

## VIETNAM DAIRY PRODUCTS JSC (VNM) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND80,600	VND110,000	4.41%	Add	CONSUMER GOODS

18 February 2022

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

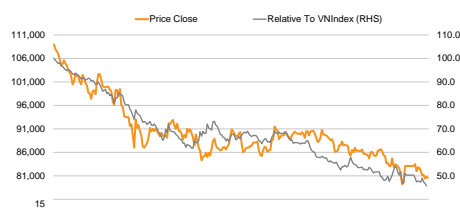
Consensus\*: Add:13 Hold:2 Reduce:0

Target price / Consensus: 1.8%

### Key changes in the report

➤ Lower FY22F/23F EPS by 8.7%/11.5%

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	110,000
52w low (VND)	79,200
3m Avg daily value (VNDmn)	162,049
Market cap (VND bn)	168,868
Free float (%)	33
TTM P/E (x)	16.0
Current P/B (x)	4.77

### Ownership

SCIC	36.0%
F&N Dairy Investment Pte, Ltd	20.0%
Platinum Victory Pte Ltd	10.6%
Others	33.4%

Source: VND RESEARCH

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## A glimpse of hope for a better 2022

- VNM's FY21 revenue increased 2.2% yoy, while its net profit plunged 5.1% yoy as increasing raw milk price dented gross profit margin.
- We forecast VNM's NP to grow 3.5%/7.3% yoy in FY22-23F.
- Reiterate ADD but lower TP to VND110,000, following a 8.7%/11.5% downward revision of FY22/23F EPS.

### Gross profit margin narrowed by raw milk price surge

In 4Q21, domestic revenue grew 7.4% yoy on 2% yoy increase in average selling price (ASP) and 5.4% yoy sale volume growth, per our estimates. Overseas market revenue grew impressively 21.6% yoy on the back of 1) export revenue grew 23.2% yoy mainly thanks to the Middle East market, and 2) overseas subsidiaries' revenue rose 29.8% yoy on the back of Angkor Milk's efficient distribution operation. However, 4Q21 gross margin narrowed down significantly by 3.6% pts yoy due to increasing whole milk powder prices. 4Q21 selling expenses dropped 5.0% yoy as VNM control expenses to preserve its net profit margin, thus NP increased 0.5% yoy in 4Q21, higher than that of decreasing 4.9% seen in 3Q21. Overall, FY21 net revenue increased 2.2% yoy, while its net profit plunged 5.1% yoy fulfilling 92.9% of our forecast.

### We revise downward FY22-23F forecasts by 8.7%/11.5%

We lower our FY22-23F domestic revenue forecast by 3.1%/3.1% to reflect a slower-than-expected consumer demand recovery. Besides, we cut GPM FY21/22F forecast by 1.5%/2.0% pts to reflect 15.0%/20.0% increase in milk powder price assumption and 2%/1% yoy in sugar price due to the anti-dumping tax. Thus, we expect VNM's revenue and NP to grow 6.3%/6.5% yoy and 3.6%/7.6% yoy in FY22-23F, respectively, lower than our previous forecast.

### Is VNM still attractive after a year of moving sideways?

In our view, the stock price will keep bearing with high milk powder price pressure in short term. However, we believe VNM is suitable for the long term thanks to 1) stable business performance, 2) healthy balance sheet and 3) stable dividend yield. Besides, we expect milk demand to increase by 6% yoy in 2022F. Therefore, we expect VNM with leading position in the dairy industry will ride on the recovery of consumer demand after the pandemic. Thus, we reiterate Add rating.

