

Vietnam: Consumer
12 February 2025
VNM VN
Not Rated
Close **11 Feb 2025**
Price VND 60,400

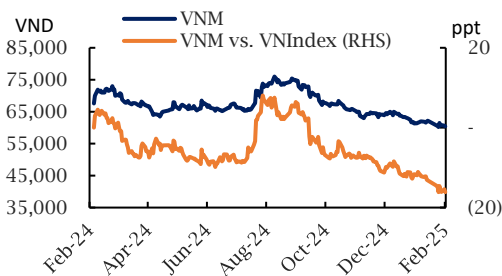
What's new?

- ▶ Takeaways from VNM's 4Q24 analyst meetings on Feb 10 and 11.
- ▶ Sales growth remains tepid.
- ▶ 4Q24 margins fell QoQ due to rising input costs. But full-year margins still improved YoY.
- ▶ VNM expects construction of its "super dairy factory" project in Hung Yen to be completed by early 2028.

Key inferences

- ▶ Milk powder costs are on the rise due to a recovery of demand from China.
- ▶ Management plans to protect 2025E profit margins by increasing selling prices, which it kept flat in 2024.
- ▶ VNM is trading at a TTM PER of 15x, lower than its 10-year average as well as the regional median level.

Company profile: Vinamilk is the leading dairy company in Vietnam specializing in the production and distribution of dairy products such as fresh milk, powdered milk, condensed milk, yogurt, and nutritional beverages. VNM currently operates 15 farms with 140,000 cows, 16 factories, and an extensive distribution system of 200,000 sales points.

Share price performance relative to VNI


Market cap	US\$4.9bn
6M avg. daily turnover	US\$7.5mn
Outstanding shares	2,090mn
Free float	35%
FINI ownership	50.9%
Major shareholders	64.3%
TTM P/E	15.0x
Current P/B	3.9x
Trading platform	HOSE
FOL Room	49.1%
2024 Dividend yield	3.3%

Financial outlook (VND bn)

Year to Dec	2021	2022	2023	2024
Sales	60,919	59,956	60,369	61,783
Op. profit	11,760	9,753	9,771	10,405
PATMI	10,532	8,516	8,874	9,392
EPS (VND)	4,517	3,632	3,796	4,022
EPS chg (%)	-5.3%	-19.6%	4.5%	6.0%

Source: Bloomberg, Fiinpro, Yuanta Vietnam

Vietnam Dairy Product JSC (VNM VN)

Key points from the Feb 10–11 results calls (we participated in both):

4Q24 margins fell sequentially on higher imported milk powder prices. Whole milk powder and skim milk powder average prices increased by +13.5% and +0.9%, respectively, from late 3Q24. Thus, blended gross margin decreased by -1.1 ppt QoQ and YoY to 40.1% in 4Q24, and after-tax 4Q24 profits fell to VND 2.1tn (-10.7% QoQ / -8.7% YoY).

But full-year margins still increased YoY. 2024 consolidated net profit reached VND 9.5tn (+4.8% YoY). This positive result was partly supported by effective operating cost management as SG&A / revenue was 24.6%, nearly unchanged from last year's 24.5%.

What are investors' concerns? Attendees expressed concern about the rising trend of imported milk powder price and its impact on VNM's profitability. They also asked about the progress of VNM's "super dairy factory" project in Hung Yen, which has been delayed since 2022. Management notes that its 2025E guidance will be announced at the company's AGM on Apr 25.

We raised questions about the shut-down of the company's JV in the Philippines with Del Monte in early-2025. VNM explained that the while the JV approach proved to be ineffective, management still considers the Philippines to offer solid potential and will maintain a presence there under a different approach.

Valuation. We don't cover VNM and have no investment view on the stock. Some might argue that its TTM PER of 15.0x is optically cheap given that it is 1) 2 standard deviations below the 10-year average level and 2) below the regional peer median of 17.5x. But the sales growth outlook for VNM and the industry has softened over the past decade.

