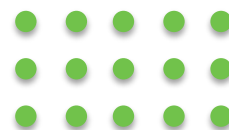


TEXTILE INDUSTRY

**SLOW PROGRESS AND
ACCELERATION IN 2H2025**



Quan Cao – quan.cn@vdsc.com.vn





Negative

Neutral

Positive

Overview

Building on the recovery momentum from 2H2023, the textile and garment (T&G) sector achieved double-digit export growth over 11M2024, driven by improved macroeconomic conditions in key markets. In 2025, export growth is expected to decelerate as the low-base effect dissipates. However, positive growth is still anticipated, supported by rising real incomes and monetary easing policies by central banks, likely stimulating household consumption in the US and EU. The sector’s outlook is expected to progressively brighten each quarter as monetary easing effects permeate the economy.

Vietnamese companies have reduced unit prices by approximately 30% since the peak in Q3/2022 to enhance competitiveness against regional peers. According to Vitas, most garment companies have secured orders through the end of Q1/2025, but unit prices remain stagnant. As a result, the overall industry profit margin outlook is unlikely to improve significantly compared to 2024.

*The stock price performance of the companies under our coverage has fully reflected their medium-term outlook, precisely: **TNG** (Neutral, TP: VND 26,700/share), **MSH** (Accumulate, TP: VND 56,300/share), **TCM** (Observe, TP: N.R), and **STK** (Observe, TP: N.R).*

Highlights

Export growth is expected to remain subdued in 1H2025 but is anticipated to improve significantly in 2H2025

- The absence of strong drivers for fashion brands to ramp up imports in 1H2025 stems from a significant inventory buildup during Q3/2024. Simultaneously, domestic manufacturers are slowing their raw material stockpiling activities in the final months 2024.
- The T&G sector is expected to show brighter prospects in 2H2025, driven by gradually improving consumer demand. This improvement is underpinned by rising real household incomes and monetary easing policies implemented by central banks to stimulate economic growth.

Growth rates are expected to diverge between the US and EU markets

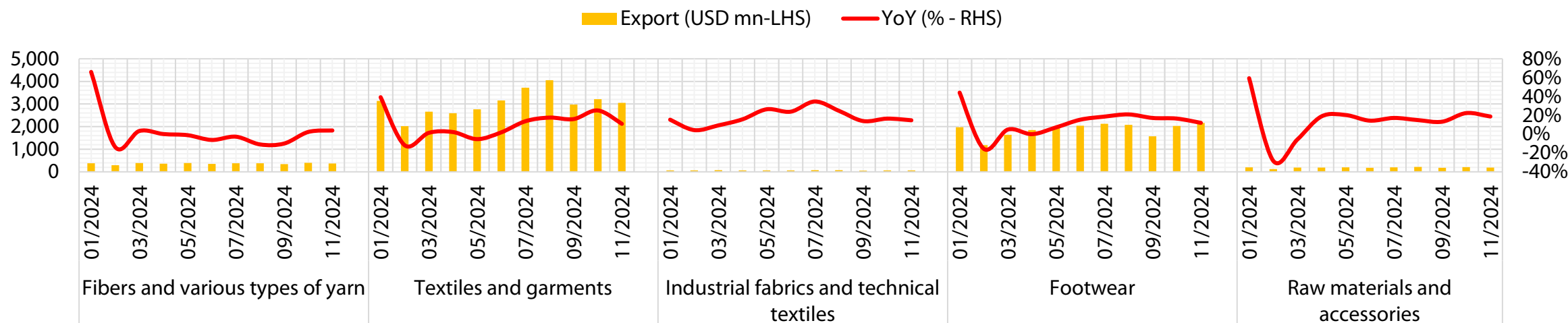
- In the US, households are reducing their spending on clothing, and the import activity of apparel is slowing down in the final months of 2024.
- European consumers maintain a relatively stable spending ratio, and business confidence in the EU apparel sector slightly improves after reaching a bottom in 2024.

The profit margins of T&G companies are unlikely to expand in the long term, as the price competition will dictate the profit ratios in the Trade War 2.0. US tariffs on Chinese goods will intensify the shift from China to other industrial nations. Vietnam must compete on price with countries with lower labor costs, such as Bangladesh, India, and Indonesia, to increase its market share.

Risks to our call

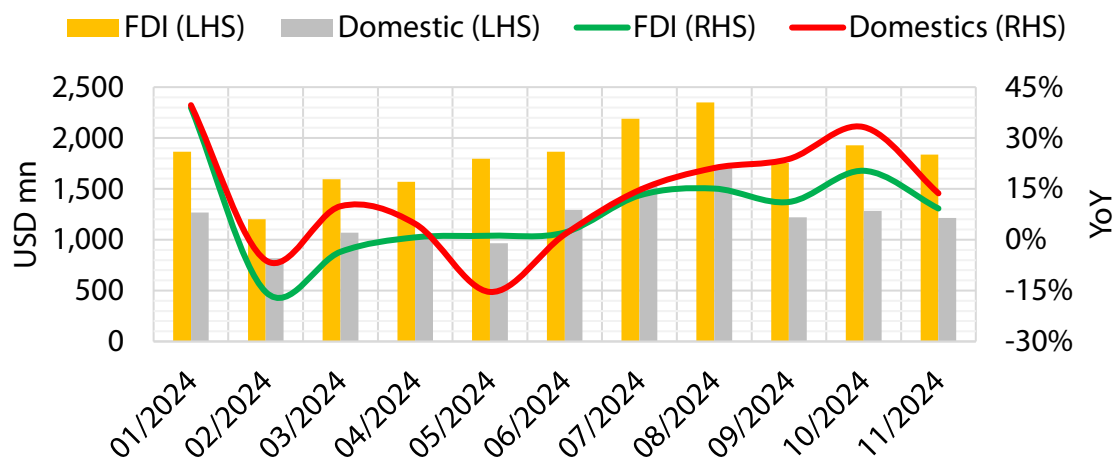
- U.S. tariff barriers on Chinese goods drive increased demand for stockpiling inexpensive inventory among fashion brands.
- Exchange rate fluctuations significantly impact the profitability of textile and garment enterprises.

Figure 1: After peaking from June to August 2024, textile and garment export values declined in late 2024



Source: Customs, RongViet Securities

Figure 2: Export value of T&G products by production sector



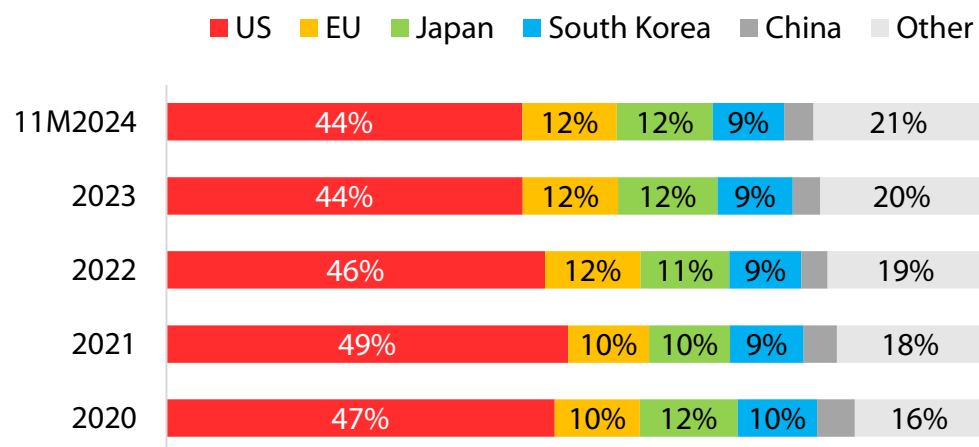
Source: Customs, RongViet Securities

The overall export activity of the industry recovered throughout 2024 but is showing signs of slowing down

- Export value continues to grow positively but is showing signs of slowing down, after reaching its peak in Q3-FY24.
- In 11M2024, the industry's export value reached USD 60.8 bn (+10% YoY), demonstrating solid growth as fashion companies resumed imports following a period of inventory reduction since 2H2023.

Overall, all manufacturing sectors achieved double-digit growth in 2024. The market share of the domestic T&G sector improved by 90 bps YoY, accounting for 40.2% of the total textile T&G export value.

Figure 3: Proportion of textile and garment exports by market

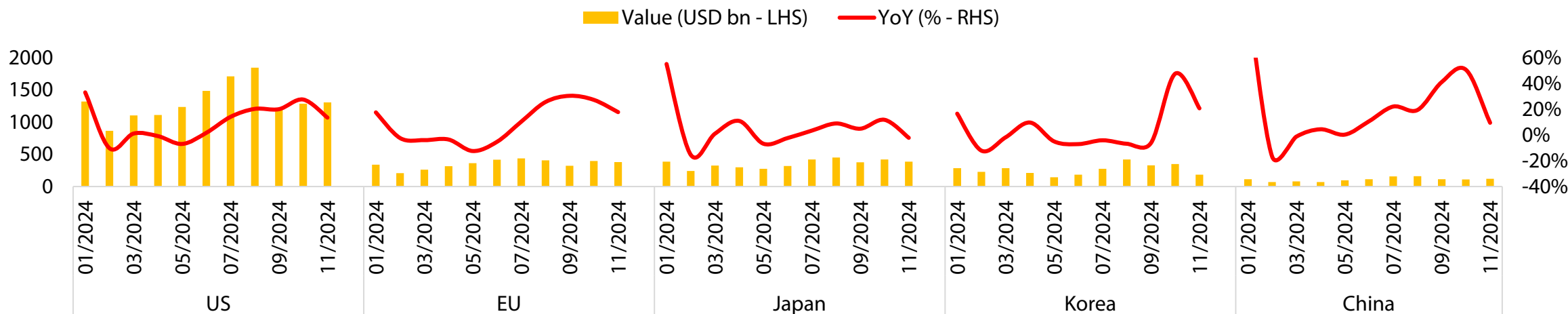


Source: Customs, RongViet Securities

The period of high growth for the textile and garment industry has ended.

- The export turnover of textiles and garments has slowed across all major markets, including the US, Europe, Japan, South Korea, and China.
- In 11M2024, the export value of apparel to the two major markets, the US and Europe, reached USD 14.5 billion (+10% YoY) and USD 3.9 billion (+8% YoY), respectively.

Figure 4: Export value of textile and garment products to key markets

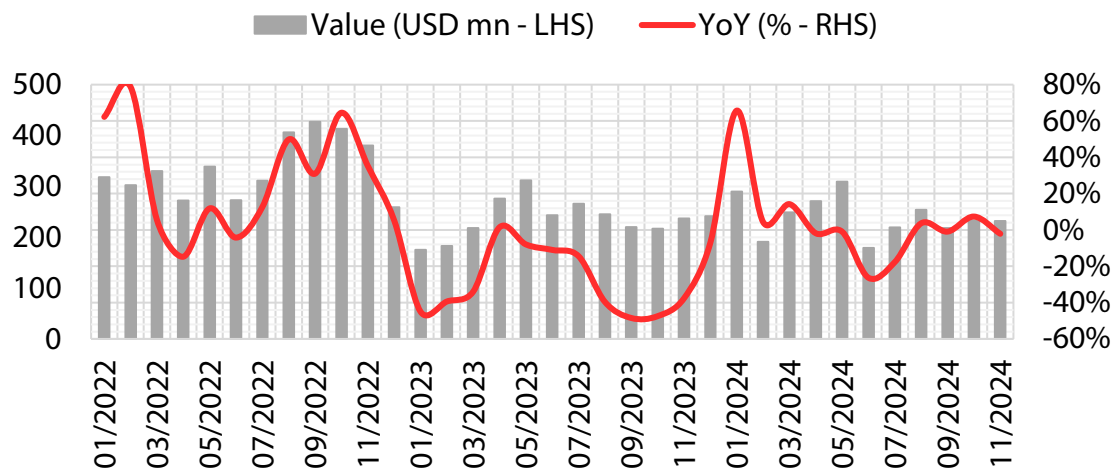


Source: Customs, RongViet Securities

We expect that the overall industry will experience slow growth in 1H2025.

