

# Vinamilk (VNM)

## Many difficulties amid fierce competition

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### VNM's 1Q23 business results are positive despite the difficulties of the economy

By the end of 1Q23, Vinamilk's (VNM) net revenue modestly gained 0.1% to VND13,954 billion, ending three straight quarters of negative growth despite the difficulties of the economy and weak purchasing power. However, GPM was still low at 38.8% due to large inventories from previous quarters, NPAT declined 16.5% YoY to VND1,906 billion on the slight increase in many expenses such as interest expenses and SG&A during the period.

### Domestic market continues to face difficulties, and VNM's revenue was flat as expected

The domestic market continued to face many difficulties as we had forecast. The purchasing power declined, so even though VNM's products are essential commodities, the company could not avoid these challenges. Total domestic sales reached VND11,491 billion (Moc Chau Milk – MCM added VND734 billion), slightly decreasing 1% YoY. The bright spots are MCM's stable growth and the effectiveness of Viet Milk Dream chain with 652 stores nationwide.

### Foreign markets recovered but have not contributed significantly to total revenue

Revenue from foreign markets hit VND1,225 billion (+7.5% YoY). The export market recovered from the low bases thanks to rebounding demand from the Middle East market. VNM dairy products have gradually gained popularity in Asian markets. Foreign branches have achieved stable growth, AngkorMilk in Cambodia continues to get a double-digit growth.

### HOLD recommendation – target price VND72,000

We forecast VNM's 2023 results include net sales of VND62,536 billion (+4% YoY) and NPAT of VND8,929 billion (+4.1% YoY). We recommend HOLD for VNM stock with a target price of VND72,000/share.

## Hold maintain

**Target price VND72,000**

|                             |           |
|-----------------------------|-----------|
| Upside                      | 9%        |
| Current price (Jun 7, 2022) | VND66,200 |
| Market cap (VNDtn/USDmn)    | 139/5.9   |

#### Trading data

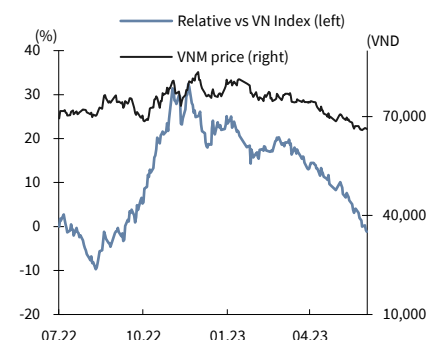
|                                    |            |
|------------------------------------|------------|
| Free float                         | 44%        |
| 3M avg trading value (VNDbn/USDmn) | 195/8.3    |
| Foreign ownership                  | 55.63%     |
| Major shareholder                  | SCIC (36%) |

#### Share price performance

| (%)             | 1M  | 3M  | 6M  | 12M |
|-----------------|-----|-----|-----|-----|
| <b>Absolute</b> | -5  | -14 | -18 | -17 |
| <b>Relative</b> | -10 | -19 | -25 | 9   |

#### Forecast earnings & valuation

| FY-end                   | 2021   | 2022   | 2023F  | 2024F  |
|--------------------------|--------|--------|--------|--------|
| Net sales (VNDbn)        | 60,919 | 59,956 | 62,356 | 66,259 |
| Operating profit (VNDbn) | 11,760 | 9,753  | 9,730  | 10,986 |
| NPAT (VNDbn)             | 10,633 | 8,578  | 8,929  | 10,001 |
| EPS (VND)                | 4,517  | 3,632  | 4,243  | 4,756  |
| EPS growth (%)           | -5%    | -20%   | 17%    | 12%    |
| P/E (x)                  | 14.7   | 18.3   | 15.7   | 14.0   |
| P/B (x)                  | 3.9    | 4.2    | 3.9    | 3.8    |
| ROE (%)                  | 30%    | 25%    | 26%    | 28%    |
| Dividend yield (%)       | 35%    | 52%    | 40%    | 40%    |



