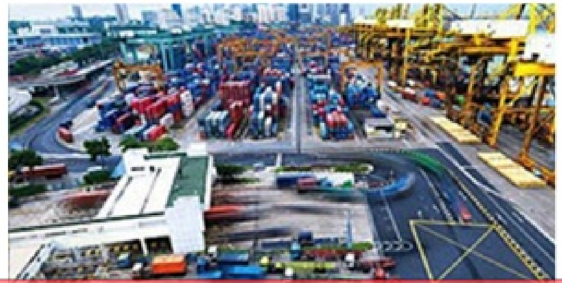
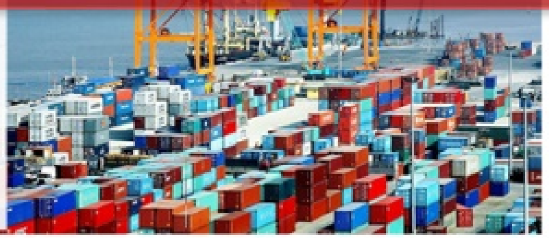
RONG VIET SECURITIES



Preliminary 2H2020 outlook

August 2020



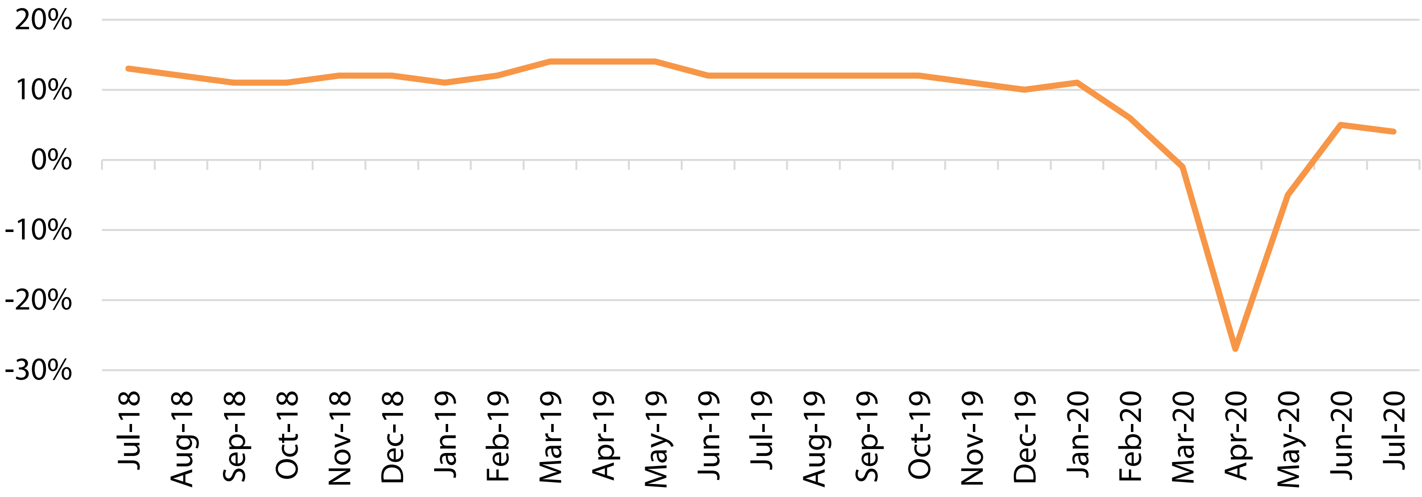
RONG VIET SECURITIES

Retail and Consumer: Adapt to new changes

Khoa Ngo – khoa.nc@vdsc.com.vn

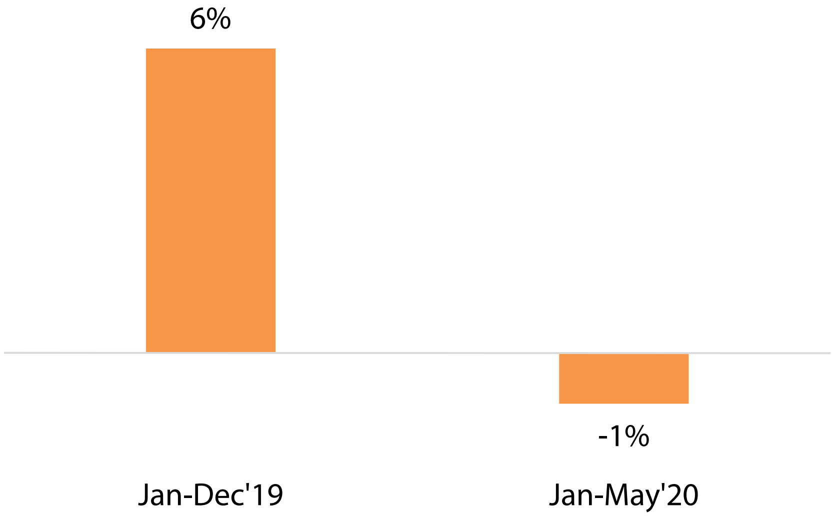
Negative impacts of Covid19 dented retail sales growth

Figure 1: Monthly retail sales growth in Vietnam (YoY %)



Source: GSO, RongViet Securities

Figure 2: Vietnam FMCG Value growth over previous year



Source: Nielsen, RongViet Securities

- For the first time in many years, Vietnam retailsales recorded negative growth in March-2020 as Covid19 began to spread within community. Following that, lockdown orders has enforced by Government, which depressed retail sales growth to its lowest level of -27% YoY in April. Since then, consumer spending started to recover but still behind pre-Covid19's level.

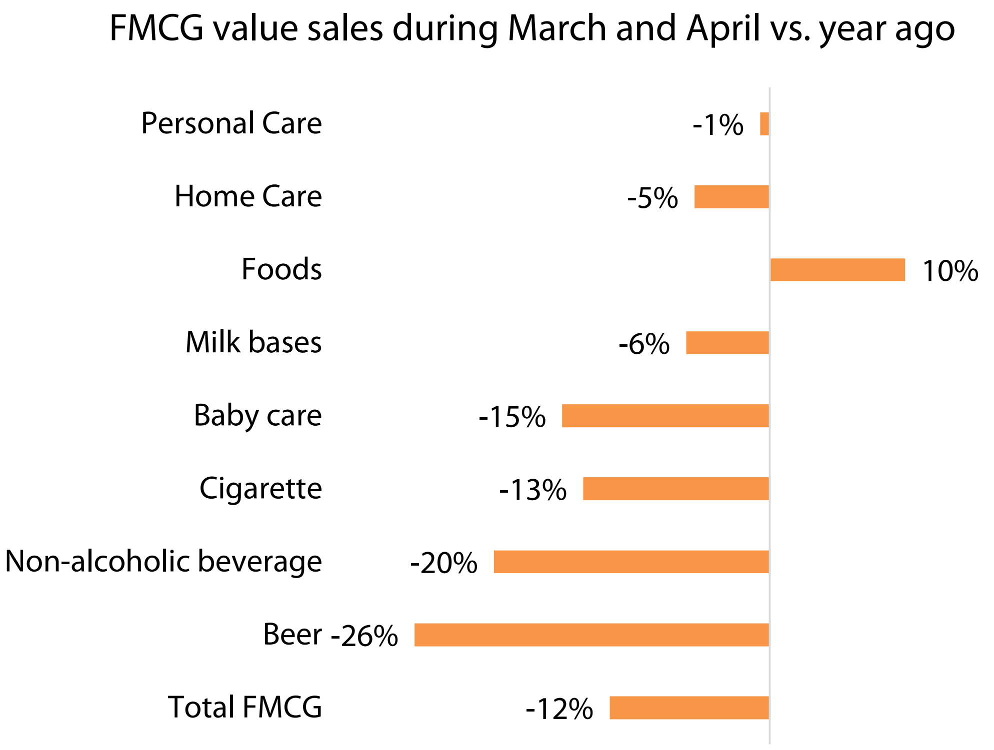
- For 7M2020, accumulated retail sales reached 2,799 trillion dong (+4.3% YoY). Of which :

o Trade grew slightly by 7% YoY which is underpinned by resilient demand for essential goods during pandemic.

o Hotel & Restaurant declined by 4.4% while Tourism plunged by 60% which is due to (1) the fact consumer prefer at-home recreation and (2) lower tourism traffics.

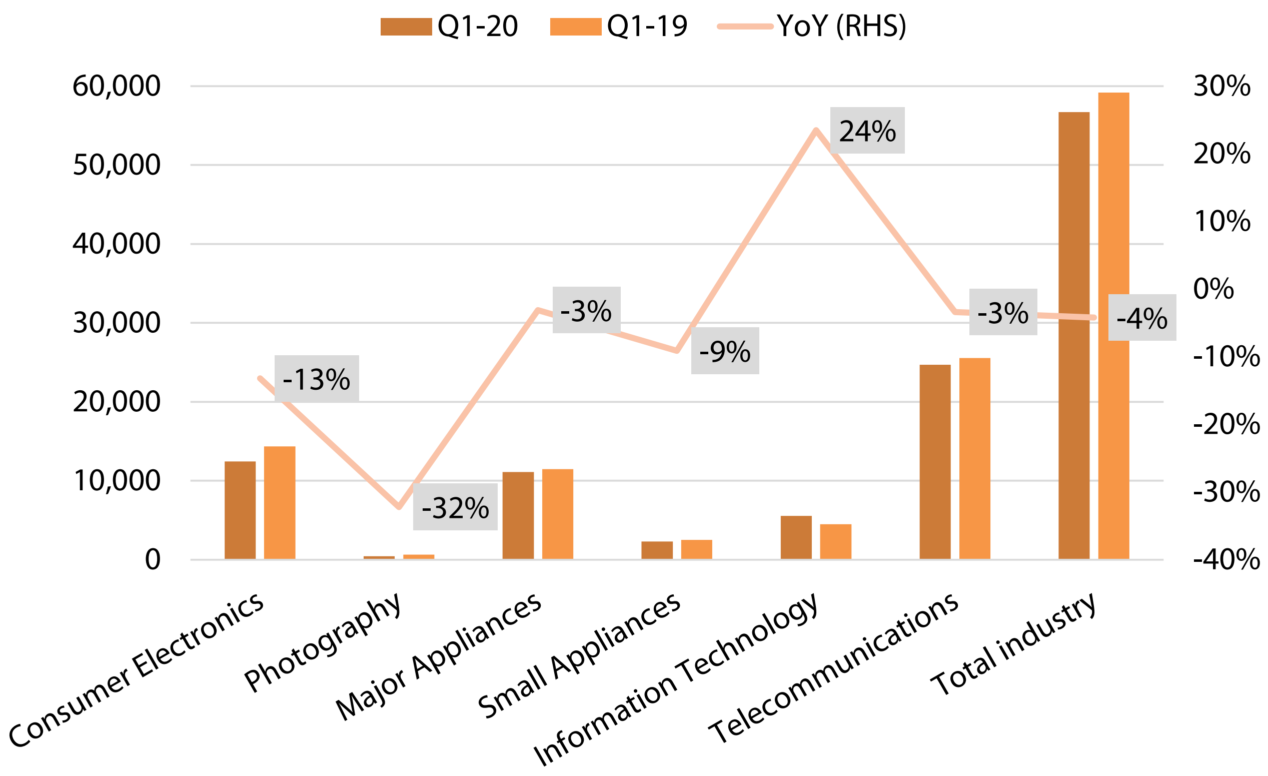
Austerities were taken during the lockdown by consumer

Figure 3: During Covid19, essential products like foods, milk, personal care are preferred instead of beer, beverage and cigarette.



