

VIETNAM DAIRY PRODUCTS JSC (HSX: VNM)

The big boat strives to conquer mighty waves

We observe that VNM's business performance growth has stagnated since Covid-19, with its market share declining amid a gloomy domestic dairy market. Efforts to revamp product portfolios and increase discounts, implying the sacrifice of profit margins, have yet to brighter results.

• Revenue struggles to return to growth phase:

- The core market (domestic dairy) has entered a saturation phase, with annual sales growth of 1-3% (volume expansion is limited due to a sharp decline in birth rates, capped milk spending, and growth mainly driven by pricing relative to a trend toward premium, health-focused consumption).
- Vinamilk's market share (~40% domestically) has hit a ceiling and is trending downward due to fierce competition from agile local dairy brands adapting to new trends and strong penetration by established international players.
- VNM has sought to reduce reliance on the domestic market by expanding into developing countries with similar consumption patterns and less competition from global giants, or venturing into new segments like Vinabeef, but these efforts have not yet significantly impacted performance.

• Narrowing net profit margins (currently above industry average):

- Rising milk powder input costs, combined with a shift to fresher milk products (with lower margins than powdered milk), are squeezing gross margins.
- Higher discount expenses to bolster distribution competitiveness align with broader food & beverage industry trends.

We forecast 2025 business results to remain flat year-on-year, with NPAT-MI at VND 9,297 bn and EPS at VND 4,448. In the long term, net profit CAGR for 2025-29 is projected at 0.3%, reaching VND 9,516 bn by 2029.

Using a 40:60 weighted DCF and P/E valuation, VNM's fair value for the next year is **VND 69,500 per share**. Based on the closing price on March 4th, 2025, we recommend a **NEUTRAL** stance on VNM.

Risks

- Upside risks to VNM's stock price could stem from: (1) stronger-than-expected long-term performance if Vinamilk swiftly regains market share and improves gross margins due to a sustained drop in input costs (milk powder), and (2) Vietnam's stock market upgrade, attracting significant foreign capital, potentially lifting leading stocks like Vinamilk to a higher P/E premium.
- Vinabeef operations, Moc Chau milk paradise projects, and the Hung Yen milk plant are excluded from valuation due to unclear prospects and lack of objective quantification.

Key financial ratios

Y/E Dec (VND bn)	FY2022	FY2023	FY2024	FY2025F	FY2026F	FY2027F
Net revenue	59,956	60,369	61,783	64,121	66,402	68,341
%change	-1.6%	0.7%	2.3%	3.8%	3.6%	2.9%
EBITDA	11,453	11,731	12,421	12,249	12,526	12,565
PAT	8,516	8,874	9,392	9,297	9,418	9,449
% change	-19.1%	4.2%	5.8%	-1.0%	1.3%	0.3%
Net margin (%)	14.2%	14.7%	15.2%	14.5%	14.2%	13.8%
ROA (%)	17.6%	16.8%	17.1%	16.1%	16.2%	16.3%
ROE (%)	28.5%	28.0%	29.1%	28.1%	27.9%	27.4%
Basic EPS (VND)	4,075	4,246	4,494	4,448	4,506	4,521
Book value (VND)	14,282	15,166	15,445	15,803	16,165	16,529
Cash dividend per share (VND)	5,250	2,950	3,850	4,090	4,150	4,160
P/E (x)	18.7	15.9	14.1	15.0	14.8	14.8
P/BV (x)	5.3	4.5	4.1	4.2	4.1	4.0

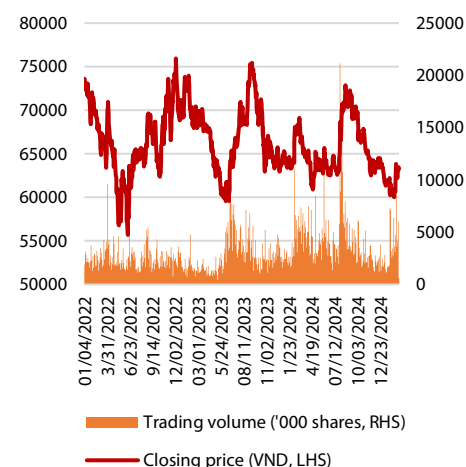
Source: VNM, RongViet Securities. Based on the closing price on March 04th, 2025.

NEUTRAL

Market price (VND)	63,500
Target price (VND)	69,500
Expected cash dividend next 1 year (VND)	4,090

Stock Info

Sector	Food & Beverage
Market Cap (VND Bn)	131,458
Share O/S (Mn)	2,089.96
Beta	0.71
Free Float (%)	40.0
52 weeks high	76,000
52 weeks low	60,000
Average trading volume (20 sessions)	4,288.4



Performance (%)

	3M	1Y	2Y
VNM	0.9	-7.0	-8.3
VN30 Index	5.9	8.2	35.4
VN-Index	5.7	4.1	28.1

Major shareholders (%)

State Capital Investment Corp	36.00
F&N Dairy Investment PTE LTD	17.69
Platinum Victory PTE LTD	10.62
Lien, Mai Kieu	0.31
Others	35.38
Remaining Foreign Room (%)	49.48

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VALUATION

LONG-TERM VALUATION BY FCFF METHOD

DCF Assumptions	Value	Valuation summary	Unit: VND bn
WACC 2024	9.8%	DCF forecast time	5 years
Effective tax rate	20.0%	Discountable Free Cash Flow	116,970
Cost of Equity	11.1%	+ Cash & Equity at Valuation Date	25,486
Risk-free rate	3.0%	- Debt	9,273
Equity risk premium	11.3%	Equity Value	133,183
Beta	0.7	Number of Outstanding Shares (mn shares)	2,089.96
Exit EV/EBITDA	10.5x	Equity Value per Share (VND)	63,725

Table 1: Sensitivity scenario for VNM's Equity Value per Share (VND)

WACC	Exit EV/EBITDA							
		7.5	8.5	9.5	10.5	11.5	12.5	13.5
	6.8%	58,852	62,819	66,786	70,753	74,720	78,687	82,654
	7.8%	56,927	60,714	64,500	68,287	72,073	75,860	79,646
	8.8%	55,100	58,716	62,331	65,947	69,562	73,178	76,793
	9.8%	53,364	56,818	60,271	63,725	67,179	70,633	74,087
	10.8%	51,713	55,014	58,314	61,615	64,916	68,217	71,517
	11.8%	50,143	53,299	56,454	59,610	62,766	65,921	69,077
	12.8%	48,649	51,667	54,685	57,703	60,722	63,740	66,758
	13.8%	47,226	50,114	53,002	55,890	58,777	61,665	64,553
	14.8%	45,870	48,635	51,399	54,163	56,927	59,692	62,456

SHORT-TERM VALUATION BY MULTIPLE METHOD (PE)

We have also conducted a valuation for VNM using the comparable company analysis (PE) method as a reference. A detailed description of the comparable valuation method is provided below.

Company	Market cap	2023 Net revenue	2023 EBITDA	Gross margin	Net margin	2023 P/E	2023 EV/EBITDA
Inner Mongolian Yili Group (China)	23,981	17,819	2,232	32.8	8.3	15.6	12.1
China Mengniu dairy (China)	10,581	13,927	1,340	37.2	4.9	15.0	10.3
Morinaga Milk Industry (Japan)	2,036	3,888	364	31.7	2.4	14.5	8.4
Yakult Honsha (Japan)	9,472	3,671	605	58.0	8.6	26.3	15.4
Fraser & Neave Holdings Bhd (Malaysia)	3,124	984	151	31.1	10.1	27.8	19.8
Vinamilk (Vietnam)	5,821	2,533	507	40.7	14.7	17.6	10.8
5Y-median dairy manufacturer (2018-2023)						21.7	15.8

The inclusion of VNM in the VN30 basket, getting a current P/E ratio of 14-15x aligning with the VNIndex average, is deemed appropriate given the challenging growth outlook and a dividend yield of 5.5-6.0% per annum.

However, **we emphasize the potential scenario of Vietnam's stock market upgrade in 2025, which could position VNM as a stock likely to see increased foreign fund ownership** due to its status as a leading enterprise in the consumer goods sector and its high liquidity. Consequently, **VNM's P/E ratio could be re-evaluated upward by approximately 10-15%** above the current 14-15x range, translating to **a revised P/E range of 16.0-17.0x**. This would align with the valuation multiples of dairy companies in comparable markets [\(Refers to Appendix 2\)](#).

Investors may refer to the VNM valuation sensitivity table and P/E metrics provided below, selecting an appropriate valuation for VNM based on their individual risk appetite.

Table 2: Sensitivity scenario for VNM's Equity Value per Share (VND)

EPS (VND)	P/E										
			10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5
	2025	4,448	46,706	51,154	55,602	60,051	64,499	68,947	73,395	77,843	82,292
	2026	4,506	47,315	51,821	56,327	60,833	65,339	69,845	74,352	78,858	83,364

Source: RongViet Securities | (*) EPS (Sales Per Share)

Combining the long-term DCF method (reflecting VNM's intrinsic potential) and the short-term PE method (capturing the market upgrade narrative) with a 40:60 weighting, we set a one-year target price for VNM at VND 69,500 per share. Based on the closing price on March 4th, 2025, we recommend a **NEUTRAL** stance on VNM.

Methods	% contribution	Target price (VND/share)
DCF (5-year, WACC: 9.8%, EVEBITDA: 10.5x)	40%	63,700
PE (16.0x, EPS 2025F)	60%	73,400
Total VNM	100%	69,500

Source: RongViet Securities

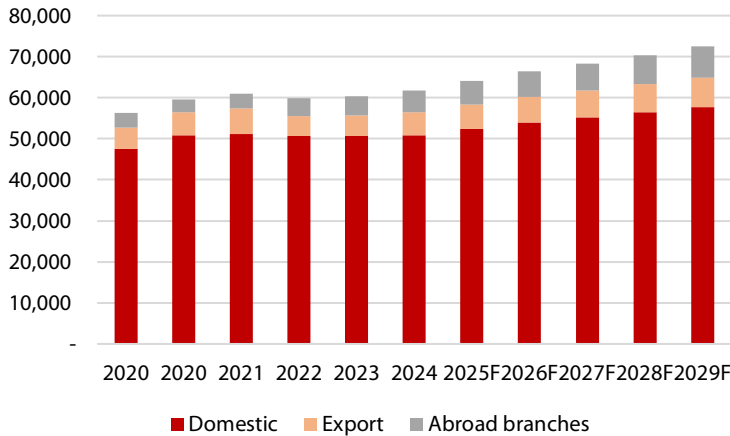
We present aspects of VNM stock that support our valuation above in the following sections:

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FINANCIAL ANALYSIS & FORECAST IN 2025-29

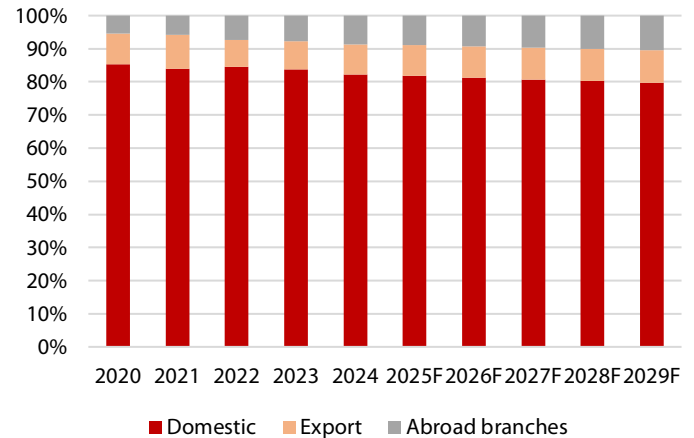
Revenue: Expansion is challenging due to the heavy reliance on the domestic dairy market, which has reached saturation in both industry scale and VNM's market share.

Figure 1: VNM's net sales (VND bn)



Source: VNM, RongViet Securities

Figure 2: VNM's revenue contribution by segment (%)



Source: VNM, RongViet Securities

Note: We also visualize these data using table formality. More information in our Appendix ([Refers to Page 30](#))

Regarding the sales forecast in 2025-29, we give assumptions:

Domestic Market: From 2010-17, VNM leveraged its production scale, distribution network, and strong brand recognition—bolstered by its state-backed status—to aggressively expand market share in a rapidly growing dairy market, achieving a revenue CAGR of 17.5% ([Refers to page 19](#)). However, from 2017-24, as the dairy market matured and VNM hit its “market share ceiling” amid intensified competition from domestic and international players (who quickly adapted to new consumer trends), revenue CAGR dropped to 2.2%, below the industry average ([Refers to page 19](#)). We expect this trend to persist long-term, with domestic revenue contribution declining to 79.7% by 2029 from 82.2% in 2024. Still, we forecast a domestic revenue CAGR of 2.6% for 2024-29, surpassing the prior five-year average, driven by VNM's intensified efforts to defend its market share ([Refers to page 24](#)).

International Market: After securing a ~40% domestic share, VNM began diversifying into export markets and subsidiaries from 2010, targeting developing nations with similar dairy consumption habits (e.g., Iraq, Cambodia) lacking major global competitors. This fueled an international revenue CAGR of 13.2% from 2012-17 ([Refers to page 22](#)). From 2017-24, as multinationals like Nestle, Abbott, Danone, and Fonterra entered these markets—drawn by rising dairy spending—VNM's CAGR fell to 5.4%. Efforts to penetrate markets like the U.S., Philippines, Australia, and Japan have been less effective due to entrenched competition. Looking ahead, we anticipate VNM will ramp up overseas growth by boosting powdered and condensed milk exports to the Middle East and Africa (easier entry points) and shifting its U.S. Driftwood subsidiary from B2B to B2C. We project international revenue contribution rising to 20.3% by 2029 from 17.8% in 2024, with a CAGR of 6.0% for 2024-29.

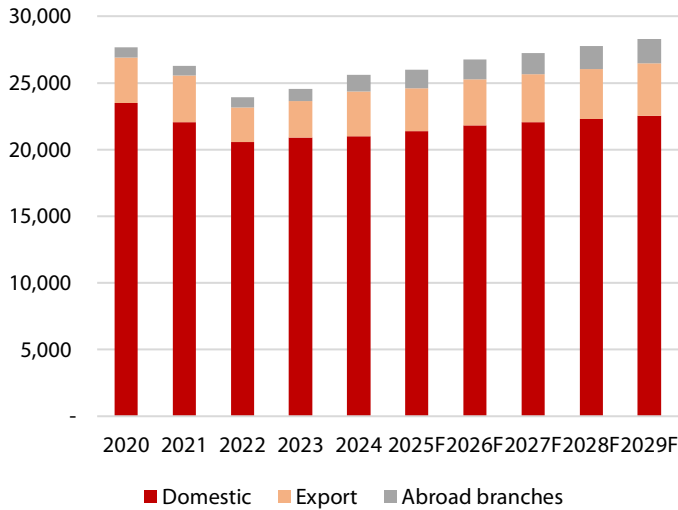
Vinabeef Segment: Launched in Q4-2024 with limited data, this segment has minimal impact on revenue growth or VNM's valuation. We forecast stable revenue of VND 250-510 bn for 2025-29, reflecting 10-20% utilization of its 100,000-ton/year design capacity.

