

Sector Note



Textile & Garment

Turning point for yarn makers

- We expect that discretionary demand of Vietnam's top export markets such as the U.S. and E.U. and even China, will soften further into 2023F.
- We expect yarn manufacturers to recover from 3Q23F thanks to demand recovery from the U.S. market.
- Our stock pick is STK, while TNG, ADS are on our the watchlist.

Tough time but there are signs of recovery

After decreased 6.8% yoy in 4Q22 due to weak orders, Vietnam export value extended the downward trend, fell 17% yoy in 2M23. However, we see positive signals from both domestic and global markets. The Manufacturing Purchasing Managers' Index (PMI) of Vietnam, the U.S. and China increased by 3.8 pts, 0.9 pts, 2.6 pts mom, respectively. While the inflation in the U.S. and E.U. are cooling down in 2M23. With the indicators recovering, we expect the export sector to face less difficulties in 2Q23F and recover gradually in 3Q23F.

China re-opening is a double-edge sword

We expect China to fully reopen its economy soon in 2Q23F. We believe that this event will support export goods to China such as fiber and yarn to recover from 2H23F. Accordingly, China is the main yarn importer of Vietnam, accounting for 48% of the total export value. In addition, the reopening of some of China's net exports can help reduce input costs of garment enterprises as 70% of fabric materials from Vietnam are imported from China. On the other hand, China is the largest supplier of T&G to the U.S. with 22.4% share, followed by Vietnam with 14.87% in FY22. We expect that garment companies with high share of export to U.S. such as MSH, GIL, TCM, VGT will face challenges in 2H23.

We expect yarn manufacturers to recover from 3Q23F

As upstream producers, yarn makers will be affected earlier than downstream firms as large customers reduce inventories amid expected weaker end-customer demand. As a result, we believe that yarn companies such as STK, HTG, PPH, and ADS will show signs of recovery from 3Q23, earlier than the garment manufacturers. STK's management disclosed sale volume in Feb-22 to improve compared to 4Q22. While, HTG expect 1Q23 net profit to reach VND65bn (+20.3% qoq).

Our stock pick is STK while TNG, ADS are on our the watchlist

We like stocks that are upstream in the industry, which have the potential to recover earlier in 2023F. Thus, we prefer STK for our stock pick. We expect STK's net profit growth will likely to bottom out from 3Q23F thanks to demand recovery and customers refilling inventories to produce for 1Q24F season. We expect FY23-24F sales volume to grow 15%/22% respectively, bringing the FY23-24 earnings growth back to 2-digit positive territory. In addition, investors should keep focus on ADS and TNG thanks to taking advantage from China reopening economy and remaining stable orders from long-time partners.

Figure 1: Quarterly aggregated NP growth of T&G companies



Source: Fiinpro, VNDIRECT RESEARCH

Analyst(s):



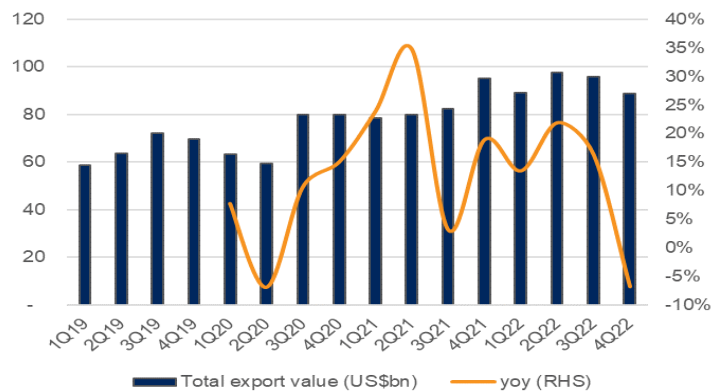
Hao Nguyen Duc

hao.nguyenduc@vndirect.com.vn

Key charts: Vietnam textiles & garment snapshot in 2022

Viet Nam export value in 2022

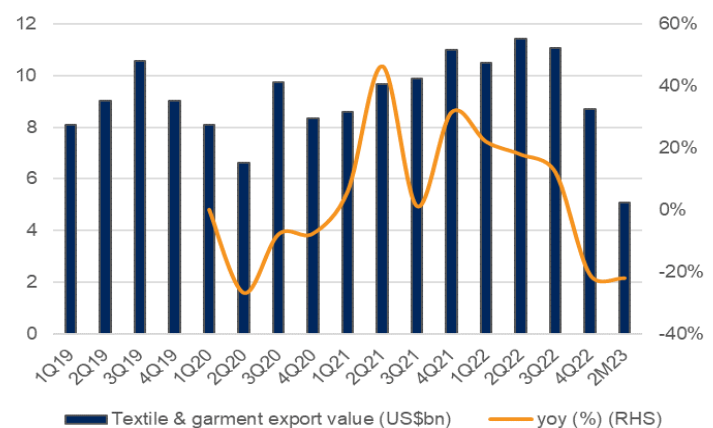
Vietnam's export turnover in 2022 recorded positive results, reaching US\$371.5bn (+10.6% yoy) thanks to high contribution from main export industries such as textile and garment, wood and wooden product, shoe and sandals. Total export value of 3 industries achieved US\$62.2bn in 2022 (+6.01% yoy) thank to pent-up demand in the main export markets such as the U.S., E.U post-Covid 19 period.



Sources: MOIT, VNDIRECT RESEARCH

Vietnam's textile and garment export value

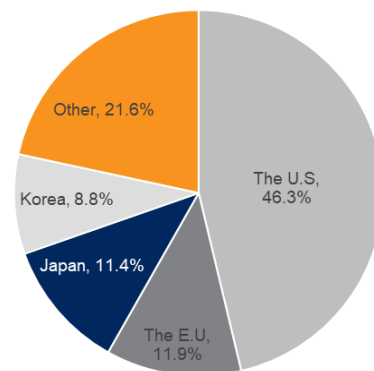
The T&G export turnover decreased 20.4% yoy in 4Q22. In which, fabrics and garment export value decreased 10.2% yoy to US\$8.5bn, while fibre and yarn export value plunged 50.5% yoy due to weak demand in major market (caused by on-going high inflationary expectation and, and potential economic recession in U.S., E.U). Overall, the total export T&G value in 2022 increased by 12.8% yoy, to US\$44bn, fulfilling 100% of the government's guidance for 2022.



