

## VIETNAM DAIRY PRODUCTS JSC (VNM) – UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND107,400	VND119,000	3.5%	HOLD	CONSUMER GOODS

17 November 2020

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

Consensus\*: Add:10 Hold:7 Reduce:0

Target price / Consensus: 1%

### Key changes in the report

➤ Roll our valuation based on FY21F forecasts

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	110,500
52w low (VND)	67,774
3m Avg daily value (VNDmn)	164,131
Market cap (VNDbn)	223,592
Free float (%)	33
TTM P/E (x)	21.2
Current P/B (x)	7.7

### Ownership

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

Source: VND RESEARCH

### Analyst(s):



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### Solid performance in 3Q20

- In 9M20, VNM's revenue and net profit edged up 7.4% yoy and 6.4% yoy, making up 72.9% and 76% of our full-year forecast.
- Our TP is raised to VND119,000. We downgrade our rating from Add to Hold as steady earnings growth in FY20/21F appears to have been priced in.

### 9M20 in line with our expectation

VNM's net revenue increased 8.9% yoy to VND15,563bn in 3Q20, of which revenue from domestic business rose 8.9% yoy, higher than the 4.2% yoy growth seen in 3Q19. In our view, the better domestic result was thanks to 1) the consolidation with GTN from end-FY19 (contributed 6% to domestic sale) and 2) 1.5% yoy organic growth of existing business driven by 1-2% sales volume rise, especially in Probi line of probiotic products. Overall, in 9M20, with GTN's contribution, VNM's net revenue enjoyed a 7.4% yoy growth (while net revenue excluding GTN only edged up 2.3% yoy) and its net profit rose 6.4% yoy, respectively fulfilling 72.9% and 76% of our full-year forecasts.

### Gross margin slightly edged down due to GTN's consolidation

In 9M20, GTN's gross margin reached 28.3%, up 13% pts from 15.3% in 9M19 thanks to the initial results from VNM's restructuring efforts. However, GTN's current GM is still lower than other segments' GM of VNM by 18-32% pts, thus pushing VNM's GM in 9M20 down 0.8% pts yoy to 46.5%. We expect GTN's consolidation to reduce VNM's gross margin slightly in FY20F to 47.1% before improving in FY21F to 47.4% by higher GTN's GM of 35% (+5% pts yoy).

### GTN showed significant improvement in net profit after consolidating with VNM

After joining the VNM family, GTN's net profit expanded rapidly in 9M20 by 923% yoy to VND72.7bn (10 times higher than the same period) mostly thanks to better SG&A cost control. In 2021, management aims to invest in a dairy farm with 4,000 milk cows in Moc Chau and a new factory (detailed information has not been disclosed yet). Notably, VNM intends to list Moc Chau Milk on Unlisted Public Company Market (Upcom) in 1Q21.

### FY20-21F results look solid on the back of stable dairy demand

We maintain FY20/21F revenue growth forecast of 10.2% yoy/6.9% yoy respectively to VND62,042bn and VND66,330bn to reflect our expectation of steady dairy demand in both the domestic and export markets. As a result, VNM's net profit is estimated to rise by 10.6% yoy/8.9% yoy in FY20/21F.

### Downgrade from Add to Hold with higher TP of VND119,000

Our higher TP is derived from an equal weighting of the DCF model rolled forward to FY21F (with WACC 11.8%, COE 12.5% and LTG 5.0%) and target P/E of 21.6x applied on FY21 EPS. We downgrade our rating from Add to Hold as expected earnings growth in FY20/21F appears to have been priced in. Re-rating catalysts include 1) stronger-than-expected growth of domestic dairy consumption and 2) higher-than-expected demand in the Middle East and China. Downside risks include 1) longer-than-expected Covid-19 pandemic and 2) higher-than-expected material milk prices.