Risks: (1) prolonged weak consumption, (2) rising whole milk powder price, and (3) increased competition.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Research Analyst:

Di Luu

-84 28 3622 6868 ext 3845

di.luu@yuanta.com.vn
<http://yuanta.com.vn>

Bloomberg code: YUTA

4Q24 and 2024 results update

4Q24 results – After-tax profit declined sharply in 4Q24 due to (1) the impact of Yagi Typhoon on Northern region sales and (2) rising raw material costs in 4Q24.

VNM's consolidated revenues ticked down by -0.4% QoQ / -0.8% YoY to VND 15.5tn in 4Q24. Broken down by geographic segment, domestic sales fell -0.7% QoQ / -1.9% YoY to VND 12.8tn; meanwhile, export and overseas subsidiary revenues rose slightly by +1.0% QoQ / +4.0% YoY to VND 2.6tn.

Blended gross margin decreased by -1.1ppt QoQ and YoY to 40.1% in 4Q24, due to rising input costs since late 3Q24. Whole milk powder and skim milk powder average prices had increased respectively by +13.5% and 0.9% since late 3Q24 to reach \$4,022 USD/MT (Feb 2, 2025) and \$2,840 USD/MT (Jan 28, 2025). Please see figure 2 and 3 for the current powdered milk price trend.

As a result, 4Q24 after-tax profits were VND 2.1tn (-10.7% QoQ / -8.7% YoY).

2024 full-year sales growth was underpinned by exports and overseas subsidiary revenues.

2024 consolidated revenue reached VND 61.8tn (+2.3% YoY), completing 98% full-year guidance. The domestic market recorded another year of flattish growth (+0.4% YoY) to reach VND 50.8tn. Meanwhile, combined export and overseas sales increased by +12.6% YoY to reach VND 11.0tn.

Full-year gross margin improved by +0.7ppt YoY to reach 41.4%. Thus, gross profit increased to VND 25.6tn (+4.3% YoY). VNM's full-year net profit margin also improved by +0.4ppt YoY to reach 15.3%; and 2024 PAT reached VND 9.5tn (+4.8% YoY).

This positive full-year outcome for profitability was partly supported by effective operating cost management. SG&A / revenue was 24.6%, nearly unchanged from the previous year's 24.5%.

Fig. 1: VNM's 4Q24 and 2024 results summary

Revenues (VNDbn)	4Q23	3Q24	4Q24	QoQ growth	YoY growth
Consolidated revenue	15,619	15,537	15,478	-0.4%	-0.9%
Domestic	13,085	12,928	12,843	-0.7%	-1.9%
Export and overseas	2,534	2,609	2,635	1.0%	4.0%

Gross profits (VNDbn)	4Q23	3Q24	4Q24	QoQ growth	YoY growth
Consolidated	6,441	6,401	6,209	-3.0%	-3.6%
Domestic	5,455	5,299	5,170	-2.4%	-5.2%
Export and overseas	986	1,102	1,039	-5.7%	5.4%

Gross margin (%)	4Q23	3Q24	4Q24	ppt changes QoQ	ppt changes YoY
Consolidated	41.2%	41.2%	40.1%	(1.1)	(1.1)
Domestic	41.7%	41.0%	40.3%	(0.7)	(1.4)
Export and overseas	38.9%	42.2%	39.4%	(2.8)	0.5

After-tax profits (Vn)	4Q23	3Q24	4Q24	QoQ growth	YoY growth
Consolidated PAT	2,351	2,403	2,147	-10.7%	-8.7%

After-tax margins (%)	4Q23	3Q24	4Q24	ppt changes QoQ	ppt changes YoY
Consolidated	36.5%	37.5%	34.6%	(3.0)	(1.9)

Sales breakdown	2023	2024	YoY growth
Consolidated revenues	60,368	61,782	2.3%
Domestic	50,617	50,799	0.4%
Export and overseas	9,751	10,983	12.6%

