

Company Note

Vietnam

ADD (no change)

Consensus ratings*: Buy 1 Hold 2 Sell 2

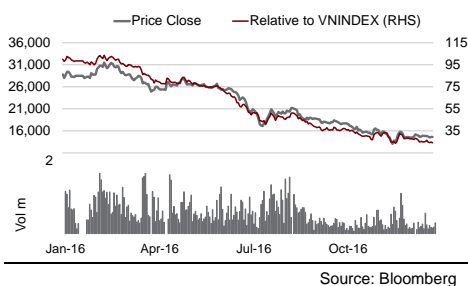
Current price:	VND14,600
Target price:	VND20,721
Previous target:	VND40,800
Up/downside:	41.9%
CIMB / Consensus:	31.4%

Reuters:	TCM.HM
Bloomberg:	TCM VN
Market cap:	US\$31.76m
	VND716,853m
Average daily turnover:	US\$0.14m
	VND3,161m
Current shares o/s:	49.20m
Free float:	55.5%

*Source: Bloomberg

Key changes in this note

- FY16F EPS reduced by 36.6%.
- FY17F EPS reduced by 34.0%.
- FY18F EPS reduced by 40.6%.



Price performance	1M	3M	12M
Absolute (%)	-7.3	-18.7	-44.5
Relative (%)	-10.9	-18.7	-74.1

Major shareholders	% held
E-land Asia Holdings	43.3
Le Quoc Hung	5.0
Eland Vietnam	1.2

Analyst(s)



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Thanh Cong Textile - Garment

Likely cancellation of TPP decimates share price

- TCM was a stock market darling when hopes for the TPP ran high, but the likely cancellation of the trade pact following Trump's election decimated its stock price.
- Nearly ¼ of TCM's revenues are derived from export sales to the US market, and the TPP would have given the firm a big advantage over its Chinese competitors.
- We believe the worst is over for the firm, so we maintain our Add rating but slash our target price which is now based on 8.5x FY17F P/E (previously based on DCF).

A one-time stock market darling falters along with the TPP

One of the biggest benefits to Vietnam of the Trans Pacific Partnership (TPP) would have been the elimination of ~17% tariffs on garments, which account for about 16% of the country's exports. The widespread hopes for the passage of the TPP about two years ago made TCM a popular "TPP stock" at that time, but its stock price has faltered along with the prospects for the passage of the TPP following Donald Trump's election as the president of the US.

No competitive advantage exporting to the US without TPP

The TPP would have given TCM and other Vietnam-based garment makers a major advantage in exporting their products to the US. For that reason, Chinese makers had begun aggressively shifting production to Vietnam in recent years. However, in the absence of the TPP, we think that advantage has evaporated. Factory wages in Vietnam are about ½ those in China, but Chinese garment factories are more efficient and productive. Wages in Bangladesh and Cambodia are ~50% lower than those in Vietnam.

Parent company Eland suffering from weak demand

TCM's Korean parent, Eland is suffering from weak demand for its garment products in Korea and China. We believe this is partially due to weak economies in both countries, but also because Eland brand products are somewhat out of favour with local consumers in those markets. About ¼ of TCM's revenues are derived from the manufacture of garments for Eland, and TCM earns margins on those sales that are c.100-200bp above those on products it produces for its other OEM customers.

New Vinh Long factory still making a loss

TCM's new Vinh Long factory went into service in 2015, and has already reached a 75% utilisation rate, but is still making a loss because it is taking longer than expected to train the workforce. According to management, the factory's output per worker is still low, but the company hopes to finish remedying this problem in 2017 – and expects the factory to turn a profit from this year onwards.

Divesting real estate projects

TCM's difficulties prompted it to shed its non-core investments (~8% of its assets). The company owns a real estate project and has an investment in an industrial park, but management indicated that the company intends to sell both of these - which has been widely discussed in the local press.

Slashing EPS estimates and target price, but maintain Add rating

We slash our FY16-18 EPS estimates by 34-41% due to the factors discussed above, and lower our target price by 40%. Our target price is now based on 8.5x FY17F P/E (a 15% discount to TCM's 3-year mean) vs. DCF previously (when the company's capex was high). We think the worst is over for TCM. In our view, the most likely catalyst for TCM's share price is the imminent turnaround of the fortunes of TCM's new Vinh Long factory, but risks include further weakness in parent company Eland's order book.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (VNDb)	2,571	2,792	2,979	3,207	3,539
Operating EBITDA (VNDb)	264.0	288.5	288.5	303.0	342.5
Net Profit (VNDb)	127.2	108.6	111.0	127.2	143.8
Core EPS (VND)	2,591	2,213	2,261	2,590	2,928
Core EPS Growth	21.0%	(14.6%)	2.2%	14.6%	13.0%
FD Core P/E (x)	5.65	6.61	6.47	5.65	5.00
DPS (VND)	998	1,197	933	1,000	1,000
Dividend Yield	6.83%	8.20%	6.39%	6.85%	6.85%
EV/EBITDA (x)	4.97	5.72	6.22	5.03	4.96
P/FCFE (x)	10.0	203.0	18.3	4.1	12.3
Net Gearing	89%	119%	107%	91%	100%
P/BV (x)	0.89	0.81	0.75	0.70	0.64
ROE	16.5%	12.8%	12.0%	12.8%	13.3%
% Change In Core EPS Estimates			(36.6%)	(34.0%)	(40.6%)
CIMB/consensus EPS (x)			1.27	1.01	1.09

SOURCE: COMPANY DATA, CIMB FORECASTS

Likely cancellation of TPP decimates share price

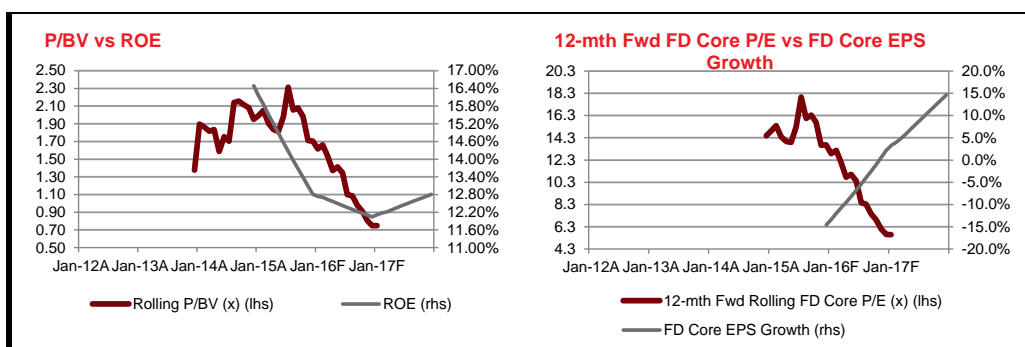
Revised forecasts ▶

Figure 1:

VNDbn	2016F			2017F			2018F		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	3,052	2,979	-2%	3,098	3,207	4%	4,382	3,539	-19%
Operating EBIT	309	187	-39%	323	232	-28%	501	271	-46%
Net profit	234	148	-37%	242	170	-30%	341	192	-44%
Adjusted net profit	175	111	-37%	181	127	-30%	255	144	-44%
EPS	3,557	2,256	-37%	3,679	2,585	-34%	4,952	2,922	-41%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	2,571	2,792	2,979	3,207	3,539
Gross Profit	435	496	494	556	622
Operating EBITDA	264	289	259	303	343
Depreciation And Amortisation	(59)	(69)	(71)	(71)	(71)
Operating EBIT	205	219	187	232	271
Financial Income/(Expense)	(31)	(60)	(24)	(40)	(41)
Pretax Income/(Loss) from Assoc.	3	5	6	6	7
Non-Operating Income/(Expense)	4	2	3	3	3
Profit Before Tax (pre-EI)	182	167	172	201	241
Exceptional Items					
Pre-tax Profit	182	167	172	201	241
Taxation	(13)	(13)	(25)	(31)	(49)
Exceptional Income - post-tax					
Profit After Tax	168	154	148	170	192
Minority Interests	0	(0)	(0)	(0)	(0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(41)	(45)	(36)	(42)	(48)
Net Profit	127	109	111	127	144
Recurring Net Profit	127	109	111	127	144
Fully Diluted Recurring Net Profit	127	109	111	127	144

