FOOD & BEVERAGE

THE GROWTH TREND IS STRENGTHENED FURTHER

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FOOD & BEVERAGE - THE GROWTH TREND IS STRENGTHENED FURTHER

Investment Rating

Negative | **Neutral** | **Positive**

In 2024, the sales growth of F&B industry will be led by volume while selling prices keep stable from last year's level. The economic recovery, together with the easing of "feel expensive" pressure of customers, will encourage food & beverage demand to grow at higher pace than the 2023 numbers. The benefits of decreasing input costs will extend in 2024 on the downward trend of the prices of agriculture commodities. Moreover, we suppose that the differences in net profit growth among players will be affected by the ability to manage SG&A costs of each company, or the benefit of 2023 low base performance.

F&B companies' dividend yield (DY) has exceeded deposit interest rates in the decreasing interest rate environment, making these stocks more attractive to defensive stock hunters. Together with positive outlook of the industry and YTD stock price performance, we recommend investors who prioritize DY can eye on QNS (TP: 55,800; DY: 8%) or MCM (non-rate; DY: 5%) while investors who looking for both DY and upside in stock price can consider VNM (TP: 81,500; DY: 5%) or SAB (non-rate; DY: 6%). Among F&B stocks, MSN (TP: 85,600) is an extraordinary with multi-industry business model and non-dividend payment. Relying on MSN 's expected triple-digit net profit growth and its divestment or equity listed stories (related to MHT & MCH) in 2024, we suggest investors following the arbitrage strategy can pick MSN.

Sales volume will continue growing, relying on the improving consumer spending sentiment in 2024

We expect volume growth to be the driver for sales value of F&B makers in 2024, while the room to rise average selling price is limited. Firstly, the positive macroeconomic indicators (both domestic and global) are to have far-reaching effects on encouraging improved consumer spending sentiment over the next 12 months. Secondly, we believe that Vietnamese consumers adapted to higher-than-pre Covid 19 price level since 2024, reducing the pressure of "feel expensive" when making purchase. In 2023, the highest price increase is in 1H2023 compared to 2H2023.

Raw material costs will not increase strongly in 2024 despite experiencing a downward trend in 2023, supporting gross profit margin improvement

- Vietnamese F&B manufacturers have closed input raw material contracts in Q4 2023 and Q1 2024 before commodity prices recovered slightly since Apr-2024. These materials will be used in 1H2024. According to World Bank forecasts, agricultural commodity prices will generally decline in 2024, supported by abundant supply which is believed to fully offset price increases risks such as India's decision to ban exports or the increase of the El Nino phenomenon. We expect input raw material prices to adjust downward in 2H2024, creating favorable conditions for F&B companies to continue signing upcoming raw material contracts at cheaper prices in the second half of the year, supporting increase gross profit margin. According to our estimates, the F&B industry can benefit from 15% YoY cheaper input costs in 2024.

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- We assume F&B companies will raise 2024 marketing spending to capture the demand recovery given fierce competitive nature of the industry. Therefore, F&B shares this year may hinge on the company 's ability to manage SG&A costs to enhance operating margins, or 2023 low base, yielding differences in net profit growth among players. From our research, based on the historical performance of F&B companies, we suppose that big dairy companies (such as VNM or IDP) with single business model and essential nature of their products, could generate higher growth among the industry. Meanwhile, SAB, MSN, or KDC enjoys low base 2023 net profit advantages.

F&B companies' dividend yield has exceeded deposit interest rates in the decreasing interest rate environment

- Vietnam deposit interest rates has decreased to the low levels, even lower than the Covid-19 pandemic, making this channel less attractive to defensive investors. Taking this advantage, with stable cash dividend payment shape, offering a dividend yield (5.5% on average) which is higher than current deposit interest rate (4.5% on average), F&B shares is believed to get attention from low risk tolerance investors.
- Due to their defensive nature, with healthy balance sheet structure, credit profiles in good shape and good corporate governance, F&B leading stocks will be potential candidates for new foreign institutional investors in case of Vietnam stock market would be upgraded to emerging market.

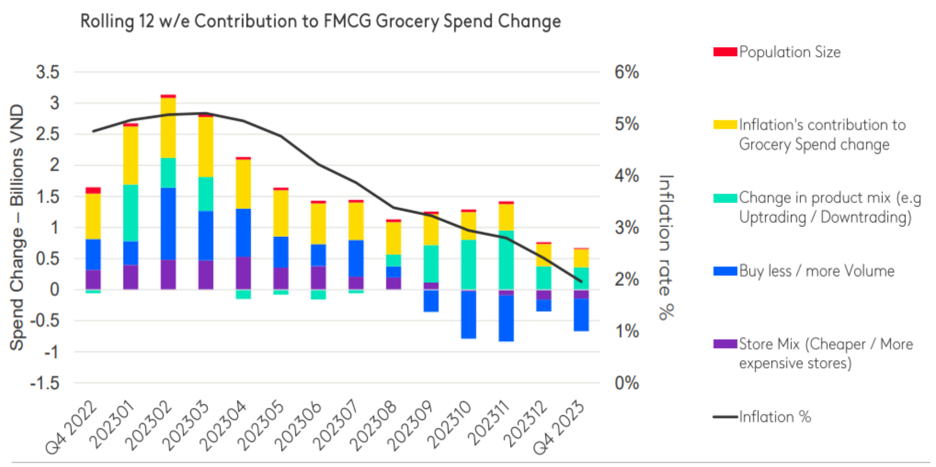
Risks to our call

- Unexpected surge of commodity prices due to abnormal reasons (e.g., geopolitical tension or severe weather), resulting in expensive input costs.
- Higher-than-expected F&B demand.

Consumer spending sentiment is improving, following the better macroeconomic situation over past year

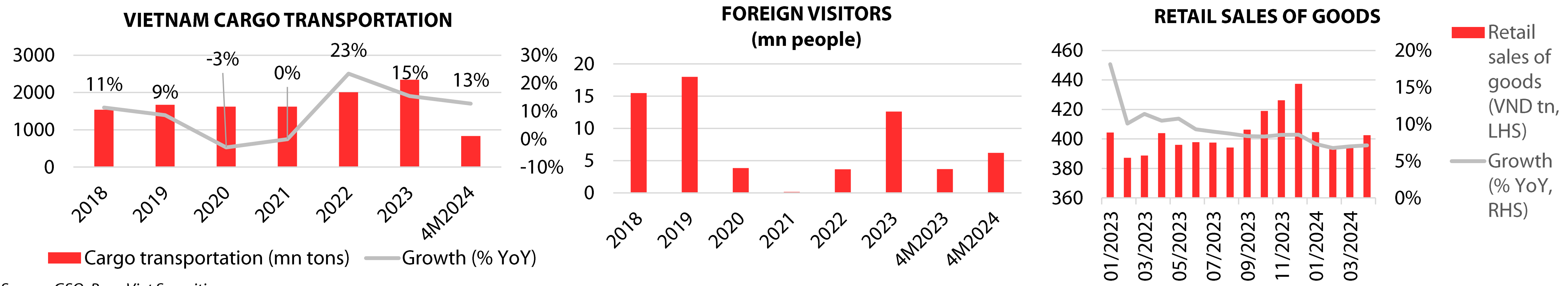
- The double-digit growth of the number of cargo transportation in 4M2024 show positive signs of improving consumer spending sentiment. We noted that 4M2023 cargo transportation also grew by 17% YoY.
- 2024 F&B consumption will be fueled by increase in both domestic demand and additional motivation from foreign tourists. In 2023, the number of foreign visitors came to Vietnam was below pre-Covid 19 level, equipped by the growth of +68% YoY in 4M2024 result, we believe that it is on the way back to normal level, warming-up the sales of HORECA channel, contributing to increasing F&B consumption (Figure 2).
- From figure 1, we see that the changes in FMCG spending is lagged compared to inflation's movement in 2023. To explain, when the inflation was high in Q1 2023, people bought more FMCG products. And this action decreased in the following quarters of 2023. Therefore, we forecast that the positive effect of easing inflation will reflect in 2024.

Figure 1: There will be a lagging effect between the easing of inflation and demand recovery. The buy less/more volume is expected to turn positive in 2024



Source: Kantar World panel, RongViet Securities.

Figure 2: Consumer activities is on a firm recovery track



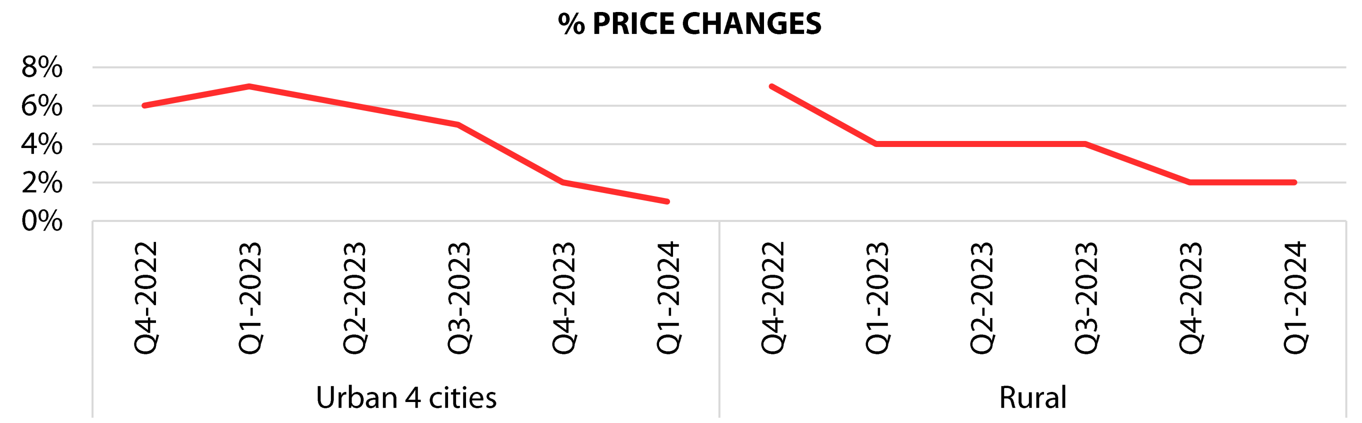
Source: GSO, RongViet Securities.

SALES VOLUME WILL CONTINUE GROW

Sales volume growth will outpace price increases in 2024

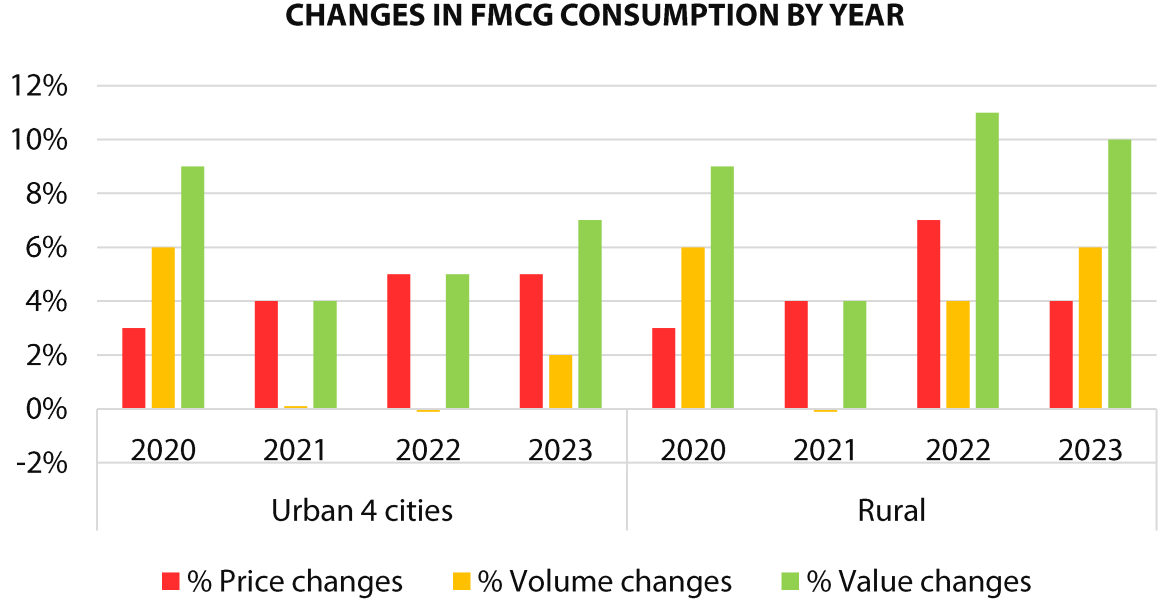
- We see that sales growth of consumer industry in 2021-2023 period led by price increases. Besides, the highest increase felt into 1H2023 (Figure 3). As a result, we believe that the pressure of "feeling expensive" when making purchase of consumers is easing.
- Together with improving consumer spending sentiment, we predict that the sales volume will be the main growth driver of 2024 total sales value of consumer industry.

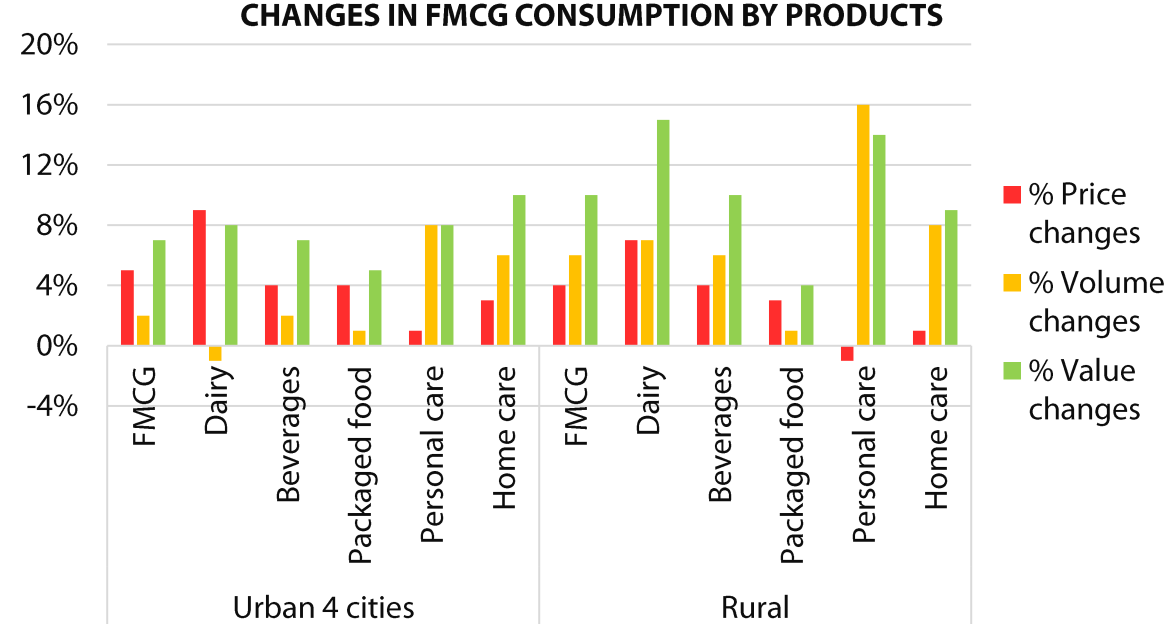
Figure 3: The prices illustrated a diminishing growth between Q1 and Q4 2023



Source: Kantar World panel, RongViet Securities.

