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INVESTOR NEWSLETTER

Ref: BUSINESS RESULTS FOR Q2 AND 1H2022

DOMESTIC GROSS MARGIN RECOVERED THE FRIST TIME IN THE LAST 7 QUARTERS, REVENUE OF FOREIGN SUBSIDIARIES WAS UP 22% YOY

Dear Investors,

Vietnam Dairy Products Joint Stock Company (“Vinamilk”, the “Company”) announced the financial statements for 2Q2022 with total consolidated revenue of VND 14,959 billion and net profit after tax of VND 2,102 billion. For 6 months 2022, total consolidated revenue was VND 28,900 billion and net profit after tax of VND 4,386 billion, completed 45.1% and 44.9% of the full-year guidance.

Summary of consolidated business results for Q2 and 1H2022¹

(VND billion)	2Q2022	2Q2021	1H2022	1H2021
Total revenue	14,959	15,729	28,900	28,970
Net revenue	14,930	15,716	28,808	28,906
<i>Domestic</i>	<i>12,471</i>	<i>13,251</i>	<i>24,129</i>	<i>24,430</i>
<i>Foreign</i>	<i>2,459</i>	<i>2,464</i>	<i>4,679</i>	<i>4,476</i>
Gross profit	6,077	6,854	11,701	12,609
<i>Domestic</i>	<i>5,201</i>	<i>5,743</i>	<i>9,980</i>	<i>10,601</i>
<i>Foreign</i>	<i>875</i>	<i>1,112</i>	<i>1,722</i>	<i>2,009</i>
SG&A	3,693	3,575	6,698	6,528
Other gains/(losses) excl. depreciation and interest	278	159	505	467
EBITDA	3,135	4,070	6,463	7,736
Depreciation	523	548	1,060	1,047
Interest expense	37	28	63	41
NPAT	2,102	2,862	4,386	5,459
EPS (VND)	877	1,212	1,851	2,313

Key takeaways for 2Q2022:

- High inflation led to 2% YoY decrease in FMCG consumption value in Vietnam in 5 months 2022. Accordingly, Vinamilk posted the 2Q2022 consolidated net revenue of VND 14,930 billion. The Company introduced 3 new products and re-launched and upgraded the packaging for 5 others.
- Consolidated gross margin was up by 20 basis points QoQ, domestic alone was up by 70 points.
- Moc Chau Dairy JSC continued to grow revenue by 6.2% and profit after tax by 2.7% YoY.
- Vilico JSC approved the investment of VND 2,083 billion for phase 1 of the dairy factory in Hung Yen and VND 1,522 billion to increase charter capital for Japan Vietnam Livestock Company Limited to develop beef project in Vinh Phuc.

¹ See full Financial Statements at <https://www.vinamilk.com.vn/en/investor-relations/financial-reports>

I. Revenue analysis

In 2Q2022, inflation increased sharply in Vietnam as well as in other parts of the world due to complex geopolitical issues. According to the IMF and World Bank² in their April-22 report, inflation in emerging and developing countries could reach 8.7% in 2022, the fastest rate since the global financial crisis in 2008, before cooling down to 6.5% in 2023. High inflation makes consumption power noticeably lower, and for these objective reasons, it was challenging for Vinamilk to maintain growth and **consolidated net revenue in 2Q2022 was VND 14,959 billion**, down 4.9% YoY though still up 7.6% QoQ.

The domestic market posted net revenue of VND 12,471 billion, up 7% QoQ and down 5.9% YoY, in which:

