

# Vinamilk (VNM)

## Lack of strong growth engines

### Improving gross margin expected in 2H22F

In 2021, The FAO Dairy Price Index is estimated to have risen by 19 % yoy due to turning out stronger than expected demand, particularly from China. The biggest importing country with over 30% share, China skyrocketed SMP (skim milk powder) and WMP (whole milk powder) imported volumes by +27% and +32% yoy, respectively. In our view, in 2022F, a slowdown in import demand from China is expected and is a key to cooling global dairy prices in 2H22F.

### Earnings sustain in 2022F-24F

We forecast sales will achieve an 8% CAGR in 2022-24F as we believe that a positive outlook for the dairy sector in Vietnam in 2022F-24F when consumers are more familiar with the pandemic and their behavior is likely to be less extreme. Additionally, full vaccination for the population will lead the economy to recover to the level of pre-pandemic. And strengthening sentiment of people prompts consumption levels to normalize.

### Initiate coverage with a HOLD recommendation

We value VNM using a DCF (70%) and PE (30%) methodology. We maintain our HOLD rating with our target price of VND83,900. Our target price implies a target 2022F PE of 18.9x, which is equal to its peers. The sluggish outlook has been relatively reflected in the share price, VNM has underperformed the market by 20% over the last six months. Therefore, we maintain our Hold rating despite the subdued outlook and cheap valuation. At our target price of VND83,900, the upside is 14.9%.

	2019A	2020A	2021A	2022F	2023F
Sales (VND bn)	56,318	59,636	60,919	65,762	71,517
OP (VND bn)	12,182	12,263	11,760	12,722	14,977
EBT (VND bn)	12,796	13,519	12,922	13,801	15,894
NP (VND bn)	10,581	11,099	10,532	10,946	12,603
EBITDA (VND bn)	14,131	14,472	13,882	10,535	12,726
Net debt (VND bn)	-9,626	-11,941	-13,916	-14,449	-13,289
OP margin (%)	21.6	20.6	19.3	19.3	20.9
ROE (%)	37.7	35.5	30.6	30.5	32.0
Dividend yield (%)	5.9	5.0	4.8	5.0	5.7
EPS (VND, adj.)	5,426	4,736	4,559	4,686	5,396
chg. (% YoY)	(21.7)	(12.7)	(3.7)	2.8	15.1
BPS (VND, adj.)	17,070	16,099	17,154	18,816	20,736
DPS (VND, adj.)	4,499	3,793	3,646	3,803	4,379
PE (x)	14.1	16.1	16.7	16.3	14.1
PB (x)	4.5	4.7	4.4	4.1	3.7
EV/EBITDA (x)	8.8	10.3	10.6	9.9	8.7

Note: Net profit, EPS and ROE attributed to controlling interest

12M rating **HOLD (Initiate)**

12M TP **83,900**

Up/Downside **+14.9%** (incl 38.5% cash dividend)

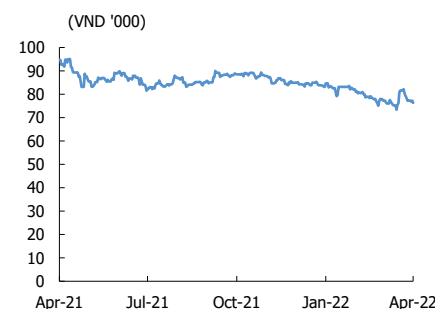
#### Stock data

VNIndex (14 Apr, pt)	1,472
Stock price (14 Apr, VND)	76,300
Market cap (USD mn)	6,963
Shares outstanding (mn)	2,090
52-Week high/low (VND)	95,021/73,400
6M avg. daily turnover (USD mn)	9.54
Free float / Foreign ownership (%)	35.2/54.3
Major shareholders (%)	
SCIC	36.0
F&N	17.7
Platinum Victory	10.6

#### Performance

	1M	6M	12M
Absolute (%)	(1.2)	(13.8)	(19.5)
Relative to VNIndex (%p)	(3.0)	(20.0)	(38.1)

#### Stock price



Source: Bloomberg

**Hoang Phung**

Hoang.pm@kisvn.vn

# Contents

## I. Improving gross margin expected from 2H22F onwards

---

1. Rising feedstock prices in 1H22F could ease in 2H22F
2. The pass-through ability thanks to supply-demand dynamics in 2022F-23F
3. Aggressively secure internal sources to reduce the impact in 2023F

## II. Gloomy earnings trajectory of growth

---

1. Exporting markets could not go fast while domestic market recovery is constrained
2. VNM continues to strengthen its position
3. Fresh beverage segment is unclear and the food product business faces hashing competition

