



VIETNAM DAIRY PRODUCTS JSC

IR NEWSLETTER FOR THE BUSINESS PERFORMANCE IN 3Q2023 & 9M2023

Ho Chi Minh City, October 30th 2023

EXPORT DELIVERED A STRONG REBOUND WITH 5% YOY SALES GROWTH, ONGOING RECOVERY IN DOMESTIC MARKET SHARE

Dear Investors,

Vietnam Dairy Products JSC (“Vinamilk” or “the Company”) has announced the 3Q2023 and 9M2023 financial statements. For Q3, the Company posted the consolidated total sales and net profit in 3Q2023 reaching VND 15,681bn and VND 2,533bn respectively. For 9 months, the consolidated total sales and net profit were VND 44,848bn and VND 6,669bn respectively, completed 71% and 77% of the full-year guidance.

3Q2023 highlights:

- **The FMCG and dairy industry** saw a decrease in value of 2% and 4% YoY. Slower growth in purchasing power for consumer goods and services in recent quarters could be the main reason (details on [Page 2](#)). Nevertheless, Vinamilk’s results were better than the industry as a whole, allowing the market share to continue to recover (details on [Page 3](#)).
- **Total consolidated sales** reached VND 15,681bn. Domestic and international net sales were VND 13,253bn and VND 2,384bn, respectively, representing a decrease of 3.8% and an increase of 3.5% YoY (details on [Page 2](#)).
- While **Domestic business** was affected by the overall industry downturn (details on [Page 3](#)), **International business** delivered solid sales growths of 5% YoY for export, indicating a strong rebound versus 1H2023, and nearly 10% for AngkorMilk. The Company has been expanding the product portfolio for the Chinese market (details on [Page 4](#)).
- **Consolidated gross margin** expanded by 243 bps YoY to 41.9% – the highest level since COVID, showing a consistent improvement and is expected to maintain at this level in the upcoming quarters. **Consolidated net profit** was VND 2,533bn, significantly increased by 9.1% YoY, with a net margin of 16.2%, up 175 bps (details on [Pages 4 & 5](#)).
- **Earnings quality** remained high with the trailing-12-month CFO/NPAT of 1.1x (details on [Page 5](#)).

DISCLAIMER

This investor newsletter contains forward-looking statements in Vinamilk’s expectations, intentions or strategies that may involve risks and uncertainties. These forward-looking statements, including Vinamilk’s expectations, are subject to risks, uncertainties, and uncertainties or potential factors beyond Vinamilk’s control, which could cause actual results in business operations, financial activities, etc. or Vinamilk’s achievements differ materially from those expressed or implied in future assumptions. Readers should not view these forward-looking statements as predictions, upcoming events, or promises of future performance.

Stock Summary

Ticker	VNM
Industry	Consumer
Listing date	19/01/2006
Share price at 29/09/23	74,200
52-week price range (VND)	69,800–80,300
Market cap. (VNDbn)	155,075
Outstanding share (mn share)	2,090
Free float (mn share)	682
15-day avg. vol. (share)	3,914,948
Dividend yield	5.2%
Net cash/Total asset	34%

About Vinamilk

Vinamilk is the leading dairy company in Vietnam and currently ranked 36th in the global dairy industry for sales. Our mission is becoming an international brand in foods and a symbol of trusted brand for consumers about nutritional and health products. Visit our website to learn more about us <https://www.vinamilk.com.vn/>

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SUMMARY OF 3Q2023 & 9M2023 BUSINESS PERFORMANCE

(VNDbn)	3Q2023	3Q2022	9M2023	9M2022
Total sales	15,681	16,094	44,848	44,994
Net sales	15,637	16,079	44,750	44,888
<i>Domestic</i>	<i>13,253</i>	<i>13,775</i>	<i>37,532</i>	<i>37,905</i>
<i>International</i>	<i>2,384</i>	<i>2,304</i>	<i>7,218</i>	<i>6,983</i>
Gross profit	6,555	6,350	18,103	18,052
<i>Domestic</i>	<i>5,634</i>	<i>5,549</i>	<i>15,439</i>	<i>15,529</i>
<i>International</i>	<i>921</i>	<i>801</i>	<i>2,664</i>	<i>2,523</i>
SG&A expenses	3,815	3,662	10,776	10,360
Other profit/(loss) excluding depreciation & interest expense	907	741	2,583	2,199
EBITDA	3,647	3,430	9,910	9,890
Depreciation	492	520	1,537	1,577
Interest expense	80	50	258	113
Profit after tax	2,533	2,323	6,669	6,708
EPS (VND)	1,066	984	2,797	2,835

FMCG AND DAIRY INDUSTRY IN 3Q2023 AND 9M2023

The FMCG and dairy industry saw a decrease in value of 2% and 4% YoY driven by the slow growth of purchasing power for consumer goods and services after excluding the price factor.

According to AC Nielsen, the FMCG sector ended 3Q2023 with a 2% YoY decrease in value (9M2023 up 3%). Similarly, the dairy industry also reported a 4% YoY decrease in value in 3Q2023 (9M2023 down 0.5%).

