

AGM 2023: Facing "against the wind" situation

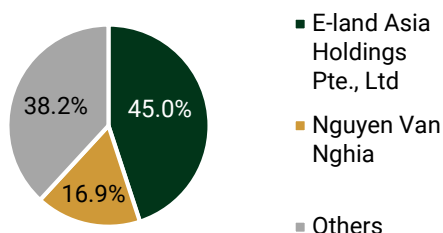
HOLD [-1%]

Fair price 52,300 VND
Current price 52,900 VND

STOCK INFORMATION

Outstanding shares (mil) 81.9
Free float (mil) 32.8
Market cap. (billion VND) 4,531.65
3m avg. volume (shares) 621,234
Foreign ownership (%) 48.89%
First listing date 15/10/2007

MAJOR SHAREHOLDERS



Updated: 06/07/2023

Key points:

Business results in 1H2023: In 6M2023, TCM's net revenue decreased by 27.6% YoY to VND 1,570.74 billion and NPAT was VND 105.63 billion, down 18% YoY due to the heavy impact from the drop in export orders. Accordingly, in 2Q2023, net revenue decreased by 33.8% YoY to VND 694 billion, while NPAT decreased slightly by 8.2% YoY to VND 50.6 billion thanks to the recognition of USD 1.3 million in profit from selling more than 3.7 million shares of Savimex Corporation (HOSE: SAV), equivalent to the ownership rate of 20.59%.

Business plan for 2023: In the context of weak global textile demand, TCM cautiously targets with net revenue of VND 3,927.41 billion and NPAT of VND 244.89 billion, decrease by 9% and 13% respectively compared to the implementation level in 2022. Management said that customers place orders more carefully, according to the best scenario, the textile market will recover by the end of 2023. As of 3Q2023, TCM has only received 77% of orders for revenue plan.

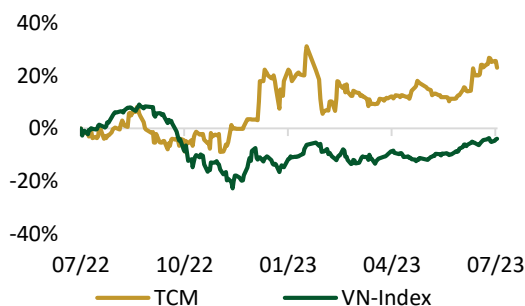
Vinh Long factory project: Due to the decline in orders, TCM only focused on operating one Vinh Long garment factory. For Vinh Long 2 garment factory, TCM will recruit workers to reach the planned capacity as soon as the market shows signs of recovery. However, for the plan of knitting and dyeing factory in Vinh Long province, TCM said that because the factory construction cost is too high and the capacity licensed by Vinh Long province is not as expected, TCM will suspending the expansion of the factory project in Vinh Long and transferring the rest of the knitting and dyeing factory project with an area of about 68,000 m2. TCM has invested in this land at USD 26/m2 and the current market price is around USD 80-85/m2, the management plans to transfer and use this money to buy another existing factory near Ho Chi Minh City. We estimate the profit from the transfer of this land will be more than USD 3.5 million.

Dividends: In 2023, TCM would pay dividend for 2022 at the rate of 20%, with 7% cash dividend (paid in April 2023) and 13% stock dividend. Dividend for 2023 is expected at 15%.

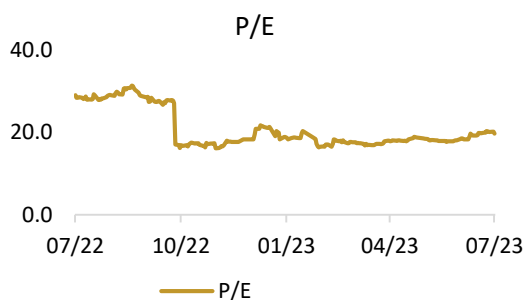
Valuation and recommendation: With the pressure of weak purchasing power and high inventories causing orders to decline, the total world textile demand in 2023 is forecasted to decrease by 5% YoY from USD 722 billion to USD 685 billion, we conservatively forecast TCM's net revenue in 2023 to reach VND 3,501 billion (-19.3% YoY). We estimate the gross profit margin in 2023 would drop to 15.8% based on the industry's general situation of lack of orders while selling prices are forced down. Thereby, NPAT in 2023 would reach VND 211 billion (-25.1% YoY). Using the DCF and EV/EBITDA valuation methods, we determine the fair price for TCM stock to be VND 52,300/share. Hence we make recommendation: **Hold** for TCM.

Investment risks: (1) FX risk; (2) Competitive risk; (3), Solvency risk; (4) Raw materials risk.; (4) Inflation risk, (5) Risk of world economic recession affecting order demand.

PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	3,662	3,644	3,470	3,535	4,337	3,501
Net Profit (billion VND)	260	217	276	144	281	211
EPS (VND)	4,069	3,166	4,435	1,997	3,405	2,567
EPS Growth (%)	29%	-22%	40%	-55%	70%	-25%
Book Value (VND)	23,537	24,566	26,402	23,942	24,119	24,901
P/E	5.3	6.1	5.0	38.7	16.2	20.4
P/B	0.9	0.8	0.8	3.2	2.3	2.1
Cash dividend (VND)	5%	5%	5%	15%	20%	N/A