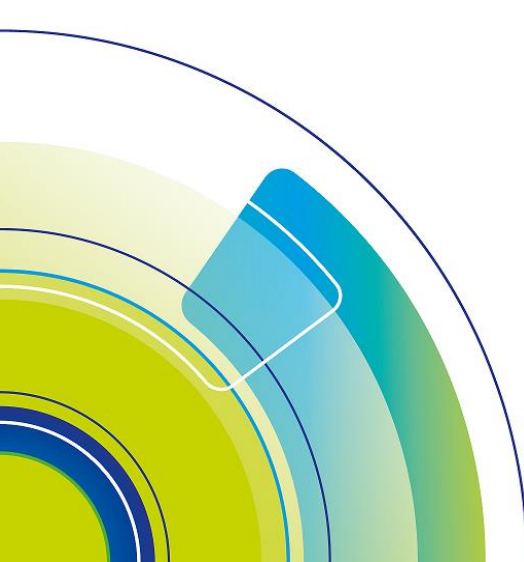




VNM Update - BUY

August 22, 2025



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Company Update

Recommendation

BUY

HSX: VNM

Food & Beverage

Target price (VND) **70,300**

Market price (VND) **60,100**

Expected share price return 17.1%

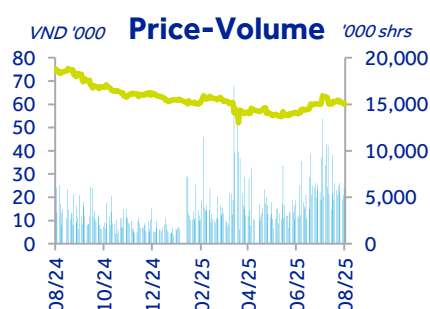
Expected dividend yield 7.2%

Expected total return **24.3%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-3.0	0.2	8.5	-13.8
Relative	-36.2	-13.6	-19.7	-47.7

Source: Bloomberg



Ownership

SCIC	36.0%
F&N Dairy Inv. Pte.Ltd	17.7%
Platinum Victory Pte.Ltd	10.6%

Stock Statistics

Aug 21, 2025

Bloomberg code	VNM VN
52-week range (VND)	51,400-76,000
Shares O/S (m)	2,090
Mkt cap (VND bn)	124,143
Mkt cap (USD m)	4,674
Est. Foreign room left (%)	51.1
Est. free float (%)	35.3
3m avg daily vol (shrs)	5,191,809
VND/USD	26,562
Index: VNIndex / HNX	1671.1/280.4

VIETNAM DAIRY PRODUCTS JSC (VNM VN)

The company generated a strong QoQ rebound in 2Q2025 following the restructuring of its distribution system, although YoY performance did not replicate the same momentum, in line with our expectations. We maintain a **BUY** recommendation and move target price for the stock to 1H2026, at VND70,300/share, equivalent to a total return of 24.3%.

Net revenue climbed by 0.4% YoY while the decline in EAT narrowed to 7.7% YoY in 2Q2025, bringing VNM's 1H2025 figures to VND29,659bn (-3.6% YoY) and VND4,076bn (-16.9% YoY), respectively. Sales of finished goods, responsible for 95% of the total, slid by 3% YoY.

Domestic revenue bounced back to record a QoQ leap following the restructuring of its distribution system, despite a slight YoY upturn in 2Q (+38.7% QoQ and +1.9% YoY) on the high base in the same period last year. In addition, the expansion and renovation of Vinamilk store network, as parts of its re-branding strategy, have created positive effects in fostering the company's product visibility and direct engagement with consumers, contributing to boost other sales channels.

The company views the closure of some mom-and-pop shops stemming from changes in tax policies for household businesses as temporary and did not see a severe hit on its sales, as these shops are likely to find solutions to adapt to the new conditions in the long run.

