



Vinamilk (VNM)

Restructure to thrive

August 27, 2025

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Demand for imports bounced back after restructuring-induced disruption in 1Q 2Q25 revenue of Vinamilk (VNM) set a new peak, reaching VND16,745 billion (+0.4% YoY), but NPAT-MI dropped 7.3% YoY to VND2,475 billion. A surge in the prices of major input materials and fierce competition in the industry caused profits to decrease compared to the same period last year.

VNM continues to promote new products and reposition retail stores

VNM continues to launch new products with a cumulative number of launches/relaunches reaching up to 70 products with eye-catching packaging, rich flavors, and nutritional content, targeting fragmented and diverse milk consumption needs. Retail stores are also being invested in design to synchronize with products, helping to attract customers more effectively. We expect VNM to improve its market share in the premium segment, which has not been a key customer segment in the past.

Profit margin should improve considerably in 2H25

The price of VNM's main material, imported milk powder, is likely to decline in the short term due to prolonged sluggish demand in key markets amid global trade war. This, when combined with higher proportion of premium products with adjusted selling prices, may raise VNM's EBIT margin by 190bps (QoQ) in the second half of the year.

Valuation: NEUTRAL rating - Target price VND65,800/share

We determine the fair price for VNM shares at VND65,800, equivalent to a profit margin of 10%. We change our rating to NEUTRAL as VNM has increased by 9% compared to the last report. Investors may consider buying at VND54,800 for an expected return of 20%.

Neutral change

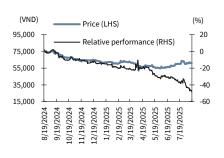
Target price	VND65,800
Upside	10%
Current price (Aug 27, 2025)	VND59,700
Consensus target price	VND71,800
Market cap (VNDtn/USDbn)	126.4/4.8

Trading data	
Free float	35.3%
3M avg trading value (VNDbn/USDmn)	265/10.3
Foreign ownership	50.8%
Major shareholder	SCIC (36%)

mance			
1M	3M	6M	12M
8.0	8.4	-0.2	-20.1
-8.5	-17.8	-27.2	-49.8
	1M 0.8	1M 3M 0.8 8.4	1M 3M 6M 0.8 8.4 -0.2

Forecast	earnings	ኤ	valuation

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FY-end	2023	2024	2025F	2026F
Net revenue (VNDbn)	60,369	61,783	60,833	65,273
Operating income/loss (VNDbn)	10,405	9,722	10,806	11,545
NPAT-MI (VNDbn)	8,874	9,392	9,016	9,832
EPS (VND)	4,246	4,494	4,314	4,704
EPS growth (%)	5%	6%	-4%	9%
P/E (x)	14.1	13.3	13.8	12.7
P/B (x)	3.9	3.9	4.0	4.0
ROE (%)	29	29	28	32
Dividend yield (%)	6.4	7.3	7.3	7.3



Source: Bloomberg, KB Securities Vietnam



Revenue composition (2024)

■ Domestic ■ Export ■ Overseas subsidiaries 8.596 9.596

Source: Vinamilk, KB Securities Vietnam

Business operation

Vietnam Dairy Products JSC (VNM) is the largest dairy brand in Vietnam with 40–45% market share. The most prominent products of VNM are yogurt and condensed milk, accounting for 80–90% of the domestic market share. VNM is restructuring its brand image and products to attract customers from the younger generation and modern channels. The company is also heavily investing in technology to optimize production and sales processes.

Investment Catalysts Notes

VNM will continue restructuring stores and new product portfolio to regain market share

Tariffs hit the income of the people working in export sector

VNM is an attractive defensive consumer stock with high dividend yield of 6.5-7.3%/year

Please see more details below

Please find more details <u>here</u>

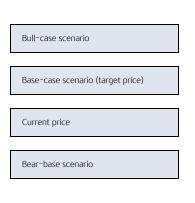
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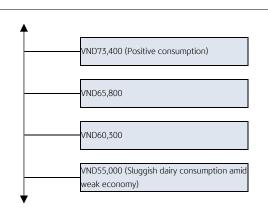
Revised earnings estimates

(VNDbn)	KBSV estima	tes	Change vs previo	us estimates	Consen	sus*	Differe	ence
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	60,833	65,273	-5%	-3%	63,037	65,345	-3%	0%
EBIT	9,722	10,806	-3%	-2%	10,142	11,088	-4%	-3%
NP after MI	9,016	9,832	-2%	-2%	9,133	9,720	-1%	1%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks





Base-case scenario: catalysts

1) Revenue growth: -1.5% YoY 2) GPM/EBIT: 41.5%/16% 3) NPAT growth: -4% YoY

Bull-case scenario: upside risk

1) Revenue growth: 3% YoY 2) GPM/EBIT: 41.7%/16.3% 3) NPAT growth: +4% YoY

Bear-case scenario: downside risk

1) Revenue growth: -7% YoY 2) GPM/EBIT: 40.5%/14.7% 3) NPAT growth: -8% YoY



Business performance

VNM made a slight recovery in business performance after restructuring sales team in 1Q In 1Q25, VNM reviewed and replaced some sales teams and major distributors to match the new system, causing domestic sales to contract 13% YoY. Therefore, the demand for new products increased in the first two months of 2Q with double-digit growth in revenue. In addition, the company said it was slightly affected by the restructuring of retail stores due to the impact of new tax regime on business households.

Table 1. VNM - 2Q25 financial results

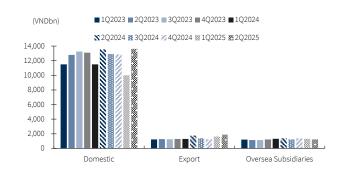
(VNDbn, %)	2Q24	2Q25	+/-%YoY	1H24	1H25	+/-%QoQ	Notes
Revenue	16,656	16,725	0%	30,768	29,659	-4%	
- Domestic	13,532	13,614	1%	25,028	23,624	-6%	Domestic revenue showed a sharp rebound thanks to increased orders from distribution channels and agents after disruptions in 1Q.
- Exports	1,740	1,890	9%	3,037	3,510	16%	High growth was mainly attributable to the Iraqi market.
- Foreign subsidiaries	1,384	1,221	-12%	2,703	2,525	-7%	The decline mostly came from the Cambodian market,
Gross profit	7,068	7,022	-1%	12,979	12,232	-6%	
Gross profit margin	42.4%	42.0%	-45bps	42.2%	41.2%	-94bps	GPM in 2Q recovered well, gaining 170bps QoQ but still lower than 2Q24 level.
- Domestic	41.8%	41.6%	-17bps	42.0%	40.7%	-124bps	
- Exports & foreign subsidiaries	45.2%	43.5%	-168bps	43.1%	43.2%	13bps	Higher milk powder prices bit GPM.
Financial income	373	376	1%	761	743	-2%	
Financial expenses	88	110	25%	190	151	-20%	
Shared profits from affiliates	3	4	15%	14	20	47%	
SG&A	4,031	4,174	4%	7,522	7,774	3%	SG&A kept rising despite flat revenue mainly due to fierce competition in the dairy industry.
SG&A margin	24%	25%	76bps	24%	26%	177bps	
Operating income/loss	3,326	3,119	-6%	6,041	5,069	-16%	Operating profit margin decreased due to lower gross margin and higher selling cost/revenue.
Other income	(17)	(23)	32%	(27)	(22)	-19%	
Profit before taxes (PBT)	3,309	3,096	-6%	6,014	5,047	-16%	
NP after taxes (NPAT)	2,696	2,489	-8%	4,903	4,076	-17%	
NPAT-MI	2,671	2,475	-7%	4,865	4,043	-17%	
NPAT margin	16.0%	14.8%	-124bps	15.8%	13.6%	-218bps	

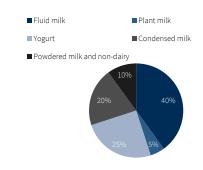
Source: Vinamilk, KB Securities Vietnam



Fig 2. VNM - Revenue breakdown by geography (VNDbn)

Fig 3. VNM - Revenue breakdown by product in 2Q25 (%)





Source: Vinamilk, KB Securities Vietnam

Source: Vinamilk, KB Securities Vietnam

Profit margins expected to improve positively in the second half of the year

Skimmed milk powder (SMP) and whole milk powder (WMP) prices are on a downtrend and are expected to be flat with an estimated 4%–10% contraction compared to the beginning of the year due to some impact from tariffs and weak demand from Asian countries such as China, Indonesia, and Vietnam – the main consuming region (USDA). Accordingly, WMP import volume from the main producer, New Zealand, fell 5% in 1H25. VNM's management expects GPM to recover and reach 42% in 2H25. However, we believe that import costs for both items will increase in the long term as supply declines on low profit margins, causing major suppliers to switch to butter and cheese production with higher efficiency (USDA). On the contrary, the strategy of shifting to the highend segment and using more self–produced fresh milk is expected to help VNM maintain stable profit margins and reduce the impact of rising milk powder prices in the long term.