Cost structure: Mid-term margin compression is expected due to rising raw material costs, higher discounts to retain market share, and a shift to trend-aligned products with lower margins. We project VNM's net margin to range between 13-15% over the next five years.

Gross margin

We observe a mid-term uptrend in milk powder prices due to supply shortages and China—the world's top milk powder consumer—resuming imports from H2-2024 (Refers to page 16). Coupled with a product mix shift toward fresh cow's milk (lower-margin) (Refers to page 15), we forecast gross margin declining from 41.4% in 2023 to 39.0% by 2029—still above the industry average of 35.0%. (Appendix 1)

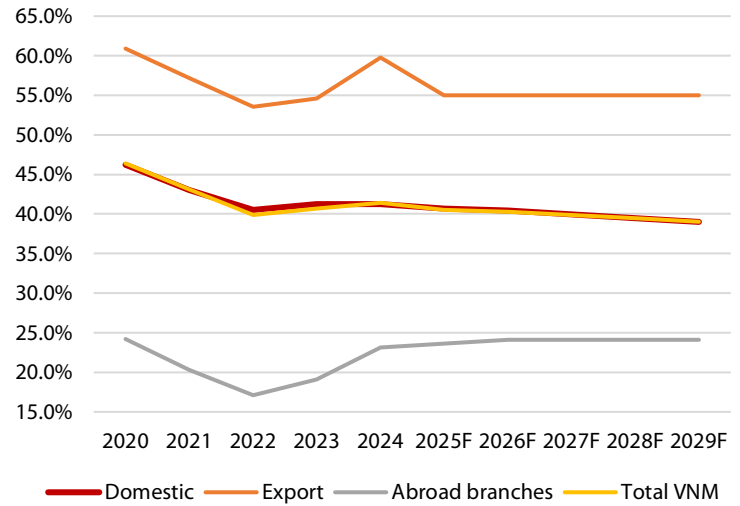
Figure 3: VNM's gross profit (VND bn)



Source: VNM, RongViet Securities

Note: We also visualize these data using table formality. More information in our Appendix. (Refers to Page 30)

Figure 4: VNM's gross margin (%)

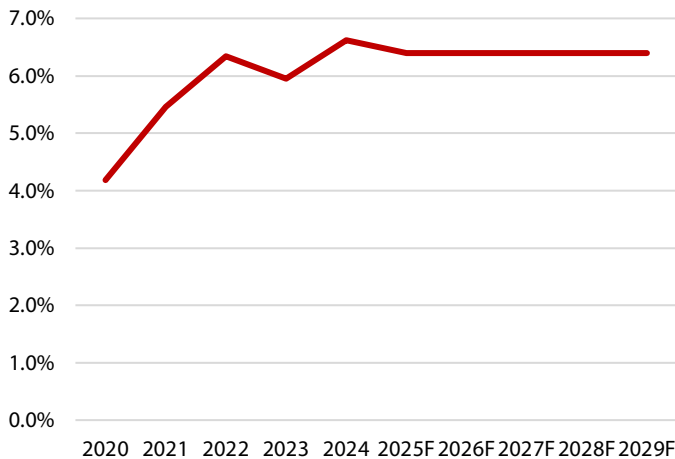


Source: VNM, RongViet Securities

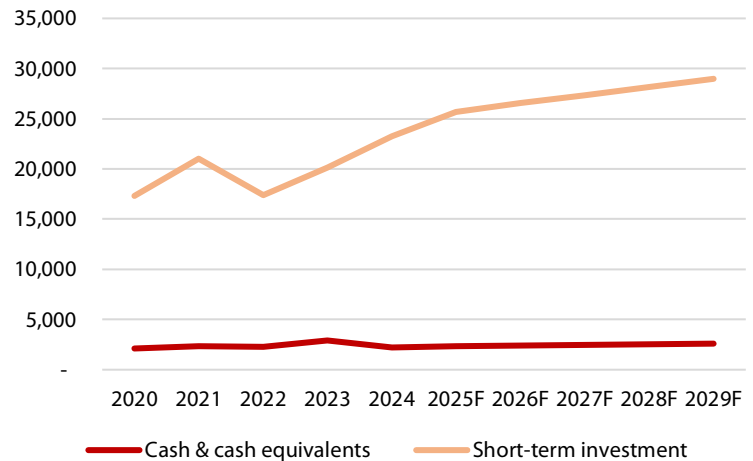
SG&A expenses

The SG&A exp/net revenue ratio decreased in the post-Covid period (2021-24) as VNM opted for a more focused channel advertising approach (high ROI projects), which helped reduce marketing costs relative to net revenue from 4.0% to 1.8% in 2024. However, in the past two years, VNM has shown a trend of increasing discount expenses (from 14.5% in 2022 to 15.1% in 2024) to maintain a high market share amid increasingly intense competition (Refers to page 26). With marketing costs unlikely to be further reduced and the rising trend of discount expenses being inevitable in the food and beverage industry, VNM's SG&A to net revenue ratio is expected to increase (Appendix 1). Accordingly, we forecast this ratio to rise by an average of 0.1% per year, reaching 25.0% in 2029 from 24.6% in 2024 (still below the industry average of 28.7%).

Capital investment activities: We note that one of the significant contributors to VNM's NPAT is financial income. We believe that VNM is increasing its short-term investments, including term deposits, bonds, and other instruments with favorable interest rates, leveraging the consistent cash flow generated over the years. This activity is expected to generate profits of approximately VND 1,600-1,800 bn per year for VNM during the 2025-29 period.

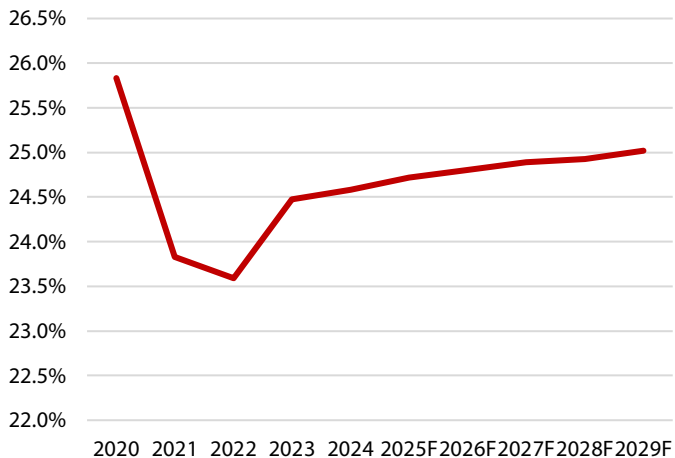
Figure 5: Description of VNM's investment yield (%)


Source: VNM, RongViet Securities

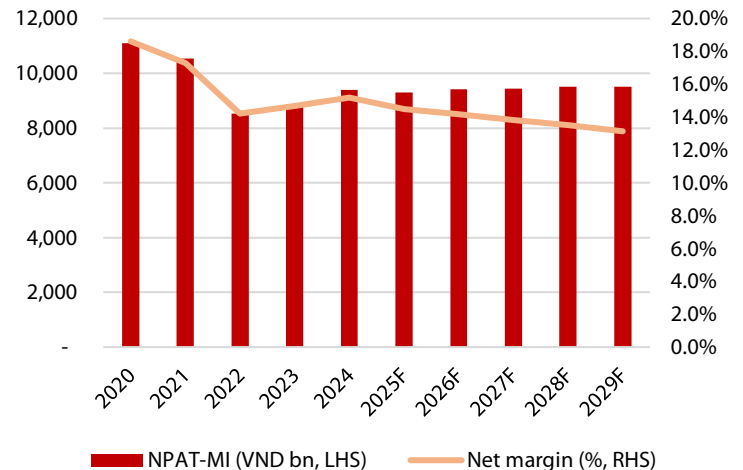
Figure 6: Description of VNM's capital business activities (VND bn)


Source: VNM, RongViet Securities

Net margin: This ratio decreased from 20% to 15% during the 2014-24 period, but it remains higher than the industry standard of 6.6%, thanks to advantages from large-scale operations, distinct business characteristics, and the capital management activities mentioned earlier. Consistent with the trends in gross margin and discount expenses analyzed above, we expect VNM's overall net margin to gradually decline to approximately 13.0-14.5% for the 2025-29 period.

Figure 7: VNM's SG&A expenses/Net sales (%)


Source: VNM, RongViet Securities

Figure 8: VNM's net income & net margin


Source: VNM, RongViet Securities

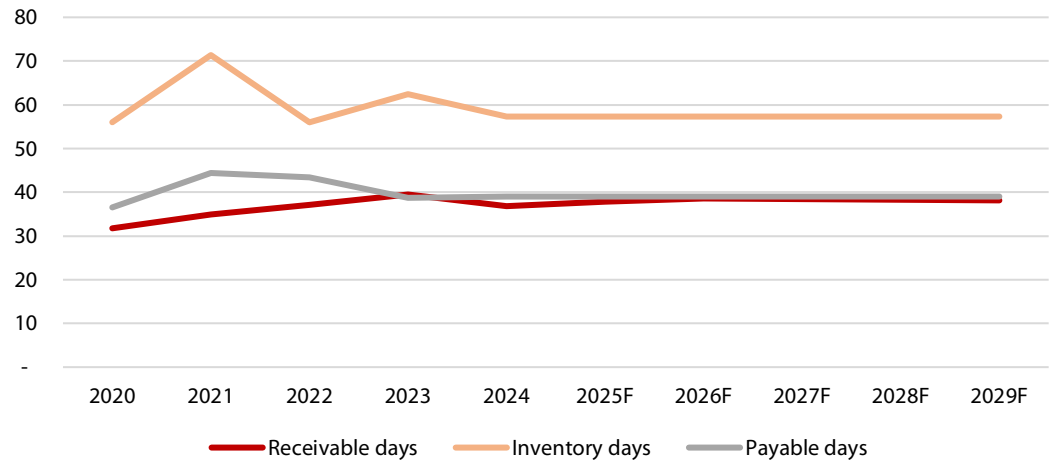
Note: We also visualize these data using table formality. More information in our Appendix. ([Refers to Page 30](#)) ([Refers to Page 31](#))

Asset highlights

Working capital: With a production-driven business model that has stabilized over many years, VNM has maintained nearly unchanged working capital metrics for the past 15 years. Consequently, we have kept these metrics constant in our projections for the 2025-29 period.

When compared to the industry average, we observe a notable difference in the days sales outstanding (DSO), which stands at 28 days. However, given the highly competitive landscape within the industry, the need to enhance brand visibility in both General Trade (GT) and Modern Trade (MT) channels has compelled VNM to offer favorable policies to distributors, making it challenging to reduce the DSO. As such, for the 2025-29 period, we expect VNM to maintain its days sales outstanding, days inventory outstanding (DIO), and days payable outstanding (DPO) at 38, 57, and 39 days, respectively.

Figure 9: VNM's Projected efficiency ratios (days)



Source: VNM, RongViet Securities

Note: We also visualize these data using table formality. More information in our Appendix. [\(Refers to Page 31\)](#)

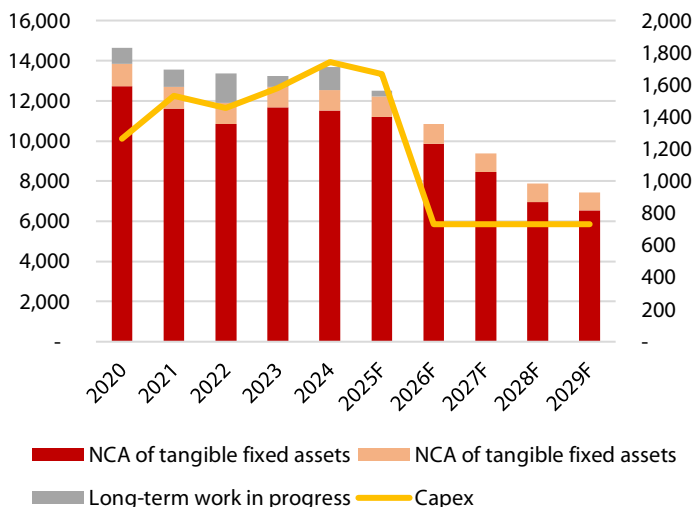
Fixed asset investment (Capex): In its dairy production business model, maintenance and periodic replacement costs for machinery represent recurring expenditures, alongside capital outlays for factory and farm expansion projects. We anticipate that VNM's net fixed asset value will decrease to VND 8,000 bn by the end of Dec-2029, down from VND 13,000 bn at the end of Dec-2024.

We estimate the total investment for the entire Vinabeef project at VND 3,000 bn, with the remaining VND 952 bn to be allocated over the 2025-27 period. Within this, the Hung Yen milk factory and Moc Chu Milk Paradise projects continue to face challenges in implementation due to land documentation issues and the complexities of capacity expansion amid a subdued industry outlook. Consequently, we have not yet factored the investment in these two projects into our projections.

Additionally, the company will reinvest VND 700 bn annually to replace and maintain machinery, ensuring stable revenue growth during the 2025-29 period.

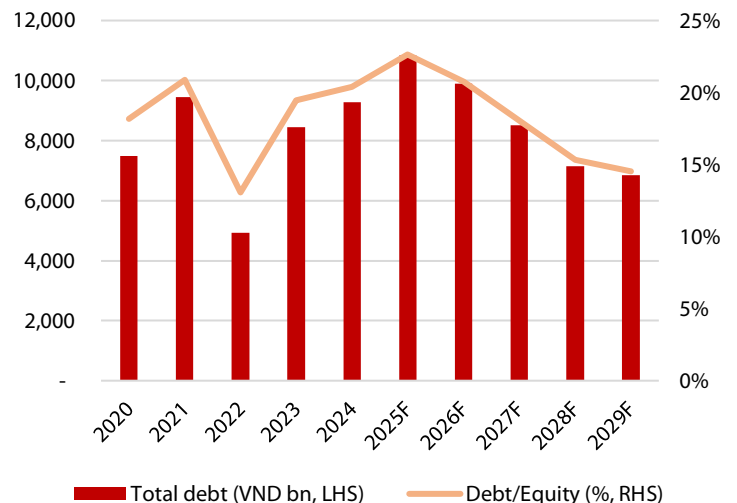
Debt: We believe that a stable cash conversion cycle, combined with a reduced need for fixed asset investment, will contribute to lowering debt levels and saving on interest expenses during the 2025-29 period. We expect the interest expense to net revenue ratio to range between 0.4% and 0.5% over the 2025-29 period.