Source: Bloomberg, KB Securities Vietnam

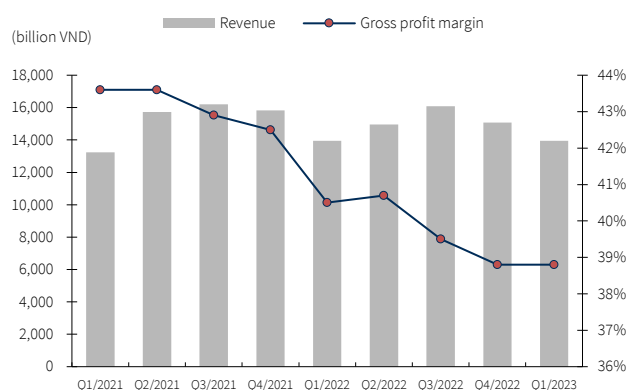
## Business performance updates

Table 1. VNM – 1Q23 business results

|                                   | 1Q22          | 1Q23          | +/-%YoY      | KBSV's notes  |
|-----------------------------------|---------------|---------------|--------------|---|
| <b>Revenue (VNDbn)</b>            | <b>13,878</b> | <b>13,919</b> | <b>+0.1%</b> | Revenue was flat due to economic difficulties and weak purchasing power even for essential products like VNM's.   |
| Domestic                          | 11,658        | 11,491        | -1%          | The domestic market has slowed down in recent years, which was along with the weak purchasing power in the domestic market during the economic downturn.  |
| Export                            | 1,139         | 1,225         | +8%          | The majority of export revenue came from the Middle East market, which is showing positive signs of recovery with many new contracts valued up to USD100 million. Other markets did not show many positive signs. |
| Foreign branches                  | 1,081         | 1,203         | +11%         | Driftwood and AngkorMilk continued to perform well with steady double-digit growth. The products have begun to be well received.  |
| <b>Gross profit (VNDbn)</b>       | <b>5,625</b>  | <b>5,398</b>  | <b>-4%</b>   | Gross profit and GPM both declined as VNM continued to use high-priced inventories from previous quarters. Besides, many other costs such as packaging and domestic materials also increased in price.            |
| Gross profit margin (%)           | 40.5%         | 38.8%         | -4%          | GPM continued to be low because the company still uses high-priced inventories from previous quarters, and many other input costs also increased due to inflation.  |
| Financial income (VNDbn)          | 320           | 420           | +31%         |   |
| Financial expenses (VNDbn)        | -133          | -158          | +19%         |   |
| <b>SG&amp;A (VNDbn)</b>           | <b>3,005</b>  | <b>3,331</b>  | <b>+11%</b>  | Selling expenses climbed as the company increased promotions for retail points to increase competitiveness.   |
| SG&A/Revenue (%)                  | 21.7%         | 23.9%         | 10%          |   |
| Operating profit (VNDbn)          | 2,772         | 2,315         | -16%         |   |
| Other incomes (VNDbn)             | -7.80         | -2.75         | -65%         |   |
| Profit before taxes (VNDbn)       | 2,764         | 2,312         | -16%         |   |
| <b>Profit after taxes (VNDbn)</b> | <b>2,283</b>  | <b>1,906</b>  | <b>-17%</b>  | GPM dropped sharply due to increased input costs, increased advertising and promotion costs, leading to a decrease in NPAT.   |

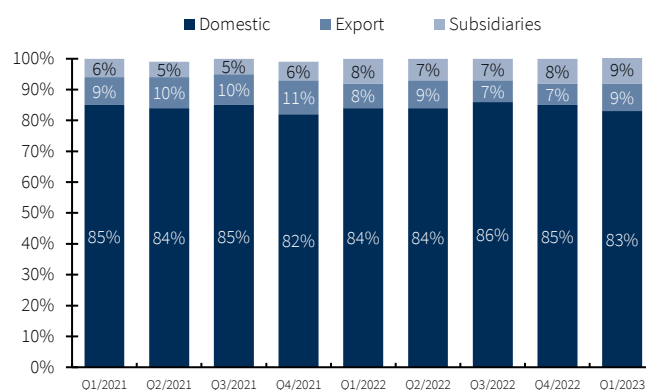
Source: Vinamilk, KB Securities Vietnam

Fig 1. VNM – Net revenue & GPM (VNDbn, %)



Source: Vinamilk, KB Securities Vietnam

Fig 2. VNM – Revenue structure by market



Source: Vinamilk, KB Securities Vietnam

## Investment catalysts

### 1. Domestic market continued to experience difficulties

#### In 2023, Vietnam's dairy industry's growth may slow down

According to Nielsen, Vietnam's dairy industry should only grow 3% this year. The main reason comes from the decline in purchasing power, although dairy products are quite essential, consumers will tend to find cheaper products to replace high-end products. Regarding the selling price, most companies will raise prices, but with essential product characteristics, the prices may only slightly gain 2–3% while the output is almost unchanged. We forecast that VNM's revenue growth rate will only approximate the industry's growth rate because VNM will find it difficult to regain too much market share.