## III. Stable earnings in 2022F-24F

---

1. Earnings growth recovers in 2022F-23F after the pandemic
2. Earnings growth stays flattish in 2024F

## IV. Valuation

---

1. Valuation: DCF, WACC, COE, Valuation, PE (PB) range
2. Recommendation:
3. Sensitivity: WACC, terminal growth rate
4. Peer

## Company overview

---

## What is the report about?

- Improving gross margin after the inflationary input cost period
- Stable earnings and potential new business
- HOLD on a strong balance sheet and a high dividend yield

## I. Improving gross margin expected from 2H22F onwards

### ***Rising feedstock prices in 1H22F could ease in 2H22F***

In 2021, The FAO Dairy Price Index is estimated to have risen by 19 % yoy. This attributes to the tight export from the world's major producing regions and a stronger than expected demand, particularly from China. China, the biggest importing country with over 30% share in 2021, skyrocketed the import volume of skim milk powder (SMP) and whole milk powder (WMP) by +27%/32% yoy, respectively to meet internal demand and stockpile purposes. Additionally, the dairy producers also suffered from a costlier transportation cost caused by logistic disruption, and surging raw milk production costs owing to higher feed, fertilizer, and fuel prices.

More about 2022F, The Russia-Ukraine conflict also escalates an already high-cost situation in 1Q22. Russia and Ukraine are major players in the global trade of grains and oil so the conflict increased global food security concerns, and prompted fertilizer and grains prices to spike and we have seen rising oil prices support SMP and WMP prices in the past. However, oil prices went down by about 20% from the peak in early April, thus, we expect that dairy commodities will cool in 2H22F followed by the oil prices and an increase in fertilizer and grains supply. Besides, in our view, a spiking in import demand from China is transient in 2021 due to food security concerns so we expected a slowdown in imports from China in 2022F, and is a key to cooling down global dairy prices in 2H22F.

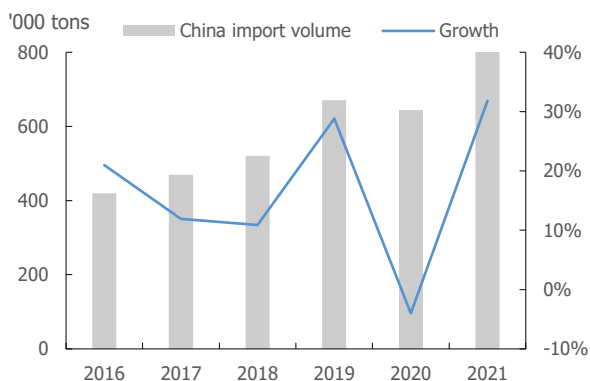
### ***The pass-through ability thanks to supply-demand dynamics in 2022F-23F***

In 2021, most dairy companies struggle to spike the selling prices because the income of households was hit strongly by the impact of covid-19. However, in 2022, when the income of households will recover, producers could push selling prices up more easily. The 2022F target CPI of the government is 4%, the highest level in the last seven years followed by global inflation pressure. In our collation, ASP of big players such as Abbott, Frieslandcampina spiked ASP by 4-5% yoy. Additionally, Value-Added Tax (VAT) decreased in Feb 2022 from 10% to 8%, softening the impact of the ASP spike. The demand for dairy products is relatively price-inelastic, according to a research paper by Toulouse School of Economics. Therefore, the volume of milk will stay solid in 2022F, in our view.

According to the VNM management, the company has conducted two price hikes in Dec 2021 and Jan 2022 with a total increase in average selling price (ASP) of 3%. Thus, we believe that VNM with the leading position also will raise at least one time more in the rest of 2022F to offset high input prices. Currently, VNM has fixed the input milk powder price for 1H22F. However, there is a significant increase in input price in 1Q22F. Thus, we forecast VNM's gross margin will drop in 1H22F and reverse in 2H22F, leading 2022F gross margin

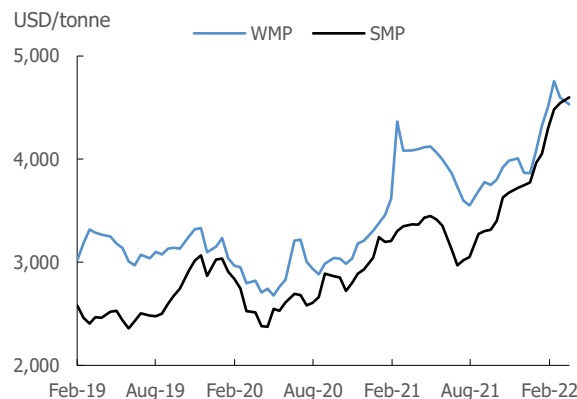
to subdue slightly before improving in 2023F.

