



CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

OUTLOOK REPORT 2025

VIETNAM CONSUMER SECTOR

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Guotai Junan (VN) Research
Jan 09, 2024

We prioritize consumer staples stocks over discretionary stocks in 2025 for the following reasons:

- Although consumer confidence may improve slightly, Vietnamese consumers still appear cautious. Economic pressures such as moderate inflation and interest rates, along with the depreciation of the VND, are expected to persist into 2025.
- We expect consumer staples products to benefit more from the growth of tourism, the popularity of convenience store chains, and the growth of consumer credit (driven by small consumer loans). Consumer staples products are also less affected by the aftermath of Yagi storm in 2024.
- Many consumer discretionary stocks saw significant increases throughout 2024, while consumer staples stocks remained flat during the same period. As consumer discretionary stocks have reached high price levels, we predict that investors will begin to focus more on consumer staples stocks.

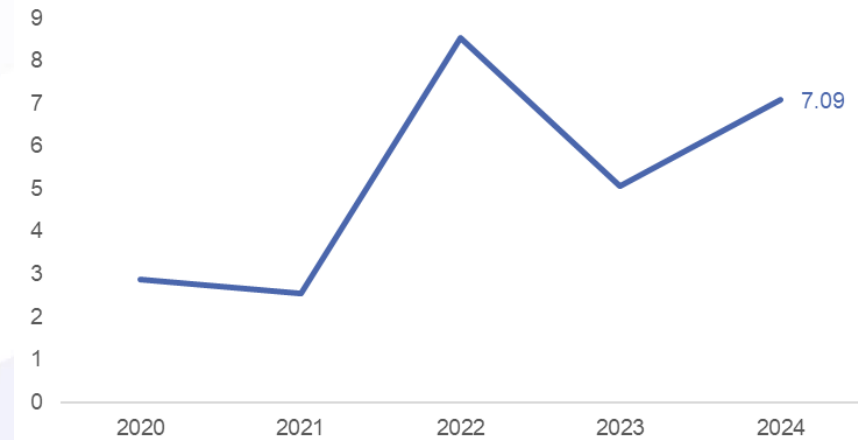
We anticipate that the VNCONS (consumer staples index) stocks will outperform the VNCOND (consumer discretionary index) stocks in 2025. We recommend **VNM** as a stock pick and assign an **ACCUMULATE** rating to VNM with a target price of **VND 70,000** for the next 6 to 18 months, representing a **+13.4%** upside compared to the current trading price of VND 61,700 (reference price on January 9, 2024).



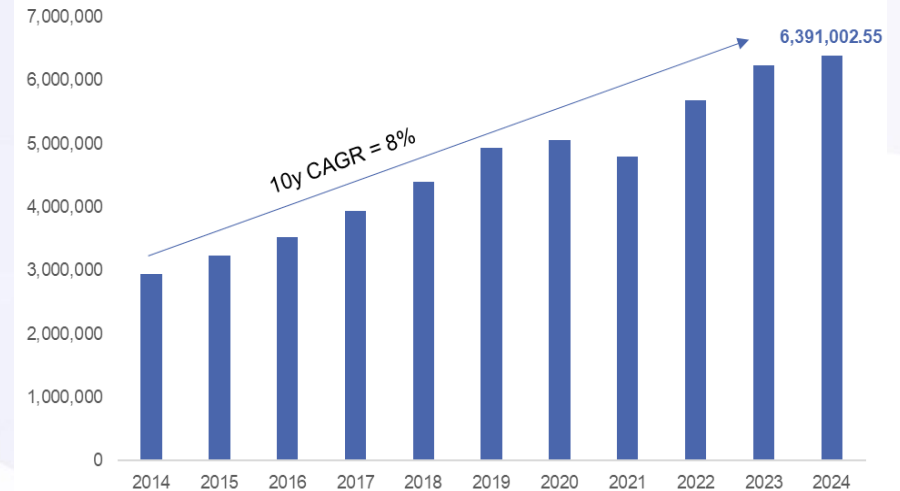
Vietnam's GDP growth is expected to reach 6.5-7% in 2025, primarily driven by increased government infrastructure investment and a recovery in consumption.

Retail sales growth in 2025 is projected to be between 7-10%, in line with Vietnam's long-term average retail revenue growth rate. The growth in retail sales will be supported by continued income growth driven by a relatively favorable labor market and a boost from tourism growth.

Vietnam GDP growth rate %



Total consumption (in VND bn)

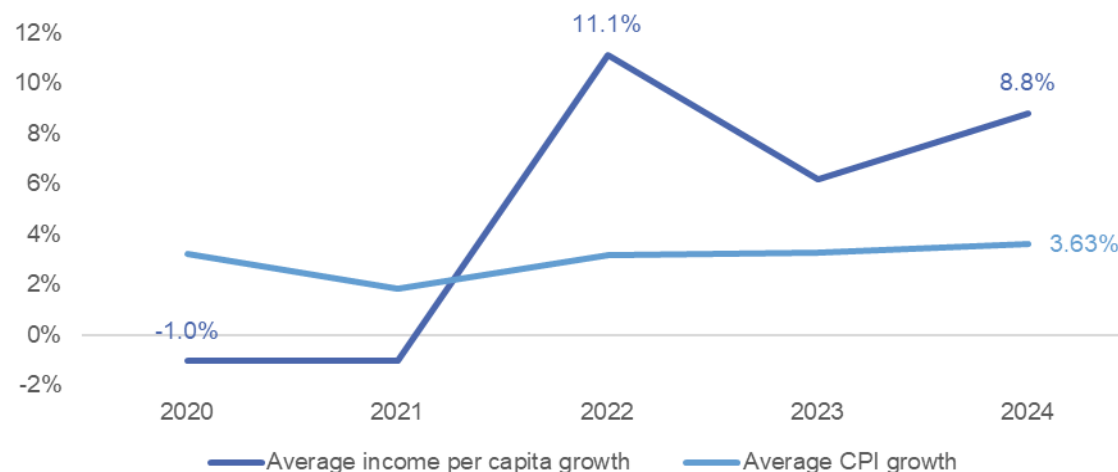


The labor market to be relatively favorable in 2025

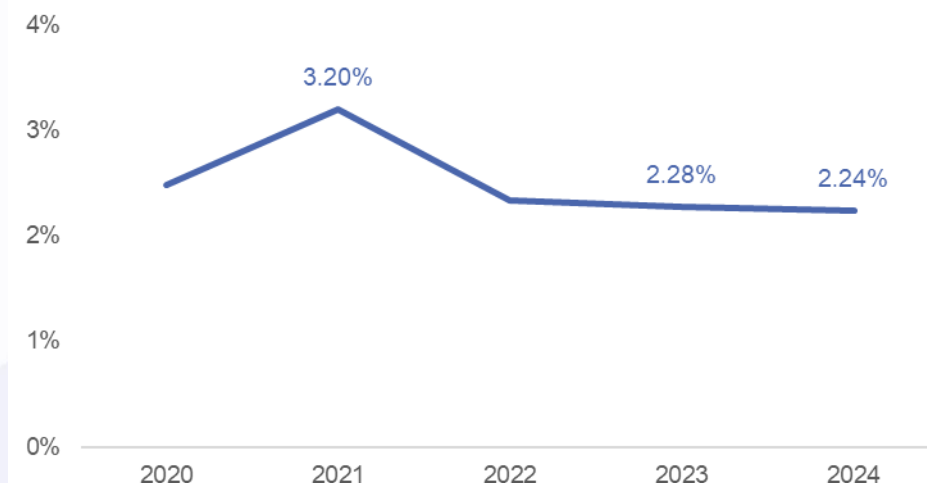


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Comparing growth of income per capita and CPI



Unemployment rate

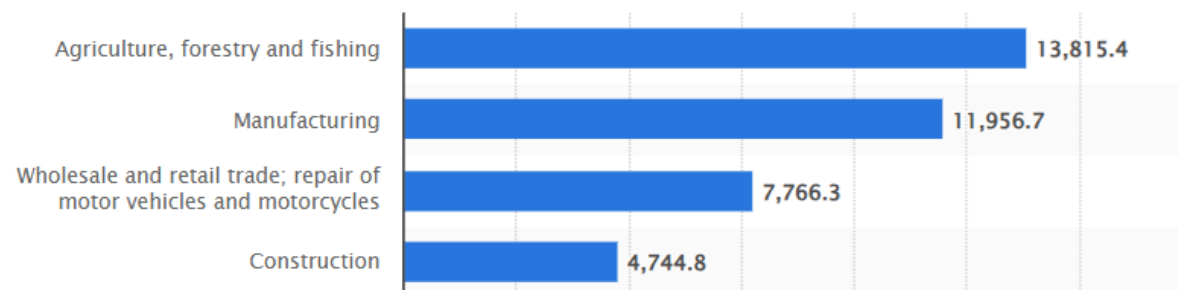


According to GSO, the average income of labors in Q4 2024 was VND 8.2 million per month, an increase of VND 550,000 compared to Q3 2024 and VND 890,000 higher than the same period in 2023. For the entire year of 2024, the average income of workers was VND7.7 million per month, an 8.6% increase compared to the previous year. The average income per capita at current prices in 2024 is estimated at around VND 5.4 million per month, an 8.8% increase compared to 2023. It is expected that with the economic recovery, income will continue to improve in 2025, supporting consumer spending.

The unemployment rate in 2024 was 2.24%. The unemployment rate in 2025 is expected to remain low, staying below 2.3%.



In 2025, Vietnam is expected to witness several major public investment projects, with a record total investment of VND 791 trillion, equivalent to 6.4% of GDP. This will be the final year of the medium-term public investment plan for the 2021-2025 period. The increased government spending on infrastructure will positively contribute to the labor market and consumer confidence in Vietnam.



The construction industry in Vietnam employs 4.7 million workers (2023 data from Statista), accounting for over 9% of the total employed workforce. Additionally, the manufacturing sector employs nearly 12 million workers. Companies in the infrastructure construction sector, producers of building materials such as steel and cement, as well as logistics companies, will benefit from the increase in public investment, thereby boosting income for workers in these industries.

Major Projects in 2025

North-South Expressway, Phase 2

- Total investment: VND 146,990 billion
- Length: 729 km
- Under construction. Expected completion by the end of 2025.

Long Thanh International Airport

- One of the largest infrastructure projects in the Asia-Pacific region.
- The first phase, with an investment of around USD 5 billion, is expected to become operational in 2027. Currently under construction.

Other Major Transportation Projects: Several transportation projects will be implemented, including:

- Ring road projects in Hanoi and Ho Chi Minh City
- Phase 1 of the My An - Cao Lanh Expressway
- Ninh Cuong Bridge over the Ninh Co River on National Route 37B
- Expansion of the North-South Expressway in the East

A big project in the future: The North-South Highspeed Railway

- Total investment: USD 67.3 billion
- Expected to begin construction in 2027 and completed by 2035.



A challenge: Aftermath of Yagi storm in 2024



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The Yagi storm in early September 2024 had a devastating impact on Vietnam, particularly in the northern regions. The storm, which occurred in early September 2024, is estimated to have caused total economic damages of around VND 81.5 trillion (approximately USD 3.31 billion).

The agriculture and fisheries sectors were heavily affected. The storm flooded more than 190,000 hectares of rice fields and impacted other crops. Around 32,000 hectares of fruit trees were also destroyed. Over 3,269 aquaculture cages were damaged or swept away.

