

QUANG NGAI SUGAR JSC (UpCOM: QNS)

Efforts to ramp up sugar production as planned by year-end

Unit: VND bn	Q1-FY25	Q4-FY24	+/- qoq	Q1-FY24	+/- yoy
Net sales	2,269	2,174	4.4%	2,522	-10.0%
NPAT-MI	392	623	-37.1%	532	-26.4%
EBIT	402	616	-34.7%	513	-21.7%
EBIT margin	17.7%	28.3%	-1,062bps	20.3%	-263bps

Sources: QNS, RongViet Securities

Q1-FY25: A bumpy road for the sugar segment overshadowed strong growth in milk

- QNS Q1-2025 results missed our expectation by 19%, with net sales of VND 2,351 bn (-10% YoY) and NPAT-MI of VND 392 bn (-26% YoY), mainly due to weak performance in the sugar segment with output volume fell 32.1% YoY and ASP dropped 3.9% YoY. Soft demand, rising competition from sugar smuggling, and a strong 2023–24 cane crop led to high inventories and disappointing results for most sugar mills.
- The key bright spot was soymilk, with volume growth of +10.1% YoY, driven by market share gains in the trending plant-based milk niche. However, this was not enough to offset the sharp decline in QNS's sugar segment overall performance.

FY25 Outlook: Sugar oversupply expected to ease toward year-end

- Tighter crackdown on sugar smuggling since May-2025 is expected to support a gradual recovery in QNS's sugar output (+4–5% YoY), in line with its ambitious plan to expand cane acreage (+20.5% YoY). However, as domestic sugar demand has plateaued for years (+3–4% YoY) and rising competition both domestically and abroad, sugar prices are expected to remain low in the medium term (VND 18,000–18,200/kg, -10–11% YoY). Meanwhile, high sugarcane procurement prices must be maintained under the protection scheme, weighing on revenue and profit growth in this segment.
- Market share gains in the plant-based milk segment will be a key growth driver to help QNS navigate a challenging year for sugar, with soymilk volume projected to rise 13.6% YoY.
- We forecast QNS's Q2-2025 earnings to improve QoQ as sugar supply-demand dynamics gradually normalize, with net sales of VND 3,358 bn (+48.0% QoQ, +19.1% YoY) and NPAT-MI of VND 628bn (-9.1% QoQ, +60.3% YoY).
- For FY25 as a whole, we project net sales at VND 10,123 bn (-1.2% YoY), NPAT-MI at VND 2,190 bn (-7.8% YoY), and EPS of VND 5,958.

Outlook & Recommendation

As Vinasoy's market share approaches saturation (>85%) in the maturing plant-based milk sector (growing at 3–8% YoY), QNS is shifting its growth strategy toward expanding its sugarcane cultivation. The company aims to gain significant distribution share from small-scale producers and smuggled sugar, which is expected to come under tighter control.

We value QNS using a blended approach of short-term SoTP and long-term DCF (weighting 60:40) to reflect near-term sugar price volatility. Our 12-month target price is **VND 52,600/share**, implying a 2025F P/E of 13.9x. Based on the closing price as of 25/06/2025, we recommend **ACCUMULATE**.

We also highlight QNS's strong dividend-paying capacity. The company typically pays out over 55% of annual net profit as cash dividends, implying a yield of 6.5–11.0%/year—well above deposit rates of 4.0–5.0%/year. Overall, QNS suits investors seeking stable dividend income with a medium-term yield of over 6.0%/year.

ACCUMULATE

Market price (VND)	47,500
Target price (VND)	52,600

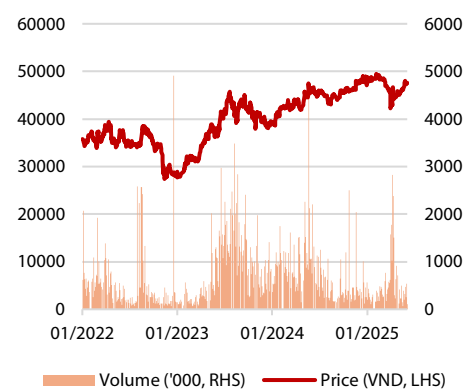
1-year expected cash dividend (VND/share): 3,500