**Figure 1. China increased importing WMP in 2021**



Source: Bloomberg

**Figure 2. Global dairy prices spiked in 2021**



Source: Bloomberg

**Aggressively secure internal sources to reduce the impact in 2023F**

Currently, Vinamilk has a total of 14 dairy farms with a total herd of more than 34,000 cow heads and 6,000 contracted farmers with 126,000 cow heads. The present cow herd supplies 30% and 55% of domestic and overseas raw materials, respectively. VNM plans to expand the cow herd will reduce the volatility risk of imported raw milk prices and stabilize gross margin. The Green Farm in Quang Ngai size of 4,000 cow heads has just been operated and the cow farm project in Lao size of 24,000 cows is expected to produce raw milk from 8,000 cows in early 2023F. We expect that these two farms will add 7.5% number of cows and 15% self-supply raw milk production in 2023F. Additionally, Moc Chau farm sizes of 4,000 cows, and Can Tho farm (scale of 8,000 cows) is applying for a permit.

## II. Gloomy earnings trajectory of growth

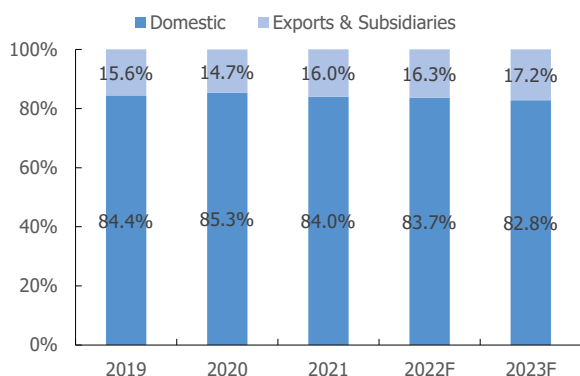
**Exporting markets could not go fast while domestic market recovery is constrained**

In 2021, VNM recorded revenue of VND60.9tn (+2% yoy) and NPATMI of VND10.5tn (-5% yoy), fulfilling 98.2%/94.6% guidance. Domestic dairy revenue was flat in 2021 due to sluggish domestic consumption caused by the strict lockdown measure. However, export revenue grew by 10.5% yoy due to more overseas penetration and consumption revival in the Middle East, US, and Cambodia after the Covid-19 pandemic. Export sales reached VND9.7tn, accounting for 16% of total revenue, +10% yoy in 2021. In which, exporting sales from Vietnam increased by 10% yoy, reached VND6.1tn, and sales of overseas subsidiaries were VND3.6bn (+11% yoy). In 2021, VNM has expanded into two Singapore and Philippines markets, increasing the total number of export markets to 57.

In contrast, 2021 domestic sales reached VND51,202 billion, up 0.7% yoy mainly due to sluggish domestic consumption caused by the strict lockdown measure. Domestic dairy consumption recovered slowly due to lingering price sensitivity which has forced many consumers to prioritize or reduce their expenditure, particularly the low-income group. Modern trade contributed to

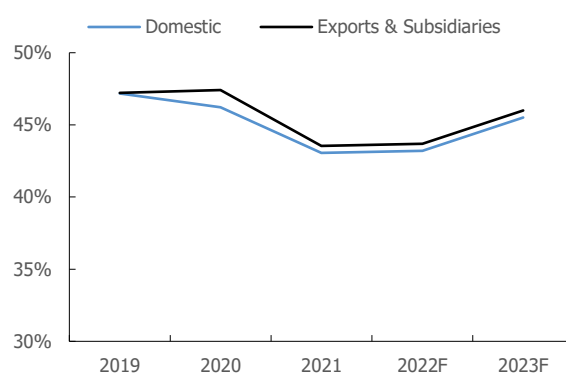
domestic sales with double-digit growth, supported by expanding chain store “Vietnamese Milk Dream” up to nearly 600 stores by the end of 2021.