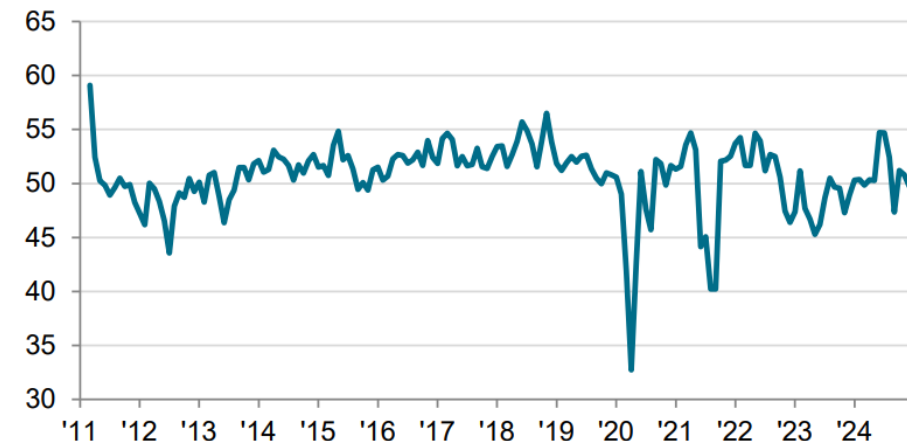
The manufacturing sector also suffered significant losses. Key industrial centers in the North, such as Hai Phong and Quang Ninh, faced severe disruptions during the storm, with many factories damaged and production halted. This led to a sharp decline in Vietnam's manufacturing PMI index in September.



The agriculture, forestry, and fisheries sectors are the largest employers in Vietnam (2023 data from Statista). This sector in the North was heavily devastated by Yagi in 2024. The manufacturing sector in the North also suffered significant damage from the storm. As a result, the income and assets of many people in the northern regions were affected, which could have an impact on discretionary consumption in 2025.

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

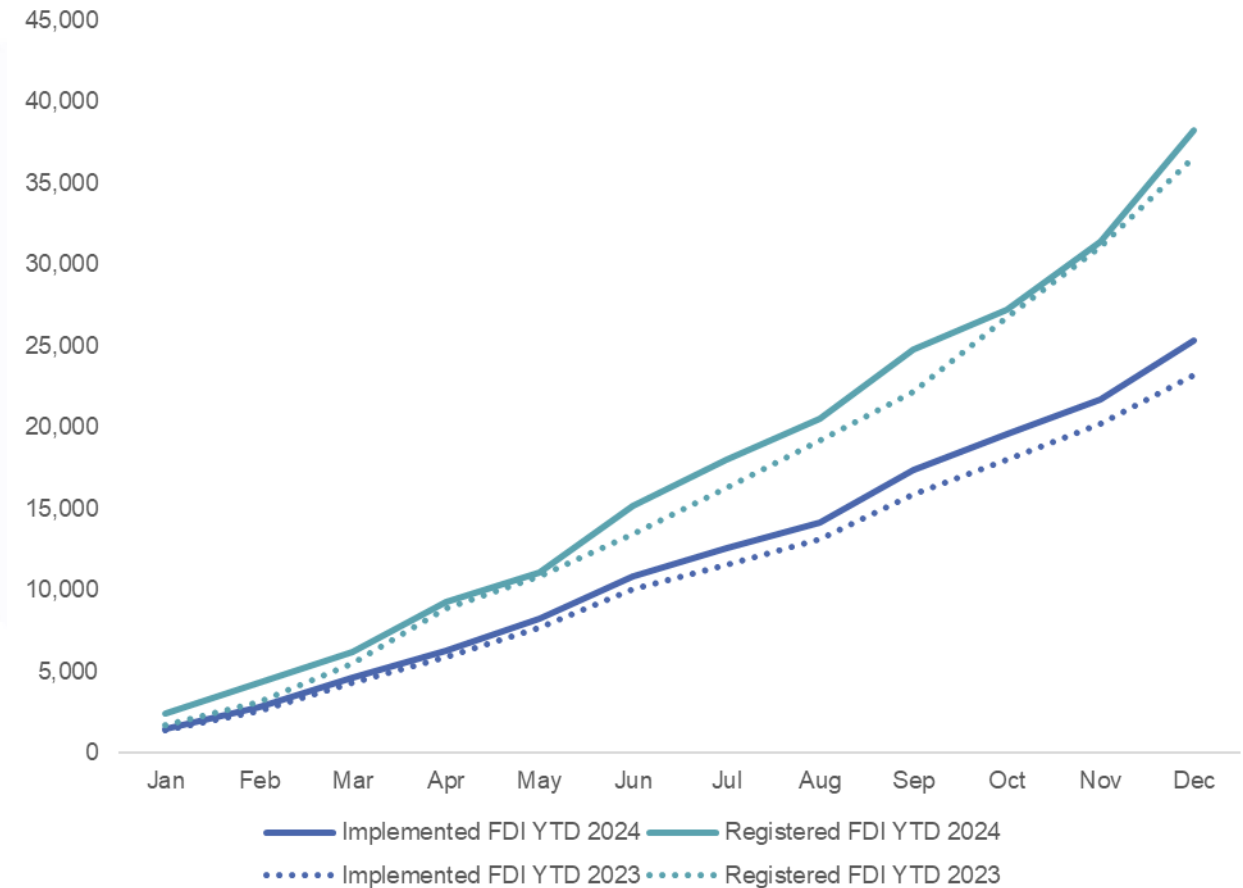
Data were collected 05-13 December 2024.



FDI (Foreign Direct Investment) has a positive impact on the labor market in Vietnam. Approximately USD 38 billion in FDI was registered in 2024, with FDI disbursement (implemented FDI) estimated at USD 25.35 billion, creating hundreds of thousands of new jobs.

We expect Vietnam to continue benefiting from the China+1 trend and attract FDI flows in 2025 and beyond, which will support the labor market.

Jobs in the FDI sector often provide higher wages and income for workers. Moreover, FDI companies often implement internal training programs to enhance workers' skills. According to a 2017 government survey, about 57% of FDI companies conducted training programs for their employees, contributing to improved labor productivity and workforce quality.



FDI (both registered and disbursed, cumulative, in millions of USD) in 2024 compared to 2023

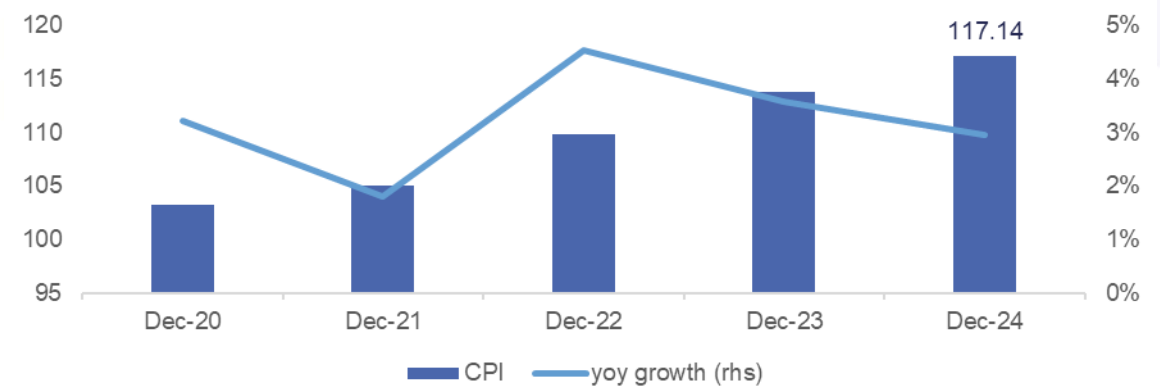


Proposed policies by Trump, such as sharply increasing tariffs, domestic tax cuts, and mass deportations, are believed to lead to inflation. Experts predict that higher tariffs could result in inflation, higher interest rates, and even economic stagnation in the U.S., potentially triggering global trade wars. His mass deportation proposals, although unlikely to be fully implemented, would cause labor shortages and rising domestic inflation. The Federal Reserve has responded by reducing the number of expected interest rate cuts to just two in 2025.

Experts believe that the VND will face moderate depreciation in 2025 compared to the U.S. dollar. The depreciation of the VND against the USD will put pressure on the interest rate environment in Vietnam and the prices of imported goods from the U.S. One risk for the VND is Vietnam's low foreign exchange reserves (which limits the State Bank's ability to defend the currency).

Economic pressures such as inflation in 2024 have impacted consumer spending in Vietnam, with many focusing on essential items. This trend may continue in 2025, with consumers prioritizing essential, staple products over non-essential ones. The average inflation rate (average CPI growth rate) was 3.63% in 2024. We forecast that the average CPI growth rate could range from 3% to 4% in 2025, continuing to be at a moderately high level.

VN CPI in December from 2020 to 2024

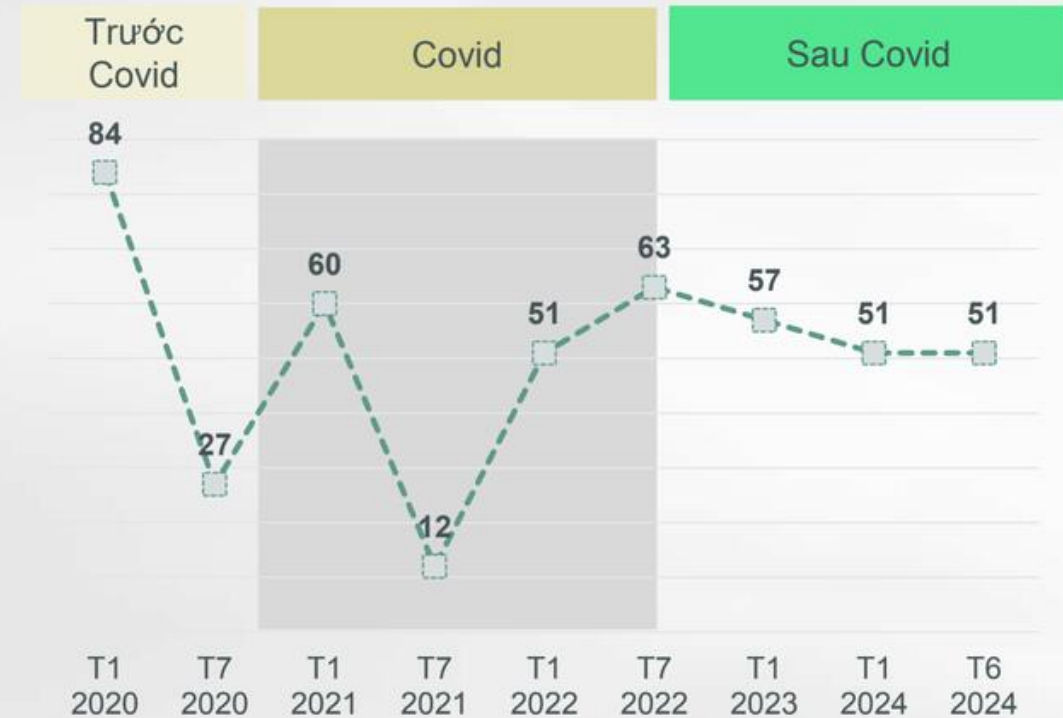


A relatively favorable labor market and income growth will be favorable factors for consumer confidence. The government has also implemented measures to support the real estate market, which is expected to enhance consumer confidence. Meanwhile, the depreciation of the VND, interest rates, and inflation will be factors that could hinder consumer confidence.

A recent survey by PwC shows that 63% of Vietnamese consumers plan to increase spending on essential items in 2025. Additionally, 52% intend to spend more on clothing, while 48% are likely to increase spending on healthcare. This survey indicates a more favorable outlook for staple products compared to discretionary products. Vietnamese consumers remain concerned about future inflation.

