

# INVESTOR NEWSLETTER

1Q2024

Ho Chi Minh City, April 26<sup>th</sup>, 2024

## CONTINUED THE GROWTH MOMENTUM REGARDLESS OF THE CHALLENGING MACRO SITUATION

Dear Investors,

**Vietnam Dairy Products JSC** (“Vinamilk” or “the Company”) has announced the 1Q2024 financial statements. The Company posted the consolidated total sales and profit after tax reaching VND 14,125 billion and VND 2,207 billion, equivalent to YoY growth rates of 1.2% and 15.8% respectively. In the first 3 months, the consolidated total sales and profit after tax completed 22.4% and 23.5% of the full-year guidance.

### 1Q2024 Highlights:

- According to AC Nielsen, **the dairy sector** declined by 2.8% YoY respectively, supported by the slow-paced growth in goods and services sales of 8.2% YoY ([see page 2](#)), per GSO.
- **The consolidated net revenue** reached VND 14,112 billion, up 1.4 YoY and maintained the growth momentum since 4Q23. Domestic and international net revenues amounted to VND 11,497 billion and VND 2,615 billion respectively, equivalent to flat and 7.7% YoY growth ([see page 3](#)).
- **Domestic net revenue** of Parent Company of VND 10,180 billion grew by 2.0% YoY, outperforming the industry and marking the highest growth in three consecutive quarters, driven by Condensed milk, Drinking Yogurt and Plant-based milk performance ([see page 3](#)).
- **Exports** net revenue reached VND 1,297 billion, anchoring in the high base of 4Q23 and growing by 5.9% YoY ([see page 4](#)). **Net revenue from overseas subsidiaries** reached VND 1,319 billion, growing by 9.6% YoY given brand positioning improvements and increased value for consumers.
- **The consolidated gross profit margin** recovered by 311 bps YoY and 123 bps compared to 2023, reaching 41.9%. Consequently, the consolidated NPAT amounted to VND2,207 billion, a substantial increase of 15.8% YoY, underpinning a consecutive double-digit growth since 4Q23 ([see page 4 & 5](#)).

### Stock Summary

Ticker	VNM
Industry	Hàng tiêu dùng
Listing date	19/01/2006
Share price at 29/12/23 (VND)	67,600
52-week price range (VND)	65,500-81,300
Market cap. (VNDbn)	141,281
Outstanding share (mn share)	2,090
Free float (mn share)	682
30-day avg. vol. (mn share)	2.6
Dividend yield	5.7%
Net cash/Total asset	29%

### About Vinamilk

Vinamilk is the leading dairy company in Vietnam and currently ranked 36th in the global dairy industry for sales. Our mission is becoming an international brand in foods and a symbol of trusted brand for consumers about nutritional and health products. Visit our website to learn more about us <https://www.vinamilk.com.vn/>

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**SUMMARY OF 1Q2024 BUSINESS PERFORMANCE**

(VNDbn)	1Q24	1Q23
<b>Total sales</b>	<b>14,125</b>	<b>13,954</b>
<b>Net sales</b>	<b>14,112</b>	<b>13,918</b>
Domestic	11,497	11,491
International	2,615	2,428
<b>Gross profit</b>	<b>5,912</b>	<b>5,398</b>
Domestic	4,848	4,525
International	1,063	873
SG&A expenses	3,491	3,331
Other profit/(loss) excluding depreciation & interest expense	877	857
<b>EBITDA</b>	<b>3,297</b>	<b>2,924</b>
Depreciation	505	529
Interest expense	86	82
<b>Profit Before Tax</b>	<b>2,706</b>	<b>2,312</b>
<b>Net Profit After Tax</b>	<b>2,207</b>	<b>1,906</b>
<b>EPS (VND)</b>	<b>944</b>	<b>796</b>

**ABOUT THE INDUSTRY**

*The FMCG and the dairy industry in 1Q2024 both recorded a decrease of 2.9%, and 3.4% respectively YoY*

According to AC Nielsen, **the dairy industry** continued the downward trend from mid-2023, with a decline of 2.8% YoY in 1Q2024. A downward trend was recorded for most of other FMCG categories. GSO data also shows a similar trend, as total retail sales and consumer services revenue will grow by only 8.2% in Q1/2024, significantly lower than the average increase of 11.5% per year in the pre-Covid period (2015-2019). Excluding the price factor, the index grew by only 5.1% in Q1 2024, half the 10.1% increase in 1Q2023.

