

31 Jan 2023

## Vinamilk (VNM)

### 4Q22 GM has not improved yet as expected.

- 4Q22 NPATMI declined 14.9% yoy owing to the high imported milk powder input prices in 2022
- Imported milk powder prices decreased about 35% from the peak in Mar-22
- Maintain HOLD and earnings are under review

#### Facts: Topline dropped while gross margin squeezed

VNM posted its revenue decreased 4.7% yoy to VND15,069bn in 4Q22P owing to sluggish export markets. The overseas market revenue of VND2,269bn (-18.9% yoy) contributed by overseas subsidiaries revenue of VND1,181bn (+18.3% yoy) and export revenue of VND1,088bn (-39.5% yoy). Meanwhile, the domestic market recorded a revenue of VND12.8tn (-1.7% yoy) owing to weak consumer spending power, delivered by the parent's domestic revenue of VND11.4tn (-2.3% yoy) and MCM's revenue of VND787bn (+9.5% yoy).

However, the gross margin squeezed continuously by 0.7%p qoq and 3.7%p yoy to 38.8% in 4Q22 owing to the high prices of imported milk powder prices in 2022. Thus, the NPAT-MI was VND1,869bn (-14.9% yoy) and VND8,578bn (-19% yoy) in 4Q22 and 2022, respectively. The 2022P business results fulfilled 91.3%/77.5% of our Revenue/NPAT-MI forecasts.

#### Pros & cons: Improving gross margin expected in 1H23F

The global future whole milk powder (WMP) and skim milk powder (SMP) prices went down strongly by 33% and 38%, respectively from the peak in Mar-22 as expected, following a downtrend of commodity prices and a decrease in China import volume in 2H22. Thus, the gross margin is expected to improve in 1H23F due to enjoying lower imported milk materials.

#### Action: Maintain HOLD rating

Despite negative 4Q22P VNM's earnings yoy growth, we believe that the sluggish outlook has been relatively reflected in the share price. We maintain HOLD with a high cash dividend yield of over 5.0% and a strong balance sheet amid unstable macro conditions. Besides, we expect positive earnings growth in 2023F due to enjoying lower input raw materials prices.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

#### Stock data

VNIndex (30 Jan, pt)	1,103
Stock price (30 Jan, VND)	79,400
Market cap (USD mn)	7,075
Shares outstanding (mn)	2,090
52-Week high/low (VND)	83,507/61,227
6M avg. daily turnover (USD mn)	6.84
Free float / Foreign ownership (%)	35.1/56.0
Major shareholders (%)	
SCIC	36.0
F&N	17.7
Platinum Victory	10.6

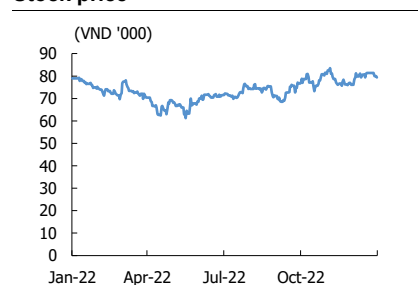
#### Valuation

	2021A	2022F	2023F
PE (x)	17.4	15.2	13.2
PB (x)	4.6	3.9	3.6
ROE (%)	30.6	30.1	31.8
DY (%)	4.6	5.3	6.1
EV/EBITDA (x)	11.1	9.4	8.2
EPS (VND)	4,559	4,771	5,493
BPS (VND)	17,154	18,637	20,346

#### Performance

	1M	6M	12M
Absolute (%)	4.3	11.0	0.7
Relative to VNIndex (%p)	(5.2)	19.1	25.0

#### Stock price



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**Table 1. 4Q22 earnings**

(VND bn, %, %p)

	4Q21	1Q22	2Q22	3Q22	4Q22	% qoq	% yoy
Sales	15,819	13,878	14,930	16,079	15,069	(6.3)	(4.7)
Gross profit	6,725	5,625	6,077	6,350	5,846	(7.9)	(13.1)
GP margin	42.5	40.5	40.7	39.5	38.8	(0.7)	(3.7)
Operating profit	2,438	2,620	2,384	2,688	2,062	(23.3)	(15.4)
OP margin	15.4	18.9	16.0	16.7	13.7	(3.0)	(1.7)
EBT	2,688	2,764	2,576	2,860	2,295	(19.7)	(14.6)
NPAPMTI	2,196	2,266	2,083	2,298	1,869	(18.7)	(14.9)

Source: Company data, KIS Research

### ■ Company overview

Vinamilk (VNM: HSX) is the largest dairy company in Vietnam with a domestic market share of 60%. After more than 40 years, Vinamilk now has 250 product categories, focusing on liquid milk, powdered milk, yogurt, and condensed milk.

