

01/08/2024
RECOMMENDATION BUY

Fair price	58,500
Current price	48,800
Upside/downside	20%

STOCK INFORMATION

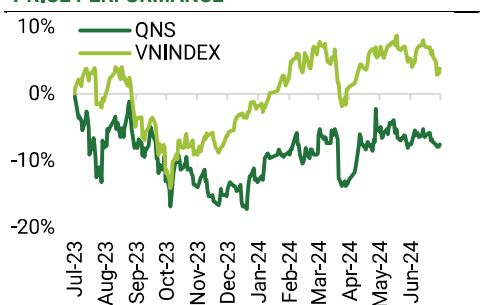
Outstanding shares (mil)	356.94
Free float (mil)	294.12
Market cap. (billion VND)	17,978.36
3m avg. volume (shares)	809,334
Foreign ownership (%)	14.67%
First listing date	20/12/2016

SHAREHOLDER STRUCTURE

Thanh Phat Trade JSC	15.56%
Vo Thanh Dang	8.69%
Foremost Worldwide Limited	4.97%
Others	70.78%

KEY ATTRIBUTES

TTM EPS (VND)	6,666
BVPS (VND)	24,144
Debt/Equity (%)	28.10%
ROA (%)	18.90%
ROE (%)	27.88%
P/E	6.79
P/B	1.71
Dividend yield (%)	8.20%

PRICE PERFORMANCE

COMPANY PROFILE

Quang Ngai Sugar JSC (UPCOM: QNS) specializes in the processing of sugar, molasses, food, and beverages; mineral water; and commercial trading. The company is the market leader in the soymilk segment with a market share of 88.6% and a total soymilk production capacity of 390 million liters/year at its Vinasoy plant. Additionally, the company's Dung Quat Brewery has a capacity of up to 100 million liters/year, and the An Khe Sugar Plant has a sugarcane processing capacity of 18,000 tons/day.

ANALYST(S)

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THE SOYMILK SEGMENT IS REGAINING ITS "FORM"

- Soymilk segment is recovering at a slow pace, offsetting the decline in the sugar segment.
- The Gross Profit Margin of the soymilk segment is expected to expand from 2H2024, benefiting from low soybean prices, recovering milk consumption, and contributions from newly launched higher-end nut milk products.
- For 2024F, we forecast Net Revenue and NPAT to reach VND 10,165 bn (+1.4% YoY) and VND 2,202 bn (+0.9% YoY), respectively, exceeding QNS's 2024 business plan targets by 29.4% and 69.4%.
- We make recommendation **BUY** for QNS with a fair price of VND 58,500/share, offering a potential upside of 20%.

2Q2024 Business results

By the end of 2Q2024, QNS reported a slight decline in business results compared to the same period last year, with Net Revenue decreasing by 10.5% YoY to VND 2,820 bn and NPAT decreasing by 3.1% YoY to VND 690 bn. Revenue from the sugar segment fell to VND 1,060 bn (-5.7% QoQ, -28.1% YoY) due to a slight decrease in volume, despite domestic sugar prices remaining higher than the same period last year (+1.5% YoY). Meanwhile, revenue from the soy milk segment showed a positive recovery, reaching VND 1,185 bn (+50.1% QoQ, +2.0% YoY).

For 6M2024, QNS recorded Net Revenue increase of 1.2% YoY to VND 5,342 bn and NPAT increase of 18.8% YoY to VND 1,222 bn, achieving 59% of revenue target and 94% of profit target for 2024.

2024F and 2025F Business results forecast

We estimate that QNS's Net Revenue and NPAT for 2024F would reach VND 10,165 bn (+1.4% YoY) and VND 2,202 bn (+0.9% YoY), respectively, exceeding QNS's 2024 business plan targets by 29.4% and 69.4%, respectively. The soymilk segment is expected to be the growth driver for QNS, with the revenue structure ratio of the milk/sugar segments reaching 41.0%/39.3%. Revenue from the soymilk segment is projected to increase by 4.0% YoY to VND 4,164 bn as milk consumption demand is expected to recover slowly. Meanwhile, revenue from the sugar segment is anticipated to decrease by 1.1% YoY to VND 3,994 bn due to expected continued decline in sugar prices in the second half of 2024, despite a projected 2% YoY increase in consumption volume thanks to orders from Vinamilk and Nestle in 2H2024.

We forecast that the GPM of the soymilk segment would expand from the second half of 2024, reaching 41.3% (+30bps) thanks to the decline in soybean prices, as QNS has secured soybean raw materials at 8% lower prices. The GPM of the sugar segment is expected to decrease by 50bps to 30.6% as sugar prices continue to decline in the second half of 2024. The overall GPM for 2024F is projected to slightly decrease to 32.7% from 33.4% in 2023.

For 2025F, we forecast QNS to record Net Revenue increase of 3.9% YoY to VND 10,561 bn and NPAT increase of 4.7% YoY to VND 2,305 bn, based on (1) the expansion of sugarcane planting areas, increasing sugar consumption volume through contracts with partners, (2) stable sugar prices for the 24/25F season, and (3) boosted milk consumption demand as purchasing power recovers.