Figure 10: VNM's fixed assets (VND bn)



Source: VNM, RongViet Securities

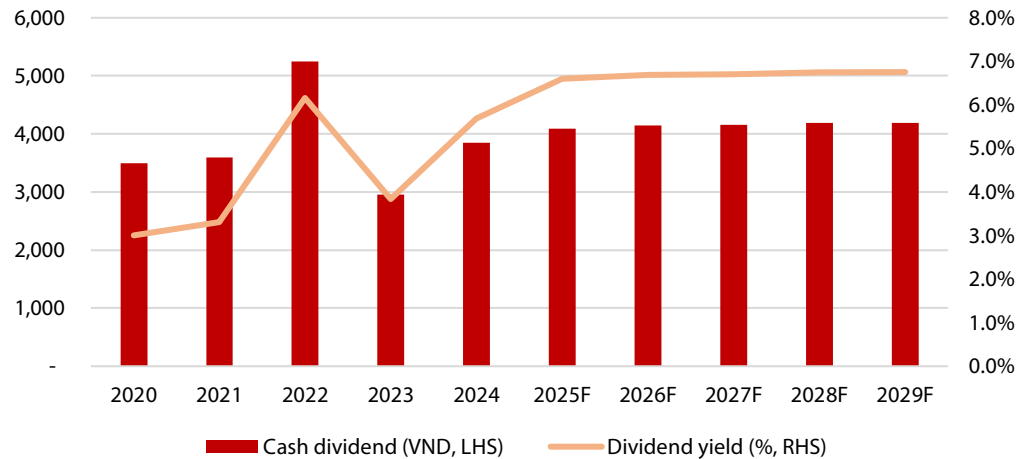
Figure 11: VNM's total debt (VND bn)



Source: VNM, RongViet Securities

Cash dividend policy: VNM implements an annual cash dividend policy (VND 3,800-4,000 per share), equivalent to a dividend yield of 6.1%-6.5% per year, which exceeds the average bank deposit interest rate (3-5% per year). We believe VNM will continue to allocate 90-95% of its annual net profit after tax to cash dividend payouts, making VNM a suitable choice for a long-term dividend investment strategy, particularly in a context where profits are expected to remain stable.

Figure 12: VNM's cash dividend (VND)



Source: VNM, RongViet Securities

Note: We also visualize these data using table formality. More information in our Appendix. [\(Refers to Page 31\)](#)

Table 3: VNM's income statement (VND bn)

INCOME STATEMENT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Net sales	60,919	59,956	60,369	61,783	64,121	66,402	68,341	70,349	72,453
COGS	34,641	36,059	35,824	36,192	38,151	39,656	41,107	42,609	44,181
Gross profit	26,278	23,897	24,545	25,590	25,970	26,747	27,234	27,740	28,272
Selling and GA expenses	14,518	14,144	14,774	15,186	15,847	16,469	17,011	17,536	18,125
Other operating expenses	114	451	149	149	149	149	149	149	149
EBITDA	13,821	11,453	11,731	12,421	12,249	12,526	12,565	12,593	11,505
EBIT	11,647	9,302	9,622	10,256	9,974	10,129	10,074	10,055	9,998
Non-operating expenses	228	285	289	225	225	225	225	225	225
Gain/loss on asset sales	423	289	353	231	231	231	231	231	231
Finance income	1,215	1,380	1,716	1,586	1,795	1,860	1,916	1,974	2,035
Finance expenses	89	166	354	279	325	396	359	323	319
EBT	12,967	10,520	11,049	11,568	11,450	11,599	11,637	11,712	11,720
Corporate tax expenses	2,290	1,918	1,949	2,147	2,125	2,153	2,160	2,174	2,175
Equity earnings in affiliates	(45)	(24)	(81)	32	32	32	32	32	32
Minority interest in earnings	100	62	146	61	61	61	61	61	61
NPAT-MI	10,532	8,516	8,874	9,392	9,297	9,418	9,449	9,510	9,516

Source: VNM, RongViet Securities

Table 4: VNM's balance sheet (VND bn)

BALANCE SHEET	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
ASSET									
Operating cash	2,349	2,300	2,912	2,226	2,310	2,392	2,462	2,535	2,610
Short-term investment	21,026	17,414	20,137	23,260	25,649	26,561	27,336	28,140	28,981
Short-term receivables	5,822	6,100	6,530	6,234	6,635	7,021	7,199	7,385	7,579
Inventories	6,773	5,538	6,128	5,687	5,995	6,231	6,459	6,695	6,942
Other current assets	141	208	229	147	282	292	301	310	319
Current assets	36,110	31,560	35,936	37,554	40,870	42,497	43,758	45,064	46,431
Tangible fixed assets	12,810	12,723	12,681	13,114	12,768	11,366	9,871	8,328	7,816
Long-term investment	744	743	831	1,373	1,300	1,300	1,300	1,300	1,300
Intangible fixed assets	1,087	1,043	1,001	1,030	964	914	865	830	801
Other non-current assets	2,582	2,414	2,224	1,978	1,924	1,992	2,050	2,110	2,174
Non-current assets	17,222	16,922	16,737	17,495	16,956	15,572	14,085	12,568	12,091
Total assets	53,332	48,483	52,673	55,049	57,826	58,070	57,843	57,632	58,522
LIABILITIES									
Short-term debts	9,382	4,867	8,218	9,115	10,667	9,729	8,354	6,979	6,688
Trade payables	4,214	4,284	3,806	3,874	4,084	4,245	4,400	4,561	4,729
Other current liabilities	3,472	6,157	5,115	5,470	5,677	5,879	6,051	6,229	6,415
Current liabilities	17,068	15,308	17,139	18,460	20,428	19,853	18,805	17,768	17,832
Long-term debts	76	66	238	158	158	158	158	158	158
Other non-current liabilities	338	292	270	257	257	257	257	257	257
Non-current liabilities	414	358	509	415	415	415	415	415	415
Total liabilities	17,482	15,666	17,648	18,875	20,843	20,268	19,220	18,183	18,247
MINORITY INTEREST									
Minority interest	2,767	2,967	3,329	3,896	3,956	4,017	4,077	4,138	4,198
SHAREHOLDER'S EQUITY									
Common stock	20,900	20,900	20,900	20,900	20,900	20,900	20,900	20,900	20,900
Retained earnings	7,594	3,353	3,926	3,471	4,219	4,977	5,738	6,503	7,269
Other equity accounts	4,589	5,596	6,871	7,908	7,908	7,908	7,908	7,908	7,908
Total shareholder's equity	33,083	29,849	31,697	32,279	33,027	33,785	34,545	35,311	36,077
Total resources	53,332	48,483	52,673	55,049	57,826	58,070	57,843	57,632	58,522

Source: VNM, RongViet Securities

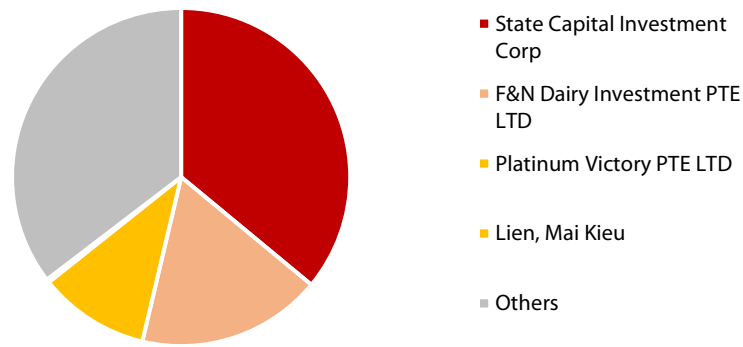
VALUE CHAIN ANALYSIS OF THE ENTERPRISE

Company overview

Vietnam Dairy Products Joint Stock Company (HSX: VNM), formerly known as the Southern Milk and Coffee Company under the General Department of Food, was established in 1976. Over nearly 50 years, VNM has grown from operating 4 coffee-milk factories to managing 14 domestic milk factories and 2 overseas facilities (in the United States and Cambodia), positioning it as the nation's leader in production scale and enabling exports to over 50 countries. For the 2015-24 period, the company achieved a compound annual growth rate (CAGR) of 4.9% in revenue and 2.1% in net profit after tax (NPAT).

VNM has maintained a stable shareholder structure for many years, with three shareholders holding more than 5% of its shares. The State Capital Investment Corporation (SCIC) is the largest shareholder, owning 36%. The remaining two major shareholders are F&N Dairy Investment (a Singapore-based company active in the dairy industry) and the Platinum Victory investment fund, holding 18% and 11%, respectively.

Figure 13: VNM's shareholder structure



Source: VNM, RongViet Securities

In terms of corporate structure, VNM operates as a conglomerate, owning 9 subsidiaries, 8 associates, and 1 joint venture, which collectively manage various business segments. Overall, VNM has made efforts to expand its dairy production value chain through its subsidiaries, such as securing self-sufficiency in milk input materials (via dairy farms and sugar production), strengthening its domestic milk market position (by adding brands like Moc Chau milk), and penetrating foreign milk markets (Cambodia, the Philippines, and the United States). However, most of these entities have yet to generate significant efficiency compared to the company's core business operations.

Table 5: Statistics of VNM's subsidiaries and joint-ventures

Company	VNM's ownership rate as of December 31, 2024	Status	Business
Vietnam Dairy Cow One Member Limited Company	100,00%	Operating	Dairy cow raising
Thong Nhat Thanh Hoa Dairy Cow One Member Limited Company	100,00%	Operating	Milk production and cattle raising
Driftwood Dairy Holding Corporation	100,00%	Operating	Milk production
Angkor Dairy Products Co., Ltd	100,00%	Operating	Milk production
Vietnam Sugar JSC	65,00%	Operating	Sugar producing and refining
Lao-Jagro Development Xiengkhouang Co., Ltd	87,32%	Operating	Dairy cow raising and agricultural products trading
Vietnam Livestock Corporation - JSC	68,94%	Operating	Manufacturing, breeding, processing and trading of cattle and poultry products

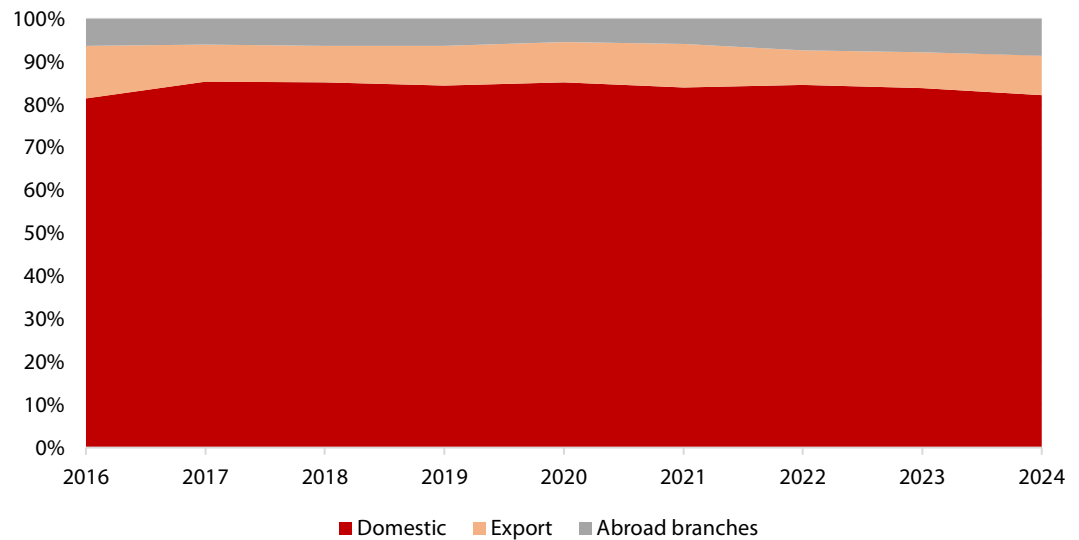
Moc Chau Dairy Cattle Breeding JSC	49,73%	Operating	Processing of milk and dairy products
Japan Vietnam Livestock Company Limited	35,16%	Operating	Manufacturing, breeding, processing and trading of beef products
Miraka Holdings Limited	13,55%	Operating	Milk production
APIS Corporation	20,00%	Operating	Food raw materials trading
Asia Coconut Processing JSC	24,96%	Operating	Coconut-based products manufacturing and trading
Del Monte – Vinamilk Dairy Philippines, Inc. (*)	50,00%	Stop operating	Importing and trading milk and dairy products

Source: VNM, RongViet Securities. (*) These subsidiaries are in the process of completing procedures for dissolution.

Core business

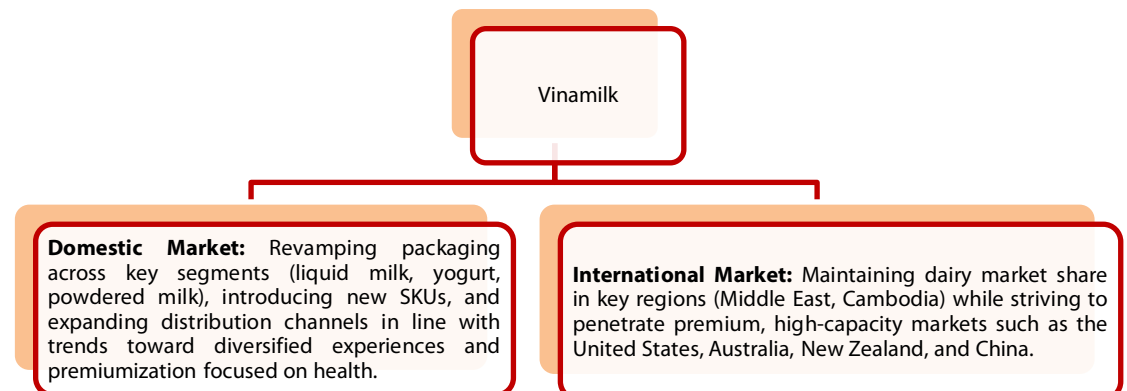
Revenue structure by domestic and international markets, VNM is striving to expand into foreign markets (through exports or establishing subsidiaries) to reduce its reliance on its core domestic dairy segment (accounting for over 80% of total revenue), which has reached saturation and faced intense competition in recent years. However, the contribution from international revenue remains modest, so VNM's outlook continues to be closely tied to the domestic market.