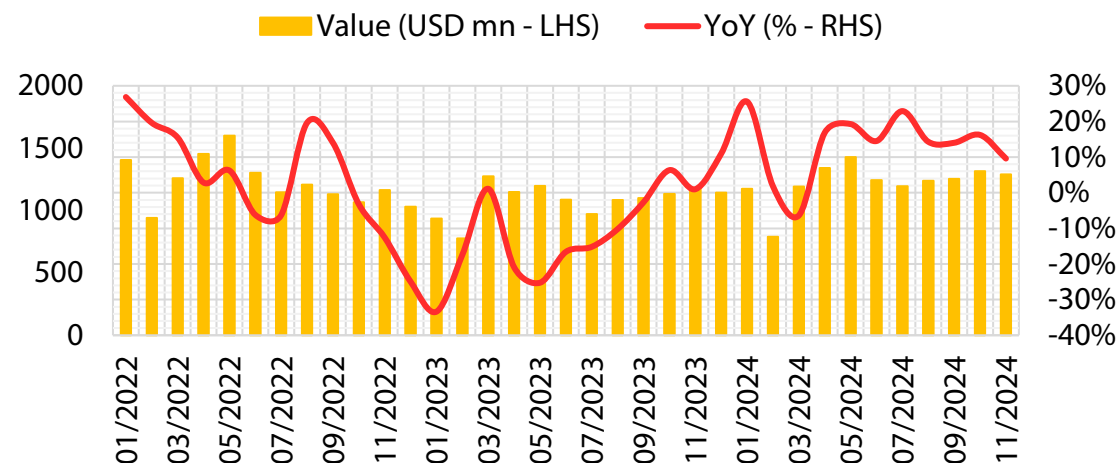
- Fashion companies lack momentum to increase inventory imports, as consumer demand has not yet shown significant improvement.
- Fashion company inventories have returned to high levels.
- The value of raw material imports (cotton, fibers & yarn, fabrics) has slowed since Q3-FY24, implying that the trend of stockpiling production materials by T&G companies is slowing down.

Figure 6: Value of cotton imports



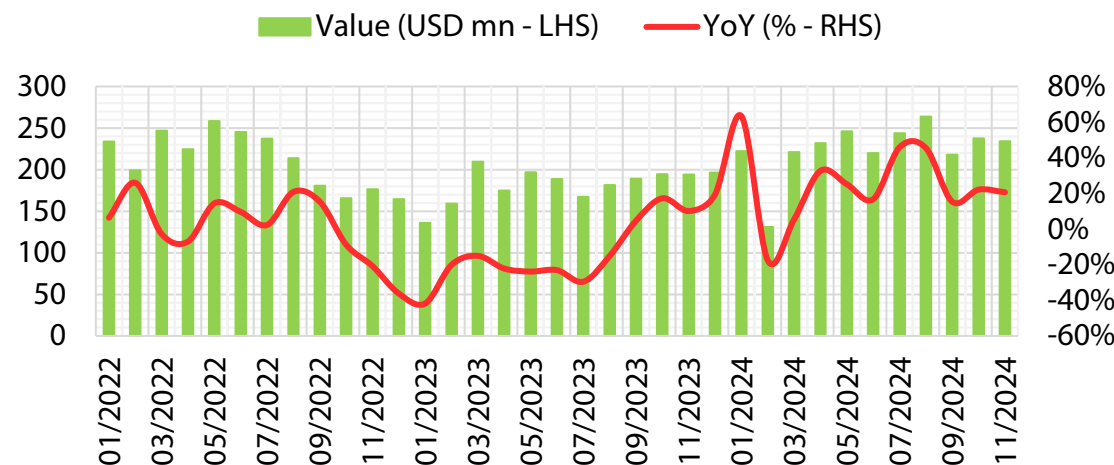
Source: Customs, RongViet Securities

Figure 5: Value of fabric imports



Source: Customs, RongViet Securities

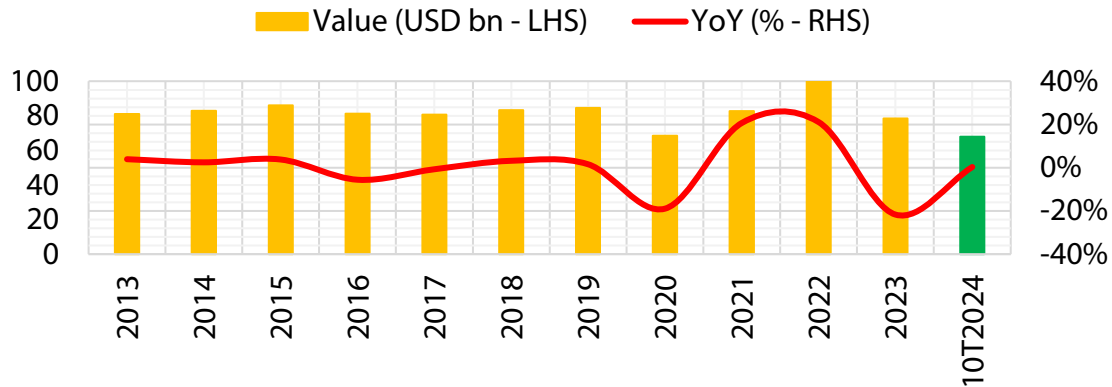
Figure 7: Value of fiber and yarn imports



Source: Customs, RongViet Securities

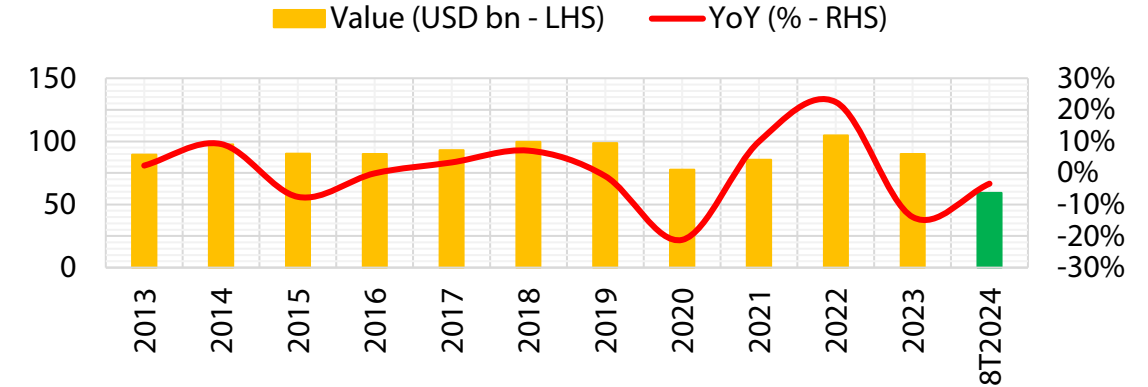
Figure 8: Consumer demand in major export markets shows no clear improvement. The import value of apparel (HS Code 61&62) in major markets remained flat or experienced negative growth in 2024

US



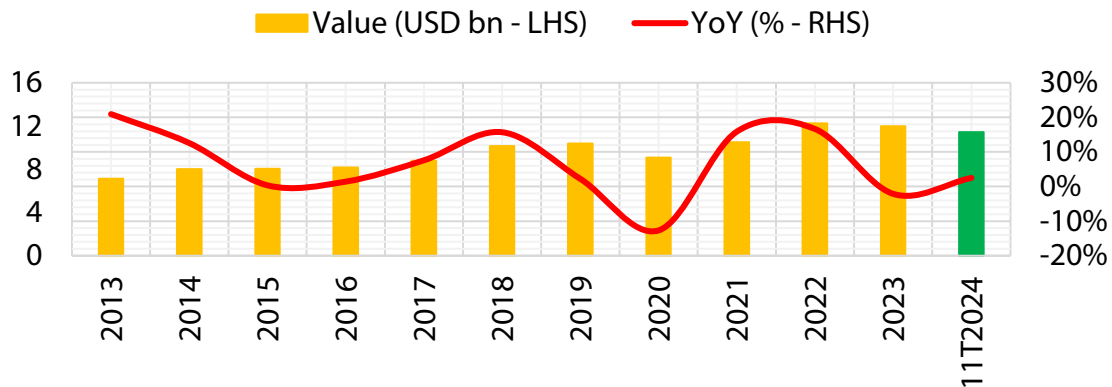
Source: US OTEXA, RongVlet Securities

Europe



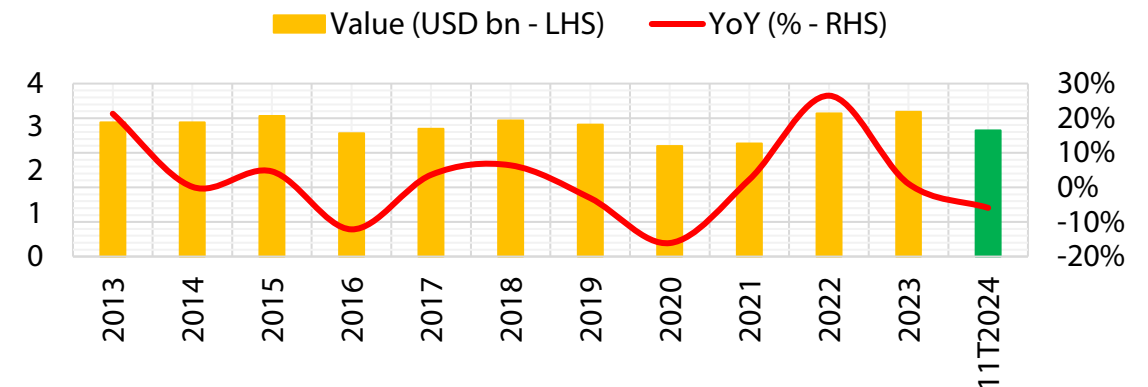
Source: UN Comtrade, RongVlet Securities