Sources: MOIT, VNDIRECT RESEARCH

T&G export destination in 2022

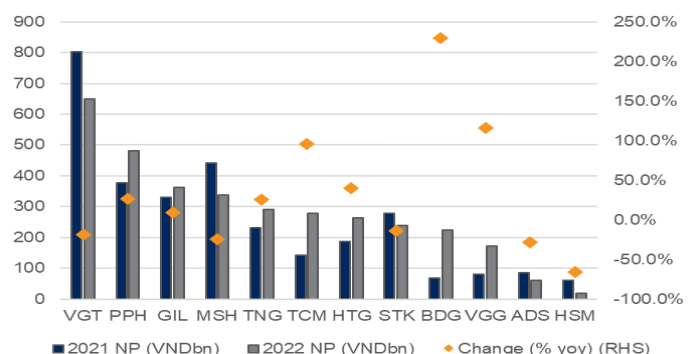
According to General Department of Vietnam Custom (GDVC), regarding the export mix by geographic regions in 2022, the U.S. remained the largest importer of Vietnam T&G products with an import value of US\$17.3bn (+7.9% yoy, accounting for 46.3% of Vietnam's textile and garment exporting value) thanks to the recovery demand with traditional products such as vests, shirts, jeans. 2022 export value to EU reached US\$4.46bn, increasing 34.7% yoy thanks to taking advantages from EVFTA. Whereas, exporting to Japan market increased slightly 6.0% yoy 1H22



Sources: MOIT, VNDIRECT RESEARCH

The NP growth of T&G companies in 2022

4Q22 aggregated revenue of listed T&G companies decreased slightly 7.2% yoy following the slowing down orders. Gross margin of sector plunged 4.5% pts as T&G enterprises focus on lowering the selling price to destock the inventory. Thus, 4Q22 net profit of sector dropped 52.8% yoy in 4Q22. Overall, sector revenue and net profit in 2022 rose 20.1% yoy and 5.7% yoy, respectively.



Sources: Fiiipro, VNDIRECT RESEARCH

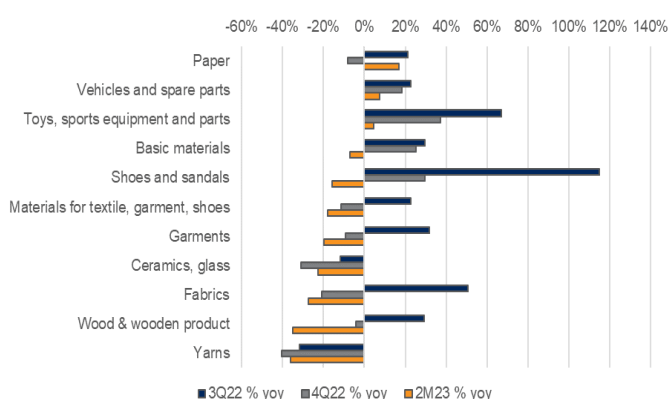
A sluggish start to the year 2023

Export industries are still on downward trending in the first 2M23

After weak 4Q22, the export value extended the downward trend, fell 17% yoy in 2M23. Textiles and garments, shoes and sandals and related products all showed negative results (-17.1% yoy), which is the results of weak demand from the U.S. and the E.U market, force the retailers to reduce inventory level. Wood and wooden products feel the heat from weak U.S housing market, fell 34.8% yoy. Basic material, the spotlight in most quarters of 2022, has started to see negative growth in 2M23 (-7.2% yoy).

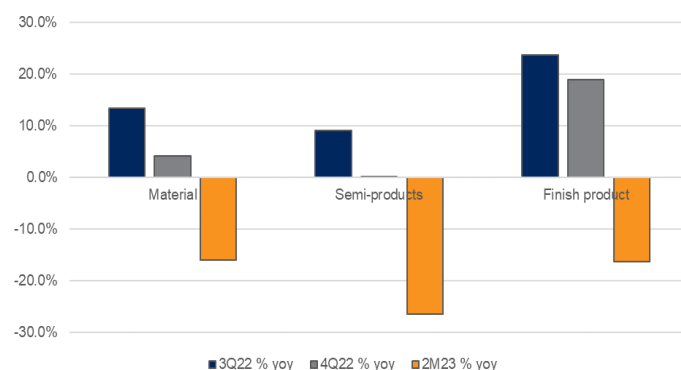
Paper, vehicles and spare parts, toys, sport equipment are a few export sectors still record positive value growth. Paper products is benefited from the re-opening of China market.

Figure 2: Export value of major export industries dropped significantly in 2M23



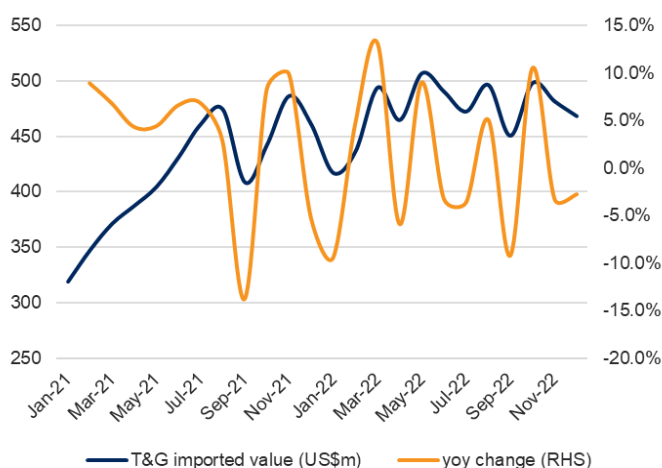
Source: Conference Board, VNDIRECT RESEARCH