### Reiterate ADD with lower TP of VND110,000

Our TP is derived from an equal weighting of the 10-year DCF model with 8.7%/11.5% decrease in FY22-23F EPS and target P/E of 21.8x applied on FY22F EPS. Re-rating catalysts is stronger-than-expected growth of domestic dairy consumption. Downside risks include 1) longer-than-expected Covid-19 pandemic and 2) higher-than-expected whole milk powder prices.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net revenue (bn)	59,636	60,919	64,738	68,944
Revenue growth	5.9%	2.2%	6.3%	6.5%
Gross margin	46.4%	43.1%	43.8%	44.4%
EBITDA margin	26.6%	24.8%	24.2%	24.4%
Net profit (bn)	11,099	10,532	10,905	11,737
Net profit growth	4.9%	(5.1%)	3.5%	7.6%
Recurring profit growth				
Basic EPS	5,311	5,040	5,218	5,617
Adjusted EPS	4,770	4,546	4,696	5,055
BVPS	15,867	16,905	16,500	17,695
ROAE	35.6%	30.8%	31.2%	32.9%

Source: VND RESEARCH

## A GLIMPSE OF HOPE FOR A BETTER 2022

### Investment thesis

We remain our positive view on VNM for FY22-23F thanks to the following factors:

- Its leading position in the dairy industry with total market share of 54% in term value and 60% in term of volume.
- VNM's NP growth is forecast to reach CAGR of 7.5% in FY22-25F. We believe this is stable growth for a company that has achieved a large profit of VND10,000-11,000bn like VNM.
- VNM has healthy balance sheet with superior ROE of 41.6%/31.4% during FY18-FY22F period. The company maintains its leading position in the top financial health businesses with impressive net margin of 17-18%, strong cash balance with VND23,374bn in cash and short-term deposits.
- The company also offers a solid dividend yield of 4-5% per year.

At the current price, VNM trades at 16.1x FY22F P/E, 24.9% lower than its two-year historical average P/E despite its clear competitiveness, stable earnings growth and healthy balance sheet. We believe VNM deserves to be further re-rated to P/E of 21.8x to fully reflect the company's strengths. Thus, we reiterate ADD rating with lower target price of VND111,000 due to lower FY22-23F EPS by 8.7%/11.5%. Our TP base on DCF (WACC 10.3%, COE 11.3%, and LTG 5.0) valuation and the target FY22F P/E of 21.8x, weighted equally.

Re-rating catalysts is stronger-than-expected growth of domestic dairy consumption. Downside risks include 1) longer-than-expected Covid-19 pandemic and 2) higher-than-expected whole milk powder prices.

**Figure 1: Discounted Cash Flows - Future Cash Flows to Firm (FCFF)**

Present value of Free Cash Flows to Firm (VNDbn)	96,412
Present value of Terminal value (VNDbn)	135,652
Enterprise Value (VNDbn)	232,064
Less: Net Debt Plus: Cash + ST investment (VNDbn)	13,916
Equity Value (VNDbn)	245,980
No. of Outstanding Share (m)	2,090
<b>Equity Value Per Share (VND)</b>	<b>117,711</b>
WACC	10.2%
Cost of Equity	11.3%
Long-term growth	5.0%

Source: VNDIRECT RESEARCH

**Figure 2: Multiples Valuation (P/E)**

<b>2022F NPAT attribute to common share holder (VNDbn)</b>	<b>9,814</b>
2022F No. of outstanding share (m)	2,090
2022F EPS (VND)	4,696
Global milk producers' average P/E (x)	21.8
Discount rate for weak local market sentiment	0%
Target P/E	21.8
<b>Implied price 2022</b>	<b>102,382</b>

Source: VNDIRECT RESEARCH

**Figure 3: Valuation summary**

Methodology	Price	Weight	Weighted price
FCFF	117,711	50%	58,856
P/E	102,382	50%	51,191
Average price			110,047
<b>Target price 2022 (Rounded)</b>			<b>110,000</b>

