

29 Jun 2020

Vinamilk (VNM)

1H20 revenue to reach mid single-digit growth

Vinamilk estimates total revenue to grow 7% in 1H20

- On 29 Jun, we joined 2020 AGM of Vinamilk to update about its business situation.
- In 1H20, Vinamilk estimates revenue to reach VND29,733bn (+7% yoy) and NPAT to reach VND5,872bn (+3% yoy).
- As recovering late since May 2020, Vinamilk expects school milk program to have higher revenue contribution in 2H20.
- For overall 2020, Vinamilk targets to reach VND59,600bn revenue (+5.7% yoy), which are mainly driven by higher average selling price thanks to better product mix while sales volume will remain stable. NPAT can reach VND10,690bn (+1% yoy) in 2020.
- After setting up and operating one Hi-café store at the Head Office, Vinamilk targets to expand chain of retailing coffee and beverages through Giac Mo Sua Viet store network with 430 points of sales.
- Vinamilk views that tax incentives for milk import from EU will have negligible competitive pressure on domestic milk as higher logistic cost and limit on distribution network will offset tax incentives from EVFTA.

GTNFoods increases its farm size by 4,000 milk cows in 2020

- GTNFoods's gross margin maintains improvement trend in 1H20. GTNFoods will develop new cow farm with 4,000 milk cows in 2020 and invest in new milk processing factory. GTNFoods plans to raise equity capital to sponsor its investment plan.
- Vinamilk is purchasing milk from farmers at 30% higher price compared to global milk price, which is the result from uneven cow breed quality between Vinamilk's owned cow herd and integrated cow herd, as well as farmer's small farm size. Vinamilk views that it can take 5-10 years to improve all factors and make domestic input milk price on par with global milk price.

12M rating **BUY (Maintain)**

12M TP **124,400** from 124,400

Up/Downside **+11%** (incl 4% cash dividend)

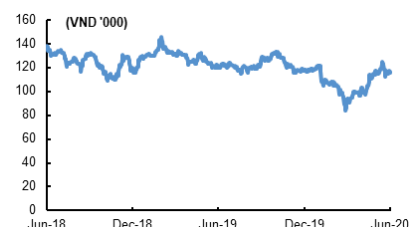
Stock Data

VNIndex (29 Jun, pt)	852
Stock price (29 Jun, VND)	115,900
Market cap (USD mn)	8,695
Shares outstanding (mn)	1,741
52-Week high/low (VND)	133,361/83,700
6M avg. daily turnover (USD mn)	5.91
Free float / Foreign ownership (%)	81.8/58.8
Major shareholders (%)	
SCIC	36.0
F&N	20.4
Platinum Victory	10.6

Performance

	1M	6M	12M
Absolute (%)	(1.4)	(0.9)	(3.8)
Relative to VNIndex (%p)	0.5	9.7	6.0

Stock price trend



Source: Bloomberg

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	2017A	2018A	2019A	2020F	2021F
Sales (VND bn)	51,041	52,562	56,318	60,747	65,274
chg. (% YoY)	9.1	3.0	7.1	7.9	7.5
Operating profit (VND bn)	11,430	11,212	12,182	14,242	15,272
Net profit (VND bn)	10,296	10,227	10,581	12,342	13,378
EPS (KRW)	6,355	5,295	5,478	6,380	6,915
chg. (% YoY)	9.0	(16.7)	3.5	16.5	8.4
EBITDA (VND bn)	12,730	12,839	14,131	16,396	17,631
PE (x)	18.2	21.9	21.2	18.2	16.8
EV/EBITDA (x)	15.0	15.1	13.8	11.6	10.4
PB (x)	7.2	7.8	7.3	6.4	5.5
ROE (%)	45.2	41.6	39.7	41.7	39.1
Dividend yield (%)	4.3	3.9	3.5	3.5	3.5

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

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