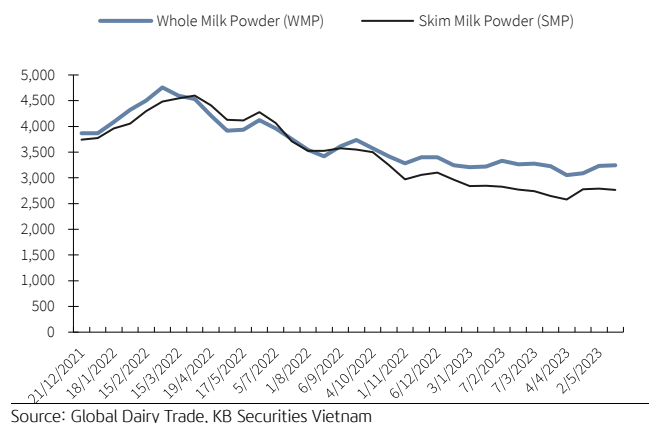
#### VNM lost market share in some areas due to fierce competition

Flat and negative sales in a long term show that VNM is facing fierce competition and has lost its market share in some segments. Currently, VNM's market share is still ranked first with more than 40% market share, however, there are many names both from domestic and foreign markets such as Abbott, FrieslandCampina, TH True Milk, and IDP are fiercely competing. In that context, VNM has implemented many marketing and promotional policies to its points of sale to attract customers and regain market share. As a result, VNM's ratio of selling expenses to revenue increased from 19% to 21.1% YoY. However, due to the high competitiveness of the industry, if the promotions help to gain market share, the costs will be higher. Furthermore, if the promotions are stopped, other firms will also jump in to gain the market share.

#### GPM is forecasted to slightly improve in 2H23

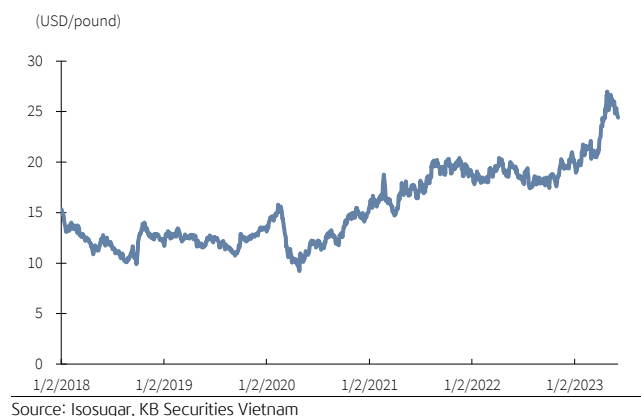
VNM's GPM is significantly influenced by the cost of raw materials (accounting for 60% of production costs), of which raw milk accounts for the majority. However, VNM had to import more than half of the amount of raw milk, so it is subject to price volatility risk. Although the prices of milk declined 20–30% from the peak, other costs such as packaging, sugar, domestic fresh milk, and imported raw materials all increase with inflation. In general, the company did not increase BLNG too much. VNM Chairwoman, Ms Mai Kieu Lien, shared at the AGM that it would take until 2024 for the company to return to pre-pandemic levels. We expect VNM's GPM to recover by 1–1.5ppts per quarter in the following quarters and to reach 41% for the whole year as commodity prices cool down.

Fig 3. Global – WMP and SMP prices (USD/MT)



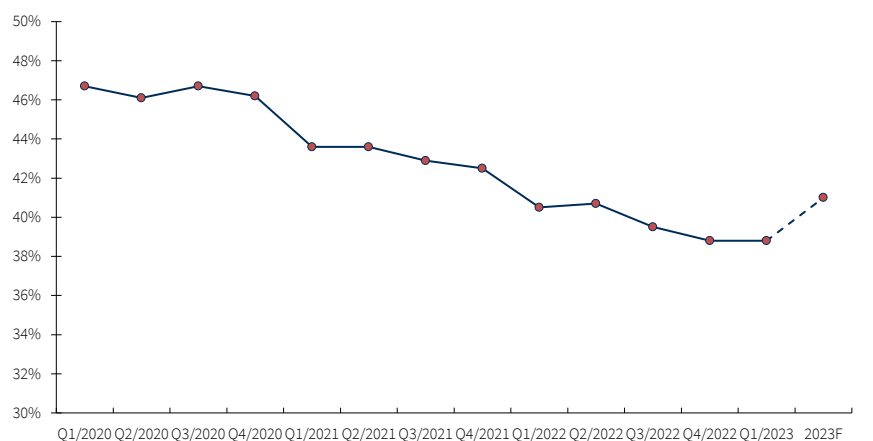
Source: Global Dairy Trade, KB Securities Vietnam