**Figure 3. Export revenue proportion rallied in FY21**



Source: Company data, KIS

**Figure 4. Export gross margin suppressed faster**



Source: Company data, KIS

We forecast domestic sales to grow by 7.1%/5%/6.1% respectively in FY22/23F/24F and exports sales to go up by 12.3%/9.1%/11.1% respectively in FY22/23F/24F to be in line with low base in 2021 dairy consumption due to Covid-19, consumer demand recovery in Vietnam & overseas, and reflect a higher ASP in 2022F. Additionally, the penetration of milk products in Vietnam is much lower compared to other Southeast Asian countries such as Malaysia and Thailand. Specifically, there remains larger untapped potential in rural areas of the country. Vietnam’s dairy consumption per capita is 26 kg, about 20% lower than the regional average. Therefore, we believe that milk consumption in Vietnam will continue to increase in the next 5 years

***VNM continues to strengthen its position***

In 2021, VNM gained 0.2p% in overall market share, to 43.7% in term value (according to Euromonitor), particularly drinking milk and condensed milk, and maintain its dominant domestic market position due to VNM with an extensive nationwide network maintaining stable operations amid COVID-19’s disruptions, compared to competitors. Additionally, VNM and local dairy players also had an advantage in transportation during the pandemic and affordable selling prices compared to importers amid rising price sensitivity.

**Picture 1. Unrivaled leader in the dairy category in Vietnam**



Source: Central construction JSC, KIS

***The fresh beverage segment is unclear and the beef product business faces hashing competition***

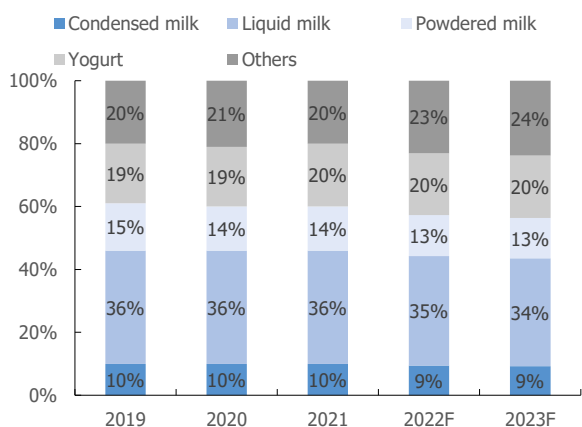
Moreover, in November 2021, VNM collaborated with Kido to Vibev brand with fresh corn milk and fresh green bean milk products. Vibev aims to be No.1 in the fresh beverage sector with an output of 150 mn bottles per year, equivalent to more than VND2,000bn in sales after 5 years. And the beef segment could be a potential business for VNM from 2023F onward. This segment is expected to contribute VND2,000-3,000bn revenue in the first year of operation. However, this segment is competitive and VNM has no experience, thus, the profit margin will be low, in our view.

### III. Stable earnings in 2022F-24F

#### 1. Earnings growth recovers in 2022F-23F after the pandemic

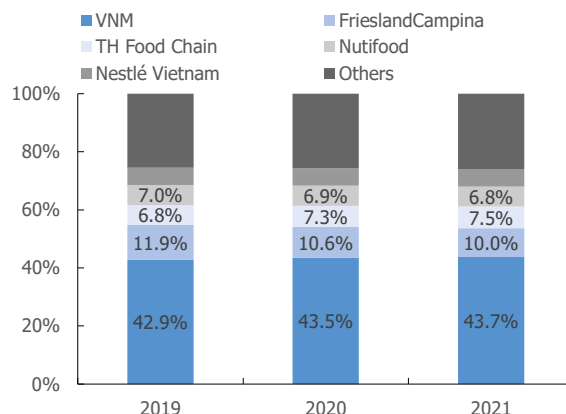
We believe that a positive outlook for the dairy sector in Vietnam in 2022F- 23F when consumers are more familiar with the pandemic and their behavior is likely to be less extreme. Additionally, full vaccination for the population will lead the economy to recover to the level of pre-pandemic. And strengthening sentiment of people prompts consumption levels to normalize. Drinking milk products and yogurt will have a positive perception from Vietnamese consumers in terms of nutritional content, while lingering health concerns will continue to drive demand for immune-boosting probiotic yogurt through 2022F.

