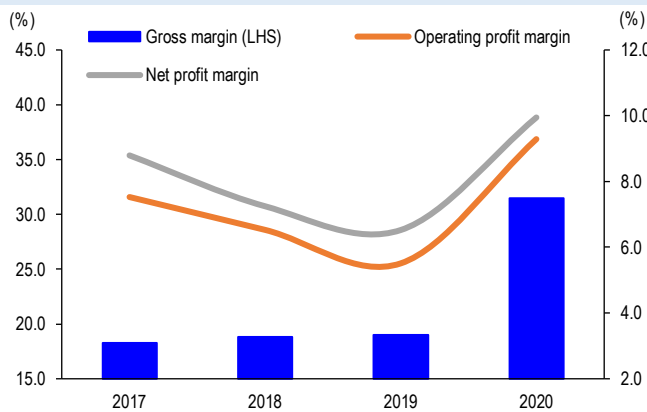
Channel	Mocchau Milk	Bavi Milk	Dalat Milk
No. of the company's store	28	None	None
Total point of sale (POS) (included POS of the parent)	305,400	77	150,027

Source: Company data, Shinhan Securities Vietnam.

Higher profit by taking advantage of economies of scale

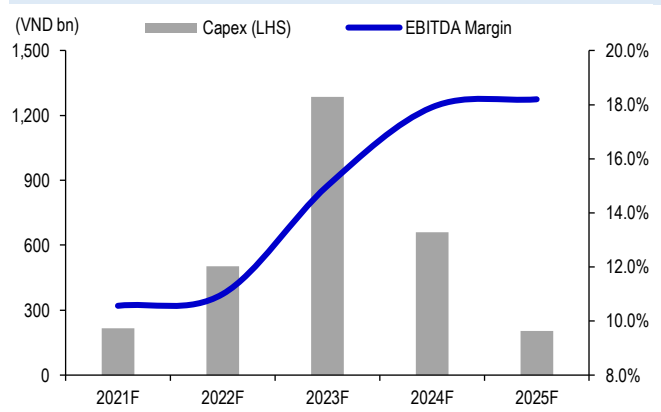
Mocchau Milk is increasing their economies of scale by upgrading their manufacturing operations, resulting in a higher revenue and lower average costs. In 2021, the company plans to upgrade its production capacity as well as commencing to build a new farm for the first time since their equitization in 2005. Moreover, they also save average costs thanks to Vinamilk's support, including machinery acquisition and raw material merchandising, as well as enjoying a better discount policies for their distributors. Consequently, Mocchau Milk's profit margins has strongly improved in 2020 from 2019. We believe that the advantage of economies of scale will help strengthen Mocchau Milk's future profitability.

Mocchau Milk 's profit margins (2017 - 2020)



Source: Company data, Shinhan Securities Vietnam.

Larger business scale leads to a higher profit (2021F- 2025F)

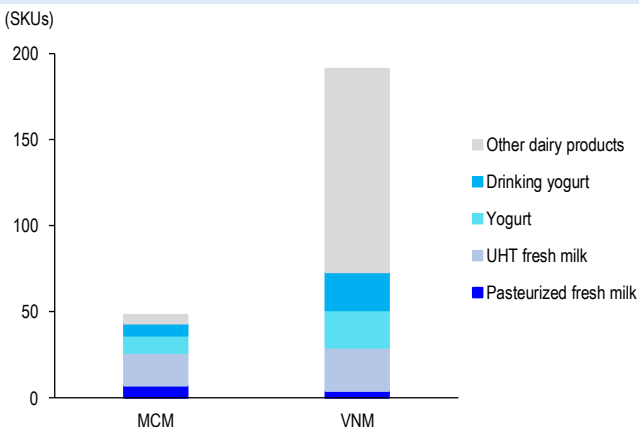


Source: Company data, Shinhan Securities Vietnam.

