

14/08/2024

RECOMMENDATION BUY

Fair price	58,500
Current price	47,850
Upside/downside	22%

STOCK INFORMATION

Outstanding shares (mil)	101.86
Free float (mil)	35.65
Market cap. (billion VND)	4,777.00
3m avg. volume (shares)	3,156,907
Foreign ownership (%)	48.34%
First listing date	15/10/2007

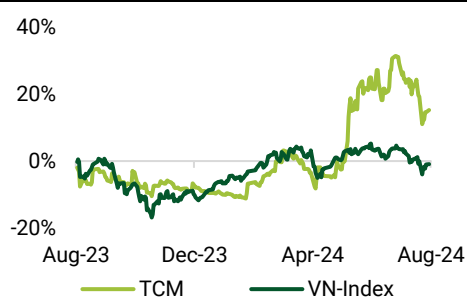
SHAREHOLDER STRUCTURE

E-land Asia Holdings Pte., Ltd	46.97%
Nguyen Van Nghia	10.23%
Savimex Corp.	3.00%
Others	39.80%

KEY ATTRIBUTES

TTM EPS (VND)	2,053
BVPS (VND)	20,805
Debt/Equity (%)	73%
ROA (%)	6.20%
ROE (%)	10.25%
P/E	22.9
P/B	2.3
Dividend yield (%)	2.6%

PRICE PERFORMANCE



COMPANY PROFILE

Thanh Cong Textile Garment Joint Stock Company (HSX: TCM) was formerly known as Textile Industry Re-Manufacturing Company founded in 1967. The company officially operated as a joint stock company model since 2006. The company specializes in manufacturing and trading yarns, fabrics, textile clothing, chemicals, dyes, machines and garment materials.

ANALYST(S)

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BUSINESS RESULTS BEAT EXPECTATIONS

- In 7M2024, thanks to a resurgence in textile and garment orders, particularly from the South Korean and Japan, combined with a low base effect, TCM recorded Net Revenue and NPAT of VND 2,214 bn (+17% YoY) and VND 165 bn (+116% YoY), achieving 60%/102% of the 2024 revenue/profit targets and 58%/93% of our 2024 revenue/profit projections, respectively.
- Gross Profit Margin and Net Profit Margin in 2Q2024 improved to 18.0% (+470bps YoY) and 8.5% (+820bps YoY), respectively, driven by lower input costs and the receipt of higher value-added orders.
- We recommend **BUY** for TCM with a fair price of VND 58,500/share, representing a potential upside of 22% compared to the current price.

2Q2024 and 7M2024 Business results update

In Q2Q2024, TCM recorded a positive recovery in business performance, with Net Revenue increasing by 18.5% YoY to VND 847 bn and NPAT surging 31 times compared to the same period last year to VND 72 bn. This recovery was driven by the resurgence in textile and garment orders, particularly from the South Korean and Japan, alongside a low base effect. For 7M2024, TCM achieved Net Revenue and NPAT of VND 2,214 bn (+17% YoY) and VND 165 bn (+116% YoY), respectively, fulfilling 60%/102% of the 2024 revenue/profit targets set by TCM and 58%/93% of our 2024 revenue/profit forecast.

Significant improvement in Profit Margins

Gross Profit Margin and Net Profit Margin in 2Q2024 significantly improved to 18.0% (+470bps YoY) and 8.5% (+820bps YoY), respectively, driven by (1) a 20.4% YoY decline in raw cotton prices by the end of July 2024 due to abundant cotton supply, (2) TCM's limited exposure to the risks associated with rising freight costs due to its primary market being Asia, and (3) TCM produces under the FOB level 2 method with high added value thanks to the advantage of owning a complete Textile – Dyeing – Garment value chain.

Revenue from Korea, Japan leads growth momentum

South Korea, Japan, and the US remain TCM's three largest export markets, with respective contributions to total revenue as of July 2024 at 28%, 20%, and 20%. In 7M2024, export revenue to South Korea and Japan experienced strong growth, reaching VND 617 bn (+27.3% YoY) and VND 448 bn (+9.6% YoY), respectively. Meanwhile, TCM's export revenue to the US contracted to VND 447 bn (-8.8% YoY).

We observe that TCM has been increasing its order volumes to Japan and South Korea, benefiting from stable orders from its parent company, Eland Korea, and the fact that both markets have shown a stronger recovery in retail sales growth for apparel and accessories compared to the US. As of the end of June 2024, retail sales growth for fashion, apparel, and accessories in South Korea and Japan had rebounded significantly, reaching 8.0% YoY and 4.8% YoY, respectively. In contrast, US apparel retail sales growth remained sluggish, with a year-over-year increase of just 0.6%.