

4 Apr 2022

Quang Ngai Sugar (QNS)

AGM Briefing: Solid outlook of soy milk

On April 2nd, we tuned in to QNS's AGM session which gave the audience a walkthrough of the upcoming business plan, 2022F guidance, and optimistic long-term strategy.

Conservative 2022F guidance as usual

- QNS sets conservative 2022F guidance of VND8,000bn revenue, +9.1% yoy, and VND1,008bn NPATMI, -18.8% yoy. QNS has often set a low NPATMI guidance in the past.
- Shareholders approved a 2022F dividend plan with a minimum 15% cash dividend.
- The management has no plan to list on HOSE this year.

Soy milk segment stays solid

- In 1Q22, QNS recorded a volume of milk segment of 54.3mn liters (+13.6% yoy), the revenue of nearly VND877bn (+21% yoy). The growth rate of 1Q22 revenue was high due to hiking average selling price by about 7% yoy in 1Q22 and the low base caused by the Covid-19 pandemic in 1Q21.
- New fewer sugar products launched in 2020 and 2021, accounted for 10% of the volume but contributed 36% of volume growth in 1Q22.
- Per management, 2022F gross margin (GM) of soy milk might suppress by 2-4%p yoy owing to the spiking in soybean prices in 2022F.
- In 2021, the traditional channel distribution portion decreased to 91% from 95% in 2020.
- Three new product campaigns in 2022F including 12 new SKUs (Stock Keeping Unit) will be launched:
 - In Early May: Drinking seed yogurt is made with 5 different seeds
 - In Late 2Q22F: High-class soy milk brands
 - In 3Q22F: Renewing current brands
- Currently, QNS exports soy milk to China, Japan, South Korea, and the USA.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	7,633	8,031	7,681	6,490	7,335
chg. (% YoY)	9.5	5.2	(4.4)	(15.5)	13.0
Operating profit (VND bn)	1,153	1,357	1,457	1,163	1,316
Net profit (VND bn)	1,027	1,240	1,292	1,053	1,254
EPS (VND)	3,925	4,031	3,415	2,827	3,298
chg. (% YoY)	(47.8)	2.7	(15.3)	(17.2)	16.7
EBITDA (VND bn)	1,567	1,850	1,936	1,634	1,789
PE (x)	12.9	12.6	14.9	18.0	15.4
EV/EBITDA (x)	8.1	7.8	8.7	10.3	9.0
PB (x)	2.8	2.8	2.8	2.7	2.6
ROE (%)	24.5	25.2	21.9	16.1	18.3
Dividend yield (%)	2.7	2.2	2.2	5.0	4.2

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

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12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

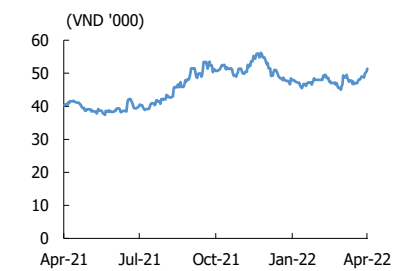
Stock Data

VNIndex (04 Apr, pt)	1,516
Stock price (04 Apr, VND)	51,400
Market cap (USD mn)	806
Shares outstanding (mn)	357
52-Week high/low (VND)	56,200/37,393
6M avg. daily turnover (USD mn)	1.94
Free float / Foreign ownership (%)	57.8/17.8
Major shareholders (%)	
Thanh Phat Company	15.56
Vo Thanh Dang	6.68
VinaCapital VN Opportunity Fund Ltd.	6.54
Foremost Worldwide Limited	5.11

Performance

	1M	6M	12M
Absolute (%)	12.0	1.1	26.7
Relative to VNIndex (%p)	10.8	(13.4)	0.6

Stock price trend



Hoang Phung

Hoang.pm@kisvn.vn

Sugar segment dragged by the illegal import

- RE (Refined Extra) sugar production line is operating at low capacity owing to tax evasion related to Thailand's sugar imports from other Asian countries situation.
- In 1Q22, QNS exported 20.000 tonnes of raw sugar to refine and supply for Nutifood, Dutch Lady, and Vinasoy companies ...
- In 2022F, QNS plan to produce 126.000 tonnes of RS (Refined standard) sugar from An Khe factory and 20.000 tonnes of RE sugar.

Others

- The biomass power price is still 7.03 UScent/kWh
- QNS launched the Thach Bich mineral water branch to the South in Dec 2021 and the North in March 2022.

Valuation

Based on 2022F guidance, 12MF PE is trading at 19.0x and PB is 2.7x, higher than the 2-year median of 13.1x and 2.2x, respectively.

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Prepared by: Hoang Phung

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