Fig 4. Global – Sugar prices (USD/pound)



Source: Isosugar, KB Securities Vietnam

Fig 5. VNM – GPM in the past and in 2023F (%)

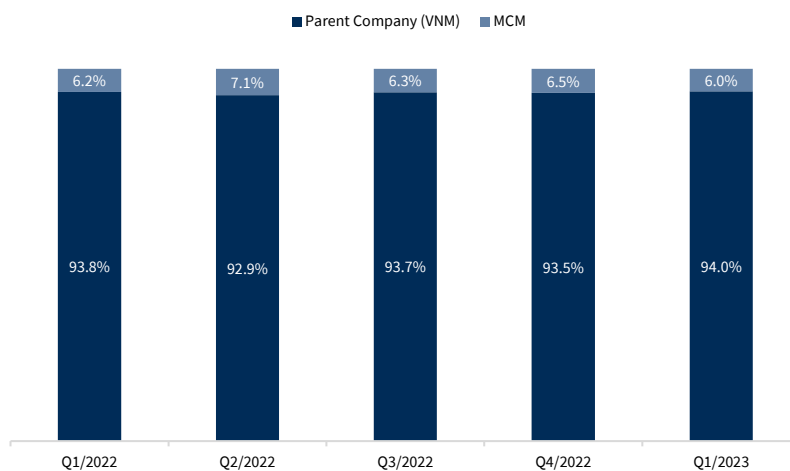


Source: Vinamilk, KB Securities Vietnam

**MCM and Viet Milk Dream store chain both recorded growth but have not yet made a significant contribution to the parent's domestic revenue**

MCM has continued to record growth since joining VNM. At the end of 1Q23, MCM posted VND101.5 billion in NPAT (+18.4% YoY) on revenue of VND734 billion (+8.8% YoY). MCM maintained its growth momentum thanks to (1) investing in the distribution system, building a reliable brand image at the points of sale; (2) following lean business model and cooperating with VNM to implement marketing strategies; and (3) opening new stores, the number of existing stores has reached more than 60 stores. However, the contribution of MCM to the domestic market revenue is still limited.

Fig 6. VNM – Revenue structure from the parent &amp; MCM



Source: Vinamilk, KB Securities Vietnam

Meanwhile, Viet Milk Dream stores also recorded a growth of 12% YoY (specific revenue has not yet been announced). The number of stores also increased to 652 stores nationwide, helping VNM increase its coverage and brand awareness. However, we assess that the store chain may not yet make a big contribution to VNM's total revenue in the coming years. VNM's distribution channels are already large, the chain may only help to increase brand awareness, implement marketing programs for the parent, and attract a number of specific customer groups.

## 2. Foreign markets are fruitful

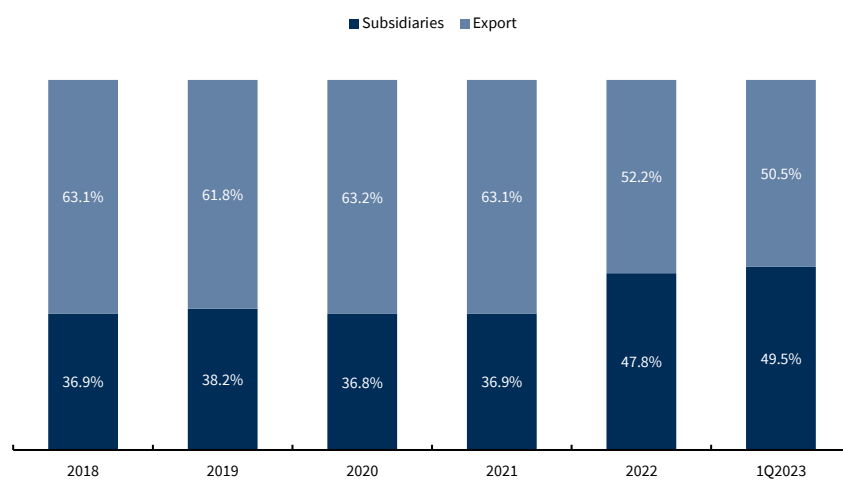
### Export growth on from low bases thanks to the recovery of the Middle East market

Revenue from foreign markets hit VND1,225 billion (+7.5% YoY), ending the decline for many years thanks to the recovery of the Middle East market (80% of VNM's export revenue). In the first months of 2023, VNM's export market had many positive signs. The management said that they had successfully signed many contracts with a total value of USD100 million mainly to serve the demand for powdered milk from the Middle East. However, we believe that relying too much on one market will be risky if the market is in trouble, so VNM should find more partners from other markets.

