

THANH CONG TEXTILE GARMENT JSC (TCM) – FLASH NOTE

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Key statistics

Current price (VND)	25,900
52w range (VND)	28,758 - 16,300
3m avg daily value (VNDmn)	16,971
EPS (VND)	3,753
Market cap (VNDbn)	1,445
Outstanding shares (m)	54.1
Free float (%)	49.0
Beta	0.9

Ownership

E-land Asia Holdings Pte., Ltd Singapore	43.3%
VCBF	2.6%
Lê Quốc Hưng	1.9%
Others	52.2%

Source: VNDIRECT

Bankruptcy of major American retailer and TCM client SEARs casts shadow on TCM's future earnings.

Sears Holding Corporation (Nasdaq: SHLD), a key customer of TCM, has filed for Bankruptcy in the USA. According to TCM, Sears and its subsidiary Kmart account for around 7% of annual revenue and VND95bn worth of TCM's receivables, or around 19% of total receivables outstanding. TCM is trying to use the bankruptcy process to recover these dues. The result of the insolvency proceedings is expected to be decided in the final hearing on Nov 15th.

In the worst case, TCM will have to book a provision for the full amount of VND95bn (~30.9% of our forecasted EBT in 2018). We do not have sufficient information regarding the method of payment and agreements underpinning these receivables (e.g. letter of credit (LC) or other contracts), to estimate the probability of receivables realization. In the worst case, TCM will have to book a provision for the full amount of VND95bn (equivalent to around 30.9% of our 2018 forecasted EBT), while also materially denting revenue in future years.

We will collect more information on the insolvency process before updating our target price.

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