

04/04/2024

**RECOMMENDATION** **HOLD**

Fair price	38,550
Current price	35,000
Upside/downside	10%

**STOCK INFORMATION**

Outstanding shares (mil)	94.09
Free float (mil)	42.81
Market cap. (billion VND)	3,329.79
3m avg. volume (shares)	65,359
Foreign ownership (%)	17.31%
First listing date	30/09/2015

**SHAREHOLDER STRUCTURE**

Huong Viet Investment Consultant Corporation	20.11%
Dang My Linh	14.57%
Dang Trieu Hoa	14.47%
Dang Huong Cuong	7.12%
Others	43.73%

**KEY ATTRIBUTES**

TTM EPS (VND)	933
BVPS (VND)	17,122
Debt/Equity (%)	0.83
ROA (%)	3.44%
ROE (%)	5.54%
P/E	37.52
P/B	2.04
Dividend yield (%)	0%

**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)**

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**ORDERS ARE EXPECTED TO RECOVERY FROM 2Q2024**

- STK has set an optimistic business plan for 2024F, with Net Revenue and NPAT increasing by 89.7% YoY and 242.3% YoY to VND 2,703.5 bn and VND 300.6 bn, respectively.
- We have a cautious view compared to STK's business plan due to (1) the expected slow recovery in order volumes, (2) the policy of reducing the selling price of recycled fibers to boost consumption, and (3) the difficulty in significantly increasing the selling price of virgin fibers as STK expects due to high competition with cheaper Chinese fibers. We forecast that STK would record a 22.6% YoY increase in Net Revenue to VND 1,747 bn and a 50.3% YoY increase in NPAT to VND 132 bn.
- STK has shown strong growth in Q1 due to prospects for business activity recovery, with a 36.2% increase compared to the beginning of the year, approaching the fair value of PHS. We make recommendation **Hold** with a fair price for STK at VND 38,550/share, with potential upside from the current price of 10%.

**2023 Business results**

At the end of 2023, STK recorded a 32.6% YoY decrease in Net Revenue to VND 1,425 billion, with NPAT declining by 63.8% YoY to VND 88 billion, achieving 100% and 93% of our previous forecasts, respectively. Compared to the business plan for 2023, STK only achieved 66.3% of the revenue target and 34.7% of the profit target.

Customers reduced orders due to high inventory levels and low demand for textile products, leading to a 30.4% YoY decrease in STK's order volume, which was the main reason for the significant decline in its 2023 financial performance. In 2023, STK continued to focus on its recycled fiber segment, with this product contributing to 49.5% of the revenue structure (compared to 52% in 2022). However, while the selling price of recycled fibers decreased by 5.3% YoY due to economic downturn pressures, the cost of recycled plastic granules increased by 2% YoY, affecting the overall Gross Profit Margin, which decreased by 420 basis points to 13.5% in 2023.

**2024F Business plan**

- STK has set an optimistic business plan for 2024F, with Net Revenue and NPAT expected to increase by 89.7% YoY and 242.3% YoY to VND 2,703.5 billion and VND 300.6 billion, respectively. The Gross Profit Margin for 2024F is forecasted to improve to 17.8% from 13.5% in 2023 due to (1) improved prices of virgin fibers, (2) slight reduction in chip prices and (3) recovery in order volumes.
- 1Q2024 financial results remains subdued, not recording growth compared to the same period last year, with a volume of approximately 5,400 tons due to low orders for the Fall and Winter 2024 season.
- Order prospects are expected to recover from 2Q2024, with projected orders for 2Q2024 doubling compared to 1Q2024 to approximately 9,000 tons. With expectations of high orders for the Spring and Summer 2025 seasons, STK's 3Q and 4Q2024 orders will also see improvement, with projected order volumes of 10,500 tons and 12,000 tons, respectively.