Source: VNDIRECT RESEARCH

**Figure 4: DCF Valuation - Free Cashflow to Firm**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
EBIT	12,263	11,760	12,706	13,634	14,461	15,373	16,635	18,000	19,475	21,067	22,787	24,646	26,655
Add: Depreciation	2,209	2,121	1,766	1,858	1,963	2,071	2,199	2,328	2,473	2,667	2,886	3,127	3,389
Less: Capital expenditure	(1,265)	(1,531)	(2,266)	(2,413)	(2,560)	(2,370)	(3,413)	(2,303)	(4,151)	(4,483)	(4,841)	(5,229)	(5,647)
Changes in Working Capital	(2,624)	(2,563)	332	(297)	(1,192)	(485)	(524)	(566)	(611)	(660)	(713)	(770)	(832)
Free Cash Flow (FCF)	10,583	9,787	12,538	12,781	12,672	14,590	14,897	17,458	17,185	18,591	20,119	21,774	23,565
Less: Taxes Paid	(2,283)	(2,290)	(2,404)	(2,587)	(2,747)	(2,922)	(3,163)	(3,449)	(3,735)	(4,041)	(4,372)	(4,730)	(5,116)
Free Cash Flows to Firm	8,300	7,498	10,135	10,194	9,925	11,667	11,735	14,009	13,450	14,549	15,746	17,044	18,449
Terminal Value													359,665
PV of FCFF	8,300	7,498	10,135	9,247	8,167	8,708	7,945	8,604	7,493	7,352	7,218	7,087	6,958
PV of Terminal Value													135,652

Source: VNDIRECT RESEARCH

**Figure 5: Peer comparison (data at 17 Feb 2022)**

Dairy producer	Bloomberg code	Recom.	Share price (local cur)	Target price (local cur)	Market cap (US\$m)	3-year EPS CAGR (%)	P/E (x) FY22F	P/E (x) FY23F	P/B (x) FY22F	P/B (x) FY23F	ROE (%) FY22F	ROE (%) FY23F	ROA (%) FY22F	ROA (%) FY23F
China Mengniu Dairy Co Ltd	2319 HK	NR	49.5	N/a	25,082	22.8	24.9	21.0	3.8	3.3	15.4	16.3	7.0	7.7
Bright Dairy & Food Co Ltd	600597 CH	NR	13.3	N/a	2,893	7.9	21.6	19.4	2.2	2.0	10.5	10.6	3.8	4.2
Inner Mongolia Yili Industrial Group Co Ltd	600887 CH	NR	40.4	N/a	40,828	6.5	23.5	20.1	5.8	5.1	26.6	27.2	12.8	13.6
MEIJI Holdings Co Ltd	2269 JP	NR	6,840	N/a	9,073	2.4	16.0	15.0	1.4	1.3	9.5	9.1	6.3	6.5
Universal Robina Corp	URC PM	NR	127.5	N/a	5,453	0.3	22.9	20.9	2.6	2.4	12.2	12.3	8.0	8.4
<b>Average</b>					<b>16,666</b>	<b>8.0</b>	<b>21.8</b>	<b>19.3</b>	<b>3.1</b>	<b>2.8</b>	<b>14.9</b>	<b>15.1</b>	<b>7.6</b>	<b>8.1</b>
<b>Vietnam Dairy Products</b>	<b>VNM VN</b>	<b>ADD</b>	<b>80,600</b>	<b>109,000</b>	<b>7,416</b>	<b>0.8</b>	<b>17.7</b>	<b>17.1</b>	<b>4.7</b>	<b>4.8</b>	<b>31.3</b>	<b>32.9</b>	<b>20.4</b>	<b>21.3</b>

