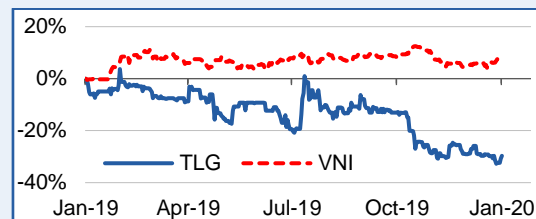




# Thien Long Group (TLG)

# Earnings Flash

Industry	Stationery		2018	2019
<b>Report Date</b>	<b>January 21, 2020</b>			
Current Price	VND39,500	Rev y/y	14.3%	14.0%
Last Target Price	VND67,600	EPS y/y	9.8%	18.6%
Upside	+71.1%	GPM	37.4%	36.9%
Dividend Yield	5.1%	NPM	10.3%	10.7%
TSR	+76.2%	EV/EBITDA	7.4x	5.0x
Last Rating	BUY	P/B	2.3x	1.7x
		P/E	10.8x	9.8x



		TLG	Peers*	VNI
Market Cap	USD133.6mn	9.8x	16.5x	16.2x
Foreign Room	USD89.6mn	1.7x	1.7x	2.4x
ADTV30D	USD28,141	-24.1%	28.2%	N/A
State Ownership	0.0%	19.7%	6.8%	14.8%
Outstanding Shares	77.8 mn	15.1%	4.9%	2.4%
Fully Diluted Shares	77.8 mn			
		P/E (ttm)		
		P/B (curr)		
		Net D/E		
		ROE		
		ROA		

\* foreign peers

## Company Overview

TLG is a leading stationery maker with various products (writing instruments and office, school and art supplies). TLG holds 60% of the domestic writing instruments market and is expanding globally. TLG has had a partnership with Newell Brands, a leading US-based global consumer goods company, since early 2019.

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## Q4 results bounce back as expected

TLG reported strong Q4 2019 results as revenue grew 26% YoY (VND948bn/USD41.2mn) while NPAT-MI jumped 111% YoY (VND95bn/USD4.1mn). This strong growth was mostly driven by the recognition of Q3 2019 delayed sales orders that we discussed in our last update report [TLG \[BUY +69.8%\] - Solid outlook, attractive valuation](#), dated November 20, 2019. Favorable input plastic prices also helped gross margin to expand to 35.8% in Q4 2019 vs 34.2% in Q4 2018, as we expected.

For full-year 2019, TLG's revenue grew 14% YoY (VND3.3tn/USD141.6mn) and its NPAT-MI grew 19% YoY (VND349bn/USD15.2mn). As TLG's 2019 revenue was in-line with our forecast, lower-than-expected gross margin and SG&A expenses helped the EBIT result to match our expectation. Hence, we foresee insignificant changes to our forecasts for TLG, pending a fuller review.

## Figure: TLG's 2019 results

VND bn	Q4 2018	Q4 2019	Growth	2018	2019	Growth	2019F	2019 as % of 2019F
<b>Net revenue</b>	<b>750</b>	<b>948</b>	<b>26.4%</b>	<b>2,856</b>	<b>3,256</b>	<b>14.0%</b>	<b>3,263</b>	<b>100%</b>
Gross profit	257	340	32.2%	1,067	1,201	12.6%	1,224	98%
SG&A expenses	-199	-230	15.6%	-705	-789	11.8%	-817	97%
<b>EBIT</b>	<b>58</b>	<b>109</b>	<b>89.9%</b>	<b>361</b>	<b>412</b>	<b>14.1%</b>	<b>407</b>	<b>101%</b>
Interest expense	-3	-3	-6.2%	-11	-11	3.3%	-10	110%
Net other gain/loss	3	13	379.9%	18	36	99.4%	22	160%
<b>NPAT-MI</b>	<b>45</b>	<b>95</b>	<b>111.0%</b>	<b>294</b>	<b>349</b>	<b>18.6%</b>	<b>335</b>	<b>104%</b>
Gross margin %	34.2%	35.8%		37.4%	36.9%		37.5%	
SG&A as % sales	26.6%	24.3%		24.7%	24.2%		25.0%	
EBIT margin %	7.7%	11.5%		12.7%	12.7%		12.5%	
NPAT-MI margin %	6.0%	10.0%		10.3%	10.7%		10.3%	

Source: TLG's financial statements, VCSC forecast

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**Stock ratings** are set based on projected total shareholder return (TSR), defined as  $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$ , and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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