Create a higher added value by inherited product development experience from Vinamilk

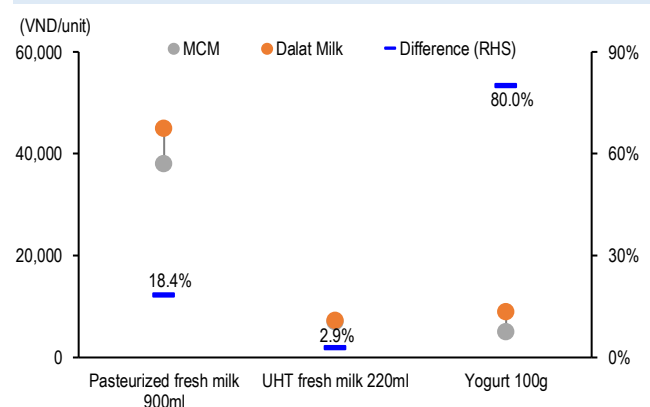
Mocchau Milk's development and marketing activities for new products will be improved by inherited experience from Vinamilk. We believe that the company will present positive signals in upcoming years, such as: 1) increasing the number of SKUs from the current low level of 48 SKUs; 2) investing in a 4.0 high-tech farm to improve product quality, then upgrading the brand position of "MocChau Milk"; and 3) enhancing brand recognition via professional marketing activities (e.g. "MocChau Milk" brand has been advertised on Youtube channels with the keyword "Fresh milk from Moc Chau dairy paradise" for the first time since 1Q21). Based on this, the company's production capacity is able to meet higher sales volume, and the selling price range is also extended.

Dairy portfolio of Mocchau Milk and Vinamilk (2Q21)



Source: www.giacmosuaviet.com.vn, Company data, Shinhan Securities Vietnam.

The gap between the price of Mocchau Milk and Dalat Milk



Source: www.dalatomilk.com, Company Data, Shinhan Securities Vietnam

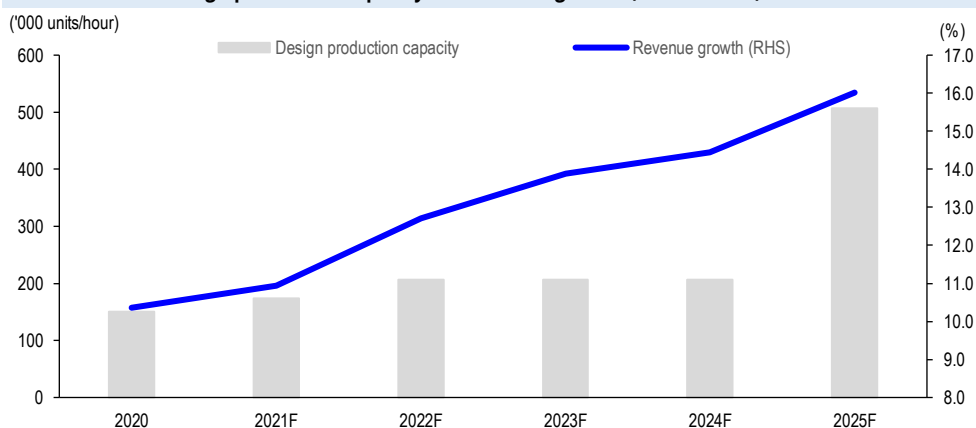
Enter the growth phase by increasing production scale

We believe that Mocchau Milk has entered a growth phase for 2020-25, supported by the larger production scale and the intergration value chain, including: 1) upgrading the production capacity in line with the coverage expansion and product development; 2) increasing volume of raw milk to meet production demand; and 3) developing organic cow herds in order to tap premium customers via premium products.

① Upgrading production capacity to boost sales volume

Mocchau Milk is going to enlarge its production scale in the next 5 years via a suitable capex plan. The management plans to upgrade its current production line by ~+40% in 2022 with capex of VND130bn. The company is also applying for a construction permit for a new “Moc Chau” dairy plant to continue increasing the further capacity, expected to be completed in 2025. The designed capacity of the new plant is 300,000 units/hour which is doubled the capacity before the upgrading (150,000 products/hour). The company is currently operating at an average capacity of 90% of the designed capacity. Therefore, this long-term plan will help Mocchau Milk to boost sales volume which is in line with the plan of enlarging the coverage and diversifying product portfolio. Moreover, we expect Mocchau Milk to set their presentation in the Central and Southern of Vietnam, as well as exports to China in a further production expansion plan after consolidation of its market development.

