

Vitasoy International (00345.HK)

Revenue Growth and Margin Expansion Enhance Profitability
Food & Beverage |

6 March 2024

Investment Summary

Vitasoy International (00345.HK) reported revenue of HKD 3.443 billion for 1H2025FY, representing a year-on-year (YoY) growth of 2%. While overall topline growth remained modest, gross margin expanded significantly to 51.6% (1H2024FY: 50.5%), reflecting the positive impact of lower raw material costs and production process optimization. Operating profit surged by 50% to HKD 257 million, primarily driven by strong performances in Mainland China and Hong Kong. In Mainland China, the company leveraged an optimized online and offline sales mix and improved production efficiency, leading to a 15% increase in operating profit, with an operating margin of 11%. The Hong Kong segment also delivered robust results, with operating profit rising by 44%, supported by revenue growth and lower raw material costs. Meanwhile, the Australia and New Zealand markets resumed revenue growth as production issues were resolved, while the Singapore market saw increased revenue from its tofu business, leading to a significant narrowing of operating losses. Earnings per share (EPS) stood at HKD 0.159, reflecting a YoY increase of 4.6%. The company declared an interim dividend of HKD 0.04 per share, marking an impressive 186% YoY increase. This underscores management's confidence in the company's stable cash flow outlook and its commitment to maintaining a consistent shareholder return policy.

Revenue Growth and Margin Expansion Enhance Profitability

For the six months ended September 30, 2024, Vitasoy recorded revenue of HKD 3.443 billion, up 2% YoY. The Mainland China segment remained broadly flat at HKD 1.958 billion, reflecting intensified market competition. Notably, the decline in online sales exerted pressure on overall growth, attributed to increased competition on e-commerce platforms and evolving consumer purchasing behavior. However, through product portfolio optimization and enhanced production efficiency, the Mainland China segment achieved an operating profit of HKD 218 million, up 15% YoY, with an operating margin improvement to 11%.

The Hong Kong market remained resilient, with revenue increasing by 3% YoY to HKD 1.156 billion, driven by strong brand equity, broad market influence, and product innovation. Demand for new offerings, such as Vitasoy Banana Soy Milk, Vitasoy Strawberry Soy Milk, Vita O Sugar Lemon Tea, and Vita O Sugar Sparkling Lemon Tea, was robust, boosting sales volume. Operating profit in Hong Kong surged by 44% YoY to HKD 159 million, with an operating margin improvement to 14%. This strong performance was underpinned by core product sales growth and the tailwind from lower raw material costs. Additionally, increased demand from export markets provided incremental revenue support.

The Australia and New Zealand segment resumed revenue growth, rising 7% YoY to HKD 273 million. However, the business still recorded an operating loss of HKD 45.51 million, with the loss widening compared to the prior period. This was primarily due to operational disruptions in the first half, though management has successfully resolved the issues and restored production capacity. A return to profitability is anticipated in the second half.

The Singapore segment recorded revenue growth of 6% YoY to HKD 55.85 million, primarily driven by strong tofu export demand. Despite ongoing challenges in the beverage business, operating losses narrowed significantly to HKD 2.10 million, reflecting increased tofu revenue and improved cost control measures. Nevertheless, further strengthening of distribution channels will be required to restore overall profitability in this segment.

Benefiting from lower raw material costs and production process optimization, the group's gross margin expanded to 51.6%, marking a 1.1 percentage point improvement YoY. This highlights Vitasoy's strong cost management capabilities.

Buy

CMP HKD9.37
(Closing price as of 28 February)
Target HKD 11.66 (+24.4%)

COMPANY DATA

O/S SHARES (MN) :	1073.093978
MARKET CAP (HKD MN) :	10054.9
52 - WK HI/LO (HKD):	12.84/4.43

SHARE HOLDING PATTERN, %

Lo's Family	25.73%
Kuang Ming Investments	6.40%

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

HKD mn	FY23	FY24	FY25E	FY26E
Revenue	6,340.6	6,217.1	6,326.2	6,586.6
Net profit	45.7	116.4	236.7	307.7
Reported EPS	0.043	0.108	0.221	0.287
P/E ratio, x	219.7	86.4	42.5	32.7
Dividend Yield, %	0.3%	0.8%	1.6%	2.0%

Source: Company reports, Phillip Securities Est.