Gross profits breakdown	2023	2024	YoY growth
Consolidated	24,545	25,590	4.3%
Domestic	20,894	20,975	0.4%
Export and overseas	3,651	4,615	26.4%

Gross margin (%)	2023	2024	ppt changes YoY
Consolidated	40.7%	41.4%	0.8
Domestic	41.3%	41.3%	0.0
Export and overseas	37.4%	42.0%	4.6

After-tax profits (VNDbn)	2023	2024	YoY
Consolidated PAT	9,019	9,453	4.8%

After-tax margins (%)	2023	2024	ppt changes YoY
Consolidated	14.9%	15.3%	0.4

Source: Company data, Yuanta Vietnam

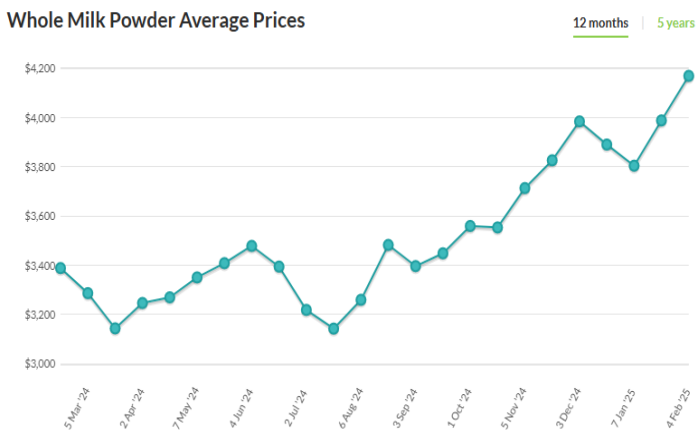
What are investors' concerns?

VNM's profitability trend in 2025E. Attendees on both calls expressed concern about the rising trend of imported milk powder prices and the potential impact on the company's future profitability. VNM explained that rising input prices were caused by increased powder milk demand from China, which they believe may have been underpinned by trade war concerns.

VNM did not disclose the exact contribution of imported milk powder to its total COGS. However, the company stated that it has the ability to "share the burden" with consumers by increasing selling prices, based on market conditions.

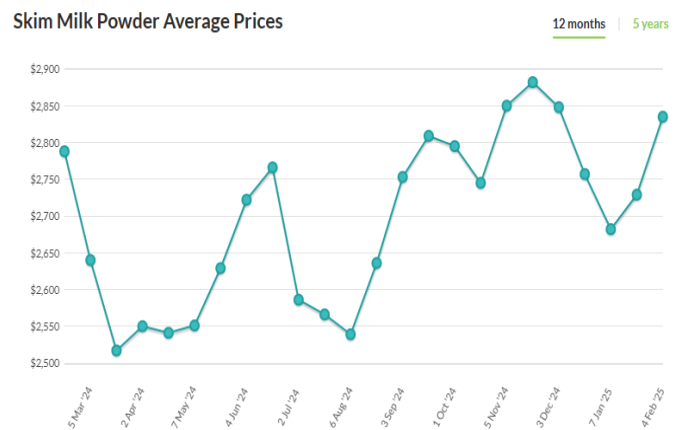
VNM expressed confidence in their ability to do this as a "price maker" in the dairy industry. Thus, they expect 2025E gross margin to be in "good shape" (i.e., more positive compared to 2024).

Fig. 2: Whole milk powder average price



Source: globaldairytrade.com

Fig. 3: Skim milk powder average price



Source: globaldairytrade.com

Attendees asked about the progress of VNM's "super dairy factory" project in Hung Yen, which has a total investment of VND 4.6tn (US\$180 million for 3 phases) and is expected to increase the company's milk production capacity by 400 million liters of milk per year, equivalent to an increase in capacity of 40%.

Management said they will begin construction of the project's first phase (CAPEX: VND 1.5tn) starting from 2Q25, which admittedly reflects a long delay vs. the initial plan of starting construction at end-2022, with the gap due to prolonged administrative procedures. VNM expects to complete the project by end-2027E or in early 2028E.