Mocchau Milk's design production capacity and revenue growth (2020 - 2025F)



Source: Company data, Shinhan Securities Vietnam

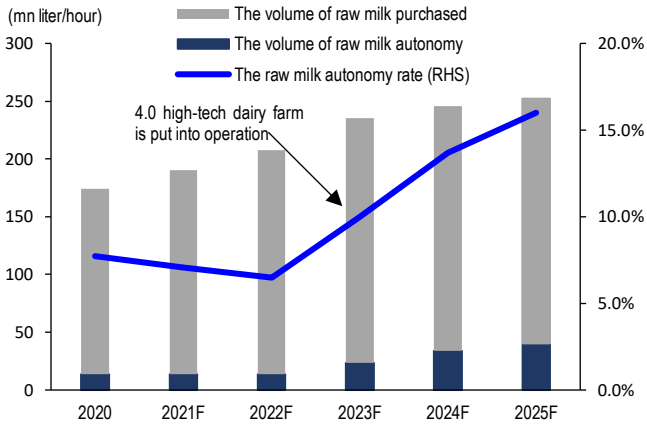
② Expanding cow herds to increase the volume of raw milk

Mocchau Milk is going to put a 4.0 high-tech cow farm into operation and accelerate cow herd expansion since 2023. The herd size is expected to rise to 37,500 heads in 2025 from 25,935 heads in 2020, of which, the autonomous cow herd is 6,000 heads (2020: 2,000 heads), equivalent to an increase in raw milk autonomy rate to 16% (from 7.7% in 2020). The larger cow herd will lead to a higher volume of raw milk, meeting the production capacity upgrade. Moreover, this is a premise for Mocchau Milk, in light of: 1) creating more value-added products in the future; 2) limit volatility risk of raw milk price to improve gross margin (~2 percentage points higher from 2024 compared to 31.5% in 2020); and 3) gain a competitive price advantage, supporting the strategy of expanding market share in the long-term.

③ Investment of organic cow herds to develop premium products

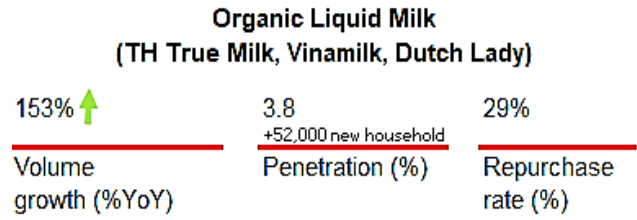
Mocchau Milk plans to grow organic cow herd from 2023. Currently, Vinamilk and TH True Milk are the only two dairy companies in Vietnam owning strengths in developing organic cow herds which require a high breeding skills. Meanwhile, demand for organic milk is growing thanks to the rising awareness about the benefits of premium products. Therefore, we believe that when Mocchau Milk successfully produces organic raw milk, they will be able to reach the high-end customer segment. As a result, the average selling price will increase and Mocchau Milk's brand position will be up to high-end segment.

Mocchau Milk's raw milk autonomy rate (2020 - 2025F)



Source: Company data, Shinhan Securities Vietnam

Organic liquid milk demand (2020)



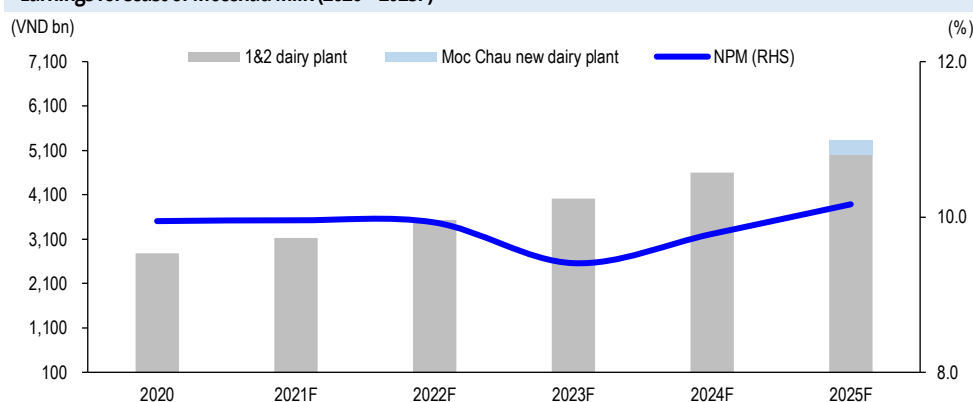
Source: Kantar World, Shinhan Securities Vietnam