Figure 4: Consumers adapted to higher-than-pre Covid 19 price level. Both urban and rural present positive sales volume growth in 2023

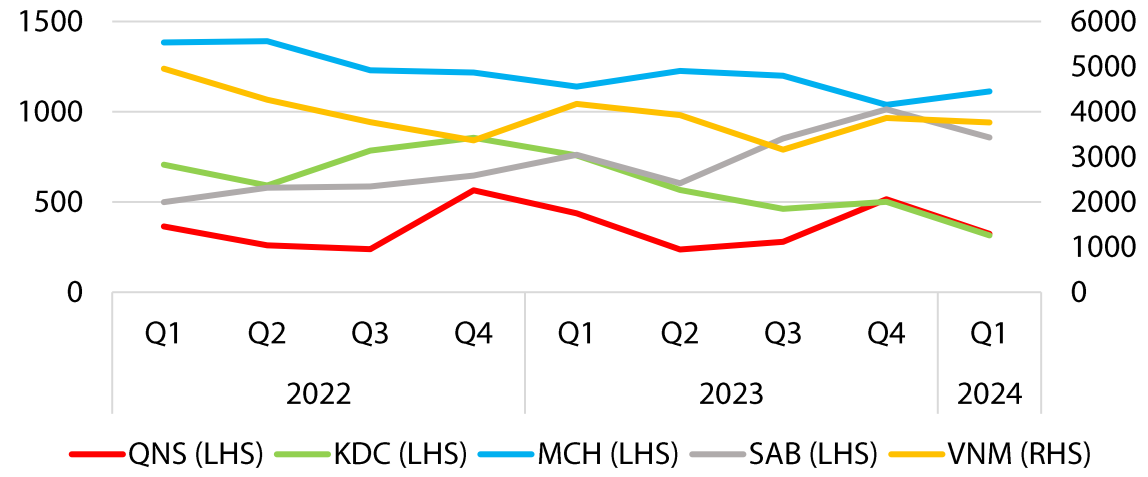




Source: Kantar World panel, RongViet Securities.

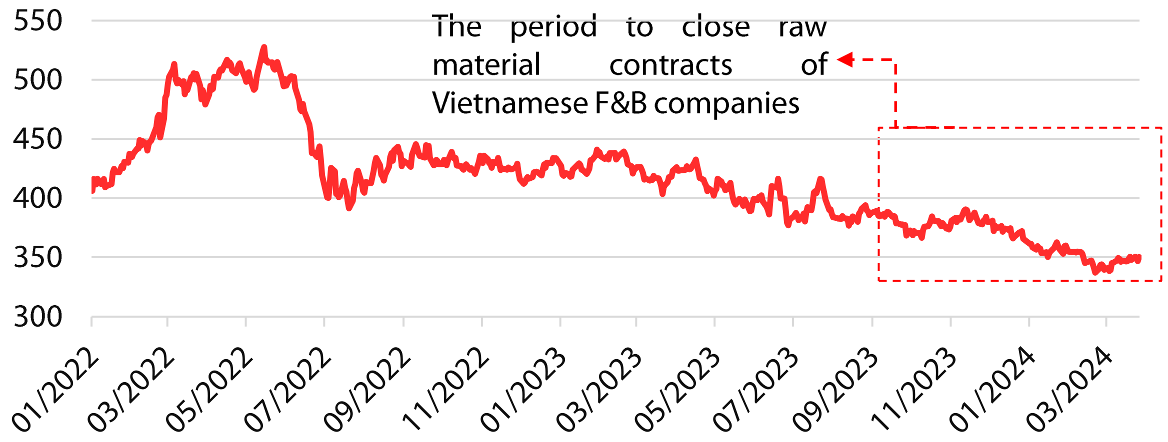
RAW MATERIAL COSTS WILL NOT INCREASE STRONGLY IN 2024

Figure 5: F&B producers has raised their raw material inventory since Q4 2023



Source: Fiinpro, RongViet Securities.

Figure 6: Bloomberg Agriculture commodity spot price index (point)

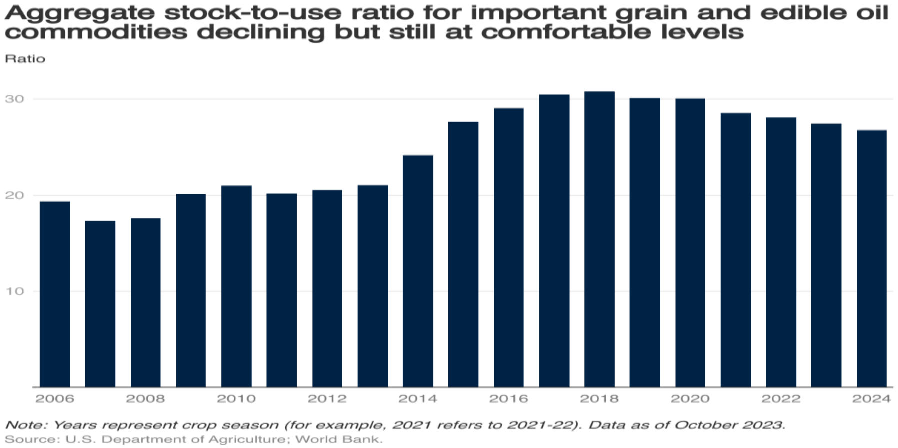


Source: Bloomberg, RongViet Securities.

Vietnam F&B producers closed raw material contracts in Q4 2023 at below-year ago level.

- The new raw material contracts closed in Q4 2023, per F&B producers, will be used in 1H2024. Based on the downward trends of agriculture commodity (input of F&B industry) spot prices (Figure 6), we predict that the advantage of decreased raw material costs will extend in 2024 after took effects in 2023.
- Forecast by Worldbank, agricultural commodity prices will fall in 2024, supported by abundant supply which fully offset the upside risks such as India's export ban decisions or intensification of El Nino.
- We expect input raw material prices to adjust downward in 2H2024, creating favorable conditions for F&B companies to continue closing raw material contracts at below-year ago level prices in the second half of the year, supporting increased profit margins. According to our estimates, the F&B industry can benefit from 15% YoY cheaper input costs in 2024.

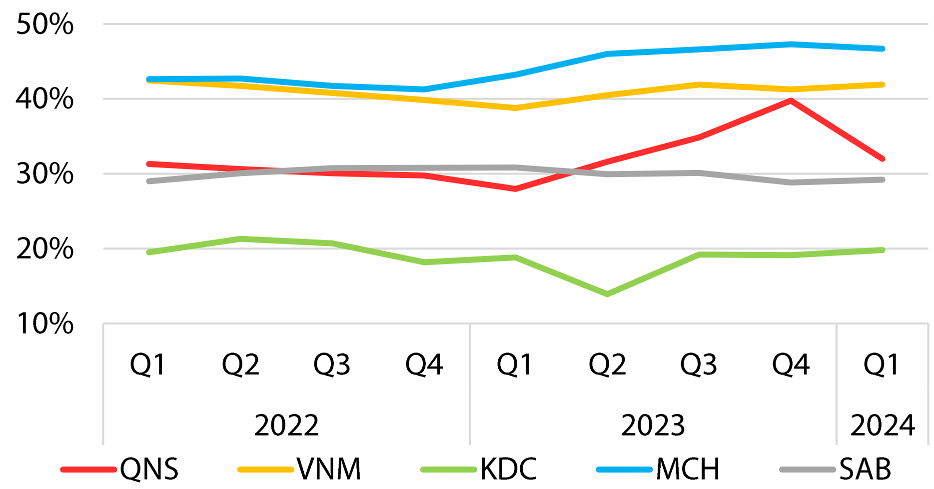
Figure 7: Ample supplies of global agriculture and food commodities



Source: Worldbank, RongViet Securities.

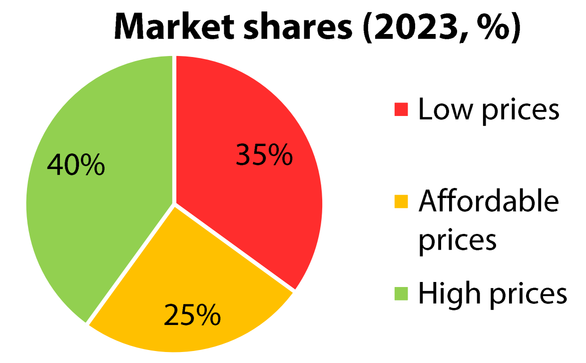
RAW MATERIAL COSTS WILL NOT INCREASE STRONGLY IN 2024

Figure 8: Gross margin of leading F&B companies



Source: Fiinpro, RongViet Securities.

Figure 9: The FMCG products with low & affordable prices contribute to over 50% of total e-commerce sales value of FMCG industry

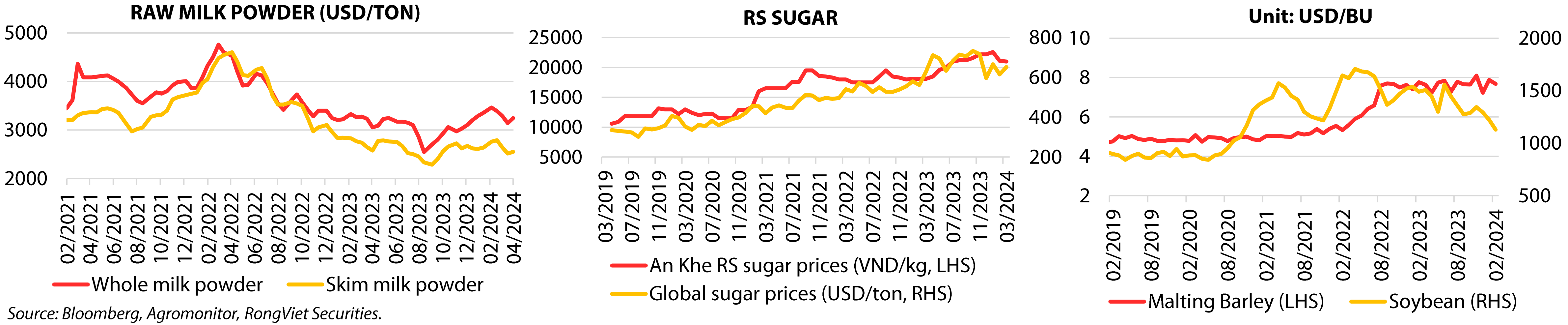


Source: metric.vn, RongViet Securities.

The key driver of gross margin recovery will be decreased input prices.

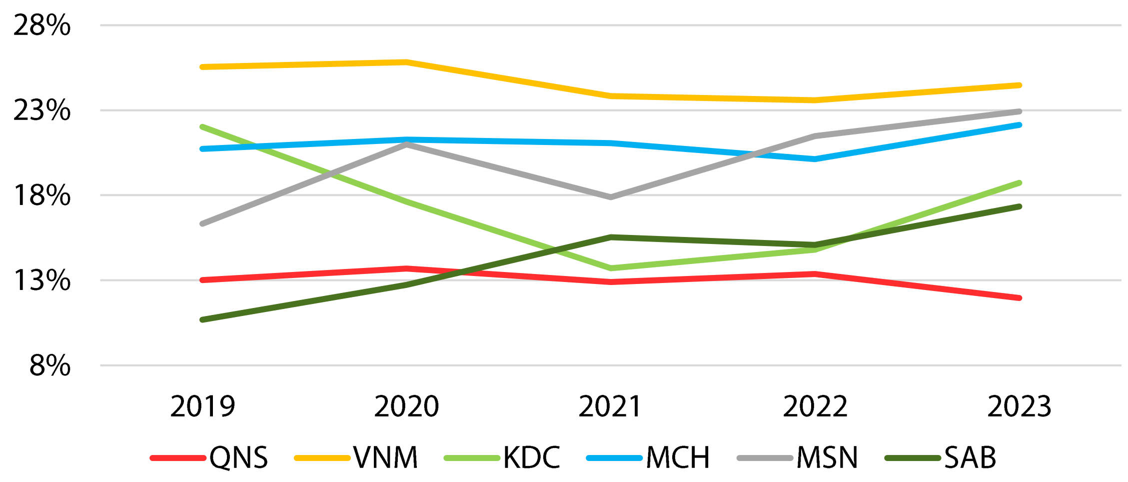
- From figure 8, except SAB who closed its raw material costs by the end of 2022, gross margin of F&B leaders has rebounded since Q2 2023 which is in-line with the decrease of global agriculture commodity prices.
- Besides, we suppose that opportunities for average selling price increases will be limited due to (1) consumers still favor reasonable price FMCG products; and (2) F&B companies will keep prices competitive to boost sales.

Figure 10: The prices of some key food commodities



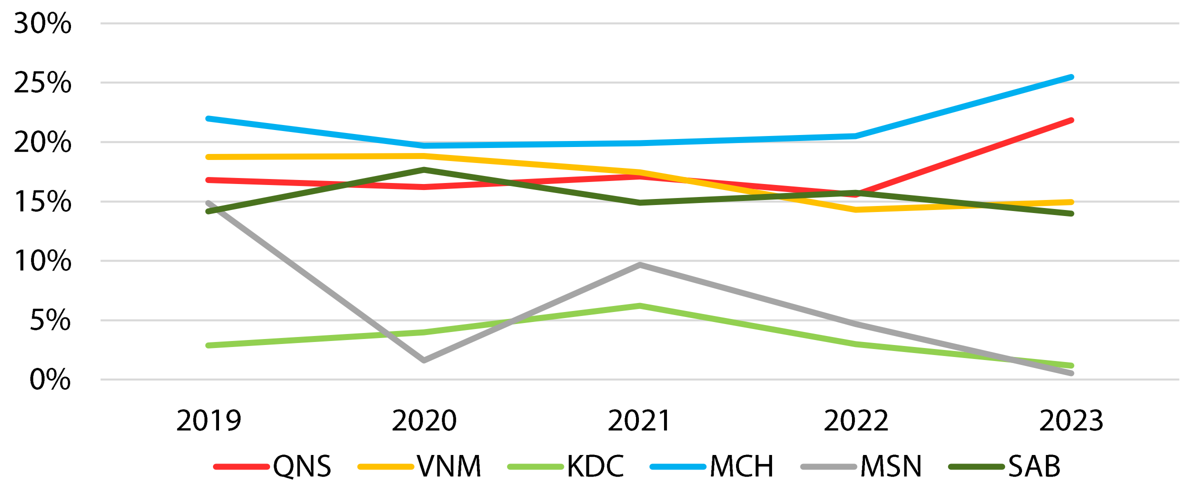
Source: Bloomberg, Agromonitor, RongViet Securities.

Figure 11: SG&A/sales ratio of leading F&B companies (%)



Source: Fiinpro, RongViet Securities.

Figure 12: Net margin of leading F&B companies

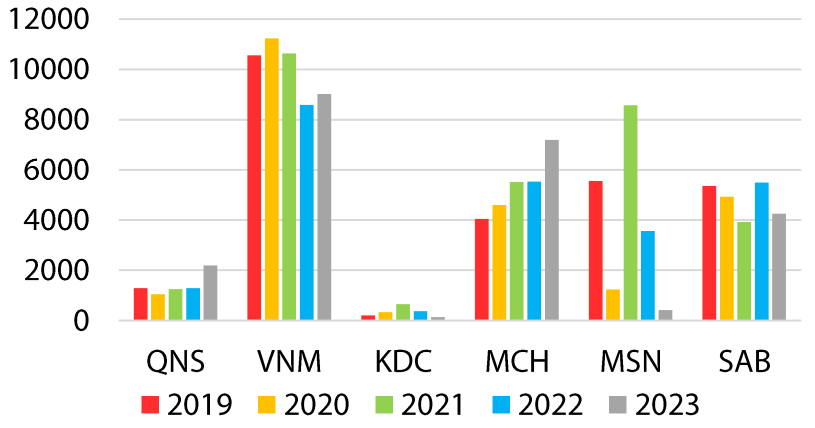


Source: Fiinpro, RongViet Securities.

The differences in net profit growth among F&B players may hinge on the company's ability to manage SG&A costs or low base of 2023.

- We assume F&B companies will raise 2024 marketing spending to capture the demand recovery given fierce competitive nature of the industry. In the same context of decreasing raw material prices, F&B shares this year may hinge on the company's ability to manage SG&A costs to enhance operating margins, getting attention from investors. From our research, based on the historical performance of F&B companies, we suppose that big dairy companies (such as VNM or IDP) with single business model and essential nature of their products (Figure 12), could generate higher growth among the industry.
- On the other hands, we suppose that the companies who presented low base 2023 net profit, such as SAB (closed raw materials at expensive prices), MSN (high non-operating expenses and losses from non-consumer business), or KDC (high non-operating expenses) will also illustrate strong net profit growth in 2024.

Figure 13: Net profit of leading F&B company (VND bn)

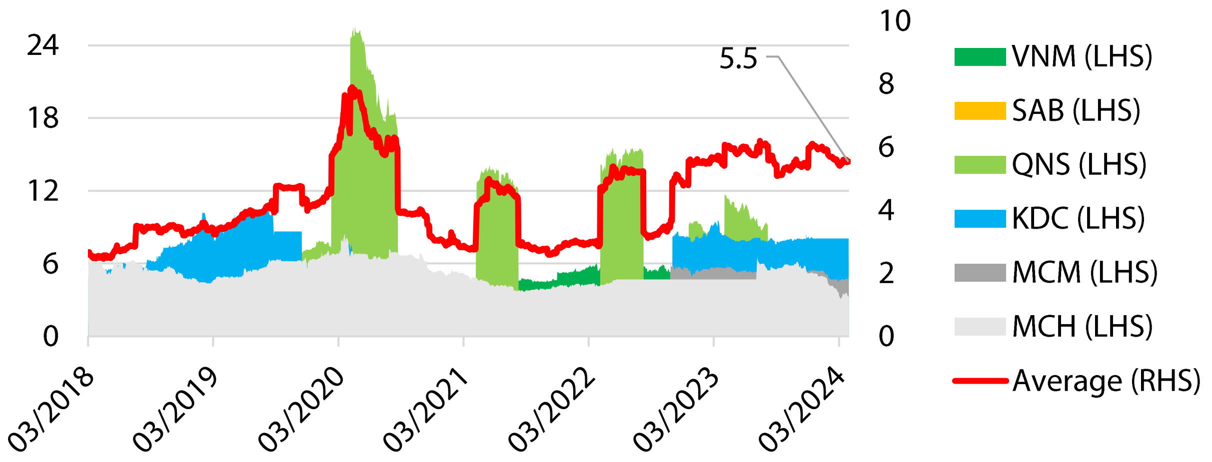


Source: Fiinpro, RongViet Securities.

F&B companies' dividend yield has exceeded 12M deposit interest rates in the decreasing interest rate environment

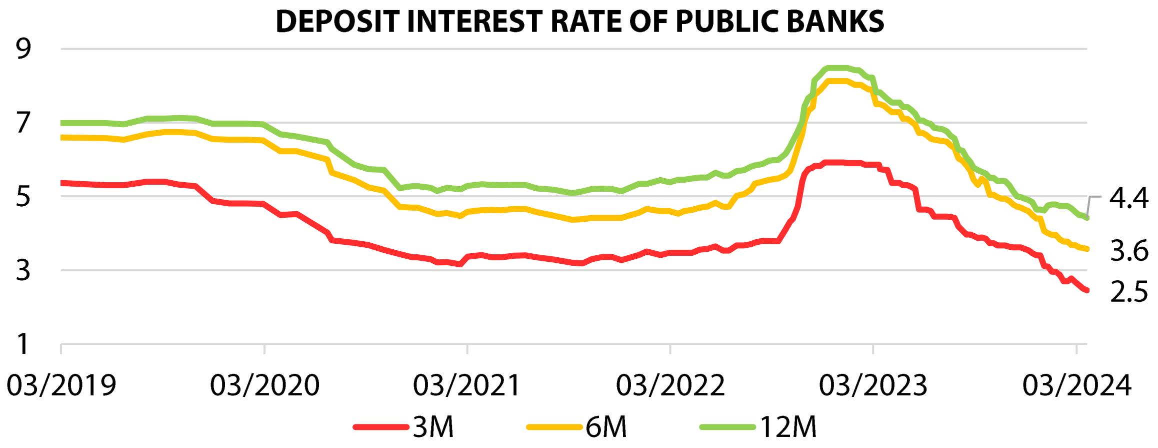
- Vietnam deposit interest rates has decreased to the low levels (Figure 15), even lower than the Covid-19 pandemic, making this channel less attractive to defensive investors. Taking this advantage, with stable cash dividend payment shape, offering a dividend yield (5.5% on average) which is higher than current 12M deposit interest rate (4.5% on average), F&B shares is believed to get attention from low risk tolerance investors.
- Based on the 2023 cash dividend payment plan from F&B listed companies and current stock prices, we estimated 2024 dividend yield of QNS/VNM/SAB/MCM to be 8%/5%/4%/5%, respectively.

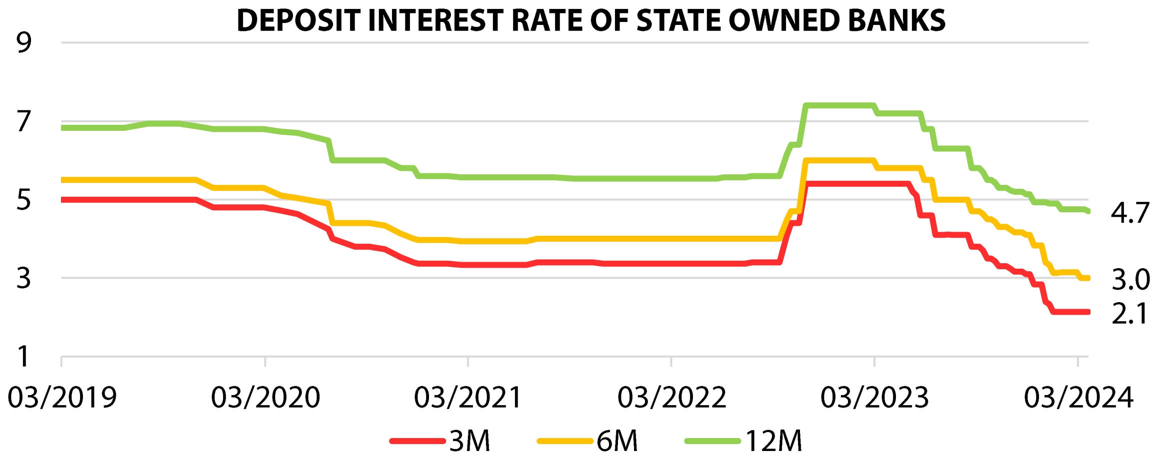
Figure 14: Dividend yield of leading F&B companies (%, LHS) and their average dividend yield (%, RHS)



Source: Bloomberg, RongViet Securities.

Figure 15: Vietnam deposit interest rates (%)



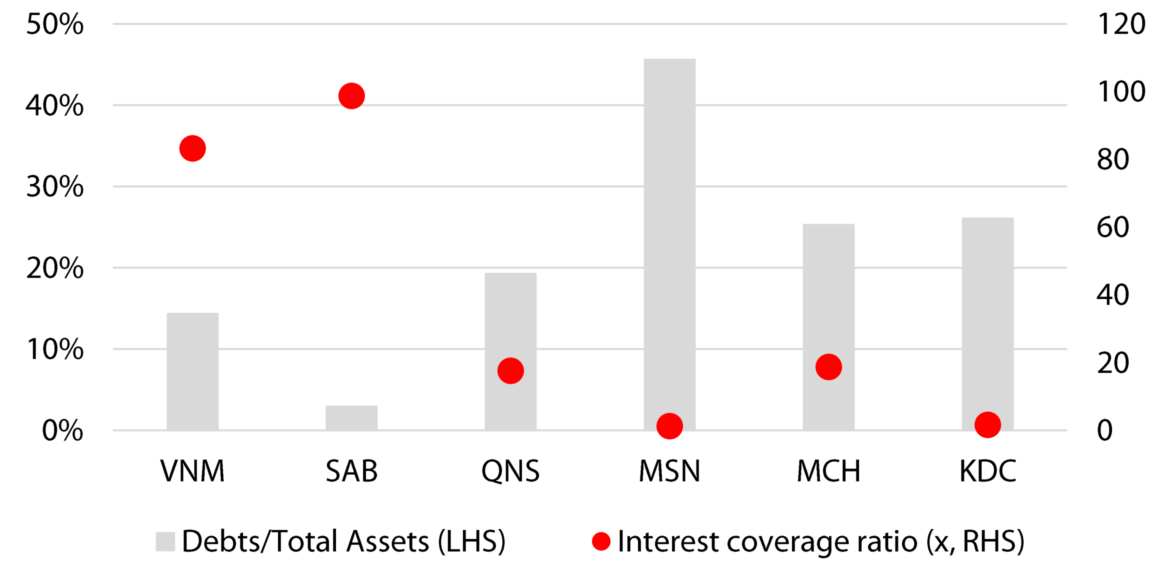


Source: Vietnam commercial banks, SBV, RongViet Securities.

F&B leading stocks will be potential candidates for new foreign institutional in case of Vietnam stock market would be upgraded to emerging market.

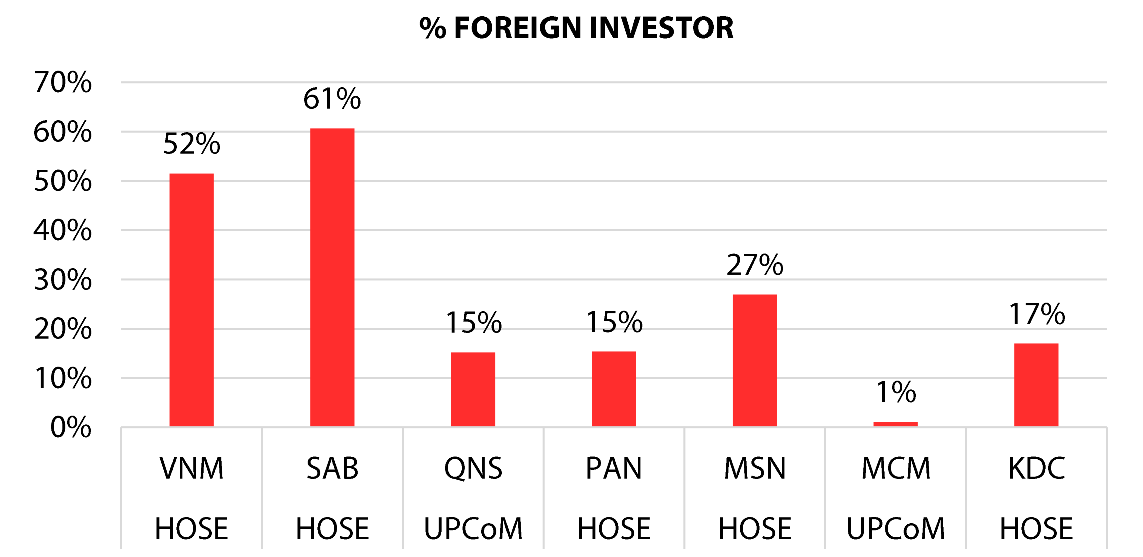
- Based on defensive nature of F&B stock, with healthy balance sheet structure, credit profiles in good shape (Figure 16), and good corporate governance, F&B shares is expected to be potential candidates for oversea long-term investment funds who initially invests in Vietnam stock market. Playing a role of capital preservation as well as keeping the value of a balanced portfolio from falling across business cycle, we suppose that the investment funds will reserve about 5-10% of their portfolio for F&B stocks.
- Relying on the assumption of (1) KRX system will be put into use in 2H2024 which plays as a magnet to attract foreign investors into the Vietnam stock market; and (2) 2H2024 consumer purchasing power will be better than 1H2024 which strengthen positive performance of F&B companies, we forecast that F&B stock prices would show strong growth in 2H2024. **Therefore, we suppose Q2 2024 is a golden time to invest in F&B shares**.

Figure 16: 5Y-Average solvency ratios of leading F&B companies



Source: Fiinpro, RongViet Securities.

Figure 17: Foreign investors account for 10-50% of the shareholder structure of Vietnam listed leading F&B companies.

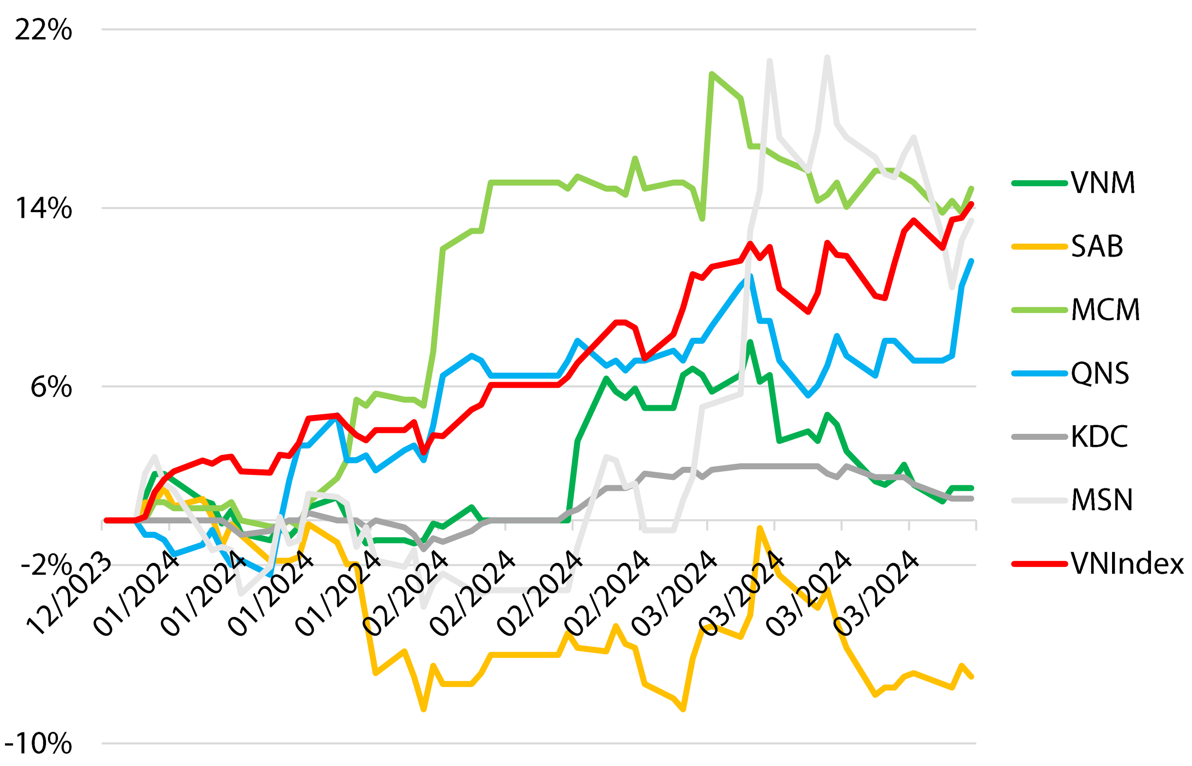


Source: Fiinpro, RongViet Securities.

F&B' stock prices will recover in 2024.

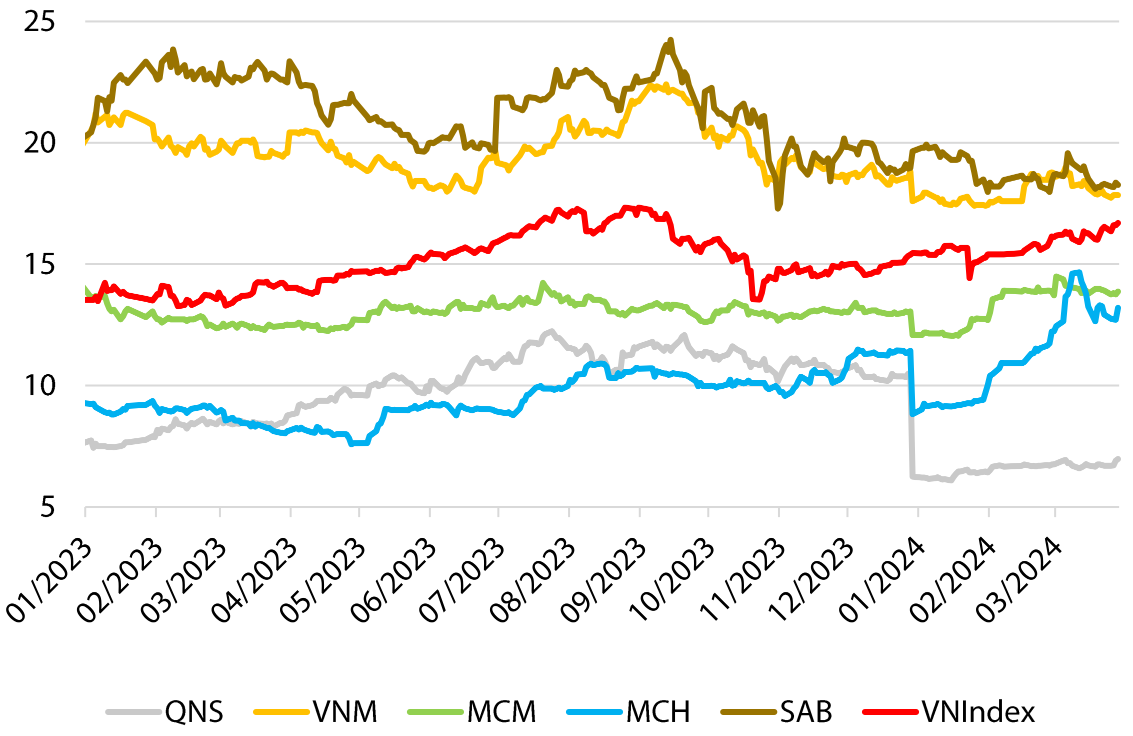
Combining the stability of P/E ratio (Figure 19) and the modest positive growth in the stock price performance, we believe that 2024 rosy outlook of the industry's performance has not yet fully reflected on F&B stock price movements. As a result, we believe that when the agricultural commodity prices confirms its downward trend during 2024, the stock price of F&B shares will be higher over the next 12 months.

Figure 18: F&B stock price performance (% YTD)



Source: Bloomberg, RongViet Securities.

Figure 19: F&B stock's P/E ratio (x)



Source: Fiinpro, RongViet Securities.

Investment strategy recommendation for F&B stocks

We recommend investors who prioritize dividend yield (DY) can eye on QNS (TP: 55,800; DY: 8%) and MCM (non-rate; DY: 5%) while investors who looking for both DY and upside in stock price can consider VNM (TP: 81,500; DY: 5%) or SAB (non-rate; DY: 6%). Among F&B stocks, MSN (TP: 85,600) is an extraordinary with multi-industry business model and non-dividend payment. Relying on MSN 's expected triple-digit net profit growth and its divestment or equity listed stories (related to MHT & MCH) in 2024, we suggest investors following the arbitrage strategy can pick MSN.

Figure 19: F&B stock's valuation*

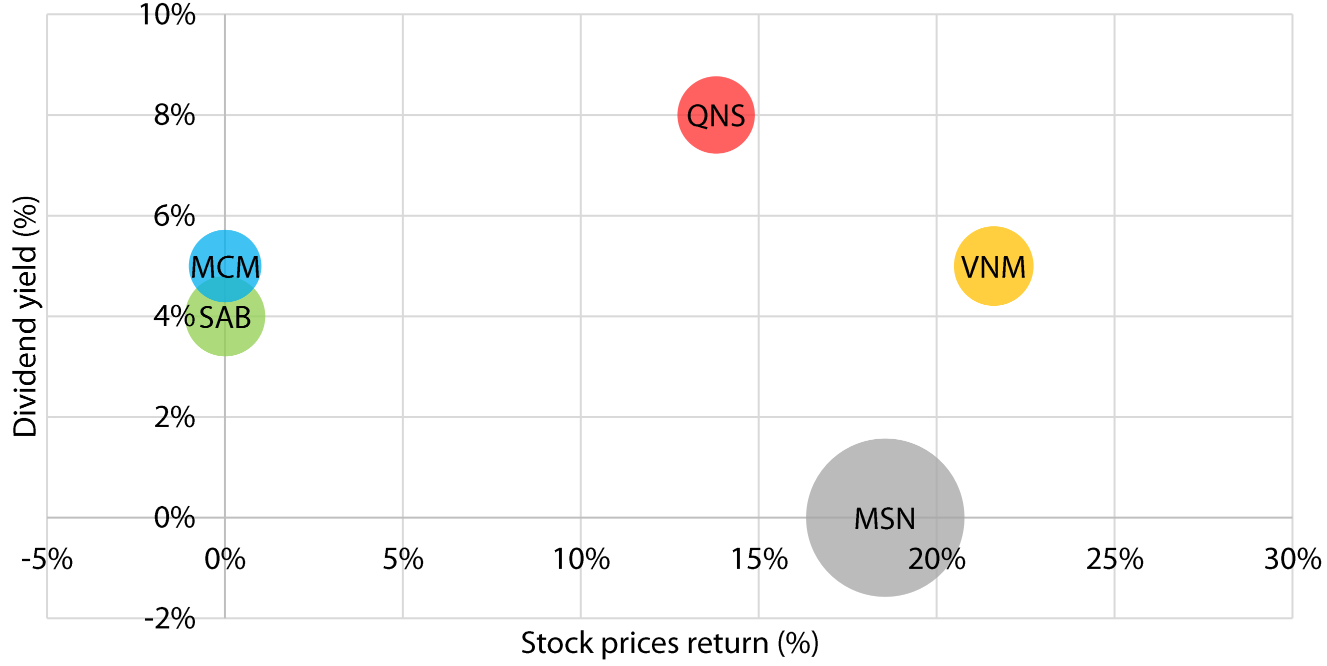
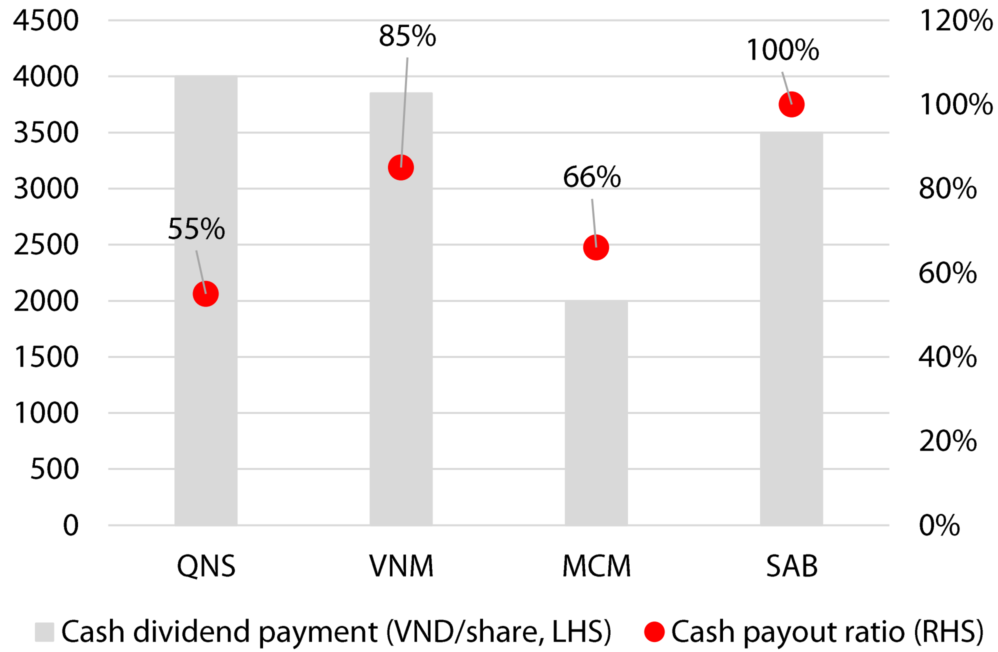


Figure 20: Expected dividend payment policy of selected F&B companies in 2024*



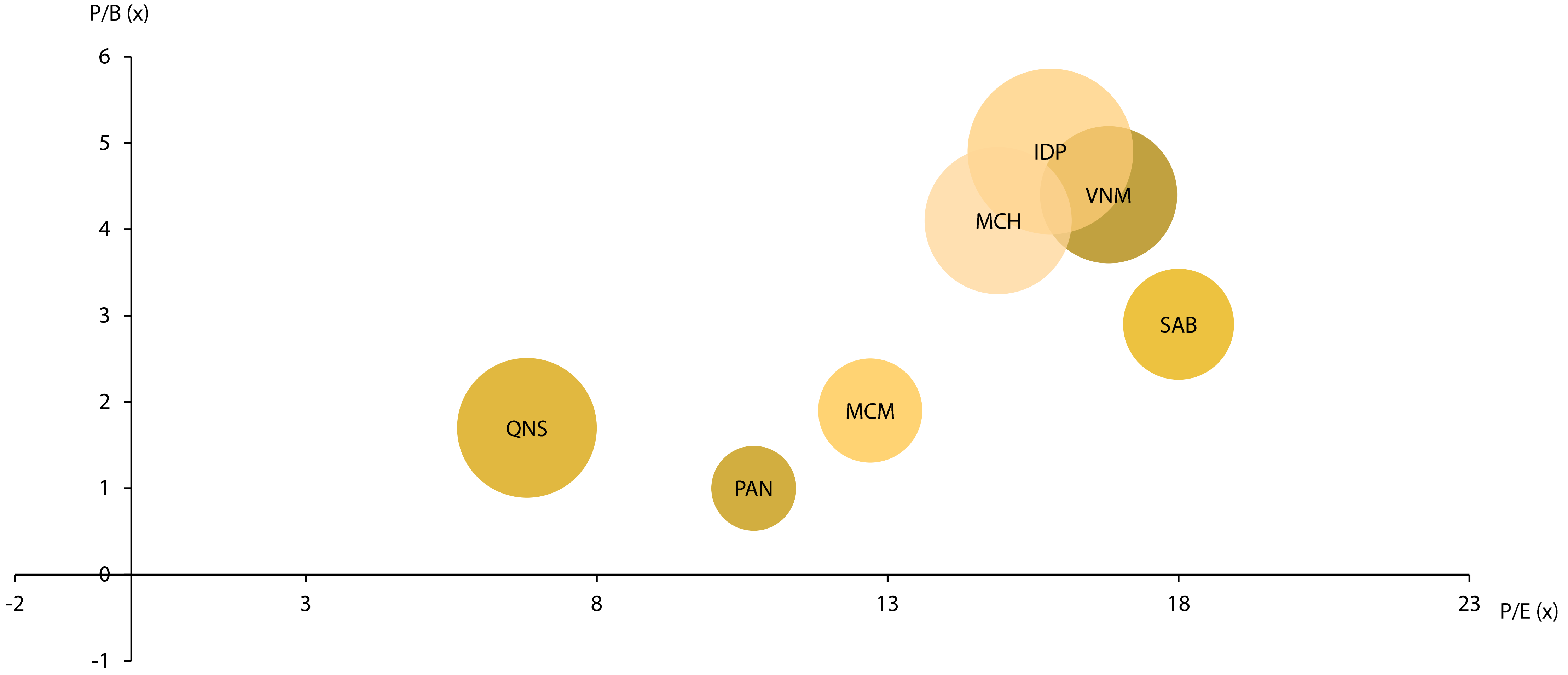
*Source: RongViet Securities. *Size of the bubbles is calculated by 2024F net profit/2023A net profit; VDSC does not forecast business results of SAB & MCM. 2024F net profit, Dividend yield and Payout ratio were taken from 2024 business plan of these two companies.*

INDUSTRY COMPARABLE

Ticker	Market Cap. (VND bn)	3M.daily turnover AVG. (VND mn)	Current P/E (x)	Current P/B (x)	Trailling 12 M ROE (%)	Target price	Market price as of 05/13/24	Expected return	2023A			2024F			Revenue Growth		NPAT Growth	
									Revenue	NPAT	EPS	Revenue	NPAT	EPS	2023	2024F	2023	2024F
QNS	17,454	32,962	6.83	1.72	26.9%	55,800	48,900	14.1%	10,021	2,183	7,172	11,194	2,194	7,132	21.4%	11.7%	69.7%	0.2%
PAN	4,993	52,848	12.27	1.04	8.8%	N.R	23,900	n.A	13,205	408	1,952	n.a	n.a	n.a	-3.3%	n.A	9.0%	n.A
MCM	4,433	1,881	12.97	1.90	14.9%	N.R	40,300	n.A	3,135	374	3,063	n.a	n.a	n.a	0.1%	n.A	8.0%	n.A
MCH	97,653	8,018	13.76	3.78	29.7%	N.R	136,100	n.A	28,241	7,085	9,888	n.a	n.a	n.a	4.7%	n.A	30.0%	n.A
IDP	15,031	169	15.81	4.90	37.9%	N.R	245,000	n.A	6,655	924	15,465	n.a	n.a	n.a	9.3%	n.A	14.1%	n.A
VNM	141,908	273,183	17.77	4.48	25.8%	81,500	67,900	20.0%	60,369	8,874	3,796	63,065	9,462	4,075	0.7%	4.5%	4.2%	6.6%
SAB	71,952	62,789	17.91	2.97	17.0%	N.R	56,100	n.A	30,461	4,118	3,132	n.a	n.a	n.a	-12.9%	n.A	-21.2%	n.A
MSN	102,878	310,282	418.68	3.87	1.6%	85,600	71,900	19.1%	78,252	419	294	81,545	1,761	1,237	2.7%	4.2%	-88.3%	320%

Source: Fiinpro, RongViet Securities. Share price as of 13 May 2024.

PE, PB AND ROE (TTM)



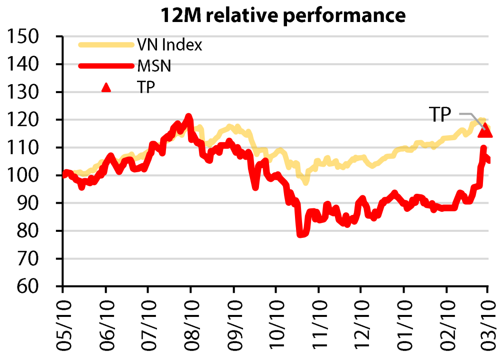
Source: Fiinpro, RongViet Securities. Bubble size equals respective ROE. Share price as of 13 May 2024.

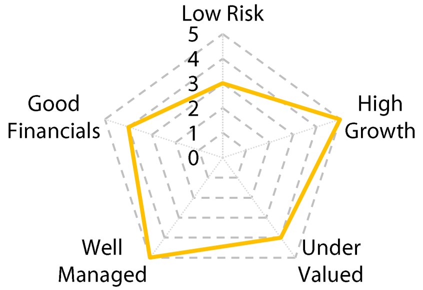
RONG VIET SECURITIES

CORE BUSINESS IS EXPECTED TO KEEP GROWING

HSX: MSN

ACCUMULATE: +19% **MP: 72,200** **TP: 85,600**





STOCK INFO

Sector	Consumer Staple
Market Cap ($ mn)	3,980
Current Shares O/S (mn shares)	1,431
3M Avg. Volume (K)	5,302
3M Avg. Trading Value (VND Bn)	386
Remaining foreign room (%)	18.8
52-week range ('000 VND)	56 – 89.4

FINANCIALS

FINANCIALS	2023A	2024E	2025F
Revenue (VND bn)	78,252	81,545	85,257
NPATMI (VND bn)	419	1,761	2,680
ROA (%)	0.3	1.2	1.8
ROE (%)	7.1	5.9	7.0
EPS (VND)	293	1,237	1,882
Book Value (VND)	26,724	36,452	39,513
Cash dividend (VND)	0	0	0
P/E (x)	228	54	35
P/B (x)	2.5	1.8	1.6

INVESTMENT RATIONALES

The expansion of Wincommerce (WCM) will drive MSN's total sales' growth in 2024

- We expect WCM will be sales growth driver of MSN's total sales in 2024 given its largest proportion in total revenue (over 40%) and the second highest 2024 sales growth (+5% YoY) compared to other main businesses of MSN (MML and MHT).
- We assume WCM to open 400 new Winmart stores, up by 11% YoY, to 4,033 stores in 2024. Due to the new opened store often generates lower sales per store per month in the first six months of operation, we forecast WCM 'sales value growth will be lower than the store expansion rate.

The rebound of MHT and profit margin expansion of The Crown X (TCX) will support MSN's net profit growth

- We predict MHT to resume its operation since Apr-2024, being responsible for the rebound of MHT's profits in FY2024. In 2023, the suspend operations of MHT dragged down MSN's profits. Excluded MHT's results, 2023 EBIT and net profit of MSN would be VND5,593 bn (+22% YoY) and VND3,192 bn (-32% YoY), respectively.
- Backed by MSN 's ability to scale up sales growth of TCX (include MCH & WCM), we suppose that TCX's profit margins will also improve. We forecast MCH's margin will be enhanced relying on its long-term premiumization strategy. WCM is believed to continue to reduce its losses in 2024 before stepping into profitable period since 2025 thanks to its cost optimization strategy.

The earnings growth recovers in 2024 will make the stock being attractive

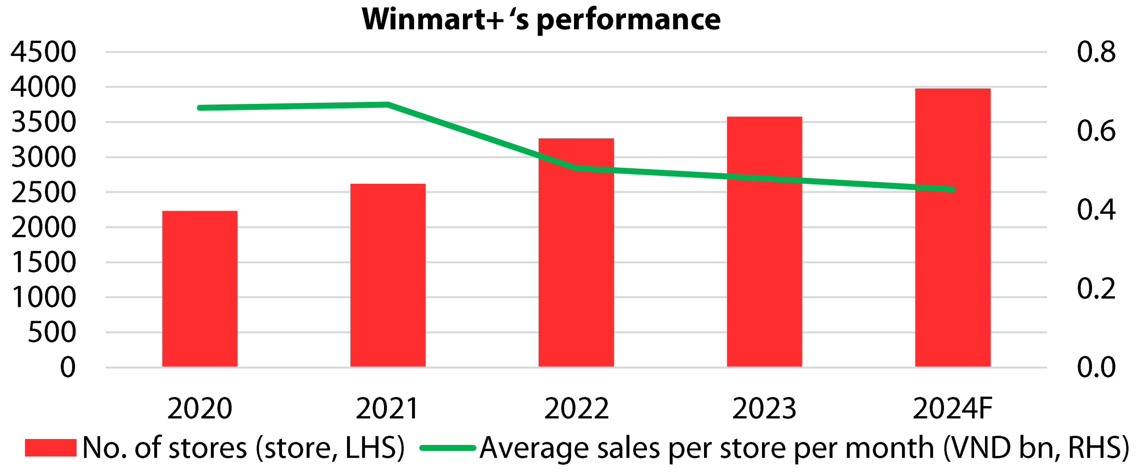
- The multiple valuation ratio of MSN shares has improved since Dec-2023, after the deal of fund raising from Bain capital announced, signaling that the confidence of investors on MSN's long-term outlook. We expect that the contribution of consumer-retail business (MCH, WCM and MML) to MSN's revenue and profit structure will keep increase, making MSN's total profits to be less volatile in the long-term.

RISKS TO OUR CALL

- The implementation of financial deals likes MHT divestments, MCH listed on HOSE, or TCX IPO might lead MSN 'stock prices to up.

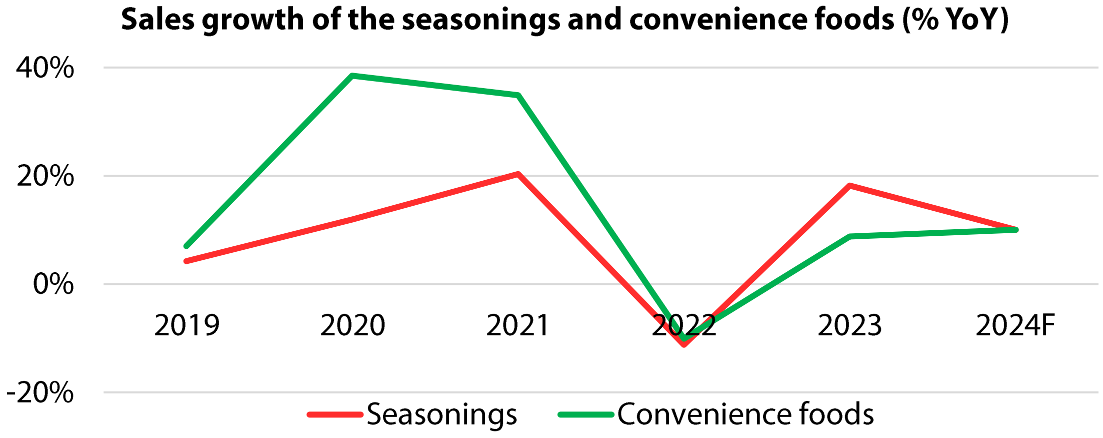
THE EXPANSION OF WCM WILL DRIVE MSN'S TOTAL SALES GROWTH IN 2024

Figure 1: Sales of WCM to keep increasing owing to the store expansion plan



Source: MSN, RongViet Securities

Figure 2: MCH 'sales will benefit from the consumption recovery in 2024. Given the company's strategy to focus on the Seasonings and Convenience Foods segments, we predict these two categories will lead MCH 'sales



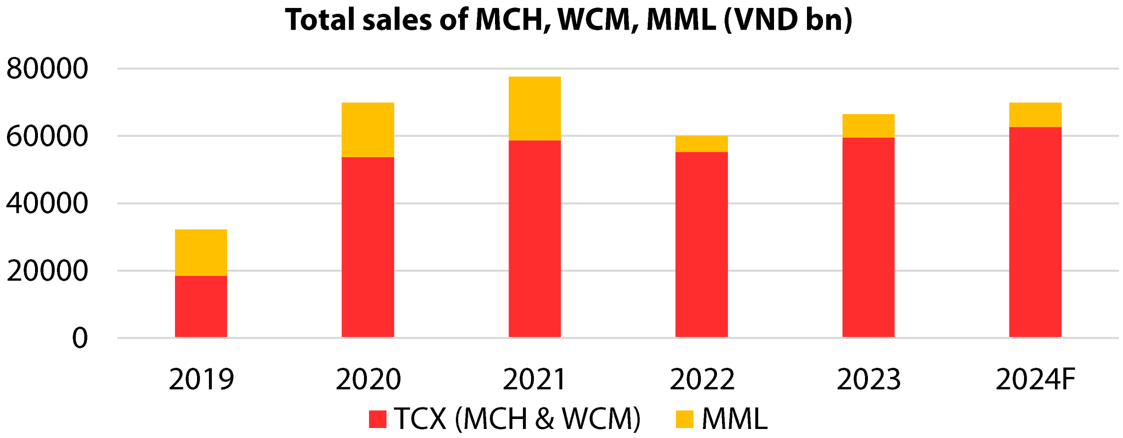
Source: MSN, RongViet Securities

Figure 3: The increase in Vonfram prices will promote sales of MHT

Product	Low	High	Latest	30-day	60-day	90-day	180-day	360-day
Ferro-tungsten - 70%min EXW China	Sign in to view	Sign in to view	1.08%	2.83%	3.44%	4.48%	6.36%	7.04%
Ferro-tungsten - 75%min EXW China	Sign in to view	Sign in to view	0.97%	2.53%	2.99%	3.58%	5.72%	6.57%
Ferro-tungsten - 75%min FOB China	Sign in to view	Sign in to view	0.00%	-0.64%	0.77%	2.85%	6.27%	7.28%
Ferro-tungsten - 75%min In warehouse Rotterdam	Sign in to view	Sign in to view	0.00%	-1.70%	-0.65%	1.40%	5.31%	6.16%
Ferro-tungsten - 75%min FOB Russia	Sign in to view	Sign in to view	0.00%	-1.68%	-0.31%	1.95%	6.03%	7.89%
Tungsten Ore - WO3 65%min EXW China	Sign in to view	Sign in to view	0.00%	1.99%	2.94%	3.94%	5.89%	7.00%
Tungsten Ore - WO3 50%min FOB Africa	Sign in to view	Sign in to view	0.00%	0.34%	0.14%	-0.19%	-0.30%	-1.50%
Tungsten APT - 88.5%min EXW China	Sign in to view	Sign in to view	0.00%	2.43%	3.32%	4.07%	5.48%	6.03%

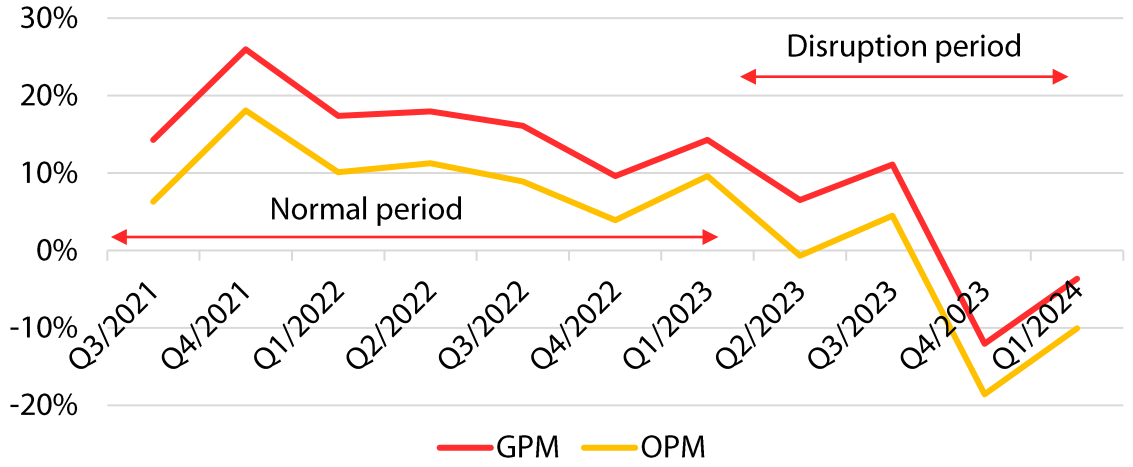
Source: www.asianmetal.com, the prices was taken on 11st Apr 2024, RongViet Securities

Figure 4: MSN 's core business (MCH, WCM, MML) is expected to present sales growth in 2024



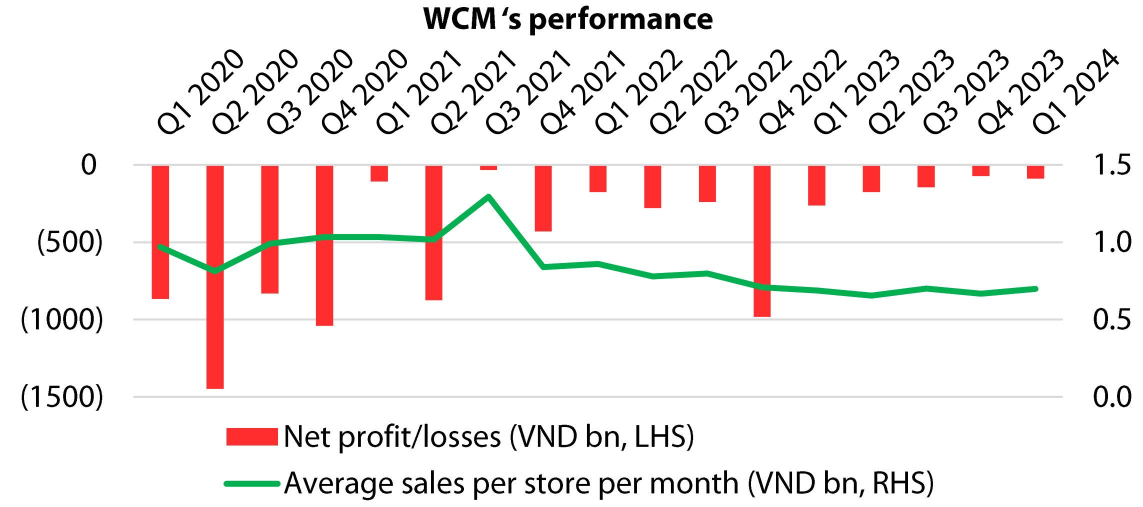
Source: MSN, RongViet Securities

Figure 5: MHT's profit margins is expected to return to normal level after the blasting service resume



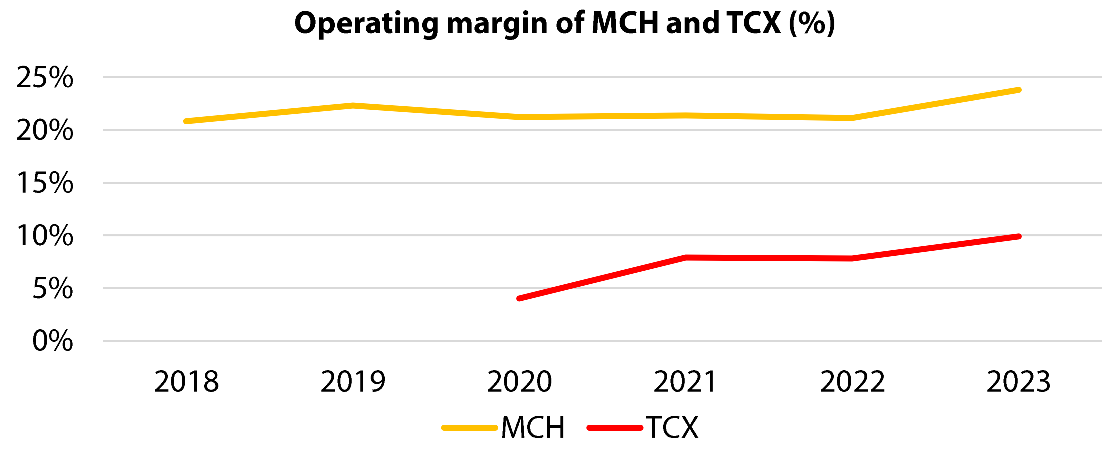
Source: MHT, RongViet Securities

Figure 6: The net losses of WCM is decreasing, enhancing profits of TCX



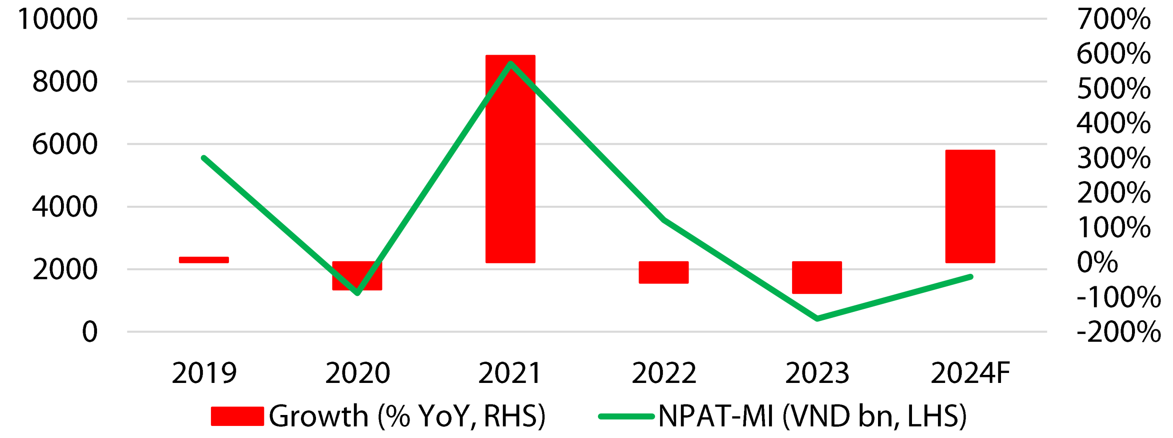
Source: MSN, RongViet Securities

Figure 7: Profit margins of MCH is expected to keep improving thanks to its long-term premiumization strategy, then enlarging profit margins of TCX



Source: MSN, RongViet Securities

Figure 8: NPAT-MI is expected to grow by 320% YoY in 2024 thanks to improved business performance



Source: MSN, RongViet Securities

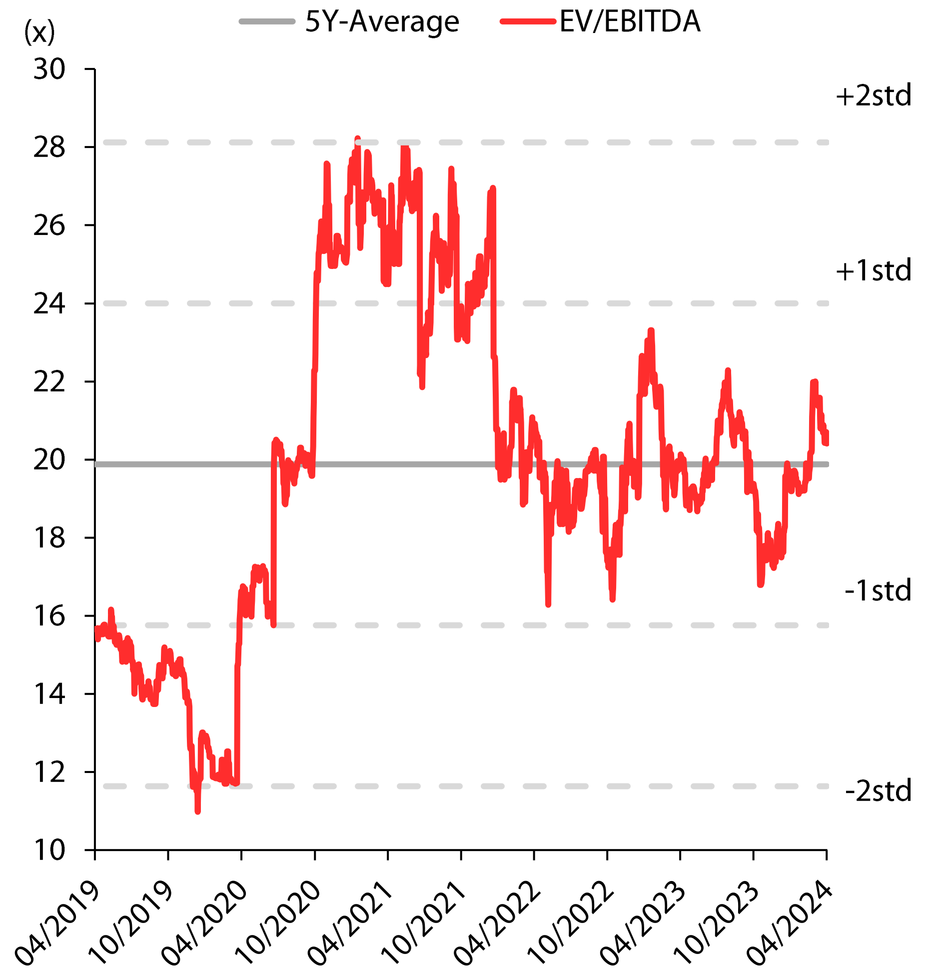
MSN SHARES IS TRADING BELOW ITS FAIR VALUE

Table 1: MSN's valuation summary

Sum Of The Parts (SoTP)	FY2024F	Comments
1) Masan Consumer (MCH)		DCF method
Equity value	102,065	
Masan's ownership	68.3	
Equity value attributed to Masan Group (A)	69,710	13x justify PE multiple
2) Masan MEATLife (MML)		EV/EBITDA method
Equity value	10,628	
Masan's ownership	94.9	
Equity value attributed to Masan Group (B)	10,068	EV/EBITDA multiple = 17x
3) Masan High-tech Materials (MSR/MHT)		EV/EBITDA method
Equity value	6,883	
Masan's ownership	86.4	
Equity value attributed to Masan Group (C)	5,947	EV/EBITDA multiple = 7x
4) WinCommerce (WCM)		P/S method
Equity value	41,807	
Masan's ownership	71.5	
Equity value attributed to Masan Group (D)	29,892	P/S multiple = 1.3x
5) Phuc Long Heritage		
Equity value	5,178	
Masan's ownership	85.0	P/E multiple = 10x
Equity value attributed to Masan Group (E)	4,401	
6) Long-term investment value		
Techcombank (TCB)	8,670	DCF + P/B method
Other long-term investment	945	
Equity value attributed to Masan Group (G)	9,616	
7) Other net assets (F)	(7,154)	
Equity Value (A) + (B) + (C) + (D) + (E) + (F) + (G)	**122,498**	
Common outstanding shares (mn shares)	1,431	
Target Price	**85,600**	FY2024

Source: RongViet Securities

Figure 9: MSN's EV/EBITDA ratio has been fluctuated around 20.x (±1 std) since late 2021 till now

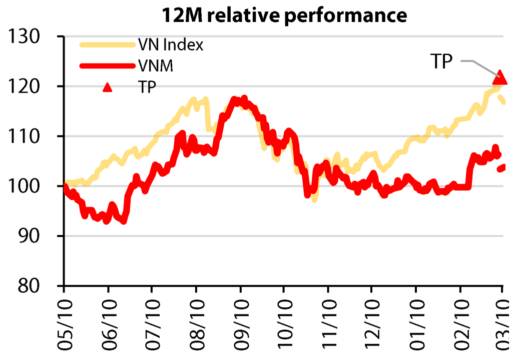


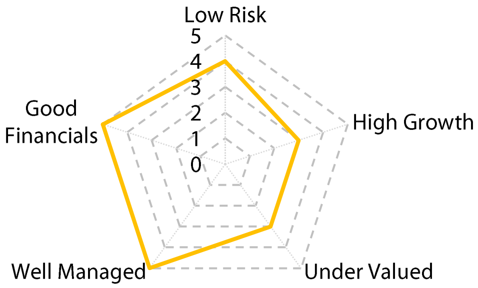
Source: Bloomberg, RongViet Securities

A BLUE-CHIP STOCK WITH HIGH SUSTAINABLE DIVIDEND YIELD

HSX: VNM

BUY: +22% **MP: 67,000** **TP: 81,500**





STOCK INFO

Sector	Consumer Staples
Market Cap ($ mn)	5,416
Current Shares O/S (mn shares)	2,090
3M Avg. Volume (K)	4,253
3M Avg. Trading Value (VND Bn)	292
Remaining foreign room (%)	48.9
52-week range ('000 VND)	63 – 81.2

FINANCIALS

FINANCIALS	2023A	2024F	2025F
Revenue (VND bn)	60,369	63,065	66,191
NPATMI (VND bn)	8,874	9,462	10,569
ROA (%)	17.5	18.2	20.5
ROE (%)	29.3	29.4	32.1
EPS (VND)	3,796	4,075	4,552
Book Value (VND)	15,166	15,391	15,743
Cash dividend (VND)	3,850	3,850	3,850
P/E (x)	17.5	16.3	14.6
P/B (x)	4.3	4.3	4.2

INVESTMENT RATIONALES

2024 NPAT-MI will grow by high single-digit rate owing to the decrease of input costs

- 2024 revenue is expected to go up to its historic peak since its establishment after recovered in 2023, inspired by improved purchasing power in both domestic (~85% of total revenue) and global (~15% of total revenue) markets. Based on current consumer preferences of favoring mid-range products and the success of VNM 's "brand repositioning" campaign, VNM will gain new customers, along with its existing loyal customer base, resulting in 2024 sales growth of +5% YoY.
- VNM fixed the price of imported raw milk powders until Oct-2024 at below-year ago level. We assume that raw milk powder prices will decrease in 2024, creating favorable conditions for VNM to enjoy the advantage of reduced input costs in the whole year. To face the wave of rising selling expenses of F&B producers, we believe that VNM will be able to optimize its SG&A/sales ratio to drive net profit to grow at a higher pace than the revenue.

High sustainable dividend yield across economic cycles

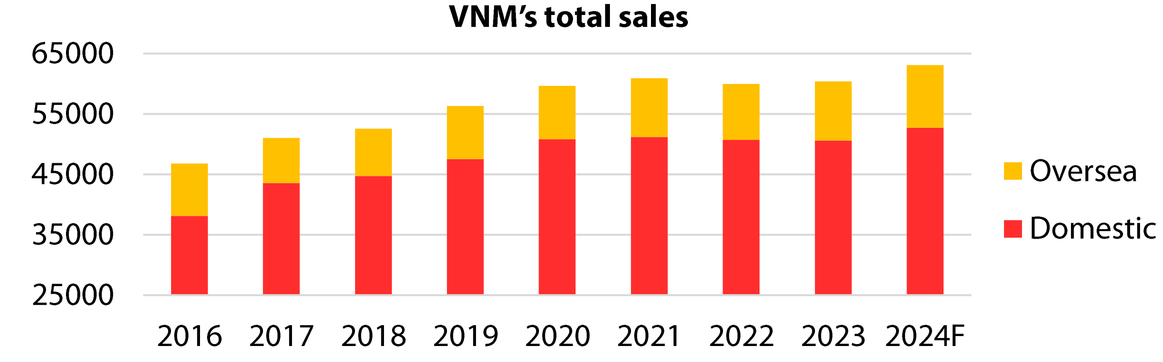
- VNM has a history of high cash dividend payout ratio (>75%) across economic cycles. This comes from strong cash flow and good financial health. We believe that the company will continue to maintain this policy in the long term, generating a stable cashflow stream (equivalent to an average dividend yield of about 5%/year) to investors.
- VNM has been traded in a narrow range during 2023 to now due to its modest earnings growth 2022 - 2023. Given the profit margin expansion and higher earnings growth in 2024 – 2025, we expect the stock's PER will be re-rated to its 5Y-ave. PER of 18.x.

RISKS TO OUR CALL

- Better-than-expected management of SG&A costs, or higher-than-expected consumption of Vinamilk's products, will lead to an increase in sales growth and a decrease in SG&A/sales ratios.

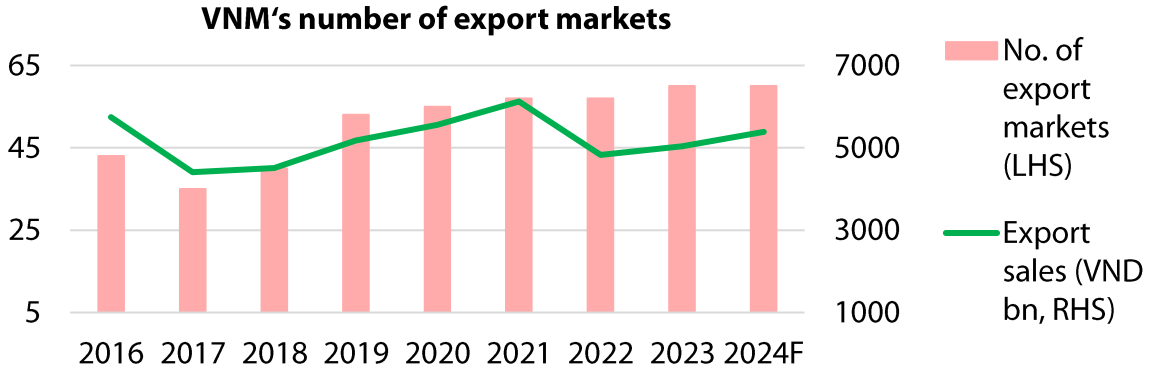
SALES WILL BACK TO GROWTH PHRASE SINCE 2024

Figure 1: 2024 sales is expected to grow to 2021 figure after two-year slowdown.



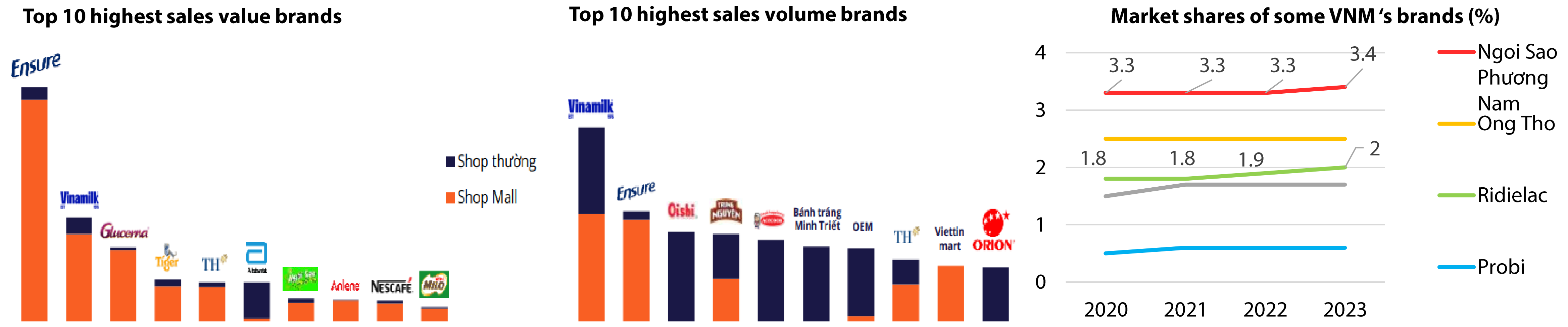
Source: VNM, RongViet Securities

Figure 2: VNM's export sales is on their expansion way, encouraged by global economic recovery and larger-and-larger number of export markets.



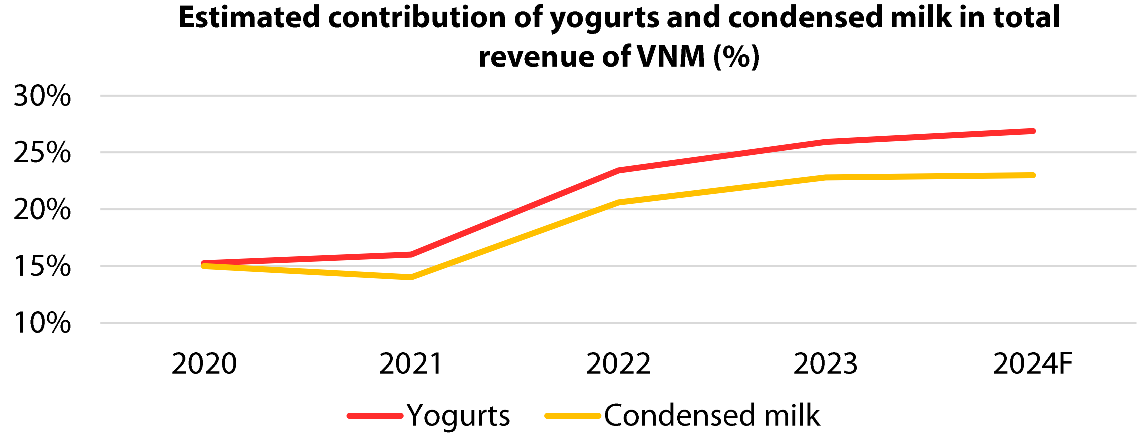
Source: VNM, RongViet Securities

Figure 3: Vinamilk is in the top 10 beverage brands owing both highest sales value and selling volume in e-commerce channel in 2023. Besides, VNM has regained its market shares in some categories in 2023, including "Ngoi Sao Phương Nam", and "Ridielac" brands. We believe that these are positive signals confirming the success of its "brand reposition" strategy.



