

4 Nov 2024

Vinamilk (VNM)

3Q24: Recovery faced short-term challenges

On 31st Oct, we attended VNM's analyst meeting presenting the 3Q24 business performance. Here are some notable updates.

Domestic demand was hit by Typhoon Yagi.

- In 3Q24, VNM reported net revenue of VND15,537bn (-0.6% yoy, -6.7% qoq). In which:

- **Domestic:** Revenue sit at VND12,928bn (-2.4% yoy, -4.4% qoq), amid weaker demand as consumer sentiment was badly impacted by Typhoon Yagi. On a positive sign, VNM introduced new packaging for "Fresh Milk, Spoon Yogurt, Plant Milk,...". In 4Q24F, the management expects that domestic revenue could lift up ~4% yoy. Notably, VNM shared that Oct's sales in the North could revive after Typhon.

Besides, VNM shares that the Vinabeef project is on the test phase with some products introduced to the market including some shopping centers like Aeon, Saigon Co.op supermarkets. VNM expects the Vinabeef project could enter mass production level in 2025F, and bring ~VND3,000bn sales/year at optimal capacity.

- **Oversea:** Revenue came in at VND2,609bn (+9.4% yoy, -16.2% qoq), of which exports was VND1,234bn (+10.3% yoy) and Driftwood & Angkor was VND1,375bn (+8.5% yoy).

| | 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

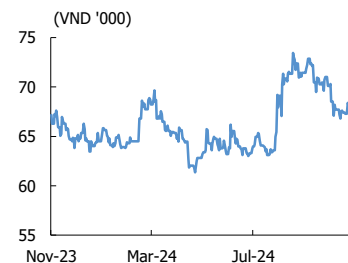
Stock Data

| | |
|------------------------------------|---------------|
| VNIndex (1 Nov, pt) | 1,255 |
| Stock price (1 Nov, VND) | 65,800 |
| Market cap (USD mn) | 5,442 |
| Shares outstanding (mn) | 2,090 |
| 52-Week high/low (VND) | 73,446/61,366 |
| 6M avg. daily turnover (USD mn) | 11.21 |
| Free float / Foreign ownership (%) | 35.2/51.8 |
| Major shareholders (%) | |
| SCIC | 36.0 |
| F&N Dairy Investment | 17.7 |
| Platinum Victory | 10.6 |

Performance

| | 1M | 6M | 12M |
|--------------------------|-------|-----|--------|
| Absolute (%) | (6.1) | 4.0 | (0.6) |
| Relative to VNIndex (%p) | (3.3) | 0.7 | (18.4) |

Stock price trend



Source: Bloomberg

Research Department

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NPAT could rise at a single-digit in 4Q24F

- VNM's blended gross margin decreased to 41.2% (-120 bps qoq; -70 bps yoy) mainly due to the volume slump (fixed costs still have to be paid). In 4Q24F, we estimate VNM's gross margin could expand qoq due to the rise in sales (since raw material prices have been locked).
- The Skim Milk Power (SMP) and Whole Milk Power (WMP) prices pick up since Aug (figure 04), which could hit 1Q25F gross margin.
- VNM could raise the selling prices amid the costlier raw material in 2025, ending a price sustain to support the weak demand and consumer spending in 2023-24.
- At the bottom line, 3Q24 NPAT stayed flat at VND2,403bn (-5.1% yoy; -10.9% qoq), mainly due to the sale decline. In 4Q24F, we expect domestic sales could go up, and hence NPAT to grow by a single digit.

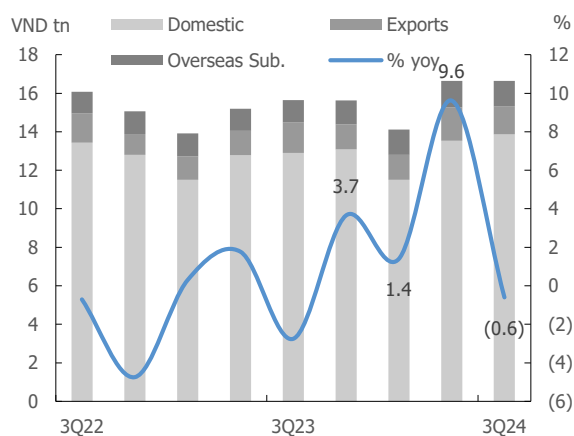
Table 1. Quarterly earnings snapshot in 3Q24

(VND bn, %, %p)

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QoQ | YoY |
|---------------|--------|--------|--------|--------|--------|--------|-------|
| Sales | 15,637 | 15,619 | 14,112 | 16,656 | 15,537 | (6.7) | (0.6) |
| OP | 3,086 | 2,726 | 2,716 | 3,326 | 2,971 | (10.7) | (3.7) |
| OP margin (%) | 19.7 | 17.5 | 19.2 | 20.0 | 19.1 | (0.9) | (0.6) |
| EBIT | 3,076 | 2,852 | 2,706 | 3,309 | 2,942 | (11.1) | (4.4) |
| NPAT | 2,533 | 2,351 | 2,207 | 2,696 | 2,403 | (10.9) | (5.1) |