### Foreign branches continued to grow strongly

Net revenue from foreign branches reached VND1,203 billion, maintaining a double-digit growth of 11.3%. Driftwood in the US and AngkorMilk in Cambodia saw revenue growth of 7% and 11% YoY, respectively as distribution networks in these markets expanded and people well received VNM's products. Revenue at foreign branches is also increasingly contributing a large proportion to the revenue structure of the foreign market.

Fig 7. VNM – Revenue contribution from foreign subsidiaries &amp; export markets



Source: Vinamilk, KB Securities Vietnam

## Forecast & valuation

### 2023F performance

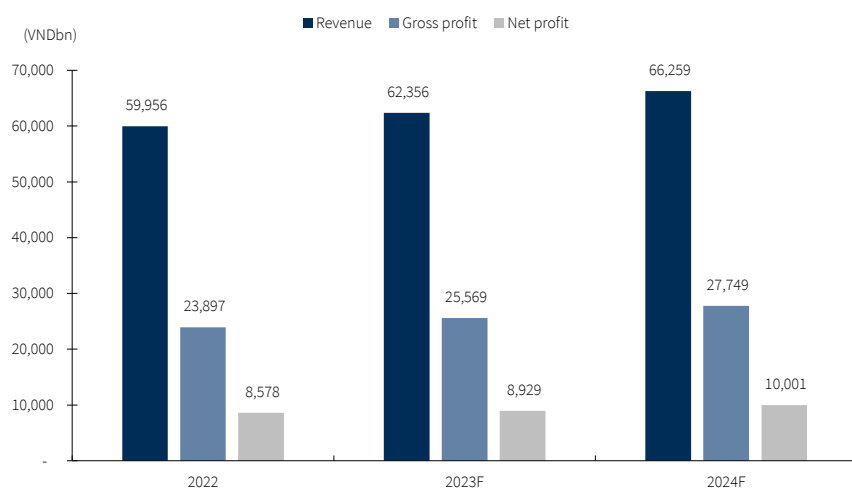
We believe that the dairy industry in 2023 will grow at a very slow rate as the demand is affected by weak purchasing power while VNM can hardly regain too much market share due to its 2023E flat results. We forecast VNM's net revenue to be VND62,356 billion (+4% YoY) with GPM of 41%, based on the drop in the prices of raw milk powder and other input materials. NPAT may hit VND8,929 billion (+4.1% YoY). In 2024, when the economy recovers, the recovery of purchasing power is also the driving force for VNM's stronger growth.

Table 8. VNM – 2023F results

| (VNDbn)                 | 2022            | 2023F           | +/-% YoY     | 2024F           | +/- YoY      | KBSV's notes  |
|-------------------------|-----------------|-----------------|--------------|-----------------|--------------|---|
| <b>Revenue</b>          | <b>59,956</b>   | <b>62,356</b>   | <b>4.0%</b>  | <b>66,259</b>   | <b>6.3%</b>  |   |
| <i>Domestic</i>         | 50,704          | 52,235          | 3.0%         | 54,878          | 5.1%         | The domestic market is growing slowly in the context of fierce competition and difficulties in gaining market share.                        |
| <i>Export</i>           | 4,828           | 5,166           | 7.0%         | 5,683           | 10.0%        | The export market shows signs of recovery with many large contracts. When the global economy recovers, VNM's export markets also benefited. |
| <i>Foreign branches</i> | 4,424           | 4,954           | 12.0%        | 5,698           | 15.0%        | Branches continued to operate effectively with double-digit growth as consumers receive VNM products well.                                  |
| <b>Gross profit</b>     | <b>23,897</b>   | <b>25,569</b>   | <b>7.0%</b>  | <b>27,749</b>   | <b>8.5%</b>  |   |
| <i>GPM</i>              | 39.9%           | 41.0%           | 2.9%         | 41.9%           | 2.1%         | GPM may improve slightly when milk powder prices fall, but many other input costs may surge   |
| <b>SG&amp;A</b>         | <b>(14,144)</b> | <b>(15,838)</b> | <b>12.0%</b> | <b>(16,763)</b> | <b>5.8%</b>  | SG&A continues to increase as VNM has to spend more money on advertising to regain market share   |
| <b>EBIT</b>             | <b>9,753</b>    | <b>9,730</b>    | <b>-0.2%</b> | <b>10,986</b>   | <b>12.9%</b> |   |
| <b>EBT</b>              | <b>10,496</b>   | <b>10,889</b>   | <b>3.8%</b>  | <b>12,196</b>   | <b>12.0%</b> |   |
| <b>NPAT</b>             | <b>8,578</b>    | <b>8,929</b>    | <b>4.1%</b>  | <b>10,001</b>   | <b>12.0%</b> | NPAT in 2023 may increase slightly. When the economy recovers in 2024, VNM's GPM and NPAT will also grow stronger.                          |