The survey also highlights the importance of strong brands in the consumer goods sector. Vietnamese consumers stated that they are willing to remain loyal to brands they trust.

Niềm tin người tiêu dùng Việt Nam



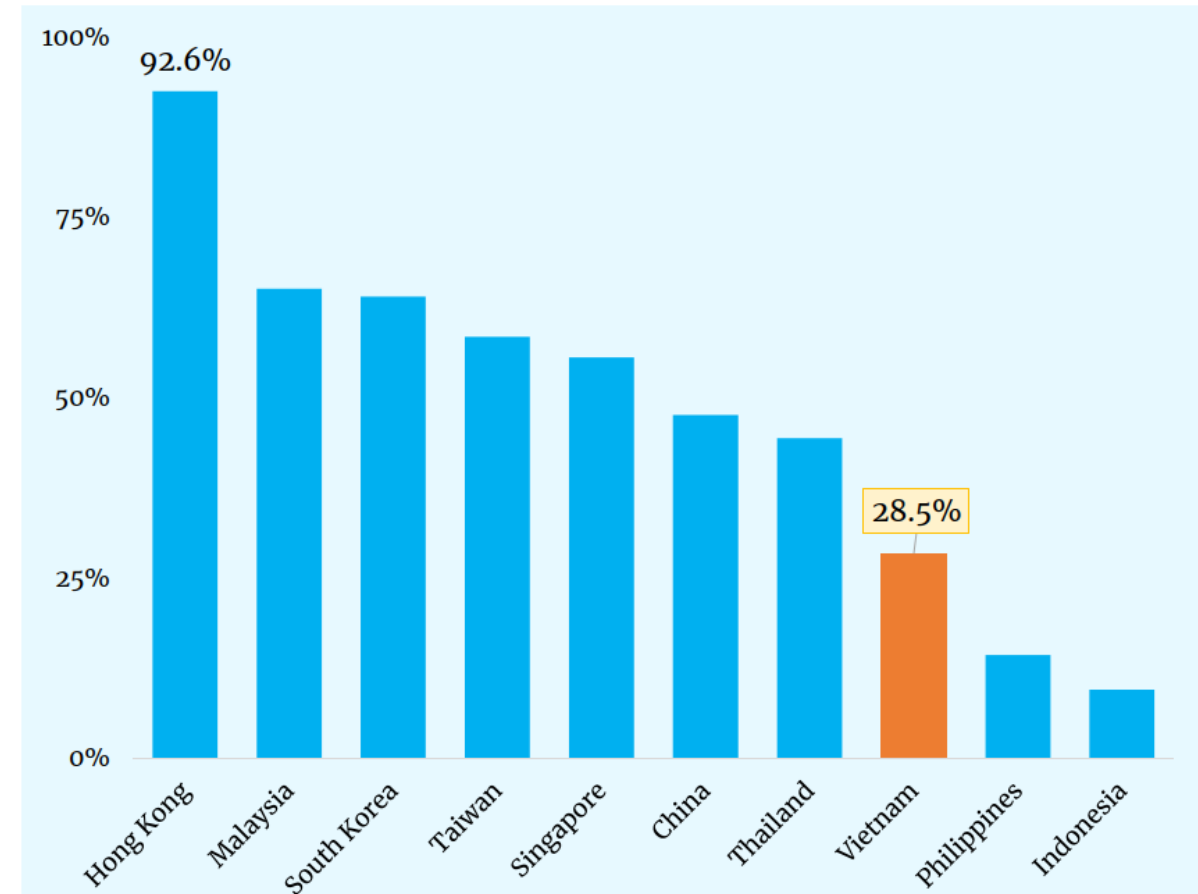
The Consumer Confidence Index (CCI) in Vietnam from 2012 to June 2024 (Source: Statista, cafebiz.vn). We forecast that the CCI will begin to recover in 2025.



In 2025, consumer credit in Vietnam is expected to experience strong growth. Consumer credit is becoming more accessible and less costly, with the popularity of small loans with less stringent requirements, helping to drive consumption. We expect the growth rate of consumer credit to outpace the overall credit growth target (16%) set by the State Bank of Vietnam for 2025.

In 2024, nearly 40% of consumers used banking apps for shopping transactions, reflecting a strong shift toward digital transactions, enhancing convenience in shopping. Furthermore, this can help consumers access credit products, such as credit cards or quick consumer loans via e-wallet apps, further boosting the growth of consumer credit in Vietnam.

The availability and low cost of consumer credit, combined with improved consumer confidence and the convenience of digital payments, could be a driver of consumption in 2025 and the long term.



Consumer financial debt (including mortgages and housing loans) as a percentage of GDP in 2023. Source: FiinGroup.



The tourism industry is an important sector for Vietnam's economy, contributing about 12% to GDP in 2024.

The influx of international tourists boosts spending. For example, it is estimated that around 60% of revenue at famous markets like Ben Thanh Market comes from tourists, highlighting the significant purchasing power and contribution of visitors. Although international tourists account for a small proportion of the total number of visitors, the international tourism sector contributes around 8% to GDP, double that of the domestic tourism sector, which is around 4%. International tourists' spending covers various categories, with food and beverages accounting for approximately 30-40% of their expenditures.

Vietnam welcomed around 17.6 million international visitors in 2024, a 39.5% increase compared to 2023, nearly reaching the pre-COVID level in 2019. Forecasts indicate that tourist arrivals will continue to grow in 2025.

Outlook for 2025:

- In June 2024, Vietnam set a target to welcome between 25 to 28 million international visitors in 2025. However, we expect the annual growth rate of international tourists to be between 20-30% in 2025, which is equivalent to around 21-23 million visitors.
- The target for domestic tourism is 130 million visitors. We forecast between 116 to 127 million domestic tourists in 2025, reflecting a growth of 5-15% compared to 110 million visitors in 2024.
- The tourism industry is expected to support approximately 6.3 million jobs in 2025, both directly and indirectly, an increase from 5.96 million jobs in 2024, thereby supporting the labor market.



Vietnam's Export Outlook for 2025:

The Ministry of Industry and Trade (MOIT) has set an export growth target of 6%-12% for 2025. This target comes after a strong export performance in 2024, with exports growing 14.3% year-on-year, reaching approximately USD 405 billion.

We forecast that export growth will slow down, with an expected growth rate of 6-9% in 2025. The slowdown in exports, particularly in agricultural products and fishery products, may affect the growth of average income.

Opportunities:

Several free trade agreements (FTAs) that have been signed will continue to drive Vietnam's exports. The EU-Vietnam Free Trade Agreement (EVFTA) is expected to further boost exports to the EU market in 2025. Additionally, the UK's recent participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will create favorable conditions for exports from Vietnam.

Challenges:

• **Regulatory Barriers:**

- **U.S.:** Strict standards on quality, food safety, and environmental requirements, especially for fishery products, furniture, and textiles.
- **China:** Tighter regulations on plant-based products hygiene and labeling requirements.
- **EU:** Strict standards on environmental protection, labor conditions, and food safety.

• **Geopolitical Uncertainty:** Export activities may face challenges due to unpredictable geopolitical developments, particularly stemming from policies under Donald Trump.

• **Saturated Markets:** With competitors like India resuming rice exports, certain sectors may face increased competition.

• **High Logistics Costs:** Logistics costs remain elevated.

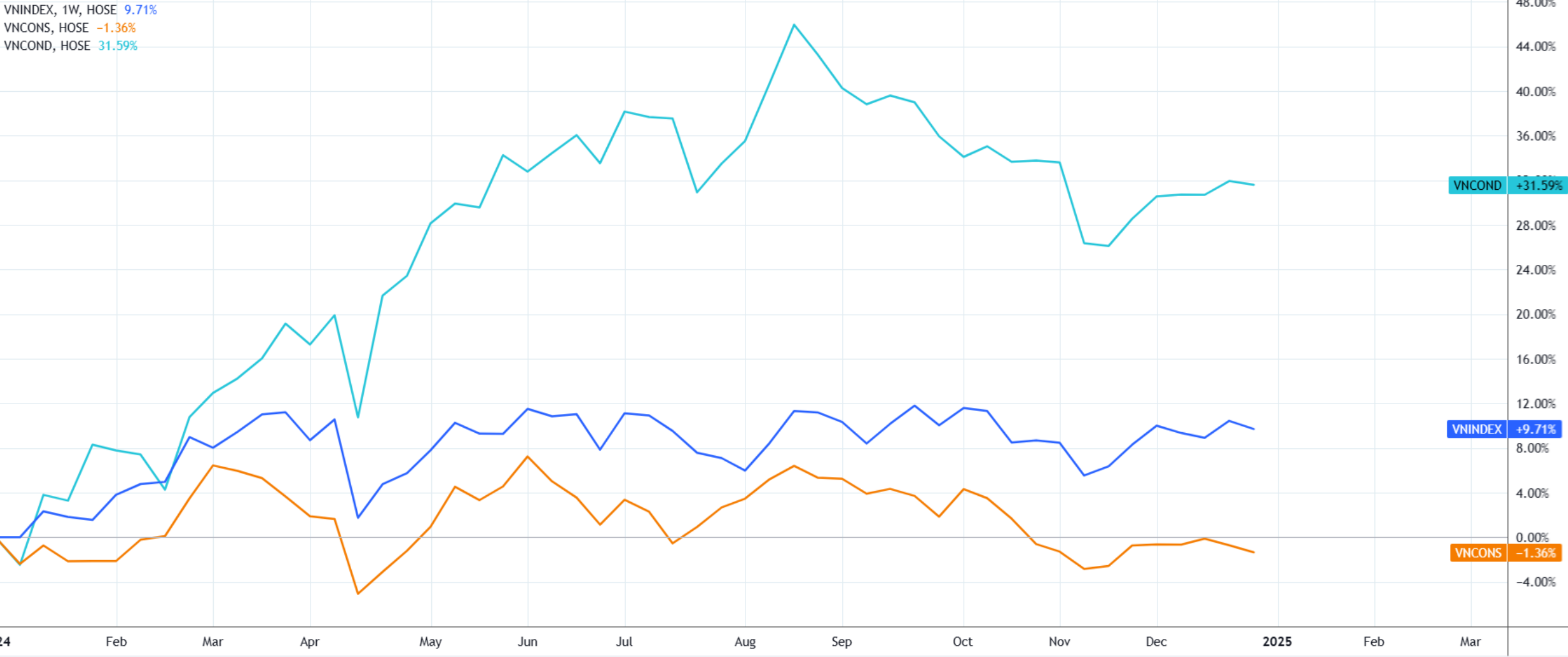




VNCONS and VNCOND performance in 2024



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TradingView

Sources: TradingView

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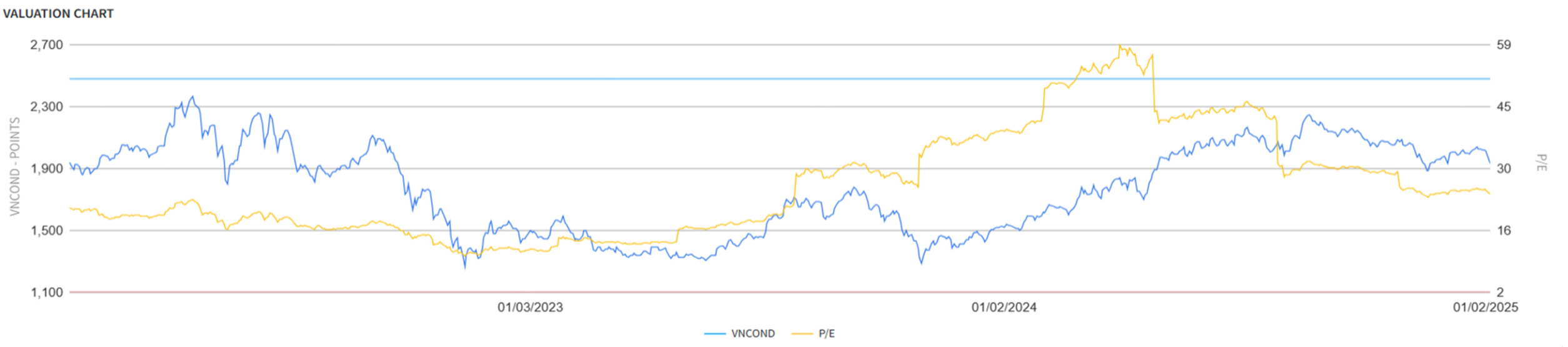




VNCONS and VNCOND valuation



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Sources: FiinGroup

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VNCONS- VIETNAM CONSUMER STAPLES SECTOR

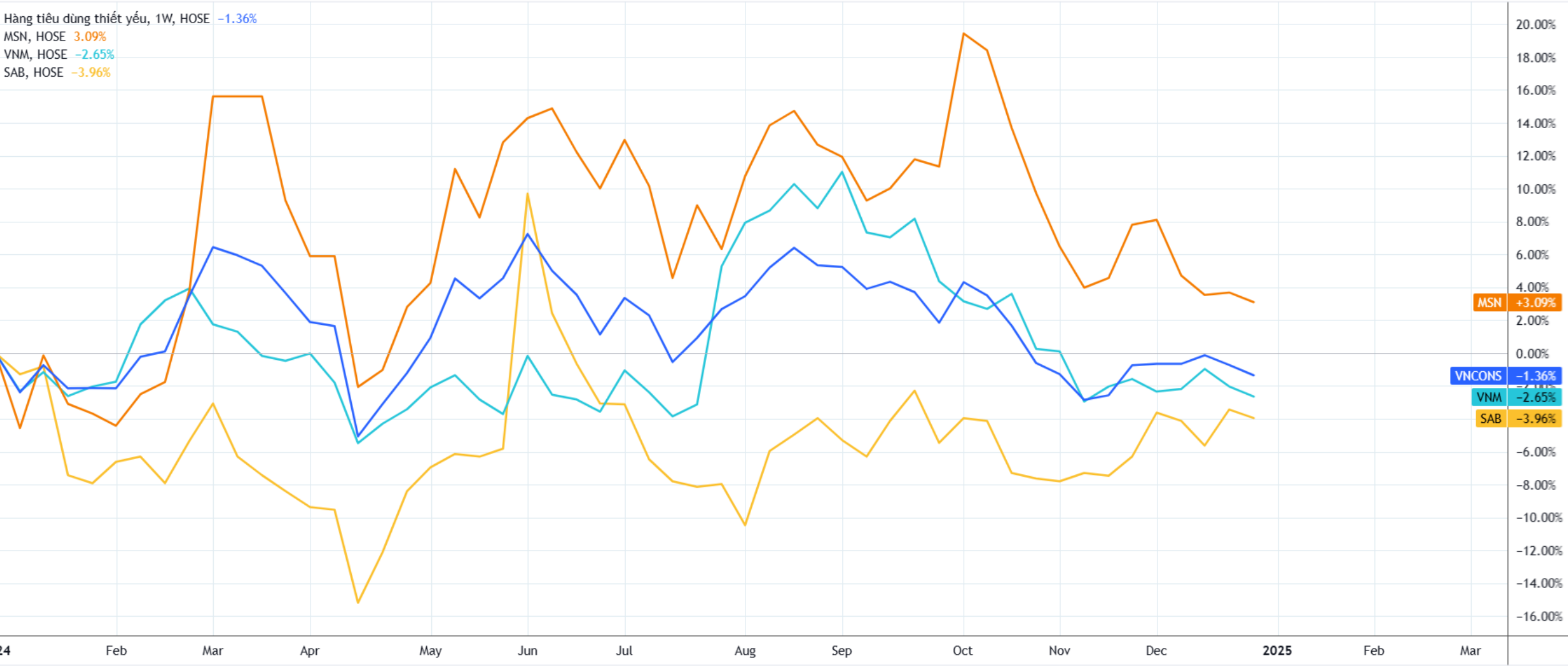




VNCONS performance in 2024



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TradingView

Sources: TradingView

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The consumer staples sector in Vietnam includes products that have stable demand, such as food, beverages, household products, and personal care items.

The food and beverage (F&B) industry is one of the largest segments of the essential consumer goods market in Vietnam. We observe that the F&B segment is influenced by two seemingly opposing trends. On one hand, there is an increasing demand for convenient foods and ready-to-eat products, driven by busy lifestyles and urbanization. On the other hand, there is also a growing trend toward healthy eating, with consumers seeking organic and natural packaged products.

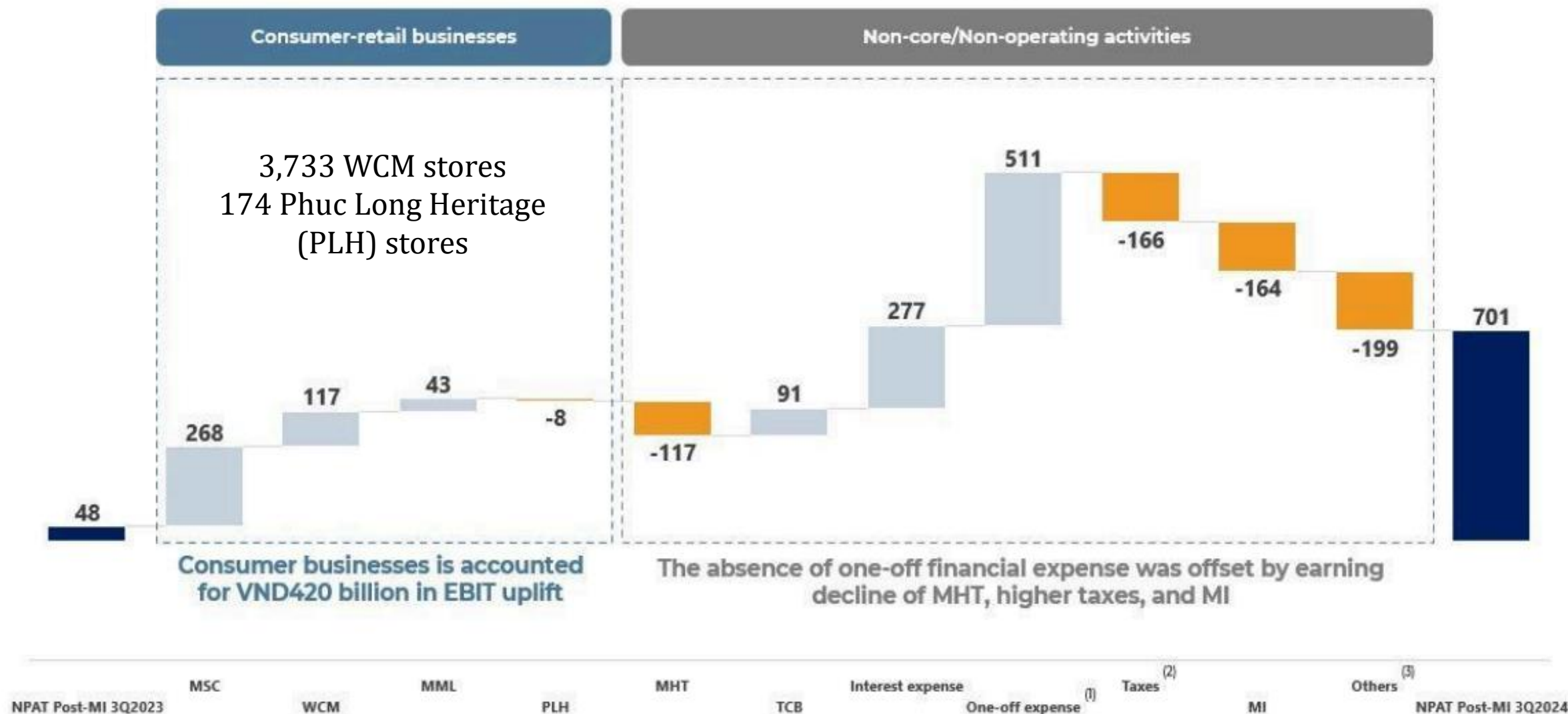
In addition to domestic consumption, tourism also makes a significant contribution to this segment, with international visitors spending about 30-40% of their budgets on food and beverages while traveling.

MASAN GROUP

MSN offers packaged food options, including snacks, instant noodles, and frozen foods. The company maintains a strong presence in various sectors, including fast-moving consumer goods (FMCG) through Masan Consumer Holdings (MCH) and retail through WinCommerce (WCM). MSN has successfully met both the demand for convenient, ready-to-eat food (through MCH) and the demand for organic and natural packaged products (via Masan Meatlife). WCM serves as a distribution channel for MSN's products and has also started to report positive profits in 2024. MSN also plans to list MCH on the HOSE exchange in 2025. We assess that the group is well-positioned for 2025. However, the trailing P/E ratio of MSN's stock is currently at 76 times, indicating that the stock price may not be attractive.



NPAT Post-MI bridge (VND billion)



(1) One-off expense in 3Q2023 was non-cash and driven by the volatility of FX

(2) Taxes increase due to temporary adjustments difference in 3Q2023 and 3Q2024

(3) Others refer to Masan Brewery's, WinEco's and Mobicast's impact on profits and Interco eliminations

Growing health awareness is a key factor driving the development of the dairy industry. Notable companies in the sector include Vietnam Dairy Products JSC (Vinamilk or VNM), TH True Milk, MCM (a member of VNM), IDP, and QNS. We also expect the dairy industry to be boosted by the growth of the emerging "silver economy." According to Euromonitor 2022 data, the Vietnamese dairy industry currently meets only about 50% of domestic demand, requiring imports, indicating growth potential for the domestic producers.

By the end of 2023 and early 2024, Vinamilk held approximately 44% market share in the dairy industry in Vietnam, maintaining its leading position. The company has implemented many effective marketing campaigns and expanded its product portfolio. Thanks to these marketing efforts, Vinamilk remains the most famous and widely recognized dairy brand in Vietnam.

Vinamilk[®]

EST 1976

VNM is also actively expanding its international market and exploring export opportunities. The company began its export operations in 1997, with its main markets being the Middle Eastern countries, which currently account for nearly 85% of the company's export revenue.

The company aims to achieve a compound annual growth rate (CAGR) of around 5% from 2024 to 2028.



KEY FIGURES



\$4 bn

Estimated Market Size¹

c.70%

Market share
taken by local players²



375K

Total dairy cows
in Vietnam³

30-45%

Self-sufficient ratio
of domestic dairy production⁴



100 mn

Total population³

1.2%

Annual Growth
of Total Population³



24.4 KG

Estimated Dairy
Consumption Per Capita⁵

5.3%

2018-23 CAGR Sales Value Growth
of Dairy Products and Alternatives¹



3-8%

5-year GDP Growth³

5.4%

5-year CAGR
of GDP Per Capita³

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Recent growth



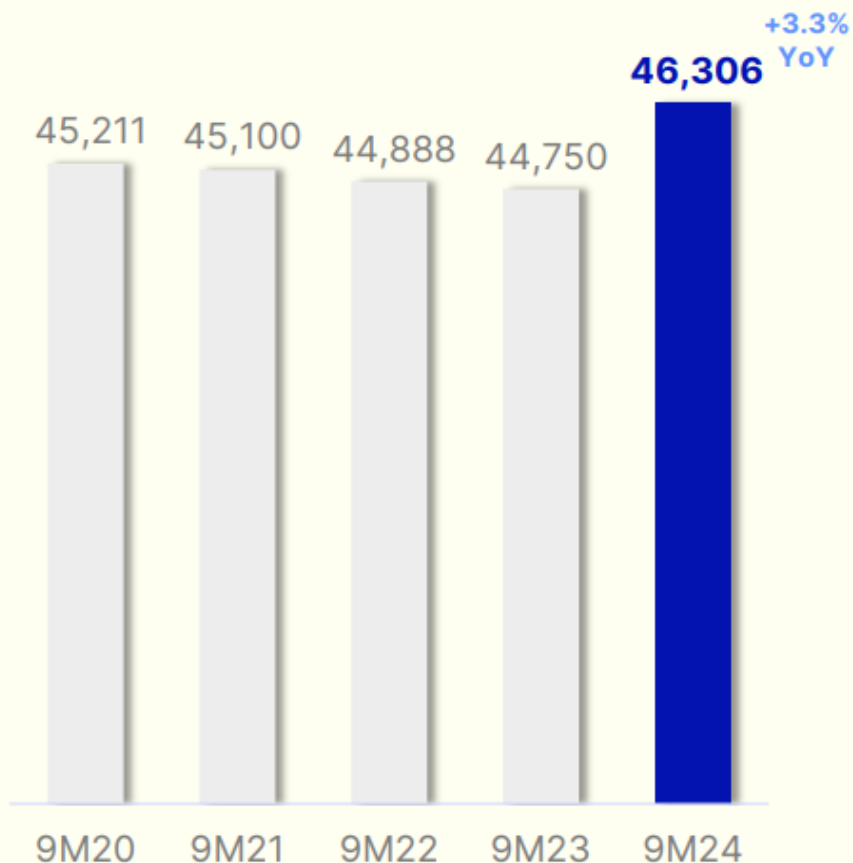
Current
value size³

Sources: VNM

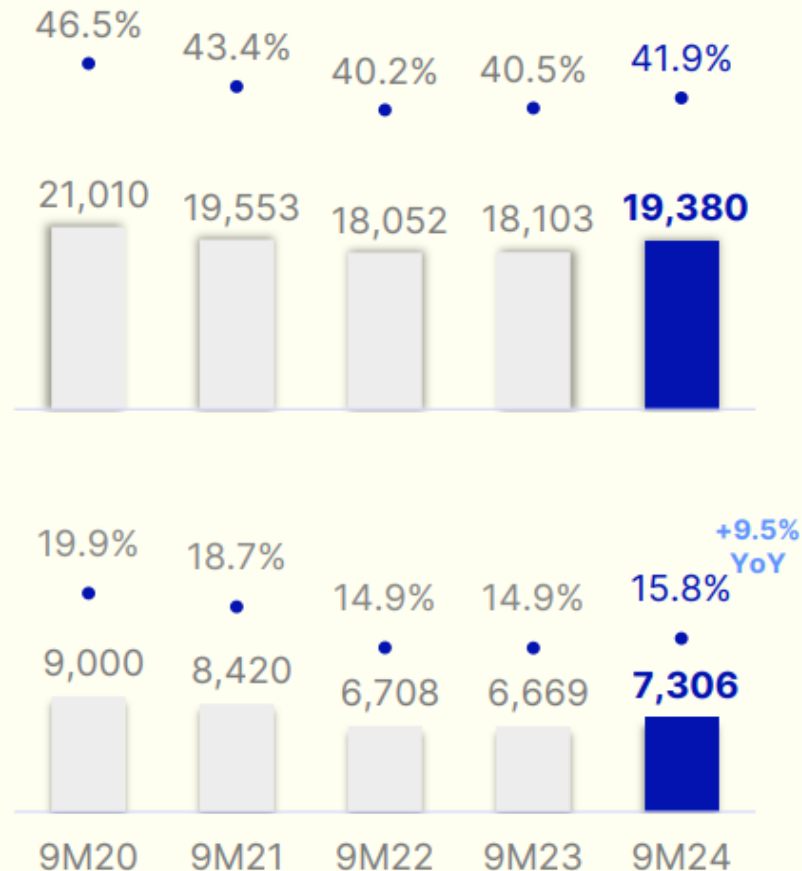
Note: 1. Euromonitor data, applied for total dairy in Vietnam; 2. 2023 data by AC Nielsen; 3. GSO; 4. MoIT; 5. Company estimates; Liquid milk includes UHT reconstituted milk, UHT fresh milk, plant-based milk; Yogurt includes drinkable and spoon yogurt; Formula milk includes powder and ready-to-drink formula for baby and adults;

9M2024 revenue +3.3% YoY, NPAT +9.5% YoY thanks to margin expansions

REVENUE



PROFIT MARGINS



GUIDANCE COMPLETION



Vietnam is known as the leading beer-consuming country in Asia, with beer brands like Saigon Beer (SABECO) and Heineken dominating the market. The beer industry also includes a range of non-alcoholic beverages, which are increasingly gaining popularity.

In December 2024, SABECO completed the acquisition of Sabibeco (SBB), famous for the Sagota beer brand, officially making Sabibeco a subsidiary of SABECO. SABECO's ownership stake in Sabibeco increased to 59.6%, enhancing the company's production capacity. The combined output of SABECO and Sabibeco will help SABECO surpass Heineken to become the largest beer producer in Vietnam, with an estimated production capacity of up to 3.01 billion liters per year. In 2024, SABECO also launched the SABECO Beer Industry Research and Development Center, which will focus on developing high-quality products.

However, SAB and the beer industry will face several challenges in 2025 and the coming years:

- **Strict government regulations** on advertising and alcohol consumption, particularly concerning the law on driving under the influence of alcohol. The National Assembly is also considering increasing taxes on beer. The current special consumption tax rate on beer is 65%. Under the new proposal, this rate is expected to increase to 80% in the short term by 2026, and eventually reach 100% by 2030.
- **Competitive industry:** The Vietnamese beer market is primarily dominated by Heineken and SABECO. Heineken led with a 43% market share, while SABECO held 33.9% as of 2023. Despite the dominance of Heineken and SABECO, the presence of local craft beer breweries and other international brands is also gradually increasing.
- **Health-conscious consumption trends** are changing the beer market. Consumers are increasingly seeking low-alcohol or non-alcoholic beer options, especially among young Generation Z consumers.

Currently, SAB's trailing P/E ratio stands at 16x.





Q3 FINANCIALS

<div>Net Revenue</div> <div>VND22,940B</div> <div>+4.6% YOY</div>	<div>Gross Profit</div> <div>VND6,819B</div> <div>+2.8% YOY</div>	<div>Profit After Tax</div> <div>VND3,504B</div> <div>+6.6% YOY</div>
<div>Total Assets</div> <div>VND32,234B</div> <div>-5.4% YTD</div>	<div>Owners' Equity</div> <div>VND26,222B</div> <div>+2.9% YTD</div>	

Net Revenue



Commentary

- Net revenue was higher mainly from the favorable impact of price increases and brand mix.

Gross Profit



Commentary

- Gross profit was higher due to the improved net revenue and favorable packaging costs, despite the higher cost of raw materials.

Profit After Tax



Commentary

- Profit after tax was higher mainly from higher gross profit and lower selling expenses due to the optimization of A&P programs. This was partially mitigated by lower interest income, lower profit sharing from associates, and higher administration expenses.



VNCOND- VIETNAM CONSUMER DISCRETIONARY SECTOR

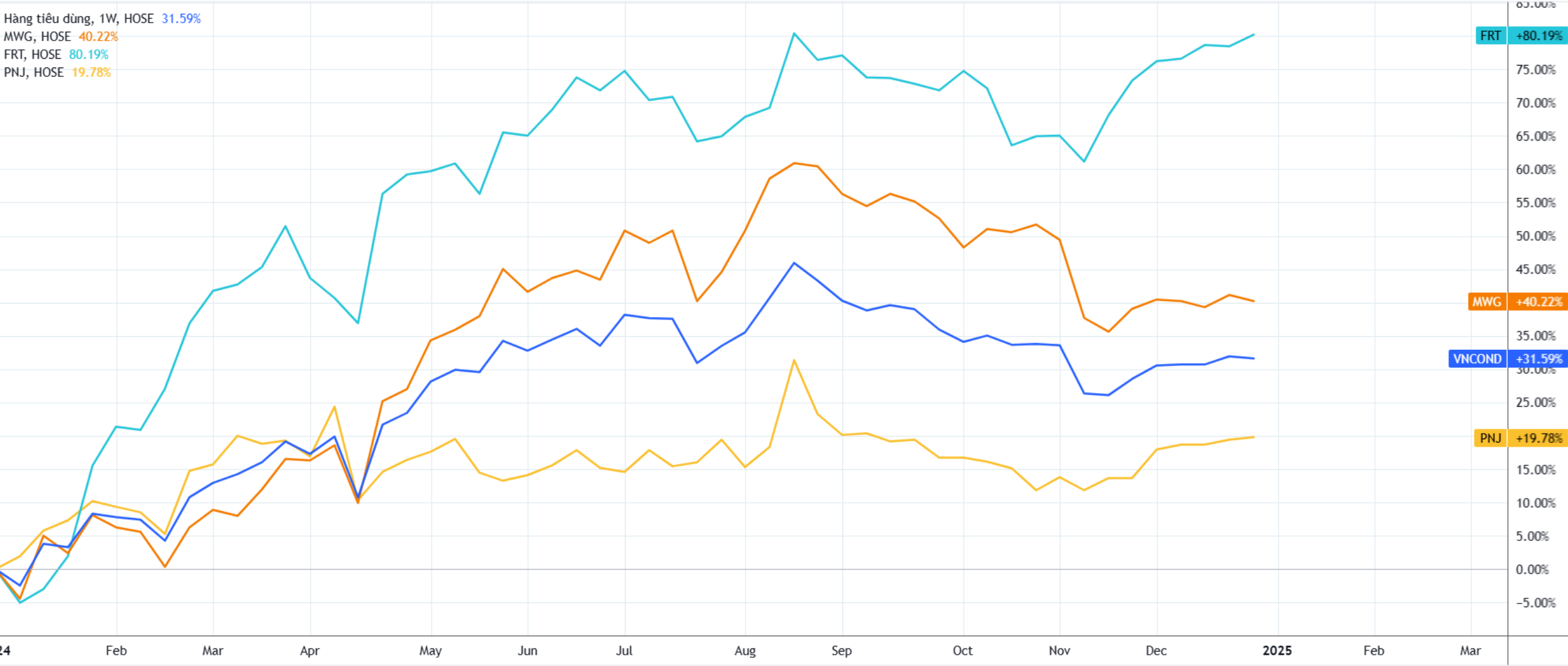




VNCOND performance



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TradingView

Sources: TradingView

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The modern retail environment has developed rapidly, with supermarkets, convenience stores, specialty chains, and hypermarkets becoming increasingly popular. Modern retail channels accounted for 27% of total retail revenue in 2023, up from 15% in 2005. This shift is driven by consumer demand for convenience in shopping.

E-commerce is experiencing strong growth. Platforms like Shopee dominate the market, while TikTok is emerging as a new channel. The e-commerce sector is expected to account for 10% of total retail revenue by 2025 (according to VNEconomy).

Overall, consumers are increasingly seeking omnichannel shopping experiences, combining both online and offline shopping.