Figure 14: Revenue by segments



Source: MWG, RongViet Securities

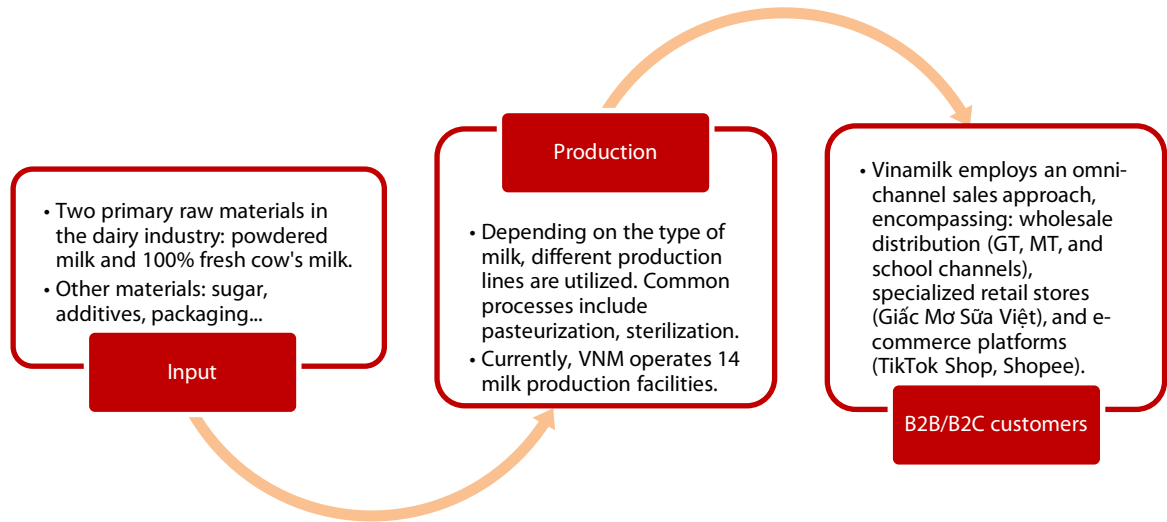
Figure 15: VNM's master plan



Source: VNM, RongViet Securities

Corporate value chain

Figure 16: VNM's corporate value chain



The dairy production industry presents significant barriers to entry due to the high technological requirements for input processing, with distinct differences across various milk product lines: powdered milk, liquid milk, yogurt, condensed milk, butter, and cheese. Based on the value chain outlined above, we interweave key highlights critical to succeeding in the dairy sector and VNM's outlook in the Vietnamese market in the coming years.

Input – Raw Milk as the Primary Driver

The most critical input in the dairy industry is raw milk, accounting for approximately 50% of VNM's cost of goods sold. This includes powdered milk (typically imported) and fresh raw milk. These are blended with sugar, additives, water, and other components in appropriate ratios, undergoing multiple processing stages to produce a variety of milk products.

Table 6: Describe all VNM's components using for its manufacturing process

Ingredient	Supplier	Note	% as of COGS (*)
Milk powder	Suppliers from USA, Australia, New Zealand, EU, Japan...	100% imported materials	50%
Fresh raw milk	From VNM's own farms and VN outsided farmers	100% domestic materials	
RE sugar	60% from VietSugar Subsidiary, ~40% from other companies such as Bien Hoa Sugar, Quang Ngai Sugar, Nghe An Sugarcane...	100% domestic materials	12%
Packaging of all kinds (plastic, carton)	Diverse domestically and internationally such as Tetra Pak, Combibloc, Titan Steel Co., Perstima Binh Duong...	Domestic and imported in different proportions depending on type	23%
Additives, by-products, vitamins	Both domestic and foreign such as Asia Materials Corporation (AIG)...	Domestic and imported in different proportions depending on type	15%
Others (labor, depreciation)			

Source: VNM, Rong Viet Securities Company. (*) Raw material proportion is an estimate based on companies with the same product file as VNM, not the source.

Regarding milk raw materials, dairy producers can choose between three options: (1) establishing a closed value chain by developing self-operated farms and exclusively using fresh milk from these farms in production, (2) importing milk powder for use in production, or (3) utilizing a combination of fresh milk and milk powder in production.

We observe a trade-off between using fresh milk from self-operated farms and milk powder, detailed as follows:

Milk powder enables dairy producers to achieve higher gross profit margins (*) and ensures more consistent output compared to relying solely on 100% fresh cow's milk (**). Friesland Campina exemplifies this approach.

(*) Among liquid milk production inputs ranked by cost, milk powder is the cheapest, followed by fresh milk produced from self-operated farms, with fresh milk sourced from external farming households being the most expensive.

Table 7: Gross margin – reference from global dairy manufacturer

Gross margin (%)	2018	2019	2020	2021	2022	2023	Doanh thu 2023 (triệu đồng)
Inner Mongolian Yili Group (China)	38.3	37.5	30.4	30.9	32.5	32.8	17,819
Drinking milk	35.2	35.2	27.9	28.3	29.1	30.4	
Powder milk	54.8	48.1	39.2	39.2	41.1	38.1	
Cream	45.1	46.5	40.9	40.3	38.5	38.4	
China Mengniu dairy (China) (over 80% of revenue is drinking milk)	37.4	37.6	37.7	36.7	35.3	37.2	13,927
Fonterra (New Zealand)	15.4	15.1	15.3	13.2	13.3	17.0	14,291
Raw milk powder	11.0	8.9	9.3	8.1	10.8	15.2	
Food services	16.0	15.7	16.5	22.9	15	19.4	
Consumer goods (drinking milk, powder milk, butter, cream)	28.0	25.5	23.5	28.4	23.9	23.7	
Vinamilk (Vietnam)	46.8	47.2	46.4	43.1	39.9	40.7	2,533
Lof – IDP (Vietnam)	26.9	36.9	41.0	43.2	38.8	40.7	266

Source: RongViet Securities. Note: Yili and Mengniu are the two largest liquid milk producers in China, while Fonterra is the leading milk powder producer in New Zealand (accounting for 30% of global milk exports, according to Dairyvietnam magazine).

This table implies that end-consumer products (milk powder, reconstituted liquid milk) produced from milk powder raw materials generally offer strong profit margins due to low-cost imports (Fonterra's milk powder raw material margins are notably slim). Conversely, a higher proportion of fresh cow's milk in the production mix for liquid milk corresponds to lower profit margins.

(**) In Vietnam, developing self-operated grass cultivation areas and dairy farms poses challenges due to the difficulty in securing clean, expansive land spanning tens to hundreds of hectares for barns, grass cultivation, and cattle feed production. Additionally, Vietnam's tropical climate hinders cows' ability to deliver high, stable milk yields compared to temperate countries. [\(Refers to Analyst Pinboard: The trend of liquid milk in Vietnam – The foothold of 100% fresh cow's milk enterprises is increasing\)](#)

In summary, dairy producers opting to control their raw milk supply through fresh milk often struggle to rapidly scale production capacity to capture market share.

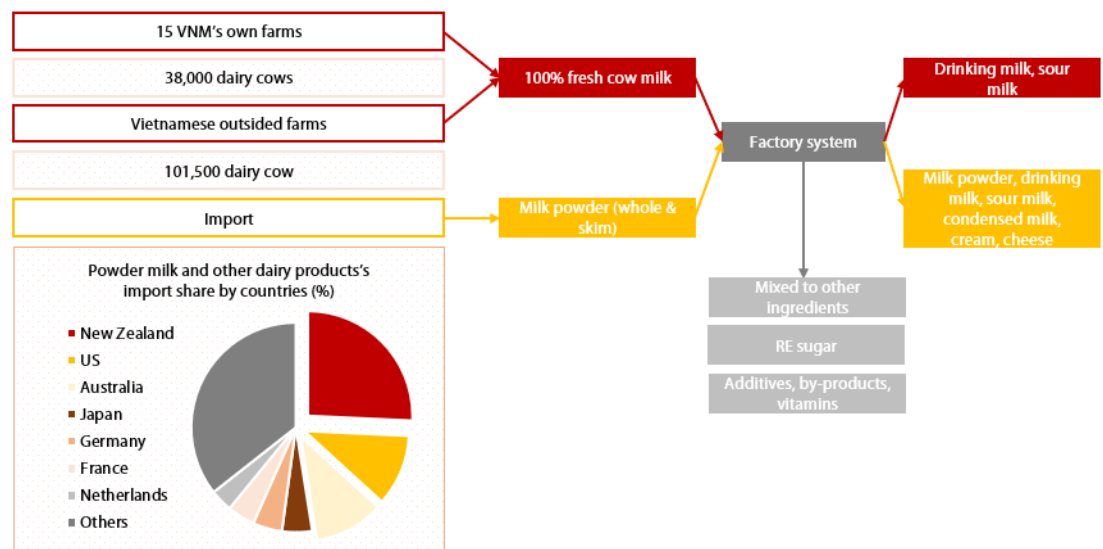
Fresh milk raw materials align with evolving milk consumption trends (particularly for liquid milk) (*), offering stable market share growth opportunities for dairy producers. Representatives of this group include TH TrueMilk and Long Thanh.

(*) We note a growing consumer preference for fresh cow's milk products, driven by increasing scrutiny of raw material origins and product quality. Consumers perceive reconstituted milk, which undergoes multiple processing stages, as having reduced nutritional value. This trend has enabled TH TrueMilk, Dalat Milk, and Long Thanh to achieve notable success by pioneering this segment.

Note: Reconstituted milk (sterilized nutritional milk) utilizes a mix of inputs, including milk powder, fresh milk, and water, in production. Fresh milk (pasteurized or sterilized) relies solely on fresh milk raw materials.

We observe a relative distinction between self-produced fresh milk and fresh milk blended with supplies purchased from farming households. Companies relying entirely on fresh milk but mixing self-produced fresh milk with purchased fresh milk risk inconsistent liquid milk quality, suggesting difficulties in establishing a competitive edge based on consistent flavor or uniform milk quality perception among consumers, in our view. Moreover, fresh milk sourced from farming households carries the highest cost among input types, further disadvantaging producers' cost structures.

Figure 17: VNM's process of utilizing ingredients in manufacturing



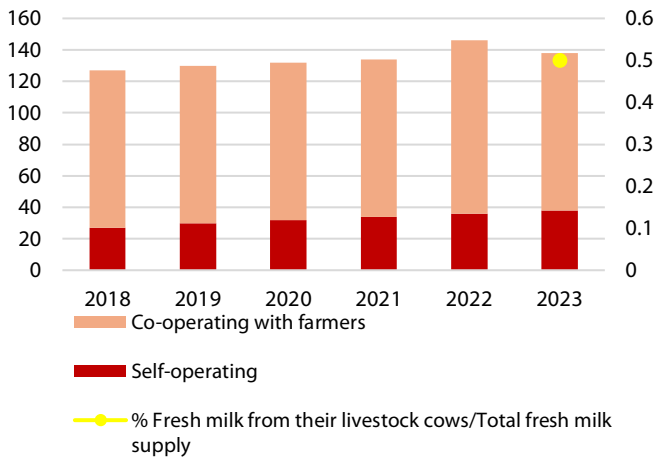
Source: VNM, VN GSO, RongViet Securities

From the perspective of industry input dynamics, we observe that, beyond strategies to develop output distribution channels, the choice of raw material sourcing approach (Figure 17) also helps explain VNM's growth trajectory throughout its operational history. Specifically:

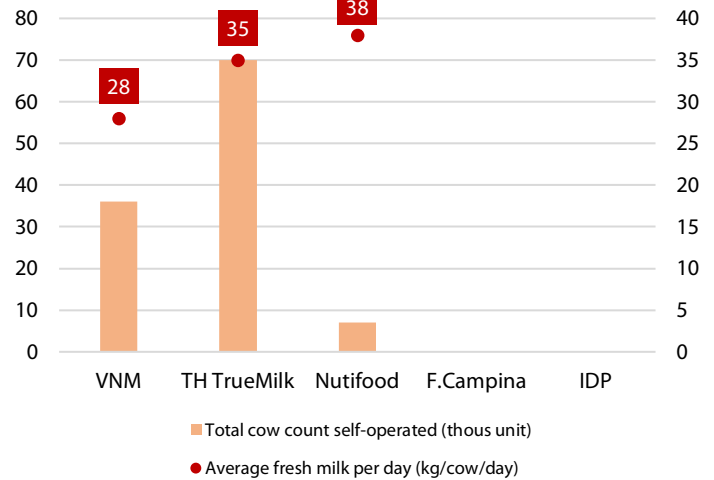
VNM employs all three milk input options: imported milk powder, fresh milk from self-operated farms, and fresh milk purchased from external farming households. This ensures a consistent supply of raw materials to support VNM's leading output scale in Vietnam. Coupled with robust distribution channel strategies, this has enabled VNM to rapidly expand its market share (~40% in 2023).

However, this scale advantage comes at a cost, VNM has faced challenges in adapting to the rising consumer preference for fresh cow's milk over the past decade (as discussed in the section above). VNM's market share growth has begun to stall as the market sees an increasing presence of producers focusing exclusively on self-operated fresh cow's milk (e.g., TH TrueMilk, Dalat Milk, Long Thanh) since 2013.

VNM has been introducing new high-quality fresh milk products from purebred farm cows, such as GreenFarm, 100% Organic lines, leveraging the increasing size of its cattle herd over the years. Additionally, VNM has merged with MCM, a heritage dairy brand established in 1958, which operates a herd of nearly 27,000 cows in northern Vietnam. However, in our view, VNM's gross margin remains heavily dependent on fluctuations in the prices of raw milk powder and fresh milk sourced from local farms at the specific level.

Figure 18: Number of Vinamilk cows (thousands)


Source: VNM, RongViet Securities

Figure 19: Comparison of self-operated cow herds of dairy companies in Vietnam


Source: RongViet Securities

Building on the input dynamics discussed above for VNM, we assess a medium-term trend of declining gross profit margins for the Company, from its current above-industry-average level of 40-45% in the domestic market (Appendix 1). Specifically:

[\(Back to page 5\)](#) **VNM's strategic shift toward increasing the use of self-operating fresh cow's milk in its raw material mix.** We believe VNM will continue efforts to boost fresh milk supply as a means to reclaim lost market share in the liquid milk segment. This includes improving milk yield per cow (currently at 30-35 liters/day/cow at VNM farms, compared to 18-20 liters/day from farming households) or expanding farm capacity through organic development or mergers and acquisitions (e.g., deals with Moc Chau and Laos Jagro). However, given the higher cost of fresh milk compared to milk powder (as previously noted), this shift is expected to erode gross margin.