Source: VNDIRECT RESEARCH, BLOOMBERG

### 4Q21 recap: Gross margin hit by rising raw material costs

Figure 6: 4Q21 & FY21 results comparison

VNDbn	4Q21	4Q20	% yoy	2021	2020	% yoy	2021 forecast	% vs our 2021 forecast	Comment
<b>Revenue</b>	<b>15,819</b>	<b>14,425</b>	<b>9.7%</b>	<b>60,919</b>	<b>59,636</b>	<b>2.2%</b>	<b>62,927</b>	<b>96.8%</b>	
Domestic	13,020	12,122	7.4%	51,202	50,842	0.7%	53,045	96.5%	Domestic revenue was nearly flat in FY21 due to weak consumption demand affected by the pandemic. In which, MCM contributed 5.7% to total revenue. According to management, VNM's market share has increased by 1% pts in terms of volume thanks to its advantage in distribution chain compared to competitors.
Overseas	2,799	2,303	21.6%	9,717	8,794	10.5%	9,881	98.3%	
Export	1,890	1,534	23.2%	6,128	5,561	10.2%	6,006	102.0%	
Subsidiaries	998	769	29.8%	3,589	3,234	11.0%	3,875	92.6%	Revenue from overseas subsidiaries grew 11.0% yoy in FY21 thanks to 1) revenue from Driftwood increased by nearly 10% yoy thanks to the US school's reopening and 2) double-digit growth of Angkor Milk thanks to its efficient distribution operations as the largest dairy factory in Cambodia.
<b>Gross profit</b>	<b>6,725</b>	<b>6,658</b>	<b>1.0%</b>	<b>26,278</b>	<b>27,668</b>	<b>-5.0%</b>	<b>27,417</b>	<b>95.8%</b>	
Domestic	5,540	5,554	-0.3%	22,047	23,499	-6.2%	23,060	95.6%	
Overseas	1,185	1,104	7.3%	4,231	4,169	1.5%	4,357	97.1%	
<b>GPM</b>	<b>42.5%</b>	<b>46.2%</b>	<b>-3.6% pts</b>	<b>43.1%</b>	<b>46.4%</b>	<b>-3.3% pts</b>	<b>43.6%</b>	<b>-0.4% pts</b>	Gross margin reduced 3.3% pts yoy as input cost increased due to the global supply chain disruption, in which average whole milk powder price rose 30.0% yoy in FY21. In addition, VNM buys sugar from domestic producers who import raw sugar for production. Thus the company is also indirectly affected by the anti-dumping tax on sugar in 2H21.
Domestic	42.5%	45.8%	-3.3% pts	43.1%	46.2%	-3.2% pts	43.5%	-0.4% pts	
Overseas	42.3%	47.9%	-5.6% pts	43.5%	47.4%	-3.9% pts	44.1%	-0.6% pts	
<b>SG&amp;A</b>	<b>4,287</b>	<b>4,512</b>	<b>-5.0%</b>	<b>14,518</b>	<b>15,406</b>	<b>-5.8%</b>	<b>14,586</b>	<b>99.5%</b>	
SG&A as % of revenue	27.1%	31.3%	-4.2% pts	23.8%	25.8%	-2.0% pts	23.2%	0.7% pts	SG&A as % revenue plunged 2.0% pts yoy as the company adjusted the selling expense to suit the market condition, thus preserving a stable net profit margin
<b>EBIT</b>	<b>2,438</b>	<b>2,146</b>	<b>13.6%</b>	<b>11,761</b>	<b>12,263</b>	<b>-4.1%</b>	<b>12,831</b>	<b>91.7%</b>	
EBIT margin	15.4%	14.9%	0.5% pts	19.3%	20.6%	-1.3% pts	20.4%	-1.1% pts	
<b>Pre-tax profit</b>	<b>2,688</b>	<b>2,672</b>	<b>0.6%</b>	<b>12,922</b>	<b>13,519</b>	<b>-4.4%</b>	<b>13,736</b>	<b>94.1%</b>	
EBT margin	17.0%	18.5%	-1.5% pts	21.2%	22.7%	-1.5% pts	21.8%	-0.6% pts	
<b>Tax</b>	<b>475</b>	<b>436</b>	<b>9.0%</b>	<b>2,289</b>	<b>2,283</b>	<b>0.3%</b>	<b>2,404</b>	<b>95.2%</b>	
Tax rate	17.7%	16.3%	1.4% pts	17.7%	16.9%	0.8% pts	17.5%	0.2% pts	
<b>Net profit</b>	<b>2,196</b>	<b>2,185</b>	<b>0.5%</b>	<b>10,532</b>	<b>11,099</b>	<b>-5.1%</b>	<b>11,332</b>	<b>92.9%</b>	
Net margin	13.9%	15.1%	-1.3% pts	17.3%	18.6%	-1.3% pts	18.0%	-0.7% pts	
<b>FD EPS (VND)</b>	<b>943</b>	<b>936</b>	<b>0.7%</b>	<b>4,517</b>	<b>4,770</b>	<b>-5.3%</b>	<b>4,818</b>	<b>93.8%</b>	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

### [10 Feb 2022] Analyst meeting's key takeaways

- The company shared its view that FY22F will grow slightly in all product lines. However, the infant formula market share is being competed by foreign milk brands and partly influenced by the declining birth rate. Therefore, the company's new strategy is to focus on developing powdered milk products for the elderly.
- Progress of new dairy farm projects: 1) farm project in Laos (scale of 8,000 cows) expected to produce products in 2023F, 2) Moc Chau farm project (scale of 4,000 cows) has started construction, and 3) the cow farm project in Can Tho (with a scale of 8,000 cows) is in the process of applying for a permit.
- VNM has planned to invest in a dairy factory in Hung Yen with a total investment of VND4,600bn (total design capacity is estimated at 400

million liters/year). The project is built in two phases and is part of VNM's 2022-2026F strategic plan.