Financial summary (VND)	12-18A	12-19A	12-20E	12-21E
Net revenue (bn)	52,562	56,318	62,042	66,330
Revenue growth	3.0%	7.1%	10.2%	6.9%
Gross margin	46.8%	47.2%	47.1%	47.4%
EBITDA margin	26.1%	26.4%	28.3%	28.9%
Net profit (bn)	10,227	10,581	11,705	12,747
Net profit growth	(0.7%)	3.5%	10.6%	8.9%
Recurring profit growth				
Basic EPS	4,894	5,064	5,601	6,100
Adjusted EPS	4,416	4,574	5,041	5,490
BVPS	12,338	13,993	13,788	15,387
ROAE	41.6%	38.5%	40.3%	41.8%

Source: VND RESEARCH

**9M20 RECAP: POSITIVE RESULTS DESPITE THE PANDEMIC**
**Figure 1: Results comparison**

VNDbn	3Q20	3Q19	% yoy	9M20	9M19	% yoy	2020F	% vs our FY20F forecast	Comment
<b>Revenue</b>	<b>15,563</b>	<b>14,291</b>	<b>8.9%</b>	<b>45,211</b>	<b>42,079</b>	<b>7.4%</b>	<b>62,042</b>	<b>72.9%</b>	
Domestic	13,263	12,184	8.9%	38,720	35,821	8.1%	53,026	73.0%	9M20 domestic revenue increased by 8.1% yoy thanks to the stable demand and the consolidation of the new subsidiary GTN of VND2,144bn
Overseas	2,299	2,107	9.1%	6,491	6,259	3.7%	9,016	72.0%	Overseas revenue jumped 3.7% yoy in 9M20 mainly thanks to impressive performance of export business (+11.8% yoy)
<b>Gross profit</b>	<b>7,267</b>	<b>6,723</b>	<b>8.1%</b>	<b>21,010</b>	<b>19,892</b>	<b>5.6%</b>	<b>29,203</b>	<b>71.9%</b>	
<b>GPM</b>	<b>46.7%</b>	<b>47.0%</b>	<b>-0.3% pts</b>	<b>46.5%</b>	<b>47.3%</b>	<b>-0.8% pts</b>	<b>47.1%</b>	<b>-0.6% pts</b>	
Domestic	46.3%	47.0%	-0.7% pts	46.3%	47.4%	-1.0% pts	46.9%	-0.6% pts	Domestic gross margin contracted 1.0% pts due to the consolidation of the new subsidiary GTNFoods with lower gross margin of 28.5% in 9M20
Overseas	48.7%	47.1%	1.6% pts	47.2%	46.6%	0.7% pts	47.8%	-0.6% pts	
Average global whole milk powder price (USD/Tonne)	3,039	3,065	-0.8%	2,939	3,086	-4.8%	2,900	1.3%	
<b>SG&amp;A</b>	<b>3,743</b>	<b>3,610</b>	<b>3.7%</b>	<b>10,894</b>	<b>10,207</b>	<b>6.7%</b>	<b>15,591</b>	<b>69.9%</b>	
SG&A as % of revenue	24.1%	25.3%	-1.2% pts	24.1%	24.3%	-0.2% pts	25.1%	-1.0% pts	SG&A as % revenue in 9M20 reduced by 0.2% pts yoy thanks to cost optimization efforts to enhance operational efficiency during the Covid-19 pandemic with Advertisement & Promotion as % revenue decreased by 1.5% pts.
<b>EBIT</b>	<b>3,815</b>	<b>3,282</b>	<b>16.3%</b>	<b>10,965</b>	<b>10,219</b>	<b>7.3%</b>	<b>13,612</b>	<b>80.6%</b>	
EBIT margin	24.5%	23.0%	1.6% pts	24.3%	24.3%	0.0% pts	21.9%	2.3% pts	
<b>Pre-tax profit</b>	<b>3,777</b>	<b>3,254</b>	<b>16.1%</b>	<b>10,847</b>	<b>10,146</b>	<b>6.9%</b>	<b>14,275</b>	<b>76.0%</b>	
EBT margin	24.3%	22.8%	1.5% pts	24.0%	24.1%	-0.1% pts	23.0%	1.0% pts	
<b>Tax</b>	<b>639</b>	<b>577</b>	<b>10.7%</b>	<b>1,847</b>	<b>1,768</b>	<b>4.4%</b>	<b>2,570</b>	<b>71.9%</b>	
Tax rate	16.9%	17.7%	-0.8% pts	17.0%	17.4%	-0.4% pts	18.0%	-1.0% pts	
<b>NPAT</b>	<b>3,138</b>	<b>2,677</b>	<b>17.2%</b>	<b>9,000</b>	<b>8,378</b>	<b>7.4%</b>	<b>11,817</b>	<b>76.2%</b>	
Net margin	20.2%	18.7%	1.4% pts	19.9%	19.9%	0.0% pts	19.0%	0.9% pts	
<b>FD EPS (VND)</b>	<b>1,323</b>	<b>1,154</b>	<b>14.6%</b>	<b>3,834</b>	<b>3,615</b>	<b>6.1%</b>	<b>5,041</b>	<b>76.1%</b>	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Domestic sales grew steadily in 3Q20 as demand rose.** VNM's management reported that although revenue was hit in July and August due to the second Covid-19 wave, the impact has been offset by the improvement in September sales figures. Almost all of VNM's key categories still recorded yoy growth thanks to (1) milk consumption is not significantly affected as it is an essential product and (2) consumers tend to seek immune-boosting and nutritional products to stay healthy during the pandemic. According to Kantar Word Panels, Vietnam's dairy product consumption recovered strongly in 3Q20, rising 8% yoy in four biggest urban cities and 13% yoy in rural areas (in which VNM still maintained its market share of 54% in terms of value). We believe the recovery was due to effective domestic marketing strategies and the launch of new products that meet consumers' nutritional needs. Specifically, VNM launched and re-launched more than 15 products in 9M20 and the most remarkable ones were Fresh Milk and Grow Plus Infant Formula Milk containing Bird's Nest.

In 3Q20, VNM's net revenue increased 8.9% yoy to VND15,563bn, of which revenue from domestic business rose 8.9% yoy, higher than the 4.2% yoy growth seen in 3Q19 thanks to 1) the consolidation with GTN from end-FY19 (contributing 6% of domestic revenue) and 2) 1.5% yoy organic growth of existing business driven by 1-2% rise in sales volume (especially stronger

growth in probiotic drinking yogurt as the product is believed to help boost immunity), while the average selling price was nearly unchanged after jumping 2% in Jan 2020. In 9M20, with GTN's contribution, VNM's net revenue enjoyed a 7.4% yoy growth (while net revenue excluding GTN only edged up 2.3% yoy) and its net profit rose 6.4% yoy, respectively, fulfilling 72.9% and 76% of our full-year forecasts.

**Export business posted an impressive improvement thanks to the Middle East market.** In 3Q20, VNM recorded export revenue of VND1,576bn, rising 19.5% yoy from VND1,319bn in 3Q19 and contributed 10% to consolidated net revenue. In 9M20, export revenue rose 11.8% yoy to reach VND4,027bn mainly thanks to stable demand in VNM's key export market - Middle East - despite the pandemic.

**Mixed performance of overseas subsidiaries.** In 3Q20, revenue from overseas subsidiaries continued to fall 8.2% yoy to VND724bn (after a decrease of 15% yoy in 2Q20) mainly due to the extended closure of the schools in California (Driftwood's primary sales channel). On the other side, Angkor Milk remained solid, posting revenue growth over 20% yoy in 3Q20 (equivalent to 2Q20's number) thanks to Cambodia's increasing dairy demand. However, its revenue growth was not strong enough to offset the decline in other subsidiaries.

**GTN's significant improvement after consolidating with VNM.** After joining with VNM, GTN respectively divested stakes in its subsidiaries including GTNFarm, GTNFoods Consumer Goods Company, and reduced its ownership in Vinatea to 20% to focus resources on the key business Moc Chau Milk (MCM). As a result, GTN's 9M20 revenue plunged 5.5% yoy to VND2,144bn as it no longer consolidated Vinatea. However, its net profit jumped 923% yoy to VND72.7bn, 10 times higher than the same period mainly thanks to a 74% yoy rise in financial income. Its subsidiary, MCM also achieved an impressive result with net revenue and net profit rising 9.8% yoy and 68.8% yoy, respectively, to VND2,142bn and VND208.7bn. According to management, the profit growth was due to effective cost organisation, policies supporting distributors and consumers with a reasonable selling price, thus promoting product consumption in 9M20.