Table 8: Vinamilk's past self-operated cow farm projects

No.	Name of project	Total farm size (dairy cows)	Dairy capacity (ton/year)	Starting year of exploitation
1	Tuyen Quang farm	2,000		2007
2	Binh Dinh farm	2,000		2008
3	Nghe An farm	2,600		2009
4	Trang trại Thanh Hóa Thanh Hoa farm	1,600		2010
5	Trang trại Vinamilk Đà Lạt Đa Lạt farm	1,600		2012
6	Trang trại Tây Ninh Tây Ninh farm	8,000		2013
7	Trang trại Như Thanh Như Thanh farm	2,000		2016
8	Trang trại Hà Tĩnh Hà Tĩnh farm	2,000		2016
9	Organic Đa Lạt farm	700		2017
10	Thong Nhat Thanh Hoa Dairy Farm No. 1	4,000		2018
11	Di Linh Organic Dairy Farm	300		2019
12	Thong Nhat Thanh Hoa Dairy Farm No. 2	4,000		2019
13	Quang Ngai Dairy Farm	2,000		2020
14	Upgrade Moc Chau farm	2,000		2022
15	Exploitation of Lao Jagro Dairy Farm Complex Phase 1	8,000		2023
16	Dairy farm in Moc Chau Milk Paradise Complex	4,000		
TOTAL VINAMILK		42,000	188,000	

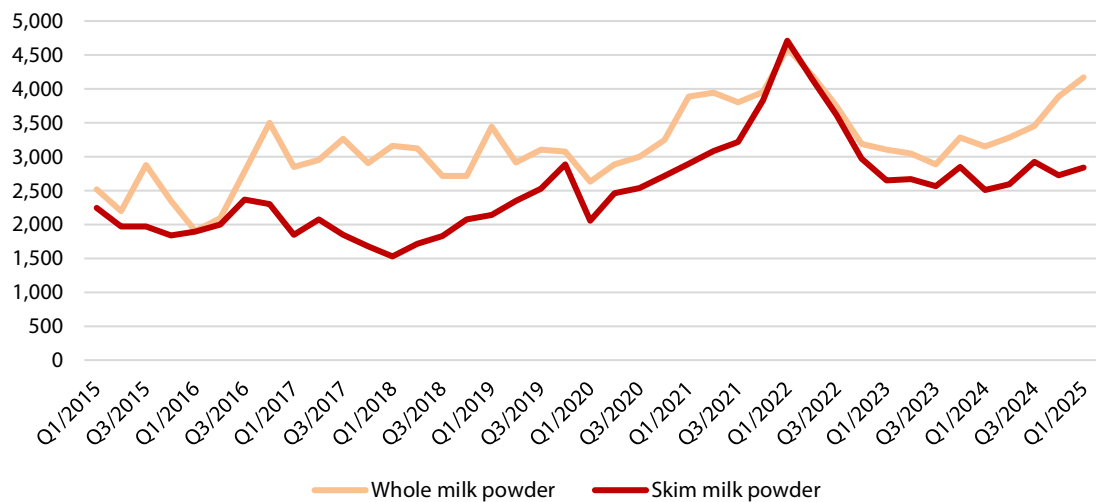
Source: VNM, RongViet Securities

Table 9: Vinamilk's future self-operated cow farm projects

Name of project	Total farm size (dairy cows)	Dairy capacity (ton/year)	Expected-starting year of exploitation	Update
Lao Jagro Dairy Farm Complex (Phase 1)	24,000	132,000	2022	Hiện đang đưa vào khai thác khoảng 8.000 con với công suất sữa 44.000 tấn/năm
Lao Jagro Dairy Farm Complex (Phase 2)	100,000	550,000	N.A	N.A
Dairy farm in Moc Chau Milk Paradise Complex	4,000	20,000	2025	Đi vào hoạt động từ năm 2024

Source: VNM, RongViet Securities

[\(Back to page 5\)](#) **Medium-term outlook for rising milk powder prices.** A long-term decline in milk powder supply, coupled with a potential demand recovery, is likely to anchor milk powder raw material prices at elevated levels. To reinforce this view, we reference the business plans and milk price outlook of Fonterra—a company accounting for ~80% of New Zealand's milk production and ~20% of Australia's (two countries representing 60-80% of global exported milk powder). Fonterra has raised its average farmgate price forecast for the 2024/25 season by 5-10%, from USD 9.00/kgMS at the end of Sep-2024 to USD 9.50/kgMS by late Nov-2024, and USD 10.00/kgMS by late Dec-2024. [\(Refers to Analyst Pinboard: Understanding the definition of milk powder and predicting raw milk powder price trends for 2025\)](#) [\(Revisit page\)](#)

Figure 20: Price movement of raw milk powder (USD/ton)


Source: Bloomberg, RongViet Securities

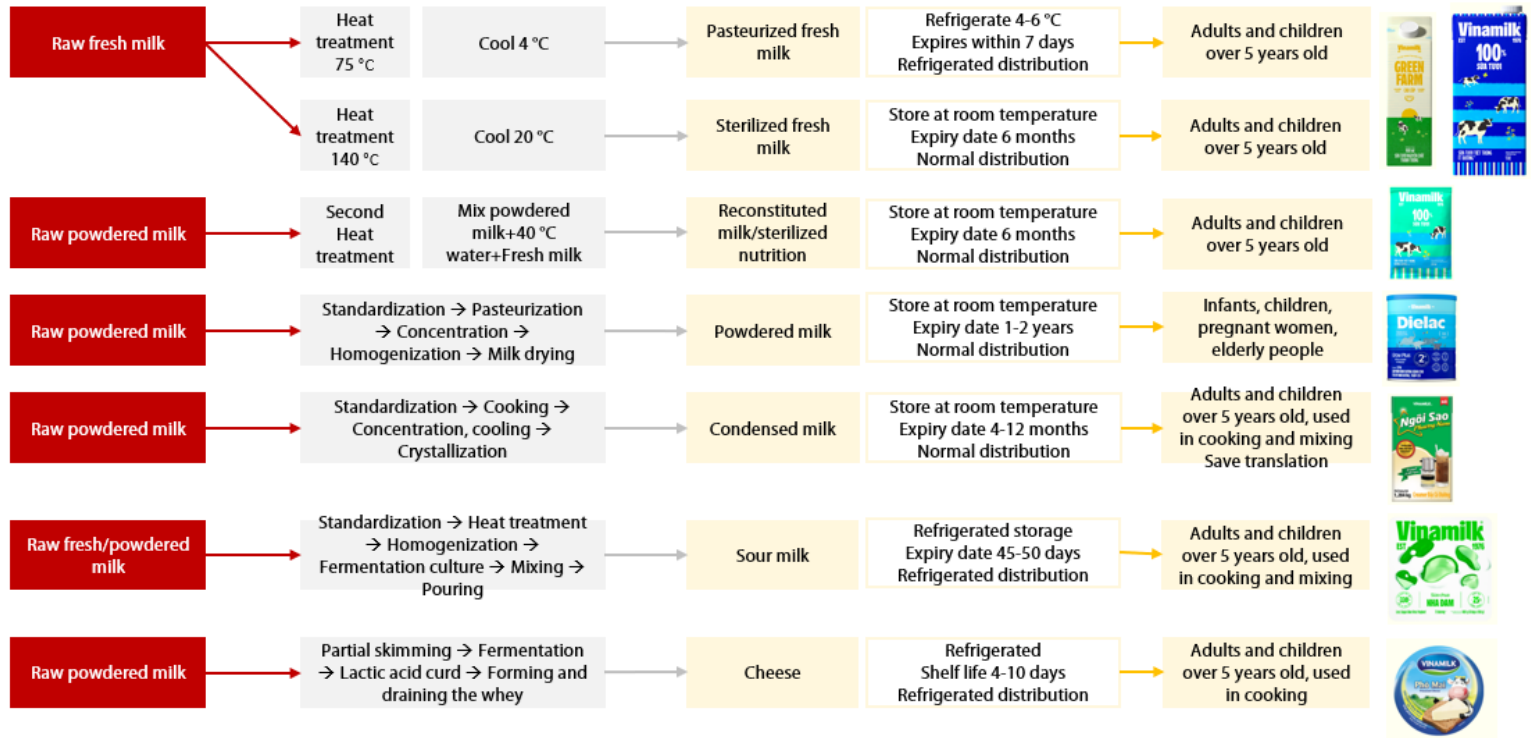
Manufacturing process

The dairy production industry presents significant barriers to entry due to the high initial capital investment required, with each dairy segment (liquid milk, milk powder, condensed milk, yogurt) necessitating distinct production line standards.

VNM currently operates 13 domestic factories and 2 overseas facilities (in Cambodia and the U.S.), leading Vietnam with a total designed milk production capacity of 1.4 mn tons. Domestic sales volume for VNM remained largely stagnant over the 2020-24 period. Given its existing factory network and current and projected demand in the coming years, we assess that VNM **has no immediate need to expand plant capacity**. Consequently, **we have not factored the potential of VNM's domestic milk plant projects**

into our forecasts, notably the Hung Yen milk plant (400 mn liters/year, investment of VND 4,600 bn), due to uncertainties surrounding their execution feasibility.

Figure 21: Description of the production process of Vinamilk's main milk niches



Source: RongViet Securities

Table 10: Comparison of milk production capacity between companies

Corporate	Vinamilk	THTruemilk	IDP	Nuti	Friesland Campina (Dutchlady)	Nestle
Number of factories	14	1	3	6	2	6
Designed capacity (ton/year)	1.4	0.5	0.3	0.2	0.6	N.A

Source: RongViet Securities

Output

Product portfolio

VNM is one of three dairy companies in Vietnam, alongside Nutifood and Nestlé, offering a comprehensive product portfolio across the dairy industry.

Table 11: VNM's product portfolio

Segment	Tier-1	Tier-2
Drinking milk	Sterilized milk	Vinamilk 100% fresh milk, Green Farm, 100% Organic, Vinamilk contains bird's nest
	Pasteurized milk	Vinamilk 100% fresh milk
	Sterilized nutritional milk/reconstituted milk	Vinamilk in bags, ADM, Flex
Condensed milk		OngTho, NgoisaoPhuongNam, Tailoc
Powered milk	Milk for pregnant mothers	Optimum Mama Gold, Dielac Mama Gold
	Milk for baby	Pedia Kenji, Optimum Colos, YOKOGOLD, Optimum Gold, Dielac Gold, Dielac Grow Plus Sữa non, Dielac Grow, Dielac Alpha
	Milk for the elderly	Kenko Haru, Sure Prevent Gold, Sure Diecerna, Canxi Pro, Vinamilk nutrition
Sour milk	Yogurt to eat	White, Aloe Vera, Fruit, Premium, Children's Susu
	Yogurt drink	Susu, Yomilk, Probi, Hero
Plant-based milk	Soy milk	Fresh, Gold, Double Calcium
	Super Nut milk	9 types of nuts, Soybeans, Walnuts, Almonds, Red beans
Beverages	Juice & Tea	Orange, apple, grape, pomegranate, kiwi, guava, peach, artichoke tea
	Coconut water	Fresh coconut
	Purified water (filtered water)	Icy, Icy Premium
Others (cream, cheese, sugar)		

Source: VNM, RongViet Securities

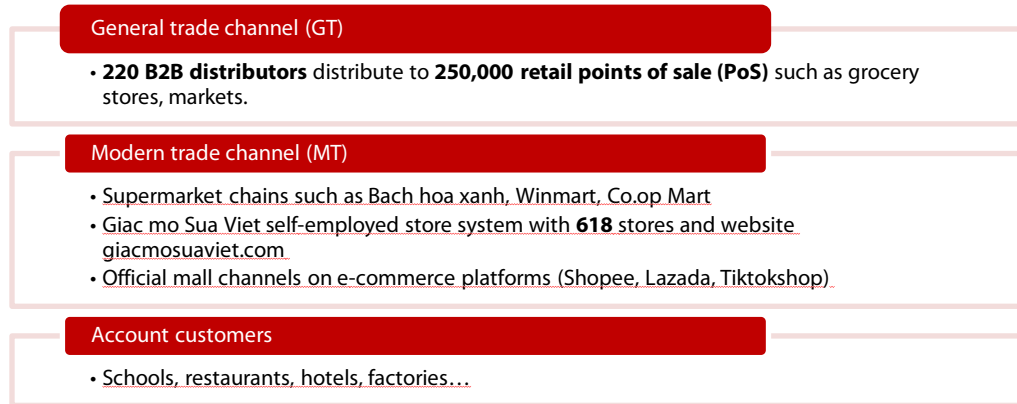
Table 12: Statistics on dairy product range among dairy manufacturers

	Vinamilk	TH Truemilk	IDP	Nuti	Friesland Campina	Nestle	Abbott
Drinking milk	O	O	O	O	O	O	
Powdered milk	O	O		O	O	O	O
Condensed milk	O			O	O	O	
Sour milk	O	O	O	O	O	O	
Cheese, cream, butter	O	O		O		O	

Source: RongViet Securities

Distribution network

VNM has established a robust distribution network, penetrating all regions and viable distribution channels across Vietnam. In terms of scale, VNM demonstrates a competitive advantage with the largest number of specialized stores and retail points in the country.

Figure 22: VNM's distribution system


Source: RongViet Securities

Table 13: Comparison of distribution systems between dairy manufacturers

Number of	Vinamilk	TH Truemilk	IDP	Nuti	Friesland Campina	Nestle	Vinasoy
Distributors	220	180	160	100	200	120	156
Points-of-sales	250,000	130,000	N.A	60,000	100,000	N.A	142,000
Own specialty store chain	618	383	No	No	No	No	No

Source: RongViet Securities

Past background

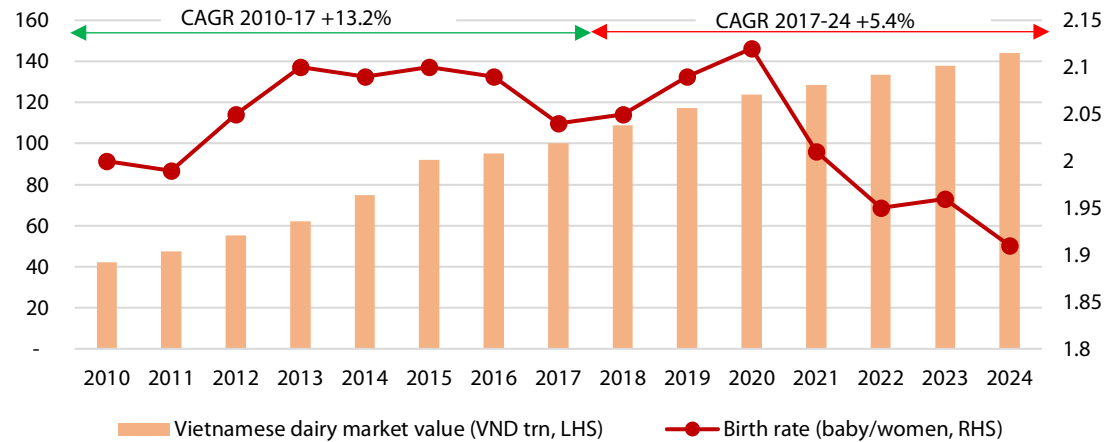
Domestic market – major market, contributed to 80% of VNM's sales ([Back to page 4](#))

From 2010 to 2017, the dairy industry benefited from favorable market conditions, driven by a rapidly rising birth rate (Figure 23), which propelled the market size to a CAGR of 13.2% per year. Vinamilk capitalized on “timely” strategies to accelerate its domestic market share growth (from 34% to 45%), achieving a CAGR of 17.5% per year—outpacing the industry—during the same period. These strategies, detailed throughout the value chain as described above, are summarized here:

- **Diverse raw material inputs** (fresh milk from self-operated farms, fresh milk purchased from farming households, and imported milk powder) ensure large, stable production volumes, avoiding shortages tied to seasonality or the lower capacity constraints faced by competitors focused solely on fresh cow's milk.
- **Extensive manufacturing and distribution network, featuring the largest production capacity across all dairy segments and the most widespread distribution system in Vietnam**, penetrating nationwide. This enables Vinamilk's products to dominate channel presence in terms of volume.
- **Nationwide brand recognition**, amplified through high-impact TV commercials and the School Milk Program, leveraging its state-affiliated status. (**)

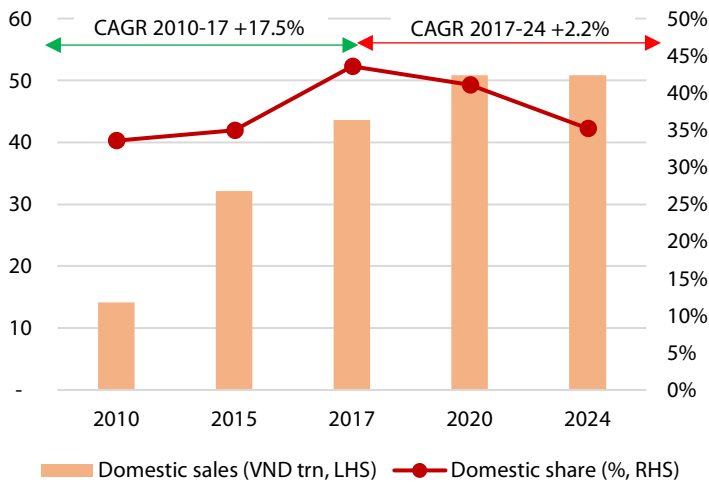
(**) In 2016, the government approved the School Milk Program to improve nutrition and enhance the physical development and height of children aged 2-12 by providing milk in schools. While 11 dairy companies purchased bidding documents, only three—Vinamilk, TH True Milk, and Thinh Anh—participated in the tender. With its established position, extensive experience, and a highly competitive bid of VND 6,286 per carton, Vinamilk secured the first contract valued at over VND 3,828 bn. Beyond Hanoi, Vinamilk's products have also been selected for the School Milk Program by implementing entities in Ho Chi Minh City, Da Nang, Tra Vinh, Vinh Long, Kon Tum, and numerous other provinces and cities.

Figure 23: Size of Vietnam's dairy market over the years (VND trn)



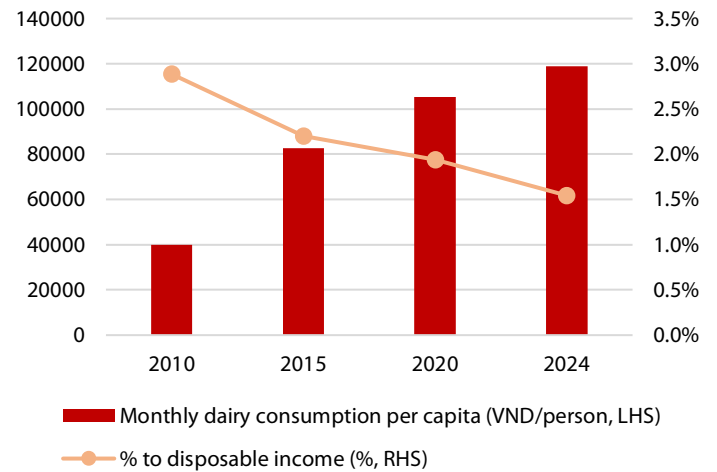
Source: Euromonitor, Ministry of Health, RongViet Securities estimated

Figure 24: Vinamilk's revenue and market share



Source: VNM, Euromonitor, RongViet Securities

Figure 25: Spending on dairy products stagnates over time, entering a saturation phase



Source: Euromonitor, GSO VN, RongViet Securities

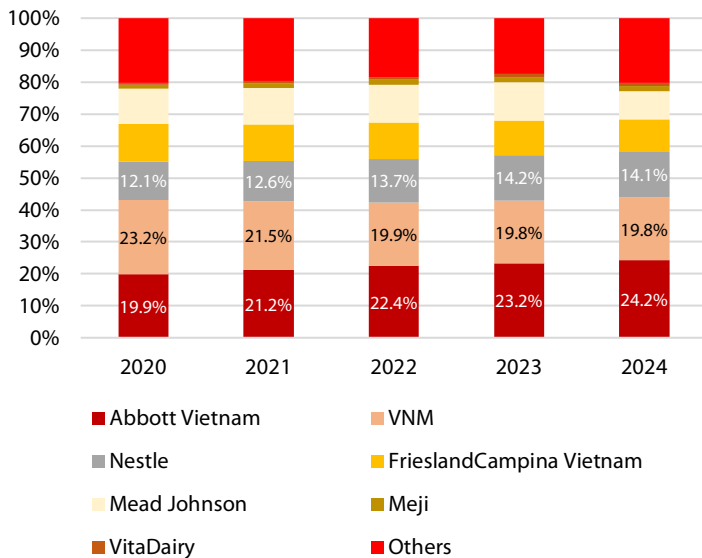
However, the dairy industry landscape and VNM's domestic position shifted during the 2017-24 period. Vietnam's milk market gradually approached saturation, with growth decelerating to 5.4% per year, driven by low population growth (0.7% annually, with Vietnam's birth rate steadily declining) and per capita milk spending reaching its ceiling (Figure 25). The positive growth observed largely stemmed from a premiumization trend in milk consumption, fueled by improved disposable income, rather than broad-based purchasing power growth across the industry.

VNM's domestic revenue growth during this period underperformed the industry, at 2.2% per year, reflecting a weakened position amid rising competition from new domestic and international players with product strategies better aligned with evolving consumer trends. The competitive dynamics by market segment are detailed as follows:

- **Milk Powder Market:** Mothers increasingly favor international milk powder brands, driven by the perception that foreign products are superior for their children (a preference for imported goods). Examples include premium-focused Abbott and Nestlé, alongside immunity-boosting options like Vitadairy colostrum. These brands rapidly penetrated or expanded market share post-Covid-19 (2020-22), a period marked by heightened health awareness, leading to a decline in market share for domestic staples like Vinamilk.

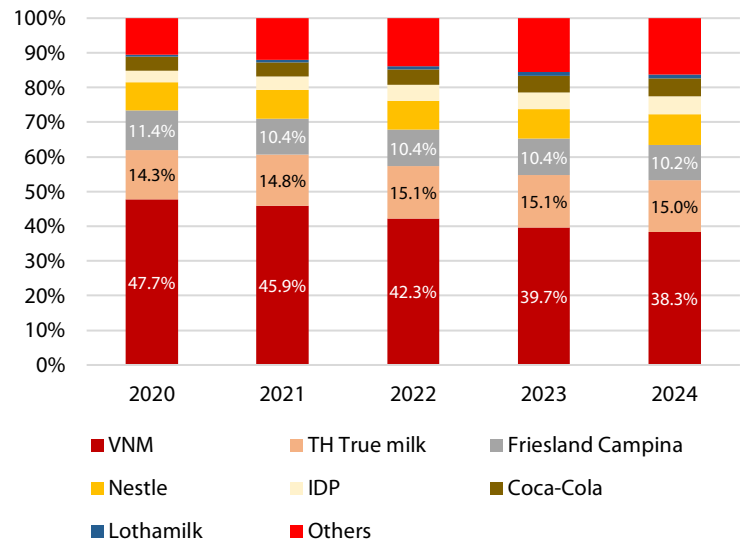
- **Liquid Milk Market:** The growing consumer preference for fresh cow's milk in Vietnam has propelled the market share of brands like TH TrueMilk, Dalat Milk (under TH TrueMilk), and Long Thanh over the past decade. By capitalizing on the right formula for this liquid milk niche, these companies' steady annual capacity increases pose a challenge for VNM in halting its market share erosion unless it accelerates its pivot to this product range—a strategic dilemma for VNM, given the long investment timelines and significant opportunity costs in output volume.
- **Yogurt Market:** We observe minimal differentiation in consumer perception across brands in this segment. Companies with strong distribution channels, supported by aggressive discount and promotion policies, are better positioned to dominate. In recent years, Vinamilk's standing has weakened due to increased competition from major entrants like Yakult, Friesland Campina (Betagen), and TH TrueMilk.
- Despite VNM capturing strong market share in the **plant-based milk segment** (from Vinasoy and Tan Hiep Phat) and reinforcing its growing dominance in **condensed milk** with iconic products like Ong Tho and Ngoi Sao Phuong Nam, these segments' smaller market sizes or limited scale fail to serve as significant growth drivers for VNM overall. (Figure 31)

Figure 26: Market share of powdered milk sector in Vietnam (%)

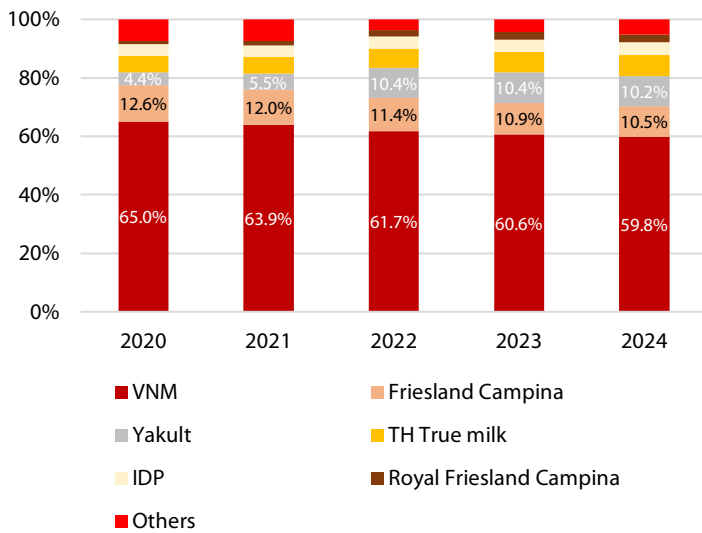


Source: Euromonitor, RongViet Securities

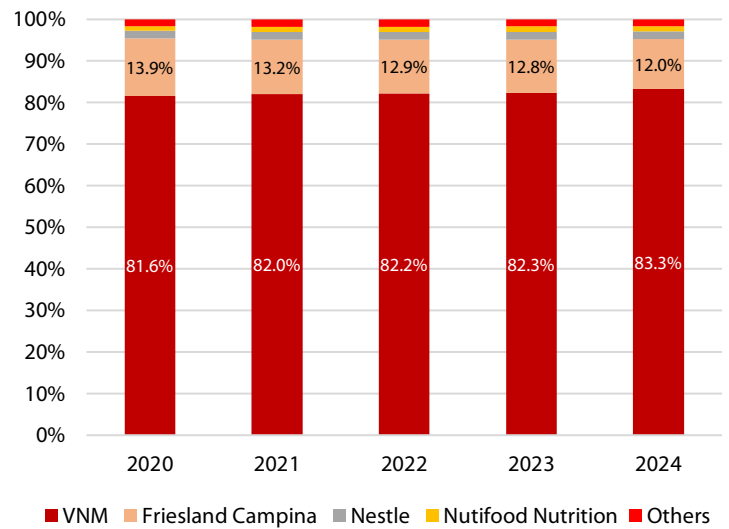
Figure 27: Market share of liquid milk sector in Vietnam (%)



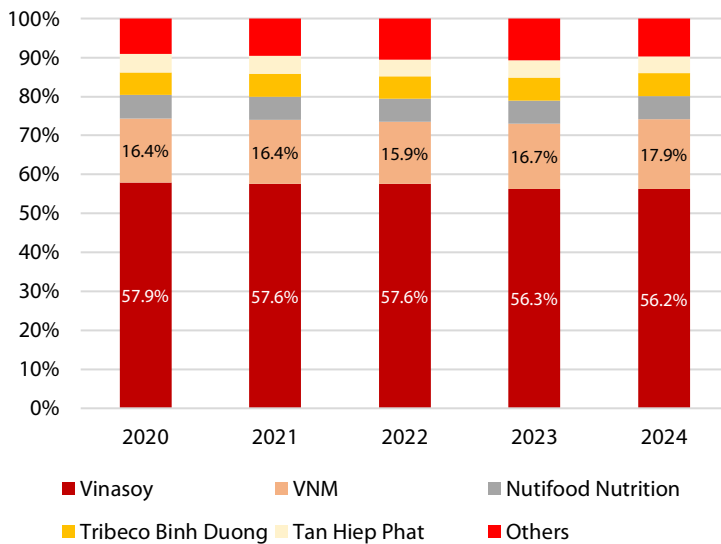
Source: Euromonitor, RongViet Securities

Figure 28: Market share of yoghurt sector in Vietnam (%)


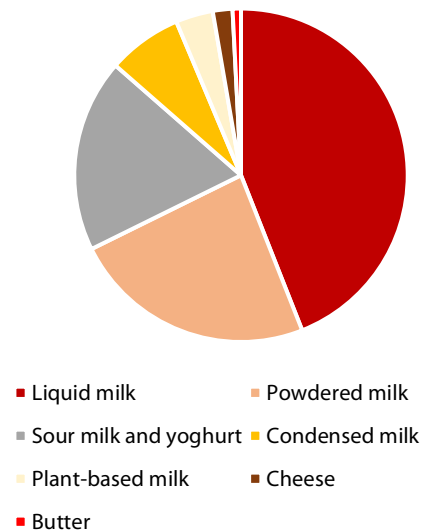
Source: Euromonitor, RongViet Securities

Figure 29: Market share of condensed milk sector in Vietnam (%)


Source: Euromonitor, RongViet Securities

Figure 30: Market share of plant-based milk sector in Vietnam (%)


Source: Euromonitor, RongViet Securities

Figure 31: Vietnam dairy market pie by segments


Source: Euromonitor, RongViet Securities

The overseas market—while offering potential—remains challenging to penetrate, accounting for less than 20% of VNM's revenue structure ([Back to page 4](#))

VNM conducts its overseas operations through two channels: exports and the establishment of foreign subsidiaries (Driftwood, Angkormilk). Condensed milk and milk powder are the primary products driving Vinamilk's international business.

The key highlight of VNM's 15-year overseas journey has been its focus on affordable, long-shelf-life staple products (milk powder and condensed milk) targeting low- to middle-income countries with high birth rates, such as Iraq and Cambodia.

By successfully penetrating these markets, with rapid market share gains (currently 21.2% in Cambodia and 12.2% in Iraq), VNM achieved double-digit overseas revenue growth during its initial market entry phase from 2010 to 2019. However, its inability to expand beyond milk powder and condensed milk into

other dairy segments (e.g., cheese, which accounts for 40% of Iraq's dairy market) and rising competition from local players (e.g., Almarai, Solico, Diba, Dyar in Iraq) and international brands (e.g., Abbott, Fonterra, Nestlé in Cambodia) have significantly slowed VNM's overseas revenue growth, with CAGR dropping to single digits over the 2019-24 period.