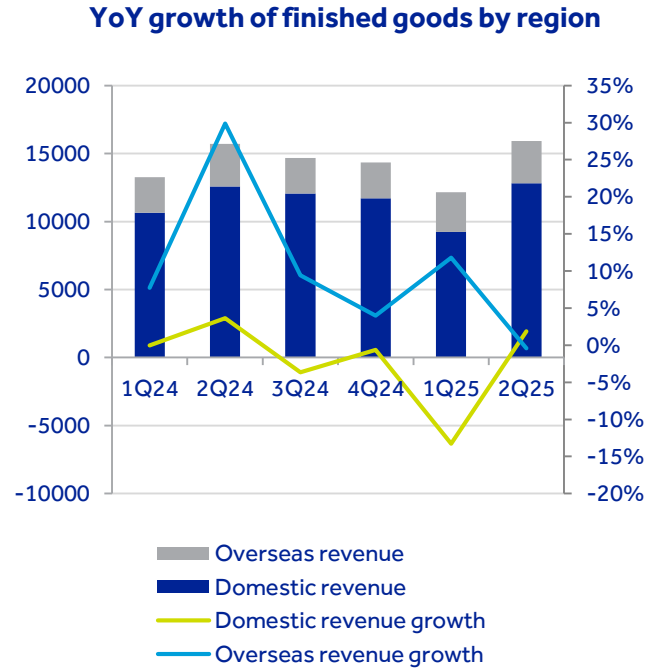
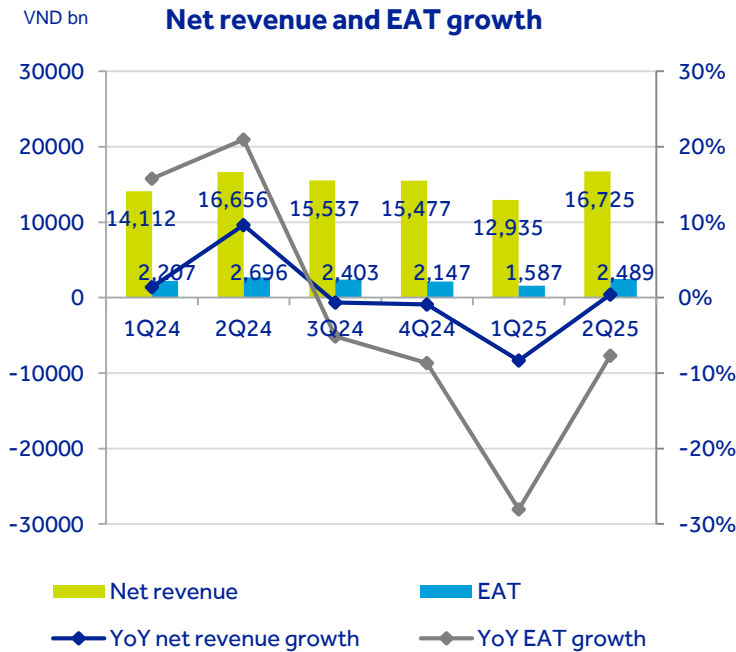
Overseas revenue was flat in 2Q as a result of sustained YoY growth in direct exports revenue and a contraction in overseas subsidiaries. Premiumization of product portfolio and continued expansion of exports markets (e.g. recently getting licenses to export "Ngoni Sao Phuong Nam" condensed milk to China) have been highlights in the company's strategies to extend exports growth.

Better profitability, fueled by a widened gross margin and lower SG&A to net revenue ratios on the back of improved sales volume in 2Q, helped shrink the dip in EAT compared to Q1. However, YoY growth has yet returned on a cumulative basis 1H2025 because of increased material prices and expenses for promotion, product display, sale support and introduction new products.

We project VNM's net revenue and EAT at VND61,690bn (-0.1% YoY) and VND9,103bn (-3.7% YoY), respectively, in 2025. Our target price for VNM by 1H2026 is VND70,300/share.

	2023	2024	2025F	2026F	2027F
Net Sales (VNDbn)	60,369	61,783	61,690	64,392	67,042
Growth	0.7%	2.3%	-0.1%	4.4%	4.1%
EAT (VNDbn)	9,019	9,453	9,103	9,694	10,124
Growth	5.2%	4.8%	-3.7%	6.5%	4.4%
EPS (bonus-adjusted, VND)	3,802	4,030	3,877	4,130	4,313
Growth	4.1%	6.0%	-3.8%	6.5%	4.4%
ROE	28.8%	29.4%	28.0%	29.6%	30.2%
ROA	17.5%	17.4%	16.2%	17.0%	17.7%
Net debt/EBITDA (times)	-1.2	-1.3	-1.3	-1.2	-1.2
EV/EBITDA (times)	9.0	8.5	8.8	8.3	7.9
EV/Sales (times)	1.8	1.8	1.8	1.7	1.6
PER (times)	15.8	14.9	15.5	14.6	13.9
PBR (times)	4.0	3.9	3.9	3.8	3.7
DPS (VND)	3,850	4,350	4,350	4,350	4,350
Dividend yield (%)	6.4%	7.2%	7.2%	7.2%	7.2%

