

7 Aug 2023

# Food & Beverage

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**Non-rated**

## **F&B GM could keep improvement qoq in 3Q23F**

### **Sugar sector got a spotlight**

The aggregated sugar revenue growth rate in 2Q23 was 29.1% yoy in 2Q23 compared to 41.2% yoy in 1Q23. Meanwhile, net profit growth rate accelerated to 64.0% yoy in 2Q23 from the growth rate of 31.1% yoy seen in 1Q23. The domestic sugar prices averaged VND19,200/kg in 2Q23, increased by 9.7% yoy due to higher global sugar prices and applying officially nearly 48% of the tax rate against tax evasion with imported sugar cane from some Asian countries since 3Q22. In 2Q23, the biggest listed sugar company, SBT recorded revenue growth of 23.5% yoy. Besides, QNS witnessed a revenue growth of 43.1% yoy since the sugar segment got an impressive growth rate of 164% yoy, reached to VND2.2tn. Total sugar consumption of QNS went up sharply to 120,000 tonnes (+126% yoy) in 2Q23.

### **Lower volume in the dairy and beer sectors**

The top influencer, VNM posted a flat revenue of VND15.2tn (+1.8% yoy) in 2Q23. AC Nielsen estimated the Vietnam dairy industry to post the value growth of 2% yoy in 5M2023 but only 1% in 2Q23, driven mainly by rising average selling prices. SAB topped its peers, posting gloomy revenue of VND8.3tn (-7.7% yoy, +33.8% qoq) due to lower volume and more trade deals, despite the favorable impact of price increases. According to Heineken Vietnam with the largest market share, their net revenue declined organically in the mid-twenties, driven by a similar volume decline in 2Q23. In our view, the sector's revenue decrease was driven by lower volume due to economic slowdown.

### **F&B GM could keep improvement qoq in 3Q23F**

The income of Vietnamese was still impacted negatively due to an economic slowdown. However, supporting economy policies are being expected to stimulate domestic consumption and economic growth in short-term. The SBV has implemented 04 interest rate cuts, belong the government has intensified public investment, reduced VAT by 2% in F&B sectors, and increased the basic salary. Thus, we expect the consumption of F&B product could improve slightly in 3Q23. Besides, we expect the gross margins of listed dairy companies to improve continuously qoq in 3Q23F due to enjoying cooling raw material prices. For the sugar industry, we expect gross margins to improve continuously yoy due to better volume and selling sugar prices.

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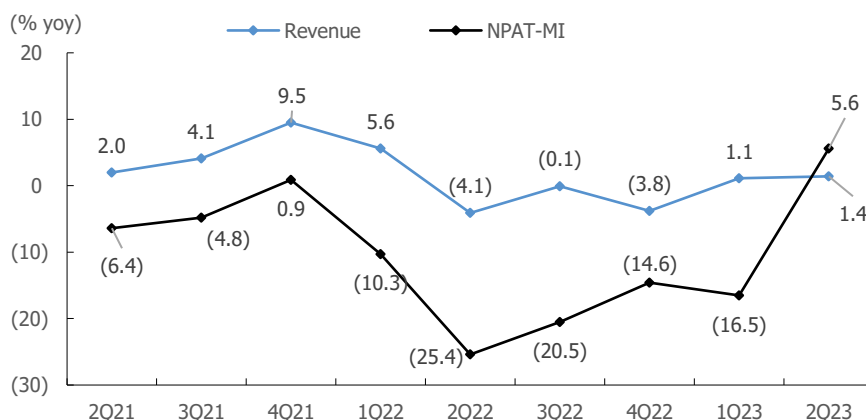
**Table 1. 3 Milk company' aggregated earnings**

(VNDbn, %)

|         | 2Q22   | 1Q23   | 2Q23   | YoY | QoQ  |
|---------|--------|--------|--------|-----|------|
| Revenue | 17,465 | 16,370 | 16,154 | 1.4 | 9.2  |
| NP      | 2,399  | 2,187  | 2,306  | 5.6 | 17.1 |

Source: Company data, KIS

Based on our data, the aggregated revenue of the 3 listed milk companies was flat yoy in 2Q23, and aggregated revenue increased slightly by 1.4% yoy in 2Q23 compared to a growth rate of 1.1% yoy in 1Q23. However, the earnings growth turned around from -16.5% yoy in 1Q23 to 1.4% yoy in 2Q23 due to eased input prices and cost savings.