- The company plans to process products of MCM to bring MCM's products to the Central and Southern markets. Currently, MCM is implementing plans 1) planning the farm from 1,500 to 2,000 cows, 2) starting a new farm with 4,000 cows.
- "Vietnam dairy dream" Chain: Expected to open 120 more stores in 2022, bringing the total number of stores to 700. "Vietnam dairy dream" stores will not only sell VNM's products but also sell products of member companies and other reputable products in the market.

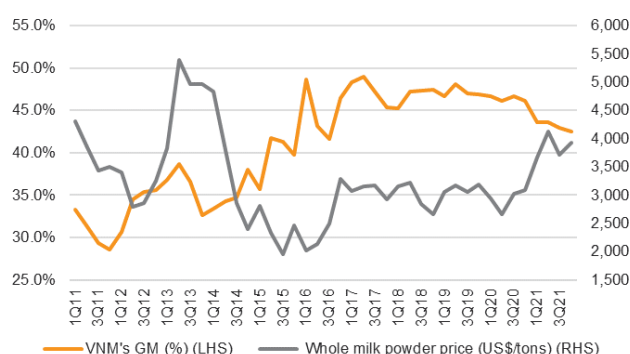
### FY22-23F Outlook

#### Stable milk powder prices to ease input cost pressure

We expect milk powder prices to stable in 2022F thanks to a rebound in supply and a gradual decrease in demand for milk powder from China. According to Eurostat, milk production is projected to recovery on the back of higher yields in 2022F. In addition, RaboResearch expects China to slow purchases and draw down its whole milk powder (WMP) and skim milk powder (SMP) stocks in 2022F. As China is the biggest customer in global dairy markets, we believe this will gradually impact global milk powder prices to cool down in 2022F from the peak in 2Q21.

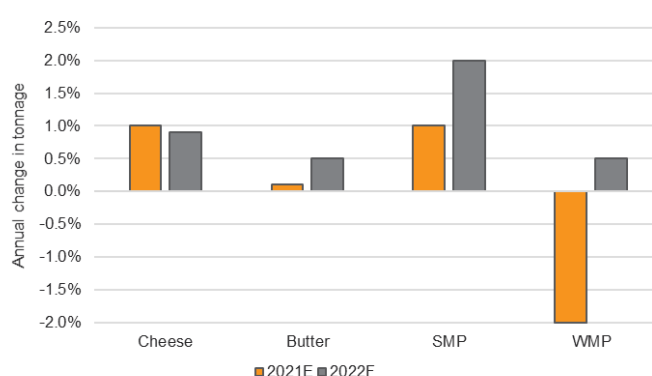
In addition, the farm in Quang Ngai (including 4,000 cows) has been put into operation and the cow farm project in Lao is expected to produce products in early 2023F. We expect that these two projects will provide VNM with about 64m liters/year, rising VNM's autonomy in input materials by 4% in 2023F. According to the management, the company has conducted two price hikes in Dec 2021 and Jan 2022 with total price increases of 3-4%. Currently, VNM has fixed the input milk powder price for production until Jun 2022. VNM also expect that there will be no more ASP increase until year end, unless there is a significant increase in input price. Thus, we forecast VNM's gross margin will slightly improve by 0.7%/0.6% pts in FY22-23F after dropping 3.3% in FY21.

**Figure 7: Average whole milk powder price and VNM's gross profit margin (%) from 1Q11 to 4Q21**



Source: VNDIRECT RESEARCH, FIIPRO

**Figure 8: Global milk production is expected to recover in 2022F**



Source: VNDIRECT RESEARCH, EUROSTAT

#### Domestic dairy demand to recovery following the "reopenings"

We expect dairy demand in 2022F to increase by 6% yoy, higher than that of 4% yoy seen in last year; in term of volume thanks to 1) low base in 2021 dairy consumption, 2) high number of covid-19 cases in 1Q21 will increase dairy consumption demand to improve health, and 3) increasing consumers' awareness of health issues after the pandemic leading to rising demand for



immune-boosting products such as yogurt. Besides, Vietnam is still in the group of countries with relatively low milk consumption, with only 26-27 kg/person/year (the global average of 100 kg/person/year and the average in Asia of 38 kg/person/year). Therefore, we believe that milk consumption in Vietnam will continue to increase in the upcoming years.

### The upcoming Hung Yen dairy factory will be the growth engine since 2024F

In order to capture the potential growth of Vietnam's dairy demand, VNM target to build a dairy factory in Hung Yen with a total investment of VND4,600bn and a total design capacity estimated at 400m liters/year. This will be VNM's largest dairy factory in the Northern and be oriented to become another mega dairy factory in Vietnam. The project is divided into 2 phases and has now been approved by Hung Yen province for investment policy. The factory is expected to be put into operation from 2024F and will contribute about 15-20% to VNM's revenue (we estimate based on the capacity of Vietnam Dairy Factory at 800m liters/year). We believe that the new factory will also help VNM consolidate its leading position in Vietnam dairy industry with more than 13 dairy factories across the country, including 2 mega factories 1) Vietnam Dairy Factory (producing liquid milk, capacity of 800m liters/year), and 2) Vietnam Powdered Milk Factory (producing powdered milk, with a capacity of nearly 54,000 tons/year).

### Change in FY22-23F earnings forecasts

We change our assumptions on VNM's forecasts as follows:

- We reduced domestic sales by 3.1%/3.1% respectively in FY22/23F to be in line with FY21 figures and reflect a slower-than-expected consumer demand recovery.
- Gross profit margin decreases by 1.5% pts/2.0% pts in FY22/23F vs. previous report to reflect 15.0%/20.0% increase in milk powder price assumption and 2%/1% yoy in sugar price due to the anti-dumping tax. Besides, we expect dairy farm in Laos (including 8,000 cows) to produce products from 2023F instead of from 1Q22F in the previous forecast.
- SG&A (selling and general & admin expenses) decrease by 3.9%/2.8% in FY22-23F as we believe the company will continue to lower marketing budget to cushion margin amid high material price condition.

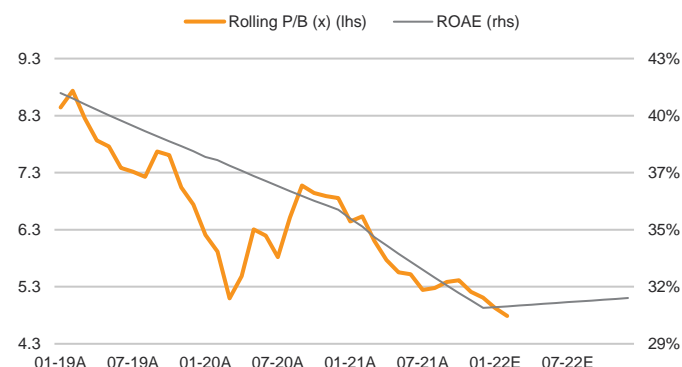
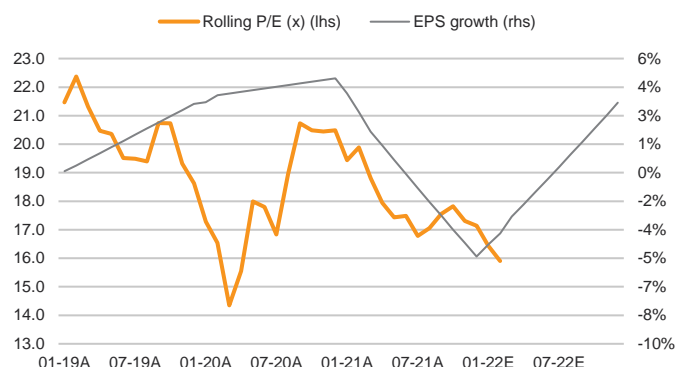
Figure 9: FY22-23F earning revision

