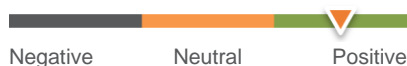


THANH CONG TEXTILE GARMENT INVESTMENT TRADING JSC (TCM)

Current Price VND28,500 **Target Price** VND30,800 **Dividend Yield** 3% **Recommendation** HOLD **Sector** CONSUMER GOODS

Outlook – Short term



Outlook – Long term



Valuation



28 July 2017

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Price performance

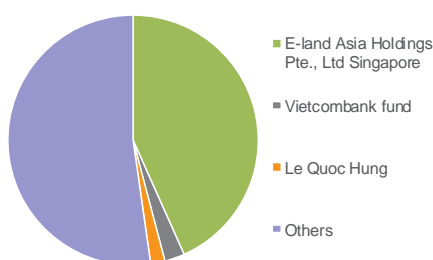


Source: VNDIRECT

Key statistics

52w high (VND)	33,100
52w low (VND)	13,050
Average daily turnover (3m)	756,845
Market cap (VND) billion	1,397
Outstanding shares (m)	51.6
Free float (%)	49
Beta	1.08

Ownership



Source: VNDIRECT

Core business maintained stable growth of 10% yoy in 1H2017. The company is in the process of restructuring to enhance operation efficiency, thus some assets would be liquidated in FY17- FY18. As stock price has doubled since the beginning of this year, we maintain HOLD recommendation with target price of VND 30,800/share.

1H17 update: Sales growth was in line with our forecast and profit margins beat our projection by 1%. In 1H2017, TCM recorded VND1,547 bn of revenue (+2% yoy), completing 48% of our full year projection. Of which, fabric (~9% of total revenue) and garment (~67% of total revenue) increased by 20% and 10% yoy respectively. Meanwhile, yarn sunk by 27% yoy due to the fact that TCM shut down Yarn factory No.1 and reduced the production of Factory No.3 in Long An Province. Consequently, total designed capacity of yarn decreased by 33%.

However, 1HFY17 gross margin was 4% higher than the same period last year and 1% higher than our projection. It could be explained that (1) labor cost and general production cost at Vinh Long Factory were cut down significantly by 8% (2) Yarn factory No.3, which had gross margin of -6% in 1H2017, was cut down in production.

In term of non-core business, TCM booked a net gain of VND 30bn (~USD 1.4 million) from the divestment of the landlease right of Xuyen A IP. Consequently, profit-after-tax recorded VND 118 billion in 1H2017(+137% yoy) while profit from core business rose 90% yoy.

We adjusted core EPS to VND3,600, up by 13% ... With the improvement of Vinh Long garment factory in 1H2017, we raised our forecast of core net profit to VND198bn, which is 13% higher than previous projection.

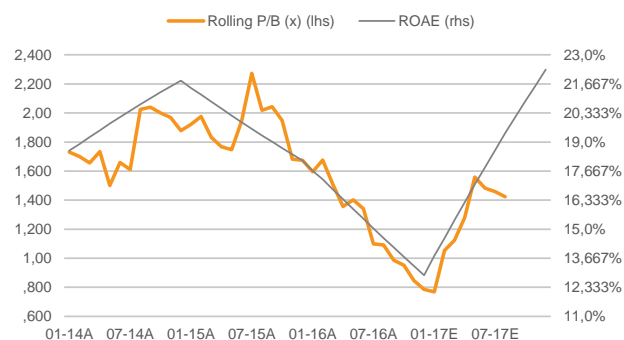
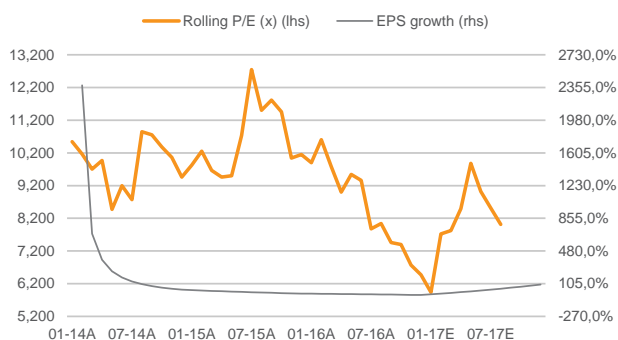
... and revised our target price to VND30,800/share. Our target P/E valuation for TCM's core business is 7.0x, equivalent to a fair value of VND 25,200/share. NAV valuation of on-sale asset (including the landlease right of Xuyen A IP) is approximately VND5,600/share. Thus, our new target price is set at VND30,800/share, 4% higher than previous.

