

10 Feb 2023

Vinamilk (VNM)

AM Briefing: Losing market share

- On February 9, we joined VNM's analyst meeting which briefed its 4Q22 updates and shed some light on the 2023F outlook.

Loss of market share in 2022

- Per management, VNM lost domestic market share in 2022 due to restructuring GM (General Trade vs 85% revenue) and MT (Modern Trade vs 15% revenue). Domestic sell-in dropped yoy owing to distribution channel duplication, while domestic sell-out has increased 3-5% yoy in 2022.
- Powdered milk sales for children dropped in 2022, while condensed milk and ice cream maintained good performance.
- Although management viewed a conservative outlook for consumer spending, they expect VNM to get positive sales growth in 2023F.
- VNM and MCM will continue to expand Giac Mo Sua Viet retail store chain to maintain good profit margins.
- Export revenue dropped by 39.5% yoy to VND1.1tn in 4Q22 owing to weak demand in Middle East markets amid high inflation and the strongly depreciated Iraqi Dinar.
- VNM expects export revenue to recover in 2023F due to easing inflation and FX situation.

No confidence about gross margin improvement in 1Q23F

- The 4Q22 gross margin (GM) narrowed by 3.7p% yoy and 0.7%p qoq to 38.8% although the future global milk powder prices slumped strongly by over 30% vs the peak in 2Q22. The management was not confident in improving GM in 1Q23F and expects to benefit the GM from 3Q23F.
- Per management, the increase in sugar prices will not affect the company as VNM is proactive to 70% of sugar volume for 2023F.
- In 2023F, VNM will restructure products, brands, and packaging, and perform a digital transformation to improve margins.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

Stock Data

VNIndex (03 Nov, pt)	1,064
Stock price (03 Nov, VND)	75,000
Market cap (USD mn)	6,655
Shares outstanding (mn)	2,090
52-Week high/low (VND)	83,507/61,227
6M avg. daily turnover (USD mn)	6.79
Free float / Foreign ownership (%)	35.1/55.8
Major shareholders (%)	
SCIC	36.0
F&N	17.7
Platinum Victory	10.6

Performance

	1M	6M	12M
Absolute (%)	(7.1)	5.5	(4.3)
Relative to VNIndex (%p)	(8.1)	20.5	24.2

Stock price trend



Source: Bloomberg

Research Dept

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	2019A	2020A	2021A	2022P	2023F
Sales (VND bn)	56,318	59,636	60,919	59,956	71,517
chg. (% YoY)	7.1	5.9	2.2	(1.6)	19.3
Operating profit (VND bn)	12,182	12,263	11,760	9,753	14,977
Net profit (VND bn)	10,581	11,099	10,532	8,516	12,831
EPS (VND)	5,426	4,736	4,559	3,643	5,493
chg. (% YoY)	(21.7)	(12.7)	(3.7)	(20.1)	15.1
EBITDA (VND bn)	14,131	14,472	13,882	11,849	12,726
PE (x)	13.8	15.8	16.5	20.6	13.2
EV/EBITDA (x)	2.6	2.6	2.6	2.6	2.6
PB (x)	4.4	4.7	4.4	4.8	3.6
ROE (%)	37.7	35.5	30.6	25.0	31.8
Dividend yield (%)	6.0	5.1	4.9	5.2	6.1

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

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Reiterate HOLD

- We maintain a HOLD rating due to a sluggish outlook in 2023-24F due to lacking growth catalysts and weak dairy demand amid the inflationary environment.

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Prepared by: Research Dept

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