South Korea



Source: Korea trade, RongVlet Securities

Japan



Source: Japan Statistics, RongVlet Securities

Figure 9: Nike's inventory levels

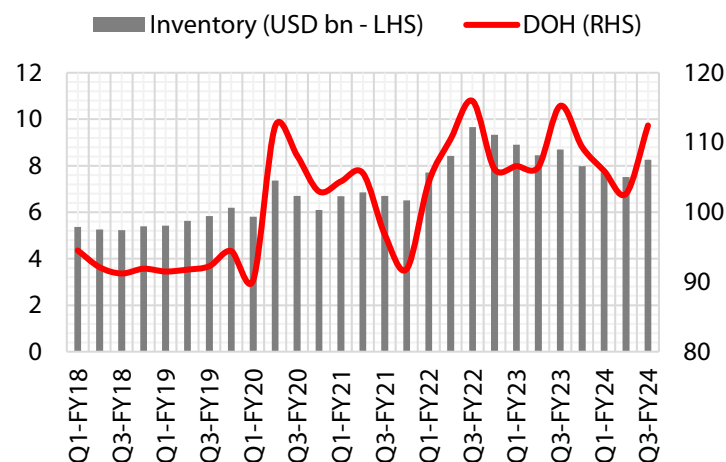


Figure10: Adidas's inventory levels

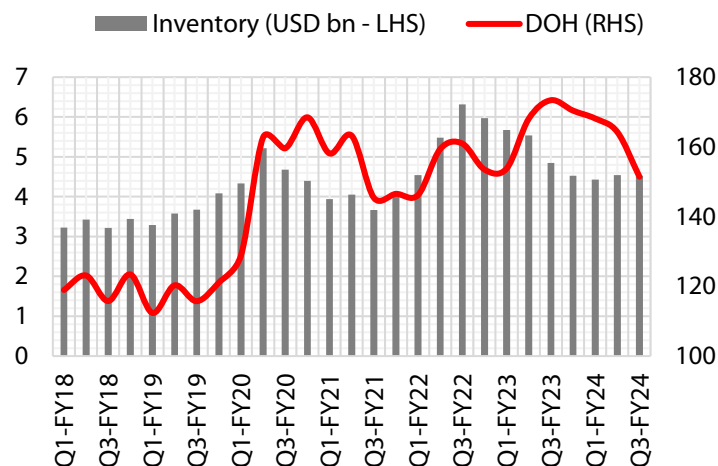


Figure 11: Columbia's inventory levels

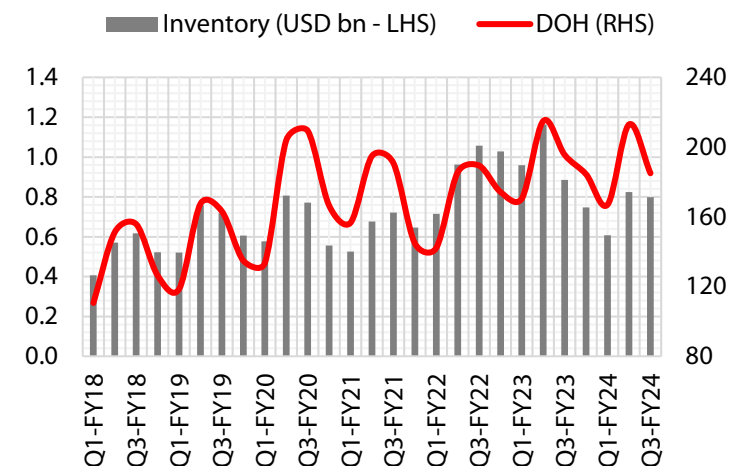


Figure 12: Unifi's inventory levels

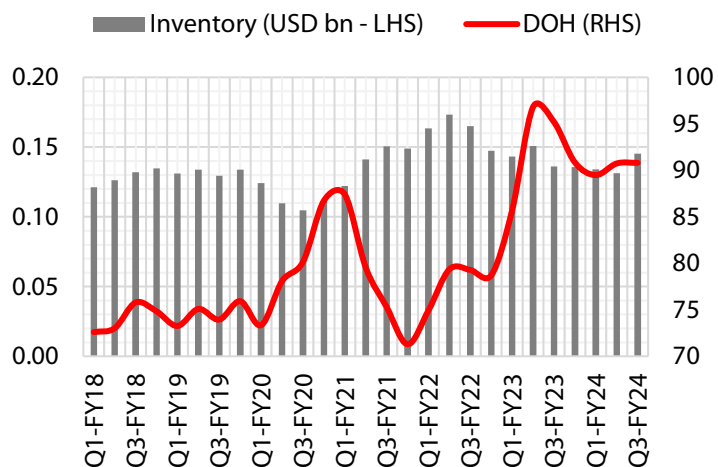


Figure 13: Puma's inventory levels

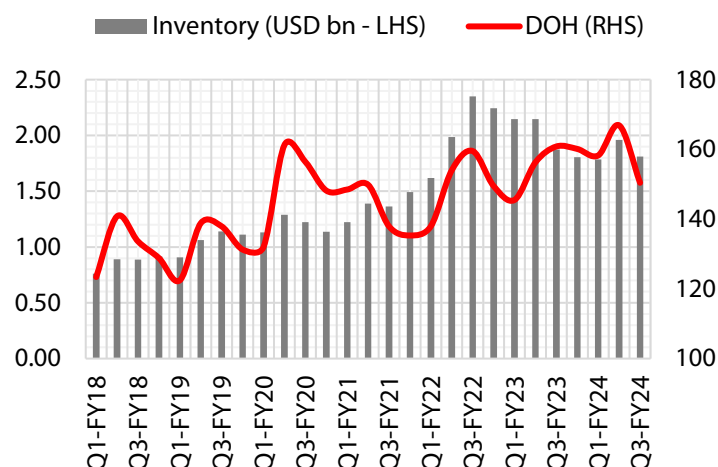
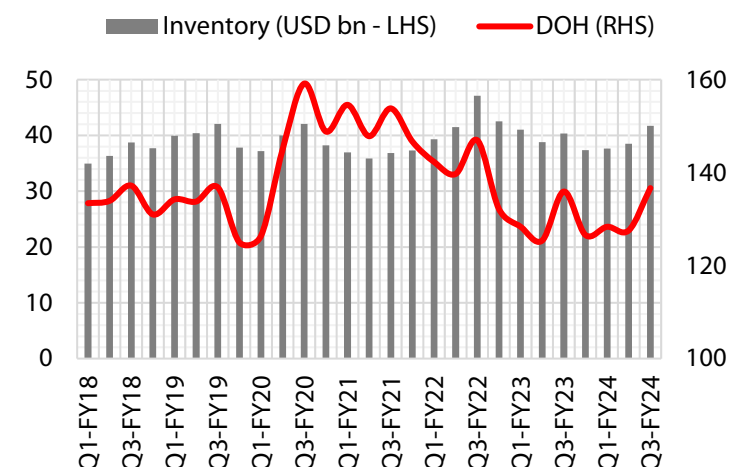
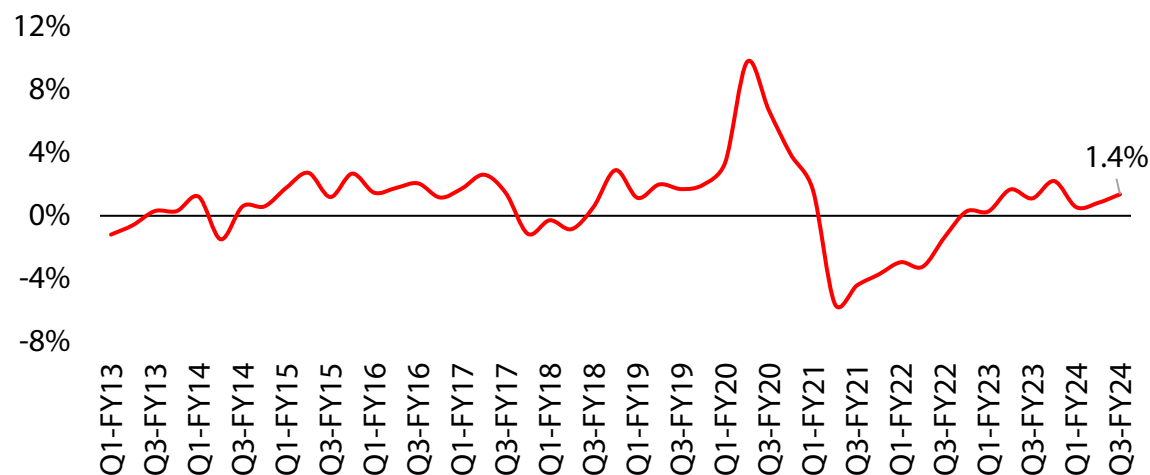


Figure14: H&M's inventory levels



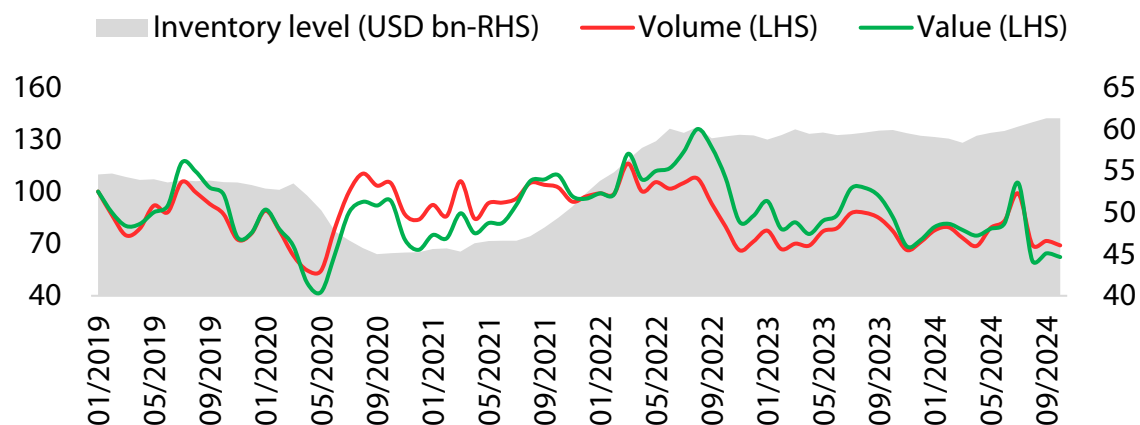
Source: Bloomberg, RongViet Securities

Figure 15: Growth in real household income in the US



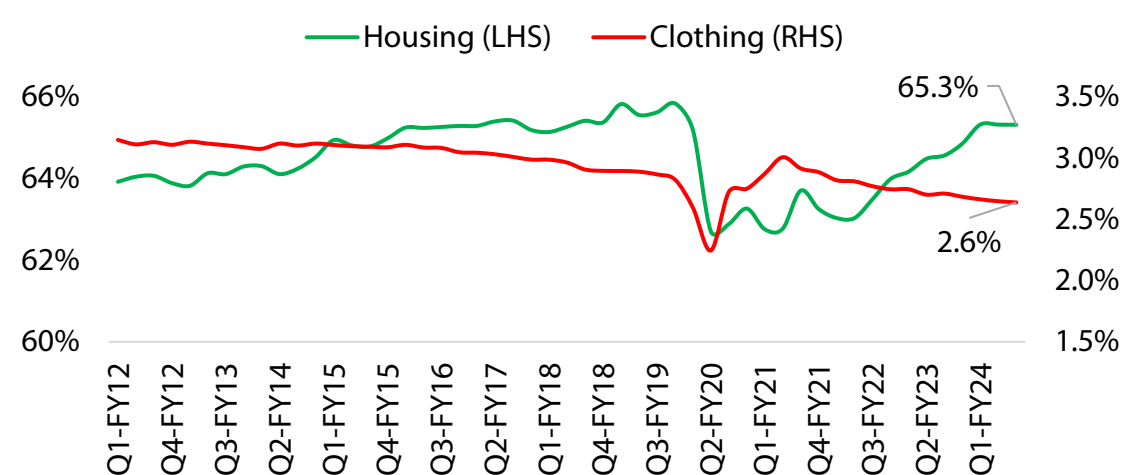
Source: Fred, RongViet Securities

Figure 17: Correlation between the apparel import activity index (Jan 2019 = 100) and inventory levels (seasonally adjusted)