Earnings estimates

Enter double-digit revenue growth in 2021-25

We believe that Mocchau Milk's revenue will grow continuously at double digits, equivalent to 2020-25 compound annual growth rate (CAGR) of +13.6%. The reasons are: 1) larger production scale with total design capacity increasing to 507,000 products/hour by 2025 (2020: 150,000 products/hour); and 2) a strong increase in sales volume (+13% on average per year). Moreover, we expect the company's net profit margin (NPM) to show an upward trend since 2024, which is attributed to: 1) a wider selling price range (+~2%) due to increase in SKUs; 2) higher raw milk autonomy rate (16% in 2025 from 7.7% in 2020); and 3) contribution of organic products. In detail, the NPM of 2024 and 2025 is expected to improve to 9.8% and 10.2%, respectively, from 2021-23 average of 9.7%.

Earnings forecast of Mocchau Milk (2020 - 2025F)



Source: Company data, Shinhan Securities Vietnam

Mocchau Milk's annual earnings trend and outlook (2019-2025F)

(Unit: bn VND)	2019	2020	2021F	2022F	2023F	2024F	2025F
Revenue	2,558	2,823	3,132	3,530	4,020	4,601	5,338
①1&2 dairy plant	2,215	2,786	3,132	3,530	4,020	4,601	5,001
②Moc Chau new dairy plant	0	0	0	0	0	0	337
Gross profit	486	888	968	1,120	1,293	1,556	1,862
OP	141	262	274	307	367	496	632
Net profit	167	281	312	350	378	450	542
Margin (%)							
GPM	19.0	31.5	30.9	31.7	32.2	33.8	34.9
OPM	5.5	9.3	8.7	8.7	9.1	10.8	11.8
NPM	6.5	10.0	10.0	9.9	9.4	9.8	10.2
Growth (%YoY)							
Revenue	3.1	10.4	11.0	12.7	13.9	14.4	16.0
GP	4.1	82.8	9.0	15.7	15.5	20.3	19.7
OP	(13.0)	86.0	4.4	12.0	19.6	35.2	27.4
NP	(7.2)	68.3	11.1	12.4	7.9	19.0	20.5

Source: Company data, Shinhan Securities Vietnam

Mocchau Milk's quarterly earning trend and outlook (2020 - 2022F)

(Unit: bn VND)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21F	3Q21F	4Q21F	1Q22F	2Q22F	3Q22F	4Q22F	2020	2021F	2022F
Revenue	633	734	775	681	621	745	846	921	777	953	953	844	2,823	3,132	3,530
Gross profit	178	218	268	225	174	211	278	307	229	280	322	291	888	968	1,120
Operating profit	44	58	99	62	42	60	81	90	63	68	106	70	262	274	307
Net profit	47	59	102	72	50	71	93	97	66	80	115	90	281	312	350
Margin (%)															
GPM	28.1	29.6	34.6	33.0	28.1	28.3	32.9	33.3	29.4	29.4	33.7	34.5	31.5	30.9	31.7
OPM	6.9	7.8	12.8	9.0	6.7	8.1	9.6	9.8	8.1	7.1	11.1	8.3	9.3	8.7	8.7
NPM	7.4	8.1	13.2	10.6	8.0	9.5	11.0	10.5	8.5	8.3	12.0	10.7	10.0	10.0	9.9
Growth (%YoY)															
Sales	14.4	2.4	13.7	12.2	(1.8)	1.5	9.1	35.2	25.0	27.9	12.7	(8.4)	10.4	11.0	12.7
GP	75.0	76.0	102.9	73.9	(1.8)	(3.0)	(3.6)	36.6	31.1	32.6	15.7	(5.1)	82.8	9.0	15.7
OP	27.2	84.2	124.8	95.1	(4.7)	(4.7)	(18.4)	46.8	50.7	12.0	30.9	(22.3)	86.0	4.4	12.0
NP	34.6	46.2	112.9	66.2	(5.1)	(19.6)	(9.6)	34.7	33.8	12.4	23.7	(6.8)	68.3	11.1	12.4

Source: Company data, Shinhan Securities Vietnam

Company background

History

Mocchau Dairy Cattle Breeding JSC or Mocchau Milk (MCM VN) was established in 1958. The company operates as a state-owned enterprise with core business of manufacturing and selling dairy products. In 2005, the company was transformed into a joint stock company, in which Vietnam Livestock Corporation (100%-state owned) holds 51% of charter capital. In 2020, Mocchau Milk became a subsidiary of Vinamilk. Currently, the company owns 1 dairy farm, 3 breeding centers, 2 dairy processing plants and 1 animal feed processing plant in Moc Chau.

