

## VIETNAM DAIRY PRODUCTS JSC (VNM) – UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND108,800	VND127,000	2.82%	ADD	CONSUMER GOODS

5 February 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

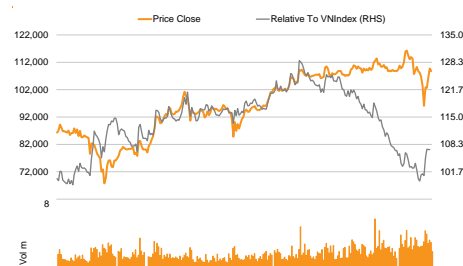
Consensus\*: Add:11 Hold:7 Reduce:0

Target price / Consensus: 0.4%

### Key changes in the report

- FY21F EPS increased by 0.9%
- FY22F EPS increased by 0.2%

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	116,300
52w low (VND)	67,774
3m Avg daily value (VNDmn)	269,865
Market cap (VND bn)	229,268
Free float (%)	33
TTM P/E (x)	20.5
Current P/B (x)	6.9

### Ownership

SCIC	36.0%
F&N Dairy Investment Pte, Ltd	17.7%
Platinum Victory Pte Ltd	10.6%
Others	53.4%

### Analyst(s):

Source: VND RESEARCH



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## Upgrade on price weakness

- In 4Q20, VNM reported a 1.3% yoy growth in revenue and a 0.7% yoy decline in net profit.
- We upgrade to Add from Hold with a higher TP of VND127,000 on price weakness.

### 4Q20 NP decreased slightly due to weak domestic revenue

Although VNM has consolidated the revenue from GTN since FY20, 4Q20 revenue grew modestly 1.3% yoy as a result of 1) Domestic revenue (excluding GTN) fell 2.5% yoy due to historic flooding in the Central Vietnam which hit consumer spending in Oct-Nov 20; 2) overseas subsidiaries reported negative growth of 17.5% yoy as the Covid-19 pandemic hurt demand in the US and Europe. Besides, GM was 0.8% pts lower and SG&A rose 7.9% yoy in 4Q20 as VNM ramped up promotion activities to boost sales after the disaster. Thus, VNM recorded negative NP growth of 0.7% yoy. Consequently, FY20 net revenue/net profit grew 5.9% yoy/4.9% yoy, fulfilling 96.1%/ 95% of our forecasts.

### Moc Chau Milk (MCM)'s performance to improve post M&A

After merging with VNM, GTN's major subsidiary Moc Chau Dairy Cattle Breeding JSC (MCM) recorded positive results with 10.3% yoy growth in net revenue to VND2,822bn in FY20, contributing 5% to VNM's total revenue. In our view, better results were mainly thanks to its advertising policies to increase the product's presence in the market as well as promotion programs offered to promote product consumption in 2020. Overall, MCM's net profit recorded a 68.2% yoy growth in FY20 to VND280.7bn.

### We expect VNM to achieve double-digit growth in FY21 net profit

We expect VNM's net revenue to grow 7.9% yoy in FY21 on the back of 1) 7.0% yoy domestic growth, 2) 8.0% yoy growth of export revenue thanks to stable demand in Middle East markets and expanding export product portfolio to China. Besides, we expect GM to expand 1.4% pts due to GTN's higher GM of 35% (+5% pts). Thus, we expect net profit to grow 15.6% yoy in FY21F.

### Upgrade to Add with a higher TP of VND127,000

We raise our TP by 6.7% to reflect 0.9%/0.2% FY21-22F EPS upgrade and eliminating discount rate for FY21F P/E (from 5% in previous forecast). We use a new WACC of 11.6% for our DCF valuation (from 11.8% previously) due to a lower risk-free rate of 3% (from 4% earlier). Re-rating catalyst is higher-than-expected demand in China market. Downside risk: higher-than-expected material milk prices.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net revenue (bn)	56,318	59,636	64,365	69,695
Revenue growth	7.1%	5.9%	7.9%	8.3%
Gross margin	47.2%	46.4%	47.8%	48.9%
EBITDA margin	26.4%	26.6%	27.8%	28.4%
Net profit (bn)	10,581	11,099	12,830	14,179
Net profit growth	3.5%	4.9%	15.6%	10.5%
Recurring profit growth				
Basic EPS	5,064	5,311	6,140	6,785
Adjusted EPS	4,565	4,770	5,538	6,107
BVPS	13,992	15,867	17,962	21,244
ROAE	38.5%	35.6%	36.3%	34.6%

