

09 November 2023

RECOMMENDATION BUY

Fair price	34,450 VND
Current price	26,500 VND
Upside/downside	30%

STOCK INFORMATION

Outstanding shares (mil)	94.095
Free float (mil)	42.342
Market cap. (billion VND)	2,493.52
3m avg. volume (shares)	49,272
Foreign ownership (%)	16.80%
First listing date	03/09/2015

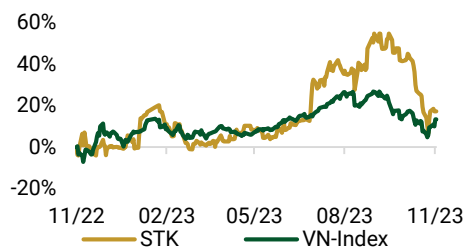
SHAREHOLDER STRUCTURE

Huong Viet Investment Consultant Corporation	20%
Dang My Linh	14%
Dang Trieu Hoa	14%
Dang Huong Cuong	7%
Others	45%

KEY ATTRIBUTES

TTM EPS (VND)	1,048
BVPS (VND)	16,970
Debt/Equity (%)	0.52
ROA (%)	4.38%
ROE (%)	6.30%
P/E	25.28
P/B	1.56
Dividend yield (%)	0.00

PRICE PERFORMANCE



COMPANY PROFILE

Century Synthetic Fiber Corp was established in 2000. Its main products are synthetic silk yarn and knitting yarn. The company is also a supplier to textile firms such as Nike, Adidas, UNIQLO, and Puma.

ANALYST(S)

Duong Trung Hoa
hoaduong@phs.vn

Orders recovered slower than expected

- Recycled fibers output decreased by 33.5% QoQ due to brands limiting orders to reduce costs.
- The construction progress of the Unitex factory project has reached 70% and it is expected to put into operation from 3Q2024.
- We maintain our BUY recommendation for STK at a fair price of 34,450 VND/share, corresponding to 2024 P/E and P/B forward of 19.3x and 1.3x, respectively.

Business results 3Q2023

In 3Q2023, STK recorded Net Revenue of VND 377 bn (-26.7% YoY, -7.3% QoQ) and Net Profit of VND 16 bn (-66.8% YoY, -55.7% QoQ), meeting 85% and 38% of our previous projections, respectively. In 9M2023, STK's Net Revenue decreased by 36.3% YoY to VND 1,072 bn, completing 50% of the 2023 plan. Net Profit declined by 71.8% YoY to VND 55 bn, fulfilling 22% of the 2023 plan.

Recycled fibers orders declined sharply

The revenue structure of STK in 3Q2023 saw a shift due to (1) brands limiting orders for recycled yarns with higher selling prices compared to virgin yarns to reduce costs, (2) strong competition from cheap fibers from China, (3) the issue of price dumping. As a result, the proportion of recycled fibers in the revenue structure in 3Q2023 dropped significantly to 41.6% from 53.4% in 3Q2022, due to a 37% YoY decrease in output along with an 8% YoY drop in average selling price.

Conversely, virgin yarns experienced a slight growth in proportion with 58.4% of the revenue structure, up by 11.5 percentage points compared to 46.9% in 3Q2022. However, given the global economic sluggishness, we believe the pace of STK's order recovery will remain slow in 1H2024, with clearer signs of improvement expected in 2H2024.

Gross Profit Margin for virgin fibers has seen an improvement

STK stated that the company is striving to maintain profit margins rather than lowering prices to expedite orders. Therefore, the GPM in 3Q2023 was sustained at 14.8%, the same with that of 2Q2023 but 2.8 percentage points lower than 3Q2022. This was primarily due to a 22.5% YoY reduction in total output, accompanied by a 5.4% YoY drop in average selling prices.

The average selling price of virgin PET chips decreased by 11.8% YoY, contributing to an enhancement in the GPM of virgin fibers to 7.9% in 3Q2023. Meanwhile, the GPM for recycled fibers decreased to 24.4% due to (1) average recycled PET chip prices remained stable and (2) recycled yarns selling price and output decreased by 8.8% YoY and 37.1% YoY, respectively.

Financial Results	2020	2021	2022	2023F	2024F
Net Revenue (VND bn)	1,766	2,042	2,115	1,425	1,746
Gross Profit (VND bn)	255	374	373	177	248
Net Profit (VND bn)	144	278	242	82	129
Gross Profit Margin (%)	14.5%	18.3%	17.7%	12.4%	14.2%