In 2020, Mocchau Milk was first listed on Upcom exchange with an initial charter capital of VND668 bn. In 2021, the company issued additional shares to existing shareholders and strategic partners, increasing the charter capital to VND1,100 bn.

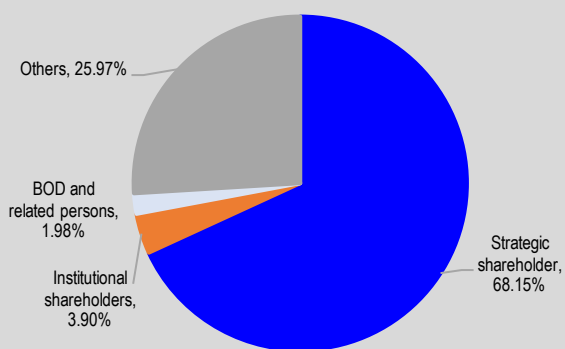
Shareholder structure

As of May 18th, 2021, Mocchau Milk's shareholder structure by investor types: 1) Strategic shareholder (68.13%); 2) Board of Directors and related persons (1.98%); and 3) Others (29.89%). Of which, the three major shareholders are Vietnam Livestock JSC - Vilico (32.50%), GTN Foods JSC (26.78%), and Vinamilk (8.85%).

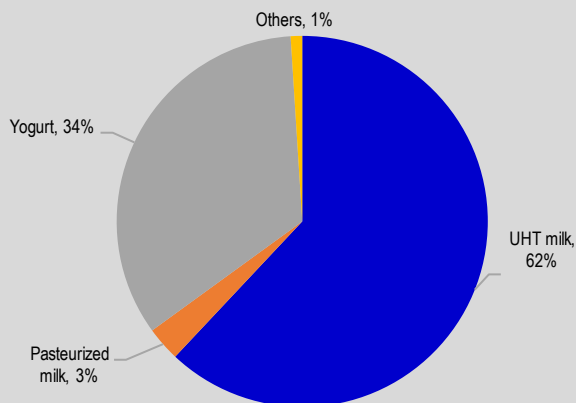
Business mixed

Mocchau Milk's product portfolio includes UHT milk, pasteurized milk, yogurt, butter and other dairy products. Mocchau Milk's revenue only comes from domestic market until 2021.

Mocchau Milk's shareholder structure

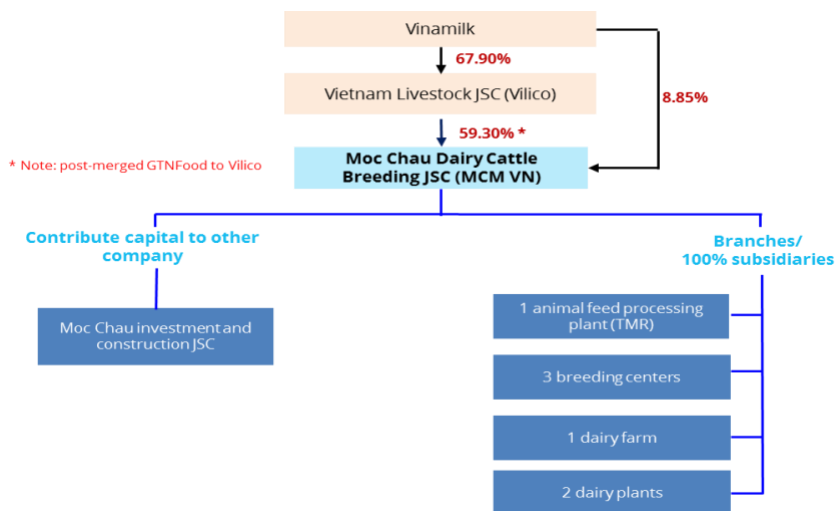


Mocchau Milk's product portfolio



Source: Company data, Shinhan Securities Vietnam

Mocchau Milk's corporate governance structure (2021)