Figure 3: Semi-product export value decreased 26.6% yoy in 2M23



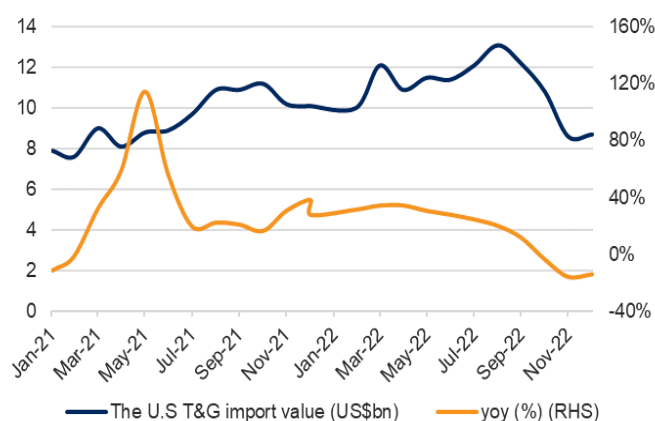
Source: Bloomberg, VNDIRECT RESEARCH

Figure 4: T&G import value of the E.U in Dec-22 decreased 2.8% yoy



Source: OTEXA, VNDIRECT RESEARCH

Figure 5: T&G import value of the U.S in Dec-22 decreased 15.9% yoy



Source: OTEXA, VNDIRECT RESEARCH

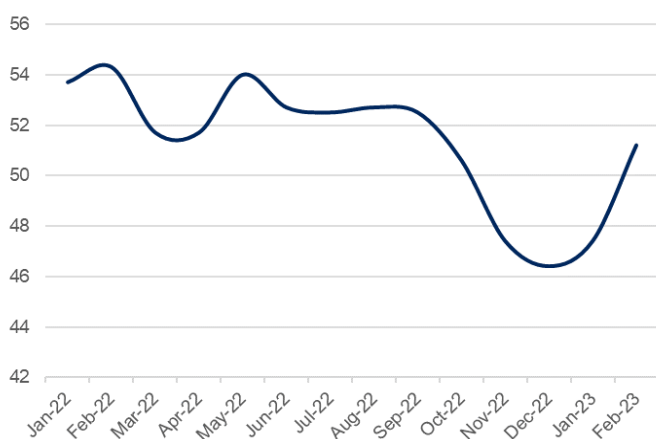
We see a few improving signals from both domestic and global markets

Vietnam: The Manufacturing Purchasing Managers' Index (PMI) of Vietnam's manufacturing industry rebounded from 47.4 points in January 2023 to 51.2 points in February 2023. Additionally, new export orders rose for a second

straight month on the back of improved international demand. Specifically, the total number of export orders in Feb-22 increased by 34.7% mom and 9.5% yoy compared to Dec-22.

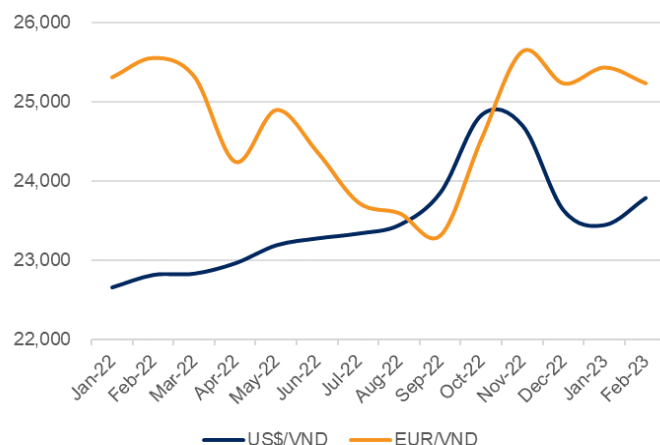
U.S. markets: S&P Global Manufacturing PMI for the US increased to 47.8 in Feb-23 from 46.9 in Jan-23, beating forecasts of 47.1. Although the exchange rate tends to cool down in 2M23, it will still be at a high level in 2023. We think that Vietnam's goods exports in 2023 will be under competitive pressure from other competitors such as China and India.

Figure 6: PMI of Vietnam's manufacturing industry increased from 47.4 points in Jan-23 to 51.2 points in Feb-23



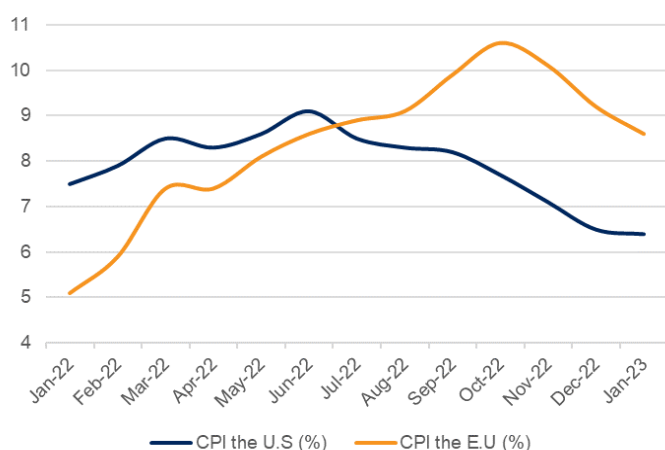
Source: Conference Board, VNDIRECT RESEARCH