Source: Fred, RongViet Securities

Figure 16: US households spent less on clothing

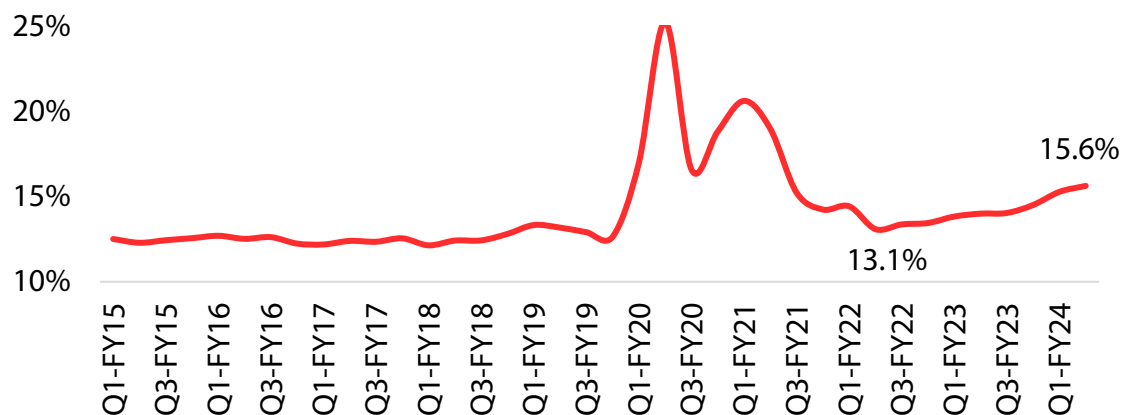


Source: BEA, RongViet Securities

The import activity of textiles and garments in the US is slowing down

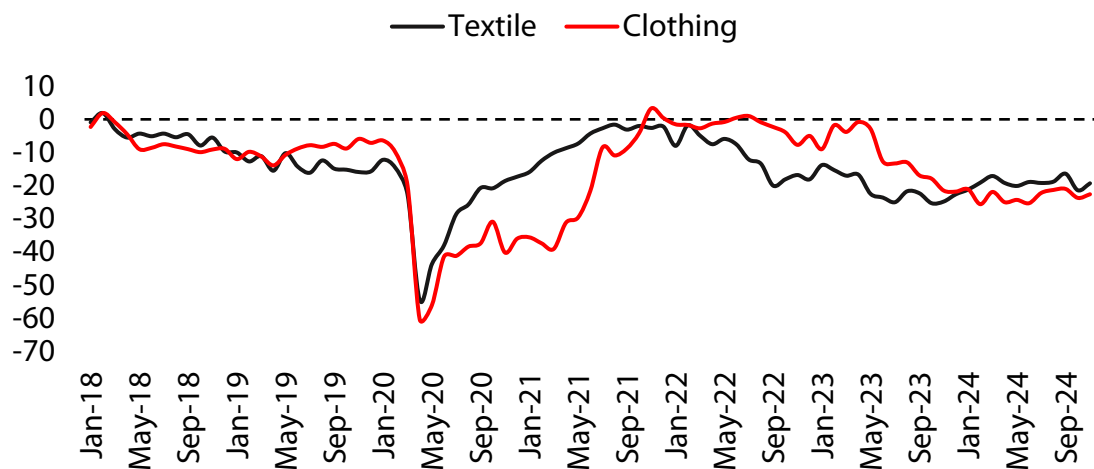
- There is a trend of reduced spending on clothing. Although real weekly earnings (inflation-adjusted average wages) for workers in the US recorded a 1.4% YoY growth in Q3-FY24 (Figure 15), 65% of the income is being allocated to housing services.
- The demand for imports from retail fashion companies in the US has decreased due to high inventory levels.

Figure 18: Since the ECB raised interest rates, European citizens have increased their savings rate to gain more benefits



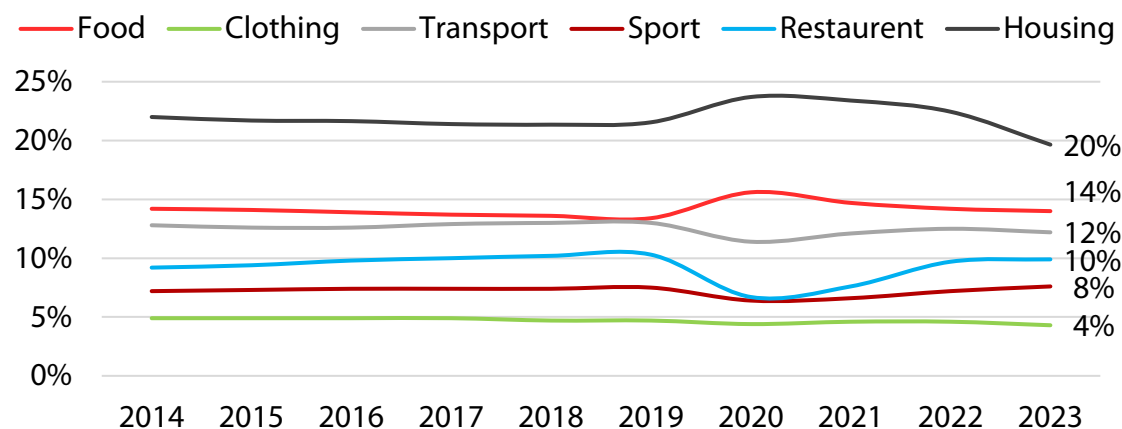
Source: EuroStat, RongViet Securities

Figure 20: Business Confidence Index (BCI) of Europe



Source: European Commission, RongViet Securities

Figure 19: European households maintain their spending proportion on clothing

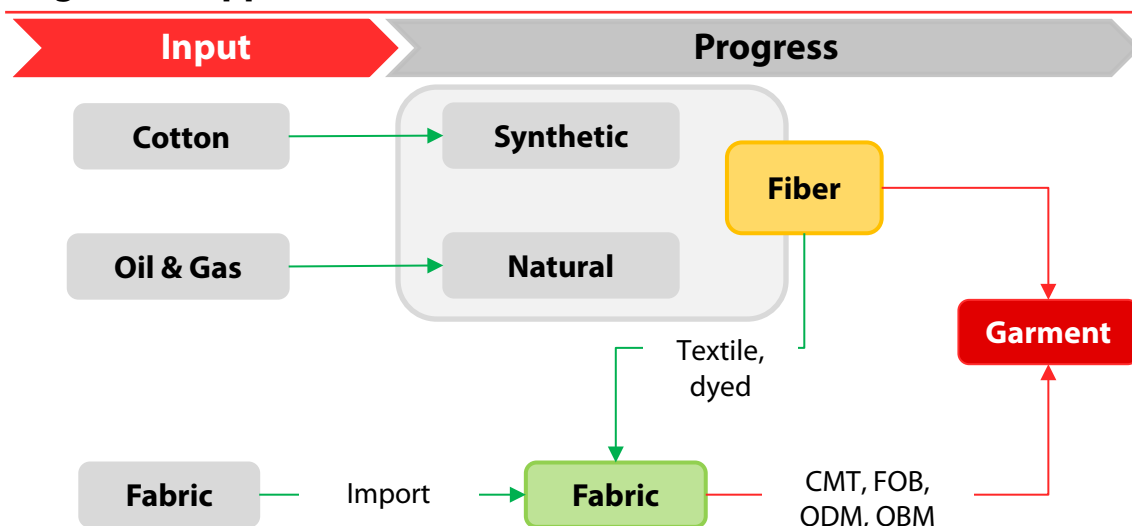


Source: EuroStat, RongViet Securities

We expect the European market to experience stronger growth compared to the US.

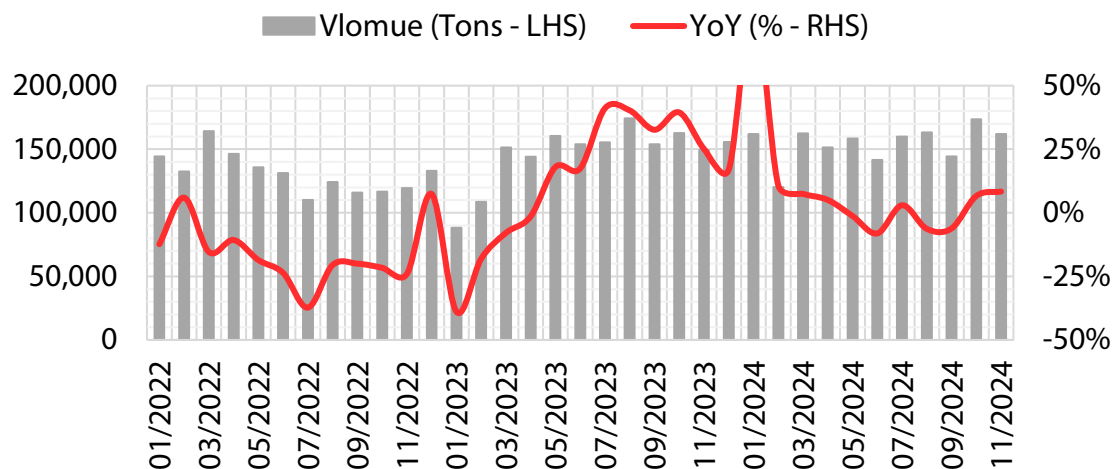
- We expect that the monetary easing policy in 2025 will shift the flow of capital from savings to consumption. European households have significantly increased their savings rate since the ECB raised the benchmark interest rate in July 2022.
- Households continue to maintain their spending share on clothing.
- BCI has moved out of its downward trend and is expected to improve more significantly in 2025.

Figure 21: Apparel is at the downstream of the value chain



Source: RongViet Securities

Figure 22: Vietnam's fiber and yarn export volume

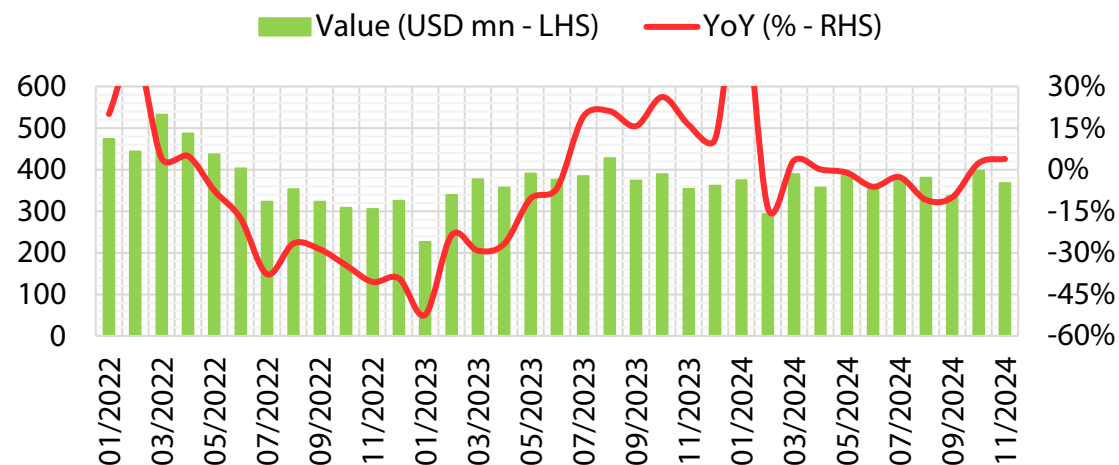


Source: Customs, RongViet Securities

The upstream group is showing signs of improvement, which is viewed as an early indicator for the growth of the apparel sector in 2H2025.