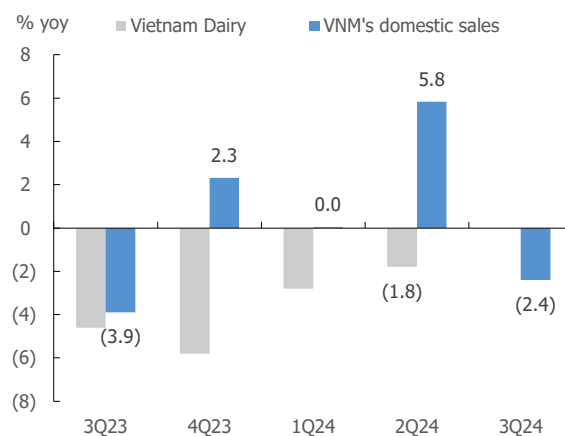
Source: Company data, KISVN

Figure 1. 3Q24 revenue was resilient despite domestic demand was hit by the Typhon Yagi.



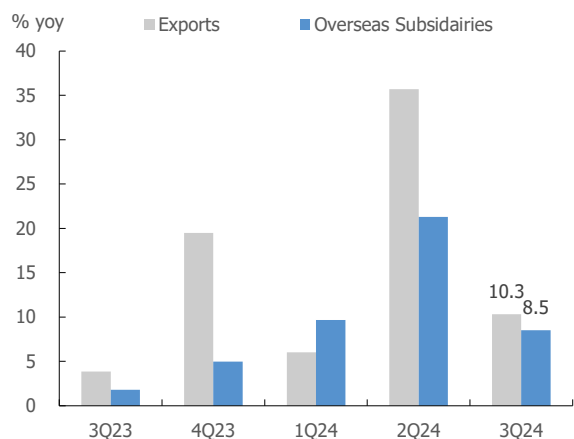
Source: Company Data, KISVN

Figure 2. Despite 3Q24 domestic sales drop, VNM expect the recovery to continue in 4Q24F



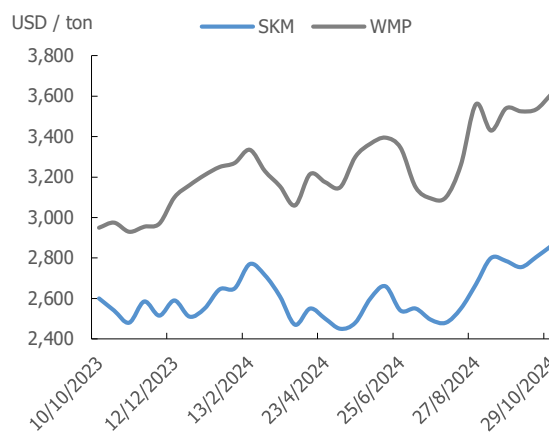
Source: Company Data, KISVN

Figure 3. VNM's exports and subsidiary's sales continued to rise in 3Q24



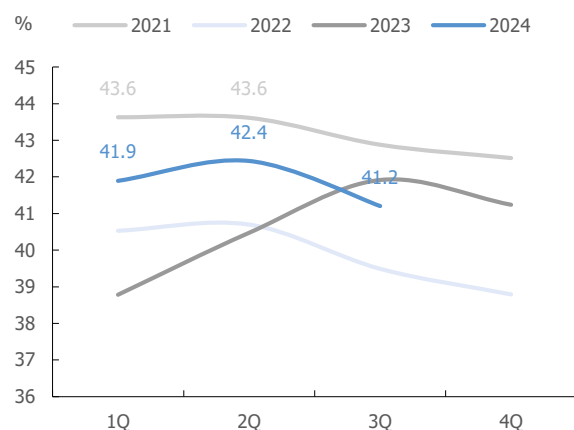
Source: Company Data, KISVN

Figure 4. WMP and SMP prices surged in recent months



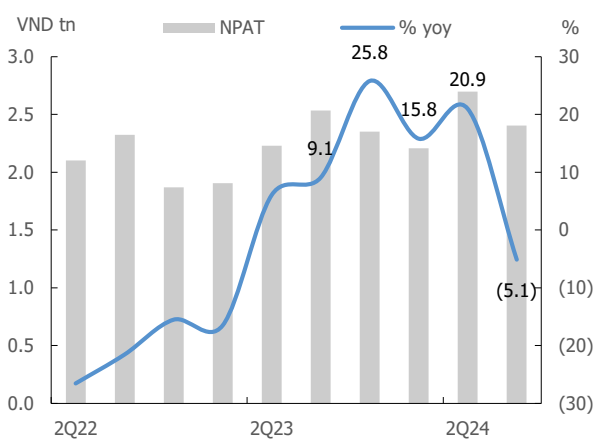
Source: Company Data, KISVN

Figure 5. VNM's gross margin in 3Q24 yoy was thinner than 2Q24 due to the decrease in sales.



Source: Company Data, KISVN

Figure 6. VNM's NPAT edged down by 5.1% due to the sales decline.



Source: Company Data, KISVN

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