Cash Flow

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	264.0	288.5	258.5	303.0	342.5
Cash Flow from Invt. & Assoc.	0.0	0.0			
Change In Working Capital	1.2	(220.1)	(51.9)	(63.3)	(92.3)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	9.3	(17.8)			
Other Operating Cashflow	(3.5)	(34.4)	(25.0)	(51.3)	(56.2)
Net Interest (Paid)/Received	(27.0)	(27.4)	(32.1)	(28.4)	(29.2)
Tax Paid	(13.3)	(13.2)	(24.6)	(30.7)	(48.6)
Cashflow From Operations	230.8	(24.4)	124.9	129.3	116.3
Capex	(96.7)	(222.9)	(43.5)	0.0	(248.3)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(0.4)	5.3			
Cash Flow From Investing	(97.1)	(217.6)	(43.5)	0.0	(248.3)
Debt Raised/(repaid)	(61.9)	245.5	(42.1)	44.2	190.6
Proceeds From Issue Of Shares	0.0	0.0			
Shares Repurchased	0.0	0.0			
Dividends Paid	(49.1)	(58.9)	(45.9)	(49.2)	(49.2)
Preferred Dividends					
Other Financing Cashflow	(0.1)	0.0			
Cash Flow From Financing	(111.0)	186.6	(88.0)	(5.0)	141.4
Total Cash Generated	22.6	(55.4)	(6.6)	124.3	9.4
Free Cashflow To Equity	71.8	3.5	39.3	173.5	58.6
Free Cashflow To Firm	160.6	(214.6)	115.5	163.5	(94.4)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	145	93	86	210	220
Total Debtors	187	200	214	230	254
Inventories	625	781	833	897	989
Total Other Current Assets	38	98	104	112	124
Total Current Assets	995	1,171	1,237	1,449	1,587
Fixed Assets	858	1,048	1,020	948	1,125
Total Investments	135	140	146	152	159
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	72	152	162	174	192
Total Non-current Assets	1,066	1,339	1,327	1,275	1,476
Short-term Debt	576	756	776	880	932
Current Portion of Long-Term Debt	71	62	60	60	60
Total Creditors	329	372	396	427	471
Other Current Liabilities	11	42	45	48	53
Total Current Liabilities	986	1,231	1,277	1,415	1,517
Total Long-term Debt	222	340	280	220	358
Hybrid Debt - Debt Component	0	0			
Total Other Non-Current Liabilities	38	42	45	48	53
Total Non-current Liabilities	260	382	325	268	411
Total Provisions	0	0	0	0	0
Total Liabilities	1,247	1,614	1,602	1,683	1,928
Shareholders' Equity	807	889	954	1,032	1,127
Minority Interests	6	8	8	8	9
Total Equity	814	897	962	1,041	1,135

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	0.7%	8.6%	6.7%	7.6%	10.4%
Operating EBITDA Growth	11.1%	9.3%	(10.4%)	17.2%	13.1%
Operating EBITDA Margin	10.3%	10.3%	8.7%	9.4%	9.7%
Net Cash Per Share (VND)	(14,706)	(21,654)	(20,933)	(19,304)	(22,988)
BVPS (VND)	16,406	18,072	19,395	20,980	22,902
Gross Interest Cover	7.62	8.01	5.48	6.78	7.20
Effective Tax Rate	7.3%	7.9%	14.3%	15.3%	20.2%
Net Dividend Payout Ratio	38.6%	54.2%	41.3%	38.7%	34.2%
Accounts Receivables Days	27.03	25.29	25.42	25.25	24.95
Inventory Days	105.7	111.7	118.8	119.1	118.0
Accounts Payables Days	52.37	55.66	56.56	56.68	56.17
ROIC (%)	14.2%	15.2%	10.0%	12.2%	14.4%
ROCE (%)	12.4%	11.9%	9.1%	11.1%	11.9%
Return On Average Assets	7.81%	7.39%	5.31%	6.34%	6.39%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	N/A	6.0%	-7.7%	2.0%	3.5%
Unit sales grth (% , main prod./serv.)	-1.0%	26.3%	21.5%	10.0%	7.0%
Util. rate (% , main prod./serv.)	81.1%	73.7%	89.6%	98.6%	105.5%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016

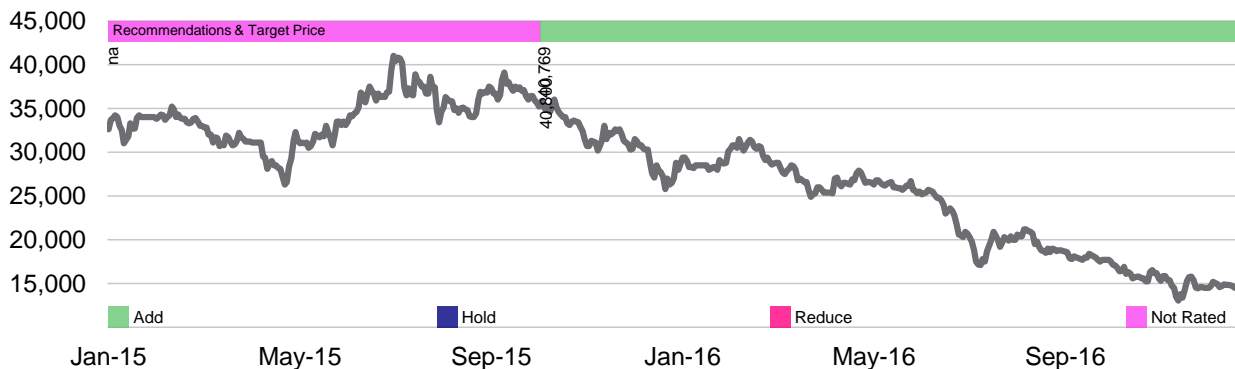
1626 companies under coverage for quarter ended on 31 December 2016

	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)

Thanh Cong Textile - Garment (TCM VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** – Good, n/a, **BH** – Good, Declared, **BIGC** – Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Good, n/a, **GFPT** – Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** – Excellent, Certified, **ITD** – Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** – Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** – Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** – Excellent, Declared, **SIM** – Excellent, n/a, **SIRI** – Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** – Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.