Sr. Research Analyst

Eric Li (+852 2277 6516)
erichyli@phillip.com.hk

Solid Financial Position with Strong Cash Flow Generation

Vitasoy's cash flow position improved significantly during the period. As of September 30, 2024, cash and bank balances (net of bank borrowings) increased to HKD 935 million, a substantial 74% surge from HKD 538 million as of March 31, 2024. This improvement was primarily driven by enhanced operating cash flow and disciplined capital expenditure management.

While bank borrowings increased from HKD 256 million to HKD 405 million, the stronger cash position allowed the company to maintain a solid financial profile, with net cash holdings improving meaningfully. This demonstrates a reduced financial risk profile and enhanced liquidity resilience.

Investment Thesis and Valuation

A key challenge for Vitasoy in the second half of the fiscal year remains the intensifying competitive landscape in Mainland China. While the company has enhanced profitability through product mix optimization and production efficiency, the decline in online sales necessitates further strategic adjustments. Strengthening brand influence and refining e-commerce strategies will be crucial to sustaining long-term growth momentum. The Hong Kong market continues to perform steadily, but given a challenging retail environment, further strengthening of market positioning and exploring additional growth avenues will be necessary. The Australia and New Zealand segment is expected to return to profitability following the resolution of production issues, while the Singapore segment's performance hinges on the successful restructuring of its beverage distribution network.

Vitasoy delivered resilient earnings growth and strong cash flow improvements in 1H2025FY, while significantly increasing dividend payouts, reflecting management's confidence in the business outlook. Despite competitive pressures in China, the company has effectively managed product portfolio optimization and cost control, leading to a notable operating margin expansion. Based on Vitasoy's robust financial position, consistent earnings growth, and stable dividend policy, and we expect the company's earnings per share (EPS) for FY2025 and FY2026 to be HKD 0.221 and HKD 0.287, respectively. Our target price is set at HK\$ 11.66, corresponding to a 40.7x forward P/E ratio for FY2026, which is in line with the company's five-year historical average valuation. Our investment rating is "Buy".

Risk factors

1) Intensified Competition in Mainland China; 2) Cost Pressures and Gross Margin Risks; and 3) Uncertainty in Overseas Market Expansion.

Financial

Consolidated Statement of Profit or Loss

Mar Y/E, HKD mn	FY22	FY23	FY24	FY25E	FY26E
Revenue	6,501.2	6,340.6	6,217.1	6,326.2	6,586.6
COGS	(3,430.5)	(3,328.8)	(3,105.7)	(3,117.6)	(3,214.6)
Gross Profit	3,070.7	3,011.8	3,111.4	3,208.6	3,372.1
Other income	126.2	113.8	84.2	58.2	67.6
Distribution and selling exp.	(2,215.2)	(2,024.4)	(1,976.3)	(1,896.3)	(1,956.9)
General & Admin exp.	(702.4)	(672.0)	(701.0)	(691.9)	(701.2)
Other operating exp.	(492.2)	(325.6)	(332.9)	(323.0)	(360.7)
Operating Profit	(212.9)	103.6	185.4	355.6	420.8
Finance costs, net	(23.1)	(32.5)	(30.0)	(27.5)	(17.9)
Share of losses of joint venture	-	(22.3)	(23.7)	-	-
Profit before tax	(235.9)	48.8	131.7	328.1	402.9
Income tax	74.5	(27.7)	(13.9)	(87.5)	(90.8)
Shareholders Net profit	(158.8)	45.7	116.4	236.7	307.7
Reported EPS, Diluted	(0.149)	0.043	0.108	0.221	0.287
DPS	-	0.027	0.077	0.148	0.192
Payout ratio	0%	63%	71%	67%	67%

Key Financial Data

Mar Y/E	FY22	FY23	FY24	FY25E	FY26E
Valuation Ratio					
P/S ratio, x	1.5	1.6	1.6	1.6	1.5
P/E ratio, x	(63.1)	219.7	86.4	42.5	32.7
Dividend Yield, %	0.0%	0.3%	0.8%	1.6%	2.0%

Per share data (HKD)

EPS	(0.15)	0.04	0.11	0.22	0.29
BVPS	3.05	2.79	2.80	2.94	3.09
DPS (HKD)	-	0.027	0.077	0.148	0.192

Growth & Margin

Growth					
Revenue Growth	-13.5%	-2.5%	-1.9%	1.8%	4.1%
Gross Profit Growth	-22.3%	-1.9%	3.3%	3.1%	5.1%
Operating Profit Growth	-125.2%	-148.7%	79.0%	91.8%	18.3%
Net Profit Growth	-129.0%	-128.8%	154.5%	103.4%	30.0%
Margin					
Gross Profit Margin	47.2%	47.5%	50.0%	50.7%	51.2%
Operating Profit Margin	-3.3%	1.6%	3.0%	5.6%	6.4%
Net Profit Margin	-2.4%	0.7%	1.9%	3.7%	4.7%

Key Ratios

ROE	-4.6%	1.5%	3.9%	7.7%	9.5%
ROA	-2.3%	0.7%	2.0%	4.1%	5.2%

Consolidated Statement of Financial Position

Mar Y/E, HKD mn	FY22	FY23	FY24	FY25E	FY26E
Non Current Asset					
PPE	3,968.2	3,392.1	3,103.4	2,762.0	2,457.8
Others	282.7	261.1	286.2	306.0	326.3
Total Non Current Assets	4,251.0	3,653.2	3,389.6	3,068.0	2,784.1
Current Asset					
Inventory	773.4	639.6	554.5	619.5	641.9
Trade and other receivables	1,123.0	981.9	873.3	987.0	1,031.3
Bank balance and cash	621.9	555.3	794.5	1,180.9	1,502.6
Others	37.9	19.5	24.8	44.5	64.8
Total Current Assets	2,556.2	2,196.3	2,247.1	2,832.0	3,240.6
Total Assets	6,807.1	5,849.5	5,636.7	5,900.0	6,024.7
Non-Current Liabilities					
Long-term debt	-	115.1	-	76.7	71.6
Other Non-current Liabilities	206.4	162.0	298.7	259.1	218.6
Total Non-current Liabilities	206.4	277.0	298.7	335.8	290.2
Current Liabilities					
Interest-bearing Borrowings	489.8	409.6	256.0	311.6	284.0
Trade payables	2,432.5	1,963.4	1,824.7	1,857.0	1,899.8
Others	109.2	98.9	144.7	124.9	104.6
Total Current Liabilities	3,031.6	2,471.9	2,225.4	2,293.5	2,288.5
Equity					
Shareholders' equity	3,257.9	2,984.7	3,004.6	3,158.7	3,329.6
Non-controlling interests	311.2	115.9	108.1	112.0	116.4
Total equity	3,569.1	3,100.6	3,112.6	3,270.7	3,446.0
Total Liabilities and Equity	6,807.1	5,849.5	5,636.7	5,900.0	6,024.7

Consolidated Statement of Cash Flow

Mar Y/E, HKD mn	FY22	FY23	FY24	FY25E	FY26E
CFO					
Profit before income tax	(235.9)	48.8	131.7	328.1	402.9
D&A add-back	559.0	529.3	522.7	503.4	456.5
Others	50.6	64.5	73.7	(87.5)	(68.9)
Net (inc)/dec working capital	(249.3)	(140.3)	62.5	(146.4)	(23.8)
Net cash flow from operating activities	124.4	502.4	790.5	597.6	766.8
CFI					
Purchase of PP&E	(409.5)	(187.5)	(146.3)	(166.9)	(156.6)
Others	9.2	(1.7)	(148.0)	(146.6)	(147.2)
Net cash flow from investing activities	(400.3)	(189.2)	(294.3)	(313.5)	(303.8)
CCF					
Dividends paid	(310.1)	(13.9)	(30.0)	(82.5)	(158.7)
Others	225.2	(352.4)	(373.5)	33.4	(134.0)
Net cash flows from financing activities	(84.8)	(366.3)	(403.5)	(49.1)	(292.8)
Net Change in Cash	(360.7)	(53.1)	92.8	235.0	170.2
Cash and CE at Y/E	621.4	554.8	643.0	1,029.4	1,351.1

Current Price as of: February 28

Source: PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2025 Phillip Securities (Hong Kong) Limited

Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

L Level 10, 330 Collins Street
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

www.ashaphillip.net/home.htm