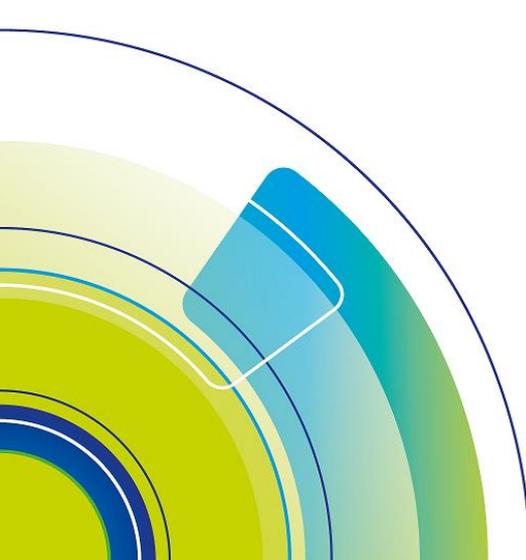




VNM Flash note - BUY

February 12, 2025



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Earnings Flash note

Recommendation

BUY

HSX: VNM

Food & Beverage

Target price (VND) **72,000**

Market price (VND) **60,400**

Expected share price return 19.2%

Expected dividend yield 6.4%

Expected total return **25.6%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-4.7	-1.1	-7.0	-5.3
Relative	-4.9	-3.8	-8.2	-12.6

Source: Bloomberg



Ownership

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

Stock Statistics 11-Feb-2025

Bloomberg code	VNM VN
52-week range (VND)	60,000-76,200
Shares O/S (m)	2,090
Mkt cap (VND bn)	126,233
Mkt cap (USD m)	4,939
Foreign room left (%)	49.1
Est. free float (%)	35.2
3m avg daily vol (shrs)	2,159,135
VND/USD	25,560
Index: VNIndex / HNX	1268.45/228.87

VIETNAM DAIRY PRODUCTS JSC (VNM VN)

The company reported a decline of 0.9% YoY in revenue and 8.7% YoY in 4Q2024, lower than our projections. Although a **BUY** recommendation is maintained, we revise our target price down by 12% to VND72,000/share from the prior update to reflect the slower-than-expected improvements in the company's business results and signs of potential uptrend in the international milk material prices.

VNM generated weak performance in 4Q2024 with net revenue slipping 0.9% YoY and EAT slipping 8.7% YoY. On a cumulative basis, (unaudited) net revenue and EAT achieved VND61,783bn (+2.3% YoY) and VND9,453bn (+4.8% YoY) in 2024, completing 98% and 96% of our projections, respectively. Sales of finished goods, responsible for 94% of the total, climbed by 2% YoY.

Despite capturing just 19% of sales of finished goods, overseas revenue propped up its growth as domestic revenue wobbled in 2024. Overseas revenue grew by 12.6% YoY in 2024, including 12.9% YoY from overseas subsidiaries (i.e AngkorMilk in Cambodia and Driftwood in the US) and 12.4% YoY from direct export.

Domestic revenue, accounting for 81% of the company's sales of finished goods, contracted by 0.6% YoY in 4Q and 0.2% YoY in 2024. If excluding Moc Chau, the growth was flat. However, some outperformers include the yoghurt, condensed milk segments and some product lines such as Probi probiotics drink, Green Farm fresh milk, elder milk powder and plant milk, with double-digit revenue growth although the company did not disclose details.

Gross margin reduced to 40.1% in 4Q2024, reaching 41.4% in 2024 (2023: 40.7%). Favorable international milk material prices enabled the company's gross margin and EAT growth to enhance in most of the time in 2024. Still, the gross margin was just 40.1% in 4Q, much lower than the previous three quarters and the lowest since 2Q2023, explained by weak sales volume, higher costs in 4Q and milk material prices trending upward. The company may increase selling prices in 2025 if the recent uptrend in the international milk material prices is confirmed.

The Vinabeef meat processing plant of Japan Vietnam Livestock Co. Ltd. (JVL), a joint venture between Sojitz and Vilico, commenced operation in Dec 2024. Its products have been present in major supermarket chains such as Aeon, Coopmart, Mega, and Central. We will incorporate contribution of this joint venture into our valuation once VNM releases more details.

Comment: We project VNM's net revenue and EAT at VND63,847bn (+3.4% YoY) and VND9,718bn (+2.8% YoY) in 2025. **Our target price for VNM by the end of 2025 is VND72,000/share, equivalent to a total return of 25.6%.**

	2023	2024U	2025F	2026F	2027F
Net Sales (VNDbn)	60,369	61,783	63,874	65,974	68,433
Growth (%)	0.7%	2.3%	3.4%	3.3%	3.7%
EAT (VNDbn)	10,968	11,600	11,928	12,365	12,822
Growth (%)	5.2%	4.8%	2.8%	3.6%	3.7%
EPS (bonus-adjusted, VND)	3,802	4,030	4,099	4,215	4,368
Growth (%)	4.1%	6.0%	1.7%	2.8%	3.6%
ROE	28.8%	29.4%	28.9%	28.4%	28.1%
Net debt/EBITDA (times)	(1.2)	(1.3)	(1.4)	(1.5)	(1.6)
PER (times)	15.9	15.0	14.7	14.3	13.8
DPS (VND)	3,850	3,850	3,850	3,850	4,235
Dividend yield (%)	6.4%	6.4%	6.4%	6.4%	7.0%

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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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