Source: VND RESEARCH

**2020 RECAP: EARNINGS GROWTH ON TRACK**
**Figure 1: Results comparison**

VNDbn	4Q20	4Q19	% yoy	2020	2019	% yoy	2020 forecast	% vs our 2020 forecast	Comment
<b>Revenue</b>	<b>14,425</b>	<b>14,239</b>	<b>1.3%</b>	<b>59,636</b>	<b>56,318</b>	<b>5.9%</b>	<b>62,042</b>	<b>96%</b>	
Domestic	12,122	11,734	3.3%	50,842	47,555	6.9%	53,026	96%	Domestic revenue increased 3.3% yoy in 4Q20 mainly thanks to the consolidation of the new subsidiary GTN (contributing 5% of total revenue) while the original domestic business fell 2.5% yoy as historic flooding in the central Vietnam hit consumer spending in Oct-Nov
Overseas	2,303	2,505	-8.1%	8,794	8,764	0.3%	9,016	98%	Overseas revenue increased slightly by 0.3% yoy in FY20 as 7.5% yoy rise in export sales made up for the weakness of overseas subsidiaries revenue (-9.9% yoy).
Export	1,534	1,572	-2.4%	5,561	5,175	7.5%	5,434	102%	In 4Q20, export customers rebalanced their purchase orders, causing export revenue to drop 2.4% yoy
Subsidiaries	769	932	-17.5%	3,234	3,588	-9.9%	3,582	90%	The decrease in overseas subsidiaries segment was mainly due to the closure of the schools in California (Driftwood's primary sales channel) while Angkor Milk grew strongly by nearly 20% yoy in FY20.
<b>Gross profit</b>	<b>6,658</b>	<b>6,680</b>	<b>-0.3%</b>	<b>27,668</b>	<b>26,572</b>	<b>4.1%</b>	<b>29,203</b>	<b>95%</b>	
Domestic	5,554	5,456	1.8%	23,499	22,434	4.7%	24,896	94%	
Overseas	1,104	1,225	-9.9%	4,169	4,139	0.7%	4,307	97%	
<b>GPM</b>	<b>46.2%</b>	<b>46.9%</b>	<b>-0.8% pts</b>	<b>46.4%</b>	<b>47.2%</b>	<b>-0.8% pts</b>	<b>47.1%</b>	<b>-0.7% pts</b>	
Domestic	45.8%	46.5%	-0.7% pts	46.2%	47.2%	-1.0% pts	46.9%	-0.7% pts	Domestic gross margin contracted 1.0% pts due to the consolidation of the new subsidiary GTNFoods with lower gross margin of 29.1% in FY20, compared to 47.2% in existing business and 47.4% in overseas segment.
Overseas	47.9%	48.9%	-0.9% pts	47.4%	47.2%	0.2% pts	47.8%	-0.4% pts	Overseas gross margin slightly gained 0.2% pts in FY20 as its revenue rose 0.3% while its COGS as % revenue was nearly unchanged compared to FY19.
Average global whole milk powder price (USD/Tonne)	3,082	3,213	-4.1%	2,975	3,118	-4.6%	2,900	102.6%	
<b>SG&amp;A</b>	<b>4,512</b>	<b>4,183</b>	<b>7.9%</b>	<b>15,406</b>	<b>14,390</b>	<b>7.1%</b>	<b>15,591</b>	<b>99%</b>	
SG&A as % of revenue	31.3%	29.4%	1.9% pts	25.8%	25.6%	0.3% pts	25.1%	0.7% pts	Since Vinamilk increased sales activities in late 4Q2020 to offset the impact of flood in the Central region at the beginning of the quarter, the consolidated SG&A expense as % revenue in 4Q20 increased 1.9% pts to 31.3% versus 29.4% in 4Q19.
<b>EBIT</b>	<b>2,146</b>	<b>2,497</b>	<b>-14.0%</b>	<b>12,263</b>	<b>12,182</b>	<b>0.7%</b>	<b>13,612</b>	<b>90%</b>	
EBIT margin	14.9%	17.5%	-2.7% pts	20.6%	21.6%	-1.1% pts	21.9%	-1.4% pts	EBIT margin lower by 0.1% pts due to 288%/2.0% yoy surge in discount/selling expenses to boost sale after the disaster
<b>Financial income</b>	<b>602</b>	<b>234</b>	<b>157.8%</b>	<b>1,581</b>	<b>807</b>	<b>95.8%</b>	<b>1,052</b>	<b>150.2%</b>	Financial activities rose strongly in 4Q20 by 157.8% yoy mainly due to profit from the revaluation of investment in GTNFoods (GTN, HOSE) of VND301bn.
Financial expense	65	71	-8.7%	309	187	65.0%	277	111.6%	
<b>Pre-tax profit</b>	<b>2,672</b>	<b>2,649</b>	<b>0.9%</b>	<b>13,519</b>	<b>12,796</b>	<b>5.7%</b>	<b>14,275</b>	<b>95%</b>	
EBT margin	18.5%	18.6%	-0.1% pts	22.67%	22.7%	-0.1% pts	23.0%	-0.3% pts	
<b>Tax</b>	<b>436</b>	<b>473</b>	<b>-7.8%</b>	<b>2,283</b>	<b>2,242</b>	<b>1.8%</b>	<b>2,570</b>	<b>89%</b>	
Tax rate	16.3%	17.9%	-1.5% pts	16.9%	17.5%	-0.6% pts	18.0%	-1.1% pts	
<b>Net profit</b>	<b>2,185</b>	<b>2,202</b>	<b>-0.7%</b>	<b>11,099</b>	<b>10,581</b>	<b>4.9%</b>	<b>11,705</b>	<b>95%</b>	
Net margin	15.1%	15.5%	-0.3% pts	18.6%	18.8%	-0.2% pts	19.0%	-0.4% pts	
<b>FD EPS (VND)</b>	<b>936</b>	<b>950</b>	<b>-1.5%</b>	<b>4,770</b>	<b>4,565</b>	<b>4.5%</b>	<b>5,041</b>	<b>95%</b>	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