**Figure 5. Revenue structure of VNM**



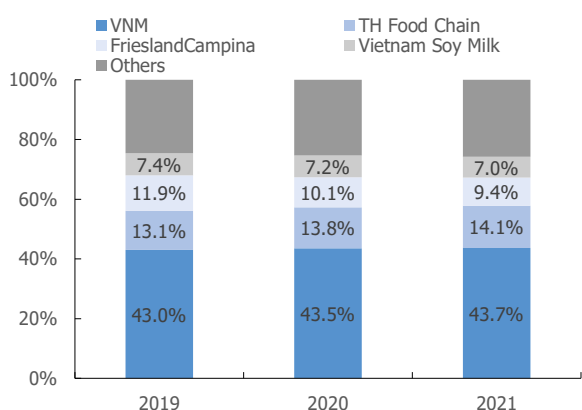
Source: Company data, KIS

**Figure 6. Vietnam's drinking milk product market share**



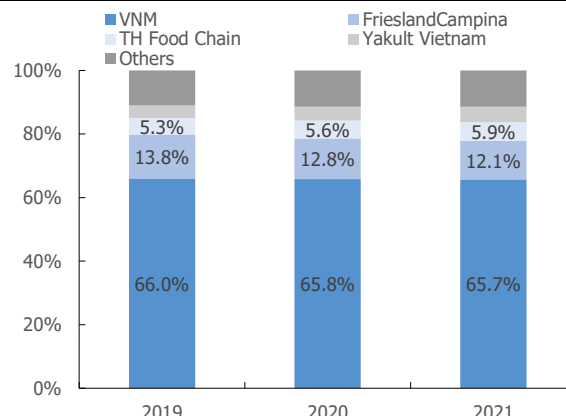
Source: Euromonitor, KIS

**Figure 7. Vietnam's overall dairy market share**



Source: Euromonitor, KIS

**Figure 8. Vietnam yogurt product market share**



Source: Euromonitor, KIS

**Drinking milk segment**

In 2021, drinking milk accounts for 35% of VNM's total revenue (our estimate), VNM acquired a controlling stake in Moc Chau Milk which produces fresh milk in the North, which led VNM to continue to strengthen its position, particularly within drinking milk products. According to Euromonitor, drinking milk products record 6% current value growth in 2021, and 5% retail volume growth reaches 1.6 million tonnes. Average unit price increases by 1% in current value terms in 2021. VNM retains leadership of drinking milk products in 2021 with a 44% value share. Euromonitor forecasts drinking milk products will record a 5% current value CAGR in the next 3 years. In our view, we forecast that VNM revenue and earnings from drinking milk products will record a 6% CAGR in 2022F-24F, due to investing in dairy farms and increasing premium products.

**Yogurt milk segment**

The yogurt segment accounts for 20% of VNM revenue (our estimate) with the highest growth. VNM retains dominance of yogurt milk products in 2021 with a 65.7% value share. In which, Vinamilk, Susu, and Probi brands contributed to 51.7%/10.4%/3.6% market share, respectively, for VNM. Drinking yogurt continues to post dynamic growth rates in 2021, driven by the demand for probiotics to boost the immune. Per Euromonitor, yogurt and sour milk products record 13% value growth in 2021, 11% retail volume growth to reach 377,000 tonnes, and average unit price increases by 2% in 2021. Euromonitor forecasts

demand for yogurt in Vietnam will remain positive with a 9% CAGR of value in the next 3 years. In our view, VNM's yogurt revenue and earnings will record a 9% CAGR in 2022F-24F, although VNM may lose small market shares to some new players, the company will improve ASPs.

## 2. Earnings growth stays flattish in 2024F

**Hung yen factory  
contribute to revenue  
growth from 2024F**

VNM cooperates with VLC to build a dairy factory in Hung Yen with an area of 25 hectares in My Hao district, Hung Yen province. The total investment capital is USD200mn with a designed capacity of 400 million liters/year. Hung Yen Dairy factory will be the 2nd milk factory in the Northern market, and the 2nd biggest milk factory of VNM after Mega Dairy factory in Binh Duong with a designed capacity of 800 million liters/year. The project has 2 phases and received approval for investment from Hung Yen province. The factory is expected to operate from 2024F and will contribute about 5% and 10% to VNM's revenue in 2024F and 2025F, respectively.

## 3. Forecasted earnings in 2022F-24F

**Table 1. Snapshot of performance forecast in FY22F-24F**

	FY21	FY22F	FY23F	FY24F
				(VND bn; %)
<b>Revenue</b>	<b>60,919</b>	<b>65,762</b>	<b>71,517</b>	<b>76,824</b>
Domestic	51,202	54,848	57,612	61,097
Exports	9,717	10,914	11,905	13,227
<b>Gross profit</b>	<b>26,278</b>	<b>28,526</b>	<b>32,721</b>	<b>35,130</b>
% gross margin	43.1	43.2	45.8	45.7
SG&A expenses	(14,518)	(15,804)	(17,745)	(18,919)
% SG&A/Sales	23.8	24.0	24.8	24.6
<b>Operating profit</b>	<b>11,760</b>	<b>12,722</b>	<b>14,977</b>	<b>16,210</b>
PBT	12,922	13,801	15,894	17,161
<b>NPATMI</b>	<b>10,532</b>	<b>11,144</b>	<b>12,831</b>	<b>13,854</b>
% NPAMI margin	17.3	16.9	17.9	18.0