Source: Nielsen, RongViet Securites

Figure 4: Many categories of technical consumer product saw less demand as consumer spending deteriorated (VND bn, % YoY).



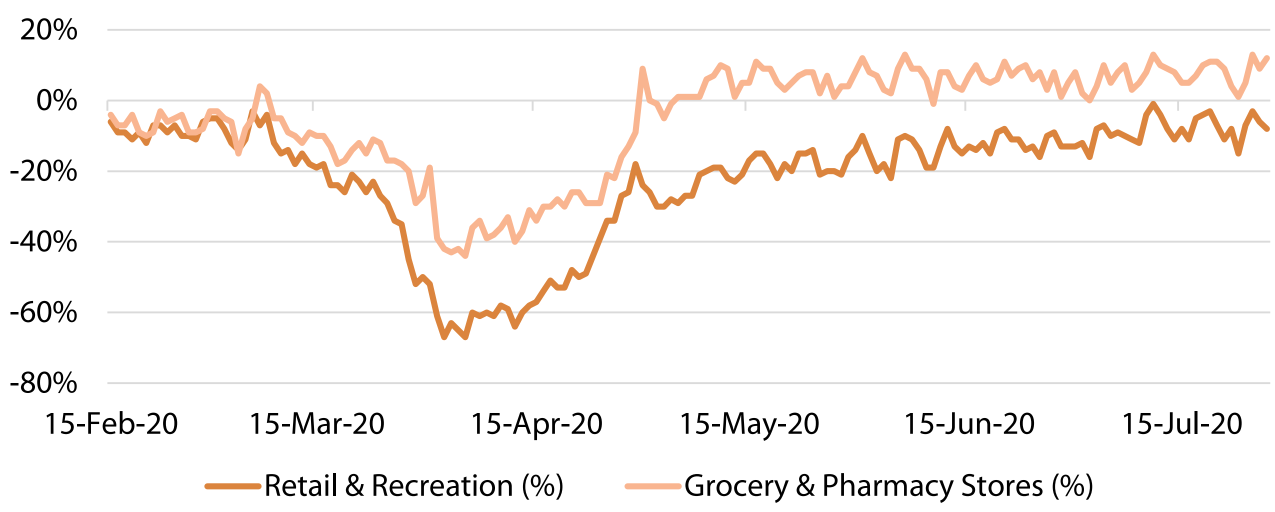
Source: GFK, RongVietSecurities

Post-lockdown trend: Continue focus on essential need and down-trading

Lower income and unemployment will force consumer to:

- Cut their spending on non-essential (which will affect jewelry selling of PNJ).
- Down-trading (which will slowdown premiumnization progress in milk industry of VNM and QNS while help enhance private label segment of MWG).

Figure 5: Grocery & Pharmacy grew strongly while Retail & Recreation failed to recover.



Source: Google, RongViet Securities

- *This interactive chart shows how the number of visitors to places of retail and recreation has changed relative to the period before the pandemic.*
- *Retail & Recreation include places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters*
- *Grocery & Pharmacy includes places like grocery markets, food warehouses, farmers markets, specialty food shops, drug stores, and pharmacies.*

Figure 6: Income drops and heighted awareness of price and pack sizes will encourage customer to down-trading and select of private label over brands.

Private label in Vietnam

Value share
2.4%
in Modern Trade

% Buyer
39%
of Modern Trade buyers

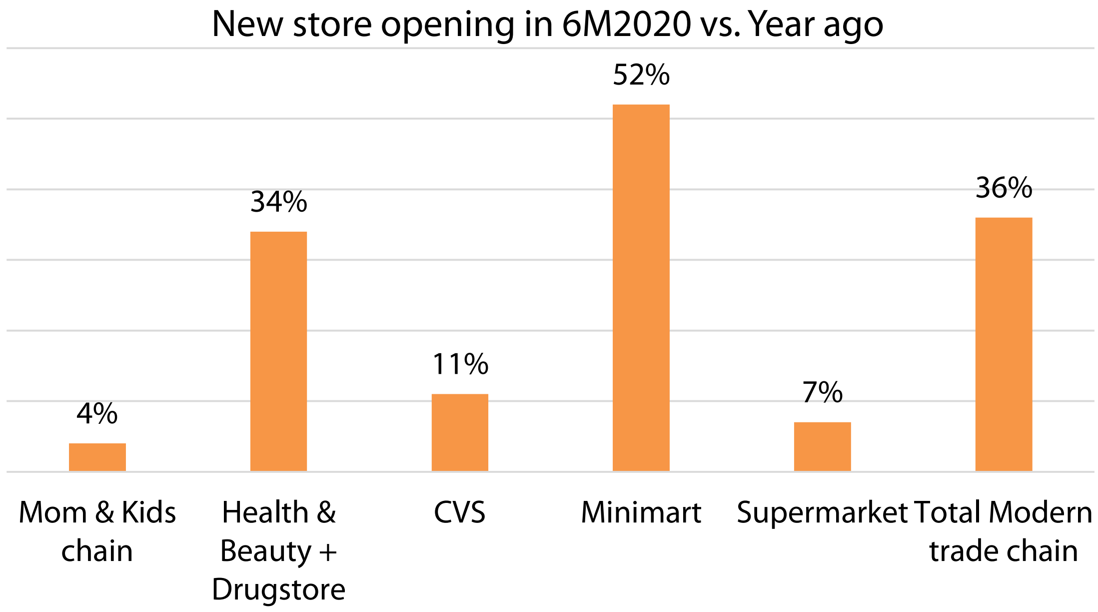
BHX grocery chain is rapidly expanding its private label offerings.

Source: Kantar World Panel, Rong Viet Securities

Post lockdown trend: Online shopping and modern trade over traditional trade; In-home over out-of home

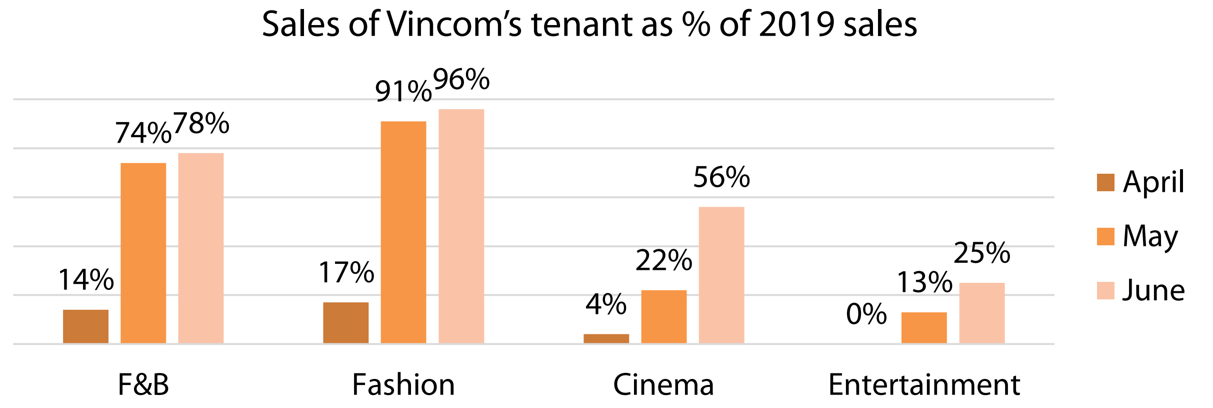
- Due to fear of Covid19's infection, consumers are reluctant to shopping and entertain in crowded places such as mall and shopping center (as a result, PNJ is closing many stores located in mall).
- Further, Covid19 has speed up current retail trend, which includes modern trade (i.e customer switching from wet market to minimart like BHX and Vinmart+), online shopping and home-delivery (ie. 1H2020 has seen many online food shopping platform emerge such as BHX-Đi cho ho, Grabmart, Be di cho, Nowfresh, Chopp.vn, Lomart).

Figure 7: Thanks to convenience, competitive pricing and reliable good supply, modern trade are expanding quickly and winning more market share over traditional trade



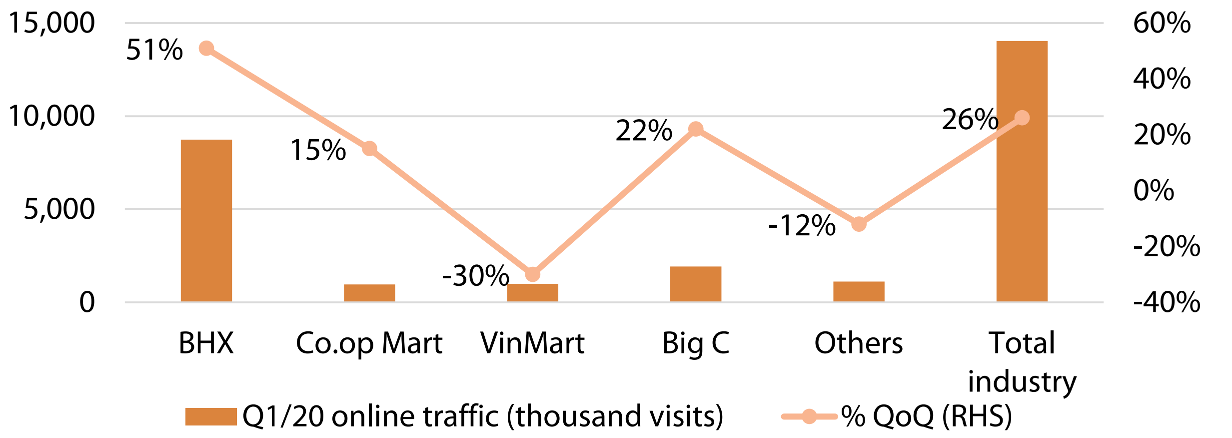
Source: Nielsen, Rong Viet Securities

Figure 8: Consumer prefer in-home cooking and recreation, as sales of many retailers in mall and shopping center is still far below pre-Covid's level.



Source: VRE, Rong Viet Securities

Figure 9: As a result, shopping online and home-delivery are expanding quicker than ever.



Source: YOUNET, Rong Viet Securities

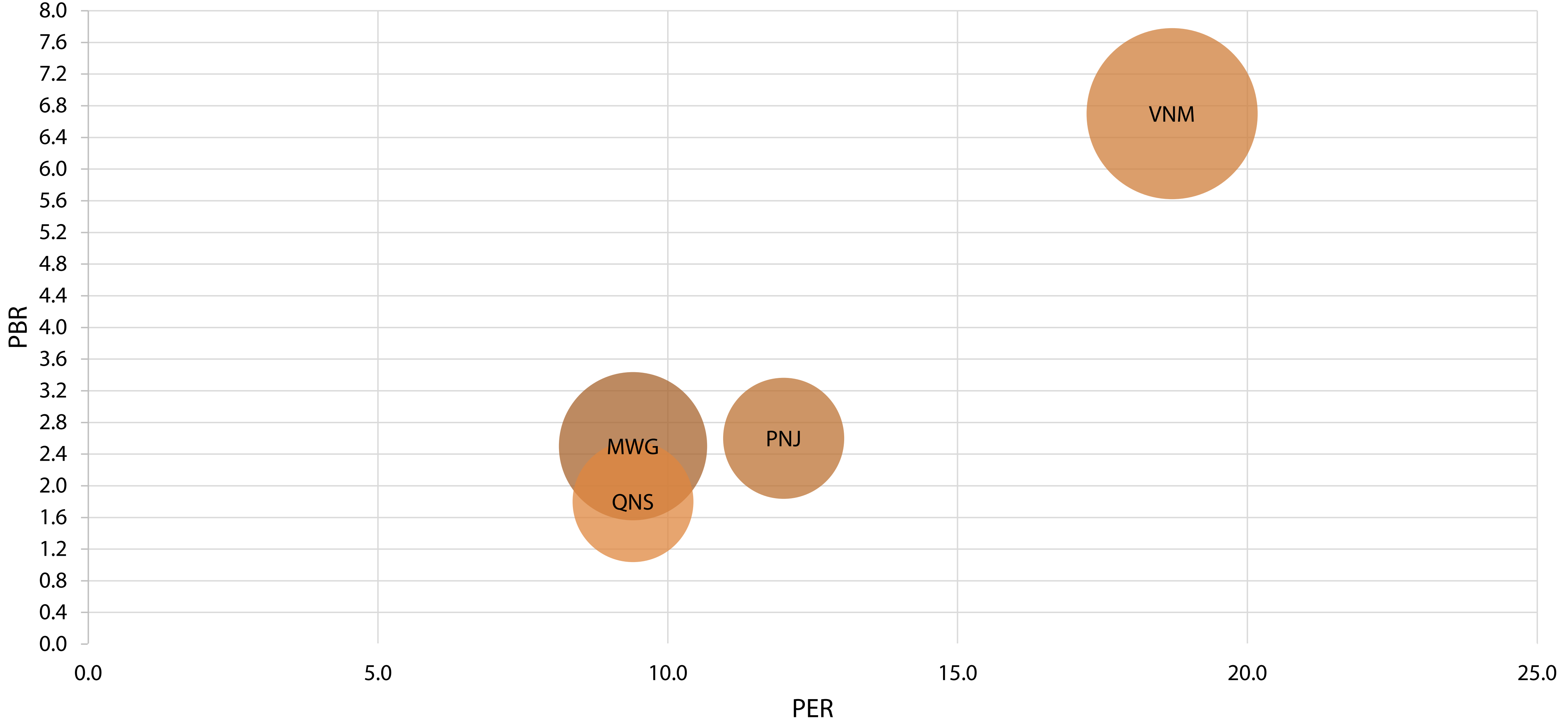
Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
MWG	1,536.3	131,000	7.8	13.5	6.9	5.1	-4.4	3.6	10.0	29.3	0.0	9.4	2.5
PNJ	536.4	73,000	0.0	-18.6	8.7	8.3	-26.4	5.7	12.6	22.5	0.0	12.0	2.6
VNM	8,681.7	126,000	6.7	2.4	26.0	22.2	2.6	19.7	23.8	35.1	1.7	18.7	6.7
QNS	482.7	33,000	-20.2	-12.4	26.9	15.5	-16.0	13.5	13.7	19.3	0.0	9.4	1.8

Source: Bloomberg, RongViet Securities. Share price as of07 Aug 2020.

RETAIL & CONSUMER

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

MWG – Despite recent weakness in TGDD+DMX, MWG's profit will reclaim its high growing pace due to a more efficient BHX

INVESTMENT RATIONALE

Consumer electronic chain continues to consolidate and improve its profit margin

- DMX's market share is expect to double in the medium term.
- Rolling out private label, OEM, watches and accessories to bolster profit margin.
- Expanding to regional market and developing a "Super App" which is expected to be an e-commerce, customer service and loyalty mobile application.

Grocery chain will begin to drive MWG's earning growth from 2021 on

- Improving revenue of current stores by continuing to optimize product mix and upgrading models.
- Increasing store penetration in current area and expanding to the North.
- Room for widening gross margin.
- BHX is the no.1 online shopping channel for fresh and FMCG .

Attractive valuation

- One of a few blue chips that can achieve strong earning growth of CAGR 20% for the next five years.
- PER is close to its historical bottom.

RISKS TO OUR CALL

- Slower than expected progress in BHX's profitability.
- Covid19 re-emergence that will force store closure and hurt consumer spending.

BUY **+69%**

CMP (VND)	**78,600**
Target price (VND)	**131,000**
Cash dividend in 12 months	*1,500*

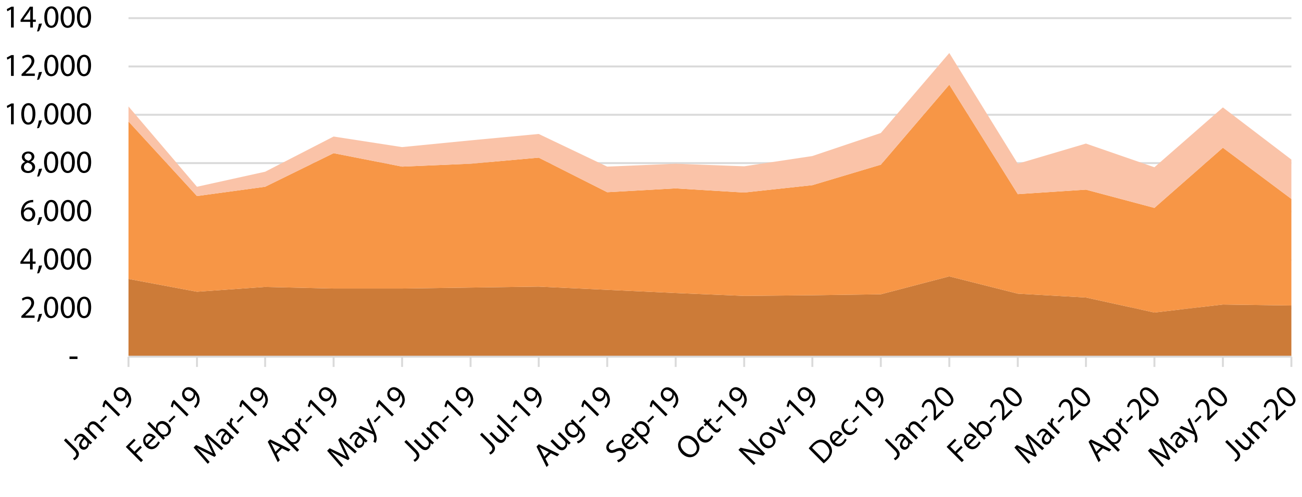
STOCK INFO	
Sector	Consumer Services
Market Cap ($ mn)	1,536.3
Current Shares O/S (mn shares)	452.8
3M Avg. Volume (K)	1,169.4
3M Avg. Trading Value ($ mn)	4.2
Remaining foreign room (%)	0.0
52-week range ('000 VND)	56.3-129.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**86,516**	**102,174**	**114,597**	**140,554**
Growth (%)	*30.4*	*18.1*	*12.2*	*22.7*
NPATMI (VND bn)	**2,879**	**3,834**	**3,929**	**4,959**
Growth (%)	*30.5*	*33.2*	*2.5*	*26.2*
ROA (%)	10.2	9.2	9.2	9.9
ROE (%)	34.2	33.1	26.3	25.8
EPS (VND)	6,343	8,449	8,460	10,652
Book Value (VND)	19,011	25,519	32,191	41,326
Cash dividend (VND)	1,500	1,500	1,500	1,500
P/E (x) (*)	13	13	8.9	7.0
P/B (x) (*)	4.3	4.2	2.3	1.8

(*) Share price as of Aug 7th, 2020.

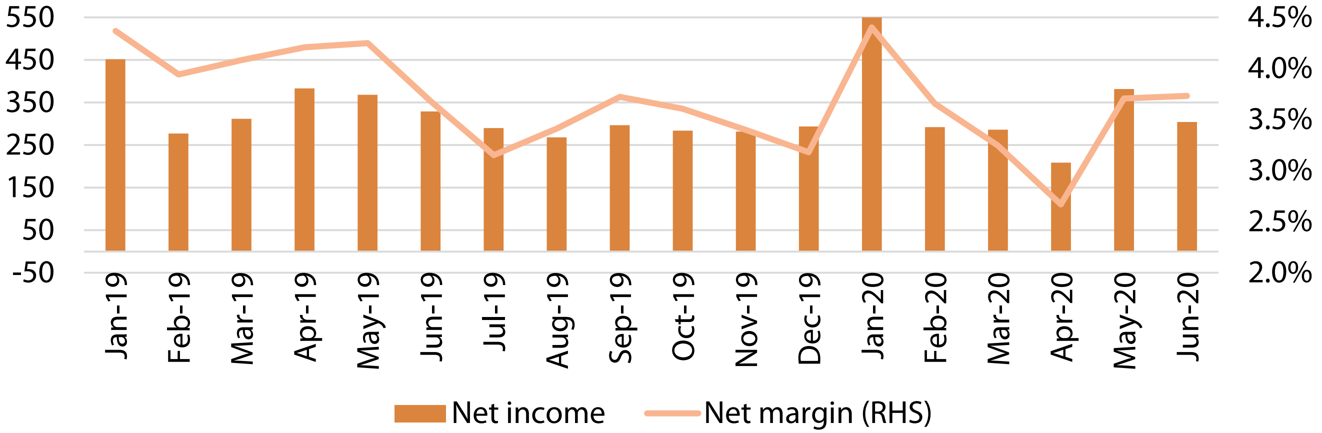
MWG – Gross margin widening offset revenue loss, thus NPAT stayed flat

Figure 1: Revenue breakdown by VND bn



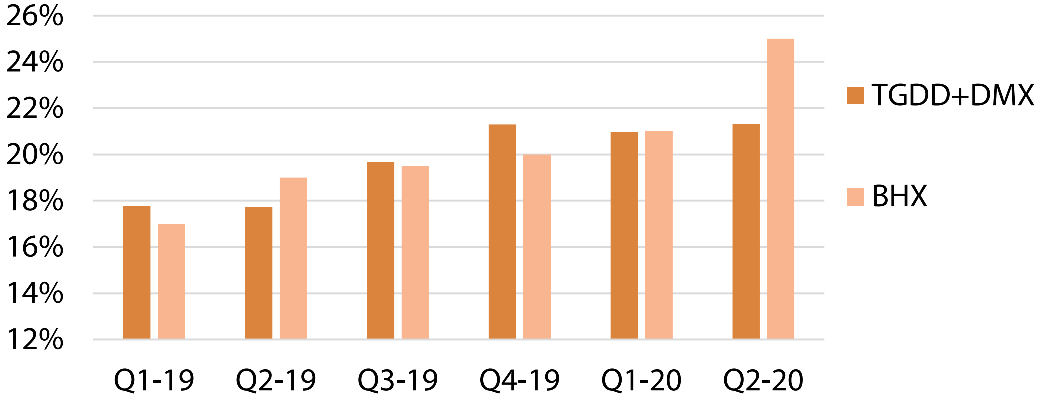
Source: MWG, Rong Viet Securities

Figure 3: NPAT (VND bn) and margin



Source: MWG, Rong Viet Securities

Figure 2: Gross profit margin



For 1H2020, revenue grew 8% YoY while NPAT declined 4% YoY

Moderate revenue growth was fueled by BHX

In April, TGDD+DMX's revenue slumped by 26% due to the lockdown measures by the Government. Meanwhile, BHX's revenue rocketed thanks to stock-up demand.

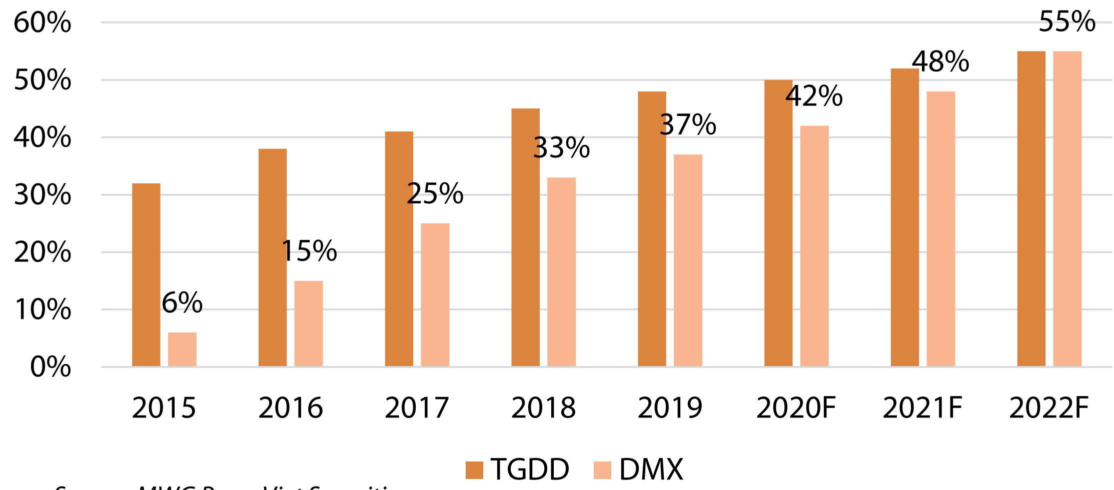
After the removal of the lockdown measures, TGDD+DMX enjoyed strong growth in sales of 10% YoY in May thanks to pent-up demand and the air-conditioner season. However, sales plunged by 18% in June, which indicates a contraction in consumer spending.

GPM expanded in all chains thank to better scale and product mix

While net margin contracted by 50 bps YoY due to (1) BHX's rapid expansion continue to weigh down on the company's profit and (2) weaker sale of TGDD+DMX

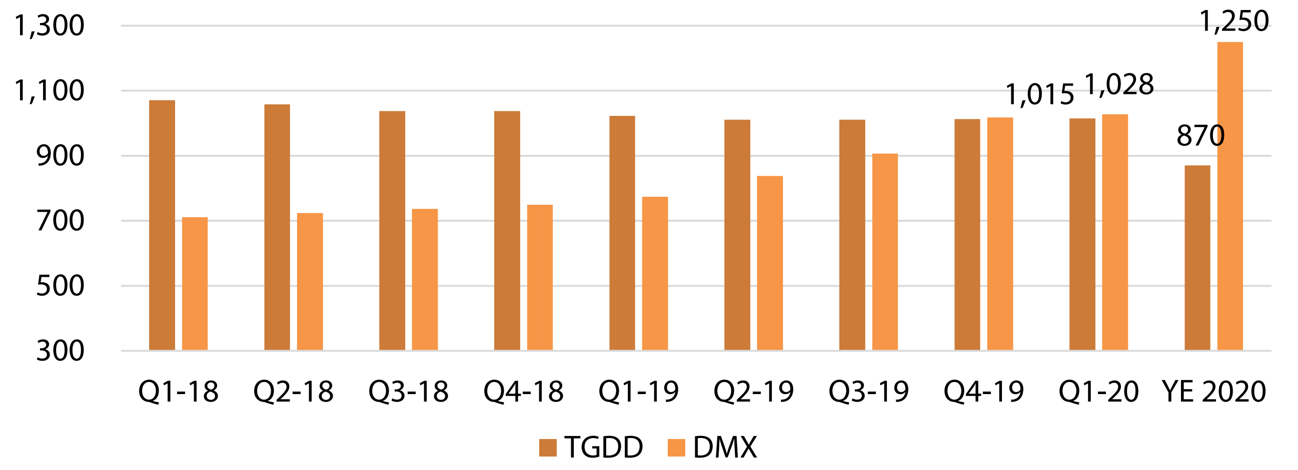
TGDD+DMX – Covid19's impact subside, increase store penetration and profit margin

Figure 4: DMX to reach half of market share in 2021 by …



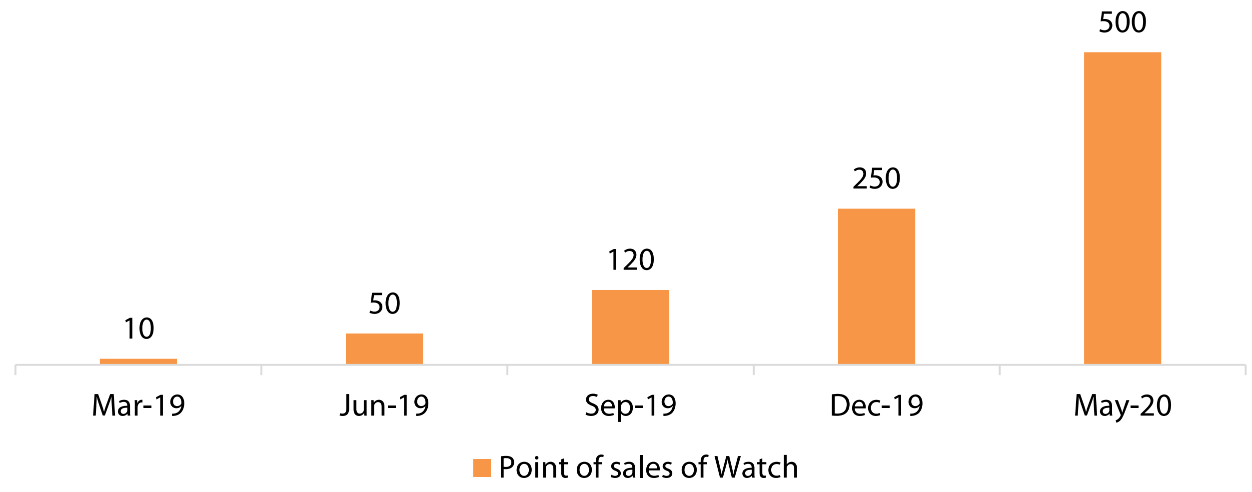
Source: MWG Rong Viet Securities

Figure 5: Opening new Super-mini DMX store, which aims to penetrate less covered areas



Picture 1: Rolling out new household appliances, private label and OEM products which will further enhance profit margin

Figure 6: In addition, increase watch's sales and …



Source: MWG Rong Viet Securities

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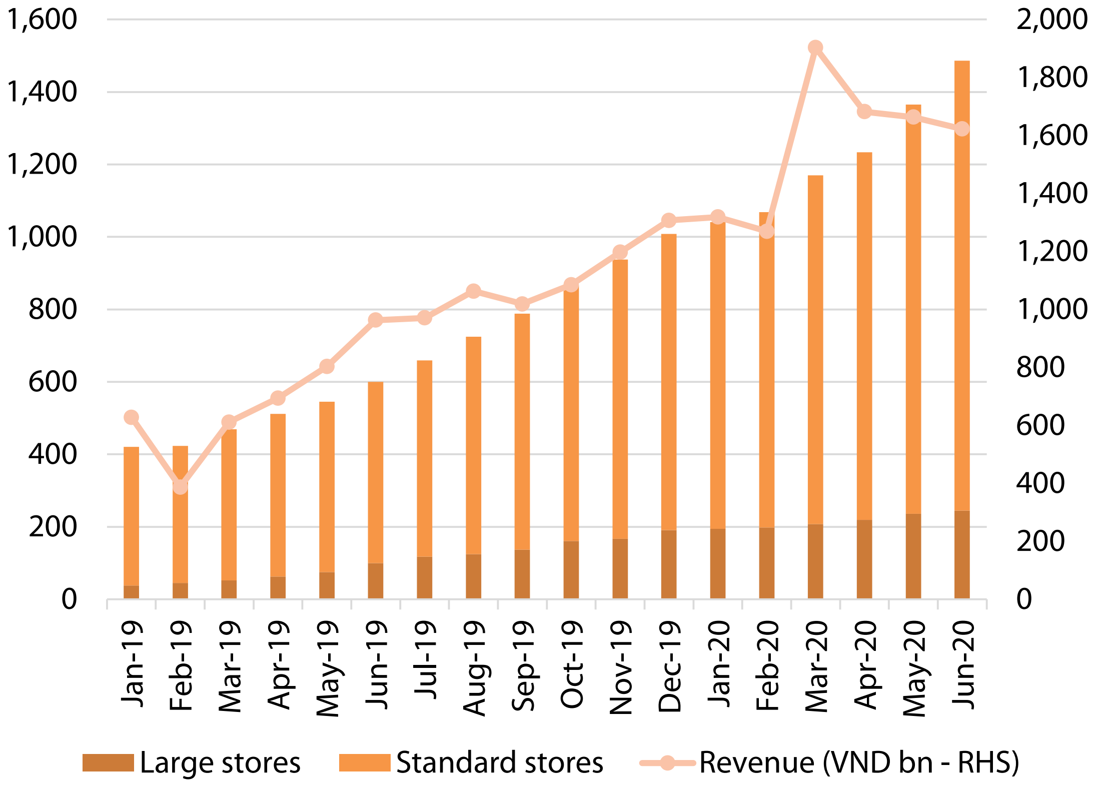
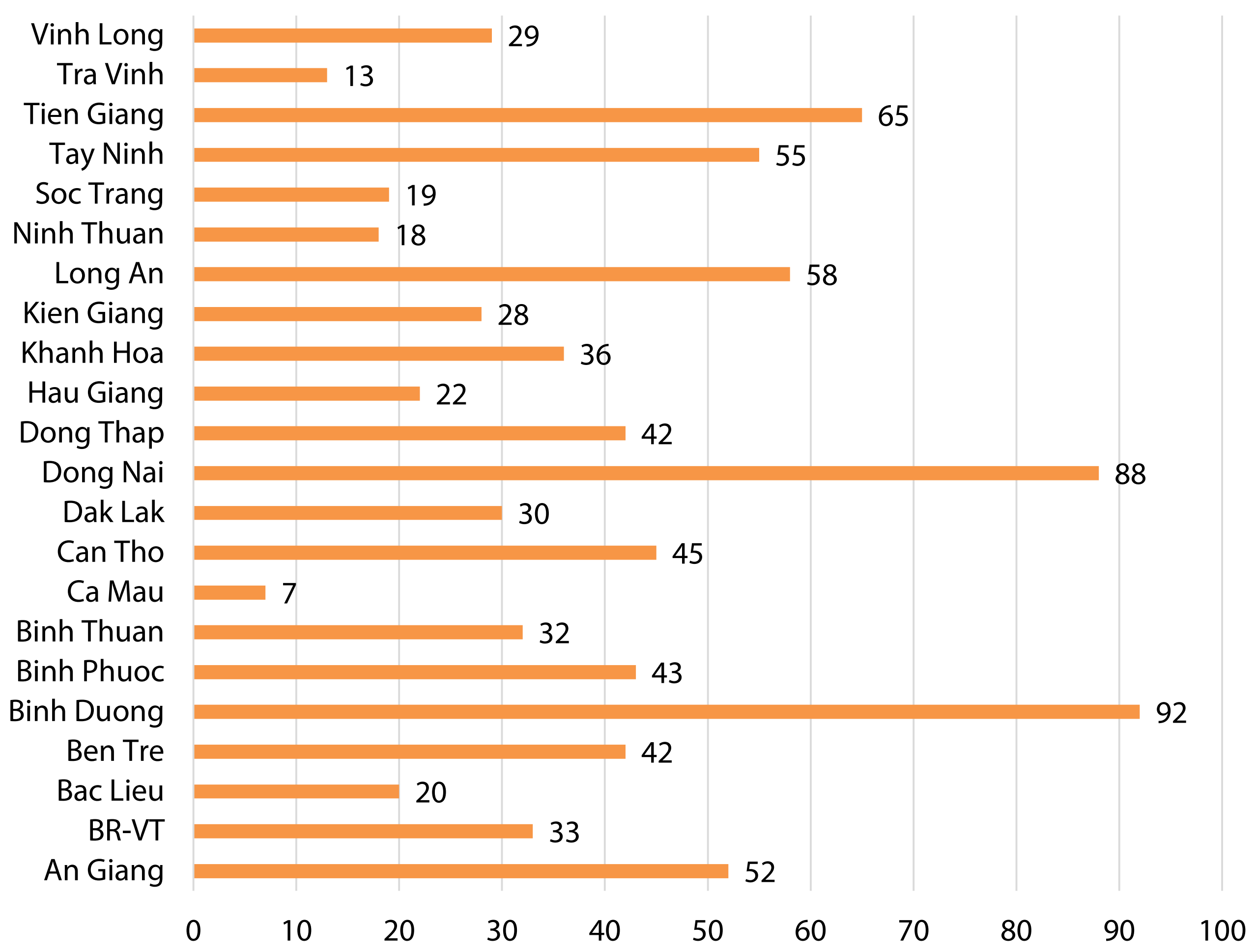
Figure 7: Enhance revenue growth by upgrading well-performing standard stores to ones



Source: MWG Rong Viet Securities

Figure8: Initiating tailor-made promotion and price discount for provincial stores

As of June 20th, total provincial stores reach 869, accounted for 65% total stores



Picture 2: New store format with larger retail area (also incorporating the An Khang pharmacy) and more diversified product offerings, especially fresh food, which offer ample profit margin

Source: Rong Viet Securities

PNJ – The trough is behind

INVESTMENT RATIONALE

Consolidating opportunities are more obvious than ever

- On going trend as many retailers (namely Precita) are likely to either shutdown operations or scale down.
- Meanwhile, PNJ is taking advantage of its healthy financial position to open 16 new stores in 2H2020 (already opened 14 new ones in 1H2020).

Cementing its competitive advantage while others seem to be barely active amid weakening demand

- Despite the strong recovery post-lockdown, jewelry demand remains weak as pent-up demand dried up and consumer spending deteriorated. However, we expect demand to recover in 2021 as the long-term prospect of Vietnam's jewelry industry remains intact.
- For 2H2020, PNJ will focus on investing heavily in IT infrastructure, human resources and production capability.

An attractive valuation for an upcoming business recovery

- We expect PNJ to record NPAT-MI growth of 25% YoY in 2021, fueled by the recovery in the retail segment. In addition, we expect more product launches in 2021.
- Currently, PNJ is trading at a PER 2021 of 11.5, which is attractive considering its leading position in Vietnam jewelry industry in the future, which is substantially potential going forward owing to Vietnam's fast-rising middle class

RISKS TO OUR CALL

- Slower than expected recovery of jewelry demand.
- Covid19's re-emergence.

BUY +36%

CMP (VND)	**55,200**
Target price (VND)	**73,000**
Cash dividend in 12 months	*1,800*

STOCK INFO	
Sector	Consumer Goods
Market Cap ($ mn)	536.4
Current Shares O/S (mn shares)	225.1
3M Avg. Volume (K)	882.8
3M Avg. Trading Value ($ mn)	2.3
Remaining foreign room (%)	0.0
52-week range ('000 VND)	44.0-90.5

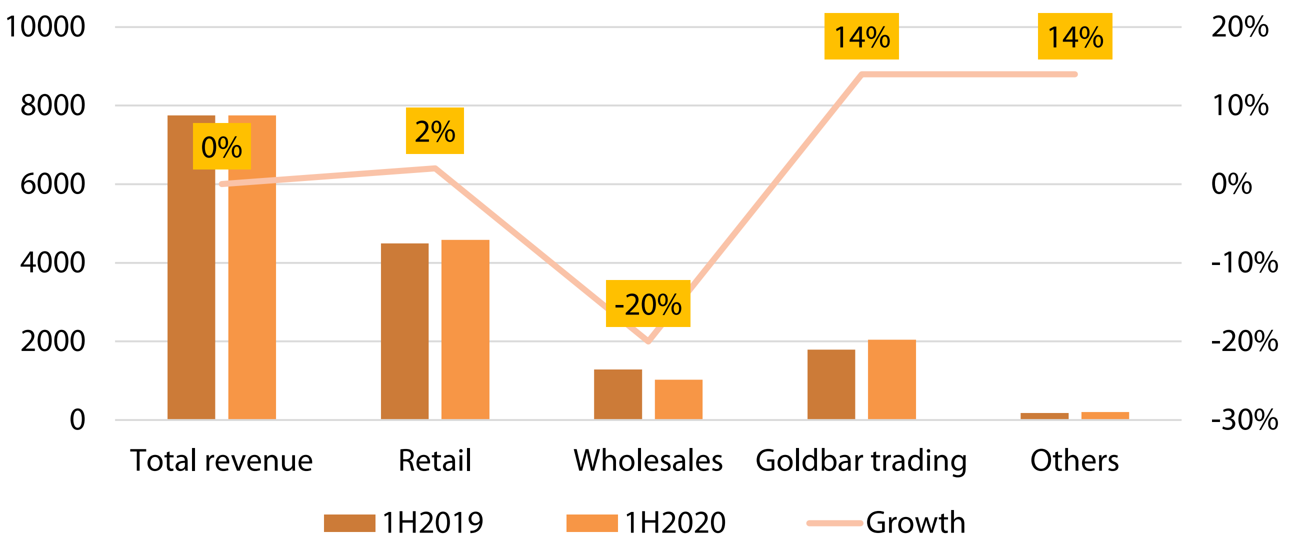
FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**14,573**	**17,001**	**15,470**	**18,547**
Growth (%)	*32.8*	*16.7*	*-9.0*	*19.9*
NPATMI (VND bn)	**960**	**1,191**	**896**	**1,115**
Growth (%)	*32.5*	*24.0*	*-24.7*	*24.4*
ROA (%)	14.9	13.8	10.5	11.8
ROE (%)	34.1	33.0	21.9	23.4
EPS (VND)	4,262	5,285	3,677	4,645
Book Value (VND)	16,884	16,006	17,984	20,648
Cash dividend (VND)	1,800	1,800	1,800	1,800
P/E (x) (*)	16.2	16.3	14.1	11.2
P/B (x) (*)	4.2	4.2	2.9	2.5

(*) Share price as of Aug 7th, 2020.

PNJ - 1H2020 results significantly impacted by Covid-19

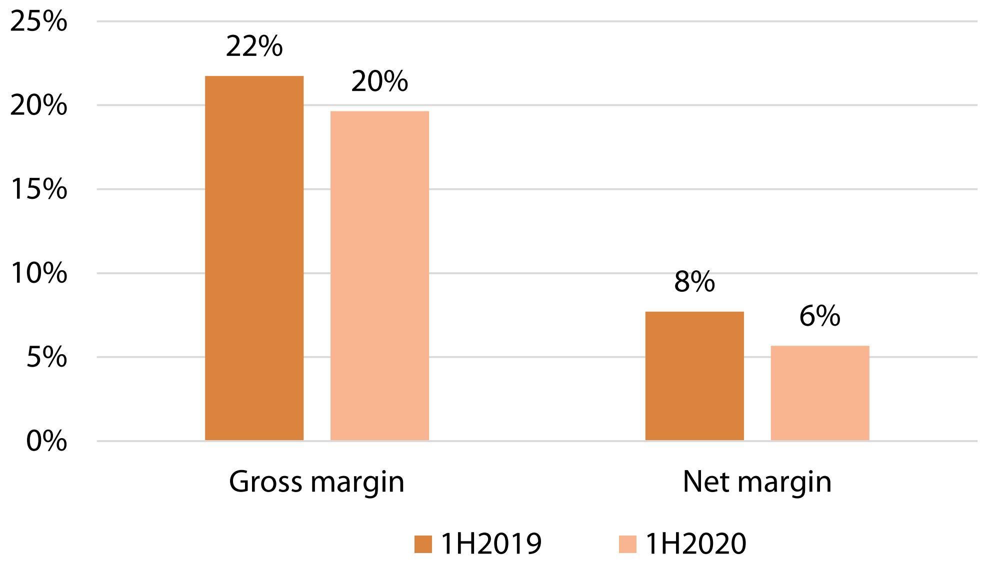
RONGVIET SECURITIES

Figure 1: Revenue breakdown by segment (VND bn)



Source: PNJ, RongViet Securities

Figure 2: Profitability



Source: PNJ, RongViet Securities

1H overview: Jjewelry consumption is shrinking, however, PNJ is gaining market share

The wholesales segment, which sells in-house jewelry to other retailers and mom-and-pop shops, saw revenue declining by 30% YoY in 4M2020 and failed to recover in May and June as revenue kept falling by 11% YoY, which indicates an overall weakening in jewelry demand.

In the meantime, the retail segment experienced a strong bounce back after lockdowns were lifted, which grew by 20% YoY and 25% YoY in May and June, respectively. Besides the pent-up demand and the low-base comparison, we attribute this swift turn-around of the retail segment to various customer-centric initiatives taken by PNJ. For example, the company is now targeting specific groups of customers that maintain their spending amid Covid19, alongside with launching mass marketing and a promotion campaign. In addition, PNJ gradually changed its product mix as customers prefer high-gold content jewelries to gem and diamond products.

Despite accelerating sales, the abovementioned initiatives taken by PNJ dampened gross margin as (1) more promotion costs and (2) high-gold content jewelry usually has low margin. On the other hand, intensive investment in store network and digital transformation heightenedSGA expenses in 1H2020.

PNJ - Strengthening competitive advantages while waiting demand to recover in 2021

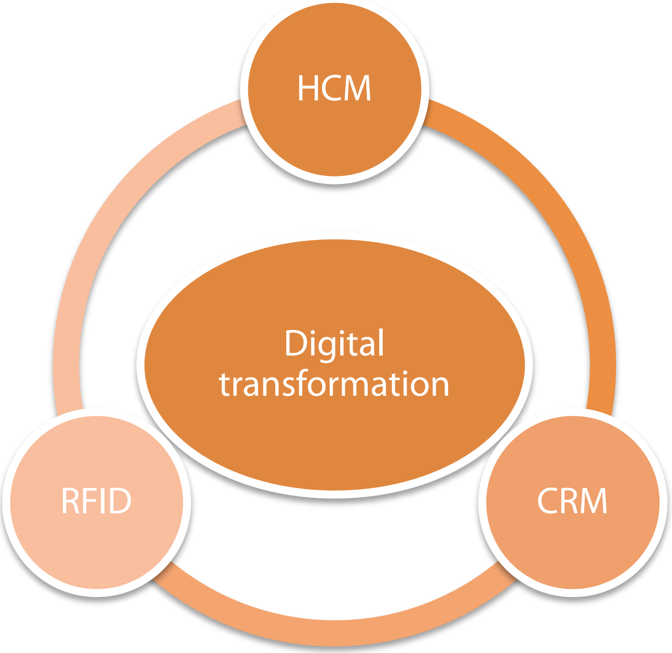


Table 1: Digital transformation investment of PNJ in 2020

Digital transformation task	Description
HCM	Human Capital Management: a comprehensive set of practices for recruiting, managing, developing and optimizing the human resources of an organization
CRM	Customer Relationship Management: helps keep track of (that's the "management" part) everything a retailer do (the "relationship" part) with your existing and potential customers
RFID	Radio Frequency Identification in retail can be used to prevent theft and track items that are frequently moved and often misplaced. RFID technology allows retailers to track their inventory throughout the retail supply chain, from the warehouse shelves all the way to the sales floor

Source: PNJ, RongViet Securities

PNJ will open 16 new stores in 2H2020 (already opened 14 new stores in 1H2020), which will mostly be standalone model located in Tier 2 and Tier 3 cities. We believe that the jewelry market isconsolidating, an ongoing trend as many retailers (namely Precita) are likely to either shutdown operations or scale down, which in turn will help big players like PNJgain more market share. Meanwhile, PNJ is aggressively closing down underperforming stores, which are mostly shop-in-shop formats

PNJ will continue to deploy its digital transformation strategy (DX) over the next few years following the impact positive effects resulting from technology investments. Since the ERP's launch in April-FY19, PNJ is now able to improve its jewelry inventory days while not hurting sales. In addition, data analytics has been helping the marketing team to better target customer group's demand. Thanks to this leverage from technology and continued investment in DX going forward, we expect that PNJ's operations will become more inclined towards a more customer-centric approach**.**

New factory and more new product launches: PNJ invested new factory in Long An, which will have capacity of 500,000 tons in the first phase. In addition, thanks to relentless R&D effort, PNJP expects to self-produce more products (e.g Platinum), which were mostly imported before. Thus helping improve overall gross margin.

QNS – Solid soymilk business helps sustain attractive dividend payout

INVESTMENT RATIONALE

Expanding the pie of soymilk while strengthening raw material supply

- Heightening concern on health and hygiene, which will require new product offering. QNS plans to launch two new product lines in Q3 which will be sugar-light ones.
- Owning 1,580 precious genes of soybean enables Vinasoy to develop new varieties with high productivity, thus strengthening domestic material supply.
- Expanding to China, which is a huge, fragmented and constantly growing market.

Expecting Refined extra sugar (RE sugar) to gradually provide stable profit

- Sugar prices recovered since the plunge in April. Shortage in production from both domestic and global suppliers (especially Thailand) will further drive sugar prices up in 2H2020.
- Refined extra (RE volume expected to increase gradually in 2H2020 thanks to QNS's distribution capability and available of raw sugar material supply.

Attractive dividend yield

- Given no near-term plan for capex, we believed QNS can maintain a dividend payment of VND 2,500-3,000 per share, which is equivalent to a payout ratio of 75%.

RISKS TO OUR CALL

- Sugar prices may trend down next year as global sugar surplus increase.
- Lower than expected sales in China as QNS has to build up distribution channel and budget for marketing.

ACCUMULATE +13%

CMP (VND)	**31,300**
Target price (VND)	**33,000**
Cash dividend in 12 months	*2,500*

STOCK INFO	
Sector	Consumer Goods
Market Cap ($ mn)	482.7
Current Shares O/S (mn shares)	356.9
3M Avg. Volume (K)	827.9
3M Avg. Trading Value ($ mn)	1.0
Remaining foreign room (%)	32.3
52-week range ('000 VND)	18.7-32.6

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**8,031**	**7,681**	**7,177**	**8,175**
Growth (%)	*5.2*	*-4.4*	*-6.6*	*13.9*
NPATMI (VND bn)	**1,240**	**1,292**	**1,041**	**1,244**
Growth (%)	*20.8*	*4.1*	*-19.4*	*19.5*
ROA (%)	15.5	14.3	11.2	13.2
ROE (%)	23.2	20.0	15.3	17.5
EPS (VND)	4,115	4,286	3,385	4,043
Book Value (VND)	21,733	21,465	22,543	23,587
Cash dividend (VND)	1,500	3,000	2,500	3,000
P/E (x) (*)	8.3	6.3	9.5	7.9
P/B (x) (*)	1.9	1.3	1.4	1.4

(*) Share price as of Aug 7th, 2020.

QNS – First half results hit hard by Covid-19 while soy milk market share increased slightly

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Figure 1: Revenue by segment in VND bn

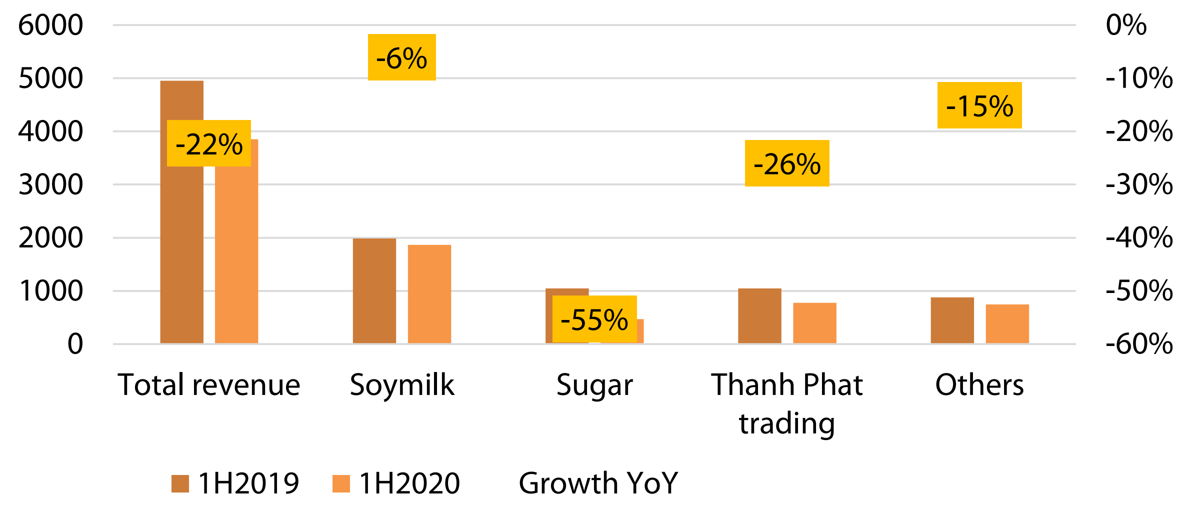
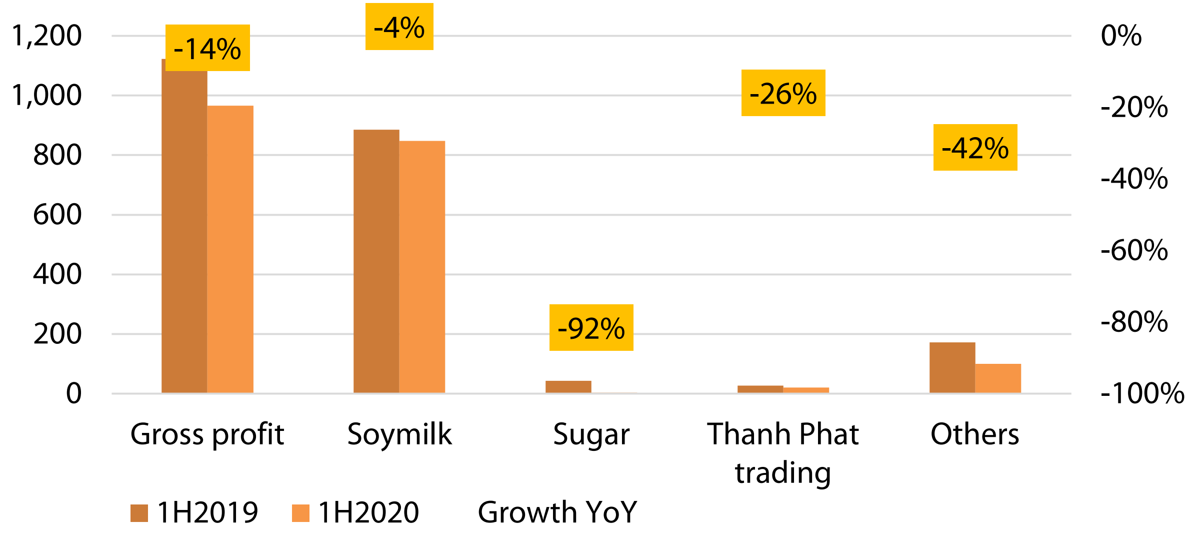


Figure 2: Gross profit by segment in VND bn



Source: QNS, Rong Viet Securities

For 1H2020, consolidated revenue and NPAT declined to VND 3248 bn (-20% YoY) and VND 437 bn (-16% YoY).

Soymilk

- Soymilk consumption was hurt by Covid-19 as it is not considered an important product like dairy. Per management, industry wide consumption dropped by 10% in 1H2020, which is equivalent to the drop in selling volume of QNS. Nevertheless the company's market share increase slightly to above 85% from 84% by YE2019.
- For 1H2020, gross profit margin rose to 45.4% vs. 44.6% in 1H2019 while ASP went up by 3% YoY thanks to (1) price hike in late 2019 and (2) higher contribution from Fami Canxi and Fami Light Sugar.

Sugar

- Revenue of the sugar segment plunged by -55% in 1H2020. Total refined sugar (RS) output declined by 41% to 86,000 tons due to less sugarcane harvested by 850,000 ton, down 39% YoY. The Vietnam's sugar industry is hit hard by (1) unfavorable weather, (2) harsh competition from cheap smuggled sugar for years and (3) weak demand from F&B producers. Nevertheless, sugar prices have increased by 8-10% YoY in 1H2020.
- Gross profit recovered in Q2 from a loss in Q1 due to low selling volume and high depreciation allocation. Meanwhile, QNS has finished the trial run of the RE production line and will commercial operations in 2H2020. We expect QNS to sell 25,000 tons of RE and record gross profit of approx. VND25 bn in 2H2020

Other business (including beverage, confectionary and biomass): For 1H2020, Beverage and confectionary sales decreased 10% YoY due to Covid19 impacts (i.e volume of Biscafun dropped by 4% YoY) while biomass sales plunged approx. 50% YoY due to less bagasse volume.

Picture 1: VINASOY 02-NS soybean variety planted in Quang Ngai

Source: QNS, Rong Viet Securities

Picture: 2 Fami soymilk exports to China

Source: QNS, Rong Viet Securities

Sugar: Refined Extra sugar (RE) expects to well compete against Thailand's while does not exposure to risk of material shortages thanks to ATIGA.

- Refined sugar (RS) prices are expecting to rise in 2H2020 as demand from F&B production recovers. However, the 2021 outlook remains skeptical as (1) domestic sugar cannot compete with imported ones and (2) global production (especially Thailand and Brazil) will ramp up.
- We expect QNS to sell 25,000 tons of RE. Because it can be stored for a short period of time, we believe domestic player – like QNS – can compete with smuggled and import RE thanks to in-place storage and production lines. Further, ATIGA will allow QNS to import cheap raw sugar from Thailand to produce high value-added RE, thus leveraging profit that will eliminate the risk of material shortages.

Soymilk: Expanding the pie

- We expect soymilk revenue to growth 5% YoY in 2H2020 after being hurt by Covid19.
- Heightening the concern on healthy and hygiene will also encourage sales of premium and quality products. Therefore, QNS plans to launch two new product in Q3, which are light-sugar ones.
- Vinasoy Soybean Application Research Center has successfully created two new soybean varieties which have been granted a plant variety protection certificate by the Ministry of Agriculture. The VINASOY 02-NS soybean variety has a higher productivity and quality (productivity of 25-35 quintals / ha, 1.5-2 times higher than traditional soybean varieties).
- China looks like a potential market but fragmented, which will require QNS to make further investment in marketing and distribution channels. We expect QNS to export 1.7 million litres to China this year, accounting for 2% of total soy milk revenue.

VNM – Stable earning growth despite Covid-19

INVESTMENT RATIONALE

Stable organic dairy growth

- The dairy industry remains intact form the Covid-19 pandemic. For VNM, domestic revenue was up 9% YoY while exports advanced 13% YoY in 1H2020.
- Health consciousness will drive spending on organic and fresh milk products.

New projects promise future growth

- VNM created a new business Hi-Café, which aim to serve takaways coffee via Giac Mo Sua Viet shops.
- VNM and KDC created a joint venture named Vibev, which will produce beverage and frozen products.
- VNM will raise its ownership in MCM. In addition, weexpect capacity expansion and operation improvement to help lift MCM's profits.

Continue to rise the number of cow milks that are more self-sufficient

- It can control the quality of raw milk inputs, and improve the quality of output milk to meet the strict demand of both domestic and international markets.
- Reducing the dependence on the price and volatility of milk powder materials.

RISKS TO OUR CALL

- Overseas' consumption may be in trouble due to the Covid19 impact.

ACCUMULATE +14%

CMP (VND)	**115,000**
Target price (VND)	**126,000**
Cash dividend in 12 months	*5,000*

STOCK INFO	
Sector	Consumer Goods
Market Cap ($ mn)	8,681.7
Current Shares O/S (mn shares)	1,741.4
3M Avg. Volume (K)	1,436.0
3M Avg. Trading Value ($ mn)	7.1
Remaining foreign room (%)	41.3
52-week range ('000 VND)	82.6-132.6

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**52,562**	**56,318**	**61,654**	**67,496**
Growth (%)	*3.0*	*7.1*	*9.5*	*9.5*
NPATMI (VND bn)	**10,227**	**10,581**	**10,744**	**11,989**
Growth (%)	*-0.7*	*3.5*	*1.5*	*11.6*
ROA (%)	27.5	23.8	23.0	25.0
ROE (%)	39.7	38.5	36.6	37.1
EPS (VND)	5,296	5,295	5,478	5,552
Book Value (VND)	16,105	14,802	15,792	16,844
Cash dividend (VND)	5,000	4,500	5,000	5,000
P/E (x) (*)	32.8	22.7	19.7	19.5
P/B (x) (*)	12.7	8.8	6.8	6.4

(*) Share price as of Aug 7th, 2020.

VNM – Stable earning growth despite Covid19

RONG VIET SECURITIES

Figure 1: Domestic revenue (VND bn)

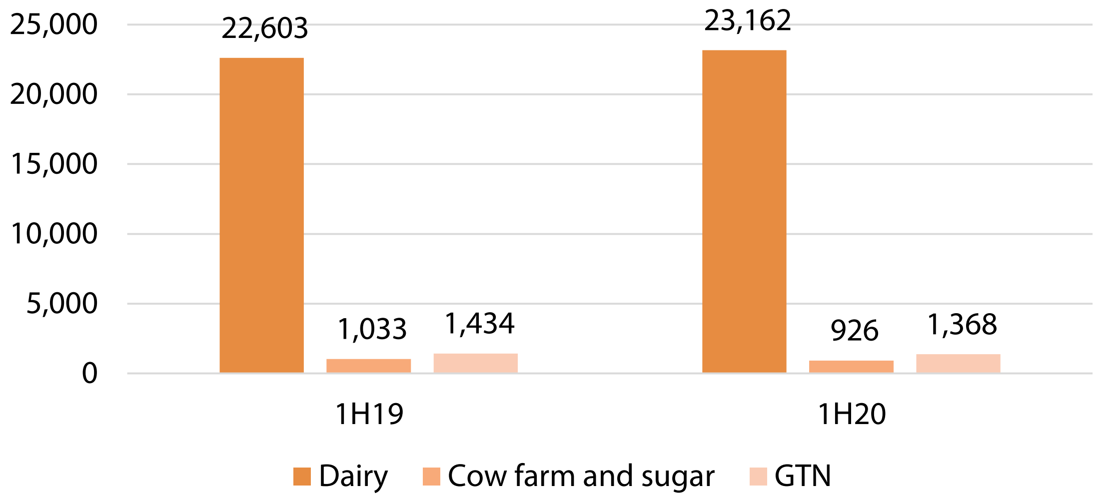
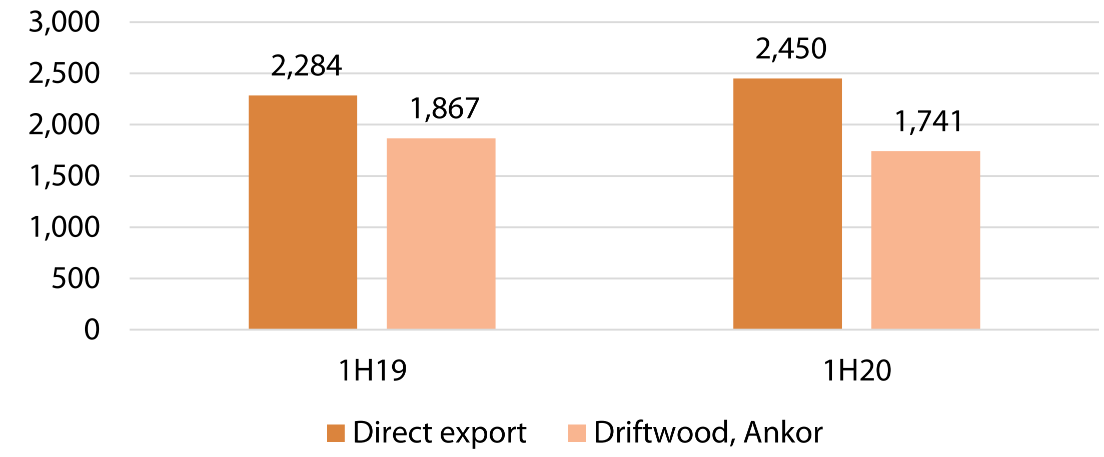


Figure 2: International (VND bn)



Source: VNM, Rong Viet Securities

For 1H2020, consolidated revenue and NPAT-MI grew slightly by 6.8% YoY and 2.8% YoY, respectively.

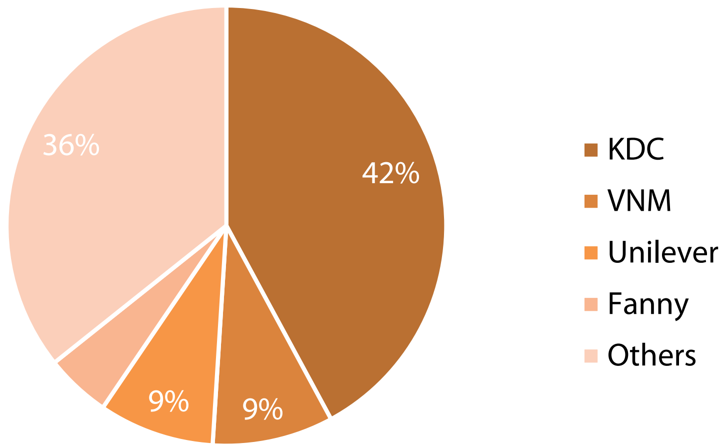
Revenue remain strong thanks to solid dairy consumption

- Domestic dairy sales recovered and grew 3.7% YoY in Q2-2020 since the removal of social distancing orders from April 22th.
- Export sales rose slightly 7.2% YoY thanks to resilient demand in the Middle East. Also, Cambodia's subsidiary Ankor recorded sales growth over 20% YoY while the US subsidiary Driftwood's business operations were affected as school closed down.
- For GTN/MCM, revenue went down 5% YoY due to rearrangements and divestments at subsidiaries. For MCM alone, net sales of 6M2020 was VND 1.367 billion, increased by 8% YoY.

GPM narrowed but optimizing operations helped lifting net profit

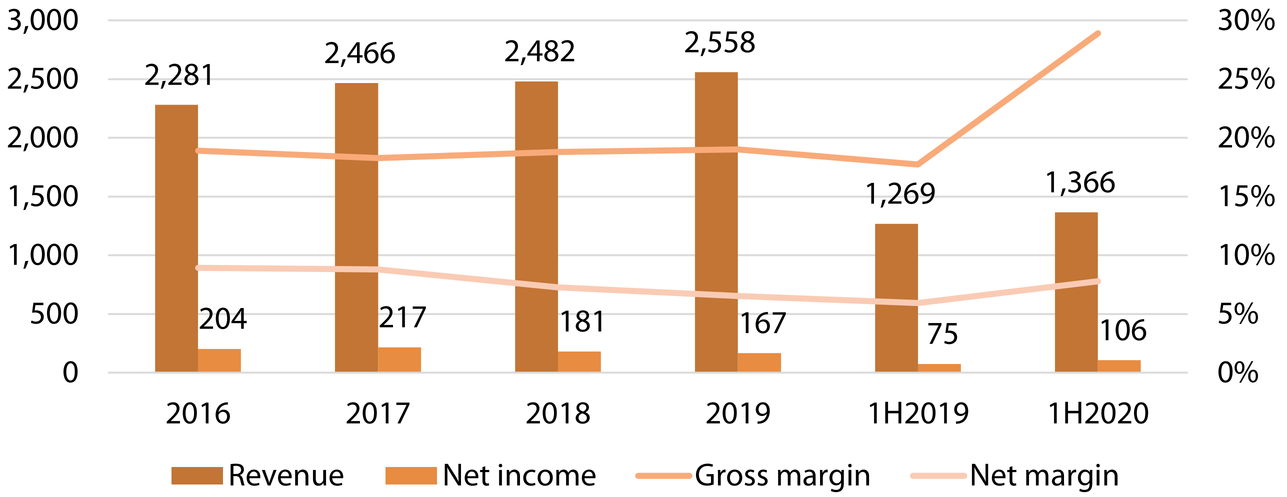
- For 1H2020, consolidated NPAT-MI reached VND 5,836 bn (+2.8% YoY).
- For domestic dairy, ASP increased by 2-3% YoY while imported milk power prices soared. Therefore, GPM declined 210 bps YoY to 47.2% in Q2-2020.
- For GTN/MCM, thanks to restructuring efforts taken by VNM, NPAT of GTN and MCM reached VND 88 bn (+146% YoY) and VND 106 bn (+41% YoY).

Figure 3: Ice cream and Frozen dessert market share



Source:Euromonitor, Rong Viet Securities

Figure 4: MCM business result (VND bn, %)



Source:MCM, Rong Viet securities

Vibev – New JV promise more market share

VNM and KDC will establish a joint venture name Vibev, in which VNM and KDC's ownership will be 51% and 49%, respectively. Vibev will produce and sell beverage, ice cream and other frozen food. VNM and KDC will contribute their brands and production facility into the JVs.

Currently, KDC and VNM have a 42% and 9% market share, respectively. Both sides expect Vibev to cement their leading position in the Vietnam ice cream industry.

MCM – Earning growth thanks to optimize operations and expand production

Recently, MCM approved an equity raising plan to fund a VND 1600 bn investment project in cow farm and a new factory. Accordingly, VNM and GTN are chosen as strategic partners. We expect that VNM will raise its interest in MCM from 28% to 51% afterwards.

Since VNM's inception, MCM gradually optimized its operations by re-organizing its distribution network, adjusting selling policy as well as applying ERP. Therefore, MCM's profitability improved significantly in 1H2020. We expect further positive results as (1) headroom for optimization is still large and (2) new factory will lift selling volume, which is currently constrained by low production capacity.

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