Source: Company data, Shinhan Securities Vietnam

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2019	2020	2021F	2022F	2023F
Total assets	1,072	1,223	2,596	2,610	3,407
Current assets	871	1,036	2,252	1,843	1,589
Cash & equivalents	74	21	211	253	366
Short-term financial asset	419	611	1,645	1,142	707
Accounts receivable	71	145	121	165	160
Inventories	294	204	254	257	321
Others	13	53	22	27	34
Non-current assets	201	187	344	767	1,818
Net fixed assets	194	151	339	761	1,813
Investment assets	-	29	-	-	-
Others	7	6	5	5	5
Total liabilities	345	311	400	373	1,127
Current liabilities	343	251	340	313	424
Accounts payable	304	217	308	277	385
Short-term borrowings	-	-	-	-	-
Others	38	33	32	36	39
Non-current liabilities	3	60	60	60	703
Long-term borrowings	-	-	-	-	643
Others	3	60	60	60	60
Total shareholders' equity	727	912	2,196	2,237	2,280
Capital stock	668	668	1,100	1,100	1,100
Capital surplus	-	-	817	817	817
Retained earnings	42	199	203	208	214
Other capital	17	45	76	111	149
Non-controlling interest equity	-	-	-	-	-
*Total debt	-	-	-	-	643
*Net debt (cash)	(74)	(21)	(211)	(253)	277

Statement of cash flow

Year to Dec. (bn VND)	2019	2020	2021F	2022F	2023F
Cash flow from operations	214	299	301	169	493
Net profit	167	281	312	350	378
Depreciation expense	63	52	57	81	236
Amortization expense	-	-	-	-	-
Interest expenses	0	-	-	-	-
Change in working capital	35	24	66	(78)	48
Others	(51)	(58)	(134)	(185)	(169)
Cash flow from investments	16	(208)	(1,248)	0	(852)
Increase in tangible assets	(32)	(20)	(216)	(503)	(1,286)
Decrease in tangible assets	2	3	-	-	-
Change in intangible assets	-	-	-	-	-
Change in investment assets	45	(192)	(1,034)	503	435
Others	-	-	1	-	-
Free cash flow	182	279	86	(334)	(793)
Cash flow from financing	(190)	(167)	1,040	(234)	391
Change in equity	-	-	1,249	-	-
Change in short-term debt	-	-	-	-	-
Change in long-term debt	-	-	-	-	643
Dividends	(190)	(167)	(244)	(274)	(296)
Other	0	0	35	40	44
Change in total cash	39	(77)	94	(65)	33
Beginning cash	23	74	23	211	253
Change in FX rates	-	-	-	-	-
Ending cash	94	23	211	253	366

Source: Company data, Shinhan Securities Vietnam

Statement of comprehensive income

Year to Dec. (bn VND)	2019	2020	2021F	2022F	2023F
Revenue	2,558	2,823	3,132	3,530	4,020
Growth (%)	3.1	10.4	10.9	12.7	13.9
COGS	2,072	1,935	2,164	2,410	2,727
Gross profit	486	888	968	1,120	1,293
GPM (%)	19.0	31.5	30.9	31.7	32.2
Selling expenses	321.8	596.6	661.9	776.6	884.4
Administrative expenses	23.3	29.5	32.7	36.9	42.0
Operating profit	141	262	274	307	367
Growth (%)	(13.0)	86.0	4.4	12.0	19.6
OPM (%)	5.5	9.3	8.7	8.7	9.1
Non-operating profit	42	30	84	96	66
Financial income	48	41	95	108	81
Financial expense	0	0	0	1	0
In which: interest expenses	0	-	-	-	-
Net other non-operating profit	(3)	(6)	(5)	(6)	(7)
Pre-tax profit	186	298	363	408	440
Income tax	-	17	51	57	62
Net profit	167	281	312	350	378
Growth (%)	(7.2)	68.3	11.1	12.4	7.9
NPM (%)	6.5	9.9	10.0	9.9	9.4
Controlling interest	167	281	312	350	378
Non-controlling interest	-	-	-	-	-
EBIT	141	262	274	307	367
Growth (%)	(12.9)	85.8	4.4	12.0	19.6
EBIT Margin (%)	5.5	9.3	8.7	8.7	9.1
EBITDA	193	314	331	388	603
Growth (%)	(14.2)	62.8	5.4	17.3	55.3
EBITDA margin (%)	7.5	11.1	10.6	11.0	15.0