Stock Info

Sector	Food & Beverage
Market Cap (VND Bn)	17,463
Share O/S (Mn)	368
Average trading volume (20 sessions) ('000 shares)	263
Free Float (%)	61.4
52 weeks high	49,500
52 weeks low	42,300
Beta	0.8

	FY2024	Current
EPS	6,465	6,083
EPS growth (%)	8.9	-7.0
P/E	7.3	7.5
P/B	1.7	1.7
EV/EBITDA	7.3	7.5
ROE (%)	23.8	22.2

Stock price movement



Major shareholders (%)

Thanh Phat Trading LLC	15.1
Dang, Vo Thanh	9.1
Nhung, Vo Thi Cam	2.9
Phuong, Tran Ngoc	1.8
Others	71.1
Remaining Foreign Room (%)	40.5

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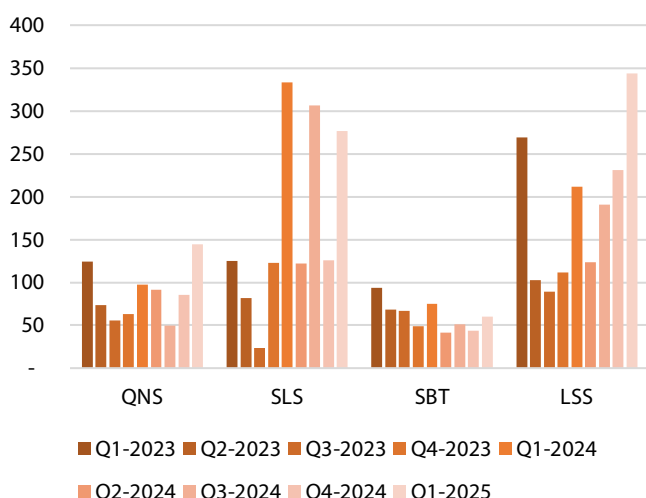
Q1-2025 results – Sugar headwinds overshadow solid milk growth

Net sales reached VND 2,351 bn (-10% YoY), 15% above our expectation, thanks to stronger-than-expected milk performance. In detail: **+ Sugar segment sales**, came in at VND 692 bn (-35% YoY), pressured by a 4.8% YoY decline in ASP (VND 19,000–20,000/kg) and weak output of 12–13k tons/month (vs. 17–20k tons/month in Q1-2024). This reflected subdued domestic demand amid an abundant supply from a strong local cane crop and rising inflows of smuggled sugar, either raw imports from Thailand/Cambodia/Laos or corn syrup substitutes. (*)

(*) “Vietnam’s sugar market remains in oversupply. Illegally imported sugar and ASEAN-sourced sugar continue to dominate, making domestically produced sugar nearly unsellable. Mills are running out of storage,” said Mr. Loc, Nguyen Van – Chairman of the Vietnam Sugarcane and Sugar Association (VSSA), in late Q3-2025. Our observation confirms that most sugar producers held elevated inventory levels post-Q1, even after discounting prices, as evidenced by falling gross margins.

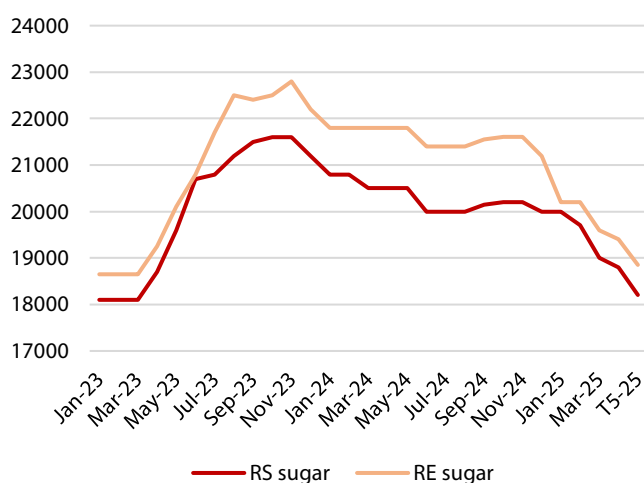
(*) “Vietnam imports ~250k tons/year of liquid sugar syrup at 0% import tax, intensifying near-term competition for our sugar business,” noted the QNS Vice Chairman at the 2025 AGM. With domestic sugar consumption at ~2.0–2.2 mn tons/year (according to Argomonitor), these smuggled syrups account for ~12.5% of the market and have severely threatened sugar mill sales over the past two years.

Figure 1: Inventory days of VN sugar manufacturer (days)



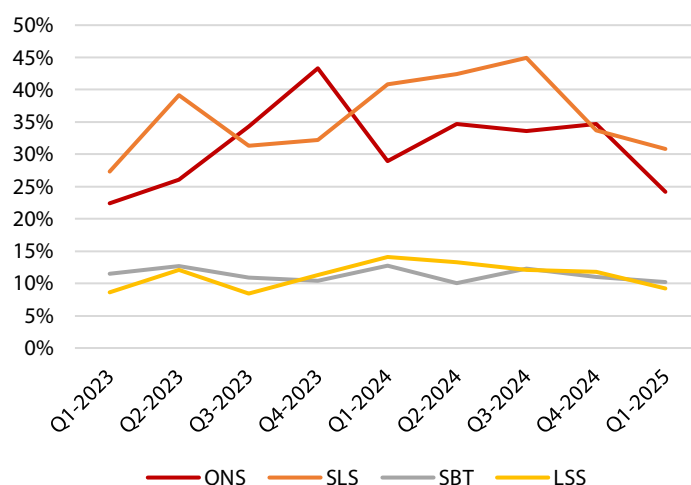
Sources: Bloomberg, RongViet Securities

Figure 3: An Khe sugar’s selling price at factory (VND/kg)



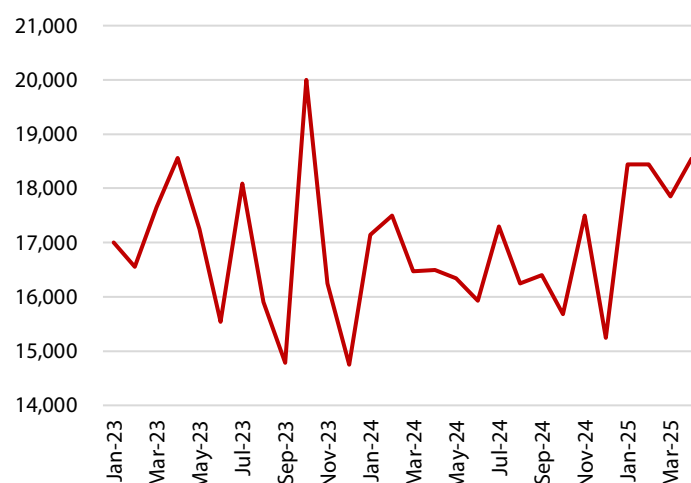
Sources: Argomonitor, RongViet Securities

Figure 2: Gross margin of VN sugar manufacturer (%)

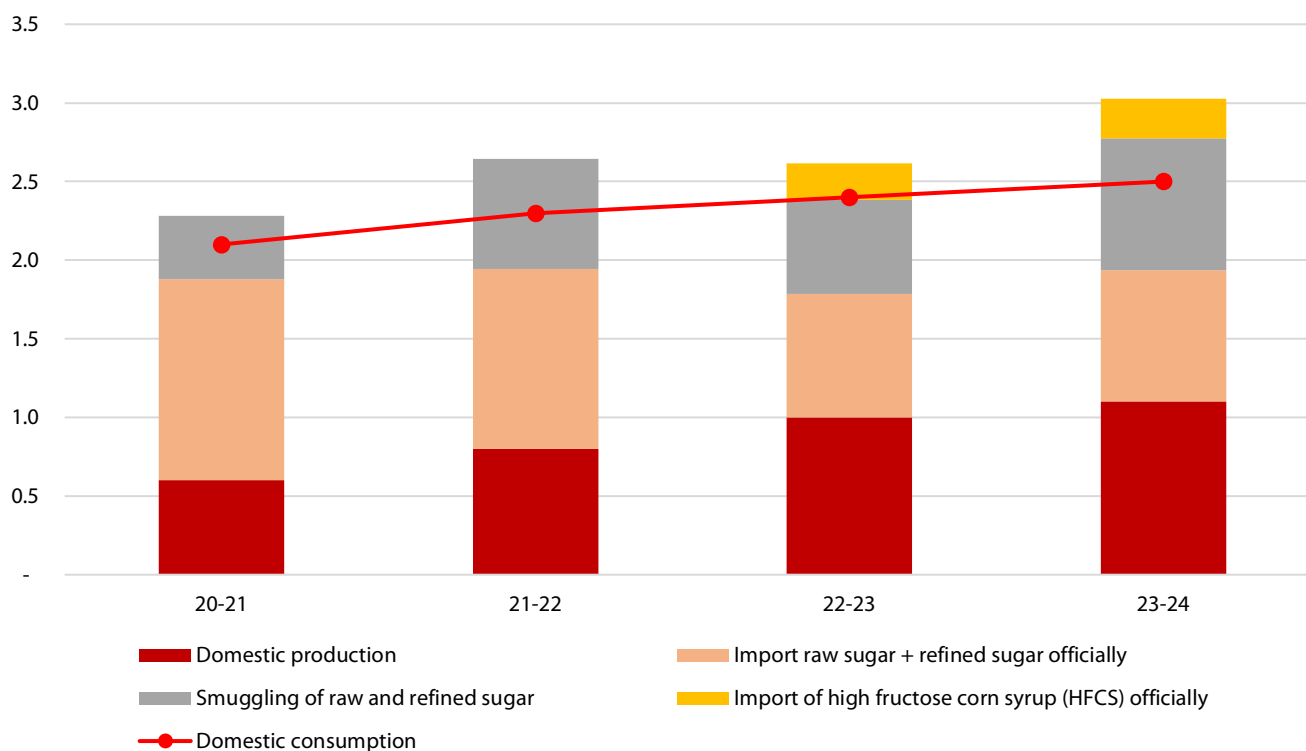


Sources: Bloomberg, RongViet Securities

Figure 4: QNS’s average selling price of milk products (VND/liter)



Sources: QNS, RongViet Securities

Figure 5: Vietnam sugar supply-demand overview (mn tons)


Sources: Argomonitor, GSO VN, ISO, Vietnam Sugar and Sugarcane Association (VSSA), Vietnam Commodity Management Authority, RongViet Securities

+ Milk segment sales reached VND 947 bn (+19% YoY), driven by a 7.0% YoY increase in ASP and an 11.0% YoY rise in volume, as QNS continued to gain share in the soymilk and plant-based milk categories as well as weaker performance from peers (VNM: -12.9% YoY, IDP: +15.6% YoY, MCM: -8.4% YoY).

(*) Higher ASP was due to:

- A growing sales mix of premium products like Famigold (volume +50% YoY);
- A change in promotional policy, where promotional expenses were reclassified from discounts (reducing revenue) to selling expenses starting Q1-2025.

PBT came in at VND 438 bn (-24% YoY), 19% below our expectation, mainly due to:

+ Lower-than-expected sugar margin at 21.7% (-589bps YoY), reflecting weaker ASPs while cane procurement prices remained at VND 1.12 mn/ton under the government's cane farming support program.

+ Meanwhile, milk margin improved slightly to 15.5% (+72bps YoY), supported by better production efficiency.

In summary, QNS reported NPAT-MI of VND 392 bn (-26% YoY), fulfilling 22% of its FY25 target.

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

Unit	Q1/2025	Q4/2024	+/-QoQ	Q1/2024	+/-YoY	% Q1 to 2025F's VDS
Net sales	2,269	2,174	4.4%	2,522	-10.0%	22.4%
Sugar	734	714	2.8%	1124	-34.7%	20.9%
Soy milk	937	986	-5.0%	789	18.7%	18.5%
Thanh Phat	360	288	24.8%	628	-42.7%	25.0%
Others	544	418	30.0%	535	1.6%	28.6%
Reduction	-305	-233	31.1%	-554	-44.9%	
Gross profit	739	808	-8.6%	782	-5.5%	
SG&A expenses	-337	-192	75.4%	-269	25.3%	
NPAT-MI	392	623	-37.1%	532	-26.4%	17.9%

Gross margin	32.5%	32.7%	+16bps	32.0%	+52bps
Sugar	24.1%	34.7%	-1.060bps	28.9%	-476bps
Soy milk	42.5%	34.4%	+811bps	39.1%	+344bps
Thanh Phat	2.2%	3.1%	-96bps	1.6%	+53bps
Others	28.9%	28.3%	+56bps	31.2%	-225bps
SG&A exp/Net sales	14.8%	8.8%	+601bps	10.7%	+418bps
Sales volume					
Sugar (tons)	36	40	-10.0%	53	-32.1%
Milk (mn liters)	52	62	-16.1%	47	10.6%

Source: QNS, RongViet Securities

Q2-2025's projected results: Gradual improvement expected toward year-end as sugar supply-demand rebalances

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

	Q2-2025	+/-YoY	+/-QoQ	Assumption
Net sales	3,358	19.1%	48.0%	
Sugar	1,130	6.6%	53.9%	Supported by an 8.7% YoY recovery in volume as QNS aims to ramp up output in line with its cane acreage expansion plan, the company is trading off margins by lowering ASP to around VND 18,000–18,200/kg amid sluggish sugar demand and elevated inventory levels at mills.
Soy milk	1,409	18.9%	50.4%	Driven by the annual peak season for milk in Q2 and continued market share gains in soymilk, similar to Q1. In addition, the revised discounting method (as previously mentioned) also contributed positively to this quarter's revenue.
Thanh Phat	360	-40.9%	0.0%	
Others	459	-7.7%	-15.6%	
Gross profit	1,014	3.1%	37.3%	A ~10–12% YoY drop in sugar selling prices was the main factor behind QNS's overall gross margin contraction of 88bps YoY.
SG&A expenses	-369	41.2%	9.7%	The increase in SG&A expenses was driven by two factors: (1) the change in discount recognition policy (as previously mentioned), and (2) higher promotional spending in the dairy segment amid intensifying competition, along with new SKU launches in the oversupplied sugar segment.
EBIT	645	-10.7%	60.5%	
Income from affiliates	0			
Net finance income	40	24.9%		Primarily driven by QNS's increase in short-term financial investments (+15.0% YoY)
Other profit	10	0.7%		
EBT	695	-9.1%	58.7%	
Corporate income tax	-67	-9.1%	45.9%	
Minority of interest (MI)	0			
NPAT-MI	628	-9.1%	60.3%	NPAT-MI is expected to rebound strongly QoQ, in line with management's commitment to improve earnings toward year-end, supported by this year's ambitious cane acreage expansion plan (+20.0% YoY).
Gross margin	34.0%	-88	147	
Sugar	23.5%	-1.117	-64	
Soy milk	42.5%	452	0	
Thanh Phat	1.9%	-2	-27	
Others	31.1%	278	222	

SG&A exp/Net sales	11.0%	172	-384
EBIT margin	19.2%	-641	150
Net margin	18.7%	-579	143

Sources: QNS, RongViet Securities

Valuation

Given solid performance in the milk segment in terms of both revenue and net margin, QNS's share price upside/downside will largely hinge on the sugar segment. We believe that QNS will prioritize boosting sugar output in upcoming quarters, in line with its production plans, especially given its expanded cane acreage and improved crushing efficiency for the 2024–25 season. However, higher volume may come at the expense of lower sugar prices, particularly as smuggling pressure persists and most sugar mills are enjoying a strong crop this season.

Regarding the smuggling issue, we have noted more decisive government interventions since late May-2025, as outlined in Directive No. 72/CD-TTg. Various government bodies and provincial authorities are implementing a nationwide crackdown, including the Market Surveillance Authority (Plan No. 01/KH-TTTN, dated 05/17/2025), Binh Dinh People's Committee (Document No. 4092/UBND-KT, dated 05/19/2025), and Quang Ngai People's Committee (Document No. 3091/UBND-KTN, dated 05/22/2025). Although the volume of smuggled sugar volumes may not decline immediately, we expect the situation to gradually ease from mid-Q2 2025, supporting a base-case sugar price of around VND 18,200/kg (-10–12% YoY) in the medium term, comparable to levels seen after anti-dumping and countervailing duties on Thai sugar took effect in Aug-2023.

(*) Note: This price level has already fallen from VND 19,000–19,200/kg due to persistent smuggling and ongoing cane expansion efforts over the past year.

Under this scenario, we assign a target price of VND 52,600/share for QNS based on a blended valuation using long-term DCF and short-term SoTP (40:60 weighting to reflect short-term sugar price uncertainty), corresponding to an ACCUMULATE rating.

Table 3: QNS's Valuation Summary (VND/share)

Method	Contribution	Target price (VND/share)
DCF valuation (5 year, WACC: 12.0%, EVEBITDA 5.0x)	40%	57,716
SoTP valuation	60%	48,570
Sugar (P/E 7.6x, 2025F EPS)		12,851
Milk (P/E 10.0x, 2025F EPS)		29,902
Other (Thanh Phat, Electricity) (P/E 5.0x, 2025F EPS)		6,382
Total QNS	100%	52,600
Expected cash dividend next year (VND/share)		3,500
2025F targeted PE		8.8

Source: RongViet Securities

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

WACC	Exit EVEBITDA							
	2.0		3.0	4.0	5.0	6.0	7.0	8.0
	9.0%	45,633	51,452	57,271	63,090	68,909	74,729	80,548
	10.0%	44,529	50,088	55,647	61,207	66,766	72,326	77,885
	11.0%	43,477	48,790	54,104	59,417	64,730	70,044	75,357
	12.0%	42,474	47,555	52,635	57,716	62,796	67,876	72,957
	13.0%	41,519	46,378	51,238	56,097	60,957	65,816	70,676
	14.0%	40,607	45,257	49,907	54,557	59,208	63,858	68,508
	15.0%	39,737	44,188	48,640	53,091	57,543	61,994	66,445

Source: RongViet Securities

Table 5: QNS's detailed valuation in P/E method (VND/share)

	2025F	2026F
Sugar (P/E 7.6x, 2025F EPS)	12,851	11,811
Milk (P/E 10.0x, 2025F EPS)	29,902	32,317
Others (Thanh Phat, Electricity) (P/E 5.0x, 2025F EPS)	6,382	6,160
Total QNS	49,134	50,288

Source: RongViet Securities

Appendix

Table 6: QNS's Q1-2025 results

Unit: VND bn	Q1-2025	Q4-2024	+/-QoQ	Q1-2024	+/-YoY	% as of QNS's 2025F plan	% as of VDS's 2025F forecast
Net sales	2,269	2,174	4.4%	2,522	-10.0%	22.7%	22.4%
Sugar	734	714	2.8%	1,124	-34.7%		20.9%
Soy milk	937	986	-5.0%	789	18.7%		18.5%
Thanh Phat	360	288	24.8%	628	-42.7%		25.0%
Others	544	418	30.0%	535	1.6%		28.6%
Sugar	-305	-233	31.1%	-554	-44.9%		
Gross profit	739	808	-8.6%	782	-5.5%		
SG&A expenses	-337	-192	75.4%	-269	25.3%		
EBIT	402	616	-34.7%	513	-21.7%		
Income from affiliates	0	0		0			
Net finance income	36	51		40			
Other profit	0	74		0			
EBT	438	715	-38.7%	579	-24.4%		
Corporate income tax	-46	-92		-47			
Minority of interest (MI)	0	0		0			
NPAT-MI	392	623	-37.1%	532	-26.4%	21.9%	17.9%

Source: QNS, RongViet Securities

Table 7: QNS's Q1-2025 Business analysis

Criteria	Q1-2025	Q4-2024	+/-QoQ	Q1-2024	+/-YoY
Profitability ratio					
Gross margin	32.5%	32.7%	-16bps	32.0%	52bps
EBITDA/Net sales	28.3%	31.1%	-284bps	30.2%	-191bps
EBIT/Net sales	17.7%	28.3%	-1.062bps	20.3%	-263bps
Net margin	17.3%	28.6%	-1.139bps	21.1%	-383bps
Efficiency ratio (days)					
- Days AR on hands	144	86		98	
- Day Invenroty on hands	30	32		21	
- Day AP	23	34		21	
Solvency ratio					
Total liabilities/Total equity	38%	27%		41%	

Source: RongViet Securities

VND bn					VND bn				
INCOME STATEMENT					BALANCE SHEET				
2023A	2024A	2025F	2026F		2023A	2024A	2025F	2026F	
Net revenue	10,021	10,243	10,123	10,946	Cash & Equivalents	289	539	304	328
COGS	6,670	6,759	6,555	7,182	Short-term investment	6,165	7,299	7,593	8,209
Gross profit	3,351	3,484	3,568	3,764	Receivables	661	810	755	844
SG&A expense	1,197	1,103	1,378	1,511	Inventories	958	1,323	1,633	1,829
Finance income	341	341	305	328	Other current assets	19	39	61	66
Finance expense	139	139	109	126	Tangible fixed assets	3,720	3,533	4,119	4,685
Other profit	91	98	98	98	Intangible fixed assets	16	17	15	12
EBT	2,447	2,645	2,483	2,552	Long-term investment	0	0	0	0
Corporate income tax	263	268	293	339	Other non-current assets	224	247	261	282
Minority of interest	0	0	0	0	Total assets	12,053	13,808	14,739	16,257
NPAT-MI	2,183	2,377	2,190	2,212	Trade payables	456	464	416	465
EBIT	2,151	2,378	2,188	2,251	Short-term debt	2,411	2,714	2,833	3,286
					Short-term debt	0	0	0	0
					Other liabilities	158	194	188	225
					Bonus & welfare funds	84	84	84	84
					Science and technology fund	172	172	172	172
					Total liabilities	3,472	3,807	3,871	4,396
					Paid-in capital	3,923	4,205	4,205	4,205
					Treasury shares	-834	-834	-834	-834
					Retained earnings	4,778	5,851	6,717	7,709
					Other funds	0	0	0	0
					Investment & development funds	714	780	780	780
					Total equity	8,581	10,002	10,868	11,860
					Minority of interest	0	0	0	0
FINANCIAL RATIOS					VALUATION RATIOS				
2023A	2024A	2025F	2026F		2023A	2024A	2025F	2026F	
YoY growth (%)					EPS (VND)	5.939	6.465	5.957	6.018
Net sales	21.4	2.2	-1.2	8.1	P/E (x)	6.7	7.3	8.8	8.7
EBIT	58.4	10.6	-8.0	2.9	BV (VND)	23.339	27.204	29.560	32.259
NPAT-MI	69.7	8.8	-7.8	1.0	P/B (x)	1.7	1.7	1.8	1.6
Total assets	17.4	14.6	6.7	10.3	DPS (VND)	3.500	4.000	3.352	3.589
Total equity	14.9	16.6	8.7	9.1	Dividend yield (%)	9.6	8.8	6.9	7.5
Profitability ratios (%)					VALUATION MODEL				
Gross margin	33.4	34.0	35.2	34.4	Price	Contribution	Average		
EBIT margin	21.5	23.2	21.6	20.6	DCF	57,716	50%	23,086	
Net margin	21.8	23.2	21.6	20.2	PE	48,570	50%	29,142	
ROA	18.1	17.2	14.9	13.6	Target price (VND)		100%	52,600	
ROE	25.4	23.8	20.2	18.7					
Efficiency ratios (days)					VALUATION HISTORY				
Days AR on hands	24	29	27	28	PRICE	RECOMMENDATION	TIME		
Day Inventory on hands	52	71	91	93	06/2025	52,600	ACCUMULATE	1 year	
Day AP	25	25	23	24					
Liquidity ratios (x)									
Current	2.5	2.8	2.8	2.7					
Quick	2.2	2.4	2.3	2.2					
Solvency ratios (%)									
Total liabilities/total equity	38.1	35.6	37.1	29.8					
Short-term debt/Total equity	28.1	27.1	26.1	27.7					
Total debt/Total equity	28.1	27.1	26.1	27.7					

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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