

## KIDO FROZEN FOODS JSC (KIDO FOODS - KDF)

**Kido Foods, Kido Group's (KDC) frozen foods subsidiary and leader in the Vietnam ice-cream industry, plans for IPO in April 2017 and to register its shares for trading on the Unlisted Public Company Market (UPCOM) later this year.**

4 April 2017

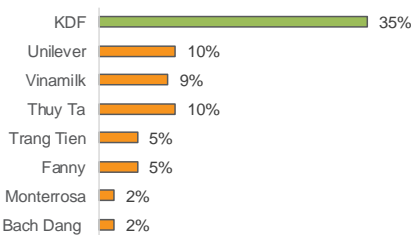
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### Snapshot

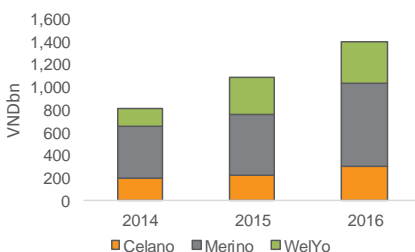
Chartered capital (VND bn)	560
Outstanding shares (m)	56
Offer price (VND/share)	52,000
2016 revenue (VND bn)	1,397
2016 net profit (VND bn)	143
2016 EPS (VND)	2,547

**Figure 1: Vietnam ice-cream market share, by revenue (2016)**



Source: Euromonitor, KDF

**Figure 2: KDF revenue, by brand (FY14-16)**



Source: KDF

Kido Foods JSC (KDF) was established in 2003, after Kido Group (KDC) acquired the Wall's ice-cream factory from Unilever. KDF now manufactures and sells ice-cream, dairy (yoghurt) and frozen food products.

### Nationwide distribution network with more than 113 distributors and 70,000 retail outlets

Given its 14 years of experience in Vietnam's fast-moving consumer goods (FMCG) industry, KDF has built a mass distribution network that comprises both modern and traditional channels.

**Traditional channel – 3-level system:** KDF has more than 113 general distributors (NPP) across the country that receive products directly from the company. The company also has distribution agents in remote areas and more than 70,000 points of sale. KDF supports the grocery outlets by providing them with freezers, signage and sales programme.

By placing Kido-branded freezers in these outlets, the company has created a barrier to competitors, as the limited retail space in these small outlets makes it difficult to accommodate additional freezers.

**Modern channel – supermarkets, industrial zones, schools, entertainment spots:** KDF's FY16 sales mix (modern retail vs. traditional) was 25:75, compared to the Vietnam FMCG average of 13:87 (Source: KDF, Euromonitor).

### Leader in the ice-cream sector with total 35% market share in 2016

**KDF owns two of the most popular ice-cream brands in Vietnam (Merino and Celano).** The company distributes a wide range of products under these two brands that target young customers. KDF is the leader in the Vietnam ice-cream sector, by sales, with 35% market share in 2016 (Source: Euromonitor).

KDF operates two factories in Ho Chi Minh City (HCMC) and Bac Ninh province, with combined production capacity of about 50m litres per year (25m litres of yoghurt and 25m litres of ice-cream).

In 2016, KDF generated revenue of about VND1,018bn (+39.6% yoy) and gross profit of VND602bn from ice-cream .

### KDF yoghurt revenue CAGR was 32.1% in 2014-2016, triple the market average

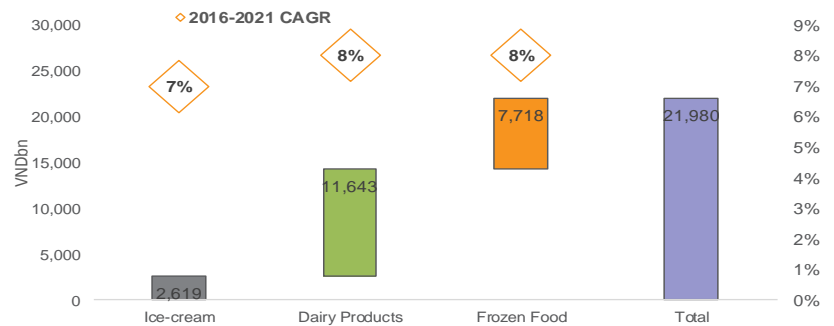
WelYo, KDF's frozen yoghurt brand, is the second-largest revenue generator for the company, surpassing Celano in FY15. WelYo achieved FY16 gross sales of VND360bn (+20% yoy), contributing 26% of the company's total revenue and 22% of gross profit.

**Frozen foods – extension into new market**

**Potential new market:** According to Euromonitor, Vietnam’s packaged and processed foods market was worth about VND7.698bn (US\$340m) in 2016, expanding by CAGR of about 9.7% in 2011-2016. The penetration rate in Vietnam is still low, with average annual consumption of packaged foods at about US\$1.50 per capita, compared to US\$16.90 per capita in Singapore.

**KDF took its first step into the frozen foods industry by introducing dumpling products under the Kido brand in late 2016.** Management intends to capitalise on its distribution strength and plans to fill its freezers at retail outlets with Kido-brand frozen food products. Started with dumpling in 2016, management guides that this will be followed by other chilled products, sausages, fish balls... KDF projects that its frozen food revenue will rise to VND156bn in FY17F, compared to VND21bn in FY16.

**Figure 3: Estimated market sizes (sales), by product type, and CAGR forecasts**



Source: Euromonitor

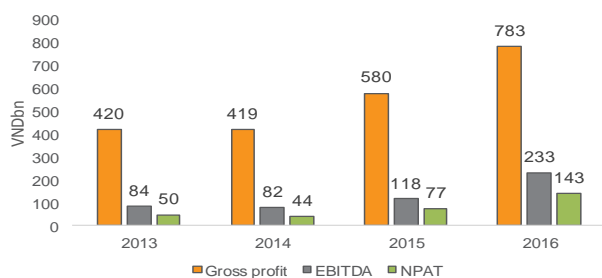
**Gross margins of KDF products**

KDF’s mid-priced brand, Merino, recorded the highest gross margin of all its products in FY16 (about 58.4%), followed by its premium brand Celano (57.4%) and yoghurt brand WeiYo (47.9%). Management projects that KDF’s frozen food products will generate gross margin of about 40% in FY17-19F. KDF’s diversified product range has translated into stable average gross margin of about 54% in FY13-16.

**Following IPO in Apr 2017, KDF shares will be traded on UPCOM**

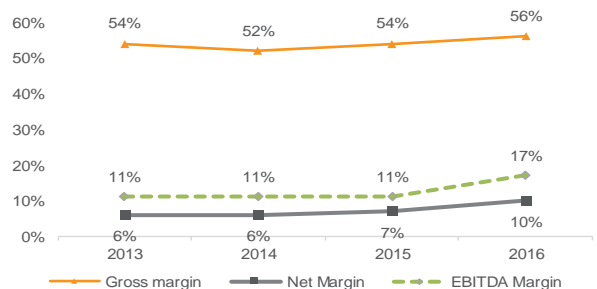
**KDC, which owns 99.8% of KDF, plans to reduce its shareholding in KDF below 65%.** The IPO in Apr 2017 will offer around 11.2m shares, equivalent to 20% of KDF’s total share capital, at a tentative price of VND52,000. KDF intends to offer another 15% in 2Q17F and keep the remaining 65%.

**Figure 4: KDF’s gross, EBITDA and net profit (FY13-16)**



Source: KDF

**Figure 5: KDF’s gross, EBITDA and net margins (FY13-16)**



Source: KDF, VNDIRECT estimate

Figure 6: Financial data (VND bn)

	2014	2015	2016		2014	2015	2016		
<b>PROFIT AND LOSS</b>				<b>BALANCE SHEET</b>					
				<b>CURRENT ASSETS</b>			<b>220</b>	<b>224</b>	<b>495</b>
Sales	843	1,091	1,404	Cash and cash equivalents	87	27	70		
Sales deductions	(60)	(24)	(7)	Short-term investments	0	0	0		
Net sales	783	1,068	1,397	Accounts receivable	54	110	293		
Cost of sales	(374)	(487)	(614)	Inventories	73	81	116		
Gross Profit	409	580	783	Other current assets	6	6	16		
Financial income	3	3	14	<b>LONG-TERM ASSETS</b>			<b>271</b>	<b>379</b>	<b>747</b>
Financial expenses	(2)	(7)	(20)	Long-term trade receivables	0	1	1		
of which: interest expenses	(1)	(2)	(16)	Fixed assets	196	217	619		
Selling expenses	(309)	(444)	(527)	Tangible fixed assets	193	212	613		
G&A expenses	(46)	(48)	(74)	Intangible fixed assets	3	4	6		
Operating profit/(loss)	55	84	176	Investment properties	-	-	-		
Other incomes	2	15	1	Long-term incomplete assets	-	-	-		
Other expenses	(0)	(0)	(0)	Long-term investments	30	-	-		
Net other income/expenses	2	15	1	Other long-term assets	42	81	90		
Net profit/(loss) before tax	57	100	176	<b>TOTAL ASSETS</b>			<b>500</b>	<b>604</b>	<b>1,242</b>
Attributable to parent company	44	77	143	<b>LIABILITIES</b>			<b>141</b>	<b>307</b>	<b>579</b>
				Current liabilities	123	255	350		
				Long-term liabilities	19	52	229		
<b>OTHER</b>				<b>OWNER'S EQUITY</b>			<b>350</b>	<b>297</b>	<b>662</b>
EPS_basis	6,400	4,356	2,547	Capital and reserves	350	297	662		
EBIT	53,821	87,934	181,852	Paid-in capital	177	177	560		
Depreciation	28,546	30,703	50,641	<b>TOTAL RESOURCES</b>			<b>491</b>	<b>604</b>	<b>1,242</b>
EBITDA	82,366	118,637	232,493						

Source: KDF

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