Discretionary products like smartphones and laptops are expected to see a revenue growth rebound as consumers replace older models. The demand for health and beauty products in Vietnam is also on the rise, particularly in the pharmaceutical segment, leading to the growing popularity of pharmaceutical retail chains.



FPT Retail



Because of expectations about the chain store model, the growth of e-commerce and omnichannel sales, the demand for smartphone and laptop replacements, and the growing need for healthcare, **FRT**'s stock had a strong price increase in 2024. However, we forecast that this price increase will slow down in 2025. In addition to the unfavorable trend in discretionary consumption in 2024, which may continue to affect FRT's electronics and phones retail segment in 2025, FRT's current trailing P/E ratio stands at 239.5x, suggesting that the stock price may not be attractive.

The Long Châu pharmacy chain is experiencing rapid growth and has started to record positive profits in 2024. FPT Retail plans to open an additional 400 Long Châu stores in 2025, bringing the total number of pharmacy stores to around 2,300 by the end of 2025.

Regarding the FPT Shop chain, the situation is less favorable than for the Long Châu chain. FRT does not plan to open new stores but will implement restructuring measures to improve business results after two years of unfavorable performance in 2023 and 2024.

MWG also had a strong price increase in 2024 with expectations of business recovery. The trailing P/E of MWG is currently at 28.1x. The company has experienced a recovery in its business during the first 9 months of 2024 thanks to (1) restructuring, reducing the number of stores and staff in its two chains, Thế giới di động and Điện máy xanh, and (2) the Bách hóa xanh chain, which is seeing good growth and is gradually becoming profitable for MWG.

The cases of MWG and FRT also suggest that consumer staples products (products of the BHX and Long Châu chains) had more advantages than consumer discretionary goods (products of the TGDĐ, ĐMX, and FPT Shop chains) in 2024. This trend may continue into 2025.

As for **PNJ**, the company continues to increase the number of stores and implement numerous marketing programs. This could help PNJ capture a larger market share and achieve high growth in 2025, despite the slow overall growth rate of jewelry demand. The trailing P/E of PNJ is currently at 15.9x, which we consider reasonable.





REVENUE

28,657 Billion VND

+24% YoY

77% Completing FY target



EBT

358 Billion VND

286% Completing FY target



ONLINE SALES (*)

5,041 Billion VND

+19% YoY

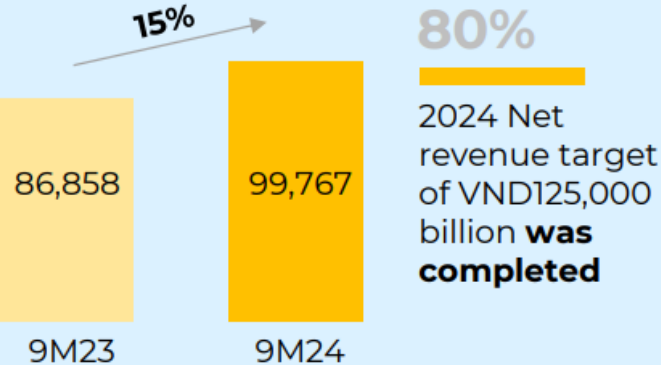
(*): Included online sales of FPT Shop chain and Long Chau chain

637 FPT shop stores
1,849 Long Chau pharmacies
115 Long Chau vaccines centers

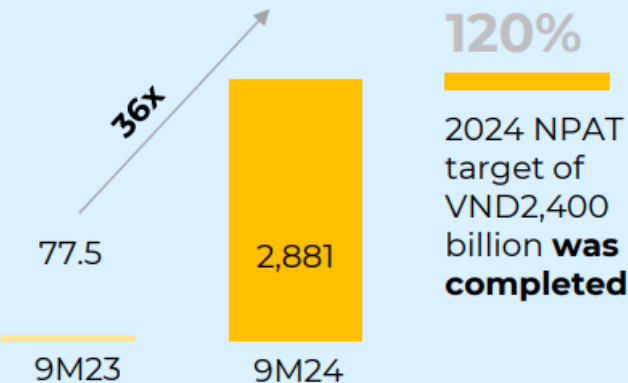




Net revenue (VND billion)



Net profit after tax (VND billion)

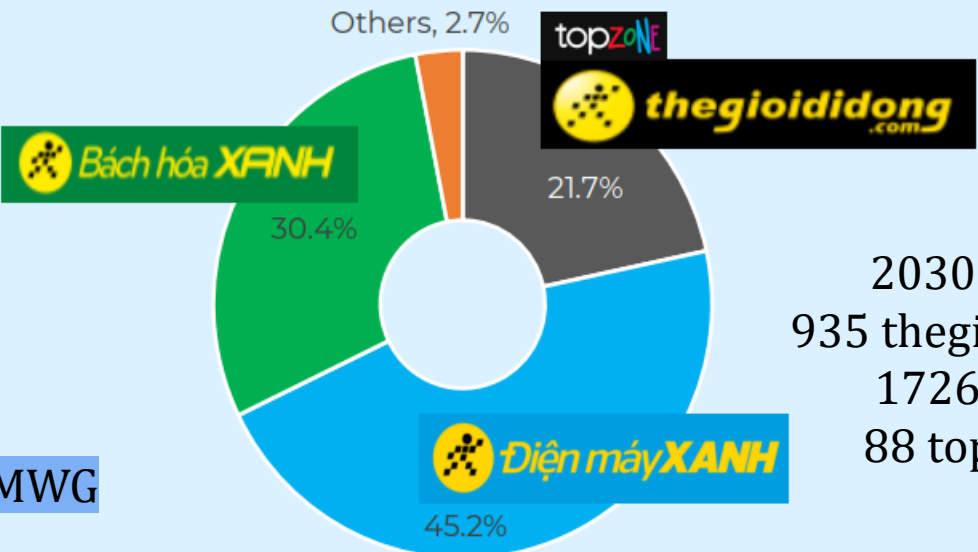


Online Sales



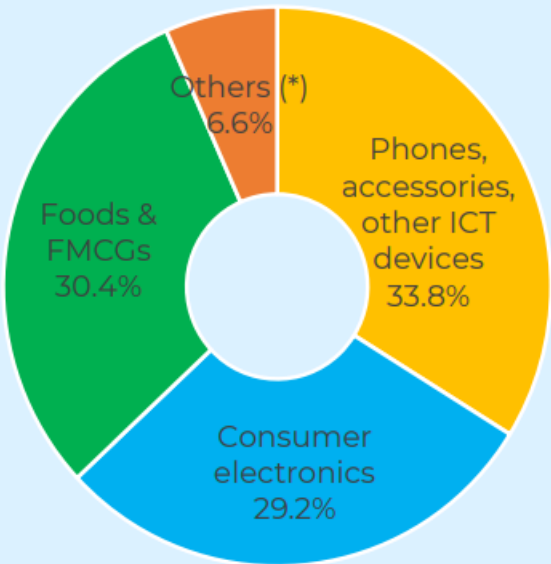
Total online revenue reached VND 7,830 bn in 9M24, **accounting for 8%** of MWG's total revenue

REVENUE BREAKDOWN BY CHAIN



2030 ĐMX stores
935 thegioididong stores
1726 BHX stores
88 topzone stores

REVENUE BREAKDOWN BY CATEGORY



(*) Others include sim, cards, services, pharmaceuticals, moms & kids... products

Net revenue

7,130

▲ +3.1% YoY

Gross profit

1,251

▲ +4.4% YoY

Net profit

216

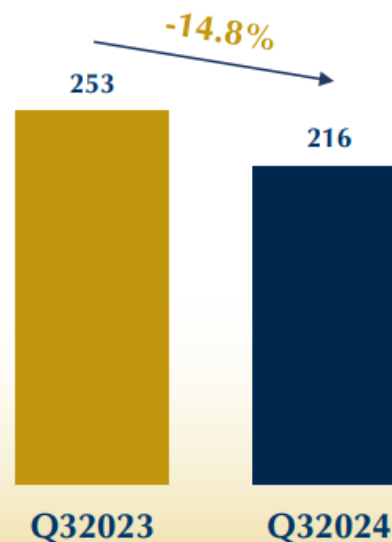
▼ -14.8% YoY

DVT: billion VND

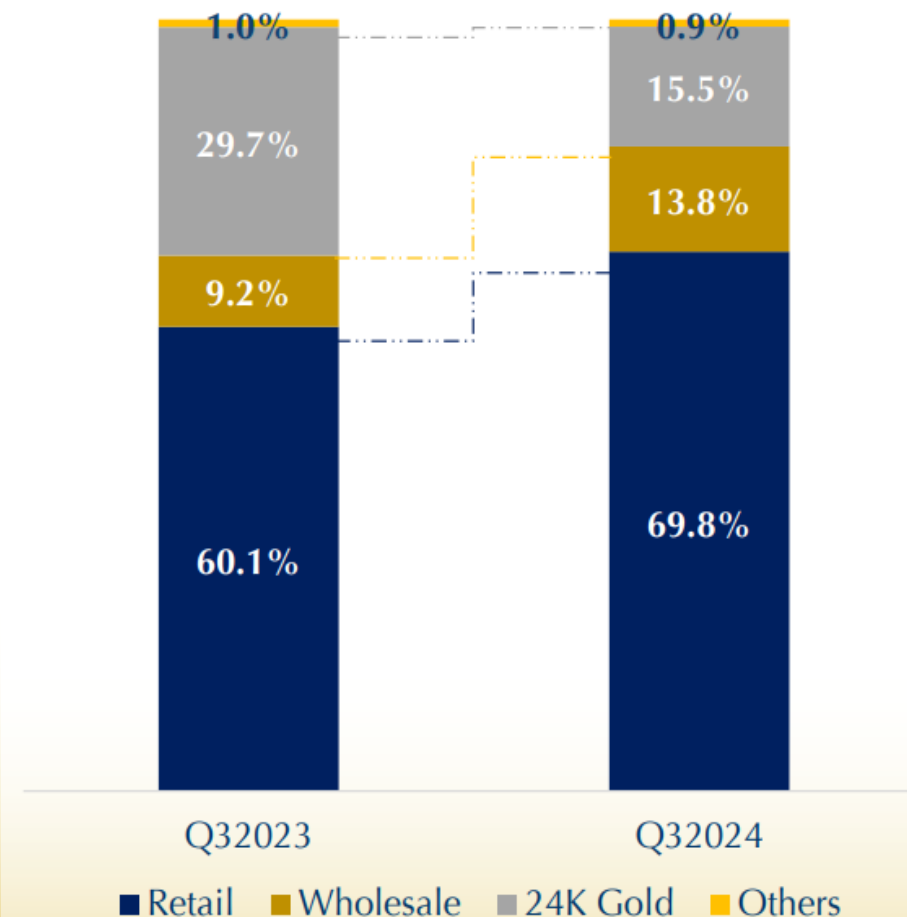
NET REVENUE



NET PROFIT



REVENUE CONTRIBUTION BY CHANNEL



Aquatic Products Industry and Textile Industry:

As previously noted, export growth in 2025 is expected to slow down, alongside increased competition risks and geopolitical uncertainties. The aquatic products and textile industries are highly dependent on export markets. It is estimated that approximately 70% of revenue in both the textile and aquatic products sectors comes from exports, with the U.S. market accounting for 20% of export revenue for both industries.

The textile sector has some advantages in 2025, such as the decreasing order volumes from Bangladesh due to political and economic instability in this country, which creates an opportunity for Vietnamese textile businesses to attract additional orders. Currently, Bangladesh's foreign reserves are running low, leading to difficulties in importing cotton and fabric, causing a stagnation in the country's textile industry (according to IndianExpress).