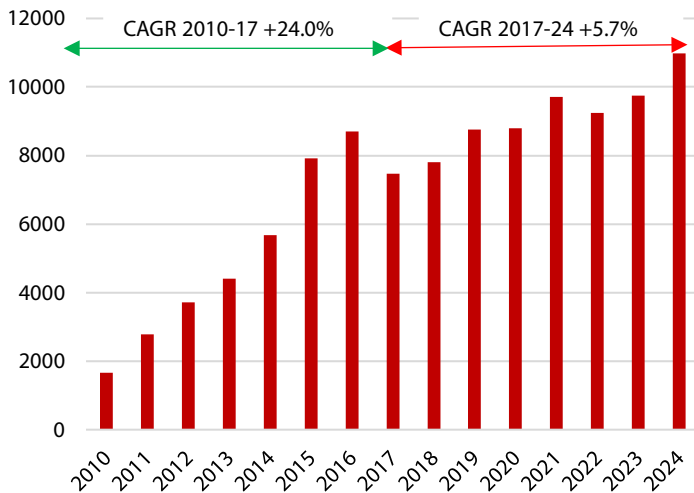
Furthermore, VNM's attempts to penetrate other markets such as the U.S., China, Australia, New Zealand, and Philippines have faced challenges due to the entrenched scale and brand recognition of established global dairy giants like Abbott, Nestlé, Danone, and Fonterra. Consequently, VNM has yet to unlock new growth drivers in its overseas segment, particularly as its traditional growth pillars (Iraq and Cambodia) have plateaued.

Table 14: Description of VNM's foreign business activities

	Thị trường	Under	Products, distribution channels
Export	Middle East (mainly Iraq) is the main market	Parent company Vinamilk	Condensed milk, powdered milk
	Nearly 60 other countries	Parent company Vinamilk	All segments
Foreign subsidiaries	Cambodia	Angkor Milk	Mainly liquid milk, powdered milk
	Philippines	Del Monte – Vinamilk	Currently discontinuing joint venture with Del Monte
	US	Driftwood Dairy Holdings Corporation in California	All milk segments, distributed to schools, restaurants, hospitals. Currently, VNM is diversifying its distribution channels to a more B2C direction from 2024.

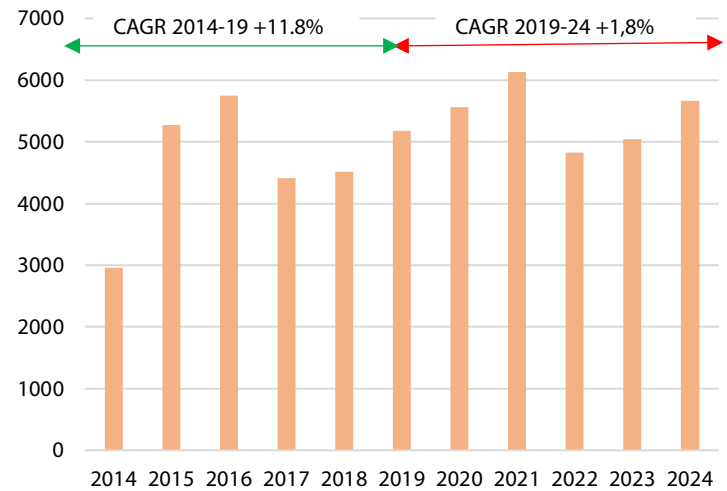
Source: VNM, RongViet Securities

Figure 32: VNM's export revenue over the years (VND bn)



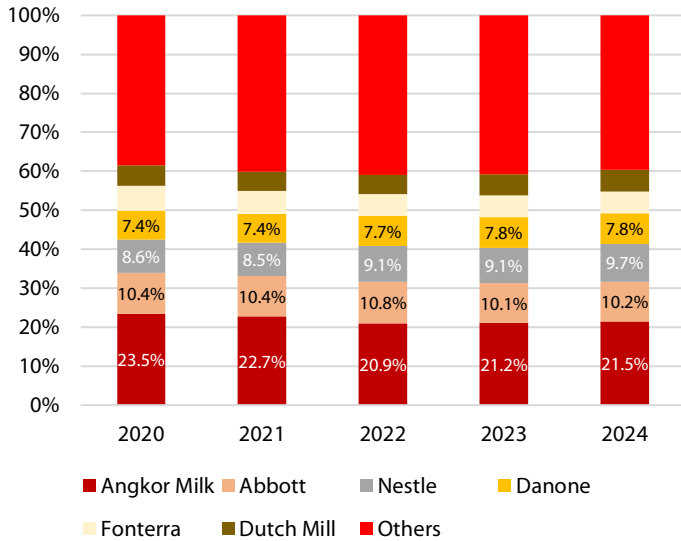
Source: VNM, RongViet Securities

Figure 33: Revenue of VNM's foreign branches over the years (VND bn)



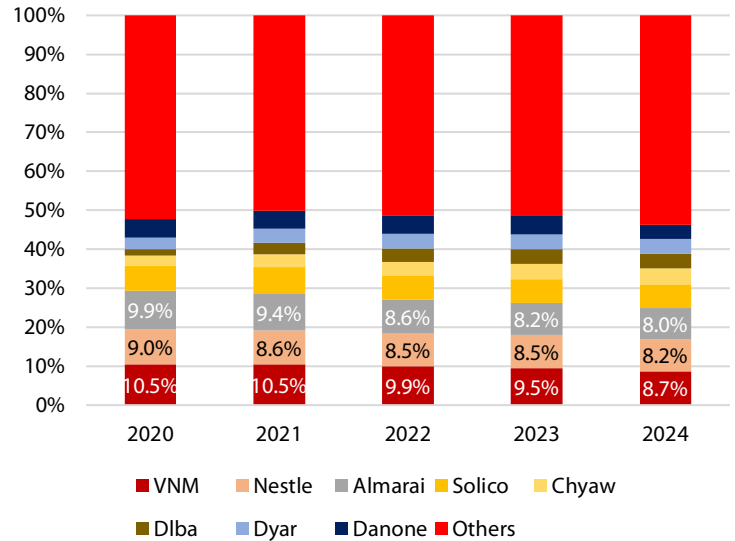
Source: VNM, RongViet Securities

Figure 34: Iraq's dairy market share (%)



Source: Euromonitor, RongViet Securities

Figure 35: Cambodia's dairy market share (%)



Source: Euromonitor, RongViet Securities

2025-29 Outlook

Domestic market – major market, contributed to 80% of VNM's sales ([Back to page 4](#))

Looking ahead to the 3-5-year outlook, we identify unfavorable trends in the dairy industry for VNM due to:

- (1) The dairy market entering a long-term saturation phase (CAGR growth of less than 5% per year for 2024-29, except for the yogurt segment), driven by a declining birth rate reaching historic lows and per capita milk spending in Vietnam hitting its ceiling (Figure 23, 36, 37).
- (2) An increasingly challenging competitive landscape for VNM both domestically and internationally.

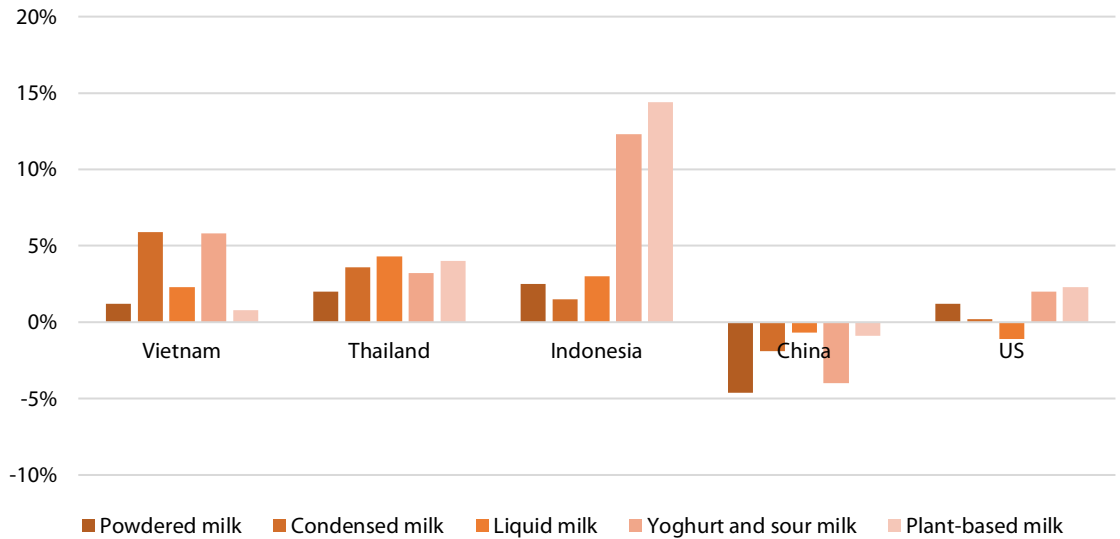
We believe the scope for improving dairy industry revenue is limited, given Vietnam's rising per capita milk consumption relative to other Asian countries (Figure 36) and a declining birth rate (reaching a record low of 1.96 children per woman in 2024). According to Euromonitor forecasts, Vietnam's dairy market value is projected to grow at a CAGR of 3.0% per year over 2024-29, down from 4.2% during 2018-24, as growth decelerates across most sub-segments. (Figure 32)

We outline VNM's post-2023 development strategies and note a lack of breakthrough product innovations to drive market share growth from its already high current level (~35%):

- **Packaging refresh strategy:** From May 2023 to November 2024, VNM revamped packaging for 125 SKUs across most dairy segments, aiming to refresh brand identity and stimulate consumer purchase intent. However, amid intense competition, this refresh has yielded only short-term marketing effects rather than sustainably restoring market share, as VNM's product portfolio lacks significant innovation signals.
- **Shift to 100% fresh cow's milk in the liquid milk niche:** Vinamilk launched premium GreenFarm and 100% Organic product lines using 100% fresh cow's milk in December 2023. However, these products are priced higher than competitors (Table) and remain less prevalent on shelves compared to VNM's mainstream fresh milk offerings, thus contributing minimally to VNM's business results to date. (*)
(*) *GreenFarm products grew 30% YoY in 2024 from a low base, suggesting the shift to 100% fresh cow's milk aligns with market trends, in our view.*
- **Increased discounting for suppliers:** VNM has intensified discounts and promotions, prioritizing these over advertising campaigns (implying reduced marketing costs). However, as competitors adopt similar tactics—a broader food and beverage industry trend—this strategy's effectiveness is limited to maintaining market share or slowing its decline, rather than driving a recovery.

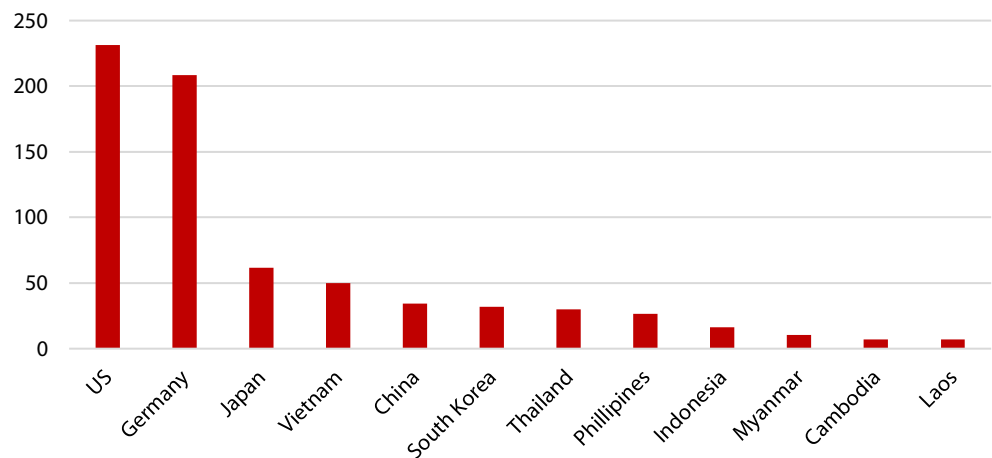
Consequently, we forecast that Vinamilk will continue to lose market share in liquid milk, yogurt, and milk powder segments, though the pace of decline will moderate in the coming years as VNM ramps up product portfolio transitions and discount/promotion efforts. Conversely, VNM is expected to maintain or grow its market share in its dominant condensed milk segment and the emerging, low-base plant-based milk segment.

Figure 36: Projected compound annual growth rate (CAGR) of net sales of dairy segments by country 2024-29 (%), according to Euromonitor



Source: Euromonitor, RongViet Securities

Figure 37: Per capita milk consumption in 2021 in countries (kg/person)



Source: FAO, RongViet Securities. (*) Note: Vietnam is the leading milk consumer among Asian countries, which do not consider "milk as an essential commodity" like Eurozone/US countries.

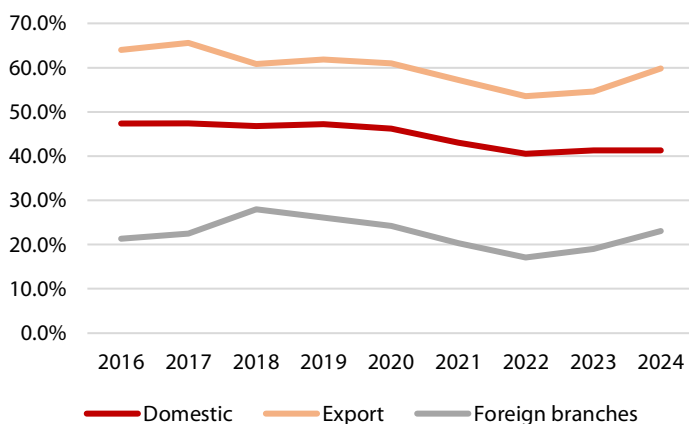
Table 15: VNM's past and projected market share in the VN dairy market by segment (%)

	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Powdered milk	23.2%	21.5%	19.9%	19.8%	19.8%	19.7%	19.6%	19.5%	19.4%	19.3%
Cheese	3.0%	3.1%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Liquid milk	47.7%	45.9%	42.3%	39.7%	38.3%	37.6%	37.1%	36.7%	36.4%	36.3%
Yoghurt and sour milk	65.0%	63.9%	61.7%	60.6%	59.8%	59.4%	59.0%	58.6%	58.2%	57.8%
Condensed milk	81.6%	82.0%	82.2%	82.3%	83.3%	83.8%	83.8%	83.8%	83.8%	83.8%
Plant-based milk	16.4%	16.4%	15.9%	16.7%	17.9%	18.9%	19.9%	20.9%	21.9%	22.9%

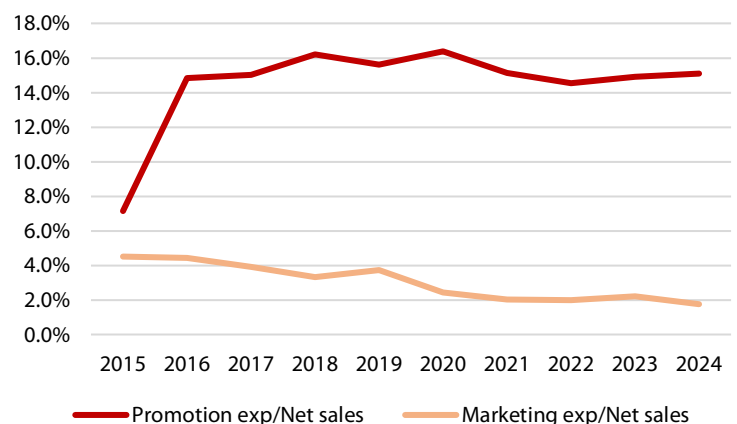
Source: Euromonitor, RongViet Securities estimates

Regarding cost structure, as previously noted, VNM is expected to see its net margin narrow toward the industry average as it maintains low selling prices and increases discounts and promotions amid intensifying competition in a maturing, lackluster market. ([Back to page 5](#))

Unfavorable input cost factors and the strategic shift toward fresh cow's milk products (with lower margins) will also be key drivers compressing VNM's profit margins in the medium term.