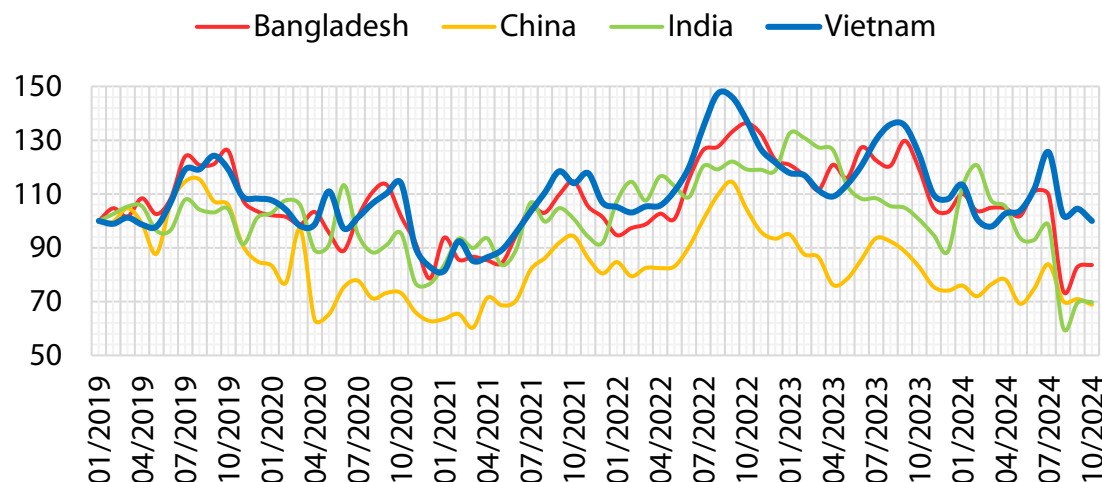
- In 11M2024, the export value of fibers and yarn reached USD 4 bn (flat YoY), but the export volume of fibers and yarn totaled 1.7 mn tons (+6% YoY) due to falling prices. Positive growth in both volume and value returned in late 2024 after five consecutive months of decline (Figure 22 & 23).
- Fibers and yarn are upstream in the textile value chain (Figure 21). The performance of this product group can serve as an early indicator for the short-term trends in the sector.
- Vietnam is the world's 6th largest exporter of fibers and yarn, so it can be expected that the trends in Vietnam's manufacturing activity are reflective of the global market conditions.

Figure 23: Vietnam's fiber and yarn export value



Source: Customs, RongViet Securities

Figure 24: The average export price of Vietnam's T&G products to the U.S. remains higher than competitors (2019 = 100)



Source: US Otexa, RongViet Securities

Table 1: Tariffs in developed countries

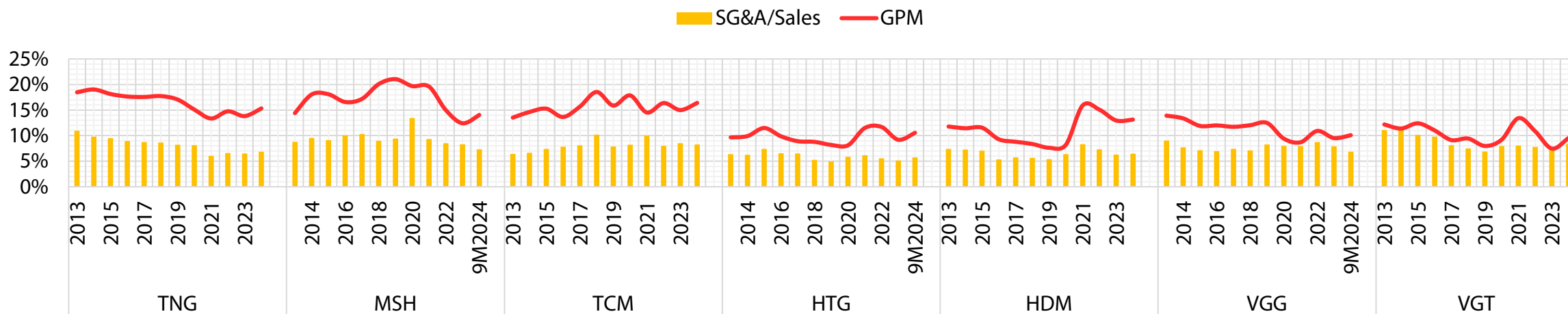
Nation	US	Europe				
	MFN	MFN	EBA for LDC	GSP+	GSP	EVFTA
China	MFN + 7.5% sanctions	MFN				
Bangladesh	MFN	0%				
Vietnam	MFN	9.6% Tariffs reduced from 12% to 0% over a 7-year schedule (effective from June 30, 2019)				
India	MFN	9.6%				
Indonesia	MFN	9.6%				
Campuchia	MFN	0%				
Myanmar	MFN	0%				
Laos	MFN	0%				
Sri Lanka	MFN	0%				
Pakistan	MFN	0%				

Source: STK, RongViet Securities

Vietnam's advantages are not yet clearly defined to capitalize significantly on the trend of shifting away from China.

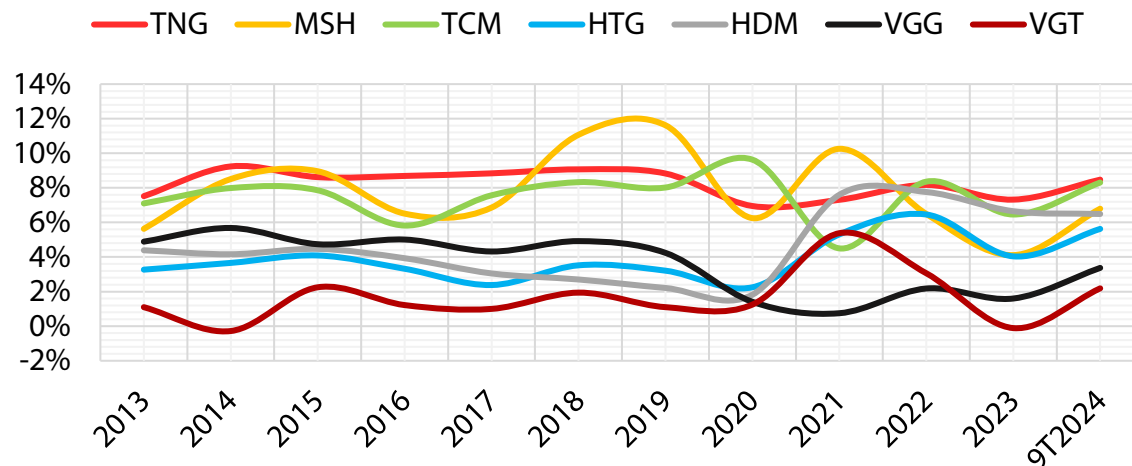
- Most of the U.S. trade operates under the Most Favored Nation (MFN) mechanism, with an average tariff rate of 3.5% (5.2% for agricultural products). China is subject to punitive tariffs of 7.5% on imports into the US. Meanwhile, other Asian countries are treated equally, which means that their competitive advantage depends on production costs, order processing times, and compliance with ESG standards. Although Vietnam's average selling price has dropped by about 30% from its peak in 2022, it still remains higher than that of other countries in the region (Figure 24).
- In Europe, Vietnam faces a greater disadvantage in terms of tariffs compared to other Asian countries such as Bangladesh, Cambodia, and Myanmar. This is because most of the fabric materials are imported from China and Taiwan, meaning they do not benefit from the 0% tariff preference under the EVFTA.

Figure 25: Correlation between GPM and SG&A/Sales ratio for textile and garment companies (%)



Source: Fiinx, RongViet Securities

Figure 26: EBIT margins of textile and garment companies



Source: Fiinx, RongViet Securities

EBIT margins of T&G companies have remained flat over the past 10 years, and this trend is expected to continue in the long term

- Except for the period from 2020 - 2022, which was influenced by the unusual factors of the COVID-19 pandemic and global supply chain disruptions, the GPM of the T&G industry has tended to narrow in the long term (Figure 25) due to the high level of competition.
- Periods when the GPM expands due to increased demand or a shift towards higher-value product categories are often offset by higher SG&A expenses. These costs rise as a result of increased labor expenses or higher costs for QA and QC, which also increase correspondingly (Figure 26).

Ticker	Market Cap. (USD mm)	3M.daily turnover AVG. (USD mn)	Current P/E (x)	Current P/B (x)	Trailing 12 M ROE (%)	Target price	Market price as of 01/10/25	Expected return	2023A		2024E		2025F		Revenue Growth		NPAT Growth	
									EPS	BVPS	EPS	BVPS	EPS	BVPS	2024E	2025F	2024E	2025F
TNG	115	47,734	10.27	1.56	15.9%	26,700	23,700	12.7%	1,775	14,080	2,445	16,993	2,604	19,031	7.8%	4.7%	39.9%	6.4%
MSH	143	10,695	10.71	1.90	18.5%	56,000	48,300	12.2%	3,260	21,948	4,002	23,624	5,037	26,313	14.1%	5.5%	52.5%	-18.0%
TCM	180	92,338	22.05	2.08	10.6%	N.R	44,900	-8.7%	1,101	19,636	2,565	23,819	2,889	24,002	15.3%	5.1%	113.0%	3.6%
STK	88	747	37.81	1.30	3.5%	N.R	23,200	-6.9%	933	17,311	491	18,745	779	19,484	-15.5%	19.8%	-82.6%	305.9%
VGT	264	18,001	165.54	1.00	2.1%	N.R	13,400	n.a	289	13,426	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
GIL	71	12,869	17.04	0.71	4.3%	N.R	17,800	n.a	288	24,895	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
PPH	87	1,039	7.65	1.27	16.5%	N.R	29,700	n.a	3,865	23,409	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
HTG	67	1,547	7.81	1.90	25.3%	N.R	47,500	n.a	4,444	22,160	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
ADS	25	970	34.14	0.74	3.3%	N.R	8,400	n.a	1,120	12,644	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
BDG	33	159	6.87	1.61	23.9%	N.R	34,100	n.a	4,975	21,229	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
HDM	26	424	7.70	1.50	19.9%	N.R	32,500	n.a	4,222	21,659	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R
MNB	20	61	16.05	1.30	8.4%	N.R	25,500	n.a	1,661	19,632	n.a	n.a	n.a	n.a	N.R	N.R	N.R	N.R

