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**PRESS RELEASE**

**Ref: 2Q2020 AND 6M2020 BUSINESS RESULTS**

***“Domestic and export revenue in Q2/2020 recorded double-digit growth versus Q1/2020”***

Vietnam Dairy Products JSC (“Vinamilk” or “The Company”) has announced the financial statements for the 2<sup>st</sup> quarter and the first 6 months of 2020 on the Company’s website at <https://www.vinamilk.com.vn/en/investor-relations/financial-reports>

**Summary of the 2Q2020 and 6M2020 consolidated financial results (VND billion)**

Profit & Loss	2Q2020	2Q2019	Change	6M2020	6M2019	Change
<b>Net sales</b>	<b>15,495</b>	<b>14,599</b>	<b>6.1%</b>	<b>29,648</b>	<b>27,788</b>	<b>6.7%</b>
<i>Domestic</i>	13,364	12,425	7.6%	25,457	23,637	7.7%
<i>Overseas</i>	2,131	2,174	-2.0%	4,192	4,152	1.0%
<b>Cost of sales</b>	<b>8,357</b>	<b>7,585</b>	<b>10.2%</b>	<b>15,905</b>	<b>14,619</b>	<b>8.8%</b>
<i>Domestic</i>	7,270	6,426	13.1%	13,658	12,389	10.2%
<i>Overseas</i>	1,087	1,159	-6.2%	2,247	2,230	0.7%
<b>Gross profit</b>	<b>7,138</b>	<b>7,014</b>	<b>1.8%</b>	<b>13,743</b>	<b>13,169</b>	<b>4.4%</b>
<i>Domestic</i>	6,094	5,999	1.6%	11,798	11,247	4.9%
<i>Overseas</i>	1,044	1,015	2.9%	1,945	1,922	1.2%
SG&A expenses	3,757	3,648	3.0%	7,151	6,597	8.4%
Other non-interest financial gain/(loss)	369	209	75.9%	556	366	52.2%
<b>EBITDA</b>	<b>4,306</b>	<b>4,054</b>	<b>6.2%</b>	<b>8,262</b>	<b>7,889</b>	<b>4.7%</b>
Depreciation & Amortization	557	479	16.3%	1,112	951	17.0%
Interest expenses	38	25	48.5%	80	45	76.4%
<b>Profit before tax</b>	<b>3,711</b>	<b>3,550</b>	<b>4.6%</b>	<b>7,070</b>	<b>6,893</b>	<b>2.6%</b>
Income tax	627	646	-3.0%	1,208	1,191	1.4%
<b>Net profit after tax</b>	<b>3,085</b>	<b>2,904</b>	<b>6.2%</b>	<b>5,861</b>	<b>5,701</b>	<b>2.8%</b>
<b>Earnings per share (VND)</b>	<b>1,586</b>	<b>1,501</b>	<b>5.7%</b>	<b>3,013</b>	<b>2,953</b>	<b>2.0%</b>

**1. Analysis of net revenue:**

In the second quarter of 2020 (“2Q2020”), the consolidated net revenue reached VND 15,495 billion, increased 9.5% quarter-on-quarter (QoQ) and increased 6.1% year-on-year (YoY), of which:

**Domestic business recorded net revenue of VND 13,364 billion, up 10.5% QoQ and up 7.6% YoY, accounting for 86% of the consolidated net revenue. The growth drivers are:**

- Vinamilk has started to consolidate the business results of GTNFoods/Mocchau Milk (“GTN/MCM”) from 1Q2020.
- Parent company’s net revenue was VND 13,622 billion, up 13.6% QoQ and 4% YoY. The removal of social distancing orders from April 22 has had a positive impact on the business performance in the second quarter.

**Export activities:** Although the domestic and global economic situation was severely affected by the Covid-19 epidemic, Vinamilk still actively seeks opportunities in potential markets. Export activities during this period achieved positive results such as the US\$ 20 million milk export contract to the Middle East, the export of condensed milk to China, the export of nut milk and milk tea to Korea... contributing directly to the **net revenue of VND 1,370 billion in 2Q2020, up 26.8% QoQ** and up 7.1% YoY, accounting for 9% of the consolidated net revenue. In June, Vinamilk was the first dairy company in Vietnam that is licensed to export dairy products into the territory of the EAEU.

**Overseas subsidiaries** recorded net revenue of VND 761 billion, accounting for 5% of the consolidated net revenue. The US subsidiary Driftwood's business operations were affected when schools in California – Driftwood's main customer group – were closed due to Covid-19. On the bright side, the revenue of the Cambodian subsidiary Angkor Milk recorded a growth of over 20% in 2Q2020 thanks to healthy demand for dairy products in this market.

**In the first 6 months of 2020 (“6M2020”)**, the consolidated net revenue was VND 29,648 billion, up 6.7% YoY and completed 50% of the annual guidance. In which, domestic business revenue was VND 25,456 billion and direct export revenue was VND 2,451 billion, up by 7.7% and 7.3% YoY respectively; Net revenue of Overseas subsidiaries was VND 1,741 billion, down 6.8% YoY. For GTN/MCM, net revenue was VND 1,368 billion, down 5% YoY due to rearrangements and divestments at subsidiaries. For MCM alone, net sales of 6M2020 was VND 1.367 billion, increased by 8% YoY.

## **2. Analysis of profit margins and cost structure:**

Consolidated gross profit margin (“GPM”) in 2Q2020 was 46.1%, down 61 basis points (“bps”) QoQ as the cost of imported materials in 2Q2020 was higher than 1Q2020.

Consolidated selling & admin expenses in 2Q2020 incurred VND 3,757 billion, equivalent to 24.2% of net revenue (2Q2019: 25%). This ratio reduced as the Company optimized spending to ensure the operational efficiency during Covid-19.

Consolidated profit after tax in 2Q2020 was VND 3,085 billion, up 6.2% YoY. Consolidated net profit margin reached 19.9%, equal to 2Q2019 and earnings per share reached VND 1,586, up 5.7% YoY.

**In 6M2020**, consolidated profit after tax reached VND 5,861 billion, up 2.8% YoY and completed 55% of the annual guidance. Earnings per share reached VND 3,013, an increase of 2% YoY. For GTN, the consolidated profit after tax reached VND 88.4 billion, a significant growth of 112% YoY. The key drivers for profit growth of GTN include: 1) Improved and more efficient sales activities, 2) Financial income increased by 72% YoY, and 3) CIT rates decreased thanks to tax incentives for the income of MCM. For MCM alone, profit after tax was VND 106 billion, up 41% YoY.

### **3. Other operational highlights:**

Vinamilk successfully organized the Annual General Meeting of Shareholders 2020 in online format on June 26, 2020. The resolution of the General Meeting of Shareholders was posted on the Company's website at <https://www.vinamilk.com.vn/en/annual-general-meetings>

In 6M2020, Vinamilk launched and re-launched nearly 10 new products including: ready to drink coffee under brand name “Hi! Coffee”, young-rice yogurt, Dielac Grow Plus powdered milk with bird nest... Thanks to the continuous effort in brand images innovation and new products development, Vinamilk has voted to be Vietnamese High-Quality Goods Enterprise for 24 consecutive years. In addition, it is also ranked The Most Chosen Brand in last 8 years in Dairy and Dairy Substitutes (*source: Kantar Brand Footprint from 2013 to 2020, Urban 4 key cities and rural Vietnam*).

In 2Q2020, Vinamilk were listed in “50 Best Vietnam Listed Companies” by Forbes Vietnam and the “Vietnam’s 50 Best Performing Companies” by Nhip Cau Dau Tu newspaper for the 8<sup>th</sup> time and the 9<sup>th</sup> time respectively. This is the result of effective business strategies in 2019 and early 2020 amid the domestic economy and the world being affected by Covid-19.

Vinamilk has actively implemented its core CSR programs such as Stand tall Vietnam Milk fund in Hà Nội, Huế, Quảng Nam provinces; School milk program in Quảng Nam, Quảng Ngãi, Trà Vinh, Hà Giang provinces right after the removal of social distancing.

In April 2020, Vinamilk’s Driftwood Milk Factory in the US donated nearly 23,000 liters of milk to the Food Bank in Los Angeles (LA Food Bank) to help the people who were struggling due to the prolonged effects by Covid-19 in Los Angeles, California.

As of June 30, 2020, Vinamilk shares closed at VND 112,700, equivalent to the TTM P/E of 12.4x (Vinamilk estimates).

## **ABOUT VINAMILK**

Vinamilk is the leading nutrition company in Vietnam and currently in the Top 50 largest dairy companies in the world. With the mission of becoming an international brand in food and beverages sector and a trusted brand for Vietnamese consumers about nutritional and health products, we are committed to bring to the community high quality products with our respect, love and responsibility for life and society.

Visit the website to know more about us <https://www.vinamilk.com.vn/>

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