Analysts also questioned about VNM's plan for domestic market development. Modern trade (15% of 2024 total sales) led the domestic sales growth with an increase of 5% YoY in 2024, but traditional trade was down by a low single digit YoY.

VNM explained this is partly due to the transition / upgrade of traditional mom-and-pop shops into the modern retail store format, which causes VNM to recategorize such upgraded stores to the modern trade channel in its reporting.

As a whole, domestic sales still slightly increased by +0.4% YoY in 2024 to reach VND 50.8tn.

VNM adds that it plans to continue developing and expanding new products that it launched in 2024 (e.g., Green Farm milk, Banana Milk, Collagen Juice), which it considers to be key growth drivers in the years ahead. Additionally, VNM plans to continuously rebrand its "Vietnamese Milk Dream" retail stores into "Vinamilk" stores, positioning them as retail outlets and showrooms, as well as data collection points for analyzing consumer demand.

Fig. 4: VNM's new products launched in 4Q24 and the company's re-positioning strategy of its retail stores.

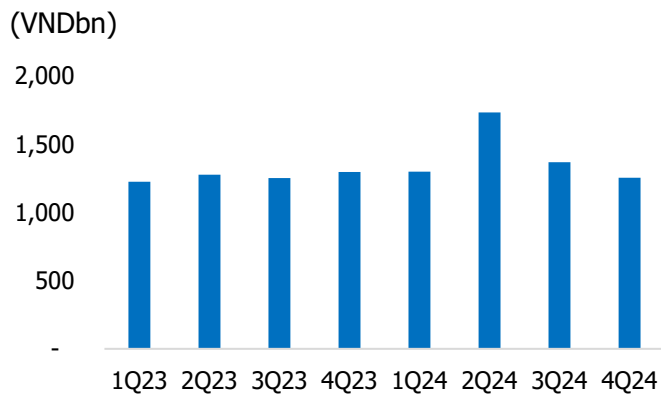


Source: Company data

We questioned the company about the shutdown of its joint venture in the Philippines with Del Monte Philippines in early 2025. VNM explained that this business model was not effective, but it still sees the Philippines as a potential market and maintains its presence in this country under different approach.

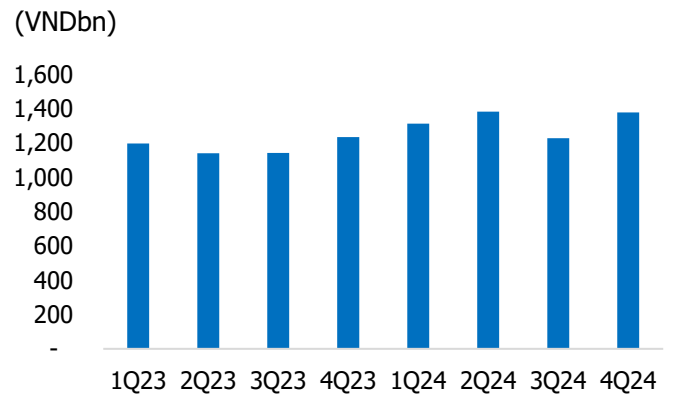
Specifically, VNM has switched back direct exports of products to its export partners in the Philippines and has transferred all orders from its previous JV to its current partners. Further information about the partners was not disclosed.

Fig. 5: VNM's quarterly export sales



Source: Company data

Fig. 6: VNM's quarterly overseas sales



Source: Company data

Regarding the 2025 business plan, VNM stated that a preliminary proposal had been submitted to the BOD, with official figures to be announced at the company's Annual General Meeting (AGM) on April 25, 2025.