In FY21F, GTN will invest in an additional dairy farm with a scale of 4,000 cows in Moc Chau (raising the total cow herd by 12% to 28,600 cows) as well as a new factory to expand material milk production for Moc Chau Milk. Notably, VNM plans to list Moc Chau Milk on Unlisted Public Company Market (Upcom) and the private placement is awaiting approval from the State Securities Commission. The official trading date is no later than 30 March 2021.

## DECENT 2021F OUTLOOK

**Net profit is expected to grow steadily in FY21F.** We expect FY21F net revenue to climb 6.9% yoy to VND66,330bn, driven by (1) domestic and export revenue respectively increase 6.7% yoy and 10% yoy thanks to stable dairy demand and (2) overseas subsidiaries records 5% yoy rise as the global economy recovers after Covid-19. As a result, VNM's net profit in FY21F jumps 8.9% yoy to VND12,747bn.

**Gross margin could improve slightly in FY21F after completing the restructuring process in GTN.** In FY19, GTN's gross margin stood at 15.8%, far below VNM's number of 47.2% in the same period. After joining VNM family, GTNFoods showed a significant improvement in business results thanks to the parent company's restructuring initiatives, which include revising trade terms with distributors and optimizing SG&A. In 9M20, GTN's gross margin reached 28.3%, rising 13% pts from 15.3% in 9M19 owing to the promising initial results from VNM's restructuring efforts. However, GTN's current GM is still lower than other VNM segments' GM by 18-32% pts. Thus, we expect GTN's consolidation

to reduce VNM's gross margin slightly to 47.1% in FY20 (-0.1% pts yoy) before improving in FY21F to 47.4% by higher GTN's GM of 35% (+5% pts yoy).

**Figure 2: VnDirect Research's forecasts of DBC's FY2019-21F business results**

VNDbn	2019A	2020F	2021F	2022F
Net revenue	56,318	62,042	66,330	72,107
% yoy	7.1%	10.2%	6.9%	9.2%
<i>Domestic</i>	6.3%	11.5%	6.7%	8.2%
<i>Export</i>	14.8%	5.0%	10.0%	15.0%
<i>Oversea subsidiaries</i>	8.6%	-0.2%	5.3%	5.8%
Gross profit	26,572	29,203	31,441	34,431
Gross margin	47.2%	47.1%	47.4%	47.8%
SG&A	14,390	15,591	16,660	18,102
SG&A as % revenue	25.6%	25.1%	25.1%	25.1%
EBIT	12,182	13,612	14,780	16,329
EBIT margin	21.6%	21.9%	22.3%	22.6%
%yoy	8.7%	11.7%	8.6%	10.5%
Net profit	10,581	11,705	12,747	14,157
Net margin	18.8%	18.9%	19.2%	19.6%
%yoy	3.5%	10.6%	8.9%	11.1%
EPS diluted	4,574	5,041	5,490	6,097
EPS growth	3.6%	10.2%	8.9%	12.3%

Source: VNDIRECT RESEARCH

## VALUATION

We increase our target price to VND119,000 from VND107,500 as we roll forward our DCF valuation to FY21F with WACC of 11.8%, COE 12.5%, and LTG 5.0% and maintain our target P/E applied on FY21F EPS. Combining DCF valuation and multiple valuation with equal weights, we arrive at a higher target price of VND119,000, implying a potential upside of 14.2% (including dividend yield), equivalent to P/E FY21F of 21.6x.

We downgrade our rating from Add to Hold as expected earnings growth in FY20/21F appears to have been priced in. Re-rating catalysts include 1) stronger-than-expected rise of domestic dairy consumption and 2) higher-than-expected demand in the Middle East and China. Downside risks include 1) longer-than-expected Covid-19 pandemic and 2) higher-than-expected material milk price.

**Figure 3: Discounted Cash Flows - Future Cash Flows to Firm (FCFF)**

Present value of Free Cash Flows to Firm (VNDbn)	110,358
Present value of Terminal value (VNDbn)	127,432
Enterprise Value (VNDbn)	237,790
Less: Net Debt Plus: Cash + ST investment (VNDbn)	12,610
Equity Value (VNDbn)	250,400
No. of Outstanding Share (m)	2,090
<b>Equity Value Per Share (VND)</b>	<b>119,826</b>
WACC	11.8%
Cost of Equity	12.5%
Long-term growth	5.0%

Source: VNDIRECT RESEARCH

**Figure 4: Valuation: Multiples (P/E)**

<b>2021F NPAT attribute to common share holder (VNDbn)</b>	<b>11,473</b>
2021F No. of outstanding share (m)	2,090
2021F EPS (VND)	5,490
Global milk producers' average P/E (x)	22.7
Discount rate for weak local market sentiment	-5%
Target P/E	21.6
<b>Implied price 2021</b>	<b>118,393</b>

Source: VNDIRECT RESEARCH

**Figure 5: Valuation summary**

Methodology	Price	Weight	Weighted price
FCFF	119,826	50%	59,913
P/E	118,393	50%	59,196
Average price			119,109
<b>Target price 2021</b>			<b>119,000</b>

Source: VNDIRECT RESEARCH

**Figure 6: Discounted Cash Flow model**

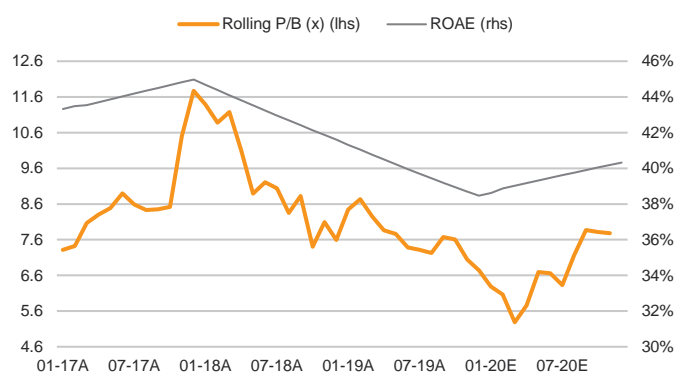
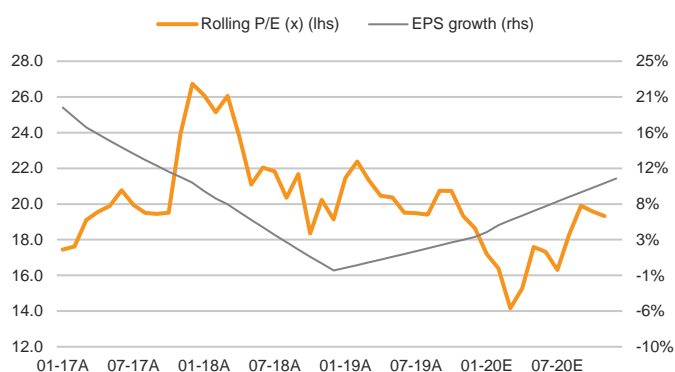
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EBIT	13,612	14,780	16,329	17,304	19,035	20,938	23,028	25,330	27,863	30,645	33,699
Add: Depreciation	2,962	3,362	3,776	4,226	4,690	5,197	5,748	6,243	6,687	7,182	7,722
Less: Capital expenditure	(4,192)	(3,762)	(4,450)	(4,472)	(4,875)	(5,314)	(5,792)	(4,643)	(5,061)	(5,517)	(6,013)
Changes in Working Capital	75	36	(47)	302	(44)	213	(41)	751	48	52	62
Free Cash Flow (FCF)	12,457	14,416	15,609	17,359	18,806	21,035	22,943	27,680	29,537	32,362	35,471
Less: Taxes Paid	(2,594)	(2,825)	(3,137)	(3,345)	(3,693)	(4,023)	(4,420)	(4,858)	(5,343)	(5,872)	(6,452)
Free Cash Flows to Firm	9,863	11,591	12,472	14,014	15,114	17,012	18,523	22,822	24,194	26,491	29,018
Terminal Value										317,126	348,797
PV of FCFF	9,863	11,591	11,151	11,205	10,805	10,874	10,587	11,663	11,056	10,824	10,602
PV of Terminal Value											127,432

Source: VNDIRECT RESEARCH

**Figure 7: Peer comparison (Data as at 14<sup>th</sup> Nov 2020)**

Dairy producer	Bloomberg code	Recom.	Share price (local cur)	Target price (local curr)	Market cap (US\$m)	3-year EPS CAGR (%)	P/E (x)		P/B (x)		ROE		ROA	
							FY20F	FY21F	FY20F	FY21F	FY20F	FY21F	FY20F	FY21F
Inner Mongolia Yili	600887 CH	NR	38.3	N/A	36,521	8.7	33.2	28.4	8.3	7.5	25.6%	27.2%	11.7%	12.7%
China Mengniu Dairy	2319 HK	NR	41.2	N/A	20,511	43.6	39.3	26.6	4.3	3.8	10.8%	14.8%	4.3%	6.2%
Meiji Holdings	2269 JP	NR	7,520	N/A	11,427	5.4	17.0	16.2	2.0	1.9	12.2%	11.9%	7.1%	7.7%
Yakult Honsha Co	2267 JP	NR	5,100	N/A	8,528	9.9	22.0	23.3	2.2	2.1	10.3%	9.4%	6.9%	7.0%
Bright Dairy	600597 CH	NR	15.5	N/A	3,003	7.5	37.9	31.2	3.2	3.0	8.6%	9.7%	3.4%	3.8%
Morinaga Milk Industries	2264 JP	NR	5,100	N/A	2,571	5.2	13.4	17.8	1.4	1.4	11.3%	8.0%	5.3%	0.0%
Toyo Suisan Kaisa LTD	2875 JP		5,230	N/A	5,903	2.3	26.3	20.0	1.9	1.7	7.1%	8.9%	6.2%	7.5%
<b>Average</b>					<b>12,638</b>	<b>11.8</b>	<b>27.0</b>	<b>23.4</b>	<b>3.3</b>	<b>3.0</b>	<b>12.3%</b>	<b>12.8%</b>	<b>6.4%</b>	<b>6.4%</b>
<b>Vietnam Dairy</b>	<b>VNM VN</b>	<b>ADD</b>	<b>107,500</b>	<b>119,000</b>	<b>9,810</b>	<b>4.2</b>	<b>24.0</b>	<b>22.4</b>	<b>8.6</b>	<b>7.7</b>	<b>40.3%</b>	<b>39.4%</b>	<b>25.2%</b>	<b>26.8%</b>

Source: VNDIRECT RESEARCH, Bloomberg

**Valuation**

**Income statement**

(VNDbn)	12-19A	12-20E	12-21E
Net revenue	56,318	62,042	66,330
Cost of sales	(29,746)	(32,840)	(34,889)
Gen & admin expenses	(1,396)	(1,634)	(1,750)
Selling expenses	(12,993)	(13,957)	(14,911)
<b>Operating profit</b>	<b>12,182</b>	<b>13,612</b>	<b>14,780</b>
Operating EBITDA	14,131	16,574	18,142
<b>Depreciation and amortisation</b>	<b>(1,948)</b>	<b>(2,962)</b>	<b>(3,362)</b>
<b>Operating EBIT</b>	<b>12,182</b>	<b>13,612</b>	<b>14,780</b>
Interest income	807	1,052	1,091
Financial expense	(187)	(277)	(202)
Net other income	(1)	(2)	(2)
Income from associates & JVs	(6)	25	27
<b>Pre-tax profit</b>	<b>12,796</b>	<b>14,411</b>	<b>15,694</b>
Tax expense	(2,241)	(2,594)	(2,825)
Minority interest	27	(112)	(122)
<b>Net profit</b>	<b>10,581</b>	<b>11,705</b>	<b>12,747</b>
Adj. net profit to ordinary	10,581	11,705	12,747
Ordinary dividends	(7,838)	(9,405)	(9,405)
<b>Retained earnings</b>	<b>2,744</b>	<b>2,300</b>	<b>3,342</b>

**Balance sheet**

(VNDbn)	12-19A	12-20E	12-21E
Cash and equivalents	2,665	1,861	773
Short term investments	12,436	12,408	13,266
Accounts receivables	4,442	5,455	5,832
Inventories	4,983	6,329	6,689
Other current assets	134	234	250
<b>Total current assets</b>	<b>24,660</b>	<b>26,287</b>	<b>26,809</b>
Fixed assets	15,837	15,964	16,324
Total investments	1,100	897	1,196
Other long-term assets	3,133	3,134	2,950
<b>Total assets</b>	<b>44,731</b>	<b>46,282</b>	<b>47,280</b>
Short-term debt	5,351	3,785	1,400
Accounts payable	3,648	4,019	4,297
Other current liabilities	5,443	7,506	8,001
<b>Total current liabilities</b>	<b>14,443</b>	<b>15,310</b>	<b>13,698</b>
Total long-term debt	123	91	29
Other liabilities	434	1,578	908
Share capital	17,417	20,900	20,900
Retained earnings reserve	7,875	9,005	11,073
<b>Shareholders' equity</b>	<b>29,240</b>	<b>28,812</b>	<b>32,154</b>
Minority interest	491	490	490
<b>Total liabilities &amp; equity</b>	<b>44,731</b>	<b>46,282</b>	<b>47,280</b>

**Cash flow statement**

(VNDbn)	12-19A	12-20E	12-21E
<b>Pretax profit</b>	<b>12,796</b>	<b>14,411</b>	<b>15,694</b>
Depreciation & amortisation	2,016	3,177	3,600
Tax paid	(2,034)	(2,594)	(2,825)
Other adjustments	(556)	(742)	(833)
<b>Change in working capital</b>	<b>(808)</b>	<b>75</b>	<b>36</b>
<b>Cash flow from operations</b>	<b>11,414</b>	<b>14,326</b>	<b>15,673</b>
Capex	(2,158)	(4,192)	(3,762)
Proceeds from assets sales	114	59	73
Others	(5,370)	230	(1,156)
Other non-current assets changes	666	(224)	(64)
<b>Cash flow from investing activities</b>	<b>(6,748)</b>	<b>(4,127)</b>	<b>(4,909)</b>
New share issuance	128	0	0
Shares buyback	(1)	0	0
Net borrowings	4,194	(1,598)	(2,447)
Other financing cash flow	(8)	0	0
Dividends paid	(7,836)	(9,405)	(9,405)
<b>Cash flow from financing activities</b>	<b>(3,524)</b>	<b>(11,003)</b>	<b>(11,852)</b>
Cash and equivalents at beginning of period	1,523	2,665	1,861
<b>Total cash generated</b>	<b>1,143</b>	<b>(804)</b>	<b>(1,088)</b>
Cash and equivalents at the end of period	2,665	1,861	773

**Key ratios**

	12-19A	12-20E	12-21E
<b>Dupont</b>			
Net profit margin	18.8%	18.9%	19.2%
Asset turnover	1.37	1.36	1.42
ROAA	25.8%	25.7%	27.2%
Avg assets/avg equity	1.49	1.57	1.53
ROAE	38.5%	40.3%	41.8%
<b>Efficiency</b>			
Days account receivable	22.5	23.5	23.5
Days inventory	61.1	70.5	70.0
Days creditor	44.8	44.8	45.0
Fixed asset turnover	3.75	3.90	4.11
ROIC	30.1%	35.3%	37.4%
<b>Liquidity</b>			
Current ratio	1.7	1.7	2.0
Quick ratio	1.4	1.3	1.5
Cash ratio	1.0	0.9	1.0
Cash cycle	38.9	49.3	48.5
<b>Growth rate (yoy)</b>			
Revenue growth	7.1%	10.2%	6.9%
Operating profit growth	8.7%	11.7%	8.6%
Net profit growth	3.5%	10.6%	8.9%
EPS growth	3.5%	10.6%	8.9%

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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