### **Moc Chau Milk (MCM)'s performance to improve post M&A**

One year after VNM joined the governance, Moc Chau Dairy Cattle Breeding JSC (MCM, UPCoM) recorded positive results with 10.3% yoy growth in net revenue to VND2,822bn in FY20. We believe better results were mainly thanks to MCM's advertising policies to increase the product's presence in the market, thus promoting product consumption in 2020. Specifically, MCM's advertising expense rose 138.1% yoy to VND502bn, accounting for 17.8% to net revenue compared to 8.2% in FY19. Besides, MCM's material expense to revenue ratio went down from 71.5% in FY19 to 61.9% in FY20 as it enjoyed better purchasing price thanks to VNM, thus boosting GPM significantly to 31.5% (+12.6% pts yoy). Overall, MCM's net profit reported a 68.2% yoy growth in FY20 to VND280.7bn.

### **NET PROFIT TO ACHIEVE DOUBLE-DIGIT GROWTH IN FY21**

#### **Domestic revenue growth to remain stable in FY21-22F**

We expect Vietnam's dairy consumption to maintain a steady growth of 7.0% yoy in FY21-22F thanks to 1) solid demand in rural areas which is expected to rise 13%/14% yoy, per our estimate and 2) changes in consumer preference targeting immune-boosting and nutritional products due to the impact of the pandemic. As a result, domestic revenue (excluded MCM) is estimated to rise 6.5% yoy and 8.0% yoy, respectively in FY21F and FY22F. Besides, we believe Moc Chau Milk will record positive growth in both revenue and net profit in FY21F of 10%/15.5% yoy by taking benefits from VNM's wide distribution network with over 251,000 POS nationwide as well as its purchasing bargaining power. Overall, domestic sales are expected to grow 7.0% yoy in FY21F, and a further 8.2% yoy in FY22F, remaining to be the main growth driver for VNM's net revenue.

#### **Export sales look solid in FY21F**

The Chinese government recently granted an official milk export license to another VNM's factory with UTH milk, sweetened condensed milk and other condensed milk products. Up to now, the Chinese authorities have issued transaction codes for three factories of VNM including Thong Nhat Dairy Factory, Sai Gon Dairy Factory, and Truong Tho Dairy Factory. In our view, China market holds great potential for dairy exporters in Vietnam especially VNM as the demand for milk-based products in China is quite high (note that China's milk supply is only enough to meet 75% of the domestic market demand) and dairy products imported from ASEAN to China have a tax rate of 0% (under the ACFTA agreement), lower than import duties from Australia, the EU, and the US. Additionally, with the geographical location near China, milk products will be transported in a short time, ensuring the products' quality and freshness as well as saving transportation cost (which accounted for 1.1% of total revenue in FY20). In combination with the stable demand in Middle East markets we expect VNM's export to surge 8.0% yoy in FY21F, accounting for 9.3% VNM's total net revenue.

#### **Net revenue and net profit are forecasted to grow 7.9% yoy and 15.6% yoy, respectively, in FY21F**

We project VNM's net revenue to rise 7.9% yoy mainly thanks to 7.0% yoy growth in domestic sales and 8.0% yoy growth in export sales. As the cost restructuring process of GTNFoods is expected to be completed from FY21F, GTN's improved GPM of 35% (+5% pts) could slightly boost VNM's combined GPM to 47.5% (+1.2% pts yoy) Overall, net profit is forecasted to increase 15.6% yoy and 10.5% yoy in FY21F and FY22F, respectively, to VND12,830bn and VND14,179bn.

**Figure 2: VnDirect Research's forecasts for FY21-22F business results**

VNDbn	2019A	2020A	2021F	2022F
<b>Net revenue</b>	<b>56,318</b>	<b>59,636</b>	<b>64,365</b>	<b>69,695</b>
% yoy	7.1%	5.9%	7.9%	8.3%
<i>Domestic</i>	6.3%	6.9%	7.0%	8.2%
<i>Export</i>	14.8%	7.5%	8.0%	8.0%
<i>Oversea subsidiaries</i>	8.6%	-9.9%	22.8%	9.3%
<b>Gross profit</b>	<b>26,572</b>	<b>27,669</b>	<b>30,772</b>	<b>34,083</b>
Gross margin	47.2%	46.4%	47.8%	48.9%
<b>SG&amp;A</b>	<b>14,390</b>	<b>15,406</b>	<b>15,899</b>	<b>17,414</b>
SG&A as % revenue	25.6%	25.8%	24.7%	25.0%
<b>EBIT</b>	<b>12,182</b>	<b>12,263</b>	<b>14,873</b>	<b>16,670</b>
EBIT margin	21.6%	20.6%	23.1%	23.9%
%yoy	8.7%	0.7%	21.3%	12.1%
<b>Net profit</b>	<b>10,581</b>	<b>11,099</b>	<b>12,830</b>	<b>14,179</b>
Net margin	18.8%	18.6%	19.9%	20.3%
%yoy	3.5%	4.9%	15.6%	10.5%
<b>EPS diluted</b>	<b>4,565</b>	<b>4,770</b>	<b>5,538</b>	<b>6,107</b>
EPS growth	3.4%	4.5%	16.1%	11.0%

Source: VNDIRECT RESEARCH

## VALUATION

We raise our TP to VND127,000 to reflect 0.9%/0.2% FY21-22F EPS upgrade and we eliminate discount rate for FY21F P/E (from 5% in previous forecast) as we expect Covid-19 to be well-controlled and the vaccines will be widely used in 2H21F. Our valuation is based on an equal weighting of 1) DCF model over a 10-year projection period (WACC: 11.6%, COE: 11.5% and LTG: 5.0%) and 2) a forward P/E of 22.7x on FY21F EPS. We use a new WACC of 11.6% for our DCF valuation (from 11.8% previously) due to a lower risk-free rate at 3% (from 4% earlier).

Re-rating catalyst is higher-than-expected demand in China market. Downside risk: higher-than-expected material milk prices

**Figure 3: Discounted Cash Flows - Future Cash Flows to Firm (FCFF)**

Present value of Free Cash Flows to Firm (VNDbn)	103,497
Present value of Terminal value (VNDbn)	143,867
Enterprise Value (VNDbn)	247,364
Less: Net Debt Plus: Cash + ST investment (VNDbn)	19,014
Equity Value (VNDbn)	266,378
No. of Outstanding Share (m)	2,090
<b>Equity Value Per Share (VND)</b>	<b>127,472</b>
WACC	11.6%
Cost of Equity	11.5%
Long-term growth	5.0%

Source: VNDIRECT RESEARCH

**Figure 4: Multiples Valuation (P/E)**

<b>2021F NPAT attribute to common share holder (VNDbn)</b>	<b>11,573</b>
2021F No. of outstanding share (m)	2,090
2021F EPS (VND)	5,538
Global milk producers' average P/E (x)	22.7
Discount rate for weak local market sentiment	0%
Target P/E	22.7
<b>Implied price 2021</b>	<b>125,711</b>

Source: VNDIRECT RESEARCH

**Figure 5: Valuation summary**

Methodology	Price	Weight	Weighted price
FCFF	127,472	50%	63,736
P/E	125,711	50%	62,856
Average price			126,592
<b>Target price 2021</b>			<b>127,000</b>

Source: VNDIRECT RESEARCH

**Figure 6: DCF Valuation - Free Cashflow to Firm**

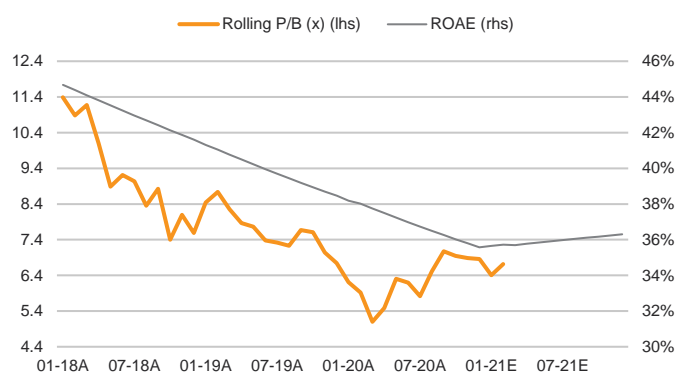
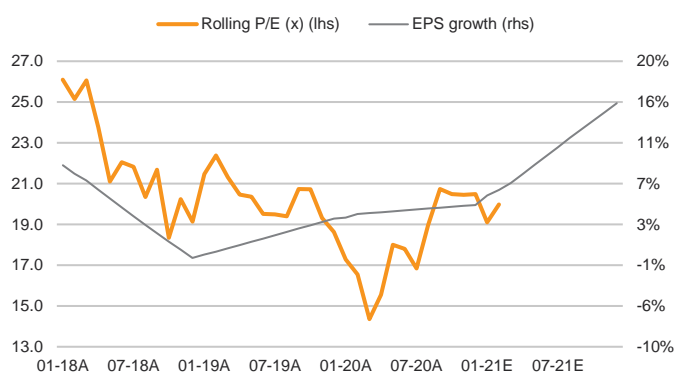
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EBIT	12,263	14,873	16,670	18,035	19,829	21,864	24,102	26,568	29,282	32,269	35,554
Add: Depreciation	2,209	1,947	2,140	2,370	2,623	2,903	3,209	3,504	3,779	4,066	4,374
Less: Capital expenditure	(1,265)	(3,650)	(4,301)	(4,284)	(4,674)	(5,099)	(5,563)	(4,464)	(4,870)	(5,313)	(5,797)
Changes in Working Capital	(2,624)	1,465	(143)	(157)	(185)	(202)	(220)	(240)	(262)	(286)	(312)
Free Cash Flow (FCF)	10,583	14,635	14,365	15,964	17,594	19,466	21,529	25,368	27,929	30,736	33,819
Less: Taxes Paid	(2,283)	(2,763)	(3,079)	(3,346)	(3,690)	(4,034)	(4,445)	(4,914)	(5,416)	(5,966)	(6,570)
Free Cash Flows to Firm	8,300	11,872	11,287	12,618	13,904	15,432	17,084	20,454	22,513	24,771	27,250
Terminal Value											385,648
PV of FCFF	8,300	11,872	10,115	10,135	10,009	9,956	9,878	10,600	10,456	10,311	10,165
PV of Terminal Value											127,432