Figure 7: US\$/VND increased slightly 1.4% mom in Feb-23



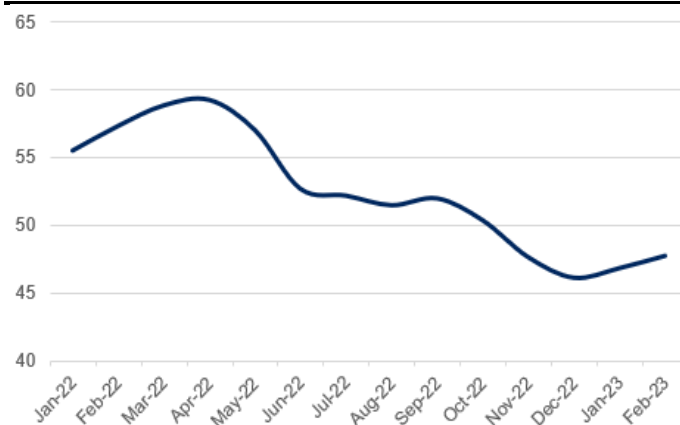
Source: Bloomberg, VNDIRECT RESEARCH

Figure 8: The CPI in the U.S. cooled down in Jan-23



Source: Bloomberg VNDIRECT RESEARCH

Figure 9: PMI for the U.S. increased to 47.8 in Feb-23 from 46.9 in Jan-23



Source: Bloomberg, VNDIRECT RESEARCH

FY23 Outlook: Turning point for yarn makers in 3Q23F

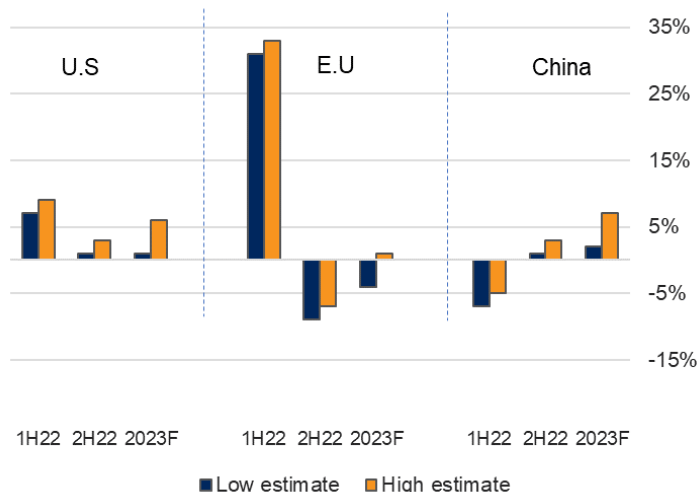
We believe that there are two variables that need to focus in 2023: U.S inflation trend and the speed of reopening of the Chinese economy. We believe that US inflation falling to 3% will help the U.S. consumer sentiment be more positive and retailers can start refilling inventory.

Light to appear on U.S market

We see that the demand for textile and apparel products is likely to recover in the U.S. The U.S. Personal Consumption Expenditures (PCE) price index of nondurable goods in January-23 increased 0.8% mom (vs. a decrease of 0.7% mom in Dec-22), showing that the consumers in the state started to purchase more nondurable goods, including clothing and other textile products.

In the BoF-McKinsey State of Fashion 2023 Survey conducted by McKinsey, 61% of executives in the fashion industry in the U.S. expected the same or better outlook in 2023 than 2022, as the U.S. is more insulated from the Ukraine conflict. The European and Asian executives were more pessimistic, with 64% and 53% expecting worsening conditions, respectively. McKinsey forecasted that the retail sales of non-luxury fashion can grow 1%-6% yoy in the U.S, 2%-7% in China and -4% to 1% in Europe.

Figure 10: Forecasted non-luxury fashion sales growth by regions in 2023



Source: McKinsey, VNDIRECT RESEARCH

Figure 11: The PCE price index of nondurable goods in Jan-23 increased 0.8% mom



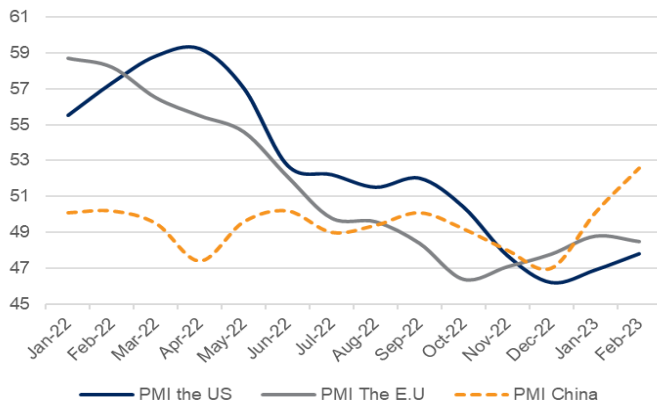
Source: OTEXA, VNDIRECT RESEARCH

China reopening is a double-edge sword

PMI in China rose to 52.6 in Feb-23. This was the first increase in factory activity since last July, and the highest reading in 8 months, after a shift in COVID policy. We expect China to fully reopen its economy soon in 2Q23F. China opens its economy will support export goods to China such as fiber and yarn to recover since 2H23. Accordingly, China is the main yarn importer of Vietnam, accounting for 48% of the total export value. We believe that yarn manufacturers with a high share of exports to China like Dam San JSC (ADS) will taking advantage. In addition, the reopening of some of China's net exports can help reduce input costs of garment enterprises such as VGT, HTG, PPH.

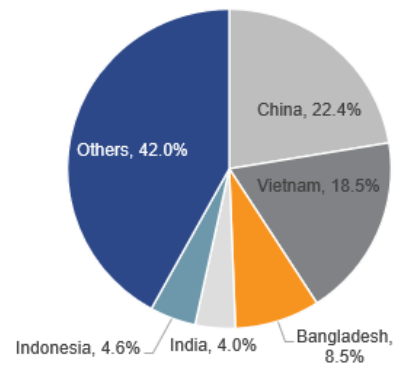
On the other hand, China's reopening the economy could pose many challenges for garment enterprises in 2023. Currently China is the main competitor of Vietnam in the U.S market. According to OTEXA, the US' imports of textiles and garment in 2022 achieved US\$132.2bn (+16.9% yoy). With a 25.65% share, China is the largest supplier of textiles and clothing to the US, followed by Vietnam with 14.87%. We expect that garment companies with high share of export to U.S such as MSH, GIL, TCM, VGT will face difficult in 2H23.