Source: KB Securities Vietnam

Fig 9. VNM – 2022A–2024F business results (VNDbn)



Source: Vinamilk, KB Securities Vietnam

**Valuation: HOLD recommendation**  
– target price VND72,000

We used two methods (1) DCF and (2) comparables to give a reasonable price for VNM stock.

(1) For DCF, we set a target price of VNM stock at VND67,600/share.

(2) For the comparables approach, we use a target P/E of 18x, which is close to the industry average and lower than the previous forecast due to the lower long-term growth potential of VNM. The target EPS is VND4,250/share, and the target price is VND76,500/share.

With each method weighting 50%, we recommend HOLD for VNM stocks with the target price of VND72,000/share, 9% higher than the closing price on June 7, 2023.

**Table 10. VNM – FCFF valuation & assumptions**

|                      |         |                             |                  |
|----------------------|---------|-----------------------------|------------------|
| Cost of equity       | 11.14%  | PV of terminal value        | 84,902           |
| Cost of debt         | 6%      | PV of FCFF                  | 39,584           |
| Risk free rate       | 5%      | Cash and Cash Equivalent    | 5,037            |
| Beta                 | 0.76    | ST Investment               | 17,771           |
| Terminal growth rate | 3%      | Firm value                  | 147,294          |
| Estimated time       | 5 years | Total debt                  | 5,940            |
| WACC                 | 10.82%  | Equity value                | 141,355          |
|                      |         | Number of share outstanding | 2,089,955,445    |
| <b>Target price</b>  |         |                             | <b>VND67,600</b> |

Source: KB Securities Vietnam

**Table 11. VNM – Valuation according to comparables method**

| Peers                      | P/E  | Peers          | P/E           |
|----------------------------|------|----------------|---------------|
| URC PM Equity              | 23.1 | 1117 HK Equity | 11            |
| ICBP IJ Equity             | 25.3 | ZYWL IN Equity | 19            |
| NESTLE PA Equity           | 18.2 | CNPF PM Equity | 16.7          |
| 151 HK Equity              | 14.7 | FNH MK Equity  | 18.6          |
| ULTJ IJ Equity             | 15.8 | DNL PM Equity  | 16.3          |
| <b>Average P/E</b>         |      |                | <b>17.9</b>   |
| <b>P/E forward for VNM</b> |      |                | <b>18</b>     |
| <b>EPS forward 2023</b>    |      |                | <b>4250</b>   |
| <b>Target price</b>        |      |                | <b>76,500</b> |