	2021	2022F			2023F		
VNDbn		Old	New	Chg	Old	New	Chg
<b>Revenue</b>	<b>60,919</b>	<b>66,584</b>	<b>64,738</b>	<b>-2.8%</b>	<b>70,900</b>	<b>68,944</b>	<b>-2.8%</b>
Domestics	51,202	55,665	53,967	-3.1%	58,953	57,148	-3.1%
Oversea	9,717	10,918	10,771	-1.3%	11,947	11,796	-1.3%
<b>Gross profit</b>	<b>26,278</b>	<b>30,191</b>	<b>28,329</b>	<b>-6.2%</b>	<b>32,855</b>	<b>30,598</b>	<b>-6.9%</b>
<b>Blended GPM</b>	<b>43.1%</b>	<b>45.3%</b>	<b>43.8%</b>	<b>-1.5%pts</b>	<b>46.4%</b>	<b>44.4%</b>	<b>-2.0%pts</b>
Domestics	43.1%	45.4%	43.6%	-1.8% pts	46.5%	44.0%	-2.5% pts
Oversea	43.5%	44.9%	44.7%	-0.2% pts	45.7%	46.1%	0.4% pts
<b>SG&amp;A expenses</b>	<b>14,518</b>	<b>16,257</b>	<b>15,622</b>	<b>-3.9%</b>	<b>17,446</b>	<b>16,965</b>	<b>-2.8%</b>
SG&A as % of revenue	23.8%	24.4%	24.1%	-0.3% pts	24.6%	24.6%	0.0% pts
<b>EBIT</b>	<b>11,760</b>	<b>13,933</b>	<b>12,706</b>	<b>-8.8%</b>	<b>15,439</b>	<b>13,634</b>	<b>-11.7%</b>
EBIT margin	19.3%	20.9%	19.6%	-1.3% pts	21.8%	19.8%	-2.0% pts
<b>Pre-tax profit</b>	<b>12,922</b>	<b>14,823</b>	<b>13,574</b>	<b>-8.4%</b>	<b>16,465</b>	<b>14,610</b>	<b>-11.3%</b>
Pre-tax profit margin	21.2%	22.3%	21.0%	-1.3% pts	23.2%	21.2%	-2.0% pts
<b>Net Profit</b>	<b>10,532</b>	<b>11,948</b>	<b>10,912</b>	<b>-8.7%</b>	<b>13,271</b>	<b>11,745</b>	<b>-11.5%</b>
Net profit margin	17.3%	17.9%	16.9%	-1.0% pts	18.7%	17.0%	-1.7% pts
<b>FD EPS (VND)</b>	<b>4,546</b>	<b>5,146</b>	<b>4,700</b>	<b>-8.7%</b>	<b>5,716</b>	<b>5,058</b>	<b>-11.5%</b>

Source: VNDIRECT RESEARCH



## Valuation



### Income statement

(VNDbn)	12-21A	12-22E	12-23E
Net revenue	60,919	64,738	68,944
Cost of sales	(34,641)	(36,410)	(38,346)
Gen & admin expenses	(1,567)	(1,838)	(2,155)
Selling expenses	(12,951)	(13,784)	(14,810)
<b>Operating profit</b>	<b>11,760</b>	<b>12,706</b>	<b>13,634</b>
Operating EBITDA	13,882	14,472	15,492
<b>Depreciation and amortisation</b>	<b>(2,121)</b>	<b>(1,766)</b>	<b>(1,858)</b>
<b>Operating EBIT</b>	<b>11,760</b>	<b>12,706</b>	<b>13,634</b>
Interest income	1,215	1,359	1,455
Financial expense	(202)	(454)	(441)
Net other income	195	(2)	(2)
Income from associates & JVs	(45)	(45)	(45)
<b>Pre-tax profit</b>	<b>12,922</b>	<b>13,565</b>	<b>14,601</b>
Tax expense	(2,290)	(2,404)	(2,587)
Minority interest	(100)	(257)	(276)
<b>Net profit</b>	<b>10,532</b>	<b>10,905</b>	<b>11,737</b>
Adj. net profit to ordinary	10,532	10,905	11,737
Ordinary dividends	(8,360)	(8,360)	(8,360)
<b>Retained earnings</b>	<b>2,173</b>	<b>2,545</b>	<b>3,377</b>