Figure 12: The PMI in China rebounded in Feb-23 (unit: VNDbn)



Source: Bloomberg VNDIRECT RESEARCH

Figure 13: China is the largest supplier of T&G to the U.S in 2022

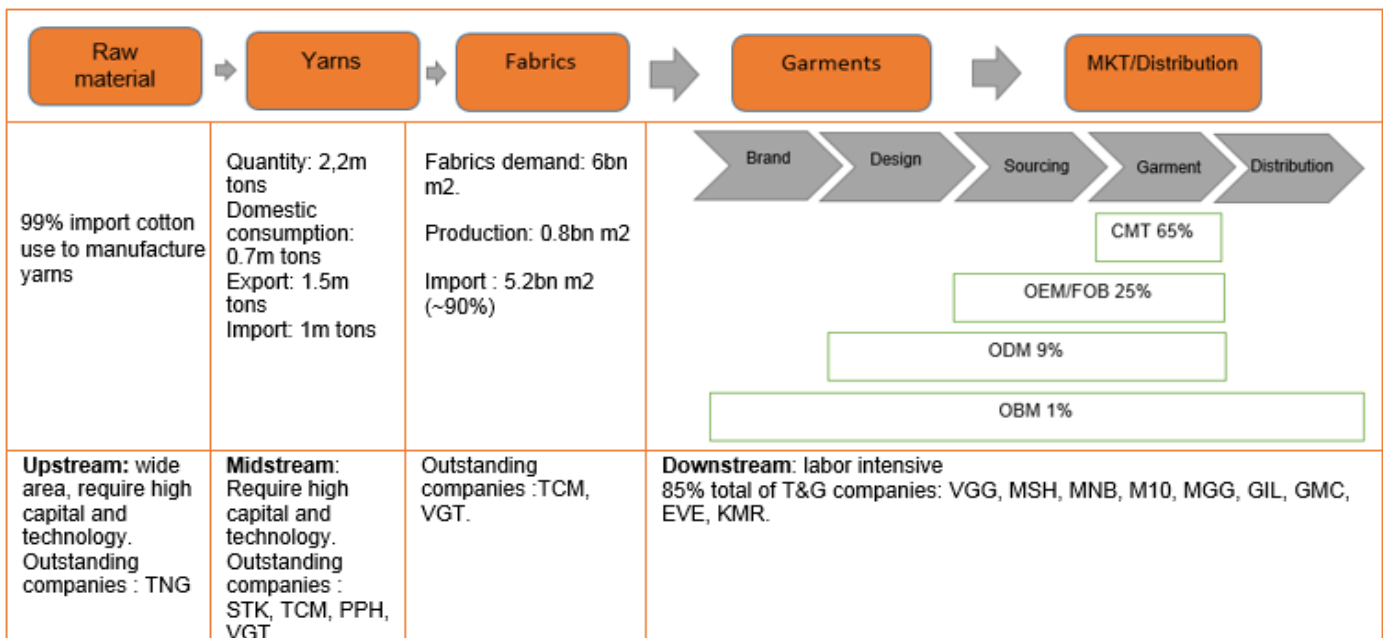


Source: MOIT, VNDIRECT RESEARCH

We expect a turning point for yarn makers in 3Q23

As an upstream raw material producer, yarn manufacturer is affected earlier than downstream companies as large customers reduce inventories amid expected weaker end-customer demand. As a result, we believe that yarn companies such as STK, ADS, HTG, PPH will show signs of recovery relatively early compared to the garment manufacturers. STK's management disclosed sale volume in Feb-22 to improve compared to 4Q22. While HTG expect 1Q23 net profit to reach VND65bn (+20.3% qoq). ADS also record positive signals in 1Q23 after China start reopen the economy. According to ADS's management, orders in 1Q23 will equivalent with 1Q22 and increase 30% vs. 4Q22.

Figure 14: Value chain of T&G industry



Source: VNDIRECT RESEARCH, Company report

Garment segment: Waiting for clearer signals

We believe that garment enterprises will face more challenges in 2023 due to a sharp drop in orders. According to Mr. Vu Duc Giang - President of Vietnam Textile & Apparel Association, orders in 1Q23 decreased by 25-27% yoy due to

the decrease in global purchasing power. Meanwhile, VGT forecasts that orders in 2023 will decrease by 25% yoy. We expect garment enterprises to recover since 4Q23 when cooling down the inflation in the U.S and the E.U. We forecast large garment companies such as VGT, TCM, GMC, GIL to record negative NP growth in 2023.

Our stock pick is STK

We like stocks that are upstream in the industry, which have the potential to recover earlier in 2023F. Thus, we prefer STK for our stock pick. We expect STK's net profit growth will likely to bottom out from 3Q23F thanks to demand recovery and customers refilling inventories to produce for 1Q24 season. We expect FY23-24F sales volume to grow 15%/22% respectively, bringing the FY23-24 earnings growth back to 2-digit positive territory. In addition, investors should keep focus on ADS thanks to taking advantage from reopening economy of China.

We also put TNG in our watchlist. Columbia Sportswear Company announces 2023 business plan with net sales and net profit increase 6% yoy and 7.7% yoy in 2023 thanks to positive consumer feedback with new collection. We expect TNG to taking advantage from the Columbia revenue growth as Columbia is TNG's longtime partner, accounting for 10.2% TNG revenue in 2022. In addition, TNG management disclosed that other large customers such as Decathlon and the Children Place still remain orders in 1Q23. As a result, after outstanding business results in 2022, TNG has a business plan of 2023 with revenue and net profit achieving VND7,500bn (+11% yoy) and VND337bn (+16% yoy) respectively.