In addition, the Company representative informed that their FOL should be lifted from 49% to 70% in this August, which could be considered as a short-term catalyst for stock price.

Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Revenue (bn)	2.792	3.071	3.073	3.194
Revenue growth	8,6%	10,0%	0,1%	3,9%
Gross margin	15,3%	13,6%	17,4%	18,3%
Operating EBITDA (bn)	289	265	373	421
Net profit (bn)	154	116	227	225
Net profit growth	(8,5%)	(24,8%)	95,9%	(0,6%)
Adjusted EPS	1.788	1.569	4.166	3.705
BVPS	18.072	18.461	21.751	23.413
ROAE	18,2%	12,9%	22,3%	19,3%

Source: VNDIRECT

Valuation



Income statements

(VNDbn)	12-16A	12-17E	12-18E
Revenue	3.071	3.073	3.194
Cost of sales	(2.652)	(2.540)	(2.608)
Gen & admin expenses	(144)	(144)	(149)
Selling expenses	(97)	(97)	(101)
Operating profit	179	293	336
Operating EBITDA	265	373	421
Depreciation and amortisation	(86)	(80)	(85)
Operating EBIT	179	293	336
Interest income	26	29	30
Financial expense	(68)	(88)	(87)
Net other income	(6)	34	0
Income from associates & JVs	3	4	3
Pre-tax profit	133	272	282
Taxation	(18)	(45)	(56)
Minority interests	1	0	0
Net profit	116	227	225
Adj. net profit to ordinary	116	227	225
Ordinary dividends	(41)	(25)	(113)
Retained earnings	75	202	112

Cash flow statement

(VNDbn)	12-16A	12-17E	12-18E
Pretax profit	133	272	282
Depreciation & amortisation	86	57	65
Other non cash gains/(losses)	(16)	0	0
Other non operating gains/(losses)	0	0	0
Tax paid	(17)	(45)	(56)
Other operating cash flow	0	13	(34)
Change in working capital	53	42	(14)
Cash flow from operations	240	339	243
Capex	(189)	(69)	(95)
Proceeds from assets sales	6		
Others	(21)	(17)	(25)
Other non-current assets changes	0	0	0
Cash flow from investing activities	(205)	(86)	(120)
New share issuance	0	0	0
Shares buyback	(20)	0	0
Net borrowings	49	(200)	(45)
Other financing cash flow	(16)	(1)	10
Dividends paid	(41)	(25)	(113)
Cash flow from financing activities	(27)	(226)	(149)
Cash and equivalents at beginning of period	88	96	123
Total cash generated	8	27	(26)
Cash and equivalents at the end of period	96	123	98

Balance sheets

(VNDbn)	12-16A	12-17E	12-18E
Cash and equivalents	96	123	98
Short term investments	30	30	30
Accounts receivables	369	286	297
Inventories	729	698	717
Other current assets	86	92	96
Total current assets	1.310	1.229	1.237
Fixed assets	1.212	1.240	1.295
Total investments	142	142	142
Other long-term assets	156	156	156
Total assets	2.820	2.768	2.831
Short-term debt	894	738	727
Accounts payable	239	239	249
Other current liabilities	336	269	279
Total current liabilities	1.468	1.246	1.255
Total long-term debt	392	347	313
Other liabilities	45	44	45
Shareholders' equity	908	1.124	1.210
Minority interests	7	7	7
Total liabilities & equity	2.820	2.768	2.831

Key ratios

	12-16A	12-17E	12-18E
Dupont			
Net profit margin	3,8%	7,4%	7,1%
Asset turnover	1,15	1,10	1,14
ROAA	4,3%	8,1%	8,1%
Avg assets/avg equity	2,97	2,75	2,40
ROAE	12,9%	22,3%	19,3%
Efficiency			
Days account receivable	41,2	30,0	30,0
Days inventory	101	100	100
Days creditor	33,0	34,4	34,8
Fixed asset turnover	2,87	2,51	2,52
ROIC	5,3%	10,2%	10,0%
Liquidity			
Current ratio	0,89	0,99	0,99
Quick ratio	0,40	0,43	0,41
Cash ratio	0,09	0,12	0,10
Cash cycle	109	96	96
Growth rate (yoy)			
Revenue growth	10,0%	0,1%	3,9%
Operating profit growth	(18,6%)	63,8%	14,8%
Net profit growth	(24,8%)	95,9%	(0,6%)
EPS growth	(24,8%)	95,9%	(0,6%)
Share value			
EPS (VND)	2.241	4.390	4.364
BVPS (VND)	18.461	21.751	23.413
DPS (VND)	831	476	2.195

Source: VNDIRECT

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