Source: Company data, KIS

## IV. Valuation

**Maintain HOLD with TP  
VND83,900**

We value VNM using a DCF (70%) and PE (30%) methodology. We maintain our HOLD rating with our target price of VND83,900. Our target price implies a target 2022F PE of 18.9x, which is equal to its peers. The sluggish outlook has been relatively reflected in the share price, VNM has underperformed the market by 20% over the last six months. Therefore, we maintain our Hold rating despite the subdued outlook and cheap valuation. At our target price of VND83,900, the upside is 14.9%. We apply the same WACC at 10.1%, assuming: 1) a risk-free rate of 3%, 2) beta of 0.9 and 3) equity risk premium of 9.8%.



**Table 2. Cost of equity**

Item	%
Beta	0.9
Risk free rate	3.0
Equity risk premium	9.8
<b>Cost of equity</b>	<b>11.8</b>

Source: KIS

**Table 3. WACC calculation**

Item	%
Cost of debt	5.5
Target debt to capital	23.3
Tax rate	18.5
<b>WACC</b>	<b>10.1</b>

Source: KIS

**Table 4. DCF Valuation**

FCFF	FY22F	FY23F	FY24F	FY25F	FY26F	(VNDbn)
EBIT	12,722	14,977	16,210	17,749	18,973	
less: tax	2,553	2,940	3,175	3,445	3,660	
add: depreciation	2,187	2,251	2,316	2,380	2,445	
less: capex	(1,651)	(1,591)	(1,621)	(1,606)	(1,614)	
(increase) / decrease in NWC	(43)	(1,371)	(1,460)	(1,044)	(1,539)	
<b>Unlevered free cash flow</b>	<b>11,422</b>	<b>12,133</b>	<b>13,851</b>	<b>15,458</b>	<b>15,962</b>	
PV of FCF	11,422	11,018	11,424	11,578	10,857	
Cumulative sum PV of FCF	11,422	22,441	33,865	45,442	56,300	
<i>PV of Terminal value</i>						111,223

Source: KIS

**Table 5. DCF Valuation**

	FY22F
<b>Total PV of Operations</b>	<b>177,559</b>
Discount factor	10.0%
Plus: Cash	25,880
Less: Debt	(11,804)
Less: Minority Interest	(2,871)
Equity Value	171,009
Shares Outstanding, Million	2,090
<b>Target price (VND)</b>	<b>81,824</b>

Source: KIS

**Table 6. Blended Valuation**

Metrics	Implied price	Weight	Weight value
Price/EPS, 1-yr forward at 18.9x	88,830	30%	26,600
DCF	81,824	70%	57,300
<b>VNM's target share price</b>			<b>83,900</b>

Source: KIS

**Table 7. Sensitivity analysis of our target price for VNM (VND/share)**

		Perpetual Growth Rate				
		8.1%	9.1%	10.1%	11.1%	12.1%
WACC	0.5%	90,977	84,354	79,108	74,852	71,328
	1.0%	95,290	87,727	<b>81,824</b>	77,088	73,205
	1.5%	100,256	91,544	84,855	79,558	75,259
	2.0%	106,034	95,898	88,260	82,298	77,516
	2.5%	112,842	100,910	92,112	85,357	80,007

Source: KIS

**Table 8. Overseas dairy valuations**

	PE (x)			EV/EBITDA (x)			PB (x)			Dividend yield (%)		
	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F
Viet Nam Dairy P	17.0	17.0	15.7	12.0	11.0	10.0	4.9	4.9	4.7	5.0	5.1	5.7
Mengniu Dairy	29.3	22.2	18.6	21.8	17.8	15.2	4.0	3.2	2.8	1.3	1.5	1.8
Almarai Co	30.7	30.5	26.9	14.2	15.3	14.1	3.0	3.0	2.9	2.1	2.4	2.7
Meiji Hd	13.2	10.9	15.4	7.3	7.7	7.3	1.4	1.4	1.3	2.4	2.5	2.6
Bright Dairy-A	24.4	21.5	19.0	N/A	8.7	7.5	2.1	1.9	1.7	1.3	1.5	2.2
Universal Robina	19.2	23.3	21.0	14.0	12.4	11.4	2.1	2.4	2.3	2.7	2.8	2.9
Ultrajaya Milk	13.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fraser And Neave	14.0	N/A	N/A	12.1	N/A	N/A	0.7	N/A	N/A	N/A	N/A	N/A
China Modern Dai	7.9	7.0	5.3	7.8	5.0	4.4	0.7	0.7	0.6	3.1	4.0	2.5
<b>Overseas dairy avg.</b>	<b>18.8</b>	<b>18.9</b>	<b>17.4</b>	<b>12.7</b>	<b>11.1</b>	<b>10.0</b>	<b>2.4</b>	<b>2.5</b>	<b>2.3</b>	<b>2.6</b>	<b>2.8</b>	<b>2.9</b>

Note: As of April 1st 22 close  
Source: Bloomberg, KIS

VNM trades at 17x 2022F PE, the lower end of the historical multiple range and 6-year average 17.9x. We believe the low CAGR of NPAT between 2017 and 2021 is priced in, we view the stock as fair value.

