

11 Aug 2023

Vinamilk (VNM)

AM Briefing: Earning recovery in 2H23

- On Aug 10, we joined VNM's analyst meeting which briefed its 2Q23 updates and shed some light on the 2H23F outlook.

Positive signs from rebranding in 2Q23

- VNM posted a revenue of VND15.2tn (+1.7% yoy) and PAT of VND 2,229bn (+6% yoy) in 2Q23. For 1H23, revenue and PAT were VND29.2tn and VND4,135bn respectively, completed 46% and 48% of the 2023 guidance.
- The domestic revenue was VND11.4tn in 2Q23, up 3.8% yoy. Per management, VNM gained domestic market share in 2Q23 driven by condensed milk, drinking yogurt, and spoon yogurt segments amid weak demand, AC Nielsen estimated the dairy industry to record the value growth of 2% yoy in 5M23 but only 1% in 2Q23.
- The project of rebranding to a more youthful style in 2Q23 created many positive signs, expecting sales to increase from Aug-23, per management.
- 'Giac Mo Sua Viet' retail store chain had 654 stores (+8 stores YTD) at the end of Jun-23.
- Export revenue posted VND1,270bn, down 10% yoy due to unstable demand in Philippines and China markets. VNM expects export revenue to recover in 2H23F due to easing inflation and FX situation. While overseas subsidiaries posted 2Q23 revenue of VND1,136bn, up 9% yoy due to high growth of Angkor Milk.

Confidence about gross margin improvement in 2H23F

- The gross margin recovered to 40.5% in 2Q23, marking a significant QoQ improvement of 1.7%p.
- The management is confident in improving GM in the next quarters due to downtrend of input milk powder prices.
- Per management, VNM fixed input milk powder prices until 4Q23F.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

Stock Data

VNIndex (11 Aug, pt)	1,217
Stock price (11 Aug, VND)	72,500
Market cap (USD mn)	6,381
Shares outstanding (mn)	2,090
52-Week high/low (VND)	80,819/63,392
6M avg. daily turnover (USD mn)	7.81
Free float / Foreign ownership (%)	35.2/54.3
Major shareholders (%)	
SCIC	36.0
F&N	17.7
Platinum Victory	10.6

Performance

	1M	6M	12M
Absolute (%)	2.9	(1.3)	7.3
Relative to VNIndex (%)	(2.9)	(17.5)	8.7

Stock price trend



Source: Bloomberg

Research Dept

researchdept@kisvn.vn

	2019A	2020A	2021A	2022A	2023F
Sales (VND bn)	56,318	59,636	60,919	59,956	71,517
chg. (% YoY)	7.1	5.9	2.2	(1.6)	19.3
Operating profit (VND bn)	12,182	12,263	11,760	9,753	14,977
Net profit (VND bn)	10,581	11,099	10,532	8,516	12,831
EPS (VND)	5,426	4,736	4,559	3,643	5,493
chg. (% YoY)	(21.7)	(12.7)	(3.7)	(20.1)	15.1
EBITDA (VND bn)	14,131	14,472	13,882	11,849	12,726
PE (x)	13.8	15.8	16.5	20.6	13.2
EV/EBITDA (x)	2.6	2.6	2.6	2.6	2.6
PB (x)	4.4	4.7	4.4	4.8	3.6
ROE (%)	37.7	35.5	30.6	25.0	31.8
Dividend yield (%)	6.0	5.1	4.9	5.2	6.1

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

Reiterate HOLD

- We maintain a HOLD rating due to lacking strong growth catalysts in long term and sluggish outlook amid saturated dairy market.

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Prepared by: Research Dept

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