

**BUY [+37%]**

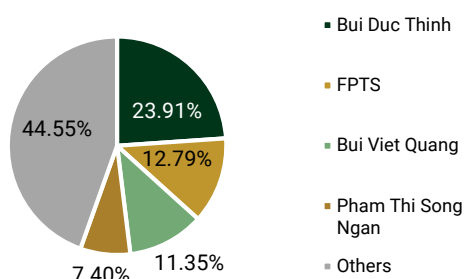
Updated: 21/08/2023

Fair price 49,350 VND  
Current price 36,050 VND

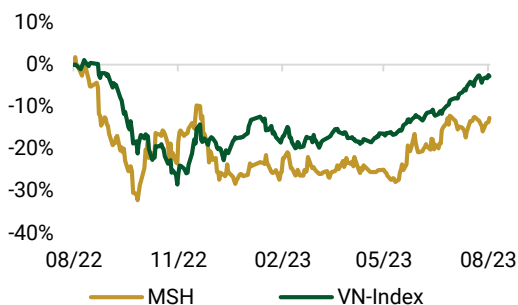
**STOCK INFORMATION**

Outstanding shares (mil) 75  
Free float (mil) 26.2  
Market cap. (VND billion) 2,880.54  
3m avg. volume (shares) 223,974  
Foreign ownership (%) 3.26%  
First listing date 28/11/2018

**MAJOR SHAREHOLDERS**



**PRICE MOVEMENT COMPARED TO THE INDEX**



**HISTORICAL VALUATION**



**Long-term opportunity through increased productivity**

**Business results in 1H2023:** The 2Q2023 business results showed a robust growth on a low base, with Net Revenue and NPAT increasing by 142% QoQ and 213% QoQ to VND 1,542 billion and VND 85 billion respectively, marking the beginning of recovery due to attributed securing numerous new orders. In 1H2023, MSH reported a 20.4% YoY decrease in Net Revenue to VND 2,179 billion, and a 33.2% YoY decrease in NPAT to VND 112 billion. The company anticipates challenging order situations in Q3, but expects orders to rebound significantly in Q4.

**Investment highlights:**

**Shifting production methods toward FOB orders to increase Gross Profit**

**Margin:** Unlike most businesses in the industry, MSH is one of the few textiles enterprises that focus on developing and increasing the proportion of products under the FOB (Free On Board) method. Compared to CMT (Cut-Make-Trim) orders, FOB is a method with a higher profit margin as companies actively seek input supply sources to manufacture products. As a result, MSH's Gross Profit Margin for FOB orders and bedding items is higher than that of CMT orders, ranging from approximately 14% to 23%.

**Constructing new factories to contribute to the overall growth of the**

**Company:** In 03/2022, MSH put Song Hong 10 garment factory into operation with over 40 production lines, currently attracting around 2,000 workers, equivalent to utilizing half of its capacity. As for the Xuan Truong factory project, new capacity under subsidiary – Song Hong - Xuan Truong Garment, MSH is expected to hold 51% of charter capital and intends to commence construction in 3Q2023, aiming to start operations by the end of 2024. This factory is projected to require an investment capital of approximately VND 700 billion, constructed on an area of 9.8ha, with around 50 production lines and a workforce of about 3,000 employees. Once both new factories are operating at full capacity, MSH's total capacity will increase to approximately 17%. The new factories operation will contribute to boosting productivity for FOB orders, creating growth momentum for the future.

**Valuation and recommendation:** We estimate MSH's Net Revenue in 2023F to reach VND 4,954 billion (-10.3% YoY), and the Gross Profit Margin will decrease to 14.5% due to (1) weakened demand in export markets, (2) lower unit prices of textile orders, and (3) expectations of reduced input material costs being insufficient to offset the decrease in output prices. Consequently, the NPAT is projected to decline by 19.9% YoY, reaching VND 270 billion. However, we have confidence in MSH's long-term prospects due to the increasing proportion of FOB products and the operation of new factories. Using the DCF and EV/EBITDA valuation methods, we derive the fair price for MSH at 49,350 VND/share. Therefore, we make Buy recommendation for MSH with a potential upside of 37%.

**Risks:** (1) Raw materials risk; (2) Competitive risk; (3) Risk of customer concentration; (4) Labour source risk; (5) FX risk.

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net Revenue (billion VND)	3,951	4,411	3,813	4,748	5,521	4,954
Net Profit (billion VND)	370	450	232	442	338	270
EPS (VND)	10,232	9,113	4,635	8,846	4,998	3,606
EPS Growth (%)	18%	-11%	-49%	91%	-44%	-28%
Book Value (VND)	19,605	24,710	28,839	29,902	22,916	24,521
P/E	4.0	4.9	7.6	6.4	8.0	13.7
P/B	2.1	1.8	1.2	1.9	1.7	2.0
Cash Dividend (VND)	45%	35%	25%	45%	25%	N/A