

3 Apr 2020

Vinamilk (VNM)

COVID-19 to hit export to the U.S. in 2Q20

Export to the U.S. to face difficulty in 2Q20

- On 01 Apr, we made a call to Vinamilk IR to update about business situation.
- COVID-19 has led to the school closures in the U.S. and has made a negative impact on Vinamilk's school milk program in this market.
- Travel restriction in the U.S. will not interrupt Vinamilk's milk supply to this market as Driftwood Dairy Holding corporation has its own milk processing factory.
- In 2Q20, Vinamilk expects to receive an import license in China. However, milk consumption in China will see a slow recovery because the impact of COVID-19 is passing by but Chinese government is still limiting local travel.

Management board lowers 2020 revenue plan

- Vinamilk has lowered its consolidated revenue growth rate target to 8% yoy this year from the previous figure of 10%.
- The main reason for the reduction is management board's prudent view of domestic market as higher unemployment rate can lead to the weaker domestic milk consumption. Besides, the extended school break can make a negative impact on the revenue of the school milk program.
- Vinamilk targets to maintain its operating cost at 25%-26% of total revenue.
- To promote sales in the pandemic, Vinamilk is focusing on marketing milk products beneficial to human body resistance such as yogurt and milk powder.

12M rating **BUY (Maintain)**

12M TP **115,000** from 143,000

Up/Downside **+27%** (incl 4% cash dividend)

Stock Data

VNIndex (Apr 01, pt)	680
Stock price (Apr 01, VND)	94,000
Market cap (USD mn)	6,937
Shares outstanding (mn)	1,741
52-Week high/low (VND)	138,500/83,700
6M avg. daily turnover (USD mn)	5.54
Free float / Foreign ownership (%)	81.9/58.8
Major shareholders (%)	
SCIC	36
F&N Dairy Investment	17.6
Platinum Victory	10.6

Performance

	1M	6M	12M
Absolute (%)	(0.1)	(0.3)	(0.3)
Relative to VNIndex (%p)	0.1	0.1	0.0

Stock price trend



Source: Bloomberg

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	2017A	2018A	2019A	2020F	2021F
Sales (VND bn)	51,041	52,562	56,318	60,509	65,020
chg. (% YoY)	9.1	3.0	7.1	7.4	7.5
Operating profit (VND bn)	11,430	11,212	12,182	13,096	13,998
Net profit (VND bn)	10,278	10,206	10,554	11,384	11,914
EPS (KRW)	5,297	5,295	5,478	5,897	6,171
chg. (% YoY)	-9.2	0	3	8	5
EBITDA (VND bn)	12,730	12,839	14,131	15,250	16,358
PE (x)	17.7	17.8	17.2	15.9	15.2
EV/EBITDA (x)	13.8	13.5	12.4	11.0	10.2
PB (x)	6.9	6.2	6.0	5.0	4.4
ROE (%)	44.5	40.8	37.8	36.4	34.2
Dividend yield (%)	5.3	4.8	4.3	4.3	4.3

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

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