### Balance sheet

(VNDbn)	12-21A	12-22E	12-23E
Cash and equivalents	2,349	2,119	2,479
Short term investments	21,026	22,658	24,131
Accounts receivables	5,822	6,142	6,541
Inventories	6,773	6,474	6,894
Other current assets	162	244	260
<b>Total current assets</b>	<b>36,131</b>	<b>37,637</b>	<b>40,305</b>
Fixed assets	13,837	13,505	13,329
Total investments	740	772	773
Other long-term assets	2,625	2,122	2,249
<b>Total assets</b>	<b>53,332</b>	<b>54,036</b>	<b>56,657</b>
Short-term debt	9,382	8,416	8,480
Accounts payable	4,214	4,265	4,542
Other current liabilities	3,472	3,774	4,019
<b>Total current liabilities</b>	<b>17,068</b>	<b>16,455</b>	<b>17,041</b>
Total long-term debt	76	167	178
Other liabilities	338	2,444	1,969
Share capital	20,900	20,900	20,900
Retained earnings reserve	7,594	9,049	11,252
<b>Shareholders' equity</b>	<b>35,326</b>	<b>34,480</b>	<b>36,978</b>
Minority interest	524	490	490
<b>Total liabilities &amp; equity</b>	<b>53,332</b>	<b>54,036</b>	<b>56,657</b>

### Cash flow statement

(VNDbn)	12-21A	12-22E	12-23E
<b>Pretax profit</b>	<b>12,922</b>	<b>13,565</b>	<b>14,601</b>
Depreciation & amortisation	2,367	2,478	1,786
Tax paid	(2,357)	(2,404)	(2,587)
Other adjustments	(937)	(834)	(942)
<b>Change in working capital</b>	<b>(2,563)</b>	<b>332</b>	<b>(297)</b>
<b>Cash flow from operations</b>	<b>9,432</b>	<b>13,138</b>	<b>12,560</b>
Capex	(1,531)	(2,266)	(2,413)
Proceeds from assets sales	134	15	32
Others	(3,536)	(1,665)	(1,473)
Other non-current assets changes	1,000	(216)	(61)
<b>Cash flow from investing activities</b>	<b>(3,933)</b>	<b>(4,133)</b>	<b>(3,915)</b>
New share issuance	318	0	0
Shares buyback	0	0	0
Net borrowings	2,046	(875)	75
Other financing cash flow	(4)	0	0
Dividends paid	(7,621)	(8,360)	(8,360)
<b>Cash flow from financing activities</b>	<b>(5,261)</b>	<b>(9,235)</b>	<b>(8,285)</b>
Cash and equivalents at beginning of period	2,111	2,349	2,119
<b>Total cash generated</b>	<b>237</b>	<b>(230)</b>	<b>361</b>
Cash and equivalents at the end of period	2,349	2,119	2,479

### Key ratios

	12-21A	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	17.3%	16.8%	17.0%
Asset turnover	1.20	1.21	1.25
ROAA	20.7%	20.3%	21.2%
Avg assets/avg equity	1.49	1.54	1.55
ROAE	30.8%	31.2%	32.9%
<b>Efficiency</b>			
Days account receivable	26.2	25.9	25.9
Days inventory	71.4	64.9	65.6
Days creditor	44.4	42.8	43.2
Fixed asset turnover	4.24	4.74	5.14
ROIC	23.2%	25.0%	25.4%
<b>Liquidity</b>			
Current ratio	2.1	2.3	2.4
Quick ratio	1.7	1.9	2.0
Cash ratio	1.4	1.5	1.6
Cash cycle	53.1	48.1	48.3
<b>Growth rate (yoy)</b>			
Revenue growth	2.2%	6.3%	6.5%
Operating profit growth	(4.1%)	8.0%	7.3%
Net profit growth	(5.1%)	3.5%	7.6%
EPS growth	(5.1%)	3.5%	7.6%

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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