**Figure 1. Dairy producers' profits started to recover in 2Q23**

Source: Company data, Fiinpro

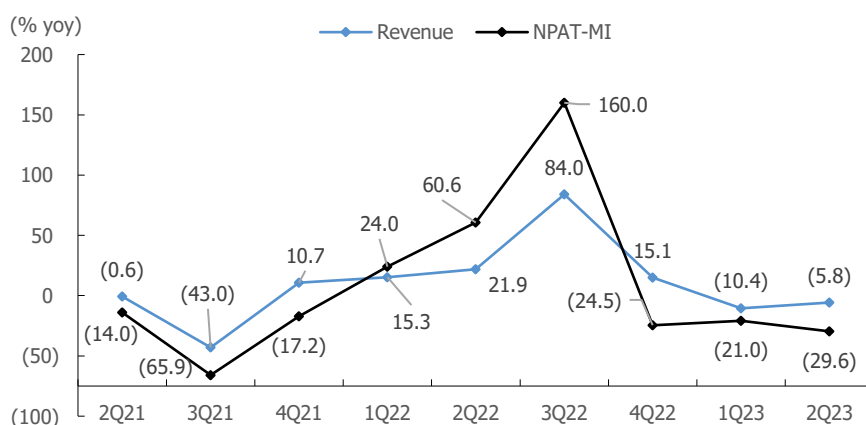
**Table 2. Brewery producers' earnings decelerated in 2Q23**

(VNDbn, %)

|         | 2Q22   | 1Q23  | 2Q23   | YoY    | QoQ  |
|---------|--------|-------|--------|--------|------|
| Revenue | 13,551 | 9,148 | 12,930 | (5.8)  | 41.3 |
| NP      | 2,127  | 1,057 | 1,498  | (29.6) | 41.7 |

Source: Company data, KIS

The aggregated revenue and earnings growth of 14 listed brewery companies decelerated in 2Q23. Total revenue decreased by 5.8% yoy in 2Q23 due to weak purchasing power, tighten implementation of Decree 100, and 2Q22 high base effect. Compared to 1Q23, revenue increased qoq due to season effect. While, net profit decelerated 29.6% yoy vs 21% yoy in 1Q23.

**Figure 2. Sluggish revenue and net profit of listed beer producers in 2Q23**

Source: Company data, Fiinpro

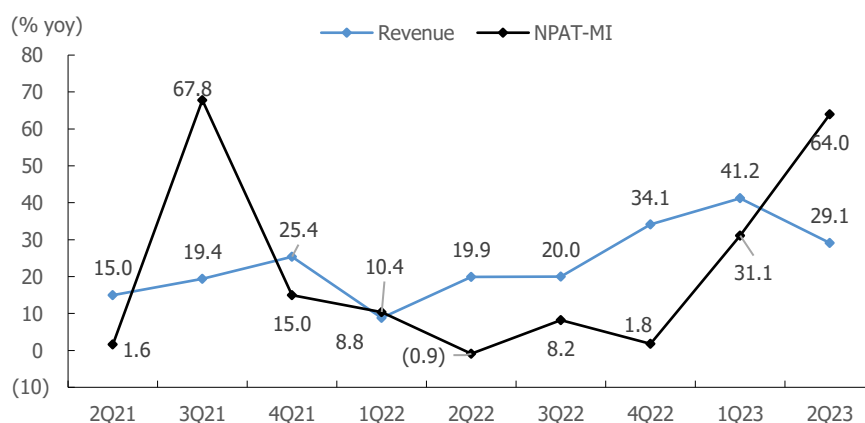
**Table 3. 4 Sugar producers' aggregated earnings**

(VNDbn, %)

|         | 2Q22  | 1Q23  | 2Q23   | YoY  | QoQ  |
|---------|-------|-------|--------|------|------|
| Revenue | 8,741 | 8,810 | 11,223 | 29.1 | 29.6 |
| NP      | 624   | 595   | 1,018  | 64.0 | 74.9 |