On the other hand, we view the aquatic products less positively. Unfavorable weather conditions and increased competition from other countries such as India, Thailand, and China are factors to consider.

Automobile and Tires Industry:

Some experts believe that the growth of the automobile industry may have peaked in Q4 2024 and could slow down in 2025. Many policies supporting the sector will no longer be in effect in 2025.

One segment that is expected to continue strong growth is electric and hybrid vehicles. The government aims to increase the market share of electric vehicles to 30% before 2030. The demand for electric and hybrid vehicles is rising, with manufacturers like VinFast and Toyota introducing several new models. However, a challenge for this segment is the still limited charging station infrastructure.

Regarding the tires industry, demand for tires is expected to remain stable and continue to grow stably in the domestic market. Additionally, the sector is benefiting from export growth. Vietnam is gradually becoming a global center for car tires production, with the export turnover of technical rubber products expected to reach about 4 billion USD in 2024. However, the industry faces risks related to the shortage of raw materials.





**STOCK
RECOMMENDATION**

VNM
PRICE TARGET:
VND 70,000

Vinamilk[®]
EST 1976



We prioritize consumer staples stocks over consumer discretionary stocks for the following reasons:

- Although consumer confidence may improve slightly, consumers will likely remain cautious. Economic pressures such as moderately high inflation and interest rates, and the weakening of the VND, are expected to persist into 2025.
- We forecast that consumer staples goods, particularly in the Food & Beverage (F&B) segment, will benefit more from tourism growth, the popularity of convenience store chains, and the growth of consumer credit (driven by small loans). Essential, staple products are also less affected by the impact of Typhoon Yagi in 2024.
- Many consumer discretionary stocks have seen significant increases throughout 2024, while many consumer staples stocks have remained relatively unchanged. As consumer discretionary stocks reach high prices, we expect investors to turn their attention more toward consumer staples stocks. We predict that VNCOND will experience a slowdown after its strong price growth in 2024.

Given that exports are expected to slow down and could be disrupted by policies under Trump, we also favor companies serving the domestic market over those reliant on export markets. We also prefer stocks related to F&B products, and from companies with strong, well-established consumer brands.

Our Choice: VNM

We favor VNM for the following reasons:

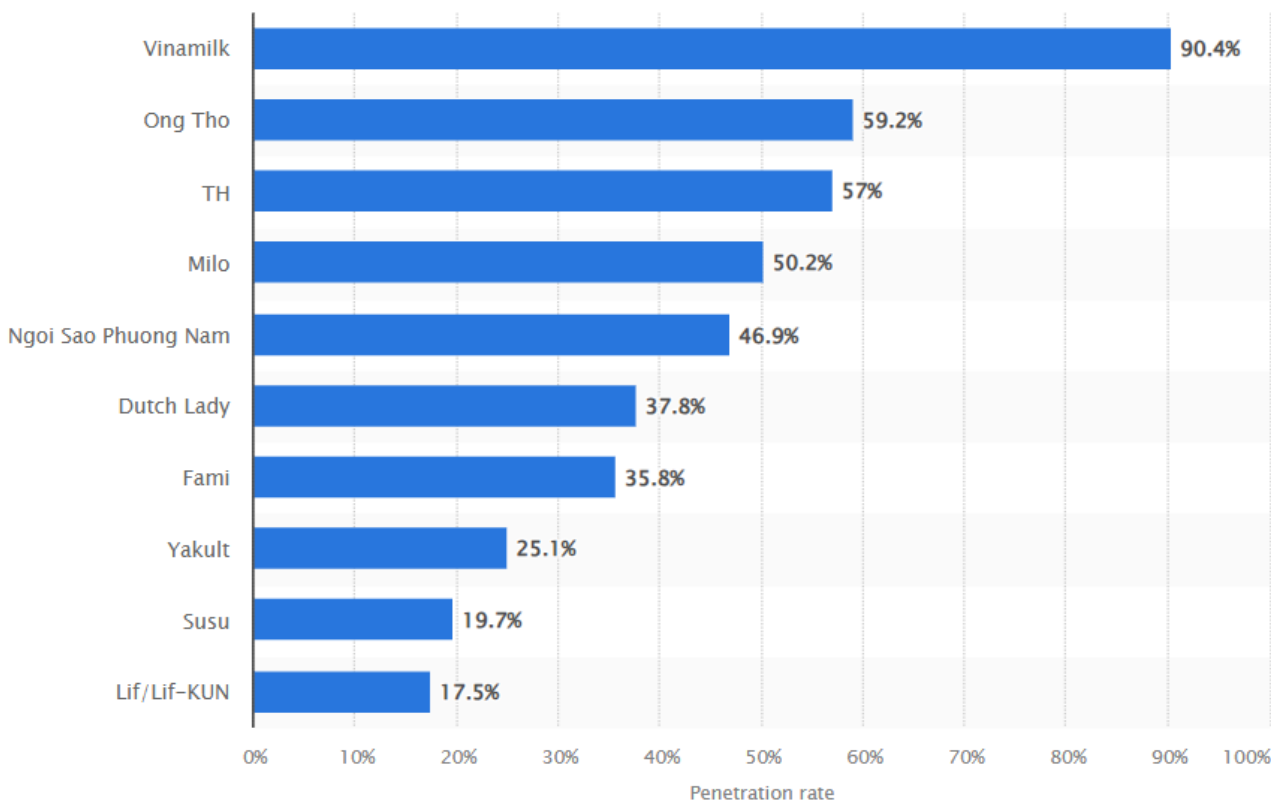
1.Strong Brand and Market Dominance: VNM holds a dominant position in the Vietnamese dairy market. The main brand, VNM, has a penetration rate of 90.4% in urban areas and 73.2% in rural areas, indicating widespread consumer acceptance (2022 data). Approximately 81% of VNM's revenue is generated from the domestic market.

2.Healthy Financials: VNM has a low debt-to-assets ratio of approximately 14.7%. The company has strong liquidity.

3.Diverse Product Range: VNM offers a wide variety of dairy products, including fresh milk, yogurt, cheese, condensed milk, and ice cream. These products cater to customers of all ages and are used in various occasions, such as daily consumption, holidays, and travel. Additionally, VNM's products serve as ingredients for popular foods and beverages such as coffee, cakes, bubble tea, and fruit smoothies.

4.Export Markets with Less Exposure to U.S. Policies: VNM's main export markets, such as the Middle East, are less likely to be impacted by U.S. policies under Trump. Vinamilk was one of the first Vietnamese companies to receive Halal certification in 2014, ensuring that its products meet the dietary requirements of Muslim consumers. This certification opens opportunities for VNM not only in the Middle East but also in ASEAN markets like Malaysia and Indonesia. The Halal certification will continue to support the company's exports to Muslim-majority countries.





The most selected FMCG brands in the dairy and dairy alternatives category in urban areas of Vietnam in 2022, based on penetration rate (Statista, 2022), include VNM's brands such as Vinamilk, Ông Thọ, Ngôi Sao Phương Nam, and Susu. In the FMCG sector, penetration rate refers to the percentage of households or individuals in the market who have ever purchased the product. This is a key metric to assess the popularity of a product or brand among consumers.

We favor VNM for the following reasons (continued):

5. In addition to Halal certification, Vinamilk holds several other international certifications, including Global GAP, Organic EU, FDA, ISO 9001, and FSSC 22000. These certifications affirm the company's commitment to maintaining product quality.
6. Beyond focusing on quality and food safety, Vinamilk is also committed to sustainable production practices. The company emphasizes environmentally friendly methods and has implemented systems that meet international environmental standards.
7. VNM can take advantage of the "silver economy" in Vietnam and the growing trend of health-conscious consumption. The domestic dairy market also remains potential for local businesses.



Some products of VNM (Source: VNM)



In addition to direct consumption, fresh milk (and products such as condensed milk and yogurt) are also used for preparing and making coffee, milk tea, and pastries at restaurants, coffee shops, or for consumers to buy and prepare at home.



Coffee consumption in Vietnam is expected to grow steadily at a rate of 6.6% per year from 2025 to 2030. Coffee with milk, especially iced milk coffee (cà phê sữa đá), is very popular in Vietnamese coffee culture. Therefore, it can be expected that the production of condensed milk, as well as fresh milk, used for coffee preparation, will grow in parallel with the increasing coffee consumption.



The proportion of fresh milk or condensed milk in pastries depends on the type of cake. The milk content in pastries can range from 10% to 60% by weight. The development of cake shops combined with cafes is expected to drive consumption. In addition, the demand for birthday cakes remains quite stable.

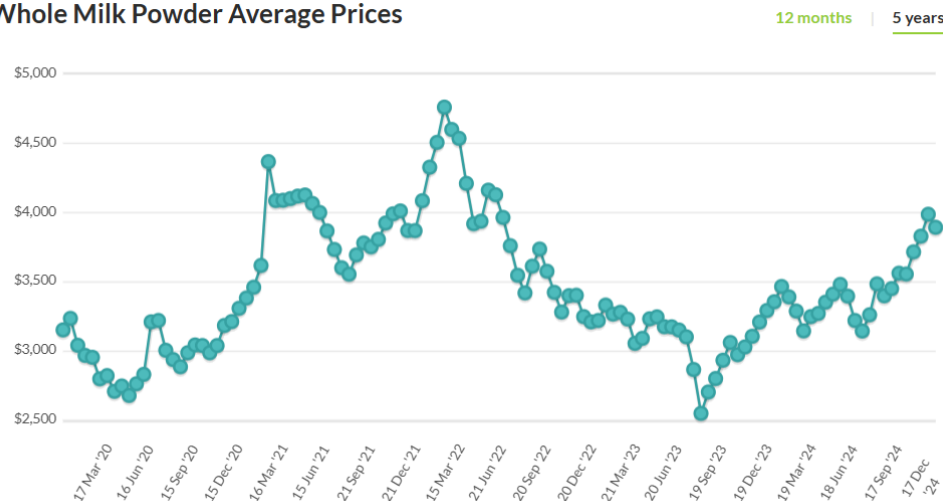


The amount of condensed milk in a cup of milk tea is about 25-33% of its total weight. In the case of using fresh milk, about 50%-75% of the weight of a cup of milk tea is made up of fresh milk. By mid-2023, the Vietnamese milk tea/boba tea market reached approximately 1.3 billion USD (data from the Vietnam Coffee and F&B Association), nearly doubling compared to 2019. The growth rate was about 17% per year and is expected to continue growing at a high pace for the next few years. This beverage is especially popular among young people.





Whole Milk Powder Average Prices



The current trailing P/E of VNM is 13.4x. We expect VNM to achieve a compound annual growth rate of 5-6% in revenue in the medium term, with continued growth in the long term. We anticipate that the profit margin will recover in the medium term due to VNM's improved cost control and gradually stabilizing raw material prices. Recent quarterly data also shows that VNM's profit margin and return on equity are improving.

We have conducted a stock valuation, and our **PRICE TARGET** for VNM over the next 6-18 months is **VND 70,000**. The expected upside is **+13.4%**, with the current trading price of VND 61,700. Recommendation: **ACCUMULATE**.

Risks:

- **Raw material price fluctuations:** Raw milk prices account for about 50% of Vinamilk's production costs, of which 65% is imported powdered milk. These price fluctuations could impact the company's profit margins.
- **Competitive risk:** We believe the main risk for VNM remains competitive pressures in the market.
- **Operational risks.**

The recent quarterly results (net revenue and PATMI in bn VND) show that VNM's gross margin is recovering, despite the rise in powdered milk prices in 2024. This indicates that VNM has improved its cost control. Powdered milk prices are also expected to stabilize in the medium term.