Source: KB Securities Vietnam



## VNM – 2021A–2024F financials

| Income Statement  |         |         |         |         | Balance Sheet                  |        |         |        |        |
|---|---------|---------|---------|---------|--------------------------------|--------|---------|--------|--------|
| (VND Billion)   | 2021    | 2022    | 2023F   | 2024F   | (VND Billion)                  | 2021   | 2022    | 2023F  | 2024F  |
| Net sales   | 60,919  | 59,956  | 62,356  | 66,259  | Total assets                   | 53,332 | 48,483  | 50,013 | 51,680 |
| Cost of sales   | -34,641 | -36,059 | -36,787 | -38,510 | Current assets                 | 36,110 | 31,560  | 33,170 | 34,982 |
| Gross profit  | 26,278  | 23,897  | 25,569  | 27,749  | Cash & equivalents             | 2,349  | 2,300   | 2,518  | 2,842  |
| Financial Income  | 1,215   | 1,380   | 1,416   | 1,471   | ST investments                 | 21,026 | 17,415  | 20,290 | 22,388 |
| Financial Expenses  | -202    | -618    | -362    | -371    | Accounts receivable            | 4,368  | 4,634   | 4,536  | 4,731  |
| of which: interest expenses                                   | -89     | -166    | -109    | -98     | Inventory                      | 6,820  | 5,560   | 6,910  | 6,369  |
| Gain/(loss) from joint ventures                               | -45     | -24     | 0       | 0       | Long-term assets               | 17,222 | 16,922  | 16,843 | 16,698 |
| Selling expenses  | -12,951 | -12,548 | -14,030 | -14,908 | LT trade receivables           | 17     | 38      | 24     | 25     |
| General & admin expenses                                      | -1,567  | -1,596  | -1,808  | -1,855  | Fixed assets                   | 11,620 | 10,860  | 10,398 | 9,941  |
| Operating profit/(loss)                                       | 12,728  | 10,491  | 10,785  | 12,086  | Investment properties          | 835    | 1,471   | 1,577  | 1,710  |
| Net other income/(expenses)                                   | 195     | 4       | 104     | 111     | Liabilities                    | 17,482 | 15,666  | 14,386 | 15,567 |
| Pretax profit/(loss)  | 12,922  | 10,496  | 10,889  | 12,196  | Current liabilities            | 17,068 | 15,308  | 13,961 | 15,125 |
| Income tax  | -2,290  | -1,918  | -1,960  | -2,195  | Trade accounts payable         | 4,214  | 4,284   | 4,585  | 4,349  |
| Net profit/(loss)   | 10,633  | 8,578   | 8,929   | 10,001  | Advances from customers        | 4      | 4       | 8      | 9      |
| Minority interests  | 100     | 62      | 62      | 62      | ST borrowings                  | 9,382  | 4,867   | 5,889  | 7,087  |
| Net profit after MI   | 10,532  | 8,516   | 8,868   | 9,939   | Long-term liabilities          | 414    | 358     | 425    | 442    |
|   |         |         |         |         | LT payables                    | 0      | 0       | 0      | 0      |
|   |         |         |         |         | LT borrowings                  | 76     | 66      | 51     | 50     |
|   |         |         |         |         | Other LT liabilities           | 338    | 292     | 374    | 392    |
|   |         |         |         |         | Shareholders' equity           | 35,850 | 32,817  | 35,627 | 36,113 |
|   |         |         |         |         | Paid-in capital                | 20,900 | 20,900  | 20,900 | 20,900 |
|   |         |         |         |         | Share premium                  | 34     | 34      | 34     | 34     |
|   |         |         |         |         | Undistributed earnings         | 7,594  | 3,353   | 5,304  | 4,723  |
|   |         |         |         |         | Reserve & others               | 4,555  | 5,469   | 6,421  | 7,489  |
|   |         |         |         |         | Minority interest              | 2,767  | 2,967   | 2,967  | 2,967  |
| Margin ratio  |         |         |         |         | Key ratio                      |        |         |        |        |
|   | 2021    | 2022    | 2023F   | 2024F   | (x, %, VND)                    |        |         |        |        |
| Gross profit margin   | 43.1%   | 39.9%   | 41.0%   | 41.9%   | Multiple                       |        |         |        |        |
| EBITDA margin   | 24.3%   | 20.6%   | 20.0%   | 20.8%   | P/E                            | 14.7   | 18.3    | 15.7   | 14.0   |
| EBIT margin   | 21.4%   | 17.8%   | 17.6%   | 18.6%   | P/E diluted                    | 14.7   | 18.3    | 15.7   | 14.0   |
| Pre-tax profit margin   | 21.4%   | 17.8%   | 17.6%   | 18.6%   | P/B                            | 3.9    | 4.2     | 3.9    | 3.8    |
| Operating profit margin                                       | 21.4%   | 17.8%   | 17.6%   | 18.6%   | P/S                            | 1.9    | 2.3     | 2.2    | 2.1    |
| Net profit margin   | 17.3%   | 14.2%   | 14.2%   | 15.0%   | P/Tangible Book                | 4.0    | 4.4     | 4.0    | 3.9    |
|   |         |         |         |         | P/Cash Flow                    | 575.5  | (2,295) | 635.5  | 429.5  |
|   |         |         |         |         | EV/EBITDA                      | 14     | 13      | 12     | 12     |
|   |         |         |         |         | EV/EBIT                        | 16     | 16      | 14     | 14     |