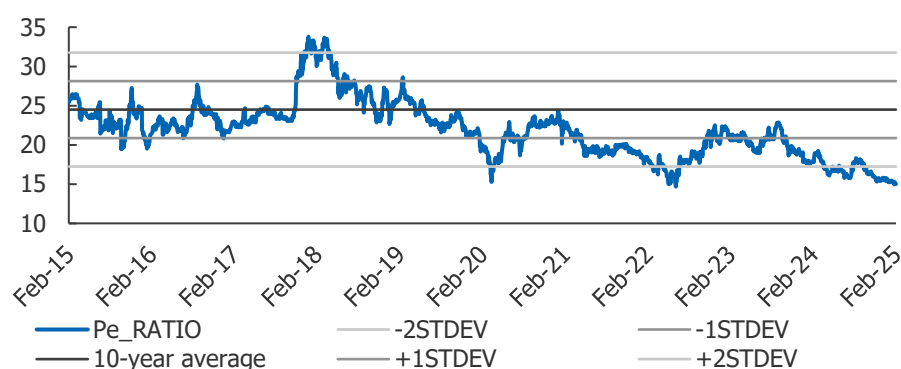
Valuation and Risk

Valuation

We don't cover VNM and thus have no investment view on the stock. Some observers might consider VNM to be cheap given that the stock is trading at TTM PER of 15.0x, which is near -2 STDEV below its 10-year average and is also below its the regional peers' median level of 17.5x (source: Bloomberg).

However, price multiples should be considered in light of a company's profitability and growth prospects. VNM remains a solid company but its growth outlook – and that of the domestic dairy industry as a whole -- has clearly changed over the past decade.

Fig. 7: VNM's TTM PE ratio



Source: Bloomberg

Fig. 8: Relative valuation of VNM's regional peers

Ticker	Name	Ticker	Mkt Cap (US\$m)	TTM P/E (x)	Current P/B (x)	2024 ROE (%)	2024 ROA (%)	Debt/Equity (%)
301498 CH Equity	GAMBOL PET GROUP CO LTD-A	301498 CH	5,183	64.7	9.3	15.9	13.4	0.7
CPF TB Equity	CHAROEN POKPHAND FOODS PUB	CPF TB	5,060	11.0	0.7	(5.2)	(1.2)	180.7
FB PM Equity	SAN MIGUEL FOOD AND BEVERAGE	FB PM	5,329	11.7	2.6	21.2	6.5	60.7
NESZ MK Equity	NESTLE (MALAYSIA) BERHAD	NESZ MK	4,768	40.7	37.2	112.4	20.5	136.8
220 HK Equity	UNI-PRESIDENT CHINA HOLDINGS	220 HK	4,220	17.5	2.5	10.3	6.2	8.1
600298 CH Equity	ANGEL YEAST CO LTD-A	600298 CH	4,330	24.1	3.0	11.6	6.2	53.2
INDF IJ Equity	INDOFOOD SUKSES MAKHMUR TBK P	INDF IJ	4,131	6.9	1.0	14.6	4.5	64.4
AWLTD IN Equity	ADANI WILMAR LTD	AWLTD IN	3,671	215.0	3.8	4.9	2.0	31.6
MSN VN Equity	MASAN GROUP CORP	MSN VN	3,872	51.8	3.3	2.9	0.6	160.8
QLG MK Equity	QL RESOURCES BHD	QLG MK	3,769	36.7	5.6	16.0	8.3	40.5
PEP MK Equity	PPB GROUP BERHAD	PEP MK	3,708	12.8	0.7	5.4	4.9	3.4
6186 HK Equity	CHINA FEIHE LTD	6186 HK	5,972	12.1	1.7	15.9	10.8	8.6
603156 CH Equity	HEBEI YANGYUAN ZHIHUI BEVE-A	603156 CH	3,681	19.2	2.7	12.6	9.1	18.1
MYOR IJ Equity	MAYORA INDAH PT	MYOR IJ	3,074	15.8	3.2	23.0	13.8	27.9
603345 CH Equity	ANJOY FOODS GROUP CO LTD-A	603345 CH	3,030	15.7	1.7	12.4	9.0	4.4
	Median		4,131	17.5	2.7	12.6	6.5	31.6
VNM VN Equity	VIETNAM DAIRY PRODUCTS JSC	VNM VN	4,947	15.0	3.9	26.4	17.5	25.6

Source: Bloomberg

Risks

Top risk – Weak consumption. With the currently largest market share in dairy industry and a high contribution of traditional channel in total sales (85% in 2024), VNM's end consumers are mostly based in rural areas, where consumer have lower income compared to urban area and more vulnerable to economic challenges.