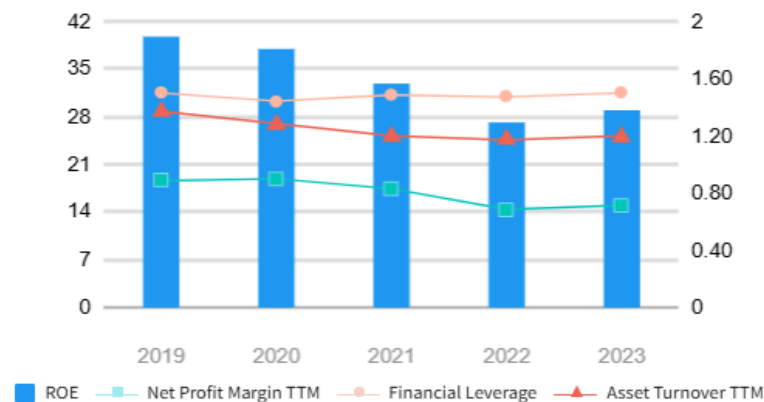


APPENDIX 1: VNM'S SELECTED METRICS

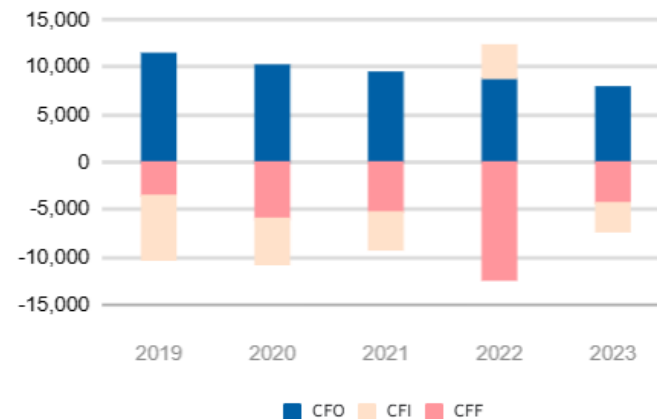


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GUOTAI JUNAN SECURITIES (VIETNAM)

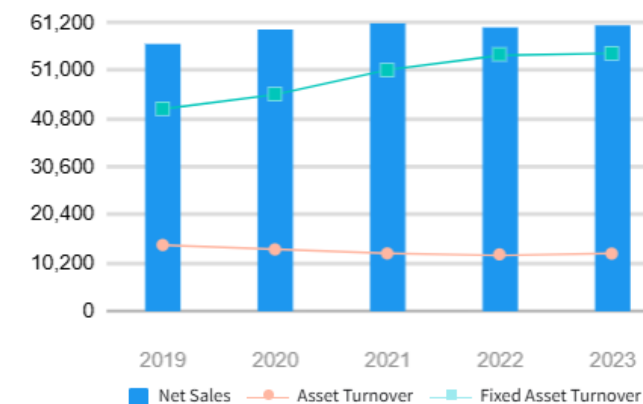
DUPONT



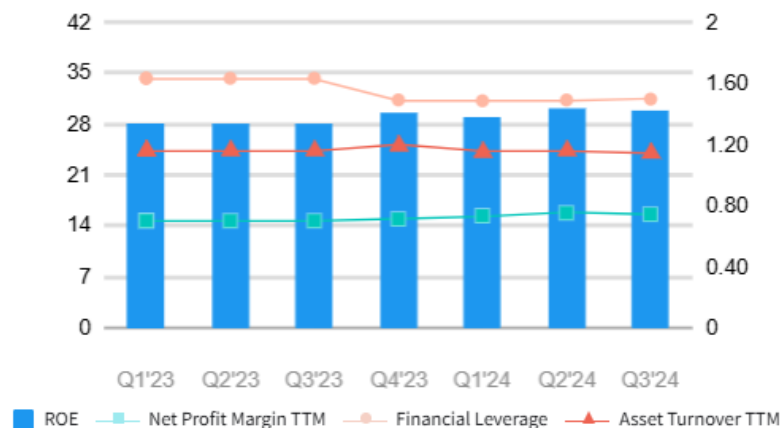
CASH FLOW



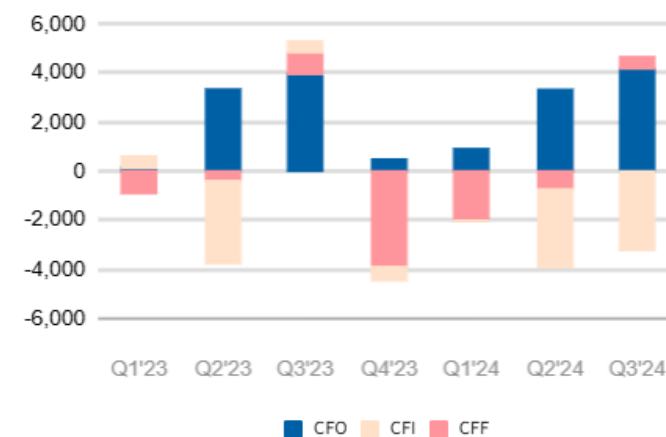
REVENUE



DUPONT



CASH FLOW



A. MATERIAL SOURCING



B. PRODUCTION



C. DISTRIBUTION



Domestic operation

International operation

- **Automated farming** (feeding, scratching, cooling, milking etc.) using Israeli technologies
- **Embedded sensors** on each cow to monitor yield and animal welfare

- **Raw milk** delivered by chill tankers at 2-6°C to preserve natural flavor

- **Production lines** using German, Italian, and Swiss technologies
- **Spray drying technology** by Niro that retains high content of nutrients and mineral

- **Packaging technologies** by Tetrapak, Bencopack, and SIG Combibloc

- **Inventory and spoilage loss** are controlled by Oracle ERP
- **Automated shipment** from smart warehouse by LGV robots

- **Sales & accounting system** are fully integrated





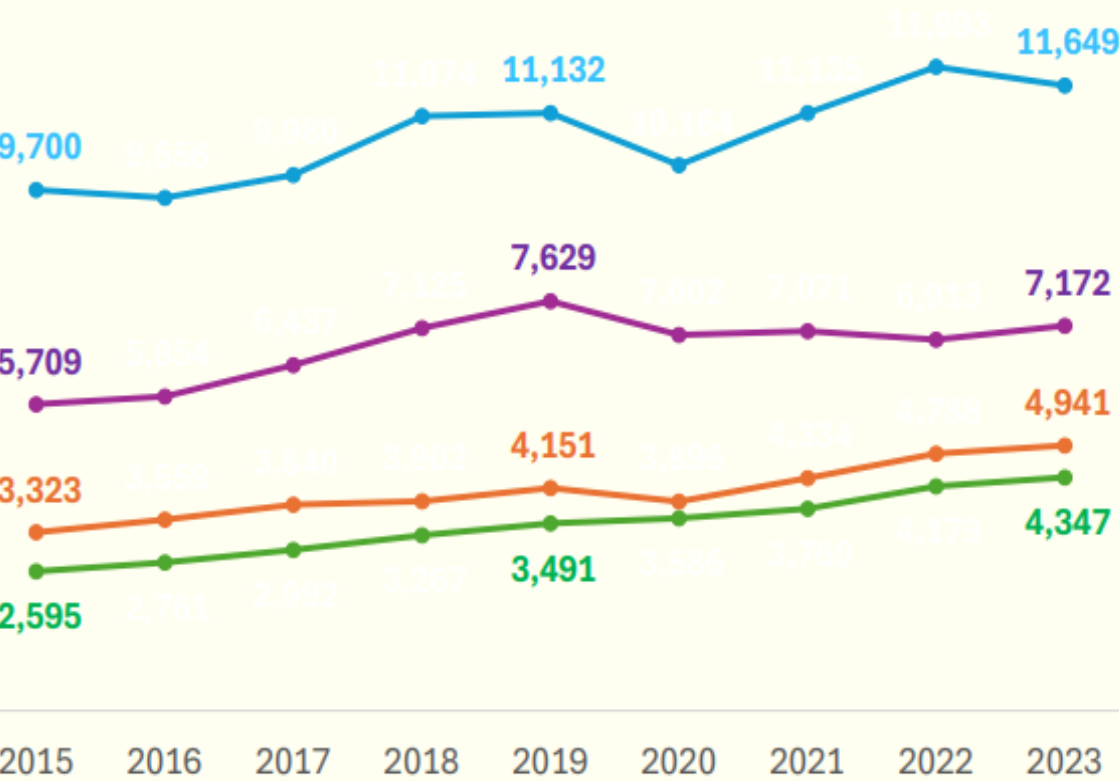
APPENDIX 3: PER CAPITA MILK CONSUMPTION IN VIETNAM, COMPARED WITH OTHER COUNTRIES IN THE REGION



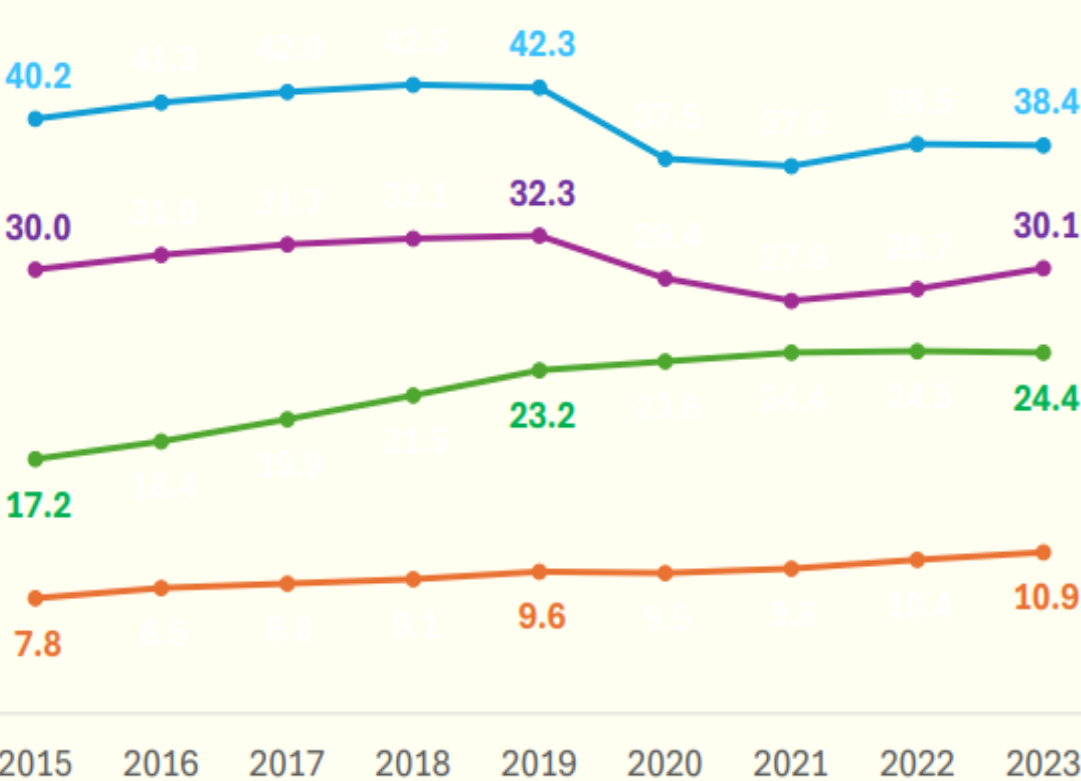
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Low Dairy Consumption Per Capita Relative to the Region

GDP Per Capita (USD)



Dairy Consumption Per Capita (Kg)



Sources: VNM

● Malaysia ● Thailand ● Vietnam ● Indonesia



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