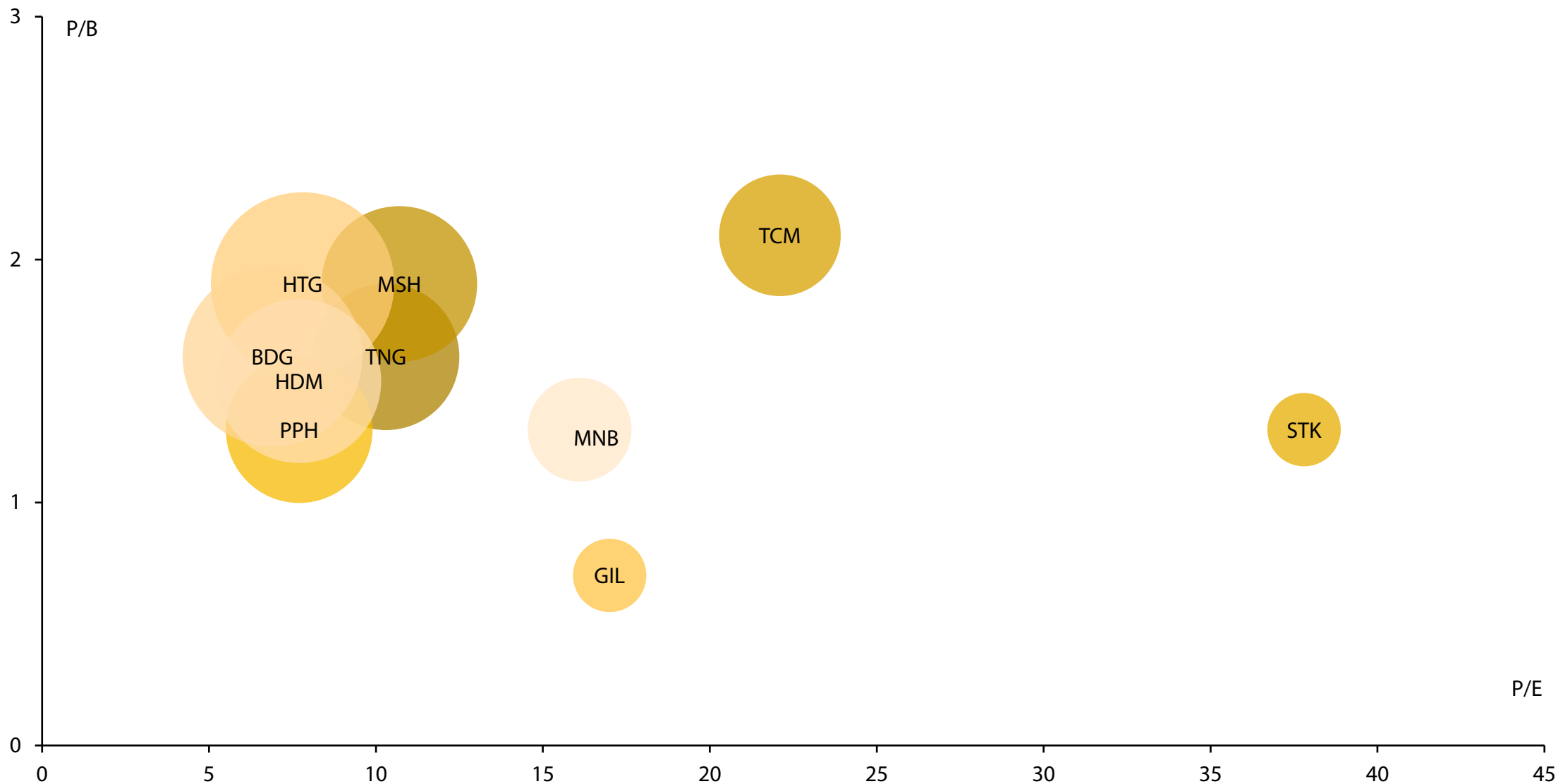
Source: Bloomberg, RongViet Securities. Data was updated as of 01/10/2025.

N.R: Non rate

N.A: Not available

EPS: Earning per share

BVPS: Book value per share



Source: FiinGroup, RongViet Securities. Bubble size equals respective ROE. Share price as of 10 Jan 2025. Excluding companies recorded TTM Loss.

ACCUMULATE: 16%

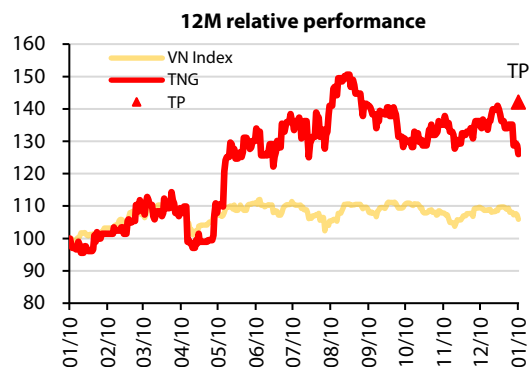
MP: 23,700

TP: 26,700

STOCK INFO

FINANCIALS

2023A 2024F 2025F



Sector

Personal &
Household Goods

Market Cap (USD Mn)

115

Current Shares O/S (Mn shares)

123

3M Avg. Volume (K)

1,876

3M Avg. Trading Value (VND bn)

48

Remaining foreign room (%)

31.9

52-week range ('000 VND)

17.5 - 29

Revenue (VND bn)

7,096

7,647

8,005

NPATMI (VND bn)

218

305

325

ROA (%)

4.2

5.0

5.2

ROE (%)

12.6

14.6

13.9

EPS (VND)

1,917

2,445

2,604

Book Value (VND)

14,577

16,993

19,031

Cash dividend (VND)

800

800

800

P/E (x)

9.7

10.3

9.1

P/B (x)

1.3

1.5

1.2

INVESTMENT THESIS

TNG is a leading textile company in Vietnam, with its manufacturing capabilities evidenced by its strengthened relationship with long-term client Decathlon....

- We expect TNG to receive more orders from Decathlon following the establishment of a product design center to serve this client in August 2024. This collaboration will streamline production time from design to market launch. As a result, revenue from the European market is forecasted to grow by 7% YoY, reaching VND 3,200 billion.
- The U.S. market is expected to grow by 5% YoY, slower than Europe, as brands remain relatively cautious about increasing inventory levels.

... However, the potential to drive profit growth lies in the industrial park land that has yet to be leased

- The Sơn Cẩm 1 Industrial Park is a TNG project designed to attract auxiliary manufacturing companies, helping to create an ecosystem for the textile and garment industry in Thái Nguyên.
- With a leasable land area of 47 hectares (representing 96% of the total project area), the Sơn Cẩm 1 Industrial Park is seen as a business segment that can drive profit growth and supplement TNG's operating cash flow.

The gross profit margin has expanded slightly due to improved orders and a shift towards higher-margin products....

- Abundant orders in the context of recovering consumer demand will help optimize production costs and increase the proportion of Decathlon's products, which have a gross margin of around 18%, higher than the average of 14% from TNG's other clients.

... However, the net margin remains flat due to a corresponding increase in SG&A expenses, as Decathlon's QA and QC requirements are higher compared to other partners.

RISKS TO OUR CALL

- TCP's customer is currently in a restructuring phase, with declining business activity, which poses the risk of having to provision for doubtful debts. This could impact TNG's profitability.
- The capital structure, with 75% of debt (the highest among domestic textile companies), exposes the company to liquidity risks in unfavorable business conditions.

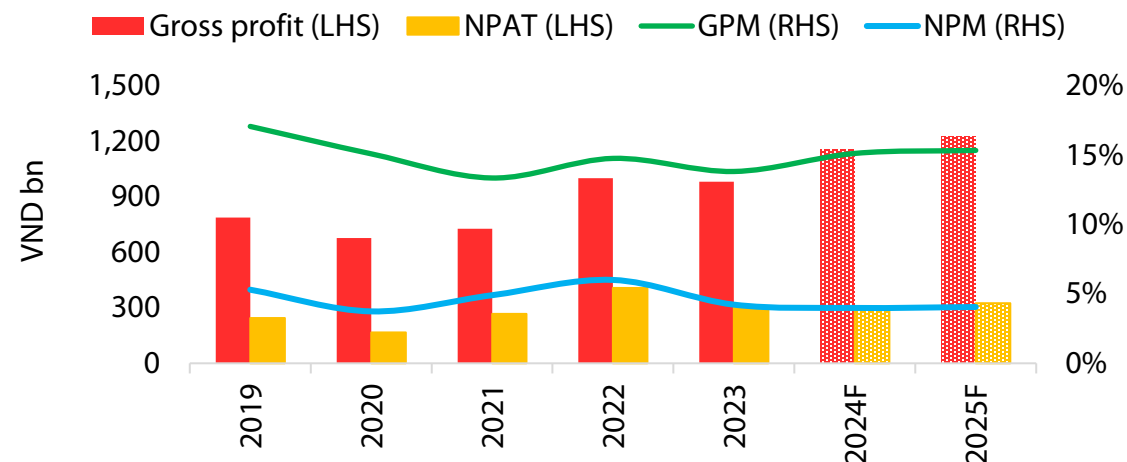
Table 1: Summary of valuation

Segment	Method	Equity value
Textile and Garment	FCFF	2,816
Industrial Park	FCFF	450
Total (VND bn)		3,265
No. of share outstanding (Mn shares)		123

