

30 Oct 2020

Vinamilk (VNM)

12M rating **Hold (Maintain)**

3Q20 NPAT post-MI increased 14.4% yoy

Revenue rose 8.9% yoy in 3Q20

- On Oct 30, Vinamilk announced 3Q20 official business results, which highlighted elevated earnings than those of previous quarters.
- In 3Q20, Vinamilk reached VND15,563bn revenue (+8.9% yoy), thanks to:
 - **Vinamilk's domestic revenue reached VND11,902bn (+1.5% yoy).**
 - **Revenue contribution of GTNFoods**, reaching VND776bn revenue and accounting for 5% Vinamilk's total revenue in 3Q20. In aggregate 9M20, GTNFoods contributed 4.7% to Vinamilk's total revenue.
 - **Export revenue rose by 9.1% yoy thanks to Iraq market despite Covid-19's spread.** Particularly, export revenue to Iraq reached VND1,576bn (+19.5% yoy) while export via foreign subsidiaries (Drifwood, Angkor Milk) recorded VND724bn (-8.2% yoy).

NPAT post-MI to increase 14.4% yoy in 3Q20

- In 3Q20, Vinamilk reached VND3,077bn NPAT (+14.4% yoy), mainly driven by:
 - **Gross margin improvement of Vinamilk domestic market (+0.13%p yoy)**, thanks to more favorable input milk price, mainly contributed by low-price imported whole milk powder in 1H20.
 - **SG&A expense ratio decrease 1.2%p yoy**, driven by 2.0%p yoy decrease of marketing expense ratio, offsetting 0.5%p yoy increase of promotion expense ratio in 3Q20.
 - **Better earning contribution of GTNFoods**, which has shown yoy profit margin improvement since 1Q20. In 3Q20, GTNFoods delivered VND87.1bn NPAT (+289% yoy) and net margin of 11.2% (+8.5%p yoy).

| | 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 | 12,498 | 12,877 |
| Net profit (VND bn) | 10,296 | 10,227 | 10,581 | 10,899 | 11,354 |
| EPS (VND) | 6,355 | 5,295 | 5,478 | 5,634 | 5,869 |
| chg. (% YoY) | 9.0 | (16.7) | 3.5 | 2.8 | 4.2 |
| EBITDA (VND bn) | 12,730 | 12,839 | 14,131 | 14,651 | 15,237 |
| PE (x) | 17.0 | 20.4 | 19.7 | 19.2 | 18.4 |
| EV/EBITDA (x) | 13.9 | 14.0 | 12.8 | 12.1 | 11.4 |
| PB (x) | 6.7 | 7.3 | 6.8 | 6.2 | 5.6 |
| ROE (%) | 45.2 | 41.6 | 39.7 | 37.7 | 35.5 |
| Dividend yield (%) | 4.6 | 4.2 | 3.7 | 3.7 | 3.7 |

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

Stock Data

| | |
|------------------------------------|----------------|
| VNIndex (30 Oct, pt) | 925 |
| Stock price (30 Oct, VND) | 108,000 |
| Market cap (USD mn) | 9,737 |
| Shares outstanding (mn) | 2,090 |
| 52-Week high/low (VND) | 110,500/67,775 |
| 6M avg. daily turnover (USD mn) | 6.83 |
| Free float / Foreign ownership (%) | 73.0/49.7 |
| Major shareholders (%) | |
| SCIC | 36.0 |
| F&N | 17.7 |
| Platinum Victory | 10.6 |

Performance

| | 1M | 6M | 12M |
|--------------------------|-------|------|-----|
| Absolute (%) | (0.8) | 34.7 | 3.4 |
| Relative to VNIndex (%p) | (3.2) | 13.0 | 9.0 |

Stock price trend



Source: Bloomberg

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