Figure 15: Investment ideas

| No | Ticker | 1-year TP (VND/share) | Rating | Investment thesis |
|----|--------|--------------------------|----------|---|
| 1 | STK | 37,700 | ADD | <p>(1) We expect Unitex factory phase 1 to operate commercially in 1Q24F, increase STK's total capacity to 96,000tonnes/years in order to capture the growing demand for recycled and virgin yarn of domestic and local export market. When Unitex project is completed, STK become the second-largest yarn manufacturer at Vietnam in 2025F.</p> <p>(2) Net profit growth will likely to bottom out since 3Q23 thanks to demand recovery and customers refilling inventories to produce for 1Q24 season. We expect FY23-24F sales volume to grow 15%/22% respectively, bringing the FY23-24 earnings growth back to 2-digit positive territory.</p> <p>(3) Currently, STK is traded at 9.0x/7.7x FY23/FY24F PE, which is a 18.2%/29.9% discount to its 3-year average. We believe this valuation is relatively attractive for a leading yarn manufacturer with sizeable capacity and proven track record</p> |
| 2 | ADS | N/a | Non-rate | <p>(1) ADS is expected to put into operation the An Ninh fiber factory with a modern production line according to European standards at the end of 1Q23, increasing the total capacity to 19,000 tonnes of CD32 Fiber/year and 3,000 tons of Towel/year and becoming one of the largest fiber production units in Vietnam. Additionally, the company will continue to hand over the remaining portion of the Phu Xuan Project, Bo Xuyen Residential Area.</p> <p>(2) In the Industrial Zone segment, the company will continue to hand over the 75 ha An Ninh Industrial Cluster and complete the procedures for developing the 38.8 ha Vu Ninh Industrial Cluster in Kien Xuong District, Thai Binh Province, which serves production and industrial sectors.</p> <p>(3) ADS has set a business plan for 2023 with revenue and pre-tax profit reaching VND2,984bn (+73.8% yoy) and VND110bn (+32.5% yoy) respectively.</p> |

(1) TNG has a business plan of 2023 with revenue and net profit achieving VND7,500bn (+11% yoy) and VND337bn (+16% yoy) respectively.

3 TNG N/a Non-rate

(2) TNG's management disclosed that TNG will focus on lower ASP to remain sale volume. We expect TNG to maintain revenue and NP growth momentum thanks to stable orders from longtime partners such as Decathlon and Columbia.

Source: VNDIRECT RESEARCH

Figure 16: Peer comparison in T&G industries

| Company | Ticker | Recom, | TP | Market cap | P/E (x) | | P/B | | 3 year-EP growth | ROE (%) | | ROA (%) | |
|---|--------|--------|--------|------------|-------------|-------------|------------|-------------|---------------------|-------------|-------------|------------|------------|
| | | | | | | | | | | | | | |
| | | | LC\$ | US\$m | TTM | FY23F | Current | FY23F | CAGR | TTM | FY23F | TTM | FY23F |
| Thanh Cong Textile Garment Investment Trading JSC | TCM VN | na | na | 194.8 | 17.4 | na | 1.9 | 1.6 | 25 | 12.9 | 12.2 | 7.8 | 7.3 |
| NHA BE Garment Corp-JSC | MNB VN | na | na | 70.6 | 65.3 | na | 0.9 | na | -35.6 | 2.1 | na | 0.4 | na |
| TNG Investment & Trading JSC | TNG VN | na | na | 174.3 | 6.2 | 5.4 | 0.8 | na | 0.6 | 17.9 | 15.3 | 5.9 | na |
| Mirae JSC | KMR VN | na | na | 13.2 | 10.2 | na | 0.2 | na | 4973.3 | 2.8 | na | 1.7 | na |
| Song Hong Garment JSC | MSH VN | na | na | 81.1 | 6.8 | 5.9 | 1.6 | 1.3 | 8.8 | 23.9 | 18 | 11.2 | 9.6 |
| Vietnam National Textile & Garment Group | VGT VN | na | na | 517.4 | 7.1 | na | 0.5 | na | 72.8 | 11.6 | na | 4.1 | na |
| Viet Tien Garment Corp | VGG VN | na | na | 36.2 | 29 | na | 0.7 | na | -41 | 3.1 | na | 1.7 | na |
| Century Synthetic Fiber Corp | STK VN | Add | 37,700 | 89.6 | 8.7 | 7.2 | 1.4 | 1.2 | 35.5 | 17.2 | 16.5 | 11.7 | 12.0 |
| Mean | | | | | 10.6 | 35.4 | 3.1 | 11.8 | 629.9 | 11.4 | 15.5 | 5.6 | 9.6 |
| Median | | | | | 10.5 | 34.2 | 2.8 | 12 | 16.9 | 12.3 | 15.9 | 5.0 | 9.6 |

Source: VNDIRECT RESEARCH, BLOOMBERG (Data as in 07 Mar 2023)

CENTURY SYNTHETIC FIBER CORP - STK
Add

Lacklustre in 1H23F, better in 2H23F

BASIC MATERIALS | Update

Target price (12M)

VND37,700

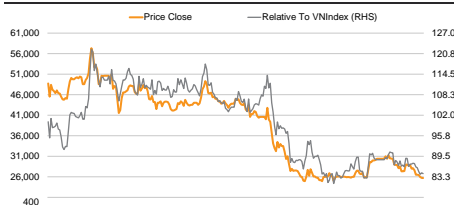
Consensus*: Add:6 Hold:1 Reduce:1

Target price / Consensus: 3.5%

Key changes in the report

- Lower EPS FY23F by 30.8%

| | |
|----------------------------|-----------|
| Previous rating | |
| Previous TP | VND |
| Current price | VND25,700 |
| 52w high (VND) | 57,334 |
| 52w low (VND) | 24,950 |
| 3m Avg daily value (VNDmn) | 1,399 |
| Market cap (VNDbn) | 2,107 |
| Free float | 50% |
| Dividend yield | 4.85% |
| TTM P/E (x) | 8.75 |
| Current P/B (x) | 1.37 |

Price performance


Source: VNDIRECT RESEARCH

Ownership

| | |
|---------------------------|-------|
| Huong Viet Investment JSC | 20.0% |
| Dang My Linh | 14.3% |
| Dang Treu Hoa | 13.8% |
| Others | 51.9% |

Source: VNDIRECT RESEARCH

Analyst(s):

Hao Nguyen Duc

hao.nguyenduc@vndirect.com.vn

- STK 's FY22 revenue and net profit (NP) were VND2,117bn (+3.6% yoy) and VND240bn (-13.7% yoy), fulfilling only 85% and 79% of our forecasts.
- We expect STK's NP to recover from 3Q23F thanks to low base 2H22 and 1Q24F season customer inventory refilling.
- Upgrade to ADD with lower target price of VND37,700/share as we see net profit likely to bottom out from 3Q23F.

4Q22 earnings hurt by weak demand

4Q22 revenue decreased by 13.3% yoy to VND430bn following a weak demand in domestic and export markets. Gross margin (GM) edged down 0.4% pts yoy to 14.7% as STK reduced average selling price (ASP) to de-stocking inventory. As a result, STK posted VND42bn in 4Q22 NP (-43% yoy). For FY22, STK recorded revenue of VND2,117bn (+3.6% yoy) and NP of VND240bn (-13.7% yoy), fulfilling on 85% and 79% of our forecasts.

The new Unitex factory will come online in 1Q24F

STK has broken ground for the construction of Unitex factory since Jan-23. The phase 1 of Unitex factory will be put run commercially from 1Q24, 3 months later than our previous expectation which prompted us to lower FY23F NP by 30.8% vs. previous forecast. We expect phase 1 of the Unitex factory to operate at 30% capacity in 2024F with production volume of 9,600 tonnes, lifting sale volume by 20% yoy in FY24F.

Net profit growth will likely to bottom out from 3Q23F

In Oct-22, STK closed Cu Chi factory which account for 30% of STK's production capacity due to weak demand. We think that the tough time will linger in 1H23 with sales volume is expected to decrease by 25% yoy. We expect global inflation pressure will cool down since 3Q23F, which might urge textiles/footwear producers to increase the order volume for 2024 season. Thus, STK's 2H23F sales volume might increase by 40% yoy, bringing the FY23-24 earnings growth back to 2-digit positive territory.

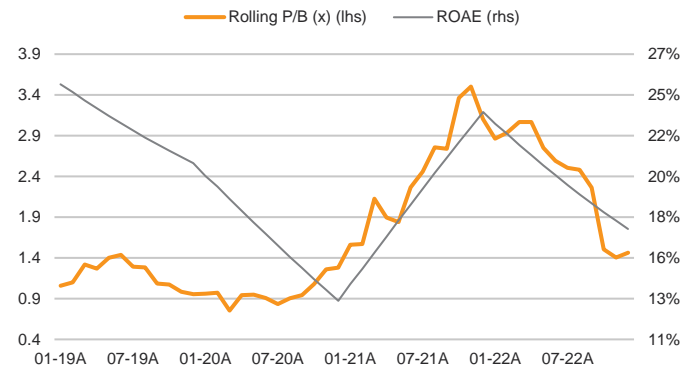
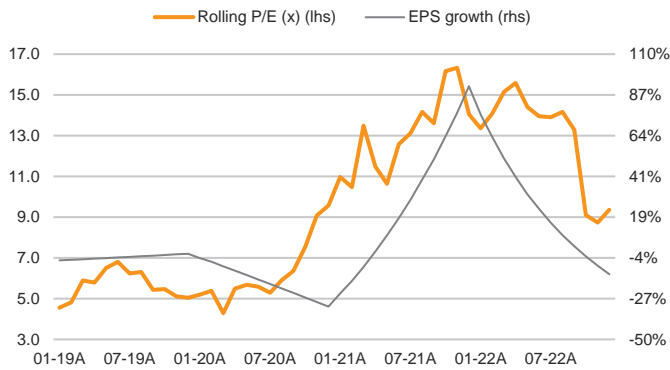
We upgrade to ADD with lower target price of VND37,700/share

We revise down our TP by 30.6% following an FY23F EPS downgrade of 30.8%. Currently, STK is traded at 9.0x/7.7x FY23/FY24F PE, which are 18.2%/29.9% discount to its 3-year average. We believe the weak 4Q22 earnings could offer an opportunity to accumulate as we see potential net profit growth to bottom out from 3Q23F. This valuation is relatively attractive for a leading yarn manufacturer. When Unitex project is completed, STK will become the second - largest yarn manufacturer at Vietnam in 2025F. Upside catalyst is higher-than-expected sales volume of recycled and virgin yarn. Downside risks include: (1) stronger-than-expected inflation in the main export market of STK and (2) longer than expected the construction time of Unitex factory

| Financial summary (VND) | 12-21A | 12-22A | 12-23E | 12-24E |
|-------------------------|--------|---------|--------|--------|
| Net revenue (bn) | 2,043 | 2,117 | 2,228 | 2,659 |
| Revenue growth | 15.7% | 3.6% | 5.3% | 19.3% |
| Gross margin | 18.4% | 17.7% | 18.9% | 19.7% |
| EBITDA margin | 19.6% | 18.2% | 21.3% | 24.2% |
| Net profit (bn) | 278 | 240 | 270 | 323 |
| Net profit growth | 92.1% | (13.5%) | 12.6% | 19.3% |
| Recurring profit growth | 94.1% | (15.3%) | 14.5% | 20.1% |
| Basic EPS | 3,396 | 2,937 | 3,306 | 3,946 |
| Adjusted EPS | 3,396 | 2,937 | 3,306 | 3,946 |
| BVPS | 15,376 | 18,802 | 21,342 | 23,876 |
| ROAE | 23.8% | 17.2% | 16.5% | 17.5% |