According to the Company's research, the main reasons for this trend include:

1. The growth of purchasing power for consumer goods and services after excluding the price factor has significantly slowed down in recent quarters (3-month: +10.3%, 6-month: +8.4%, 9-month: +7.3%, GSO¹);
2. There was no longer as much support from pricing factors in Q3/2023 as in previous quarters.

VINAMILK'S BUSINESS PERFORMANCE**1. SALES**

The consolidated revenue reached VND 15,681bn in Q3/2023 and VND 44,848bn in 9M2023.

The consolidated total sales in 3Q2023 reached VND 15,681bn. By region, domestic and international sales posted VND 13,253bn and VND 2,384bn, respectively. **In 9M2023, the consolidated total sales were VND 44,848bn**, remaining almost unchanged YoY and completed 71% of the annual guidance.

¹ [Socio-economic situation in the third quarter and nine months of 2023 – General Statistics Office of Vietnam \(gso.gov.vn\)](https://www.gso.gov.vn)

Domestic business was affected by the overall industry downturn. Nevertheless, Vinamilk’s results were better than the industry as a whole.

Since August 2023, Vinamilk has launched the new packaging for liquid milk and run several related marketing activations.

Successful marketing campaigns yielded strong business performance for some hero products.

11 new products were introduced in 9M2023.

Retail stores, E-commerce and Key account channels posted double-digit growth.

Domestic market:

- **The Parent Company** posted domestic net sales of VND 11,911bn in 3Q2023 and was affected by the overall industry slowdown as analyzed above. Nevertheless, Vinamilk’s results were better than the industry as a whole, allowing market share to continue to recover. Monthly market share figures indicate that Vinamilk’s domestic market share at the end of September 2023 recovered nearly 200 basis points (bps) compared to January. Highlights of domestic business activities in Q3 are as follows:
 - **Since August 2023, Vinamilk has launched the new packaging for liquid milk.** Simultaneously, the Company organized several marketing activations such as lucky draws and product trials, creating a lively atmosphere at sales points for direct interaction and enhancing the recognition of the new brand identity with consumers. Many giveaways, including backpacks, cloth bags, and notebooks featuring the new logo and imagery, have been used to spread the brand repositioning effect. In the coming quarters, the Company will launch new packaging for other products and is expected to complete this initiative by mid-2024.
 - **Trendy marketing campaigns** have yielded positive results for some hero brands. Notably, in 3Q2023, sales for SuperNut (9 nuts) and Green Farm fresh milk respectively tripled and doubled YoY. Ông Thọ condensed milk and Sure Prevent adult formula milk also posted nearly double-digit growth in nine months. Campaigns that resonated with Vietnamese culture, such as “Delicious dishes with Ông Thọ” promoting recipes using condensed milk and “A Complete Meal, A Generous Gift” for Vu Lan (a Buddhist festival for family), have earned them the top 10 most outstanding social media campaigns in August². Other noteworthy campaigns such as Probi Happi drinking yogurt - “Healthy intestines, relaxed mind” and Susu Hero fruit-flavored milk - “Preserving the Earth” have enhanced consumer’s awareness towards healthy lifestyle and environmental impacts.
 - **The company introduced 02 products** in 3Q2023 including Ông Thọ strawberry and chocolate-flavored tube condensed milk, serving the demand for using condensed milk as dessert topping. The company introduced a total of 11 new products in 9M2023.
 - **The primary distribution channels** maintained regular performance in Q3/2023. Retail stores, E-commerce, and Key account channels posted double-digit sales growth YoY. By the end of Q3/2023, the company had 657 stores, up 11 stores YTD.

² <https://www.buzzmetrics.com/bang-xep-hang-bsi-top10>

MCM reported net revenue of VND 816bn in Q3/2023, slightly down 1.9% YoY due to sticky demand in the Northern mountain.

- **Moc Chau Dairy Breeds JSC (MCM)** reported net sales of VND 816bn in 3Q2023, a slight 1.9% decrease YoY, as consumer demand in the northern mountainous region has not yet recovered. In 9M2023, total sales reached VND 2,342bn, almost flat YoY and has completed 68% of the annual guidance. By the end of Q3/2023, MCM had 67 stores, up 14 stores YTD.

International markets

International markets contributed the net revenue of VND 2,384bn in 3Q2023 and VND 7,218bn in 9M2023. In which:

- **Net sales of export** reached VND 1,246bn in 3Q2023, up 5% YoY, and VND 3,741bn in 9M2023, flat YoY. In 3Q2023, the company noted the strong rebound in some markets whose politics are now more stable than 1H2023, along with healthy performance in the Middle East and Southeast Asian markets. Another encouraging development came from China, after Vinamilk signed the agreement with two leading enterprises in the import and distribution to gradually build up dairy portfolio in this populous market.
- **Net sales of overseas subsidiaries** reached VND 1,138bn in 3Q2023 and VND 3,477bn in 9M2023, growing by 1.8% and 7.2% YoY, respectively. The AngkorMilk in Cambodia continued to maintain nearly 10% topline growth while the Driftwood in the US sustained a high-based sales performance as last year.