Improved QoQ performance despite muted YoY growth in 2Q



Source: VNM; ACBS

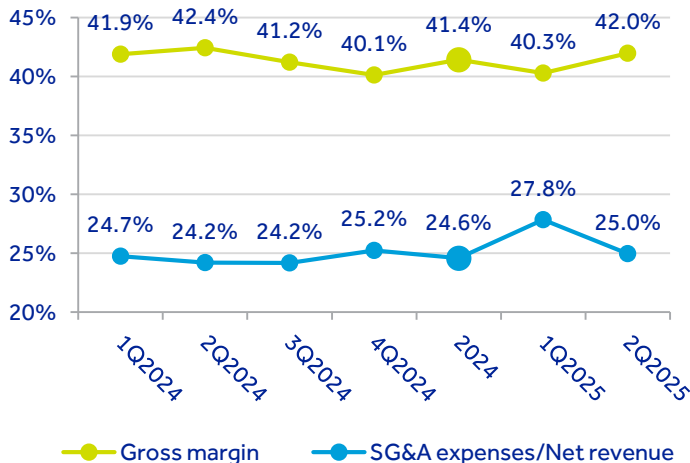
Better performance in 2Q2025....

...was driven by a recovery in domestic sales from the low level in 1Q due to restructuring its distribution system.

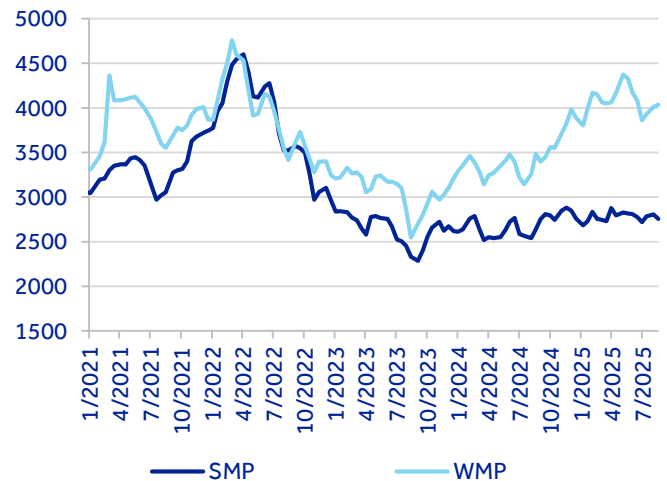
Cumulative 1H2025, domestic revenue fell by 5.1% YoY, accounting for 79% of VNM's sales of finished goods. While the traditional channel still occupies the majority of sales, VNM has been fortifying its presence in the modern channel, online and retail stores.

Overseas revenue, capturing 21% of sales of finished goods, reported 5.1% YoY growth to VND6,035bn in 1H, with 58% coming from direct exports (primarily to Middle East) and the rest from overseas subsidiaries (e.g. Angkor Milk, Driftwood).

Gross margin and SG&A/net revenue ratio improved QoQ in 2Q2025



Main milk material prices (\$/MT)



Source: VNM; globaldairytrade.info; ACBS

Gross margin and the SG&A to net revenue ratio improved QoQ in 2Q on the back of increased sales volume, albeit still under pressure on a YoY comparison in both 2Q and 1H2025 owing to higher material prices and expenses for promotion, product display, sale support and introduction new products. The company expects 2Q gross margin may persist in the following quarters, which may be feasible considering improvements in revenue and some materials' prices were already settled.

Earnings forecast and valuation

With expectations that YoY revenue growth could return and the EAT drop will keep lessening in 3Q and 4Q2025, we project VNM's net revenue and EAT at VND61,690bn (-0.1% YoY) and VND9,103bn (-3.7% YoY), respectively, in 2025.

Combining DCF and PER methods, our target price for VNM by 1H2026 is VND70,300/share.