Source: VNDIRECT RESEARCH

**Figure 7: Peer comparison (Data as at 04 Feb 2021)**

Dairy producer	Bloomberg code	Share price (local cur)	Target price (local cur)	Market cap (US\$m)	3-year EPS CAGR (%)	P/E (x) FY21F	P/E (x) FY22F	P/B (x) FY21F	P/B (x) FY22F	ROE FY21F	ROE FY22F	ROA FY21F	ROA FY22F	
China Mengniu Dairy Co	2319 HK	NR	46.8	N/a	23,811	43.6	29.9	25.1	4.2	3.7	14.9%	15.6%	6.2%	7.0%
Morinaga Milk Industry Co	2264 JP	NR	5,060	N/a	2,399	5.2	16.4	13.6	1.3	1.2	8.1%	9.1%	3.5%	4.0%
Inner Mongolia Yili Indus-A	600887 CH	NR	43.8	N/a	41,225	8.7	30.6	26.6	8.2	7.3	27.5%	28.3%	12.7%	13.5%
Indofood Cbp Sukses Makmur T	ICBP IJ	NR	9,350	N/a	7,748	11.8	17.0	15.2	3.3	2.9	20.3%	19.5%	7.3%	7.6%
Toyo Suisan Kaisha Ltd	2875 JP	NR	4,700	N/a	4,959	2.3	16.6	17.5	1.5	1.4	9.0%	8.3%	7.5%	7.0%
Universal Robina Corp	URC PM	NR	144.5	N/a	6,624	(11.5)	25.3	22.5	3.1	2.9	12.8%	12.8%	7.8%	10.2%
<b>Average</b>					<b>14,461</b>	<b>10.0</b>	<b>22.7</b>	<b>20.1</b>	<b>3.6</b>	<b>3.2</b>	<b>15.4%</b>	<b>15.6%</b>	<b>7.5%</b>	<b>8.2%</b>
Vietnam Dairy Products	VNM VN	ADD	108,800	127,000	9,810	2.6%	22.9	20.8	7.0	5.9	34.3%	32.3%	24.8%	26.4%

Source: VNDIRECT RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	59,636	64,365	69,695
Cost of sales	(31,968)	(33,593)	(35,612)
Gen & admin expenses	(1,958)	(2,256)	(2,442)
Selling expenses	(13,447)	(13,643)	(14,971)
<b>Operating profit</b>	<b>12,263</b>	<b>14,873</b>	<b>16,670</b>
Operating EBITDA	14,472	16,820	18,810
<b>Depreciation and amortisation</b>	<b>(2,209)</b>	<b>(1,947)</b>	<b>(2,140)</b>
<b>Operating EBIT</b>	<b>12,263</b>	<b>14,873</b>	<b>16,670</b>
Interest income	1,581	1,177	1,071
Financial expense	(309)	(270)	(157)
Net other income	(21)	(2)	(2)
Income from associates & JVs	4	10	10
<b>Pre-tax profit</b>	<b>13,519</b>	<b>15,788</b>	<b>17,592</b>
Tax expense	(2,283)	(2,763)	(3,079)
Minority interest	(137)	(195)	(334)
<b>Net profit</b>	<b>11,099</b>	<b>12,830</b>	<b>14,179</b>
Adj. net profit to ordinary	11,099	12,830	14,179
Ordinary dividends	(6,270)	(6,270)	(6,270)
<b>Retained earnings</b>	<b>4,829</b>	<b>6,560</b>	<b>7,909</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	2,111	7,519	11,533
Short term investments	17,314	12,873	13,939
Accounts receivables	5,187	5,681	6,152
Inventories	4,905	6,573	7,117
Other current assets	168	242	262
<b>Total current assets</b>	<b>29,686</b>	<b>32,888</b>	<b>39,003</b>
Fixed assets	14,916	16,484	18,505
Total investments	973	779	780
Other long-term assets	2,857	1,670	1,717
<b>Total assets</b>	<b>48,432</b>	<b>51,821</b>	<b>60,005</b>
Short-term debt	7,316	1,350	1,394
Accounts payable	3,199	3,453	3,739
Other current liabilities	3,697	7,070	7,656
<b>Total current liabilities</b>	<b>14,213</b>	<b>11,873</b>	<b>12,788</b>
Total long-term debt	167	29	31
Other liabilities	405	1,894	2,301
Share capital	20,900	20,900	20,900
Retained earnings reserve	6,910	12,212	18,704
<b>Shareholders' equity</b>	<b>33,157</b>	<b>37,535</b>	<b>44,394</b>
Minority interest	490	490	490
<b>Total liabilities &amp; equity</b>	<b>48,432</b>	<b>51,821</b>	<b>60,005</b>

**Cash flow statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>13,519</b>	<b>15,788</b>	<b>17,592</b>
Depreciation & amortisation	2,817	3,351	2,164
Tax paid	(2,286)	(2,763)	(3,079)
Other adjustments	(1,245)	(834)	(897)
<b>Change in working capital</b>	<b>(2,624)</b>	<b>1,465</b>	<b>(143)</b>
<b>Cash flow from operations</b>	<b>10,180</b>	<b>17,008</b>	<b>15,637</b>
Capex	(1,265)	(3,650)	(4,301)
Proceeds from assets sales	150	16	47
Others	(4,828)	4,635	(1,067)
Other non-current assets changes	1,141	(225)	(79)
<b>Cash flow from investing activities</b>	<b>(4,802)</b>	<b>775</b>	<b>(5,400)</b>
New share issuance	0	0	0
Shares buyback	(14)	0	0
Net borrowings	2,016	(6,105)	47
Other financing cash flow	(6)	0	0
Dividends paid	(7,928)	(6,270)	(6,270)
<b>Cash flow from financing activities</b>	<b>(5,932)</b>	<b>(12,375)</b>	<b>(6,223)</b>
Cash and equivalents at beginning of period	2,665	2,111	7,519
<b>Total cash generated</b>	<b>(554)</b>	<b>5,408</b>	<b>4,014</b>
Cash and equivalents at the end of period	2,111	7,519	11,533

**Key ratios**

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	18.6%	19.9%	20.3%
Asset turnover	1.28	1.28	1.25
ROAA	23.8%	25.6%	25.4%
Avg assets/avg equity	1.49	1.42	1.36
ROAE	35.6%	36.3%	34.6%
<b>Efficiency</b>			
Days account receivable	25.6	23.5	23.5
Days inventory	56.2	71.4	72.9
Days creditor	36.6	37.5	38.3
Fixed asset turnover	3.88	4.10	3.98
ROIC	27.0%	32.6%	30.6%
<b>Liquidity</b>			
Current ratio	2.1	2.8	3.0
Quick ratio	1.7	2.2	2.5
Cash ratio	1.4	1.7	2.0
Cash cycle	45.1	57.4	58.1
<b>Growth rate (yoy)</b>			
Revenue growth	5.9%	7.9%	8.3%
Operating profit growth	0.7%	21.3%	12.1%
Net profit growth	4.9%	15.6%	10.5%
EPS growth	4.9%	15.6%	10.5%

Source: VND RESEARCH

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## RECOMMENDATION FRAMEWORK

### Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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