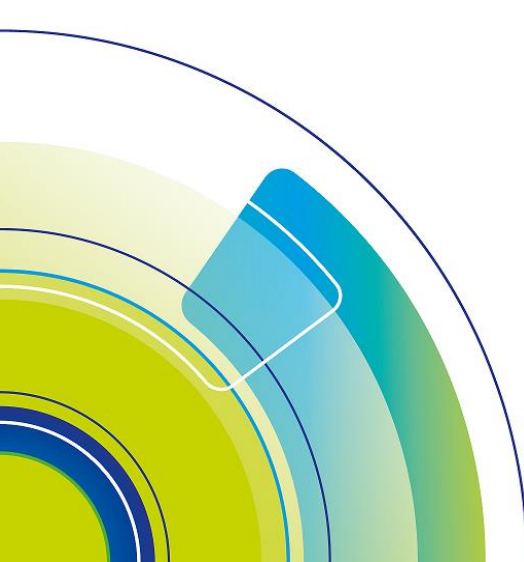




VNM Update - BUY

May 14, 2025



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Company Update

Recommendation

BUY

HSX: VNM

Food & Beverage

Target price (VND) **68,300**

Market price (VND) **58,500**

Expected share price return 16.8%

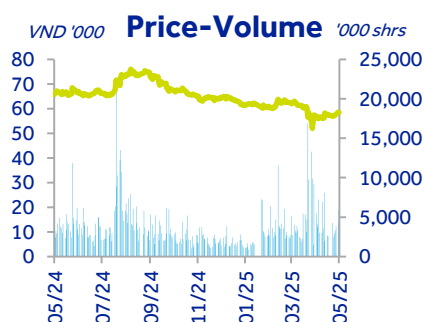
Expected dividend yield 7.4%

Expected total return **24.2%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-7.7	1.9	-3.9	-8.1
Relative	-10.0	-3.1	-5.3	-13.0

Source: Bloomberg



Ownership

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

Stock Statistics May 13, 2025

Bloomberg code	VNM VN
52-week range (VND)	51,400-76,200
Shares O/S (m)	2,090
Mkt cap (VND bn)	122,262
Mkt cap (USD m)	4,677
Est. Foreign room left (%)	51.1
Est. free float (%)	35.2
3m avg daily vol (shrs)	4,478,994
VND/USD	26,140
Index: VNIndex / HNX	1293.43/217.93

VIETNAM DAIRY PRODUCTS JSC (VNM VN)

The company reported a plunge of 8.3% YoY in net revenue and 28.1% YoY in EAT in 1Q2025, lower than our expectations. Although a **BUY** recommendation is maintained, we revise our target price down by 6% to VND68,300/share from the prior update.

VNM reported net revenue at VND12,935bn and EAT at VND1,587bn, slipping by 8.3% YoY and 28.1% YoY in 1Q2025, completing 21% and 18% of our revised projections for the whole year, respectively. Sales of finished goods, responsible for 94% of the total, dropped by 8.3% YoY.

Domestic revenue fell by 13.3% YoY in 1Q2025 due to restructuring its traditional distribution system.

Expansion of Vinamilk store network persists. The company targets to reach 800 stores (run by both VNM and partners) by the end of May 2025, as mentioned in 2025 AGM, from 618 stores at the time of writing. Nevertheless, contribution from these stores remained humble at less than 5% of the overall revenue.

In contrast to domestic revenue, overseas revenue extended growth at 11.8% YoY, enlarging its contribution to 24% of sales of finished goods.

The drop in EAT was driven by a divergence in the SG&A to net revenue ratio, besides a squeeze in gross margin in consequence of milk materials prices trending upward and weaker sales volume (despite unavailable details). The company increased selling prices by 2.6% in 1Q2025 while already settling prices for some materials till 2Q and 3Q2025.

The company likely sees little direct negative impacts from the US's higher tariff policies in view of its predominantly domestic exposure and the fact that export revenue mostly come from Middle East, Africa, and Asia rather than the US. Driftwood, the U.S. subsidiary wholly owned by VNM, also witnesses the same situation as it uses 100% local ingredients, with all production and distribution occurring within the U.S. However, indirect impacts might be felt through changes in consumer spending if macro-economic uncertainties escalated.

We project VNM's net revenue and EAT at VND60,855bn (-1.5% YoY) and VND9,034bn (-4.4% YoY) in 2025, 5% and 7% lower than the prior update, respectively. Our target price for VNM by the end of 2025 is VND68,300/share, 6% lower than the prior update, equivalent to a total return of 24.2%.

	2023	2024	2025F	2026F	2027F
Net Sales (VNDbn)	60,369	61,783	60,855	63,343	65,568
Growth	0.7%	2.3%	-1.5%	4.1%	3.5%
EAT (VNDbn)	9,019	9,453	9,034	9,474	9,811
Growth	5.2%	4.8%	-4.4%	4.9%	3.6%
EPS (bonus-adjusted, VND)	3,802	4,030	3,848	4,035	4,178
Growth	4.1%	6.0%	-4.5%	4.9%	3.5%
ROE	28.8%	29.4%	27.8%	29.1%	29.7%
ROA	17.5%	17.4%	16.3%	17.0%	17.6%
Net debt/EBITDA (times)	(1.2)	(1.3)	(1.4)	(1.3)	(1.3)
EV/EBITDA (times)	8.7	8.4	8.7	8.3	8.0
EV/Sales (times)	1.7	1.7	1.7	1.7	1.6
PER (times)	15.4	14.5	15.2	14.5	14.0
PBR (times)	3.9	3.8	3.8	3.8	3.7
DPS (VND)	3,850	4,350	4,350	4,350	4,350
Dividend yield (%)	6.6%	7.4%	7.4%	7.4%	7.4%

The domestic market's decline weighed on revenue growth

VNM posted net revenue at VND12,935bn, slipping by 8.3% YoY in 1Q2025. Sales of finished goods, responsible for 94% of the total, dropped by 8.3% YoY.

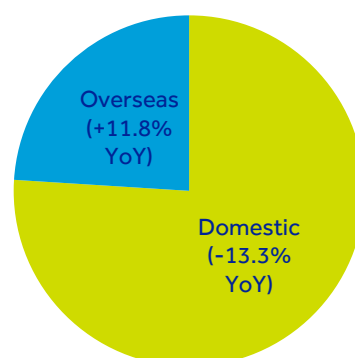
VNM's results	1Q2025	+/-YoY	Key drivers
Net revenue (VNDbn)	12,935	-8.3%	Domestic revenue slid while overseas revenue growth continued.
Gross profit (VNDbn)	5,211	-11.9%	Milk material prices rose.
Gross margin	40.3%	-1.6 ppt	
Financial profit (VNDbn)	325	+13.9%	
SG&A expenses (VNDbn)	3,601	+3.1%	
SG&A expenses/net revenue	27.8%	+3.1 ppt	Net revenue declined.
EAT (VNDbn)	1,587	-28.1%	Higher SG&A expenses/net revenue and lower gross margin.

Source: VNM; ACBS

Domestic revenue, accounting for 76% of the company's sales of finished goods, tumbled by 13.3% YoY in 1Q2025. This uncommonly sharp plunge was explained by the company's actions to restructure its traditional distribution system drastically in the period, including reevaluating and refreshing distributors and sales force, fostering coverage, increasing frequency of visit to points of sale, etc. The company found encouraging signs of recovery in April (though detailed numbers were not disclosed), which are expected to continue in the following months.

In contrast to the domestic market, overseas revenue extended growth at 11.8% YoY, enlarging its contribution to 24% of sales of finished goods. The result was spurred by a 24.9% YoY upturn in direct exports whose revenue mostly came from Middle East. Meanwhile, overseas subsidiaries (i.e AngkorMilk in Cambodia and Driftwood in the US) was flat.

Revenue by geography in 1Q2025



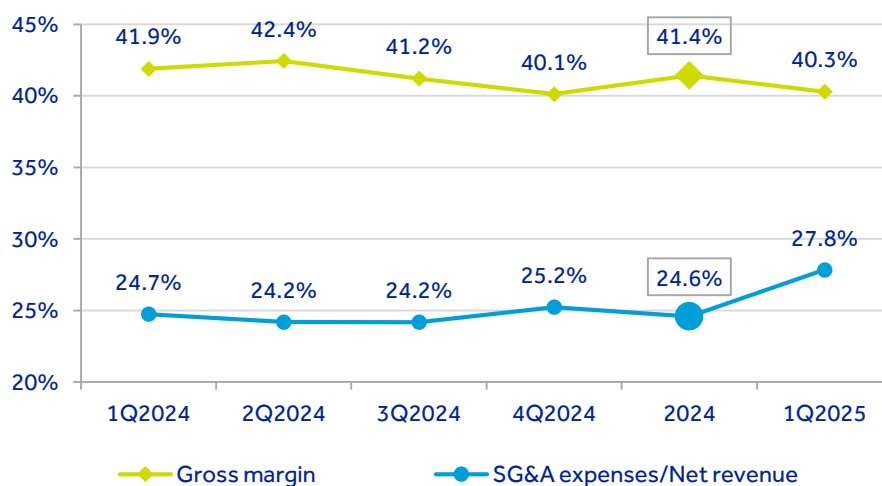
Source: VNM; ACBS

EAT dipped by a divergence in the SG&A to net revenue ratio

The drop in EAT came as a result of a higher SG&A to net revenue ratio and a lower gross margin. In which, the SG&A to net revenue ratio inflated to 27.8% (1Q2024: 24.7%), largely stemming from a slump in the denominator. Besides, the gross margin

shrank to 40.3%, from 41.9% in 1Q2024, albeit almost similar to that in 4Q2024. This YoY squeeze almost came as no surprise given to reduced sales volume and milk material prices trending upward over quarters last year. The company increased selling prices by 2.6% in 1Q2025 while already settling prices for some materials till 2Q and 3Q2025.

VNM's gross margin and SG&A/net revenue ratio



Source: VNM; ACBS

Earnings forecast and valuation

After completing restructuring activities, we expect the company's revenue performance in the following quarters should be better than 1Q2025. YoY growth is expected in 3Q and 4Q despite challenging in 2Q considering the high base last year. The recovery in revenue is projected to lessen the EAT drop with improvements in the SG&A to net revenue ratio and gross margin (which are projected at 25% and 41.1%, respectively, for the whole year 2025).

In sum, we project VNM's net revenue and EAT at VND60,855bn (-1.5% YoY) and VND9,034bn (-4.4% YoY) in 2025, 5% and 7% lower than the prior update, respectively. Combining DCF and PER methods, our target price for VNM by the end of 2025 is VND68,300/share, 6% lower than the prior update.

VNM FINANCIAL MODEL	Price (VND):	58,500	Target (VND):	68,300	Mkt cap (VND bn):	122,262
(VND bn except where stated)	2023	2024	2025F	2026F	2027F	
Total Net Sales	60,369	61,783	60,855	63,343	65,568	
<i>Sales growth (%)</i>	<i>0.7%</i>	<i>2.3%</i>	<i>-1.5%</i>	<i>4.1%</i>	<i>3.5%</i>	
CoGS ex-dep'n	33,906	34,504	34,049	35,342	36,611	
Selling expenses	12,963	13,299	13,308	13,789	14,208	
G&A expenses	1,428	1,487	1,485	1,556	1,619	
Financial revenues (excl. interest income)	177	196	178	183	187	
Financial expenses (excl. interest expense)	149	149	112	134	137	
EBITDA	12,099	12,540	12,078	12,705	13,180	
<i>EBITDA margin (%)</i>	<i>20.0%</i>	<i>20.3%</i>	<i>19.8%</i>	<i>20.1%</i>	<i>20.1%</i>	
Depreciation	2,300	2,089	2,198	2,286	2,366	
Operating profit	9,799	10,452	9,880	10,418	10,814	
<i>Operating profit margin (%)</i>	<i>16.2%</i>	<i>16.9%</i>	<i>16.2%</i>	<i>16.4%</i>	<i>16.5%</i>	
Other profits/losses	64	6	2	2	2	
Profits/Losses from associates	(81)	32	39	47	57	
Net interest expense	(1,186)	(1,111)	(1,159)	(1,158)	(1,171)	
<i>as % of avg net debt</i>	<i>8.0%</i>	<i>7.0%</i>	<i>6.9%</i>	<i>6.9%</i>	<i>6.8%</i>	
<i>Interest cover (x)</i>	<i>-8.3</i>	<i>-9.4</i>	<i>-8.5</i>	<i>-9.0</i>	<i>-9.2</i>	
Tax	1,949	2,147	2,047	2,152	2,233	
<i>Effective tax rate (%)</i>	<i>17.7%</i>	<i>18.6%</i>	<i>18.5%</i>	<i>18.6%</i>	<i>18.6%</i>	
Minority interest	146	61	64	68	73	
NPATMI	8,874	9,392	8,970	9,406	9,739	
Cash earnings	11,174	11,481	11,168	11,692	12,105	
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	3,848	4,035	4,178	
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	
Adjusted EPS (VND)	3,802	4,030	3,848	4,035	4,178	
<i>EPS growth (%)</i>	<i>4.1%</i>	<i>6.0%</i>	<i>-4.5%</i>	<i>4.9%</i>	<i>3.5%</i>	

KEY CASHFLOW AND BS ITEMS	2023	2024	2025F	2026F	2027F
Increase in working capital	2,540	-1,160	-90	50	35
Capex	1,475	1,628	1,628	1,475	1,475
Change in investment in affiliates	-62	20	27	35	44
Other cashflow items	788	-798	-798	-798	-798
Free cash flow	8,009	10,196	8,805	9,334	9,753
Share issues	-	-	-	-	-
Dividends paid	8,046	8,046	9,091	9,091	9,091
Increase in net debt	38	-2,150	286	-243	-661
Net debt, end of year	-14,743	-16,892	-16,607	-16,850	-17,511
Shareholders' equity	31,697	32,279	32,158	32,472	33,119
BVPS (VND)	15,166	15,445	15,387	15,537	15,847
Net debt/equity	-46.5%	-52.3%	-51.6%	-51.9%	-52.9%
Net debt/EBITDA (x)	-1.2	-1.3	-1.4	-1.3	-1.3
Total assets	52,673	55,049	55,214	55,285	55,271

KEY RETURN AND VALUATION RATIOS	2023	2024	2025F	2026F	2027F
ROE	28.8%	29.4%	27.8%	29.1%	29.7%
ROA	17.5%	17.4%	16.3%	17.0%	17.6%
ROIC	49.5%	52.6%	52.0%	54.4%	56.4%
WACC	10.6%	10.6%	10.6%	10.6%	10.6%
EVA	38.9%	42.0%	41.4%	43.8%	45.8%
PER (x)	15.4	14.5	15.2	14.5	14.0
EV/EBITDA (x)	8.7	8.4	8.7	8.3	8.0
EV/FCF (x)	13.2	10.3	12.0	11.3	10.8
PBR (x)	3.9	3.8	3.8	3.8	3.7
PSR (x)	2.0	2.0	2.0	1.9	1.9
EV/sales (x)	1.7	1.7	1.7	1.7	1.6
PEG (x, 3 yr prospective)	8.3	6.9	11.7	3.6	3.9
Dividend yield	6.6%	7.4%	7.4%	7.4%	7.4%

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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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