VNM FINANCIAL MODEL	Price (VND):	60,100	Target (VND):	70,300	Mkt cap (VND bn):	124,143
(VND bn except where stated)	2023	2024	2025F	2026F	2027F	
Total Net Sales	60,369	61,783	61,690	64,392	67,042	
<i>Sales growth (%)</i>	<i>0.7%</i>	<i>2.3%</i>	<i>-0.1%</i>	<i>4.4%</i>	<i>4.1%</i>	
CoGS ex-dep'n	33,906	34,251	34,089	35,504	36,997	
Selling expenses	12,963	13,299	13,927	14,345	14,869	
G&A expenses	1,428	1,487	1,454	1,499	1,537	
Financial revenues (excl. interest income)	177	196	168	173	178	
Financial expenses (excl. interest expense)	149	149	43	115	119	
EBITDA	12,099	12,793	12,346	13,102	13,698	
<i>EBITDA margin (%)</i>	<i>20.0%</i>	<i>20.7%</i>	<i>20.0%</i>	<i>20.3%</i>	<i>20.4%</i>	
Depreciation	2,300	2,341	2,338	2,372	2,455	
Operating profit	9,799	10,452	10,008	10,730	11,243	
<i>Operating profit margin (%)</i>	<i>16.2%</i>	<i>16.9%</i>	<i>16.2%</i>	<i>16.7%</i>	<i>16.8%</i>	
Other profits/losses	64	6	2	2	2	
Profits/Losses from associates	-81	32	40	49	59	
Net interest expense	-1,186	-1,111	-1,116	-1,117	-1,128	
<i>as % of avg net debt</i>	<i>8.0%</i>	<i>7.0%</i>	<i>6.9%</i>	<i>7.2%</i>	<i>7.0%</i>	
<i>Interest cover (x)</i>	<i>-8.3</i>	<i>-9.4</i>	<i>-9.0</i>	<i>-9.6</i>	<i>-10.0</i>	
Tax	1,949	2,147	2,063	2,205	2,308	
<i>Effective tax rate (%)</i>	<i>17.7%</i>	<i>18.6%</i>	<i>18.5%</i>	<i>18.6%</i>	<i>18.7%</i>	
Minority interest	146	61	64	68	73	
NPATMI	8,874	9,392	9,039	9,625	10,051	
Cash earnings	11,174	11,733	11,377	11,998	12,506	
Total number of shares	2,089,955,445	2,089,955,445	2,089,955,445	2,089,955,445	2,089,955,445	
EPS (VND) (after treasury shares)	3,802	4,030	3,877	4,130	4,313	
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	3,802	4,030	3,877	4,130	4,313	
<i>EPS growth (%)</i>	<i>4.1%</i>	<i>6.0%</i>	<i>-3.8%</i>	<i>6.5%</i>	<i>4.4%</i>	

KEY CASHFLOW AND BS ITEMS	2023	2024	2025F	2026F	2027F
Increase in working capital	2,540	-1,160	999	100	95
Capex	1,475	1,628	1,628	1,475	1,475
Change in investment in affiliates	-62	20	28	36	46
Other cashflow items	788	-1,050	-1,050	-1,050	-1,050
Free cash flow	8,009	10,196	7,673	9,336	9,840
Share issues	-	-	-	-	-
Dividends paid	8,046	8,046	9,091	9,091	9,091
Increase in net debt	38	-2,150	1,419	-245	-749
Net debt, end of year	-14,743	-16,892	-15,474	-15,719	-16,468
Shareholders' equity	31,697	32,279	32,226	32,761	33,721
BVPS (VND)	15,166	15,445	15,420	15,675	16,135
Net debt/equity	-46.5%	-52.3%	-48.0%	-48.0%	-48.8%
Net debt/EBITDA (x)	-1.2	-1.3	-1.3	-1.2	-1.2
Total assets	52,673	55,049	56,415	56,704	56,916

KEY RETURN AND VALUATION RATIOS	2023	2024	2025F	2026F	2027F
ROE	28.8%	29.4%	28.0%	29.6%	30.2%
ROA	17.5%	17.4%	16.2%	17.0%	17.7%
ROIC	49.5%	52.6%	50.7%	51.7%	53.4%
WACC	10.8%	10.8%	10.8%	10.8%	10.8%
EVA	38.7%	41.8%	39.9%	40.9%	42.6%
PER (x)	15.8	14.9	15.5	14.6	13.9
EV/EBITDA (x)	9.0	8.5	8.8	8.3	7.9
EV/FCF (x)	13.6	10.7	14.2	11.6	11.0
PBR (x)	4.0	3.9	3.9	3.8	3.7
PSR (x)	2.1	2.0	2.0	2.0	1.9
EV/sales (x)	1.8	1.8	1.8	1.7	1.6
PEG (x, 3 yr prospective)	7.5	5.1	6.5	2.9	3.3
Dividend yield	6.4%	7.2%	7.2%	7.2%	7.2%

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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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