Target Price (VND/share) **26,700**

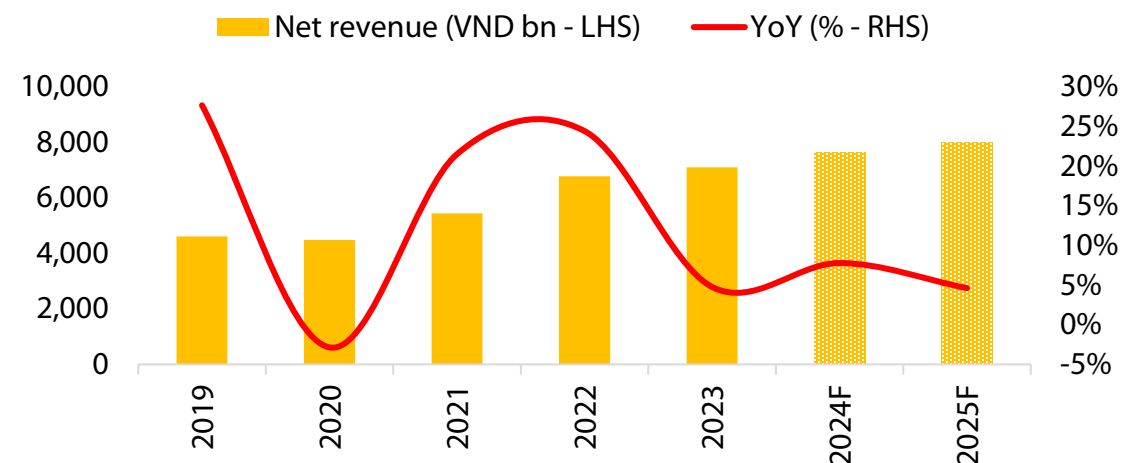
Source: TNG, RongViet Securities

Figure 2: TNG's profitability ratio



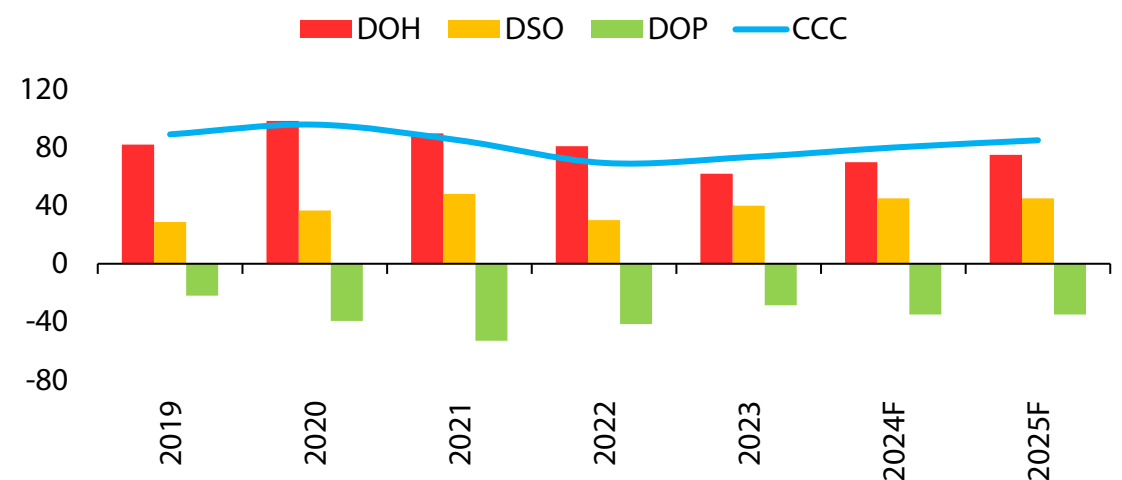
Source: TNG, RongViet Securities

Figure 1: Forecast TNG's revenue



Source: TNG, RongViet Securities

Figure 3: TNG's efficiency ratio



Source: TNG, RongViet Securities

ACCUMULATE: 18%

MP: 48.300

TP: 56.000

STOCK INFO

Sector

Market Cap (USD Mn)

Current Shares O/S (Mn shares)

3M Avg. Volume (K)

3M Avg. Trading Value (VND bn)

Remaining foreign room (%)

52-week range ('000 VND)

Personal &
Household Goods

143

75

210

11

44.3

36.4 - 54.8

FINANCIALS

Revenue (VND bn)

NPATMI (VND bn)

ROA (%)

ROE (%)

EPS (VND)

Book Value (VND)

Cash dividend (VND)

P/E (x)

P/B (x)

2023A

2024F

2025F

4,542

245

7.1

13.5

3,260

24,126

2,500

11.1

1.7

5,183

384

10.7

21

5,115

24,331

4,500

13

2.2

5,467

316

7.7

16.4

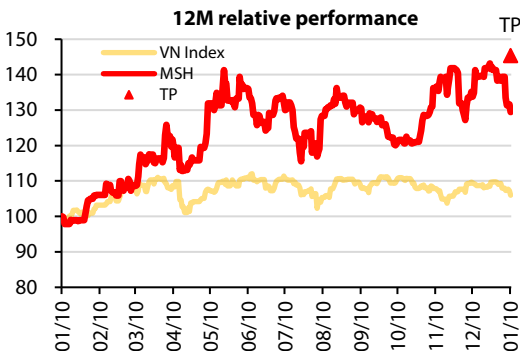
4,217

25,711

2,500

9.6

1.8



INVESTMENT THESIS

MSH is expected to receive additional orders from Walmart and Columbia, which will lead the revenue growth in 2025

- According to Walmart's projections, the retail chain is expected to see revenue growth of around 5% YoY, driven by significant investments in its online platform. Although Walmart does not disclose detailed revenue figures for apparel, we expect this category to grow in line with the company's overall revenue.
- Based on Spring 2025 orders, Columbia Sportswear forecasts global wholesale revenue growth in the mid-single digits for the first half of 2025. This growth is expected across all regions and brands, including Columbia, prAna, and Mountain Hardwear.

MSH is one of the few companies in Vietnam with abundant and healthy finances, enabling it to participate in capital business activities and contribute up to 30% of annual PBT

- Although MSH has the characteristic of being capital-intensive, it has leveraged low-cost short-term debt (interest rates of 3-3.5% per year) to invest in high-yield bonds (8-11% per year).

The margin is expected to decrease in the short term due to depreciation costs from the Xuan Truong 2 factory, which will begin operations in 2025

- In 2024, thanks to the return of orders, the company can select higher-margin orders, resulting in an expansion of the GPM in the outsourcing segment from 4.4% to 10.1%. We expect MSH to maintain this outsourcing segment margin in 2025.
- In 2025, MSH's GPM is expected to slightly decrease to 13.8% due to an additional depreciation cost of VND 50 billion from the Xuan Truong 2 factory.

For 2025, NPATMI is projected to reach VND 316 bn (-18% YoY). MSH's net margin is expected to narrow by 160 bps YoY due to a contraction in GPM and a 22% YoY decline in financial income (Lower interest income and FX gains due to reduced capital after dividends and 2-3% VND depreciation, below 5% of 2024)

RISKS TO OUR CALL

- Xuan Truong 2 factory has started operations later than expected.

Table 1: Forecast 2024E – 2025F

Unit: VND bn	2024E	+/-YoY	2025F	+/-YoY
Net revenue	5,183	14%	5,467	6%
Goods and finished products	4,400	15%	4,642	6%
Processing services	783	8%	826	5%
COGS	4,438	12%	4,710	6%
Goods and finished products	3,734	14%	3,967	6%
Processing services	704	2%	743	5%
Gross profit	745	32%	758	2%
Goods and finished products	666	25%	674	1%
Processing services	79	146%	83	5%
GPM	14%	195 bps	14%	-51 bps
Goods and finished products	15%	121 bps	15%	-60 bps
Processing services	10%	563 bps	10%	0 bps
SG&A expenses	411	9%	467	14%
EBIT	334	111%	290	-13%
Financial incomes	187	-12%	146	-22%
Financial expenses	35	-34%	34	1%
PBT	480	52%	396	-18%
NPATMI	384	52%	316	-18%

Source: MSH, RongViet Securities

Table 2: DCF valuation

WACC	FCFF	VND bn
Beta	1,0	PV of cumulative FCFF
Risk-free rate	2.7%	PV of TV
Equity risk premium	10.3%	(+) Cash and short-term investment
Cost of equity	10.3%	(-) Total debt
Cost of debt after tax	8.0%	Equity value
D/E	43%	No. of share outstanding (mn)
WACC	11.5%	Target price (VND/share)
		56,000

Source: RongViet Securities

Table 3: Sensitivity analysis

		Exit EV/EBITDA				
		4.0x	5.0x	6.0x	7.0x	8.0x
WACC	10%	48,893	53,912	58,930	63,949	68,967
	11%	47,734	52,571	57,407	62,244	67,081
	12%	46,624	51,286	55,949	60,612	65,275
	13%	45,559	50,056	54,553	59,050	63,547
	14%	44,538	48,876	53,215	57,553	61,891

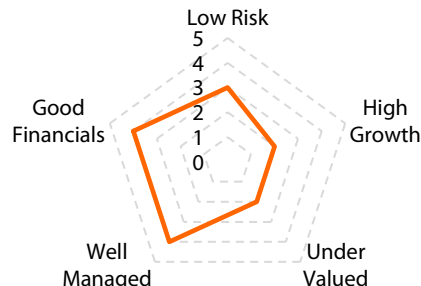
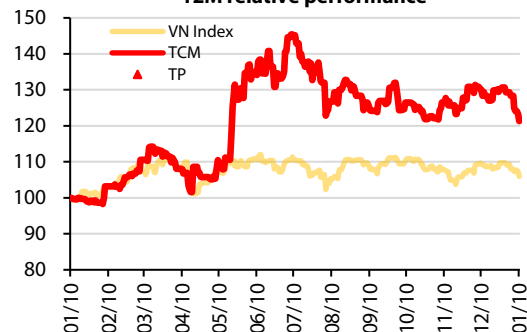
Source: RongViet Securities

OBSERVE

MP: 44,900

GMT: <N.R>

12M relative performance



STOCK INFO

Sector
Market Cap (USD Mn)
Current Shares O/S (Mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (VND bn)
Remaining foreign room (%)
52-week range ('000 VND)

Personal &
Household Goods
180
102
1,968
93
0.4
36.09 - 54.4

FINANCIALS

	2023A	2024F	2025F
Revenue (VND bn)	3,325	3,835	4,030
NPATMI (VND bn)	132	281	291
ROA (%)	3.9	8.4	7.7
ROE (%)	6.7	14.3	14.1
EPS (VND)	1,425	2,565	2,889
Book Value (VND)	21,599	23,819	24,002
Cash dividend (VND)	0	500	500
P/E (x)	26.0	18.7	15.5
P/B (x)	1.7	2.0	1.9

INVESTMENT THESIS

The orders from the major shareholder E-Land, which account for 30% of export revenue, are expected to be the main growth driver in 2025

- According to E-Land, the fashion segment of the group has promising prospects, with sales in the Chinese market expected to grow at a rate of 16% YoY in 2025. Additionally, E-Land is actively promoting the WHO.AU brand on the De Closet e-commerce platform.
- TCM's export growth to the U.S. market is expected to be slower compared to its industry peers, as its major customer, Eddie Bauer, has not gained strong consumer preference. This makes it difficult for TCM to expand its market share in the US

The M&A activity involving the SY Vina fabric production factory and the expansion of the value chain will help TCM improve GPM

- In the short term, SY Vina will help increase the share of fabric products, which have a gross margin 4% higher than that of garment products.
- In the long term, TCM will be able to optimize production costs by securing an in-house supply of fabric, which typically accounts for around 60% of the cost of goods sold.

The real estate business, with a focus on the TC Tower project, is expected to yield good profits in the future. However, its specific impact on 2025 remains difficult to quantify at this stage.

- The TC Tower project has been approved by the shareholders' meeting with a total investment of VND 1,730 billion. According to management's estimates, the project is expected to generate revenue of VND 2,800 billion and profit of VND 1,100 billion.
- The TC Tower project has not yet obtained its construction permit, so we do not have sufficient grounds to assess the revenue and profit potential from this project.** Therefore, we have not incorporated the outlook from this project into the fair value of the stock. The project's value will be added to the valuation once reliable information becomes available.

RISKS TO OUR CALL

- The TC Tower project has not yet obtained its construction permit.