*Although GDP increased by 5.66%, which is the highest level over the same period in the period of 2020-2023, the economy still faces many challenges*

Although **GDP in 1Q2024** increased by 5.66%, which is the highest level over the same period in the period of 2020-2023, the economy still faces many challenges. Specifically, the manufacturing purchasing managers' index (PMI) in March 2024 is below the threshold of 50 points. In addition, statistics show that the ratio between enterprises entering the market and withdrawing from the market has changed significantly, from 4:1 in the period 2018-2022 to 1:2 in the period 2023-Q1/2024, explaining the decrease in the total number of domestic enterprises by 14 thousand enterprises in the last quarter. This situation, combined with global economic upheavals and extreme climate change, certainly has an impact on jobs, incomes and consumer sentiment.

## ABOUT VINAMILK

### 1. REVENUE

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*The consolidated net revenue continued the growth momentum from the previous quarter*

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**Consolidated net revenue in Q1/2024** reached VND14,112 billion, a 1.4% growth compared to the same period, continuing the growth momentum from the previous quarter amid various macroeconomic and industry challenges. By region, domestic net revenue reached VND 11,497 billion, equivalent to the same period, and foreign markets reached 2,615 billion VND, an impressive 7.7% YoY increase..

#### Domestic market:

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*The Parent Company recorded domestic net revenue at the highest growth in the past 3 quarters*

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- **The Parent Company** recorded domestic net revenue in Q1/2024 of VND 10,180 billion, a 2,0% YoY increase, outperforming the dairy industry and marking the highest growth in the last 3 quarters. The growth momentum was picked up by the Condensed Milk, Drinking Yogurt, and Plant-based Milk segment.

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*Condensed milk kept up its double-digit YoY revenue growth*

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- **Condensed milk** kept up its double-digit revenue growth compared to the same period, gaining market share through efforts to expand the condensed milk market with campaigns encouraging the condensed milk consumption in cooking and beverage recipes. During Tet, cooking tutorial videos and cooking competitions attracted over 11 thousand social media discussions and named in the top 4 highlighted campaigns in February 2024<sup>1</sup>. The company plans to continue expanding its product portfolio this year to attract new consumers and ensure competitively priced offerings for price-sensitive consumer segments.

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*Eating yogurt maintained steady single-digit growth on a dominant market share position, drinking yogurt achieved double-digit growth for the third consecutive quarter*

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- **Eating yogurt** maintained steady single-digit growth given a dominant market share position, **drinking yogurt** achieved double-digit growth for the third consecutive quarter thanks to effective influencer marketing. Targeting the Potential Customer segment, yogurt marketing campaigns with prominent KOLs effectively resonated with the target consumer base. This strategy contributed to enhancing the effectiveness of conveying the health message of yogurt products, leveraging the large following of KOLs to influence consumer purchasing decisions.

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<sup>1</sup> Buzzmetrics

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*Plant-based milk and Green Farm fresh milk recorded high revenue growth rates of 70% and 76% respectively*

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*Powdered milk showed signs of recovery*

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*Most of major distribution channels recorded positive growth*

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*MCM recorded 1Q2024 net revenue of VND 625 billion*

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*Net export revenue maintained high levels compared to Q4/2023 and growing by 5.9% YoY*

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- **Plant-based milk and Green Farm fresh milk** recorded high revenue growth rates of 70% and 76% respectively YoY, driven by intensified gift promotion programs. According to Kantar research<sup>2</sup>, gift-with-purchase programs yield the most positive results for brands in attracting new consumers. Experiences such as trying Supernut, Green Farm fresh milk at points of sale, and gifts such as Vinamilk signature bags, water bottles, and gym vouchers are increasingly appealing to health-conscious consumers.
- **Powdered milk** showed signs of recovery. Notably, adult powdered milk saw significant improvement as a key brand increased its market share by nearly 1.0% after Tet communication campaigns. This result reinforces the effectiveness of Vinamilk's communication strategy for the powdered milk segment.

**By distribution channel**, in Q1/2024, the Company recorded positive growth across most major distribution channels. Highlights of growth were observed in the Vinamilk store channel and e-commerce, with growth rates exceeding 20%. As of March 31, 2024, Vinamilk operates a network of 653 stores.

- **Moc Chau Milk Cow (MCM)** reported Q1/2024 net revenue of VND 625 billion. Unfavorable weather conditions contributed to a decline in demand for milk products in the Northern mountainous market. Additionally, consumption for FMCG products and dairy products continued to face challenges as discussed in the industry analysis.

### Overseas Market

**Foreign net revenue** of VND 2,615 billion in Q1/2024 marked an impressive growth of 7.7% compared to the same period. Specifically:

- **Export net revenue** reached VND 1,297 billion in Q1/2024, maintaining high level of Q4/2023 and growing by 5.9% YoY.

**Traditional markets** continued to play a significant role in driving business performance. The company plans to expand distribution channels and diversify product portfolios to leverage the brand strength and market opportunities amidst supply constraints to these countries due to regional conflicts. Additionally, the company is actively pursuing a penetration strategy in potential export markets such as in Africa, South America, etc.

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<sup>2</sup> Vietnam FMCG Outlook 2024, Kantar Vietnam

**For developed markets in terms of dairy consumption**, Vinamilk strengthens collaboration with leading dairy brands to jointly develop and produce dairy products. Vinamilk offers products according to world-class standards, meeting customers' specific needs in R&D, packaging, etc., and at competitive prices. This strategy leverages Vinamilk's manufacturing capabilities with factories meeting international standards and modern processing technology. This maximizes factory productivity and enhances Vinamilk's team understanding of markets, products, and technologies in importing countries. This is an expansion strategy in line with Vietnam's general direction and global trends towards international business.

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*Angkormilk and Driftwood both experienced positive revenue*

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- **Net revenue from overseas subsidiaries** reached VND 1,319 billion in Q1/2024, growing by 9.6% compared to the same period. Amidst inflation, Angkormilk and Driftwood both experienced positive revenue growth given brand positioning improvements and increased value for consumers. Therefore, foreign branches seized market opportunities to effectively increase revenue and profit growth.

## 2. PROFIT MARGIN AND COST

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*GPM reached 41.9%, recovering by 311 bps YoY and 123 bps compared to 2023*

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**The consolidated gross profit margin (GPM)** reached 41.9% in Q1/2024, recovering by 311 bps YoY and 123 bps compared to 2023, thanks to revenue growth combined with favorable input costs.

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*The company expects SG&A expenses in 2024 to remain relatively stable YoY*

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**Selling and administrative expenses (SG&A)** accounted for 24.7% of net revenue in Q1/2024, a slight increase from the 24.5% level in 2023. This increase ensures the company has enough budget to enhance business development activities while preserving the improved gross profit margin. The company expects SG&A expenses in 2024 to remain relatively stable compared to the same period.

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*1Q24 NPAT marks two consecutive quarters of double-digit growth*

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**Consolidated net profit after tax (NPAT)** in Q1/2024 reached VND 2,207 billion, a 15.8% increase YoY and fulfilling 23.5% of the annual plan. This marks two consecutive quarter of double-digit growth thanks to improved gross profit margin and effective cost control. As a result, the consolidated NPAT margin in Q1/2024 reached 15.6%, expanding by 195 bps YoY and 71 bps compared to the entire year 2023. Correspondingly, earnings per share reached VND 944, increasing by 18.5% compared to the same period.



- **For MCM**, NPAT in Q1/2024 reached VND 50 billion, lower than the same period due to revenue results. Recently, the 2024 Annual General Meeting (AGM) of MCM approved the revenue and NPAT plans for 2024 at VND 3,367 billion and VND 332 billion, respectively, representing a 7.4% increase and an 11.4% decrease compared to the same period. The AGM also approved a stable dividend policy of at least 50% of NPAT.

### 3. BALANCE SHEET AND CASH FLOW ANALYSIS

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*Net cash balance remained at a high level for a better deposit and loan interest terms*

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**Stable Cash Flow:** The consolidated net cash balance as of March 31, 2024, continues to be maintained at a high level as a result of stable profit generation capabilities and abundant cash flow from business operations, ensuring financial health. In Q1/2024, Vinamilk finalized the shareholder list of interim dividends for the third installment of 2023, with a dividend of 900 VND per share, payable on April 26, 2024.

**Low Debt Ratio:** The debt-to-total-assets ratio stands at 13.2%, minimizing leverage pressure to effectively allocate financial resources for reinvestment in business operations and enhancing value for the company's shareholders.

**Efficient Working Capital Management:** Effective management of accounts receivable and accounts payable turnover days ensures the company can rotate and meet short-term financial needs. Inventory turnover fluctuates around 70 days, adaptable to the price negotiation of raw material and production plans for upcoming peak quarters.

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*CAPEX of VND 380 billion, an increase of VND 20 billion YoY*

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**In Q1/2024, the company disbursed** nearly VND 380 billion for consolidated basic construction investments, an increase of VND 20 billion compared to the same period.

### 4. OTHER OPERATIONAL HIGHLIGHTS

#### **Vinamilk is named the 28th Consecutive Vietnamese High-Quality Goods**

The Vietnamese High-Quality Goods title is one of the most prestigious and long-standing voting competitions in Vietnam. This year, the program received over 70,000 votes for products from 17,861 online and offline consumers, along with 3,830 sales points in four major cities. Vinamilk is one of the few companies to maintain this title for 28 years since the program's inception in 1996. This year's voting also shows that besides quality, consumers highly appreciate the products and brand for their sustainable development factors.

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***The third unit achieved carbon neutrality***

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**Announcement of The Third Unit to Achieve International Carbon Neutrality Certification**

The British Standards Institution (BSI) has awarded the PAS 2060:2014 carbon neutrality certification to Vinamilk's Beverage Factory in Vietnam, part of Vinamilk's factory system. Thus, Vinamilk currently owns three units, including two factories and one farm, that have achieved this certification. This result comes from the dual efforts of the company in continuously implementing emission reduction projects in production and livestock farming, as well as maintaining and expanding the company's tree-planting fund to absorb and contribute to reducing the carbon footprint on the journey to the Net Zero target by 2050.

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***Released the 2023 Annual Report and Sustainability Report***

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**2023 Annual Report and Sustainability Report**

Vinamilk has released the 2023 Annual Report, providing detailed information on its business operations and performance. You can access the Annual Report [HERE](#). The company has also published its 2023 Sustainability Report, which includes various environmental, social, and corporate governance indicators. You can find the Sustainability Report [HERE](#).

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*The AGM approved the total dividend for 2024 at 38.5% of par value, equivalent to VND 3,850 per share, the same as the previous year*

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## 5. 2024 OUTLOOK

### Commitment to Stable Dividend Policy

On April 25, 2024, the annual general meeting (AGM) for the year 2024 approved the final dividend for the year 2023 at VND 950 per share and delegated the Board of Directors to determine the payment schedule within 6 months from the date of the AGM. Thus, the total dividend for the year 2023 amounted to 38.5% of par value, equivalent to VND 8,046 billion, with a dividend payout ratio of 91% of consolidated after-tax profit allocated to the company's shareholders.

The AGM also approved the total dividend for the entire year 2024 at 38.5% of par value, equivalent to VND 3,850 per share, the same as the previous year. Detailed discussions during the AGM are presented in the meeting minutes available [HERE](#).

### Revenue And Profit Guidance

The AGM has approved the 2024 (consolidated) revenue and profit guidance in accordance with the Vietnamese Accounting Standards as follows:

CONSOLIDATED (VND billion)	2024 Guidance	2023 Actual	YoY variance	
			Value	Growth (%)
Total revenue	63,163	60,479	2,684	4.4%
Profit before tax	11,516	10,968	548	5.0%
Profit after Tax	9,376	9,019	357	4.0%

### MCM – To Be Listed On HoSE

MCM is completing the necessary procedures and awaiting approval from the Ho Chi Minh City Stock Exchange. In the company's annual general meeting (AGM) in 2024, MCM's Board of Directors responded regarding the plan to switch exchanges, business operations, investment plans, and dividends. The discussions during MCM's AGM are detailed in the meeting minutes, available [HERE](#) (Vietnamese only).

You can register to attend the quarterly regular meeting with the management [HERE](#).