

## VNM: 2Q2022 business results

Vietnam Dairy Products JSC (HSX: VNM) announced 2Q2022 net revenue of VND14,930bn (-5% YoY) and EAT of VND2,102bn (-26.6% YoY). Domestic revenue slid by 5.9% YoY while overseas revenue was almost flat. On a cumulative basis, the company delivered net revenue of VND28,808bn (-0.3% YoY) and EAT of VND4,386bn (-19.7% YoY) in 1H2022.

The company noted that the decrease in revenue YoY in Q2 was attributed to a drop in consumer spending on FMCG products (according to research by Nielsen) as inflationary concerns have directly affected consumers spending habits, and thus lowered spending on VNM products.

VNM's gross margin was 40.6% in 1H2022 compared to 43.6% in 1H2021 due to surging milk material prices. The company expects the gross margin to improve in the following quarters as prices of some primary input materials have shown signs of peaking (VNM's gross margin ticked up from 40.5% in 1Q2022 to 40.7% in 2Q2022, supporting this claim by management). The SG&A expenses to net revenue ratio was 23.3% in 1H2022 versus 22.6% in 1H2021; in which, the ratio was 24.7% in 2Q (2Q2021: 22.8%), explained by increase in shipping costs, due to higher fuel prices, and promotion and sales support expenses to foster demand following selling price increase.

| VND bn                          | 2Q2022        | YoY growth    | 1H2022        | YoY growth    |
|---------------------------------|---------------|---------------|---------------|---------------|
| <b>Net revenue</b>              | <b>14,930</b> | <b>-5%</b>    | <b>28,808</b> | <b>-0.3%</b>  |
| <i>Gross margin (%)</i>         | <i>40.7%</i>  |               | <i>40.6%</i>  |               |
| <i>SG&amp;A/net revenue (%)</i> | <i>24.7%</i>  |               | <i>23.3%</i>  |               |
| <b>EAT</b>                      | <b>2,102</b>  | <b>-26.6%</b> | <b>4,386</b>  | <b>-19.7%</b> |

**Comments:** The 2Q2022 results were 7% lower than our expectation on the top line and 15% lower than our expectation in EAT. We are not fully convinced that the drop in sales is due primarily to inflationary pressures. We're analyzing situation and will draw our conclusions in the next update report.

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