- **Domestic revenue of parent company was VND 10,994 billion**, up 7.4% QoQ and down 7.2% YoY as expected due to two main factors: **(1)** The entire FMCG's consumption value in Vietnam was down by 2% YoY in the first 5 months of 2022 (AC Nielsen) under inflationary pressure and **(2)** More competitive landscape as new players join dairy market whose growth potential is plentiful. However, domestic business still features positive highlights as below:
 - Modern channel was up more than 6% YoY as Vinamilk has established strong collaboration with supermarket and convenience store partners and enjoyed the benefit when these partners expanded their store network. Besides, modern channel is favored by the new flow of customers switching from traditional channel.
 - Vinamilk stores and e-commerce was up more than 25% YoY. In 2Q2022, Vinamilk opened 37 new stores that brought total stores to 651. The company is also implementing digital transformation projects for online channels to better understand the needs of consumers and thereby be able to “tailor” the most relevant products and services. In near future, physical stores will be integrated more deeply with online platforms to enhance customer experience.
 - Key account channel that serves HORECA clients has been back to growth after a long time being impacted by Covid.
 - Green Farm fresh milk, a product from the eco-farm, was promoted with many activities in 2Q2022. This is a product that serves the consumption need for “green and sustainable” product that is forecasted to grow well. Besides, to attract consumers and premiumize product portfolio, Vinamilk introduced 3 new products in 2Q2022 including ADM cereal milk, Pedia Kenji baby formula and Super Nut plant-based milk. In addition, the Company re-launched and upgraded packaging for 5 others. All in all, in the first 6 months of 2022, Vinamilk launched, re-launched and upgraded packaging for nearly 15 products in multiple categories.
 - In Jun-22, according to the Brand Footprint report published by Kantar World Panel, Vinamilk continued to be the most chosen milk brand in both urban and rural areas for the 11th consecutive year.
- Moc Chau Dairy (MCM) posted net revenue of VND 839 billion, up 6.2% YoY. In 2Q2022, MCM renovated the packaging for Sticky rice yogurt, Black boba yogurt and Aloe-vera yogurt.

² <https://blogs.imf.org/2022/04/27/inflation-to-be-elevated-for-longer-on-war-demand-job-markets/>

Foreign markets posted net revenue VND 2,459 billion, up 10.8% QoQ and flat YoY, in which:

- **Direct export** posted net revenue of VND 1,415 billion, up 24.2% QoQ and down 11.9% YoY as the purchasing power in export markets has temporarily decreased due to high inflation and elevated freight costs.
- **Foreign subsidiaries** posted net revenue of VND 1,045 billion, representing a robust surge by 21.7% YoY. The growth was driven by both oversea subsidiaries, in particular Driftwood and Angkormilk delivered sales growth of 40% and 20% YoY respectively. Comparing to direct export, owning the local production in these countries allows the Company to better contain the impact of increasing transportation costs, and thus selling prices and consumer power are more stable. Foreign subsidiaries' healthy growth to offset for exports and vice versa is a part of Company's strategy to diversify international revenue streams.

For 6M2022, total revenue reached VND 28,900 billion, completed 45.1% of the annual guidance and net revenue reached VND 28,808 billion. In which, consolidated domestic net revenue, direct exports and foreign subsidiaries reached VND 24,129 billion, VND 2,554 billion and VND 2,126 billion respectively. For MCM, net revenue was VND 1,514 billion, completed 49.4% of the annual guidance.

II. Analysis of profit margins and cost structure

In 2Q2022, consolidated gross profit margin (“GPM”) reached 40.7%, though it was 291 basis points (bps) lower YoY due to higher material costs, but has started recovering given that for the first time in the last 7 quarters (since 4Q2020) the margin ended higher QoQ. Particularly, the consolidated GPM in 2Q2022 was up 20 bps QoQ, in which domestic GPM expanded by 70 bps thanks to: (1) Seasonal factor when milk consumption in the summer quarter is higher than in the first quarter, (2) The selling prices were adjusted, (3) GPM of the 100% fresh milk products expanded YoY, which is the result of Vinamilk's solid investment in upstream.

In the following quarters, the Company estimates GPM to continue improving as the costs of some primary input materials have shown sign of peaking. For example, according to Rabobank³, the situation of oversupply in China – the largest dairy importer – when local milk output increased healthily (+8% YoY in 1Q2022) has lowered its import demand for milk and this is the key reason for the global milk price correction recently. Also, according to Rabobank, exports of dairy materials from New Zealand to China decreased by 26% in the first 5 months of 2022⁴. Accordingly, the June 2022 “ASEAN Equity Strategy” report of HSBC Global Research recommended Vinamilk as one of the best five stock ideas in Southeast Asia based on the expectation that stabilising milk price could boost the Company's performance⁵.