Material cost keeps increasing higher. Ongoing geopolitical uncertainties as well as trade war concerns may drive food and beverage production costs higher.

Rising competition. Although VNM owns highest market share among dairy industry, the trend is actually decreasing over the past few years (from over 45% in 2020 to the current level of 38–39%), implying rising competition from other players.

PROFIT AND LOSS (VND bn)

<i>FY Dec 31 (VND'bn)</i>	2020	2021	2022	2023	2024
Revenue	59,636	60,919	59,956	60,369	61,783
<i>Domestic</i>	48,902	51,172	50,723	50,617	50,799
<i>Export</i>	6,560	6,092	4,856	5,039	5,664
<i>Overseas sub.</i>	3,578	3,655	4,437	4,713	5,319
Cost of goods sold	-31,968	-34,641	-36,059	-35,824	-36,192
Gross profits	27,669	26,278	23,897	24,545	25,590
Operating expenses	-15,406	-14,518	-14,144	-14,774	-15,186
Operating profits	12,263	11,760	9,753	9,771	10,405
Net interest expenses	1,272.52	1,012.35	762.37	1,213.24	1,157.42
Net investments income/(loss)	3.88	-45.04	-24.48	-80.63	32.00
Net other incomes	-20.84	194.62	4.47	64.27	5.68
Pretax profits	13,519	12,922	10,496	10,968	11,600
Income taxes	-2,283	-2,290	-1,918	-1,949	-2,147
Minority interests	-136.80	-100.06	-61.55	-145.54	-60.58
Net profits	11,099	10,532	8,516	8,874	9,392
EBITDA	15,080	14,127	12,094	12,071	12,746
EPS (VND)	4,770	4,517	3,632	3,796	4,022

KEY RATIOS

	2020	2021	2022	2023	2024
Growth (% YoY)					
Revenue	5.9%	2.2%	-1.6%	0.7%	2.3%
<i>Domestic</i>	5.9%	4.6%	-0.9%	-0.2%	0.4%
<i>Export</i>	5.9%	-7.1%	-20.3%	3.8%	12.4%
<i>Overseas sub.</i>	5.9%	2.2%	21.4%	6.2%	12.9%
Operating profit	0.7%	-4.1%	-17.1%	0.2%	6.5%
EBITDA	15.5%	-62.8%	88.4%	11.6%	5.6%
Net profit	-16.3%	-95.9%	2246.1%	41.4%	5.8%
EPS changes	-12.9%	-5.3%	-19.6%	4.5%	6.0%
Profitability ratio (%)					
Gross margin	23.1%	19.0%	21.0%	21.5%	41.4%
Operating margin	5.0%	0.4%	3.7%	4.3%	16.8%
EBITDA margin	7.6%	3.2%	5.4%	5.5%	20.6%
Net margin	3.1%	0.1%	3.0%	3.9%	15.2%
ROE	33.4%	29.7%	26.1%	25.8%	26.1%
ROA	23.2%	19.9%	17.7%	17.1%	17.2%
Stability					
Net debt/equity (x)	0.2	0.3	0.2	0.2	0.3
Int. coverage (x)	85.3	132.4	58.7	27.6	37.2
Int. &ST debt coverage (x)	1.6	1.2	1.9	1.1	1.1
Cash conversion days	77	77	66	60	50
Current ratio (X)	2.1	2.1	2.1	2.1	2.0
Quick ratio (X)	1.7	1.7	1.7	1.7	1.7
Net cash/(debt) (VND bn)	-5,373	-7,109	-2,633	-5,544	-7,047
Efficiency					
Days receivable outstanding	23	26	27	29	28
Days inventory outstanding	57	62	63	60	60
Days payable outstanding	39	39	43	41	39