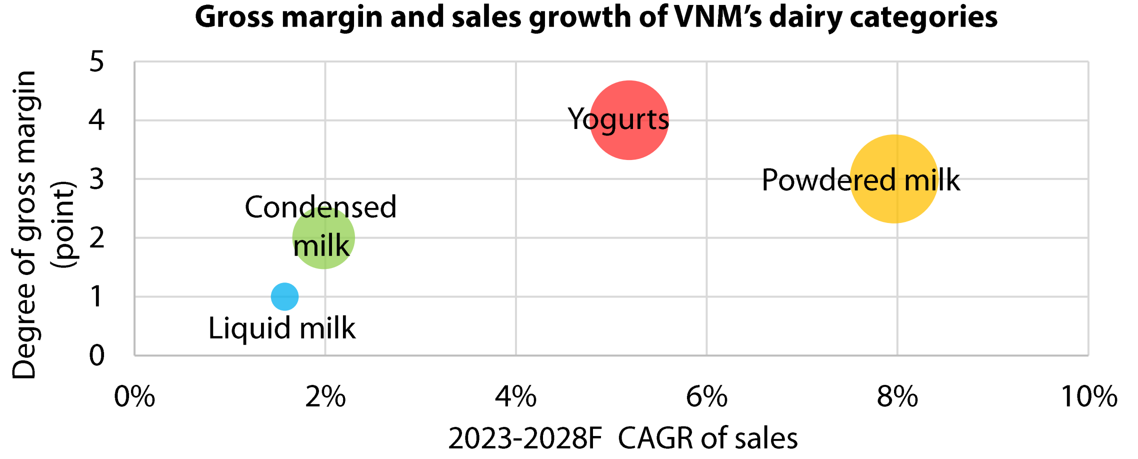
Source: metric.vn, Euromonitor, RongViet Securities

Figure 4: VNM's gross margin will continue to improve owing to the decrease of input costs and the higher contribution of thick margin products (e.g, yogurts, condensed milk, and powdered milk).



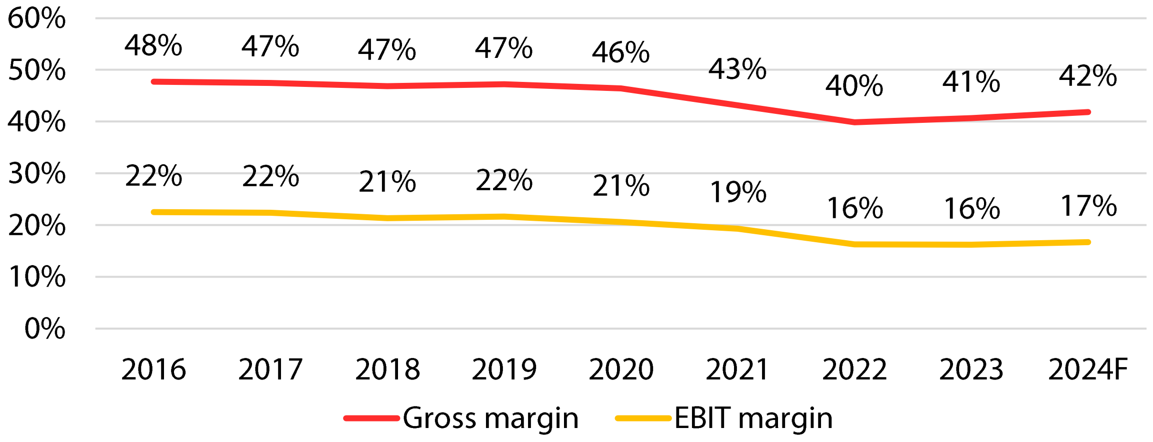
Source: RongViet Securities

Figure 5: Yogurts 'sales growth keeps up with the trends in the use of health supplements, while Powdered milk' sales will grow on the 2023 low base.



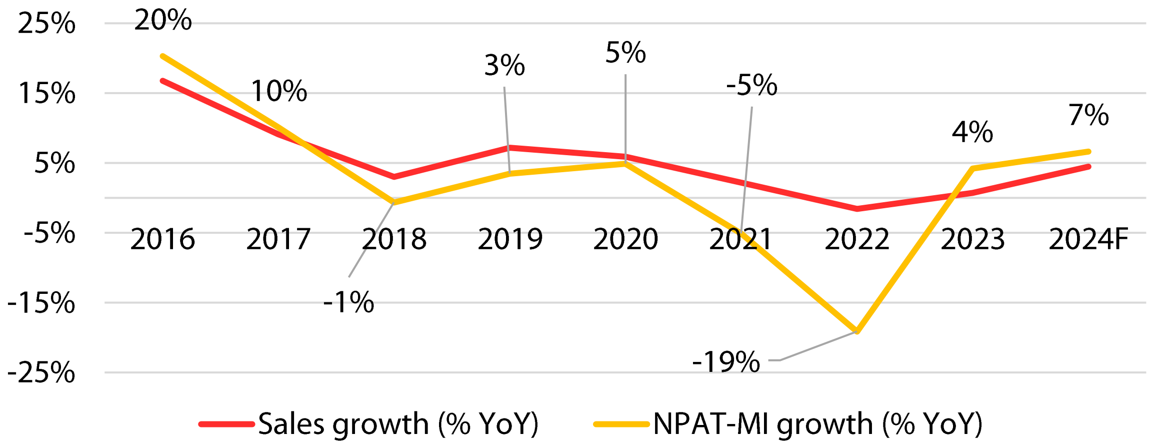
Source: RongViet Securities. We rank the degree of gross margin from 1 to 5 points, equivalent to smallest to highest gross margin. 2024F sales growth is size of the bubbles.

Figure 6: The improved gross margin will compensate the surge of SG&A/sales ratio.



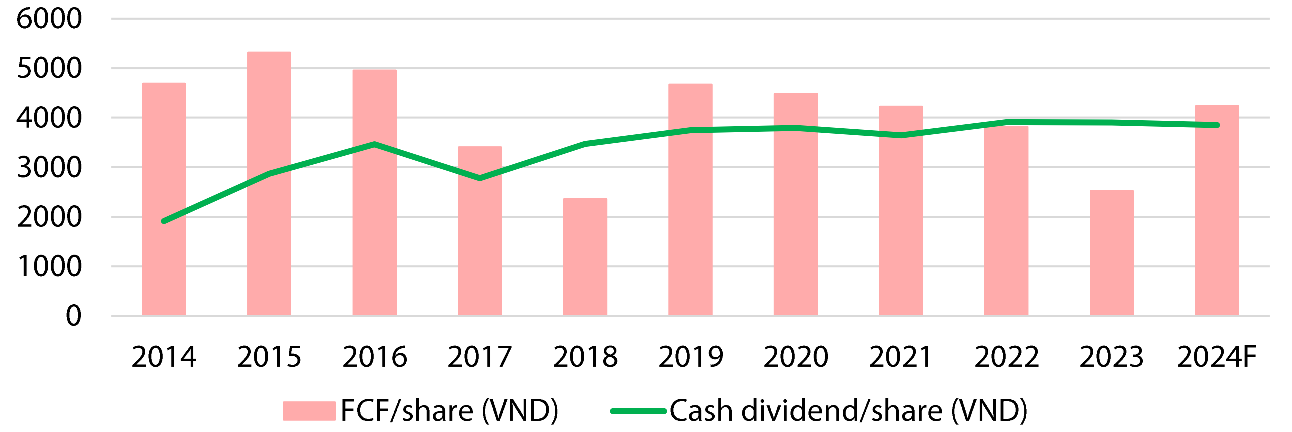
Source: VNM, RongViet Securities

Figure 7: 2024 NPAT-MI will grow at the higher pace than that of 2023 NPAT-MI.



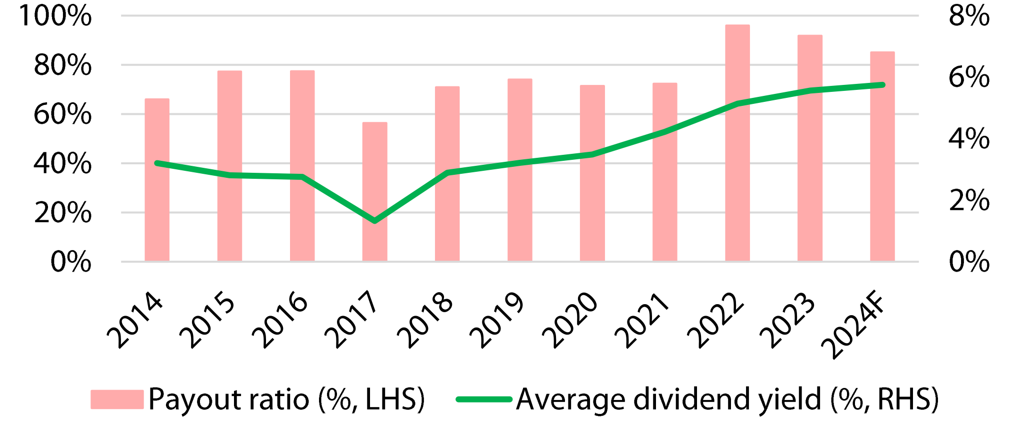
Source: VNM, RongViet Securities

Figure 8: VNM maintains FCF/share ratio at an average level of over VND4,000 across pre-Covid 19, Covid 19, and post-Covid 19 period, signaling VNM's ability in paying an average cash dividend of about VND3,800/share per year across economic cycles.



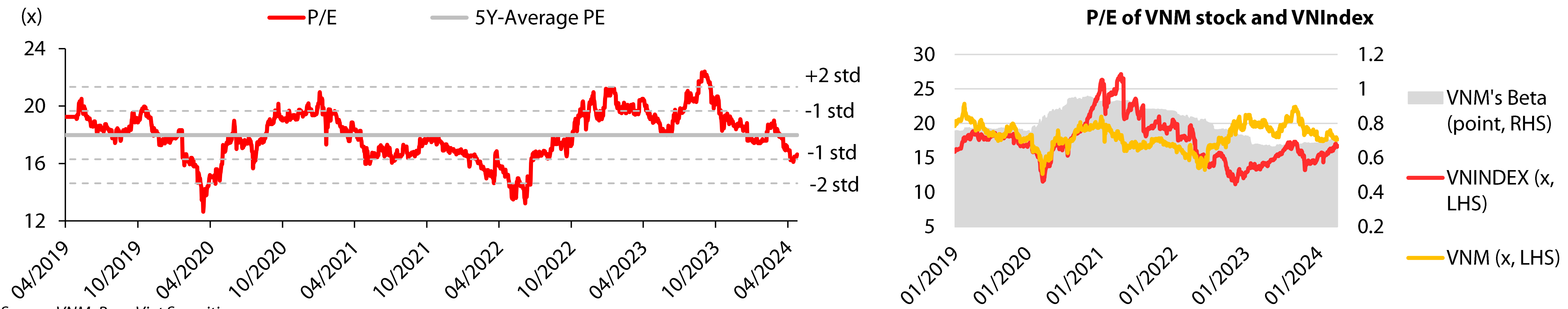
Source: VNM, RongViet Securities

Figure 9: VNM has a history of high cash dividend payout ratio (>75%), generating a stable profit stream (equivalent to an average dividend yield of about 5%/year) for investors.



Source: VNM, RongViet Securities

Figure 10: Due to its modest earnings growth in 2023, VNM has been trading at the trailing PER of 17.x (lower than its 5Y-Ave. PER of 18.x) since the last months of 2023 till now.

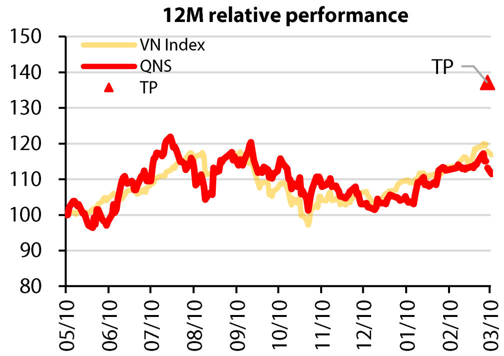


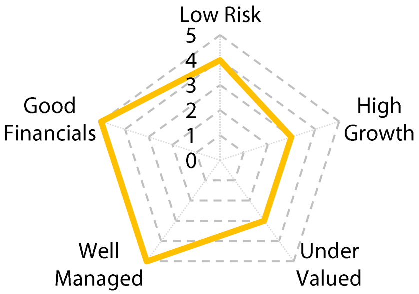
Source: VNM, RongViet Securities

A DEFENSIVE PLAYER WITH HIGH CASH DIVIDEND YIELD

Upcom: QNS

ACCUMULATE: +14% **MP: 49,000** **TP: 55,800**





STOCK INFO

Sector	Consumer Staples
Market Cap ($ mn)	684
Current Shares O/S (mn shares)	357
3M Avg. Volume (K)	693
3M Avg. Trading Value (VND Bn)	32
Remaining foreign room (%)	33.8
52-week range ('000 VND)	42.6 – 55.0

FINANCIALS

FINANCIALS	2023A	2024E	2025F
Revenue (VND bn)	10,230	11,194	10,802
NPATMI (VND bn)	2,189	2,194	1,924
ROA (%)	19.6	17.0	14.4
ROE (%)	27.3	23.0	19.1
EPS (VND)	6,254	7,132	6,254
Book Value (VND)	24,056	31,620	33,375
Cash dividend (VND)	4,000	4,000	4,000
P/E (x)	6.9	6.0	6.9
P/B (x)	1.7	1.3	1.2

INVESTMENT RATIONALES

2024 average sugar prices is expected to be traded at higher than 2023 level, contributing to sales growth of sugar segment

- Sugar prices is expected to remain at high level during 1H2024. Backed by this, we estimate 2024 average selling prices (ASP) of QNS' sugar segment will be 9% higher than a year ago.
- QNS plans to upgrade the designed capacity of An Khe sugar (RS sugar) plant by 39% in 2024. Based on conservative view, we predict the production capacity will be enlarged by 20% in 2024, then 14% in 2025. With larger-and-larger volume produced, QNS is believed to capture advantage of rising sugar prices in 2024, resulting in positive YoY sales growth.

Soymilk segment is forecast to illustrate an increase in both average selling prices (ASP) and volume in 2024

- Mentioned by Euromonitor, the popularity of plant-based milk products, although slow, keeps rising in Vietnam liquid milk industry. Together with marketing strategies and new product (plant-based foods) launching projects of QNS, backed by expected economic recovery, we believe that selling volume will recover in 2024 after experienced a 9% YoY drop in 2023. In 2024, QNS will promote premium product named "Fami Green Soy" whose prices is expected to be 20-30% higher than traditional products (Fami). Although we forecast this product will account for a small proportion of QNS's soymilk revenue structure, it still drive ASP of soymilk segment to be higher than a year ago.