Figure 38: VNM's gross margin by segment (%)


Source: VNM, RongViet Securities

Figure 39: VNM optimizes marketing activities with high ROI, using the budget from this activity to spend more on discounts than previous years (%)


Source: VNM, RongViet Securities

Table 16: The selling price (VND) of Greenfarm milk is generally still higher than other high-quality 100% fresh milk from cows.

	VNM	TH Truemilk	Dalatmilk	NutiMilk
Box of 48 boxes of 110 ml	275,000	260,000	263,000	264,000
Box of 48 boxes of 180 ml	415,000	409,000	375,000	400,000

Source: Rong Viet Securities Company statistics on February 27th, 2025 at Bach Hoa Xanh.

APPENDIX 1 – COMPARABLE DAIRY MANUFACTURER

In this report, we benchmark VNM against five dairy producers with comparable domestic market positions for analysis and forecasting purposes:

Inner Mongolian Yili Group (China): A leading dairy producer in China, headquartered in Hohhot, Inner Mongolia. Specializing in the production and processing of dairy products such as fresh milk, yogurt, ice cream, and milk powder, Yili is renowned for brands like “Yili,” “Satine,” and “Pro-Kido.” Listed on the Shanghai Stock Exchange and partially owned by the Hohhot government, Yili served as an official sponsor of the 2008 Beijing Olympics and the 2022 Winter Olympics. In 2021, it topped the list of China’s 100 leading food and beverage companies.

China Mengniu Dairy (China): One of China’s largest dairy companies, also based in Hohhot, Inner Mongolia, and a direct competitor to Yili Group. Founded in 1999, Mengniu focuses on fresh milk, yogurt, ice cream, and milk powder, with prominent brands including “Mengniu,” “Milk Deluxe,” and “Future Star.” Listed on the Hong Kong Stock Exchange and backed by the COFCO Group, Mengniu sponsored the 2008 Beijing Olympics and the 2018 FIFA World Cup, standing out for its aggressive marketing and international expansion.

Morinaga Milk Industry (Japan): A major Japanese dairy company headquartered in Tokyo, established in 1917. Specializing in fresh milk, yogurt, ice cream, milk powder, and nutritional foods, Morinaga is known for products like infant formula, “Mount Rainier” canned coffee, and confectionery. The company emphasizes high quality and food safety, with a presence in multiple international markets.

Yakult Honsha (Japan): A Japanese company based in Tokyo, globally recognized for its fermented yogurt drink Yakult, featuring Lactobacillus probiotics. Founded in 1935 by Dr. Minoru Shirota, Yakult focuses on gut health and distributes its products in over 40 countries. Listed on the Tokyo Stock Exchange, the company excels in microbiome research and effective, straightforward marketing.

Fraser & Neave Holdings Bhd (Malaysia): A leading Malaysian food and beverage company headquartered in Shah Alam. Established in 1883, F&NHB produces and distributes beverages (100PLUS, F&N Seasons), dairy products (F&N Magnolia, Farmhouse), and other foods, generating annual revenue of approximately RM 4 billion. Listed on Bursa Malaysia, it is recognized for its halal-certified product quality and operates in Malaysia, Thailand, Brunei, while exporting to various countries.

Table 17: Dairy Companies with Domestic Position Similar to VNM - Industry Average Calculated from the 5 Companies Listed Above

	2018	2019	2020	2021	2022	2023	Industry average
Days AR on hands	15%	15%	15%	15%	20%	20%	Weight
Average	26.0x	26.4x	27.1x	26.8x	27.2x	27.9x	27.0x
Median	23.3x	23.4x	24.3x	23.8x	25.4x	26.6x	24.0x
Days inventory on hands	15%	15%	15%	15%	20%	20%	Weight
Average	44.8x	46.5x	48.2x	47.3x	51.8x	54.6x	47.7x
Median	41.4x	43.9x	44.4x	43.4x	51.3x	57.8x	44.2x
Days AP	15%	15%	15%	15%	20%	20%	Weight
Average	124.6x	122.3x	120.6x	115.7x	124.2x	116.3x	121.5x
Median	53.0x	55.9x	56.4x	53.2x	65.5x	59.7x	56.2x
Gross margin	15%	15%	15%	15%	20%	20%	Weight
Average	40.5%	40.3%	39.3%	39.2%	39.3%	39.9%	39.6%
Median	37.8%	37.5%	35.1%	34.7%	33.9%	35.0%	35.1%
SG&A exp/Net sales	15%	15%	15%	15%	20%	20%	Weight
Average	32.1%	31.5%	31.1%	30.5%	30.4%	30.4%	30.8%
Median	30.1%	29.3%	30.3%	29.4%	28.3%	28.7%	29.3%
Net margin	15%	15%	15%	15%	20%	20%	Weight
Average	5.4%	5.5%	5.5%	5.9%	6.1%	6.0%	5.7%
Median	5.9%	6.3%	6.0%	6.8%	6.7%	6.6%	6.4%

Source: Bloomberg, RongViet Securities

	2018	2019	2020	2021	2022	2023	Industry average
EV/EBITDA	15%	15%	15%	15%	20%	20%	Weight
Average	14.8x	15.4x	19.2x	19.8x	16.5x	13.2x	15.8x
Median	14.9x	15.7x	16.6x	21.8x	17.5x	12.1x	15.8x
P/E	15%	15%	15%	15%	20%	20%	Weight
Average	29.1x	25.7x	22.6x	27.9x	28.0x	22.7x	19.8x
Median	28.9x	25.2x	23.1x	29.1x	26.3x	22.1x	15.6x
P/B	15%	15%	15%	15%	20%	20%	Weight
Average	3.2x	2.8x	3.4x	3.9x	3.6x	3.1x	2.6x
Median	2.9x	2.9x	3.5x	3.6x	3.8x	3.3x	2.6x
P/S	15%	15%	15%	15%	20%	20%	Weight
Average	1.5x	1.3x	1.5x	1.7x	1.9x	1.8x	1.5x
Median	1.3x	1.3x	1.7x	1.9x	2.1x	1.5x	1.3x

Source: Bloomberg, RongViet Securities

APPENDIX 2 – VNM IN THE STORY OF UPGRADING VIETNAM'S STOCK MARKET

As highlighted in the annual strategy report, the Vietnam stock market has addressed the two remaining criteria required by FTSE for an upgrade. Consequently, FTSE may recognize Vietnam as eligible for reclassification in its March 2025 review. [\(Refer to the 2025 Strategy Report – Dare to Depart\)](#)

The potential upgrade of Vietnam's market status (from Frontier Market to Emerging Market, as classified by organizations like FTSE Russell or MSCI) offers significant benefits for listed companies like Vinamilk (VNM). We outline key advantages VNM could gain:

- **Attracting foreign investment:** An upgrade would draw additional capital inflows from large investment funds, particularly ETFs focused on emerging markets. As a leading blue-chip stock on the HOSE, VNM is well-positioned to attract such investments, potentially boosting liquidity and share value.
- **Enhanced credibility and access to international capital:** Market reclassification elevates Vietnam's profile on the global financial map. For VNM, a company with a robust export strategy (present in over 60 countries), this could enhance brand credibility, facilitating access to cheaper international loans or bond issuances.
- **Improved stock valuation:** Participation by foreign institutional investors often aligns stock valuations with international benchmarks. As Vietnam's leading dairy company, VNM could see its P/E ratio re-rated above the broader market average.

We observe that emerging markets typically trade at higher P/E multiples than frontier markets:

- *Frontier Markets: Average P/E of ~10-14x.*
- *Emerging Markets: Average P/E of ~15-20x (varying by industry and country). The dairy and fast-moving consumer goods (FMCG) sectors in emerging markets often range from 18-25x, compared to 15-18x in frontier markets.*

For VNM, as Vietnam's dairy industry leader, its P/E could be repriced from its current level (~14x) to align with major regional emerging market dairy peers, as noted earlier: Inner Mongolia Yili Group (China) averaged ~23x over 2017-23, Mengniu Dairy (China) ~25x, and F&N Holdings (Malaysia) ~19x.

Table 18: Proportion of Top 10 stocks in FTSE basket as of Jan-2025

FTSE	HPG	VHM	VCB	VIC	VNM	MSN	SSI	KDH	VJC	VRE	Others
Proportion	13.85%	8.68%	8.62%	8.27%	7.60%	7.47%	5.45%	3.03%	2.69%	2.56%	31.78%
MSCI	HPG	VHM	VCB	VIC	VNM	MSN	SSI	KDH	VPB	DGC	Others
Proportion	10.59%	7.66%	6.58%	5.90%	5.79%	5.60%	4.42%	2.86%	2.86%	2.64%	45.10%

Source: FTSE, MSCI, RongViet Securities

APPENDIX 3 – FINANCIAL ANALYSIS & FORECAST IN 2025-29

Table 19: Projected revenue by segments (VND bn) [\(Back to page 4\)](#)

REVENUE BY SEGMENT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Domestic sales	51,202	50,704	50,617	50,799	52,470	53,937	55,175	56,432	57,756
YoY growth	0.7%	-1.0%	-0.2%	0.4%	3.3%	2.8%	2.3%	2.3%	2.3%
Foreign sales	9,717	9,252	9,752	10,983	11,652	12,465	13,166	13,917	14,697
YoY growth	10.5%	-4.8%	5.4%	12.6%	6.1%	7.0%	5.6%	5.7%	5.6%
Export	6,128	4,828	5,039	5,664	5,902	6,285	6,538	6,826	7,129
YoY growth	10.2%	-21.2%	4.4%	12.4%	4.2%	6.5%	4.0%	4.4%	4.4%
Abroad branches	3,589	4,424	4,713	5,319	5,749	6,181	6,628	7,091	7,568
YoY growth	11.0%	23.3%	6.5%	12.9%	8.1%	7.5%	7.2%	7.0%	6.7%
Total VNM	60,919	59,956	60,369	61,783	64,121	66,402	68,341	70,349	72,453
YoY growth	2.2%	-1.6%	0.7%	2.3%	3.8%	3.6%	2.9%	2.9%	3.0%
REVENUE CONTRIBUTION	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Domestic sales	84.0%	84.6%	83.8%	82.2%	81.8%	81.2%	80.7%	80.2%	79.7%
Export	10.1%	8.1%	8.3%	9.2%	9.2%	9.5%	9.6%	9.7%	9.8%
Abroad branches	5.9%	7.4%	7.8%	8.6%	9.0%	9.3%	9.7%	10.1%	10.4%

Source: VNM, RongViet Securities estimates

Table 20: Projected gross margin by segments [\(Back to page 5\)](#)

GROSS PROFIT BY SEGMENT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Domestic sales	22,047	20,555	20,893	20,975	21,366	21,799	22,039	22,275	22,525
Export	3,503	2,585	2,752	3,385	3,246	3,457	3,596	3,755	3,921
Abroad branches	728	756	899	1,230	1,359	1,491	1,599	1,711	1,826
Total VNM	26,278	23,897	24,545	25,590	25,970	26,747	27,234	27,740	28,272
YoY growth	22.9%	15.4%	11.7%	-27.0%	25.8%	8.1%	8.4%	6.2%	5.3%
GROSS MARGIN BY SEGMENT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Domestic sales	43.1%	40.5%	41.3%	41.3%	40.7%	40.4%	39.9%	39.5%	39.0%
Export	57.2%	53.5%	54.6%	59.8%	55.0%	55.0%	55.0%	55.0%	55.0%
Abroad branches	20.3%	17.1%	19.1%	23.1%	23.6%	24.1%	24.1%	24.1%	24.1%
Total VNM	43.1%	39.9%	40.7%	41.4%	40.5%	40.3%	39.9%	39.4%	39.0%

Source: VNM, RongViet Securities estimates.

Table 21: Projected SG&A expenses/net sales [\(Back to page 6\)](#)

SG&A EXPENSES/NET SALES	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Total VNM	23.8%	23.6%	24.5%	24.6%	24.7%	24.8%	24.9%	24.9%	25.0%

Source: VNM, RongViet Securities estimates

Table 22: Projected net margin ([Back to page 6](#))

NET PROFIT	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Total VNM	10,532	8,516	8,874	9,392	9,297	9,418	9,449	9,510	9,516
YoY growth	-5.1%	-19.1%	4.2%	5.8%	-1.0%	1.3%	0.3%	0.7%	0.1%
NET MARGIN	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Total VNM	17.3%	14.2%	14.7%	15.2%	14.5%	14.2%	13.8%	13.5%	13.1%

Source: VNM, RongViet Securities estimates

Table 23: Projected efficiency ratios ([Back to page 7](#))

WORKING CAPITAL	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Days AR on hands	35	37	39	37	38	39	38	38	38
Days Inventory on hands	71	56	62	57	57	57	57	57	57
Days AP	44	43	39	39	39	39	39	39	39

Source: VNM, RongViet Securities estimates

Table 24: VNM's annual cash dividends ([Back to page 8](#))

	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Cash dividend (VND/share)	3,600	5,250	2,950	3,850	4,090	4,140	4,160	4,180	4,190
Dividend Payout Ratio	68.7%	77.5%	95.7%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%
Dividend Yield	3.3%	6.2%	3.8%	5.7%	6.6%	6.7%	6.7%	6.7%	6.8%

Source: VNM, RongViet Securities estimates

Company Report

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

In some cases, we do not provide specific buy/sell recommendations but only offer some reference valuations to give investors additional information, classified under the **OBSERVE** recommendation.

ABOUT US

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The **Analysis and Investment Advisory Department** of RongVietSecurities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews.

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