Table 1: Forecast 2024E – 2025F

Unit: VND bn	2024E	+/-YoY	2025F	+/-YoY
Net revenue	3,835	15%	4,030	5%
Textile and Garment	3,715	16%	3,904	5%
Healthcare and others	119	5%	125	5%
COGS	3,197	13%	3,350	5%
Textile and Garment	3,102	13%	3,250	5%
Healthcare and others	95	5%	100	5%
Gross profit	637	28%	679	7%
Textile and Garment	613	29%	654	7%
Healthcare and others	24	5%	26	5%
GPM	17%	162 bps	17%	24 bps
Textile and Garment	17%	169 bps	17%	25 bps
Healthcare and others	20%	bps	20%	bps
SG&A expenses	328	16%	349	6%
EBIT	309	44%	331	7%
Financial incomes (*)	32	-61%	34	9%
Financial expenses (*)	4	-90%	4	0%
PBT	351	87%	363	3%
NPATMI	281	113%	291	3%

Source: TCM, RongViet Securities, Exchange rate gains/losses are offset within financial revenue/expense

Table 2: Information about TC Tower project

Information	Unit	Giá trị
TC Tower at 37 Tay Thanh street, Tay Thanh Ward, Tan Phu District, HCM city		
Total investment	VND bn	1,731
Total area	m ²	9,898
Construction density		41%
Floor area	m ²	63,874
Commercial area	m ²	39,224

Source: TCM, RongViet Securities

Table 1: DCF valuation for TCM

WACC	FCFF	VND bn
Beta	0.8	PV of cumulative FCFF
Risk-free rate	2.7%	PV of TV
Equity risk premium	10.3%	(+) Cash and short-term investment
Cost of equity	10.9%	(-) Total debt
Cost of debt after tax	3.2%	Equity value
D/E	33%	No. of share outstanding (mn)
WACC	9.0%	Target price (VND/share)
		40,700

Source: RongViet Securities

OBSERVE

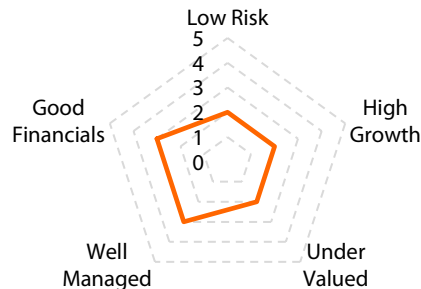
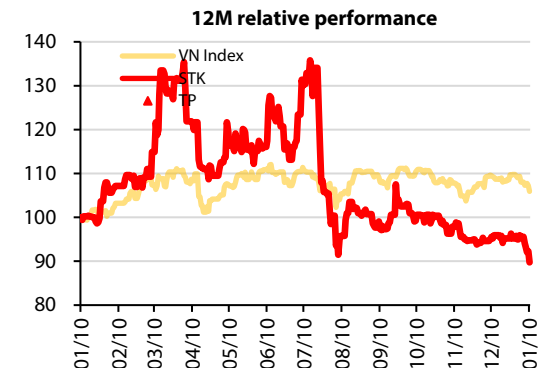
MP: 24.600

GMT: N.R

STOCK INFO

FINANCIALS

2023A 2024F 2025F



Sector
Market Cap (USD Mn)
Current Shares O/S (Mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (VND bn)
Remaining foreign room (%)
52-week range ('000 VND)

Personal &
Household Goods
88
97
30
1
83.5
23 - 36.6

Revenue (VND bn)	1,425	1,204	1,442
NPATMI (VND bn)	88	15	33
ROA (%)	3.0	0.4	0.9
ROE (%)	5.4	0.9	1.8
EPS (VND)	933	157	338
Book Value (VND)	16,856	18,412	18,749
Cash dividend (VND)	0	0	0
P/E (x)	27.8	156.3	72.8
P/B (x)	1.4	1.3	1.2

INVESTMENT THESIS

We expect STK to resolve the critical incident at its Trang Bang plant by Q1/2025, with the recovery in textile raw material demand driving revenue growth

- STK is set to replace its quality control process from automated to manual in Q1-FY25, thereby ensuring its ability to meet customer supply demands.
- Phase 1 of the Unitex plant, with a designed capacity of 36,000 tons of yarn per year, is expected to be operational, increasing total capacity by 57% in 2025. The production of thicker yarns will meet the diverse needs of customers.
- The price of recycled yarn remains elevated due to strong demand driven by the trend of using environmentally friendly materials, free from dyes and chemicals, by major fashion brands.

The Unitex plant has yet to reach full capacity upon its launch, which will impact gross margin in the short term until capacity surpasses the breakeven point

- The gross margin decreased by 4 percentage points due to the additional depreciation costs from the Unitex plant.

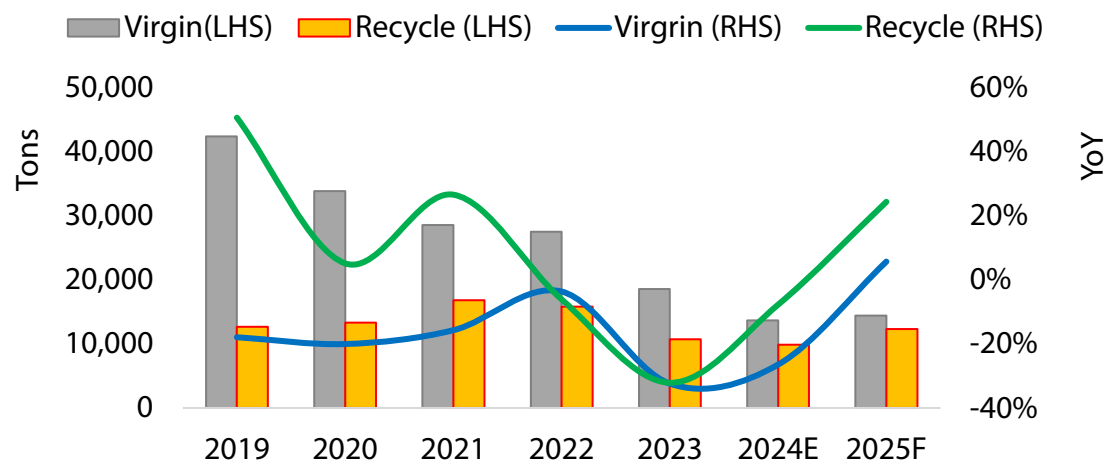
STK's profitability continues to be eroded by exchange rate fluctuations

- In Q4-FY24, with the exchange rate remaining elevated, STK is expected to incur a foreign exchange loss of approximately VND 50 billion (USD 2 million).

RISKS TO OUR CALL

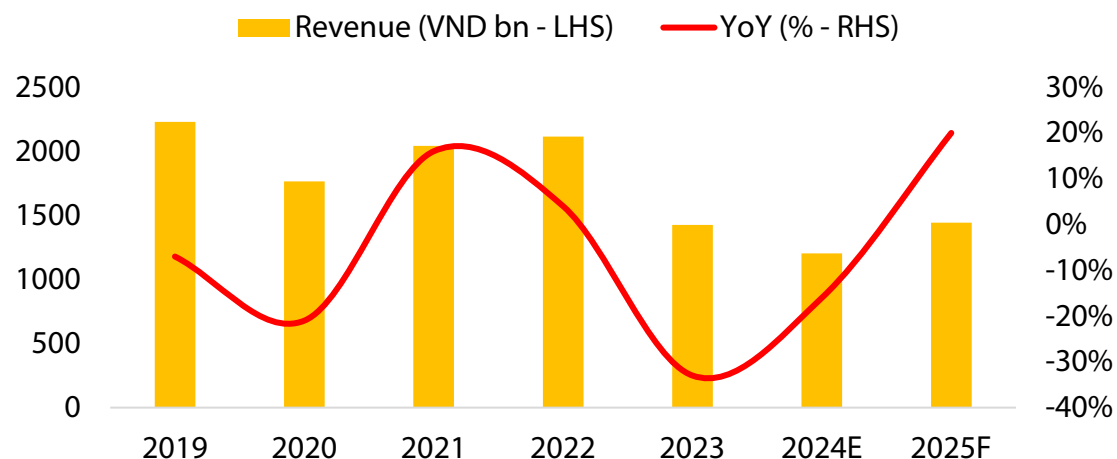
- We estimate that STK will experience a profit or loss of VND 9 billion (USD 0.4 million) for every 1% fluctuation in the USD/VND exchange rate.
- The progress in resolving the issues at the Trang Bang plant is slower than initially anticipated.
- The high volatility of the exchange rate has caused net profit to deviate from forecasts.

Figure 1: We expect fiber production to improve



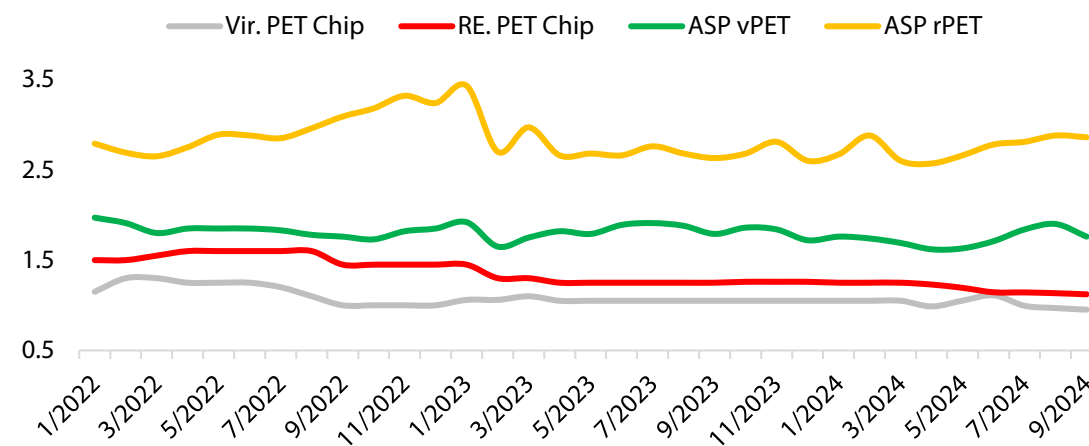
Source: STK, RongViet Securities

Figure 3: Forecast revenue



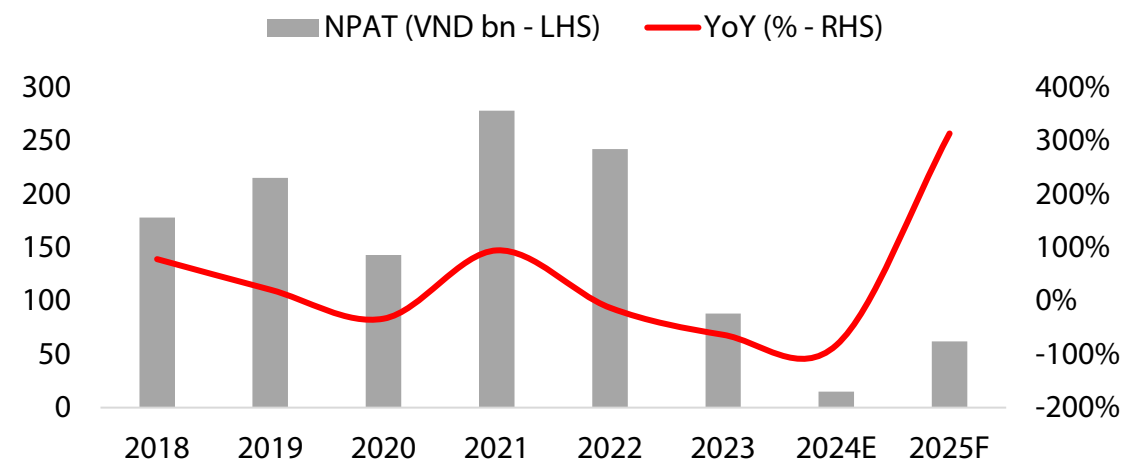
Source: STK, RongViet Securities

Figure 2: Price gap trend (*)



Source: STK, RongViet Securities, (*) Price gap reflects the difference between yarn prices and raw material costs

Figure 4: Profit recovers from the low base of 2024



Source: STK, RongViet Securities



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