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# Vinamilk (VNM)

## 2Q results looking to beat consensus

### Shareholders approve flat 2020E earnings guidance & further slowdown in sales

— Shareholders approved plans for 1% YoY growth in earnings to VND10,690 billion on 5.7% YoY growth in revenue to VND59,600 billion. VNM completed 24% of this revenue plan and 26% of the profit plan as of 1Q. Management also announced expectations for 3% growth in domestic revenue and flat sales growth for exports this year. The company plans at least a 50% payout ratio for 2020E earnings and already declared a VND3,000 per share interim dividend for 2020E performance so far, as well as a 1-for-5 or 20% bonus share offering for existing shareholders (new bonus shares should not exceed 348 million shares).

### VNM guidance implies 2Q results 22% ahead of consensus & 7% YoY 1H revenue growth

— Ahead of 2Q results, management guided for 7% YoY revenue growth and 3% YoY earnings improvement for 1H results. This implies 2Q earnings of about VND3,095 billion or up 7% YoY and 22% ahead of the VND2,540 billion consensus. Recovery came from the 12.3% QoQ increase in domestic revenue and 26.0% QoQ jump in export revenue. Other announcements included plans to begin operations of its farm in *Quang Ngai City* located in central Vietnam by year-end to produce milk from 4,000 dairy cows. All equipment and machinery has been installed but the coronavirus has delayed entry of foreign technicians needed for the startup phase. Main strategic initiatives from management this year will also be: 1) expanding the company's presence in the local beverage and ice cream markets via the joint venture with the Kido Group and *Hi-cafe* retail coffee and beverage chain; and 2) expanding exports to existing markets in the Middle East and new markets in Korea and the Eurasian Economic Union.

### VNM sets goal to gain a percentage point of market share every year over five years

— Management expects Vietnam's dairy industry to continue growing over the next 10–20 years largely due to about one million new births per year, increasing disposable income and stable GDP growth. Much of this demand growth for milk and dairy products will likely come from higher per-capita milk consumption from levels that are currently lower than regional peers. VNM already accounts for around 60% market share in Vietnam but management believes it can increase this further by expanding in new dairy product categories using fresh milk from its own dairy farms and diversifying its product portfolio.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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