



VNM Flash note - BUY

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Earnings Flash note

Recommendation

BUY

HSX: VNM

Food & Beverage

Target price (VND) **80,300**

Market price (VND) **67,500**

Expected share price return 19.0%

Expected dividend yield 5.7%

Expected total return **24.7%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-0.1	-0.9	-0.7	-9.5
Relative	-3.8	-4.0	-14.6	-16.2

Source: Bloomberg



Ownership

SCIC	36.0%
F&N Dairy Inv.	17.7%

Stock Statistics 31-Jan-2024

Bloomberg code	VNM VN
52-week range (VND)	65,500 - 81,200
Shares O/S (m)	2,090
Mkt cap (VND bn)	141,072
Mkt cap (USD m)	5,703
Est. Foreign room left (%)	46.5
Est. free float (%)	35.2
3m avg daily vol (shrs)	2,408,853
VND/USD	24,735
Index: VNIIndex / HNX	1170.0/230.1

VIETNAM DAIRY PRODUCTS JSC (VNM VN)

Improved gross margin spurred the company's earnings growth though revenue growth was still moderate in 2023. We maintained our expectations about better earnings growth in 2024 as a result of lower milk material prices. Reiterate **BUY** recommendation at a target price of VND80,300/share (+24.7% upside).

VNM announced 4Q2023 net revenue growth at 3.7% YoY and EAT growth at 25.8% YoY driven by a widened gross margin. On a cumulative basis, net revenue and EAT achieved VND60,369bn (+0.7% YoY) and VND9,019bn (+5.2% YoY), respectively, in 2023, completing 100% of our projections. Sales of finished goods, responsible for 94% of the total, climbed by 0.7% YoY.

Domestic revenue, which continued to contribute most (c.83%) to the company's sales of finished goods, contracted by 0.2% YoY compared with the industry's 1% drop (AC Nielsen's data, collected by VNM). This was accompanied by an 1.3% increase in the company's market share in 2023. Revenue growth was recorded in the yoghurt and condensed milk segments, while the liquid milk segment generated an almost flat result. The powder milk segment still reported sluggish performance.

Overseas revenue grew by 5.4% YoY in 2023, including 6.5% YoY growth from overseas subsidiaries (i.e AngkorMilk in Cambodia and Driftwood in the US) and 4.4% YoY growth from direct export. Besides the key market Middle East, VNM found some positive signs from new markets in APAC.

A widened gross margin coupled with financial profit growth (+59% YoY largely thanks to interest income) drove the company's EAT growth in 2023, despite the SG&A expenses to net revenue ratio rising to 24.5% (2022: 23.6%) to boost market share. The gross margin enhanced to 40.7% in 2023 versus 39.9% in 2022, fueled by decreasing milk material prices. Irrespective of an upturn in recent time, prices of main milk materials – milk powder - are still in a downtrend started from 2H2022 (owing to lower imports from China) and hovering near the 2019-2020 period's levels. Favourable milk material prices are expected to heighten VNM's EAT growth in 2024.

Quick comment: We maintain our projections for VNM's net revenue and EAT at VND62,993bn (+4.3% YoY) and VND9,938bn (+10.1% YoY) in 2024. **Our target price for VNM for the next 12 months is VND80,300/share (+24.7% upside).**

	2022	2023U	2024F	2025F	2026F
Net Sales (VNDbn)	59,956	60,369	62,993	66,877	70,596
Growth (%)	-1.6%	0.7%	4.3%	6.2%	5.6%
EBITDA (VNDbn)	11,578	11,853	13,225	13,972	14,740
EBITDA margin	19.3%	19.6%	21.0%	20.9%	20.9%
Net Profit (VNDbn)	8,516	8,874	9,843	10,433	10,914
Growth (%)	-19.1%	4.2%	10.9%	6.0%	4.6%
EPS (bonus-adjusted, VND)	3,664	3,814	4,235	4,488	4,687
Growth (%)	-19.1%	4.1%	11.0%	6.0%	4.4%
ROE	27.1%	28.8%	30.2%	30.1%	29.2%
ROA	16.7%	17.5%	18.5%	19.5%	20.4%
Net debt/EBITDA (times)	(1.3)	(1.2)	(1.2)	(1.3)	(1.4)
EV/EBITDA (times)	10.8	10.6	9.5	9.0	8.5
EV/Sales (times)	2.1	2.1	2.0	1.9	1.8
PER (times)	18.3	17.6	15.8	14.9	14.3
PBR (times)	4.7	4.4	4.2	3.9	3.6
DPS (VND)	3,850	3,850	3,850	3,850	3,850
Dividend yield (%)	5.7%	5.7%	5.7%	5.7%	5.7%

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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