**Figure 9. PE band**



Source: Fiinpro, KIS

**Figure 10. VNM share performance and major events**



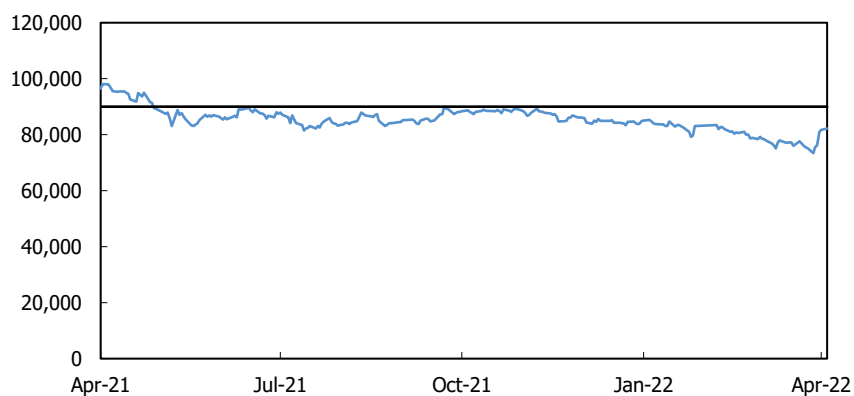
Source: Fiinpro, KIS

### ■ Company overview

Vinamilk (VNM: HSX) is the largest dairy company in Vietnam with a domestic market share of 60%. After more than 40 years, Vinamilk now has 250 product categories, focusing on liquid milk, powdered milk, yogurt, and condensed milk.

### Changes to recommendation and target price

Company (code)	Date	Recommendation	Target price	% vs. avg. price	% vs. high (low)
Vinamilk (VNM)	14-04-22	HOLD	VND83,900	+1.3	-13.2/+14.3



**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	20,307	20,560	24,722	29,666	36,110
Cash & cash equivalents	11,525	10,197	15,101	19,425	23,374
Accounts & other receivables	4,592	4,639	4,503	5,187	5,822
Inventory	4,021	5,526	4,983	4,905	6,773
Non-current assets	14,360	16,806	19,978	18,767	17,222
Fixed assets	10,609	13,365	14,894	13,854	12,707
Investment assets	2,579	2,027	1,993	2,096	1,934
Others	1,287	1,523	3,205	2,945	2,706
Total assets	34,667	37,366	44,700	48,432	53,332
Advances from customers	360	536	245	111	66
Unearned revenue	8	7	2	16	4
Trade payables	3,966	3,991	3,648	3,199	4,214
Others	5,917	5,285	5,598	3,975	3,740
ST debt & due bonds	268	1,060	5,351	7,316	9,382
LT debt & bonds	275	216	123	167	76
Total liabilities	10,794	11,095	14,969	14,785	17,482
Controlling interest	23,375	25,781	27,504	31,297	33,083
Capital stock	14,515	17,417	17,417	20,900	20,900
Capital surplus	261	0	0	0	34
Other reserves	2,870	1,219	2,223	3,500	4,555
Retained earnings	5,737	7,155	7,875	6,910	7,594
Minority interest	498	490	2,227	2,350	2,767
Shareholders' equity	23,873	26,271	29,731	33,647	35,850

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	9,602	8,140	11,410	10,180	9,432
Net profit	10,278	10,206	10,554	11,236	10,633
Dep'n & Amort'n	1,300	1,627	1,948	2,209	2,121
Net incr. in W/C	(1,976)	(3,692)	(1,092)	(3,264)	(3,322)
C/F from investing	(1,771)	(1,045)	(6,748)	(4,802)	(3,933)
Capex	(2,673)	(3,186)	(2,158)	(1,265)	(1,531)
Incr. in investment	902	2,141	(4,590)	(3,537)	(2,402)
C/F from financing	(7,535)	(6,535)	(3,516)	(5,927)	(5,257)
Incr. in equity	(282)	(3)	127	(14)	318
Incr. in debt	(1,447)	724	4,194	2,016	2,046
Dividends	(5,806)	(7,256)	(7,836)	(7,928)	(7,621)
C/F from others	0	0	0	0	0
Increase in cash	295	560	1,146	(548)	241