Healthy balance sheet with high cash dividend

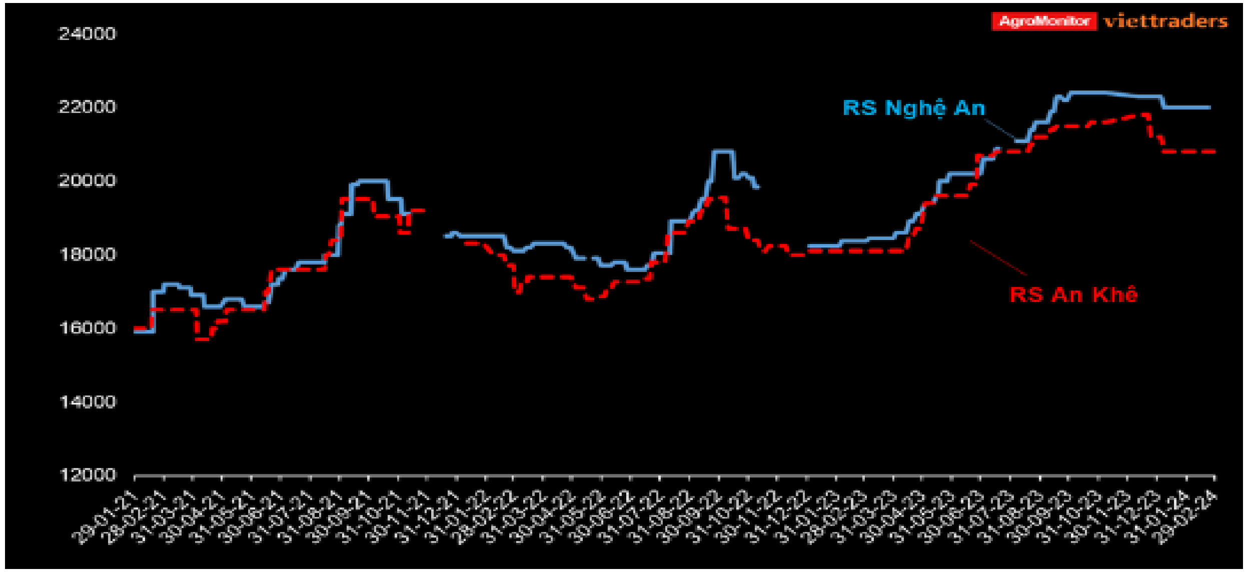
- QNS has a history of strong cash dividend payment policy owing to its healthy balance sheet (stable total debts/total assets ratio of 18-20% per annum) and strong cashflow (5Y-average FCF/share of VND4,521). Its ave. payout ratio during last five years is 60%.
- Given our expectation that the company can protect their high EPS in 2024-2028 (avg. VND6,595/share), we anticipate that QNS will maintain at least 40% cash dividend/share policy in the next 5 years, equivalent to a payout ratio of 67%. Calculated on current stock prices of VND49,000, the equivalent dividend yield is c. 8% in 2024.

RISKS TO OUR CALL

- Sugar prices would be traded at high level same as the 1H2024 in 2H2024, resulting in higher-than-expected sales.

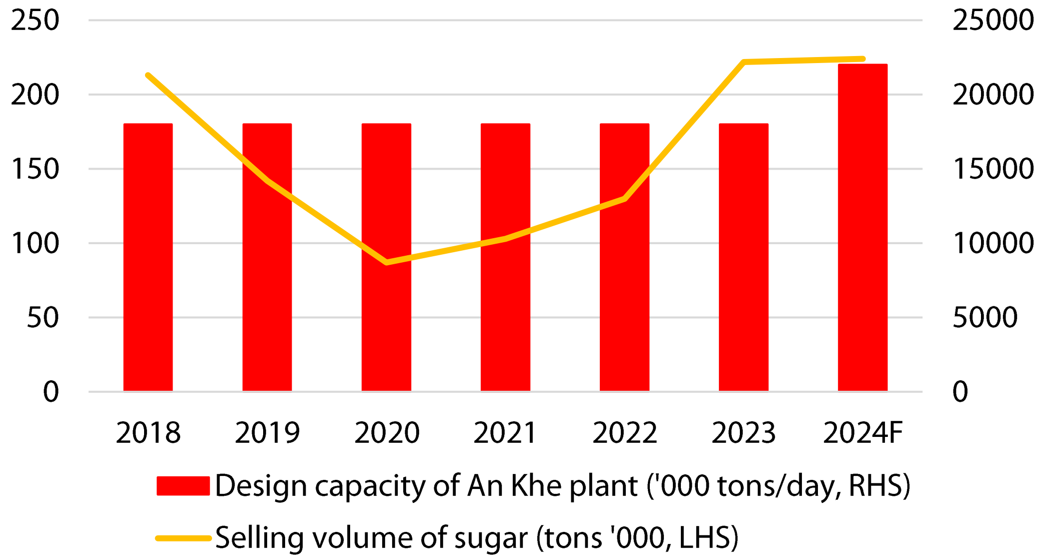
BOTH SUGAR AND SOYMILK SEGMENTS WILL SHOW INCREASE IN SALES

Figure 1: Local RS sugar prices is being traded at higher-year ago level in the beginning of 2024, expected to maintain at this level during 1H2024 (unit: VND/kg)



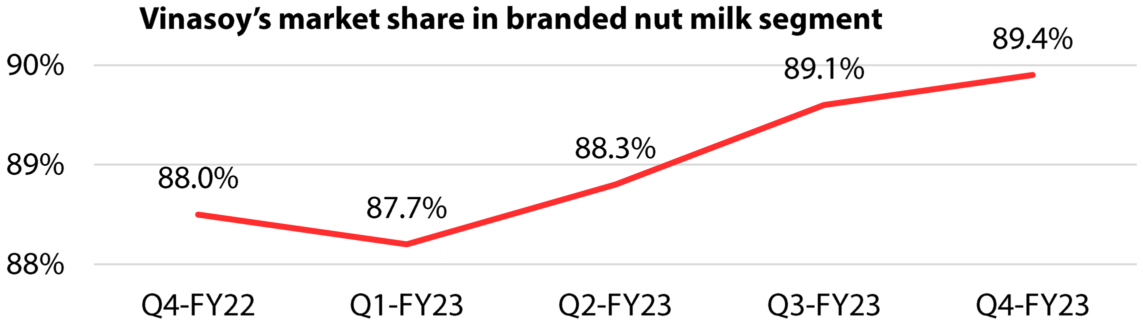
Source: Agromonitor, RongViet Securities

Figure 2: QNS plans to upgrade the designed capacity of An Khe sugar plant in 2024 to increase supply of Vietnam sweetener



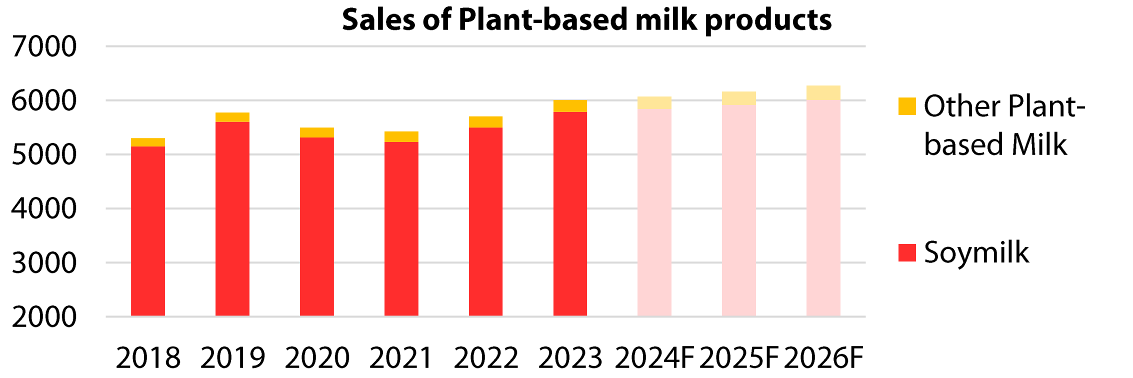
Source: QNS, RongViet Securities

Figure 3: QNS has regained market share in soymilk segment since Q1 2023. In addition, we expected QNS will grab some customers from "homemade soymilk" ground thanks to its larger-and larger coverage



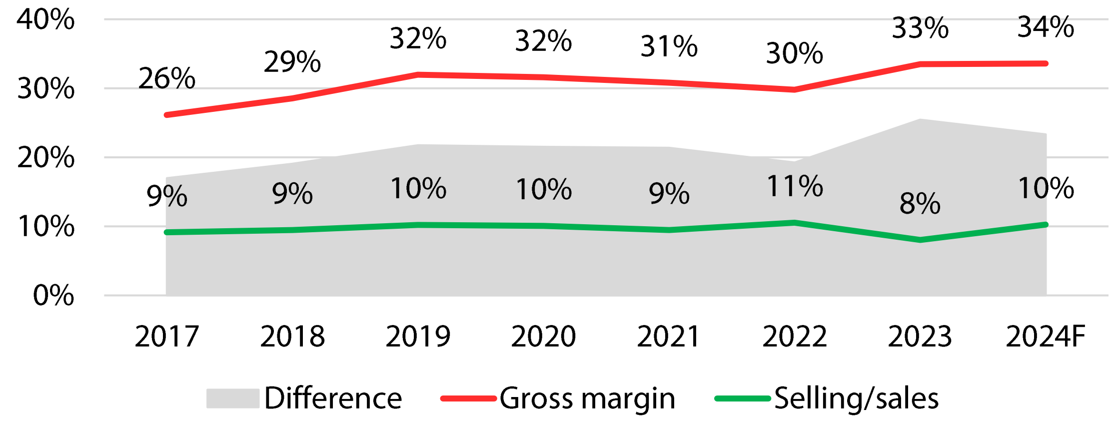
Source: QNS, RongViet Securities

Figure 4: The popularity of plant-based milk products is expected to keep rising in Vietnam market (VND bn)



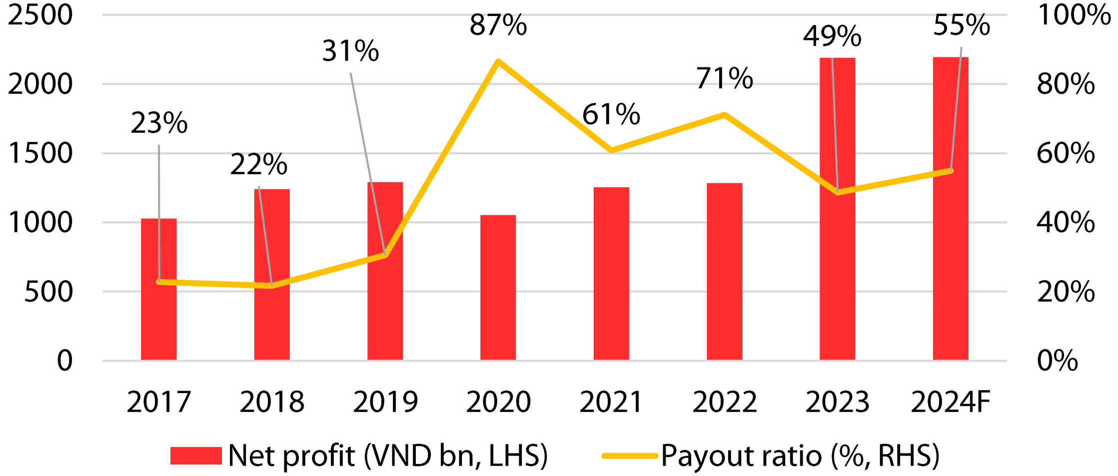
Source: Euromonitor, RongViet Securities

Figure 5: Gross margin will keep extension owing to the sugar's high selling price and YoY decrease of soybean price, compensate to the increase of the selling expenses-to-sales ratio



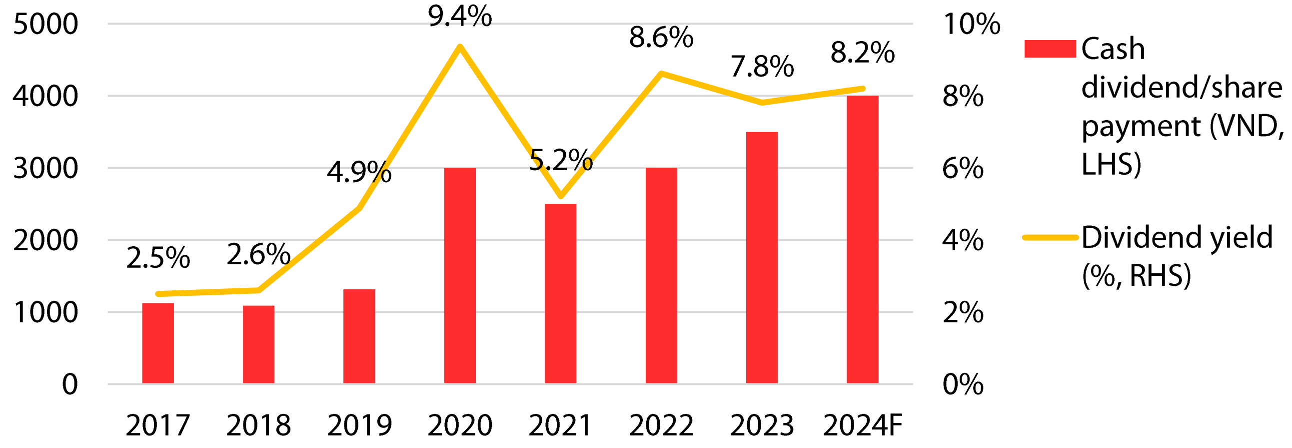
Source: RongViet Securities

Figure 6: We expect QNS to keep paying high cash dividend per share in 2024-25 owing to its high NPAT-MI during 2023 – 24



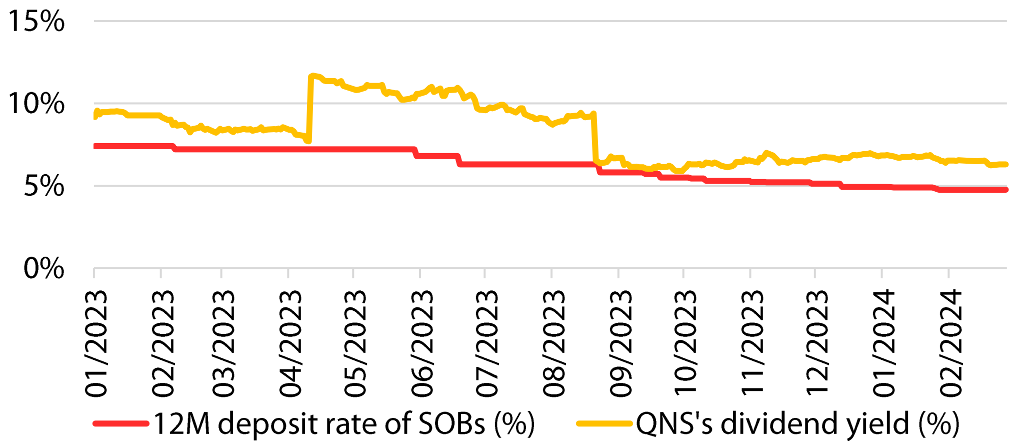
Source: QNS, RongViet Securities

Figure 7: QNS paid the highest cash dividend/share since its establishment based on 2023 strong net profit result, encouraging investor's confidence on QNS' stock



Source: QNS, RongViet Securities

Figure 8: QNS's trailing dividend yield has exceeded 12M-deposit rate



Source: Bloomberg, Fiinpro, RongViet Securities