| Cash flow statement   |         |         |         |         | Operating Performance          |        |         |        |        |
| (VND Billion)   | 2022    | 2022    | 2023F   | 2024F   | ROE%                           | 32%    | 27%     | 29%    | 30%    |
| Net profit  | 12,922  | 10,496  | 10,889  | 12,196  | ROA%                           | 20%    | 17%     | 18%    | 20%    |
| Plus: depreciation & amort                                    | 2,121   | 2,095   | 2,182   | 2,319   | ROIC%                          | 25%    | 25%     | 23%    | 25%    |
| Plus: investing (profit)/loss                                 | -987    | -1,098  | -1,208  | -1,329  | Financial Structure            |        |         |        |        |
| Interest Expense  | -89     | -166    | -109    | -98     | Cash ratio                     | 0.14   | 0.52    | 0.44   | 0.47   |
| Change in working capital                                     | 13,967  | 11,326  | 11,755  | 13,089  | Quick Ratio                    | 1.72   | 1.70    | 1.88   | 1.89   |
| (Inc)/dec - receivables                                       | -517    | -288    | 98      | -195    | Current Ratio                  | 2.12   | 2.06    | 2.38   | 2.31   |
| (Inc)/dec - inventory   | -2,261  | 851     | -1,350  | 541     | LT Debt/Equity                 | 0.00   | 0.00    | 0.00   | 0.00   |
| Inc/(dec) - payables  | 1,484   | -386    | 301     | -236    | LT Debt/Total assets           | 0.00   | 0.00    | 0.00   | 0.00   |
| Inc/(dec) - advances  | 0       | -73     | -33     | 52      | ST Debt/Equity                 | 0.28   | 0.16    | 0.18   | 0.21   |
| Other adj for operations                                      | 0       | 0       | 0       | 0       | ST Debt/Total assets           | 0.28   | 0.16    | 0.18   | 0.21   |
| Operating cash flow   | 9,432   | 8,827   | 7,807   | 10,006  | ST liabilities/Equity          | 0.24   | 0.36    | 0.26   | 0.26   |
| Purchase of Fixed Assets and long term assets                 | -1,531  | -1,457  | -1,559  | -1,656  | ST liabilities/Total assest    | 0.15   | 0.22    | 0.17   | 0.16   |
| Proceeds from disposal of fixed assets                        | 134     | 137     | 137     | 146     | Total liabilities/Equity       | 0.24   | 0.36    | 0.26   | 0.25   |
| Loans granted, purchases of debt instruments                  | -3,514  | 0       | 0       | -2,257  | Total liabilities/Total assets | 0.15   | 0.22    | 0.17   | 0.16   |
| Collection of loans, proceeds from sales of debts instruments | 0       | 3,635   | -13     | 0       | Activity Ratio                 |        |         |        |        |
| Investments in other entities                                 | -23     | -43     | -22     | -30     | Account receivable turnover    | 13.9   | 12.9    | 13.7   | 14.0   |
| Proceed from divestment in other entities                     | 1       | 0       | 9       | 7       | Inventory turnover             | 5.1    | 6.5     | 5.3    | 6.0    |
| Dividends and interest received                               | 1,000   | 1,201   | 1,237   | 1,274   | Account payable turnover       | 8.7    | 8.9     | 8.4    | 9.3    |
| Investing cash flow   | -3,933  | 3,473   | -211    | -2,516  |                                |        |         |        |        |
| Proceeds from issue of shares                                 | 318     | 338     | 0       | 0       |                                |        |         |        |        |
| Payment for share returns and repurchase                      | 0       | 0       | 0       | 0       |                                |        |         |        |        |
| Proceeds from borrowings                                      | 9,597   | 6,258   | 8,024   | 8,997   |                                |        |         |        |        |
| Repayment of borrowings                                       | -7,551  | -10,789 | -7,041  | -7,804  |                                |        |         |        |        |
| Finance lease principal payments                              | 0       | 0       | 0       | 0       |                                |        |         |        |        |
| Dividends paid  | -7,621  | -8,167  | -8,360  | -8,360  |                                |        |         |        |        |
| Interests, dividends, profits received                        | 0       | 0       | 0       | 0       |                                |        |         |        |        |
| Financing cash flow   | -5,257  | -12,360 | -7,377  | -7,166  |                                |        |         |        |        |
| Net increase in cash & equivalents                            | 241     | -61     | 219     | 324     |                                |        |         |        |        |
| Cash & equivalents - beginning                                | 2,111   | 2,349   | 2,300   | 2,518   |                                |        |         |        |        |
| Cash & equivalents - ending                                   | 2,349   | 2,300   | 2,518   | 2,842   |                                |        |         |        |        |

Source: Vinamilk, KB Securities Vietnam

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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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