

11 May 2022

# Vinamilk (VNM)

## AM Briefing: Light at the end of the tunnel

- On May 10, we tuned in to 1Q22 VNM's analyst meeting which features its 1Q22 operational updates and sheds some lights on rebounding revenue and expanding gross margin.

### Gross margin could improve in 3Q22F

- VNM pegged domestic market revenue at 11,658 (+ 4.3% yoy) contributed by parent's domestic revenue growth of 3.5% yoy (VND10,234bn) and MCM's revenue growth of 8.6% yoy (VND675bn) in 1Q22.
- Overseas revenue sustained with VND2,220bn, +10.3% yoy, in which, subsidiaries generated enormous growth of VND1,081bn, +28% yoy. In detail, Driftwood's revenue grew firmly by 40% yoy thanks to demand revival in schools and hotels in the US. AngkorMilk earned a 7.2% yoy revenue growth. Direct export revenue was slightly tepid with a VND1,139bn, -2.3% yoy.
- For marketing, VNM designed the packaging boxes of key products such as Vinamilk Eating Yogurt, Probi Drinking Yogurt, and Sure Diecerna Formula Milk to bring a fresh experience to consumers in 1Q22.
- In 1Q22, Modern trade (MT) accelerated with a 30% yoy growth. The revenue of "Vietnamese milk dreaming" chain went up nearly 25% yoy. VNM opened up around 30 new stores in 1Q22, and the number of shops has reached nearly 620. Meanwhile, Traditional trade (TT) is reviving in light of the eased social distancing measures and travel restrictions.
- Per VNM, the company stockpiled raw materials until Aug at a costlier price. Given the prices of imported milk powder forward contracts are cooling down, VNM expects to benefit at least from 3Q22F.
- VNM increased the average selling price (ASP) by 3-3.5% qoq in 1Q22 in response to heavier material costs. VNM claims no plan of further raise for the rest of 2022 but stays open to any increase amid the volatility of input price.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

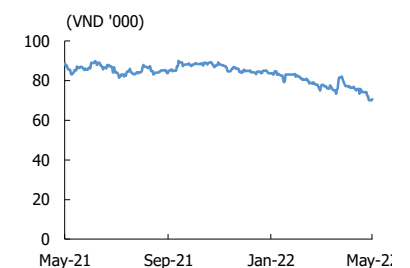
### Stock Data

VNIndex (10 May, pt)	1,294
Stock price (10 May, VND)	70,600
Market cap (USD mn)	6,439
Shares outstanding (mn)	2,090
52-Week high/low (VND)	89,997/70,000
6M avg. daily turnover (USD mn)	8.47
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 (%)	(8.7)	(19.8)	(18.8)
Relative to VNIndex (%p)	4.0	(8.5)	(22.9)

### Stock price trend



Source: Bloomberg

**Hoang Phung**

Hoang.pm@kisvn.vn

	2019A	2020A	2021A	2022F	2023F
Sales (VND bn)	56,318	59,636	60,919	65,762	71,517
chg. (% YoY)	7.1	5.9	2.2	7.9	8.8
Operating profit (VND bn)	12,182	12,263	11,760	12,722	14,977
Net profit (VND bn)	10,581	11,099	10,532	10,946	12,603
EPS (VND)	5,426	4,736	4,559	4,686	5,396
chg. (% YoY)	(21.7)	(12.7)	(3.7)	2.8	15.1
EBITDA (VND bn)	14,131	14,472	13,882	10,535	12,726
PE (x)	13.0	14.9	15.5	15.1	13.1
EV/EBITDA (x)	2.6	2.6	2.6	2.6	2.6
PB (x)	4.1	4.4	4.1	3.8	3.5
ROE (%)	37.7	35.5	30.6	30.1	31.8
Dividend yield (%)	6.1	5.2	5.0	5.3	6.1

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

**Reiterate HOLD**

We maintain a HOLD rating underpinned by a sluggish outlook in 2022F-23F. We keep our forecast with a VND65.7tn revenue, +7.9% yoy, and a VND10.9tn NPATMI, +3.9% yoy, EPS reaches VND4,686 in 2022F, implying a 12MF PE of 15.1x.

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Prepared by: Hoang Phung

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