**Balance sheet**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Current assets	24,722	29,666	36,110	38,402	40,418
Cash & cash equivalents	15,101	19,425	23,374	25,880	27,157
Accounts & other receivables	4,503	5,187	5,822	5,754	6,438
Inventory	4,983	4,905	6,773	6,610	6,651
Non-current assets	19,978	18,767	17,222	21,459	25,756
Fixed assets	14,894	13,854	12,707	16,545	20,388
Investment assets	1,993	2,096	1,934	1,944	1,954
Others	3,205	2,945	2,706	3,108	3,564
Total assets	44,700	48,432	53,332	59,862	66,174
Advances from customers	245	111	66	986	1,073
Unearned revenue	2	16	4	4	4
Trade payables	3,648	3,199	4,214	4,278	4,050
Others	5,598	3,975	3,740	3,864	3,969
ST debt & due bonds	5,351	7,316	9,382	11,804	14,681
LT debt & bonds	123	167	76	0	0
Total liabilities	14,969	14,785	17,482	20,936	23,776
Controlling interest	27,504	31,297	33,083	36,079	39,529
Capital stock	17,417	20,900	20,900	20,900	20,900
Capital surplus	0	0	34	34	34
Other reserves	2,223	3,500	4,555	5,672	6,959
Retained earnings	7,875	6,910	7,594	9,473	11,637
Minority interest	2,227	2,350	2,767	2,871	2,993
Shareholders' equity	29,731	33,647	35,850	38,950	42,522

**Income statement**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Sales	56,318	59,636	60,919	65,762	71,517
COGS	29,746	31,968	34,641	37,236	38,796
Gross profit	26,572	27,669	26,278	28,526	32,721
SG&A expenses	14,390	15,406	14,518	15,804	17,745
Operating profit	12,182	12,263	11,760	12,722	14,977
Financial income	807	1,581	1,215	1,357	1,291
Interest income	724	1,149	0	1,357	1,291
Financial expenses	187	309	202	279	374
Interest expenses	109	144	89	224	319
Other non-operating profit	(1)	(21)	195	0	0
Gains (Losses) in associates, subsidiaries and JV	(6)	4	(45)	0	0
Earnings before tax	12,796	13,519	12,922	13,801	15,894
Income taxes	2,241	2,283	2,290	2,553	2,940
Net profit	10,554	11,236	10,633	11,248	12,953
Net profit of controlling interest	10,581	11,099	10,532	11,144	12,831
EBITDA	14,131	14,472	13,882	10,535	12,726

**Cash flow**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
C/F from operations	11,410	10,180	9,432	8,581	8,127
Net profit	10,554	11,236	10,633	11,248	12,953
Dep'n & Amort'n	1,948	2,209	2,121	2,187	2,251
Net incr. in W/C	(1,092)	(3,264)	(3,322)	(4,854)	(7,077)
C/F from investing	(6,748)	(4,802)	(3,933)	(304)	(311)
Capex	(2,158)	(1,265)	(1,531)	(1,661)	(1,601)
Incr. in investment	(4,590)	(3,537)	(2,402)	1,357	1,291
C/F from financing	(3,516)	(5,927)	(5,257)	(5,771)	(6,540)
Incr. in equity	127	(14)	318	0	0
Incr. in debt	4,194	2,016	2,046	2,321	2,778
Dividends	(7,836)	(7,928)	(7,621)	(8,092)	(9,317)
C/F from others	0	0	0	0	0
Increase in cash	1,146	(548)	241	2,506	1,277

**Key financial data**

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Per-share data (VND, adj.)					
EPS	5,426	4,736	4,559	4,771	5,493
BPS	17,070	16,099	17,154	18,637	20,346
DPS	4,499	3,793	3,646	3,872	4,458
Growth (%)					
Sales growth	7.1	5.9	2.2	7.9	8.8
OP growth	8.7	0.7	(4.1)	8.2	17.7
NP growth	3.5	4.9	(5.1)	5.8	15.1
EPS growth	(21.7)	(12.7)	(3.7)	4.6	15.1
EBITDA growth	10.1	2.4	(4.1)	7.4	15.5
Profitability (%)					
OP margin	21.6	20.6	19.3	19.3	20.9
NP margin	18.7	18.8	17.5	17.1	18.1
EBITDA margin	25.1	24.3	22.8	22.7	24.1
ROA	25.7	24.1	20.9	19.9	20.6
ROE	37.7	35.5	30.6	30.1	31.8
Dividend yield	6.2	5.2	5.0	5.3	6.1
Dividend payout ratio	82.9	80.1	80.0	81.2	81.2
Stability					
Net debt (VND bn)	(9,626)	(11,941)	(13,916)	(14,077)	(12,476)
Net debt/equity (%)	(32.4)	(35.5)	(38.8)	(36.1)	(29.3)
Valuation (x)					
PE	13.4	15.3	15.9	15.2	13.2
PB	4.2	4.5	4.2	3.9	3.6
EV/EBITDA	8.3	9.7	10.1	9.4	8.2

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