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	51,041	52,562	56,318	59,636	60,919
COGS	26,807	27,951	29,746	31,968	34,641
Gross profit	24,234	24,611	26,572	27,669	26,278
SG&A expenses	12,804	13,399	14,390	15,406	14,518
Operating profit	11,430	11,212	12,182	12,263	11,760
Financial income	816	760	807	1,581	1,215
Interest income	743	666	724	1,149	0
Financial expenses	87	118	187	309	202
Interest expenses	29	51	109	144	89
Other non-operating profit	3	175	(1)	(21)	195
Gains (Losses) in associates, subsidiaries and JV	67	22	(6)	4	(45)
Earnings before tax	12,229	12,052	12,796	13,519	12,922
Income taxes	1,951	1,846	2,241	2,283	2,290
Net profit	10,278	10,206	10,554	11,236	10,633
Net profit of controlling interest	10,296	10,227	10,581	11,099	10,532
EBITDA	12,730	12,839	14,131	14,472	13,882

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	6,195	6,926	5,426	4,736	4,559
BPS	16,448	15,084	17,070	16,099	17,154
DPS	4,000	4,166	4,499	3,793	3,646
Growth (%)					
Sales growth	9.1	3.0	7.1	5.9	2.2
OP growth	8.6	(1.9)	8.7	0.7	(4.1)
NP growth	10.1	(0.7)	3.5	4.9	(5.1)
EPS growth	(3.8)	11.8	(21.7)	(12.7)	(3.7)
EBITDA growth	21.0	0.9	10.1	2.4	(4.1)
Profitability (%)					
OP margin	22.4	21.3	21.6	20.6	19.3
NP margin	20.1	19.4	18.7	18.8	17.5
EBITDA margin	24.9	24.4	25.1	24.3	22.8
ROA	32.1	28.3	25.7	24.1	20.9
ROE	44.4	40.7	37.7	35.5	30.6
Dividend yield	20.0	19.2	17.8	21.1	21.9
Dividend payout ratio	64.6	60.1	82.9	80.1	80.0
Stability					
Net debt (VND bn)	(10,982)	(8,921)	(9,626)	(11,941)	(13,916)
Net debt/equity (%)	(46.0)	(34.0)	(32.4)	(35.5)	(38.8)
Valuation (x)					
PE	12.3	11.0	14.1	16.1	16.7
PB	4.6	5.1	4.5	4.7	4.4
EV/EBITDA	7.8	9.6	8.8	10.3	10.6

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 14 Apr 2022.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 14 Apr 2022.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Vinamilk (VNM) and is the liquidity provider.

Prepared by: Hoang Phung

## Global Disclaimer

### ■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

### ■ Country-specific disclaimer

**United States:** This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

**United Kingdom:** This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

**Hong Kong:** This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

**Singapore:** This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2022 KIS Vietnam Securities Corp. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp.

#### **VIET NAM**

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)  
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)  
KIS Vietnam Securities Corporation  
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.  
Fax: 8428 3821-6898

#### **SOUTH KOREA**

YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)  
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)  
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea  
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320  
Fax: 822 3276 5681~3  
Telex: K2296

#### **NEW YORK**

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)  
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)  
Korea Investment & Securities America, Inc.  
1350 Avenue of the Americas, Suite 1110  
New York, NY 10019  
Fax: 1 212 314 0699

#### **HONG KONG**

DAN SONG, Managing Director, Head of HK Sales (dan.song@kisasia.com +852 2530 8914)  
GREGORY KIM, Sales (greg.kim@kisasia.com, +822 2530 8915)  
Korea Investment & Securities Asia, Ltd.  
Suite 2220, Jardine House  
1 Connaught Place, Central, Hong Kong  
Fax: 852-2530-1516

#### **SINGAPORE**

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)  
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)  
Korea Investment & Securities Singapore Pte Ltd  
1 Raffles Place, #43-04, One Raffles Place  
Singapore 048616  
Fax: 65 6501 5617

#### **LONDON**

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)  
Korea Investment & Securities Europe, Ltd.  
2nd Floor, 35-39 Moorgate  
London EC2R 6AR  
Fax: 44-207-236-4811

---

This report has been prepared by KIS Vietnam Securities Corp. and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on this report and the company accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is not intended for the use of private investors.

Copyright © 2020 KIS Vietnam Securities Corp. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp.