

4 Feb 2021

# Vinamilk (VNM)

## YoY NPAT growth flattened in 4Q20

### 4Q20 domestic revenue decelerated due to the Central flood

- In 4Q20, Vinamilk reached VND14,425bn revenue (+1.3% yoy), mainly thanks to revenue contribution of GTNFoods with VND682bn, equaling to nearly 5% of Vinamilk's total revenue.
- Vinamilk's domestic revenue reached VND10,906bn in 4Q20 (-3.2% yoy and -8.4% qoq), mainly due to the negative impact of severe flood on milk supply chain in the Central.
- Revenue contribution of GTNFoods reached VND682bn revenue and accounting for nearly 5% Vinamilk's total revenue in 4Q20. GTNFoods's gross margin posted 30.8% in 4Q20 (+14.2%p yoy and -1.4%p qoq). In aggregate 2020, GTNFoods recorded VND2,825bn (-4.9% yoy) and contributed 4.7% to Vinamilk's total revenue. GTNFoods's gross margin jumped from 15.6% in 2019 to 29.1% in 2020.
- Export revenue dropped by 8.1% yoy to record VND2,303bn in 4Q20 as export to Iraq and export via foreign subsidiaries dropped 2.4% yoy and 17.6% yoy, recording VND1,534bn and VND769bn, respectively.
- In overall 2020, Vinamilk reached VND50,842bn revenue (+6.9% yoy). Domestic revenue reached VND12,122bn (+3.3% yoy) and export revenue reached VND2,303bn (-8.1% yoy) in 2020.

### NPAT post-MI to decrease slightly 0.8% yoy in 4Q20

- In 4Q20, Vinamilk reached VND2,146bn EBIT (-14.1% yoy), mainly due to:
- Narrowing gross margin of Vinamilk domestic market (-0.5%p yoy) in 4Q20 as the result of higher milk material price.
  - SG&A expense ratio increased 1.9%p yoy, driven by 0.2%p yoy increase of selling expense ratio and 1.7%p yoy increase of G&A expense ratio in 4Q20.

	2017A	2018A	2019A	2020U	2021F
Sales (VND bn)	51,041	52,562	56,318	59,636	64,043
chg. (% YoY)	9.1	3.0	7.1	5.9	7.4
Operating profit (VND bn)	11,430	11,212	12,182	12,263	13,313
Net profit (VND bn)	10,296	10,227	10,581	11,099	11,889
EPS (VND)	5,296	4,413	4,565	4,770	5,120
chg. (% YoY)	9.0	(16.7)	3.5	4.5	7.3
EBITDA (VND bn)	12,730	12,839	14,131	15,080	16,013
PE (x)	20.7	24.9	24.0	23.0	21.4
EV/EBITDA (x)	17.2	17.2	15.7	16.1	13.5
PB (x)	8.2	8.9	8.3	6.8	7.2
ROE (%)	45.2	41.6	39.7	37.8	38.6
Dividend yield (%)	3.8	3.4	3.0	3.6	3.6

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

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12M rating **Hold (Maintain)**

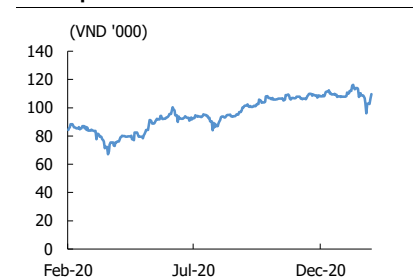
### Stock Data

VNIndex (04 Feb, pt)	1,111
Stock price (04 Feb, VND)	109,700
Market cap (USD mn)	9,858
Shares outstanding (mn)	2,090
52-Week high/low (VND)	116,300/67,154
6M avg. daily turnover (USD mn)	9.71
Free float / Foreign ownership (%)	35.2/57.7
Major shareholders (%)	
SCIC	36.0
F&N	19.9
Platinum Victory	10.6
Jardine Matheson Limited	8.9

### Performance

	1M	6M	12M
Absolute (%)	1.7	19.9	28.9
Relative to VNIndex (%p)	1.0	(15.9)	6.8

### Stock price trend



Source: Bloomberg

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- Although EBIT decreased 14.1% yoy, Vinamilk's NPAT post-MI recorded VND2,185bn NPAT, dropping slightly 0.8% yoy, mainly thanks to 3.3x increase of financial income in 4Q20. In overall 2020, Vinamilk reached VND11,099bn NPAT post-MI (+4.9% yoy).

### Other news from 4Q20 analyst meeting

- On Feb 03, Vinamilk held 4Q20 online analyst meeting to update more details about Vinamilk's business results.
- Discussing about logistic issue, Vinamilk saw negligible impact of container shortage on milk export activities. The export revenue decrease was due to the impact of pandemic on demand of export market.
- Although facing undermining demand, Vinamilk's domestic market share still increased by 0.3%p yoy in 2020.
- In 2021, Vinamilk expects Vietnam dairy market can achieve higher growth rate than GDP growth rate. Vinamilk's strategies will focus on:
  - **Gaining more domestic market share from foreign rivals.**
  - **Export acceleration**, which are already focused in 2020. Besides condensed milk and yogurt, Vinamilk will export fresh milk to China in 2021.
  - **Revenue upside from launching new milk products** after achieving optimistic penetration of milk product lines launched in 2020, showing underserved domestic demand of premium milk products. In 1H20, Vinamilk plans to launch new products of joint venture with KIDO Group.
- Vinamilk views that Moc Chau Milk's business improvement still has large capacity in 2021, focused on the increases of market share and consumption volume in the North of Vietnam.

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