Input milk powder prices tend to decrease significantly, helping VNM to reduce costs.

Fig 4. Global - Milk powder prices (USD/kg)



Source: CLAL, GDT Trade, SGX

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^{*} Note: Prices from September 2025 are the future prices on the Singapore Commodity Exchange

WMP (Tonnes)	2023	2024	2025	2025 %YoY
Argentina	111	121	110	-9%
Australia	38	55	45	-18%
EU	260	209	190	-9%
New Zealand	1,366	1,373	1,400	2%
Major exporters	1,775	1,758	1,745	-1%

SMP (Tonnes)	2023	2024	2025	2025 %YoY
Australia	133	170	150	-12%
EU	775	718	720	0%
New Zealand	451	441	460	4%
US	809	744	649	-13%
Major exporters	1,775	1,758	1,745	-1%

Source: USDA Source: USDA

VNM continues to promote new products and reposition retail stores

VNM hopes to raise the total retail store count (including franchises) to 800 by 2025 with a new, modern and premium design to attract customers and reduce dependence on large retail agents. In addition, physical stores will act as a distribution channel for online orders and a place to introduce new products to verify their effectiveness before reaching retail systems nationwide. With 70 new/relaunched products, VNM has carefully prepared for a new growth cycle with products that bring customized nutritional values to diverse customer groups. We expect this strategy to increase competitive advantage in urban areas and the high-end segment and bring higher profit margins.

Fig 7. VNM - New product portfolio in 2Q25

Fig 8. VNM - New soya milk products



Source: Vinamilk

* Note: VNM continues to expand new product portfolio in 2Q, focusing on specific nutritional needs

Source: Vinamilk

*Note: VINdITIIK *Note: VNM launched new soya milk products to compete with VInasoy

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Source: Vinamilk, KB Securities Vietnam

High but shrinking market share forces VNM to transform to create new growth momentum

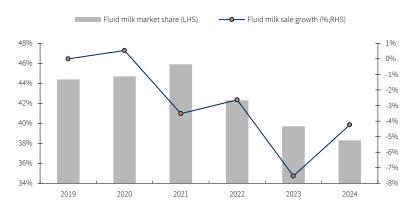
* Note: VNM has promoted repositioning stores to modern trends, reaching young urban consumers



Source: Vinamilk, KB Securities Vietnam

* Note: New shopping space will bring better experience to customers

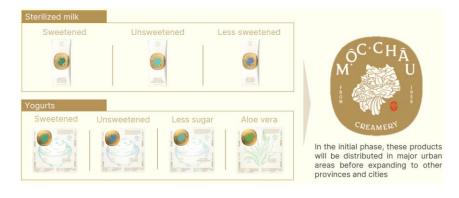
Fig 11. VNM - Market share over the years (%)



Source: Vinamilk, KB Securities Vietnam

Fig 21. MCM - New product portfolio

Moc Chau Milk (HSX: MCM) was repositioned as VNM's most high-end brand



Source: Vinamilk, KB Securities Vietnam

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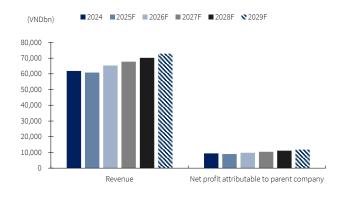
Forecast & valuation

Table 13. VNM - 2025-2026F results

(VNDbn, %)	2024	2025F	+/-YoY	2026F	+/-YoY	Assumptions
Revenue	61,782	60,834	-1.5%	65,273	7.3%	We expect revenue to recover positively from 2026, compared to a low level in 2025 due to the impact of restructuring.
- Domestic	50,799	49,293	-3.0%	52,977	7.5%	2025 revenue from fluid milk/yogurt/condensed milk/powdered milk may grow -4.2%/1%/3%/-1% YoY. In 2026, growth in the above categories is forecast to reach 1%/5%/5%/3% YoY, respectively.
- Exports	5,664	6,321	11.6%	6,761	7.0%	
- Foreign subsidiaries	5,319	5,219	-1.9%	5,535	6.0%	
Gross profit	25,590	25,220	-1.4%	27,039	7.2%	Profit margin should rebound considerably in 2H25, helping the overall GPM improve slightly compared to 2024. We expect the gross margin to
Gross profit margin	41.4%	41.5%	4bps	41.42%	-3bps	remain flat in 2026 thanks to the product structure shifting towards high- end with better selling prices offsetting the modest increase in the costs of imported milk powder.
- Domestic	41.3%	41,2%	-9bps	40.7%	-52bps	
- Exports, foreign subsidiaries	42,0%	42.6%	55bps	44.7%	209bps	
Financial income	1,586	1,760	11.0%	1,696	-3.6%	
Financial expenses	428	456	6.4%	475	4.3%	
Shared profits from affiliates	32	39	23.1%	39	0.0%	
SG&A	15,186	15,498	2.6%	16,233	2.5%	
SG&A margin	24.6%	25.5%	90bps	24.9%	-61bps	
Operating income/loss	11,594	11,066	-4.6%	12,067	9.0%	
Profit before taxes (PBT)	11,600	11,066	-4.6%	12,067	9.0%	
Net profit after taxes (NPAT)	9,453	9,074	-4.0%	9,895	9.0%	
NPAT-MI	9,392	9,016	-4.0%	9,832	9.0%	
NPAT margin	15.2%	14.8%	-38bps	15,1%	24bps	

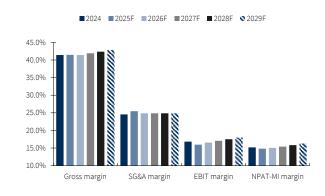
Source: Vinamilk, KB Securities Vietnam

Fig 14. VNM - Revenue & NPAT-MI in 2025-2029F (VNDbn)



Source: KB Securities Vietnam

Fig 15. VNM - Profit margins in 2025-2029F (%)



Source: KB Securities Vietnam

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Valuation: NEUTRAL rating – Target price VND65,800/share

We believe that VNM is still an attractive defensive stock with single-digit growth and an expected dividend yield of 7.1%. We determine the fair price for VNM stock at VND65,800/share, 10% higher than the current price.

Table 16. VNM - Model assumptions & valuation

Assumptions	Value	Assumptions	Value
Beta	0.66	PV of cash flows in 2025–2029F (VNDbn)	43,652
Risk-free rate	4.6%	PV of terminal value (VNDbn)	82,062
Cost of equity	8.35%	PV (VNDbn)	125,714
Risk premium	10.1%	Net debt (VNDbn)	15,697
Average interest rate	2.6%	Non-controlling interest (VNDbn)	-3,896
Terminal growth	2%		•
WACC	9.6%	Equity value (VNDbn)	137,516
		Number of shares outstanding (million shares)	2,090
		Target price (VND/share)	65,798
Source: KB Securities Vietnam			

Fig 17. VNM - PB & ROE (x, %)

9.0 45 8.0 40 35 6.0 30 5.0 4.0 20 3.0 15 10 2.0 25-Mar-20 25-Mar-22 25-Mar-24 25-Sep-24 25-Mar-25 25-Sep-20 25-Sep-21 25-Sep-22 25-Mar-23 25-Sep-23

Source: Bloomberg, KB Securities Vietnam



VNM - 2023A-2026F summarized financials & forecasts

Income Statement					Balan	nce Sheet	ice Sheet	ice Sheet
ion VND)	2023	2024	2025F	2026F	(Billion VND)		2023	2023 2024
andard Report)					(Standard Report)			
et sales	60,369	61,783	60,833	65,273	TOTAL ASSETS		52,673	52,673 55,049
ost of sales	35,824	36,192	35,613	38,233	CURRENT ASSETS		35,936	35,936 37,554
ross Profit	24,545	25,590	25,220	27,039	Cash and cash equivalents		2,912	2,912 2,226
nancial income	1,586	1,760	1,696	1,719	Short-term investments		20,137	20,137 23,260
nancial expenses	428	456	475	500	Accounts receivable		6,530	6,530 6,234
f which: interest expenses	279	298	308	322	Inventories		6,128	
n/(loss) from joint ventures (from 2015)	0	0	0	0	LONG-TERM ASSETS		16,737	
ing expenses	13,018	13,358	13,628	14,226	Long-term trade receivables		16	16 18
eral and admin expenses	1,756	1,828	1,870	2,007	Fixed assets		12,745	12,745 12,604
erating profit/(loss)	10,929	11,709	10,943	12,026	Investment properties		937	937 1,540
therincome	353	231	0	0	Long-term investments		831	
ther expense	289	-225	0	0	Goodwill		1,322	1,322 1,076
other income/(expenses)	64	6	0	0	LIABILITIES		17,648	17,648 18,875
ne from investments in other entities	-81	32	39	39	Current liabilities		17,139	
counting profit/(loss) before tax	10,968	11,600	11,066	12,067	Trade accounts payable		3,806	3,806 3,874
ate income tax expenses	1,949	2,147	1,992	2,172	Advances from customers		165	
ofit/(loss) after tax	9,020	9,453	9,074	9,895	Short-term borrowings		509	
ty interests	146	61	58	63	Long-term liabilities		270	
itable to parent company	8,874	9,392	9,016	9,832	Long-term trade payables		270	
, , , , , , , , , , , , , , , , , , ,	2,2	-,	-,	3,332	Long-term advances from customers		0	
in ratio					Long-term borrowings		239	
	2023	2024	2025F	2026F	OWNER'S EQUITY		35,026	
oss profit margin	40.7%	41.4%	41.5%	41.4%	Paid-in capital		20,900	
BITDA margin	19.6%	20.2%	20.0%	20.5%	Share premium		34	
IT margin	16.2%	16.8%	16.0%	16.6%	Undistributed earnings		3,926	
re-tax profit margin	18.2%	18.8%	18.2%	18.5%	Treasury share		0	
perating profit margin	18.1%	19.0%	18.0%	18.4%	Investment and development fund		6,164	
Net profit margin	14.7%	15.2%	14.8%	15.1%	Minority interests		3,329	
ssh Flow Statement ND billion)	2023	2024	2025F	2026F	Keyratios (x, %, VND)		2023	2023 2024
et profit/(loss) before tax	10,968	11,600	11,066	12,067	Multiple			
reciation and amortisation	2,300	2,341	2,453	2,593	P/E		14.1	14.1 13.3
ofit/loss from investing activities	-1,429	-1,433	-1,760	-1,696	P/E diluted		14.1	14.1 13.3
terest expense	420	359	456	475	P/B		3.9	3.9 3.9
ating profit/(loss) before changes in Working Capital	12,260	12,867	12,214	13,439	P/S		2.1	2.1 1.3
rease)/decrease in receivables	-245	333	66	-429	P/Tangible Book		3.7	3.7 2.0
rease)/decrease in inventories	-1,021	-54	-642	-846	P/Cash Flow		205.8	
ease/(decrease) in payables	-443	-188	39	288	EV/EBITDA		11.3	
ease)/decrease in prepaid expenses	8	91	-448	52	EV/EBIT		13.6	
ling securities, interest expense, taxes and others	-2,670	-3,363	-3,418	-2,847	Operating performance		10.0	13.0 12.0
uting cash flow	7,888	9,686	7,812	9,656	ROE		29%	29% 29%
chases of fixed assets and other long term assets	-1,580	-1,742	-1,699	-1,801	ROA		18%	
reeds from disposal of fixed assets								
·	105	114	0	0	ROIC		24%	24% 23%
ns granted, purchases of debt instruments	-2,856	-3,620	0	-169	Financial structure			-2 04
ection of loans, proceeds from sales of debts instrum	0	0	1,076	0	Cash Ratio		0.2	
estments in other entities	-36	0	0	0	Quick Ratio		1.3	
oceeds from divestment in other entities	11	36	0	0	Current Ratio		2.1	
dends and interest received	1,368	1,473	1,760	1,696	LT Debt/Equity		0.0	
ng cash flow	-2,989	-3,739	1,136	-274	LT Debt/Total Assets		0.0	
ceeds from issue of shares	490	722	0	0	Debt/Equity		0.5	
ments for share returns and repurchases	-143	0	0	0	Debt/Total Assets		0.2	0.2 0.2
ceeds from borrowings	11,788	17,420	9,436	10,024	ST Liabilities/Equity		0.5	0.5 0.5
payment of borrowings	-8,277	-16,625	-9,273	-9,436	ST Liabilities/Total Assets		0.3	0.3 0.3
dends paid	-8,152	-8,160	-9,091	-9,091	Total Liabilities/Equity		0.5	0.5 0.5
ests, dividends, profits received	0	0	0	0	Total Liabilities/Total Assets		0.3	0.3 0.3
cing cash flow	-4,293	-6,641	-8,928	-8,504	Activity ratios			
icing cash now								
crease in cash and cash equivalents	606	-694	20	879	Account Receivable Turnover		13	13 13
	606 2,300	-694 2,912	20 2,226	879 2,245	Account Receivable Turnover Inventory Turnover		13 6	

Source: Vinamilk, KB Securities Vietnam



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Investment Ratings for Stocks

(Based on the expectation of price gains over the next 6 months)

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

Investment Ratings for Sectors

(Based on the assessment of sector prospects over the next 6 months)

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

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