Source: VNDIRECT RESEARCH

Valuation



Income statement

| (VNDbn) | 12-21A | 12-22A | 12-23E |
|--------------------------------------|--------------|--------------|--------------|
| Net revenue | 2,043 | 2,117 | 2,228 |
| Cost of sales | (1,668) | (1,743) | (1,807) |
| Gen & admin expenses | (72) | (64) | (74) |
| Selling expenses | (27) | (19) | (22) |
| Operating profit | 277 | 290 | 325 |
| Operating EBITDA | 387 | 397 | 453 |
| Depreciation and amortisation | (110) | (106) | (127) |
| Operating EBIT | 277 | 290 | 325 |
| Interest income | 15 | 27 | 21 |
| Financial expense | (9) | (48) | (42) |
| Net other income | 2 | 1 | 5 |
| Income from associates & JVs | 0 | 0 | 0 |
| Pre-tax profit | 285 | 270 | 309 |
| Tax expense | (7) | (29) | (39) |
| Minority interest | 0 | 0 | 0 |
| Net profit | 278 | 240 | 270 |
| Adj. net profit to ordinary | 278 | 240 | 270 |
| Ordinary dividends | (102) | (102) | (105) |
| Retained earnings | 176 | 138 | 166 |

Balance sheet

| (VNDbn) | 12-21A | 12-22A | 12-23E |
|---------------------------------------|--------------|--------------|--------------|
| Cash and equivalents | 366 | 415 | 167 |
| Short term investments | 0 | 0 | 45 |
| Accounts receivables | 88 | 224 | 266 |
| Inventories | 472 | 466 | 535 |
| Other current assets | 60 | 91 | 76 |
| Total current assets | 986 | 1,196 | 1,088 |
| Fixed assets | 831 | 772 | 1,010 |
| Total investments | 144 | 152 | 145 |
| Other long-term assets | 9 | 3 | 157 |
| Total assets | 1,969 | 2,123 | 2,400 |
| Short-term debt | 321 | 308 | 290 |
| Accounts payable | 291 | 220 | 87 |
| Other current liabilities | 99 | 56 | 87 |
| Total current liabilities | 712 | 584 | 464 |
| Total long-term debt | 0 | 0 | 178 |
| Other liabilities | 0 | 1 | 12 |
| Share capital | 707 | 844 | 844 |
| Retained earnings reserve | 558 | 696 | 861 |
| Shareholders' equity | 1,258 | 1,538 | 1,746 |
| Minority interest | | | |
| Total liabilities & equity | 1,969 | 2,123 | 2,400 |

Cash flow statement

| (VNDbn) | 12-21A | 12-22A | 12-23E |
|---|-------------|--------------|--------------|
| Pretax profit | 285 | 270 | 309 |
| Depreciation & amortisation | 110 | 106 | 127 |
| Tax paid | (16) | (25) | (39) |
| Other adjustments | (12) | (3) | 10 |
| Change in working capital | (5) | (140) | (195) |
| Cash flow from operations | 362 | 209 | 212 |
| Capex | (24) | (48) | (450) |
| Proceeds from assets sales | 26 | 0 | 0 |
| Others | (5) | 17 | 0 |
| Other non-current assets changes | 2 | 0 | 0 |
| Cash flow from investing activities | (0) | (31) | (450) |
| New share issuance | 0 | 142 | 142 |
| Shares buyback | 0 | 0 | 0 |
| Net borrowings | 52 | (30) | (11) |
| Other financing cash flow | (40) | (138) | (38) |
| Dividends paid | (102) | (102) | (105) |
| Cash flow from financing activities | (90) | (129) | (11) |
| Cash and equivalents at beginning of period | 95 | 366 | 415 |
| Total cash generated | 271 | 49 | (248) |
| Cash and equivalents at the end of period | 366 | 415 | 167 |

Key ratios

| | 12-21A | 12-22A | 12-23E |
|--------------------------|--------|---------|--------|
| Dupont | | | |
| Net profit margin | 13.6% | 11.4% | 12.1% |
| Asset turnover | 1.11 | 1.03 | 0.99 |
| ROAA | 15.1% | 11.7% | 12.0% |
| Avg assets/avg equity | 1.58 | 1.46 | 1.38 |
| ROAE | 23.8% | 17.2% | 16.5% |
| Efficiency | | | |
| Days account receivable | 12.3 | 12.0 | 18.3 |
| Days inventory | 103.2 | 97.6 | 108.0 |
| Days creditor | 63.8 | 46.0 | 17.6 |
| Fixed asset turnover | 2.34 | 2.64 | 2.50 |
| ROIC | 17.6% | 13.0% | 12.2% |
| Liquidity | | | |
| Current ratio | 1.4 | 2.0 | 2.3 |
| Quick ratio | 0.7 | 1.2 | 1.2 |
| Cash ratio | 0.5 | 0.7 | 0.5 |
| Cash cycle | 51.8 | 63.6 | 108.7 |
| Growth rate (yoy) | | | |
| Revenue growth | 15.7% | 3.6% | 5.3% |
| Operating profit growth | 58.7% | 4.9% | 12.1% |
| Net profit growth | 92.1% | (13.5%) | 12.6% |
| EPS growth | 92.1% | (13.5%) | 12.6% |

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

| | |
|--------|---|
| Add | The stock's total return is expected to reach 15% or higher over the next 12 months. |
| Hold | The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months. |
| Reduce | The stock's total return is expected to fall below negative 10% over the next 12 months. |

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

| | |
|-------------|--|
| Overweight | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation. |
| Neutral | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation. |
| Underweight | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation. |

Hien Tran Khanh – Head of Research

Email: hien.trankhanh@vndirect.com.vn

Hao Nguyen Duc – Analyst

Email: hao.nguyenduc@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>