Consolidated SG&A expenses in 2Q2022 was VND 3,693 billion, equivalent to 24.7% of net revenue. This ratio is 199 bps higher YoY, explained by: (1) Shipping cost increased by 13% yoY due to higher fuel prices and (2) Promotion and sales support expenses increased by 8% YoY to stimulate demand after prices have changed. On the other hand, the Company has reduced other operational expenses to balance the budget (see more in the Notes to Financial Statements).

³ <https://research.rabobank.com/far/en/sectors/dairy/dairy-quarterly-q2-2022.html>

⁴ https://research.rabobank.com/far/en/documents/257945_Rabobank_NZ-Agribusiness-Monthly_July2022.pdf

⁵ <https://www.research.hsbc.com/R/20/mlBBwRcrk9kg>

Consolidated financial income in 2Q2022 was VND 342 billion, up 16.8% YoY thanks to expanded deposit balances.

Following the above developments, the 2Q2022 consolidated profit after tax (“NPAT”) was VND 2,102 billion, equivalent to EPS of VND 877. For MCM, NPAT was VND 90 billion, up 2.7% YoY thanks to revenue growth. MCM’s NPAT margin in 2Q2022 was 10.7%, same YoY.

For 6M2022, consolidated NPAT was VND 4,386 billion, equivalent to EPS of VND 2,090 and completed 44,9% of the annual guidance. For MCM, NPAT reached VND 175 billion, equivalent to EPS of VND 1,434 and completed 55% of the annual guidance.

III. Other operational highlights

Update of major investment projects:

- In June 2022, the 2022 AGM of Vilico JSC approved: **(1)** The total capital investment for phase 1 of the My Hao – Hung Yen dairy factory is VND 2,083 billion, production capacity of 200 million liters of milk per annum. After the project is completed, Vilico will either transfer it to Vinamilk or process products for Vinamilk; **(2)** Contribute VND 1,522 billion to Japan Vietnam Livestock Co., Ltd. (JVL, Vilico owns 51%) for JVL to increase its charter capital from VND 46 billion to VND 3,031 billion. The additional capital will be used to develop the beef project including a 10,000-head farm and a meat processing facility with the capacity of 30,000 heads/year in Tam Dao, Vinh Phuc. Construction has been planned and is expected to complete by the end of 2023. Simultaneously, JVL has also completed the product positioning plan, preliminary packaging design and initiated trial sales at several Japanese supermarkets and restaurants since end-2021.
- At the beginning of July 2022, Vinamilk received 2,500 purebred HF dairy cows imported from the US. These cows are for the Green Farm eco-farm network and Lao-Jagro farm complex in Laos. This is the first cow import of Vinamilk in this year with 100% purebred HF carefully selected by genetic experts through a 3-generation genealogical background.
- For 6M2022, total consolidated capex was VND 637 billion, up 53% YoY.

Vinamilk is the only representative for the dairy sector in Vietnam and Southeast Asia to present at the 15th Global Dairy Conference 2022 in France. The presentation on the Green Farm Ecosystem made a good impression and attention on media.

Vinamilk continues to carry out CSR activities such as: The 15th year Tall Vietnam Milk Fund program with the commitment to give 1.9 million glasses of milk to 21,000 children in 30 provinces/cities; kicked off the health care journey and spread the spirit of “Live healthy, live young” to the elderly with a series of Health Care Days for 10,000 elderly people.

ABOUT VINAMILK

Vinamilk is the leading nutrition company in Vietnam and is currently ranked 36th in the list of the world's largest dairy companies in terms of revenue scale. With the mission of becoming an international brand in the field of food and a symbol of confidence for Vietnamese consumers about nutritional and health products, we are committed to bringing to the community high quality products with our high respect, love and responsibility for human life and society.

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

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