June, 2025

VIETNAM DAIRY PRODUCTS JSC (HSX: VNM)

Looking to the "new GT shirt" to help regain market share

Unit: VND bn	Q1-FY25	Q4-FY24	+/- qoq	Q1-FY24	+/- yoy
Net sales	12,935	15,477	-16.4%	14,112	-8.3%
NPAT-MI	1,568	2,124	-26.1%	2,195	-28.5%
EBIT	1,610	2,304	-30.1%	2,420	-33.5%
EBIT margin	12.4%	14.9%	-244bps	17.2%	-470bps

Sources: VNM, RongViet Securities

Q1-FY25: Heavily impacted by GT channel restructuring (traditional channel via wet markets, small grocers, and local distributors)

- VNM's Q1-2025 earnings were below our expectations, with net sales at VND 12,935 bn (-8.3% YoY) and NPAT-MI at VND 1,569 bn (-28.5% YoY). The shortfall was driven by a sharp drop in domestic sales caused bythe short-term impact of GT channel restructuring, and margin compression. Whole milk powder prices surged to a two-year high while sales discount expenses remained unchanged despite the revenue decline.

FY25 Outlook: Gradual earnings stabilization will be expected post-GT channel restructuring, but this will not be enough to deliver positive full-year profit growth.

- In 2025, export operations and foreign subsidiaries are expected to maintain record-high levels, as seen in 2024, thanks to market share gains. However, the key driver of VNM's growth lies in the ongoing restructuring of the GT (general trade) channel, which aims to unlock better domestic distribution efficiency—currently accounting for over 80% of total revenue.
- In Q2-2025, domestic performance is set to stabilize as the GT restructuring wraps up. Notably, the unusually high inventory at the end of Q1 is expected to normalize in Q2, supporting a healthy QoQ rebound in sales. As a result, NPAT-MI is forecast to reach VND 2,727 bn (+24.3% QoQ, +2.1% YoY).
- Under the base-case scenario, VNM's earnings will gradually recover from the Q1 low. However, without major product breakthroughs, revenue growth is likely to remain subdued. Combined with ongoing margin pressure, we forecast net revenue at VND 61,783 bn (-1.2% YoY), with NPAT-MI/EPS at VND 8,638 bn (-8.0% YoY) and VND 4,133, respectively.

Outlook & Recommendation

We believe that VNM's earnings growth has stagnated post-COVID, as market share declined amid a sluggish domestic dairy market. Efforts to refresh the product portfolio and increase discounts have yet to yield significant results, despite margin compression. The effectiveness of the GT channel restructuring campaign still needs to be monitored, particularly in terms of the response of both new and existing distributors. This remains a key factor in shaping VNM's medium-term outlook.

*We value VNM using a blended approach of short-term P/E comparison and long-term discounted cash flow (DCF) at a 50:50 weighting. Our 12-month target price is **VND 65,100 per share**, implying a 2025F P/E of 15.8x. Based on the closing price as of June 24th, 2025, we assign a **ACCUMULATE** rating for VNM.*

ACCUMULATE

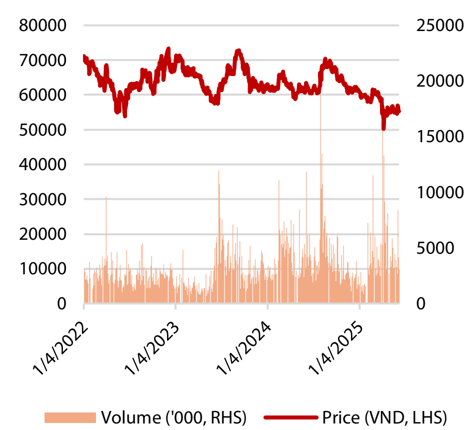
Market price (VND)	56,400
Target price (VND)	65,100

1-year expected cash dividend (VND/share): 3,800

Stock Info	
Sector	Food & Beverage
Market Cap (VND Bn)	115,575
Share O/S (Mn)	2,090
Average trading volume (20 sessions) ('000 shares)	3,736
Free Float (%)	33.0
52 weeks high	70,400
52 weeks low	50,300
Beta	0.7

	FY24	Current
EPS	4,494	4,194
EPS growth (%)	5.8	-4.8
P/E	13.6	13.9
P/B	3.5	3.2
EV/EBITDA	9.7	9.8
ROE (%)	26.0	23.3

Stock price movement



Major shareholders (%)	
State Capital Investment Corp	36.0
F&N Dairy Investment PTE LTD	17.7
Platinum Victory PTE LTD	10.6
Lien, Mai Kieu	0.3
Others	35.4
Remaining Foreign Room (%)	51.6

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Q1-2025's performance missed our expectation due to GT Channel Restructuring

Net revenue reached VND 12,935 bn (-16.4% QoQ, -8.3% YoY), 9% below our forecast, mainly due to weaker-than-expected domestic sales, Specifically:

- **Domestic sales came at VND 10,010 bn (-22.1% QoQ, -12.9% YoY), falling short of forecasts by 13%.** The comprehensive restructuring of the GT channel (*) disrupted VNM's usual sales stability in this segment (typically over VND 11,000 bn per quarter). In our view, this performance lagged behind the sector average.

  Based on our review of VNM's working capital at the end of Q1-2025, we note that the company has built up inventory in preparation for the post-restructuring period starting Q2-2025, once its B2B distribution and dealer network has stabilized. As such, we believe that part of the domestic underperformance this quarter was due to internal planning decisions.

(*) "In Q1-2025, Vinamilk restructured its distribution system, particularly in traditional trade, by reorganizing and reassessing distributors, and reviewing its salesforce from directors and regional heads to supervisors and staff. Since early April, the new structure has been gaining traction, with estimated double-digit sales growth YoY for April," shared Ms. Mai Kieu Lien, CEO of Vinamilk, at the 2025 AGM.

- **Overseas revenue reached VND 2,924 bn (+11.0% QoQ, +11.8% YoY), exceeding our expectation by 5%,** mainly driven by strong export growth in the core market of Iraq for powdered milk and condensed milk (+24.9% YoY). Revenue from subsidiaries Driftwood and AngkorMilk remained unchanged (-1.1% YoY) during the quarter.

NPAT-MI was VND 1,569 bn (-26.1% QoQ, -28.5% YoY), 26% below our estimates, with a net margin of 12.1% (-159 bps QoQ, -342 bps YoY), primarily due to the sharp decline in domestic sales as previously discussed. Cost structure remained largely in line with prior expectations:

- **Gross margin was 40.3% (flat QoQ, -161 bps YoY),** as input milk powder prices stayed elevated since Q4-2024 (*), coupled with a higher sales mix of fresh milk lines such as 100% Organic and Greenfarm, which carry lower gross margin compared to VNM's traditional products.

(*) "In Q1 alone, input costs rose by about 4.5%, but Vinamilk only raised selling prices by around 2.6%. The company plans a full-year price hike of approximately 3.4%, aiming to absorb part of the increase to minimize the impact on consumers," said Ms. Mai Kieu Lien, CEO of Vinamilk, at the 2025 AGM.

- **SG&A exp/Net sales stood at 24.5% (-185 bps QoQ, -157 bps YoY).** While key selling expenses such as promotions and advertising remained flat YoY, a moderate 7.2% YoY increase in staff salaries (*)—combined with a sharp revenue decline—led to an elevated this cost ratio.

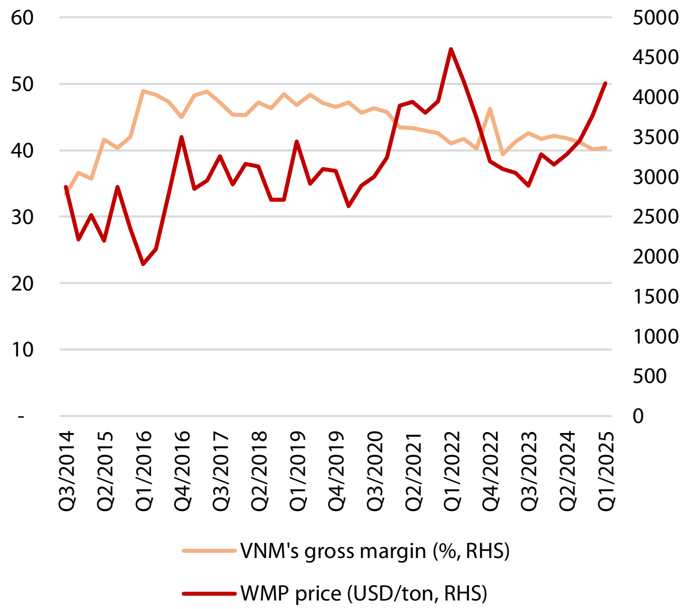
(*) "Although performance has been solid over the years, employee compensation remains below that of similar-size peers in the same industry. As such, VNM has implemented moderate annual salary adjustments, as approved by the Board of Directors, to better reflect company performance," shared Mr. Le Thanh Liem, CFO of Vinamilk, during the Q1-2025 investor call.

Table 1: VNM's Q1-2025 results (VND bn)

Unit: VND bn	Q1-2025	Q4-2024	+/- (qoq)	Q1-2024	+/- (yoy)	% Q1 to 2025F's VDS
Net sales	**12,935**	**15,477**	**-16.4%**	**14,112**	**-8.3%**	**21.2%**
Domestic	10,010	12,843	-22.1%	11,497	-12.9%	19.2%
Oversea	2,924	2,635	11.0%	2,616	11.8%	24.2%
Export	*1,620*	*1,253*	*29.3%*	*1,297*	24.9%	25.5%
Foreign branches	*1,304*	*1,382*	*-5.6%*	*1,319*	-1.1%	22.7%
NPAT-MI	**1,568**	**2,124**	**-26.1%**	**2195**	**-28.5%**	**18.2%**
Gross margin (%)	*40.3%*	*40.1%*	*+20bps*	*41.9%*	*-160bps*	
SG&A exp/Net sales (%)	*27.8%*	*25.2%*	*+260bps*	*24.7%*	*+310bps*	
Net margin (%)	*12.1%*	*13.7%*	*-160bps*	*15.6%*	*-350bps*	

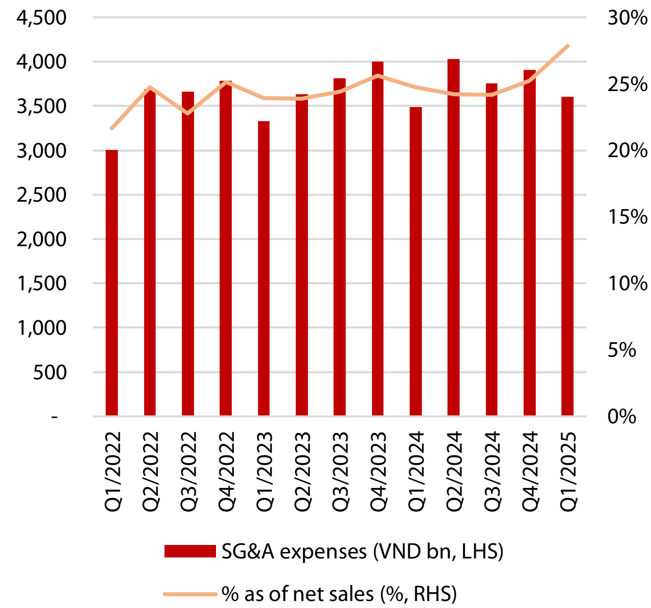
Sources: VNM, RongViet Securities

Figure 1: Correlation between VNM's gross margin and milk powder price movement



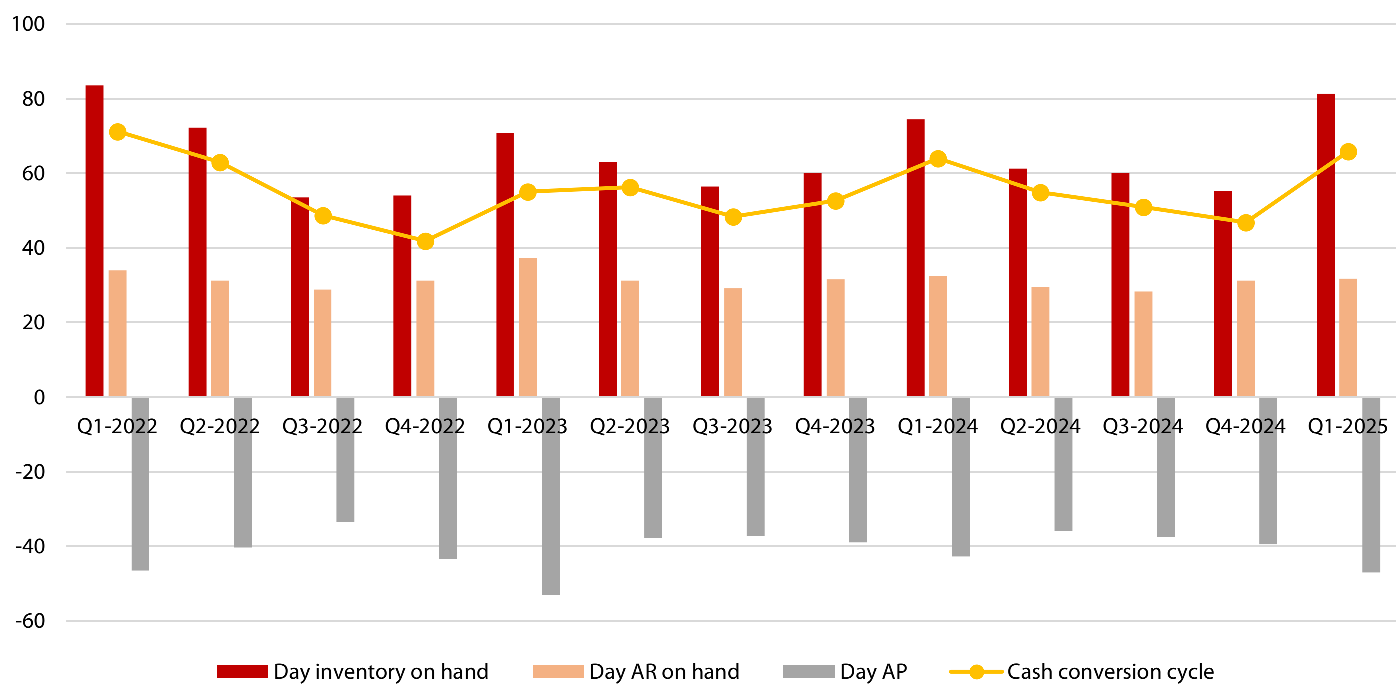
Sources: VNM, RongViet Securities

Figure 2: VNM's SG&A exp/Net sales (%)



Sources: VNM, RongViet Securities

Figure 3: VNM's working capital management (days)



Sources: VNM, RongViet Securities

Q2-2025's projected results: Recovery expected following completion of GT channel restructuring

Table 2: VNM's projected Q2-2025 results by VDS

	Q2-2025	+/-YoY	+/-QoQ	Assumption
Net sales	17,469	4.9%	23.8%	
Domestic Vinamilk & Mocchau	13,460	6.3%	24.6%	Domestic earnings are gradually stabilizing following the completion of the GT channel restructuring. Notably, the unusually high inventory at the end of Q1 (as previously mentioned) is expected to normalize in Q2, supporting a solid QoQ revenue rebound.
Other domestic subsidiaries	856	-1.9%	23.9%	
Export	1,715	-1.4%	32.3%	Although the one-off impact from Middle Eastern stockpiling seen last year is no longer present, VNM still expects export revenue to remain strong as its market share in condensed milk and powdered milk continues to grow in the region, similar to Q1-2025.
Foreign branches	1,437	3.9%	9.0%	The peak dairy consumption season in Q2–Q3 is returning, which should support QoQ growth. However, a sharp YoY rebound is unlikely, as VNM remains focused on stabilizing domestic operations rather than aggressively expanding in these markets. Additionally, its already high market share in Cambodia (over 25%) and the intense competition in the U.S. suggest limited growth potential in these regions.
Gross profit	7,037	-0.4%	19.0%	Similar to Q1-2025, input milk powder prices remain elevated, putting pressure on gross margin trends. The likelihood of VNM raising prices further to protect margins is limited, given intense domestic dairy competition and the company's prior 2.6% price increase last quarter.
SG&A expenses	-3,925	-2.6%	12.4%	VNM has had to increase trade discounts to support distributors during the early phase of rebuilding its domestic market.
EBIT	3,112	2.5%	28.6%	
Income from affiliates	5			
Net finance income	325			
Other profit	1			
EBT	3,443	4.0%	27.2%	
Corporate income tax	-689			
Minority of interest (MI)	27			
NPAT-MI	2,727	2.1%	24.3%	Overall, strong YoY revenue growth is expected to support VNM's net profit this quarter, despite continued cost structure pressures as previously noted.
Gross margin	40.3%	-215bps	0bps	
SG&A exp/Net sales	22.5%	-173bps	-537bps	
EBIT margin	17.8%	-42bps	+537bps	
Net margin	15.6%	-42bps	+348bps	

Sources: VNM, RongViet Securities

Valuation

We view 2025 as a challenging year for VNM, with several unresolved variables around the effectiveness of its GT channel overhaul and cost structure management. Key concerns include:

- **The aggressive restructuring of the GT channel has disrupted the stability of VNM's domestic sales.** Although the company has guided for double-digit sales growth starting in Apr-2025 (*), we remain cautious about the Q2-2025 outlook given the ongoing weakness in the local dairy and consumer markets. Additionally, uncertainty around tariffs and the untested performance of VNM's entirely new GT salesforce and distributor network (**) raises further execution risk, especially given the limited track record (only 3–6 months) (***)

(*) Domestic revenue in April 2025 grew over 10% YoY and 41% compared to the monthly average in Q1-2025, mainly from the GT channel. The unusually high inventory in Q1-2025 was positioned as a strategic buildup for stronger April results.

(**) Post-restructuring, GT changes include broader distribution coverage (more distributors and sales staff), increased sales visits per outlet, and a significant reduction in inventory per point of sale.

(***) The GT channel is highly critical, accounting for an estimated 75–85% of total FMCG and dairy revenue in Vietnam, according to Euromonitor.

We also highlight a potential risk for VNM as its former distributors and sales agents may deepen partnerships with competing dairy brands such as TH Truemilk, Dutch Lady, and IDP …

- **The upward trend in whole milk powder (WMP) prices over the medium term** (Figure 1) (*) (Refers to Analyst Pinboard: Understanding the definition of milk powder and predicting raw milk powder price trends for 2025) combined with the need to **ramp trade discounts** up to support distributors during the early phase of domestic market rebuilding (Figure 2), makes it difficult for VNM's net margin to recover quickly.

  While VNM may raise selling prices to offset raw material cost pressures but have to trade off with its competitiveness, especially against peers that either maintain low prices/high discounts (e.g., IDP, Nutifood, Dutch Lady) or do not rely on imported milk powder, such as TH Truemilk, Dalatmilk, and Lothamilk, which use 100% fresh milk from local dairy farms.

(*) We note a declining global trade supply trend for milk powders, particularly WMP, over time, due to:

- *China has steadily reduced milk powder imports from New Zealand over the past three years, driven by policies to boost domestic production since 2018. In response, New Zealand has gradually scaled back WMP output to rebalance supply and demand, but this also reduces global milk powder supply.*
- *Major dairy producers are shifting production from WMP to higher-margin products like butter and cheese, which offer more stable long-term profitability.*

Meanwhile, demand for milk powder is expected to rebound in 2025.

- *China may resume WMP imports this year (*) as local dairy farmers have scaled back raw milk production due to weak profitability in 2024. According to a recent Rabobank report, China's dairy import volume could grow 2% YoY in 2025, reversing the three-year downtrend.*
- *Southeast Asia, the world's second-largest milk powder consumer (especially SMP), which is expected to increase imports in 2025 as demand recovers and governments expand free nutrition and school milk programs (e.g., Indonesia, Philippines).*

Indonesia's MBG (Free Meal Program) will launch on January 2, 2025, as one of President Prabowo Subianto's top priorities. Phase one (Jan–Mar) targets 3 million beneficiaries, phase two (Apr–Jun) aims for 6 million, with the goal of reaching 15–17 million by year-end. The MBG program will provide one daily meal covering one-third of children's daily calorie needs, fully funded by the government.

The combination of declining global milk powder supply and recovering demand is expected to keep WMP prices elevated—pressuring margins for listed dairy players like VNM and IDP in 2025.

Given these uncertainties, we adopt a conservative base-case scenario in which upcoming quarters will not see strong enough growth to offset the Q1 decline, leading to a projected 8.0% YoY drop in full-year 2025 NPAT-MI.

An additional upside catalyst for VNM lies in a potential market upgrade. As a leading consumer goods company with high liquidity, VNM could see increased foreign fund inflows if Vietnamese stock market is reclassified. Its current P/E ratio of 14–15x could be re-rated upward by 10–15%, reaching 16.0–17.0x, which is more in line with regional dairy peers. **This re-rating potential is discussed in greater detail in our** Company report: VNM - The big boat strives to conquer mighty waves.

Using a blended valuation approach—50% long-term DCF (reflecting VNM's fundamentals) and 50% short-term P/E (at 14.5x, in line with the VNIndex), **we arrive at a 12-month target price of VND 65,100 per share.**

Table 3: VNM Valuation Summary

VNM's VALUATION SUMMARY (VND/SHARE)		
Method	**Contribution**	**Target price**
DCF (5 years, WACC: 9.8%, Exit EVEBITDA 10.5x)	50%	62,023
PE (EPS 2025F, PE 16.5x)	50%	68,195
Total VNM	**100%**	65,100
Expected cash dividend next year (VND/share)		**3,800**
2025F targeted PE		*15.8*

Sources: VNM, RongViet Securities

Table 4: Sensitivity analysis of VNM's target price based on exit EV/EBITDA in DCF Method (VND/share)

		Exit EVEBITDA						
		7.5	8.5	9.5	10.5	11.5	12.5	13.5
WACC	6.8%	57,237	61,112	64,987	68,863	72,738	76,613	80,488
	7.8%	55,366	59,065	62,763	66,462	70,161	73,860	77,558
	8.8%	53,589	57,121	60,653	64,185	67,717	71,248	74,780
	9.8%	51,901	55,275	58,649	62,023	65,397	68,771	72,144
	10.8%	50,297	53,521	56,745	59,970	63,194	66,418	69,642
	11.8%	48,771	51,853	54,936	58,018	61,101	64,184	67,266
	12.8%	47,318	50,267	53,215	56,163	59,112	62,060	65,008

Sources: RongViet Securities

Table 5: Sensitivity Analysis of VNM's target price based on P/E Method (VND/Share)

			P/E								
EPS (VND)			12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5
	2025F	4,133	51,663	55,796	59,929	64,062	68,195	72,328	76,461	80,594	84,727
	2026F	4,226	52,824	57,050	61,276	65,502	69,728	73,954	78,180	82,405	86,631

Sources: RongViet Securities

Appendix

Table 6: VNM's Q1-2025 results

Unit: VND bn	Q1-2025	Q4-2024	+/-QoQ	Q1-2024	+/-YoY	% as of VNM's 2025F plan	% as of VDS's 2025F forecast
Net sales	**12,935**	**15,477**	**-16.4%**	**14,112**	**-8.3%**	**19.7%**	**21.2%**
Domestic Vinamilk & Mocchau	9,396	12,119	-22.5%	10,806	-13.1%		19.2%
Other domestic subsidiaries	614	723	-15.0%	691	-11.1%		19.4%
Export	1,620	1,253	29.3%	1,297	24.9%		25.5%
Foreign branches	1,304	1,382	-5.6%	1,319	-1.1%		22.7%
Gross profit	**5,210**	**6,210**	**-16.1%**	**5,912**	**-11.9%**		**21.3%**
SG&A expenses	**-3,601**	**-3,906**	**-7.8%**	**-3491**	**3.1%**		**23.8%**
EBIT	**1,610**	**2,304**	**-30.1%**	**2,420**	**-33.5%**		**17.2%**
Income from affiliates	16	23	-30.8%	10	56.8%		50.6%
Net finance income	325	255	27.5%	285	13.9%		24.2%
Other profit	1	61	-98.8%	-10	-107.6%		13.0%
EBT	**1,951**	**2,643**	**-26.2%**	**2,706**	**-27.9%**		**18.3%**
Corporate income tax	-364	-497	-26.7%	-499	-27.0%		-18.4%
Minority of interest (MI)	19	23	-18.8%	12	52.6%		31.0%
NPAT-MI	**1,568**	**2,124**	**-26.1%**	**2,195**	**-28.5%**	**16.2%**	**18.2%**

Source: VNM, RongViet Securities

Table 7: VNM's Q1-2025 Business analysis

Criteria	Q1-2025	Q4-2024	+/-QoQ	Q1-2024	+/-YoY
Profitability ratio					
Gross margin	40.3%	40.1%	+16bps	41.9%	-161bps
EBITDA/Net sales	16.4%	18.1%	-173bps	20.7%	-432bps
EBIT/Net sales	12.4%	14.9%	-244bps	17.2%	-470bps
Net margin	12.1%	13.7%	-159bps	15.6%	-342bps
Efficiency ratio (days)					
- Days AR on hand	81	55		74	
- Day Inventory on hand	32	31		32	
- Day AP	47	39		43	
Solvency ratio					
Total liabilities/Total equity	46%	52%		44%	

Source: RongViet Securities

VND bn

INCOME STATEMENT	2023A	2024A	2025F	2026F
Net revenue	**60,369**	**61,783**	**61,050**	**63,954**
COGS	35,824	36,192	36,541	38,436
Gross profit	**24,545**	**25,590**	**24,508**	**25,518**
SG&A expense	14,774	15,186	15,156	15,929
Finance income	1,716	1,586	1,713	1,794
Finance expense	503	428	372	360
Other profit	64	6	6	6
EBT	**10,968**	**11,600**	**10,673**	**10,912**
Corporate income tax	1,949	2,147	1,975	2,019
Minority of interest	146	61	61	61
NPAT-MI	**8,874**	**9,392**	**8,638**	**8,832**
EBIT	9,622	10,256	9204	9440

%

FINANCIAL RATIOS	2023A	2024A	2025F	2026F
YoY growth (%)				
Net sales	0.7	2.3	-1.2	4.8
EBIT	3.4	6.6	-10.3	2.6
NPAT-MI	4.2	5.8	-8.0	2.2
Total assets	8.6	4.5	1.5	1.2
Total equity	6.2	1.8	2.2	2.2
Profitability ratios (%)				
Gross margin	40.7	41.4	40.1	39.9
EBIT margin	15.9	16.6	15.1	14.8
Net margin	14.7	15.2	14.1	13.8
ROA	16.8	17.1	15.5	15.6
ROE	28.0	29.1	26.2	26.2
Efficiency ratios (days)				
Days AR on hands	39	37	38	39
Day Invenroty on hands	62	57	57	57
Day AP	39	39	39	39
Liquidity ratios (x)				
Current	2.1	2.0	2.1	2.2
Quick	1.7	1.7	1.8	1.9
Solvency ratios (%)				
Total liabilities/total equity	55.7	58.5	57.4	55.8
Short-term debt/Total equity	15.6	16.6	16.5	15.2
Total debt/Total equity	16.1	16.8	16.7	15.5

VND bn

BALANCE SHEET	2023A	2024A	2025F	2026F
Cash & Equivalents	2,912	2,226	2,200	2,304
Short-term investment	20,137	23,260	24,420	25,582
Receivables	6,530	6,234	6,360	6,795
Inventories	6,128	5,687	5,742	6,039
Other current assets	229	147	269	281
Tangible fixed assets	12,681	13,114	12,768	11,366
Intangible fixed assets	1,001	1,030	964	914
Long-term investment	831	1,373	1,300	1,300
Other non-current assets	2,224	1,978	1,831	1,919
Total assets	**52,673**	**55,049**	**55,853**	**56,500**
Trade payables	3,806	3,874	3,911	4,114
Short-term debt	8,218	9,115	9,191	8,607
Short-term debt	238	158	158	158
Other liabilities	4,706	5,047	4,982	5,240
Bonus & welfare funds	680	680	680	680
Science and technology fund	0	0	0	0
Total liabilities	**17,648**	**18,875**	**18,923**	**18,799**
Paid-in capital	20,900	20,900	20,900	20,900
Treasury shares	0	0	0	0
Retained earnings	3,926	3,471	4,166	4,877
Other funds	707	829	829	829
Investment & development funds	6,164	7,079	7,079	7,079
Total equity	**35,026**	**36,174**	**36,930**	**37,702**
Minority of interest	3,329	3,896	3,956	4,017

VALUATION RATIOS	2023A	2024A	2025F	2026F
EPS (VND)	4,246	4,494	4,133	4,226
P/E (x)	14.6	13.6	15.7	15.4
BV (VND)	16,759	17,309	17,670	18,039
P/B (x)	3.7	3.5	3.7	3.6
DPS (VND)	2,950	3,850	3,800	3,886
Dividend yield (%)	3.9	5.6	6.0	7.1

VALUATION MODEL	Price	Contribution	Average
DCF	62,023	50%	31,012
PE	68,195	50%	34,098
Target price (VND)		100%	**65,100**

VALUATION HISTORY	PRICE	RECOMMENDATION	TIME
06/2025	65,100	ACCUMULATE	1 year

Company Report

This report is created to provide 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 feedback 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.

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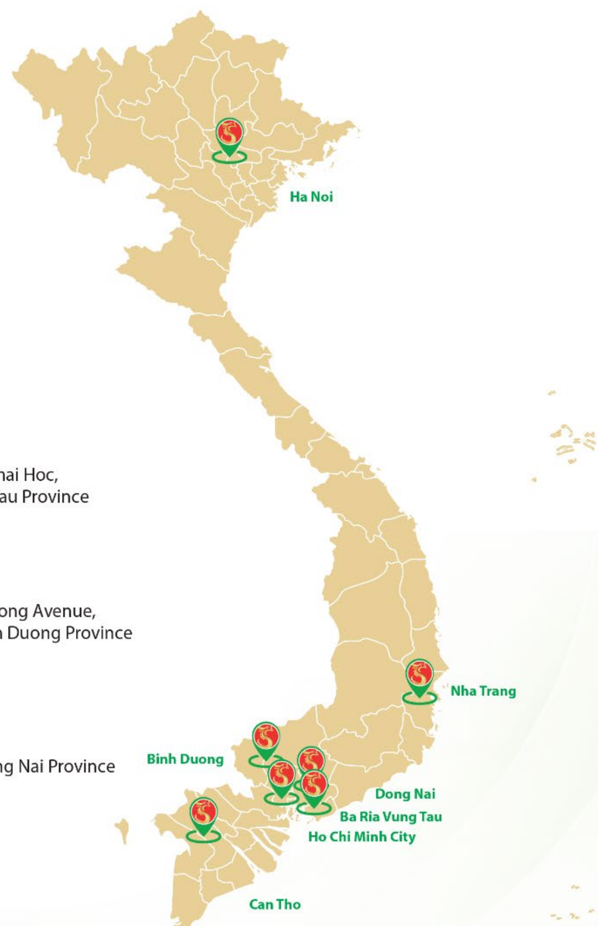

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