Export delivered a strong rebound with 5% YoY sales growth. Gradually build up dairy portfolio in China.

AngkorMilk continued to grow 10% YoY while Driftwood sustained a high-based sales performance.

2. MARGINS AND COSTS

The consolidated gross profit margin (“GPM”) reached 41.9% in 3Q2023, expanded by 243 bps YoY and 144 bps QoQ, showing a consistent improvement. 3Q2023 also marked the most significant GPM expansion since Covid. However, the Company has noticed the costs of some domestic materials remain high, especially the sugar price continues increasing, and will maintain the strict cost controls to cushion the impact.

The consolidated SG&A expenses in 3Q2023 accounted for 24.4% of net sales, higher QoQ (+50 bps) and YoY (+162 bps) to reinvest GPM expansion in marketing and promotion activities, accordingly leading to market share recovery in recent months.

The consolidated financial income in 3Q2023 reached VND 484bn, up by VND 145bn YoY. In 9M2023, financial income was VND 1,287bn, up by VND 287bn YoY. **The consolidated interest expenses** were VND 80bn in 3Q2023, up by VND 30bn YoY, and VND 258bn in 9M2023, up by VND 145bn YoY.

3Q2023 GPM reached 41.9%, up 243 bps, the most significant improvement since Covid.

NPAT in Q3/2023 reached VND2,533bn, noticeably up by 9.1% YoY.

The consolidated net profit after tax (“NPAT”) in 3Q2023 reached VND 2,533bn, indicating a noticeable 9.1% increase YoY to the highest level since Q3/2021. Profit growth was driven by GPM expansion and critical cost management. Accordingly, the net margin raised to 16.2%, up 175 bps YoY. For 9M2023, NPAT climbed to VND 6,669bn, which is almost flat YoY and completed 77% of the annual guidance.

- **Regarding the MCM**, 3Q2023 NPAT reached VND 95bn, a 3.7% decrease YoY due to declining topline. In 9M2023, NPAT reached VND 289bn, up 5.5% YoY and completed 79% of the annual guidance.

As of September 30th 2023, the net cash balance remained solid. On October 5th 2023, the company paid the remaining dividends for 2022 and the 1st interim dividend for 2023 (VND 2,450 per share). The trailing-12-month CFO/NPAT was 1.1x, ensuring the high earnings quality.

3. OTHER OPERATIONAL HIGHLIGHTS

Vinamilk brand is valued at USD 3bn

In August 2023, Brand Finance announced that the value of the Vinamilk brand had increased to USD 3bn (2022: USD 2.8bn). Vinamilk has moved up one notch to rank 2nd in the Top 100 most valuable brands in Vietnam and is the 6th largest dairy brand globally. The company is the only representative from Southeast Asia to make it into the Top 5 of the most sustainable dairy brands worldwide. Further details can be found [HERE](#).

Regeneration of a 25-Hectare Mangrove Forest in Ca Mau

Vinamilk, in partnership with the Gaia Nature Conservation Center and the Mui Ca Mau National Park, has executed a rearing and regeneration project for a 25-hectare mangrove forest at the southernmost point of the nation. Mangrove forests are capable of sequestering carbon four times more effectively than tropical forests on land. Vinamilk’s 25-hectare forest is projected to sequester between 17,000 to 20,000 tons of carbon, equivalent to 62,000 to 73,000 tons of CO₂e. This is one of the major undertakings known as the “Vinamilk Net Zero Forest” project that is currently being implemented, with the aim of achieving the Net Zero 2050.

Awards in 3Q2023:

- **Monde Selection Gold Award** for the quality of fresh milk and milk-based products.
- **“Top 50 Most Efficient Businesses in Vietnam”** announced jointly by Nhip Cau Dau Tu Magazine and Thien Viet Securities Joint Stock Company.
- **“Best Workplace in Asia for 2023”** as honored by HR Asia Award.

- **“Top 50 Sustainable Development Enterprises in Vietnam”** encompassing two categories: carbon footprint reduction and products leading responsible consumption, as evaluated by Brand Finance.
- **“Top 10 Strongest Vietnamese Brands for 2022-2023”** as voted by Vietnam Economic Times - VnEconomy - Vietnam Economic Times.
- The company ranked **17th among the 1,000 largest Vietnam tax-contributor** in 2022.

4. OUTLOOK

The Company expects to maintain the 3Q2023 GPM in the next couple of quarters, which would support Vinamilk to fully complete the annual profit guidance (VND 8,622bn). Then, GPM can still recover if the sales performance improves and no significant change to input costs versus now.

As part of the IR newsletter package, you can check the earnings presentation [HERE](#).

You can also register to attend the quarterly regular meeting with the management to discuss performance results. Meeting details and registration can be found [HERE](#).

Thank you for your continued support.