Source: Company data, KIS

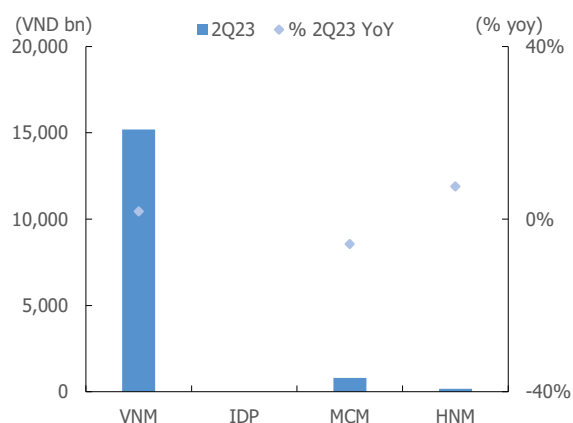
The aggregated revenue of 4 listed sugar producers on three bourses decelerated in 2Q23. The aggregated revenue growth rate in 2Q23 was 29.1% yoy in 2Q23 compared to 41.2% yoy in 1Q23. Meanwhile, net profit growth rate accelerated to 64.0% yoy in 2Q23 from the growth rate of 31.1% yoy seen in 1Q23. With a higher growth rate of net profit, implying other engines of net profit growth.

**Figure 3. Solid revenue and earnings growth of sugar producers in 2Q23**

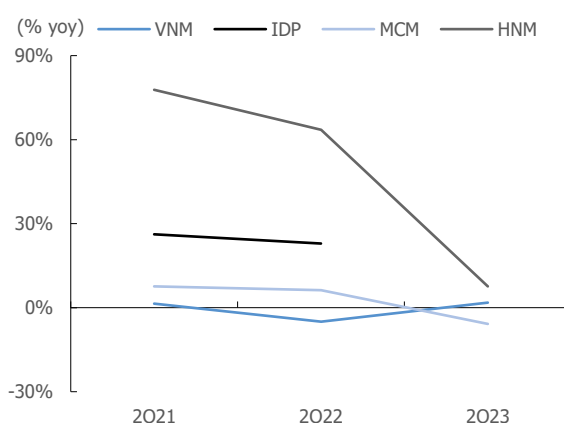
Source: Company data, Fiinpro

### Lower volume in dairy and beer sectors

Breaking down milk aggregated revenue growth by a specific company, 2 out of 3 companies got positive growth, the top influencer, VNM posted a flat revenue of VND15.2tn (+1.8% yoy) in 2Q23. HNM recorded a good performance with revenue growth rates of 7.6% yoy, respectively. In contrast, MCM witnessed a negative growth rate of 5.8% yoy. AC Nielsen estimated the Vietnam dairy industry to post the value growth of 2% yoy in 5M2023 but only 1% in 2Q23, driven mainly by rising average selling prices.

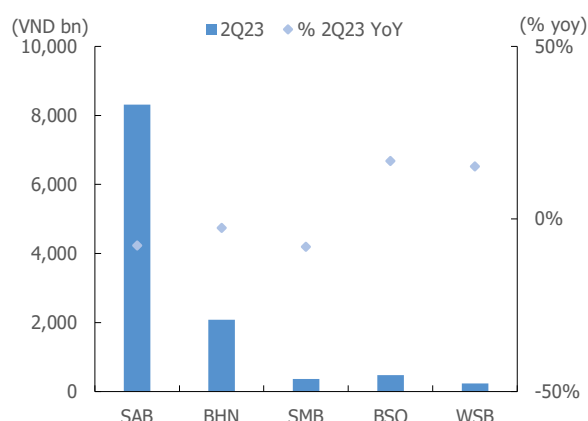
**Figure 4. Flat VNM revenue growth in 2Q23**

Source: Company data, Fiinpro

**Figure 5. MCM was an outlier in 2Q23**

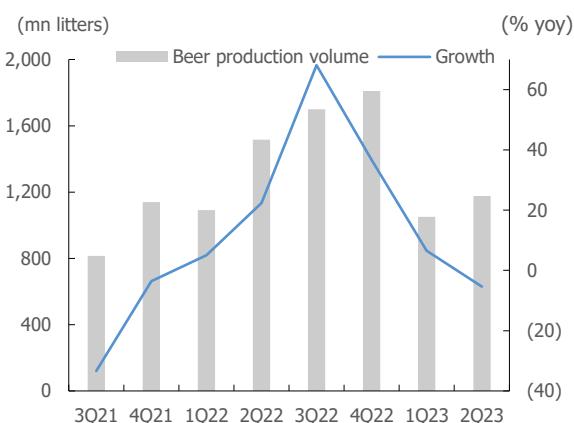
Source: Company data, Fiinpro

**Figure 6. BSQ and WSB revenue growth far exceeded the beer sector in 2Q23**



Source: GSO, KIS VN

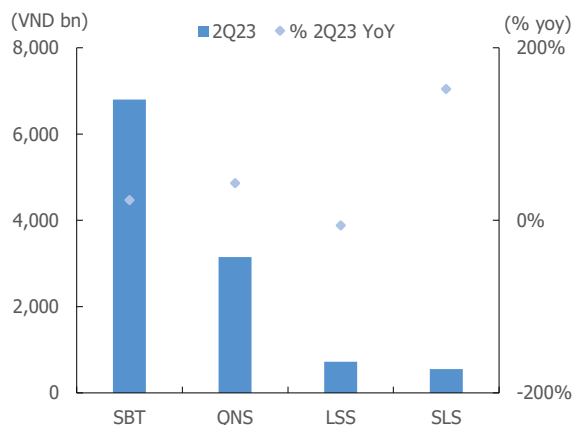
**Figure 7. Beer production volume dropped yoy**



Source: GSO, KIS VN

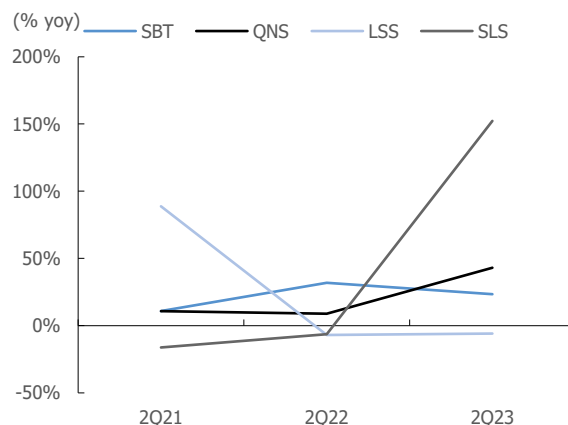
SAB topped its peers, posting gloomy revenue of VND8.3tn (-7.7% yoy, +33.8% qoq) due to lower volume and more trade deals, despite the favorable impact of price increases. Per GSO, Vietnam’s beer production volume decreased by 5.4% yoy to 1,177 mn liters but increased slightly qoq. According to Heineken Vietnam with the largest market share, their net revenue declined organically in the mid-twenties, driven by a similar volume decline in 2Q23. In our view, the sector’s revenue decrease was driven by lower volume due to economic slowdown.

**Figure 8. SLS revenue growth far exceeded the sugar sector in 2Q23**



Source: Company data, Fiinpro

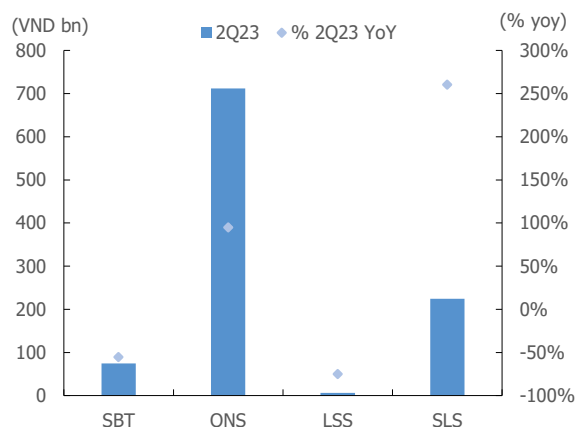
**Figure 9. LSS was an outlier in 2Q23**



Source: Company data, Fiinpro

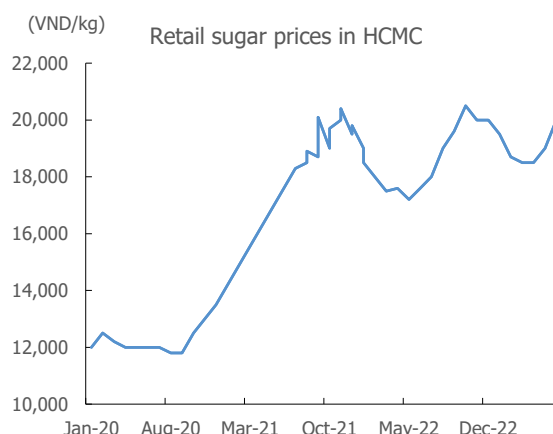
The domestic sugar prices averaged VND19,200/kg in 2Q23, increased by 9.7% yoy due to higher global sugar prices and applying officially nearly 48% of the tax rate against tax evasion with imported sugar cane from some Asian countries since 3Q22. In 2Q23, the biggest listed sugar company, SBT recorded revenue growth of 23.5% yoy. Besides, QNS witnessed a revenue growth of 43.1% yoy since the sugar segment got an impressive growth rate of 164% yoy, reached to VND2.2tn. Total sugar consumption of QNS went up sharply to 120,000 tonnes (+126% yoy) in 2Q23.

**Figure 10. QNS led the net profit growth of sugar industry in 2Q23**



Source: Company data, Fiinpro

**Figure 11. Higher retail sugar prices in 2Q23**

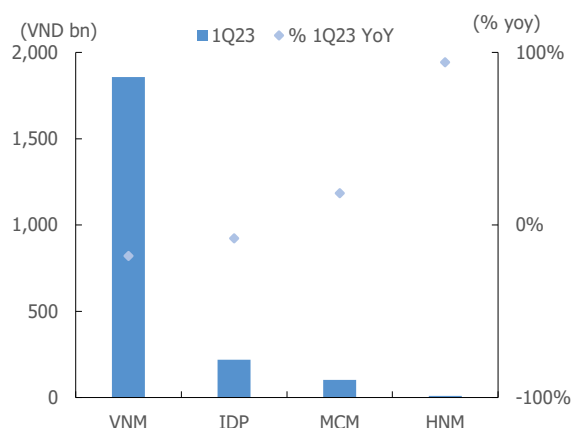


Source: AgroMonitor, KISVN

### Mixed gross margins in 2Q23

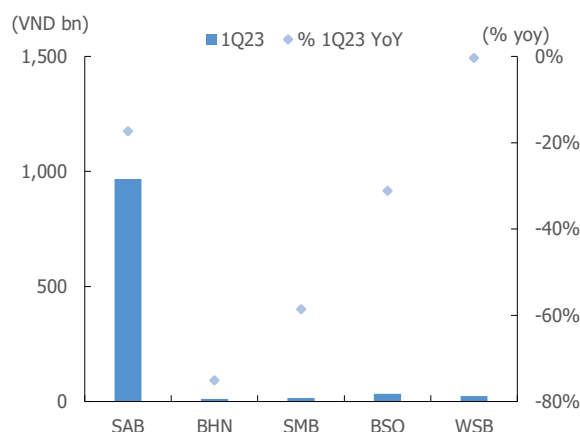
A cooling prices of input raw material and volume decline were factors affected the gross margins among F&B companies in 2Q23. The dairy sector's GM stayed flat yoy in 2Q23, but improved vs 1Q23, VNM's GM was flat yoy at 40.8% in 2Q23 although falling volume, but it expanded by 1.7% qoq because VNM could enjoyed low material prices as the future global milk powder prices dropped strongly by over 35% from the peak in 2H22. The gross margin of SAB was subdued by 0.9p% qoq and 4.4%p yoy to 29.9% due to low selling volume though aluminum/malt prices decreased by nearly 30% from their peaks. For the sugar sector, the GM of SBT improved by 2.4%p yoy due to higher selling sugar prices. Meanwhile, the GM of QNS's sugar segment expanded by 12.1%p yoy to 25.0% in 2Q23.

**Figure 12. HNM's 1Q23 net profit growth performed the best**



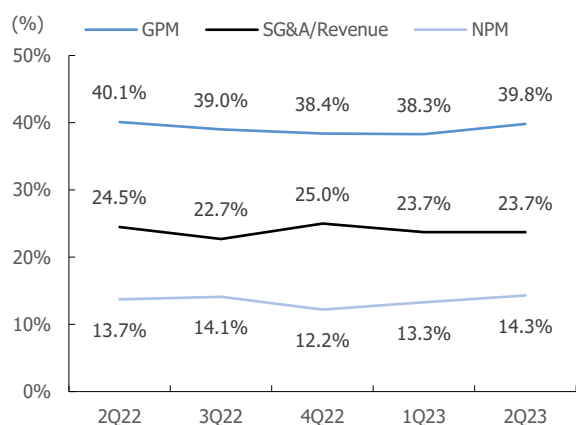
Source: Company data, Fiinpro

**Figure 13. BHN dragged beer's net profit down**



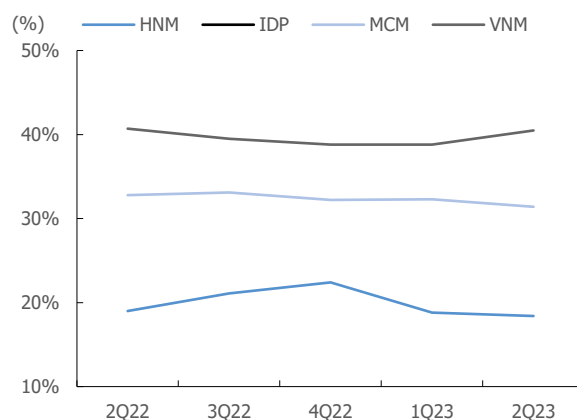
Source: Company data, Fiinpro

**Figure 14. Dairy sector NMs improved qoq in 2Q23**



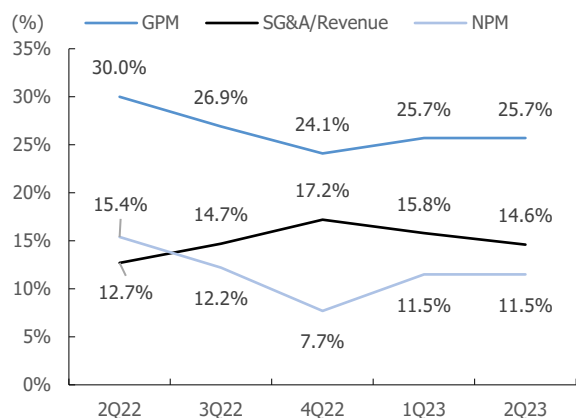
Source: Company data, Fiipro

**Figure 15. VNM's GM far exceeded the sector**



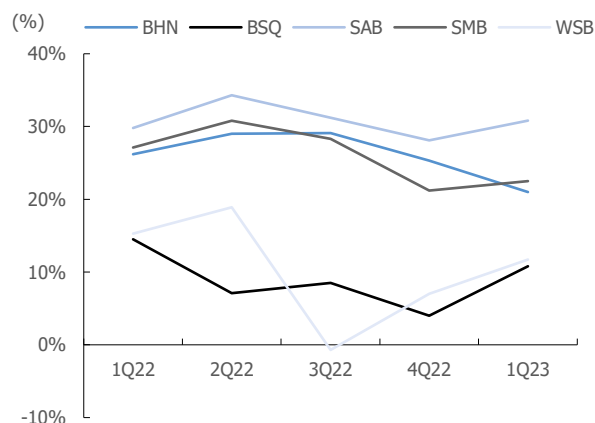
Source: Company data, Fiipro

**Figure 16. SG&A/Revenue of the brewery sector dropped qoq in 2Q23**



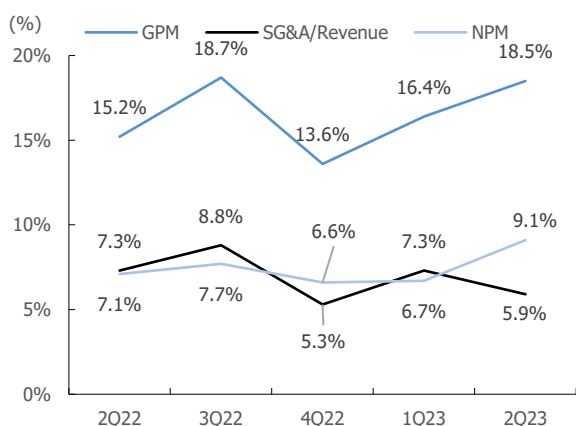
Source: Company data, Fiipro

**Figure 17. SAB's GM far exceeded the sector**



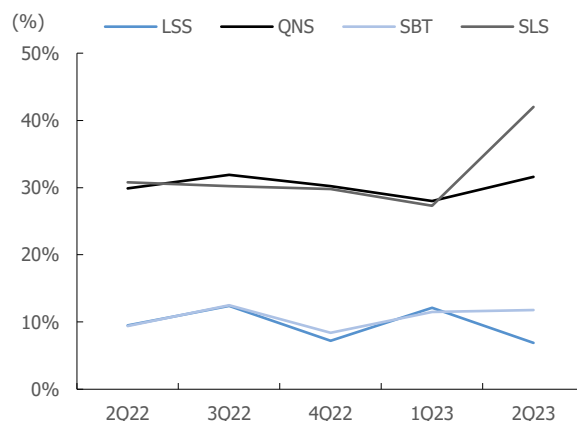
Source: Company data, Fiipro

**Figure 18. The sugar GM expanded qoq in 2Q23**



Source: Company data, Fiipro

**Figure 19. QNS and SLS's GM still stayed healthy in 2Q23**

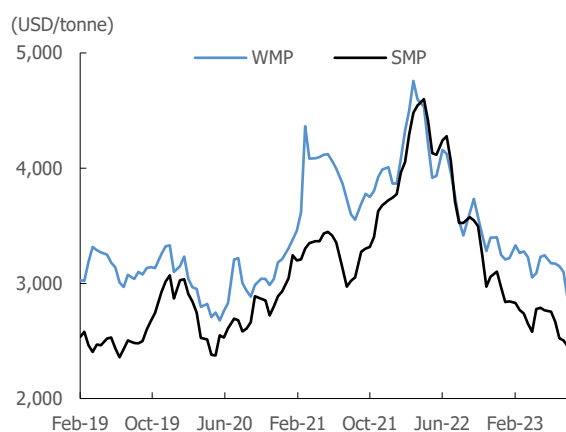


Source: Company data, Fiipro

### F&B GM could keep improvement qoq in 3Q23F

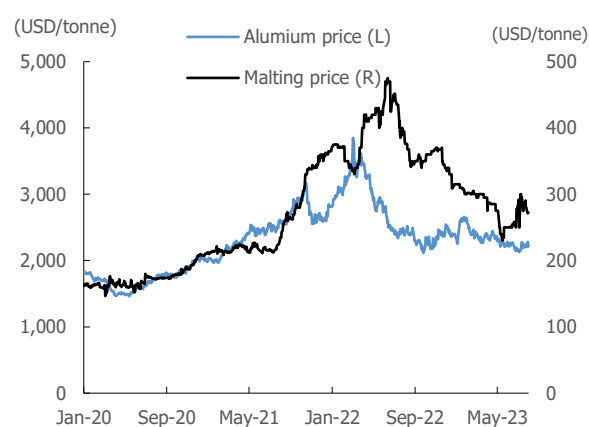
The income of Vietnamese was still impacted negatively due to an economic slowdown. However, supporting economy policies are being expected to stimulate domestic consumption and economic growth in short-term. The SBV has implemented 04 interest rate cuts, along the government has intensified public investment, reduced VAT by 2% in F&B sectors, and increased the basic salary. Thus, we expect the consumption of F&B product could improve slightly in 3Q23. Besides, we expect the gross margins of listed dairy companies to improve continuously qoq in 3Q23F due to enjoying cooling raw material prices. For the sugar industry, we expect gross margins to improve continuously yoy due to better volume and selling sugar prices.

**Figure 20. Input milk prices cooled down already**



Source: Bloomberg, KISVN

**Figure 21. Beer's raw material prices dropped**



Source: Bloomberg, KISVN

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