Source: Company data, YSVN

BALANCE SHEET (VND bn)

<i>FY Dec 31 (VND'bn)</i>	2020	2021	2022	2023	2024
Total assets	48,432	53,332	48,483	52,673	55,049
Cash & cash equivalents	2,111	2,349	2,300	2,912	2,226
ST Investment	17,314	21,026	17,414	20,137	23,260
Accounts receivable	5,187	5,822	6,100	6,530	6,234
Inventories	4,905	6,773	5,538	6,128	5,687
Other current assets	148.48	140.52	208.42	228.82	147.02
Net fixed assets	13,854	12,707	11,903	12,690	12,551
Others	4,913	4,516	5,019	4,048	4,945
Total liabilities	14,785	17,482	15,666	17,648	18,875
Current liabilities	14,213	17,068	15,308	17,139	18,460
Accounts payable	3,199	4,214	4,284	3,806	3,874
ST debts	7,316	9,382	4,867	8,218	9,115
Others	3,697	3,472	6,157	5,115	5,470
Long-term liabilities	573	414	358	509	415
Long-term debts	167	76	66	238	158
Others	405	338	292	270	257
Shareholder's equity	33,647	35,850	32,817	35,026	36,174
Share capital	20,900	20,900	20,900	20,900	20,900
Treasury stocks	-11.64	0.00	0.00	0.00	0.00
Others	5,849.49	7,356.30	8,563.50	10,199.96	11,803.62
Retained earnings	6,910	7,594	3,353	3,926	3,471

CASH FLOW (VND bn)

<i>FY (VND'bn)</i>	2020	2021	2022	2023	2024
Operating cash flow	10,180	9,432	8,827	7,887	9,686
Net income	13,519	12,922	10,496	10,968	11,600
Dep, & amortisation	2,817	2,367	2,341	2,300	2,341
Change in working capital	-4,910	-4,920	-3,076	-4,372	-3,181
Others	-1,245	-937	-933	-1,009	-1,074
Investment cash flow	-4,802	-3,933	3,473	-2,989	-3,739
Net capex	-1,114	-1,397	-1,320	-1,475	-1,628
Change in LT investment	-4,828	-3,536	3,592	-2,882	-3,584
Change in other assets	1,141	1,000	1,201	1,368	1,473
Cash flow after invt.	5,378	5,499	12,300	4,899	5,947
Financing cash flow	-5,932	-5,261	-12,349	-4,287	-6,633
Change in share capital	-14.36	317.86	338.10	347.24	722.41
Net change in debt	2,016	2,046	-4,531	3,512	796
Change in other LT liab.	-7,933	-7,625	-8,155	-8,146	-8,151
Net change in cash flow	-554	237	-49	612	-686
Beginning cash flow	2,665	2,111	2,349	2,300	2,912
Ending Cash Balance	2,111	2,349	2,300	2,912	2,226

KEY METRICS

	2020	2021	2022	2023	2024
PE (x)	15.7	16.0	16.4	14.6	13.4
Diluted PE (x)	15.7	16.0	16.4	14.6	13.4
PB (x)	5.6	5.1	4.7	4.1	3.9
Dividend yield (%)	4.9%	4.8%	5.8%	6.2%	3.3%
EV/EBITDA (x)	12.4	12.8	12.3	11.7	11.0
EV/EBIT (x)	14.7	15.2	14.9	14.2	13.2

Appendix A: Important Disclosures

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HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

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YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Analyst

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Giang Hoang

Assistant Analyst

giang.hoang@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

an.nguyen@yuanta.com.vn

Institutional Sales

Lawrence Heavey

Head of Institutional Sales

Tel: +84 28 3622 6868 (ext. 3855)

lawrence.heavey@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn

Tuan-Anh Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn