

Vinamilk (VNM)

2Q24: Results of brand repositioning

On 31th Jul, we attended VNM's analyst meeting presenting the 2Q24 business performance. Here are some notable updates.

Positive sales in both domestic and oversea markets

- In 2Q24, VNM reported net revenue of VND16,656bn (+9.6% yoy; 104% of our forecast). In which:
 - o **Domestic:** VND13,524bn (+5.8% yoy) which was driven by the double-digit growth of drinking yogurt, condensed milk, plant milk, along with the rebound of baby formula milk. VNM's business result was better than the FMCG (+1.8% yoy) and dairy (-1.8% yoy) markets (figure 02, per Nielsen), which implies that VNM has gained market shares after the rebranding campaign. In 2H24F, VNM would introduce a "new look" (not only the packaging but also the formula) for baby formula milk.

In recent years, VNM saw an intense competition in the baby formula milk segment. Per Euromonitor, VNM has been losing market shares, especially to foreign players such as Nestle, Abbott (figure 04). VNM's management identifies that "this is an essential category since it is the first touch point of VNM products in the life of Vietnamese". Similar to the success of other categories, we expect a comeback of VNM's baby formula milk, which is also important in terms of market value.

 - o **Oversea:** export of VND1,732bn (+35.7% yoy) and subsidiary of VND 1,382bn (+21.3% yoy). These results were attributed to the recovery of consumer purchasing power in foreign markets.

	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	56,400	59,723	61,012	60,075	60,479
chg. (% YoY)	7.2	5.9	2.2	-1.5	0.7
Operating profit (VND bn)	12,797	13,539	12,728	10,491	10,904
Net profit (VND bn)	10,554	11,236	10,633	8,578	9,019
EPS (VND)	5,477	5,311	5,040	4,075	4,246
chg. (% YoY)	-6.7	-3.0	-5.1	-19.1	4.2
EBITDA (VND bn)	14,151	14,493	13,903	11,872	11,847
PE (x)	20.65	15.70	15.99	16.42	15.12
EV/EBITDA (x)	14.1	12.4	12.8	12.3	12.1
PB (x)	7.2	5.6	5.1	4.7	4.2
ROE (%)	39.6	37.8	33.0	27.1	29.3
Dividend yield (%)	4.0	4.9	4.8	5.8	4.5

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

12M rating **HOLD**

12M TP
Up/Downside

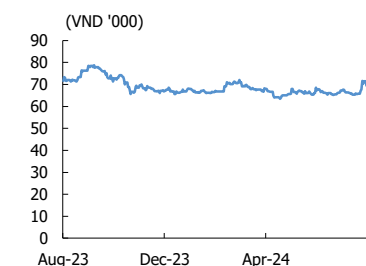
Stock Data

VNIndex (5 Aug, pt)	1,188
Stock price (5 Aug, VND)	69,400
Market cap (USD mn)	5,777
Shares outstanding (mn)	2,090
52-Week high/low (VND)	78,692/63,500
6M avg. daily turnover (USD mn)	11.69
Free float / Foreign ownership (%)	35.2/50.1
Major shareholders (%)	
SCIC	36.0
F&N Dairy Investment	17.7
Platinum Victory	10.6

Performance

	1M	6M	12M
Absolute (%)	3.3	3.4	(3.0)
Relative to VNIndex (%p)	10.6	2.3	(1.7)

Stock price trend



Source: Bloomberg

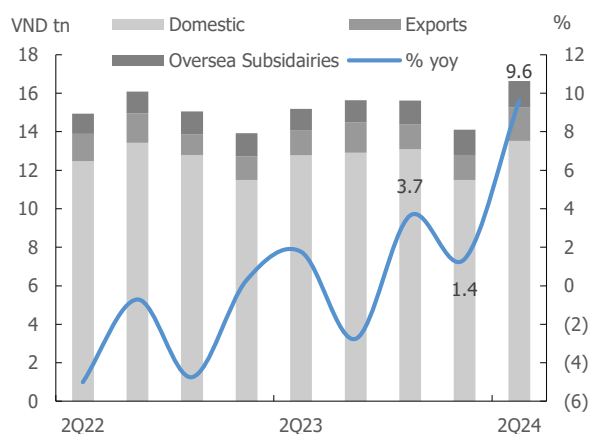
Research Department

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NPAT surged thanks to lower raw material costs

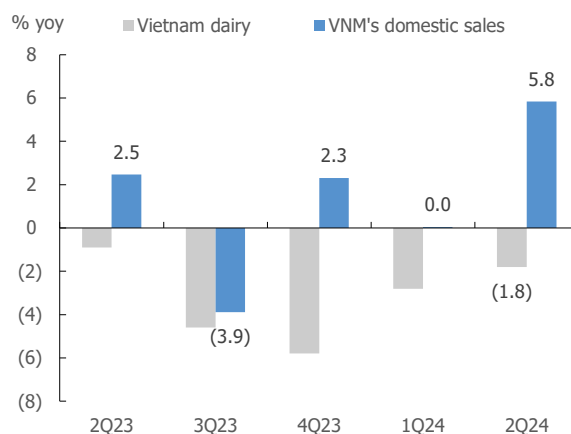
- VNM's blended gross margin rose to 42.4% (+200 bps yoy) thanks to lower Skim Milk Power and Whole Milk Power prices (SMP & WMP, 25% of raw material costs) and sugar prices (10% of raw material costs) (figure 06).
- VNM's net margin increased to 16.2% (+150 bps yoy), leading NPAT to surge to VND16,656 (+20.9% yoy) – the highest quarterly results in recent years.
- In 3Q24F, we estimate that VNM's domestic sales would continue to rise at a single digit amid the continuing recovery of consumer spending, meanwhile overseas revenue would rise at a double-digit but being lower than in 2Q24. Since VNM has locked 90% of its raw material prices, we expect their gross margin would be similar to 2Q24. At the bottom line, we expect VNM's NPAT would rise at a single digit in 3Q24F.

Figure 1. VNM's net revenue rose by 9.6% yoy attributed by both domestic and overseas markets.



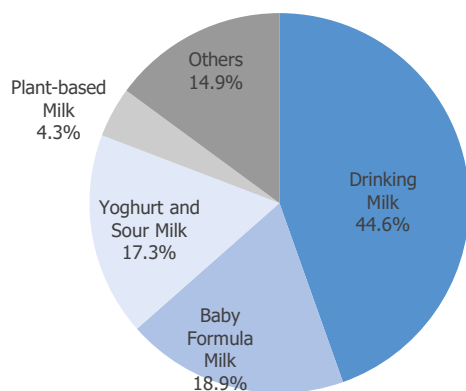
Source: Company Data, KISVN

Figure 2. VNM's domestic sales rose higher than the dairy sector due to the gain of market shares.



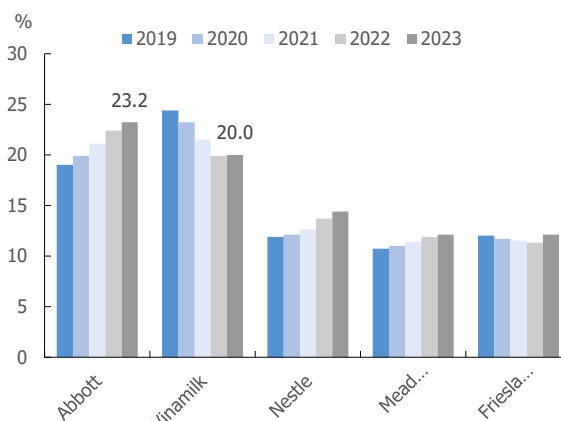
Source: Company Data, KISVN

Figure 3. Baby formula milk is the second largest category in the dairy and alternative segments



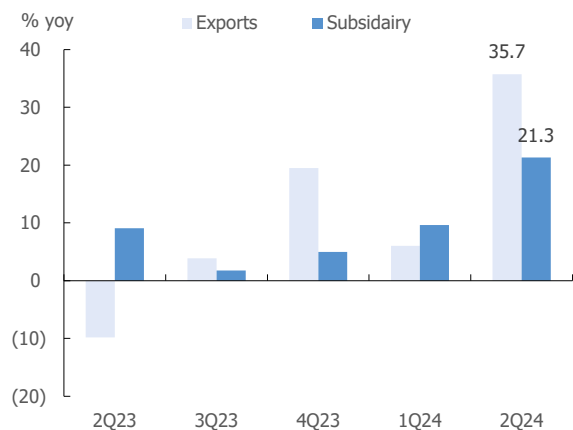
Source: Euromonitor, KISVN

Figure 4. In recent years, VNM's baby formula milk has been losing market shares to foreign players



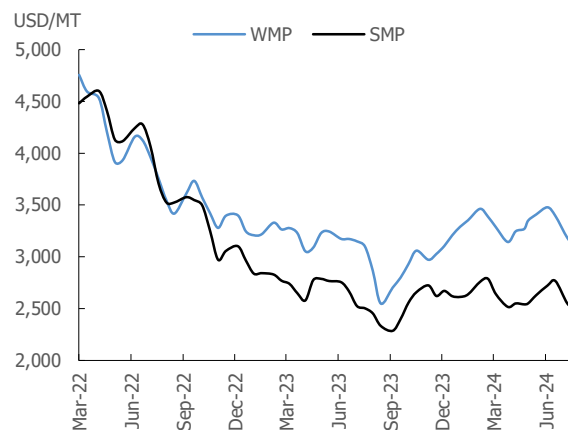
Source: Euromonitor, KISVN

Figure 5. VNM's exports and subsidiary's sales surged thanks to the recovery of purchasing power



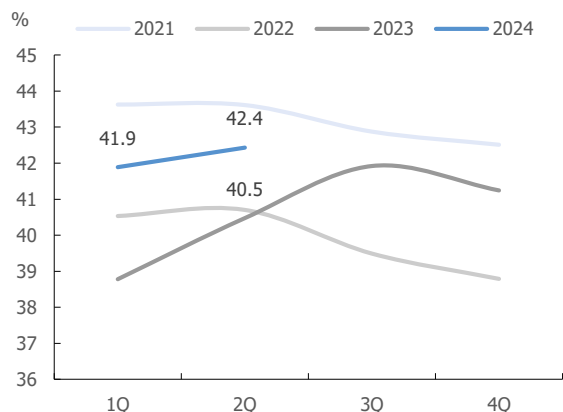
Source: Company Data, KISVN

Figure 6. WMP and SMP prices have been cooled down thanks to the recovery of global supply chains



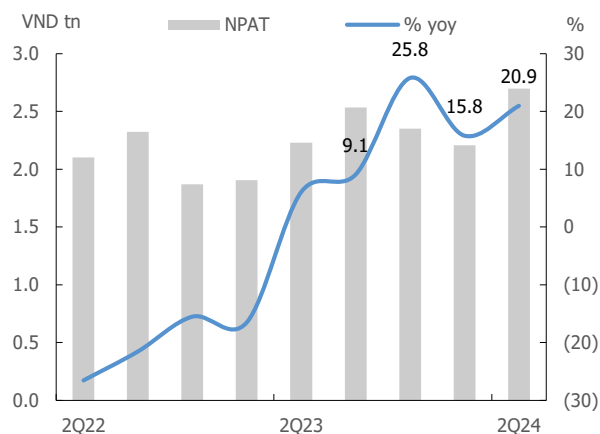
Source: Company Data, KISVN

Figure 7. VNM's gross margin rose due to lower raw material costs



Source: Company Data, KISVN

Figure 8. VNM's NPAT surged by 20.9% yoy in 2Q24 to the highest level in recent years



Source: Company Data, KISVN

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