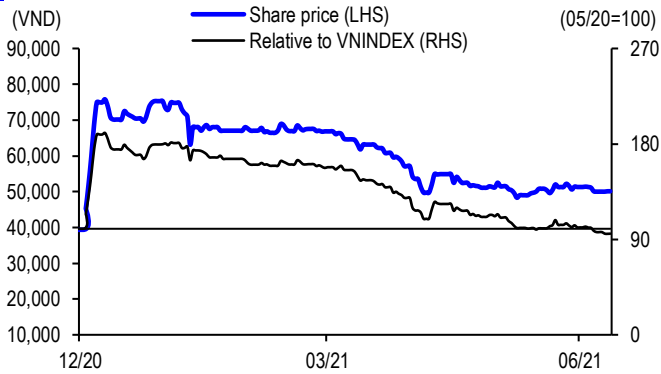
Key ratios

Year to Dec.	2019	2020	2021F	2022F	2023F
EPS (VND)	2,309	3,773	2,545	2,860	3,085
BPS (VND)	10,879	13,651	19,966	20,334	20,731
DPS (VND)	3,438	1,000	3,651	2,492	2,688
PER (x)	21.7	13.3	19.7	17.5	16.2
PBR (x)	4.6	3.7	2.5	2.5	2.4
EV/EBITDA (x)	17.4	10.7	16.7	14.2	9.1
Dividend payout ratio (%)	117.1	23.8	78.2	78.2	78.2
Dividend yield (%)	6.9	2.0	7.3	5.0	5.4
Profitability					
EBITDA margin (%)	7.5	11.1	10.6	11.0	15.0
OPM (%)	5.5	9.3	8.7	8.7	9.1
NPM (%)	6.5	9.9	10.0	9.9	9.4
ROA (%)	15.1	24.5	16.3	13.5	12.6
ROE (%)	22.3	34.3	20.1	15.8	16.7
Stability					
Debt to equity ratio (%)	-	-	-	-	28.2
Net debt ratio (%)	-	-	-	-	1.1
Cash ratio (%)	13.7	16.0	39.4	71.1	84.1
Interest coverage ratio (x)	871	-	-	-	-
Activity					
Working capital turnover (x)	4.7	4.3	2.3	2.1	3.0
Inventory turnover (days)	55.4	47.0	38.6	38.6	38.6
Receivable turnover (days)	10.3	14.0	15.5	14.8	14.8
Payable turnover (days)	54.1	49.2	44.3	44.3	44.3

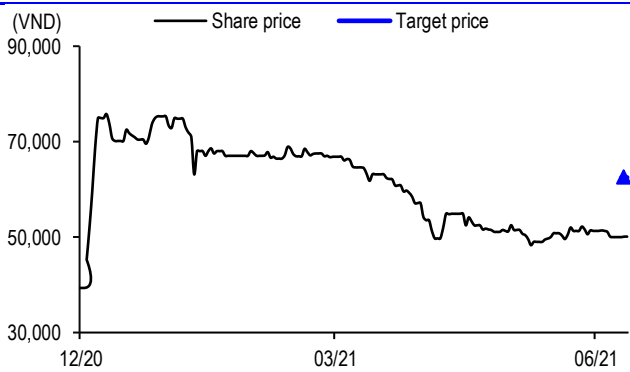
Source: Company data, Shinhan Securities Vietnam

Mocchau Dairy Cattle Breeding JSC (MCM)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
30/06/2021 (Initiate)	BUY	62,500	-	-

Note: Calculation of target price gap based on past 6 months

Shinhan Securities Vietnam

Stock	Sector
1. BUY: Expected 6-month gain of 20% or more	5. OVERWEIGHT: Based on market cap, largest share of sector stocks under coverage is rated BUY
2. TRADING BUY: Expected 6-month gain of 10% to loss of 15%	6. NEUTRAL: Based on market cap, largest share of sector stocks under coverage is rated Trading BUY or HOLD
3. HOLD: Expected 6-month loss of 15% to 20%	7. UNDERWEIGHT: Based on market cap, largest share of sector stocks under coverage is rated SELL
4. REDUCE: Expected 6-month loss of 20% or more	

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