

HOLD [+9.6%]

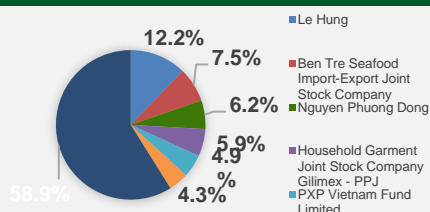
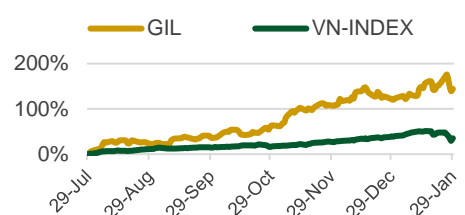
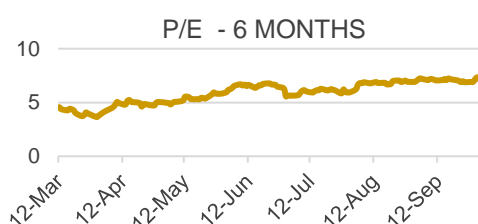
Updated on: 03/02/2021

 Fair price **54,800** VND
 Current price **50,000** VND

PHS

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Stock Information

Outstanding shares (Mil)	36.0
Free-float (Mil)	23.3
Market cap. (VND Bil)	1,588
3m avg. volume (shares)	432,283
Foreign ownership (%)	8.05%
First listing date	02/01/2002

Major shareholders

Price movement compared to the Index

Valuation history


Source: Fiinpro

The Covid-19 pandemic motives the growth of E-commerce, which facilitates GIL
Main business activities:

Binh Thanh Import Export Production and Trading Joint Stock Company (GIL), formerly known as the Export Supply Company in Binh Thanh District, was established in 1982. Its head-quarter is in HCMC Ho Chi Minh. GIL operates mainly in home textiles segment. The Company's products are diversified in the multi-purpose textile manufacturing industry, including storage items, household products, laundry baskets, bags, backpacks, outdoor furniture, kids stuff, lampshades, etc.

Business performance update in 2020

In 2020, under the negative impact of Covid-19 pandemic, the global textile demand declined 25%. On the contrary, GIL showed positive business results. Accumulated in 2020, revenue of GIL was about VND 3,456 billion (+36.2% YoY), fulfilling 138% of the 2020 target, while Net Income was VND 307 billion (+92% YoY). The operating models of the two major customers (Amazon and IKEA) focus on E-commerce. Hence, when online shopping is an alternative to in-store shopping, this positively affects the business of Amazon and IKEA and contributed to revenue improvement of GIL.

Investment highlights:

The trend of using E-commerce facilitates operations of GIL. The Covid-19 pandemic promoted the development of E-commerce. Global online sales are estimated to be USD 6.5 trillion by 2023 with a CAGR of about 16% from 2020 to 2023. This shows a steady upward trend. This positively affects the operational prospects of major customers of GIL, creating growth momentum for GIL in the future. Market share of Amazon is estimated to be 50% in 2021, up from 47% in 2020.

New growth from developing Phu Bai industrial park 4. GIL plans to invest in the Industrial parks (IP) through a subsidiary it owned 95% - Gilimex Industrial Park Joint Stock Company. GIL plans to invest in building an IP called Phu Bai 4 with a total area of about 507 hectares under Singapore standard. Phu Bai IP is the key IP in Thua Thien Hue province. With a location adjacent to National Highway 1 and on the Cam Lo - Tuy Loan expressway, which connects 3 provinces of Cental Vietnam: Quang Tri, Thua Thien Hue, and Da Nang. In addition to convenient location, Phu Bai IP is the largest and most active industrial park in Thua Thien Hue. In October 2020, the Ministry of Construction gave feedback that the dossier on the project investment proposal in Phu Bai Industrial Park was complete and valid. This IP would favorably affect GIL. The management team of GIL said the company would finish the construction of IP in 2027.

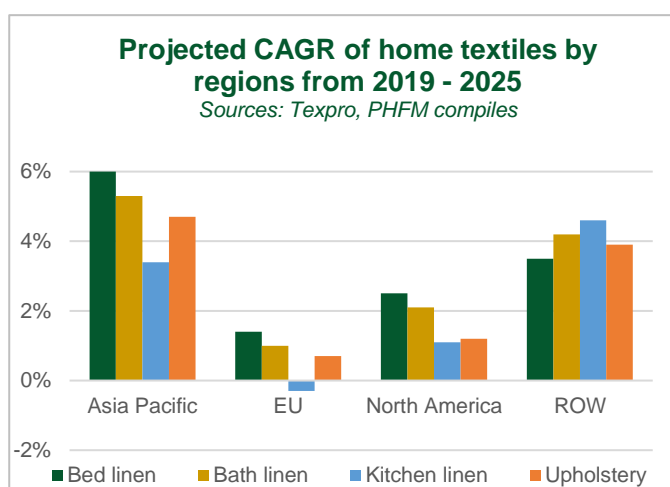
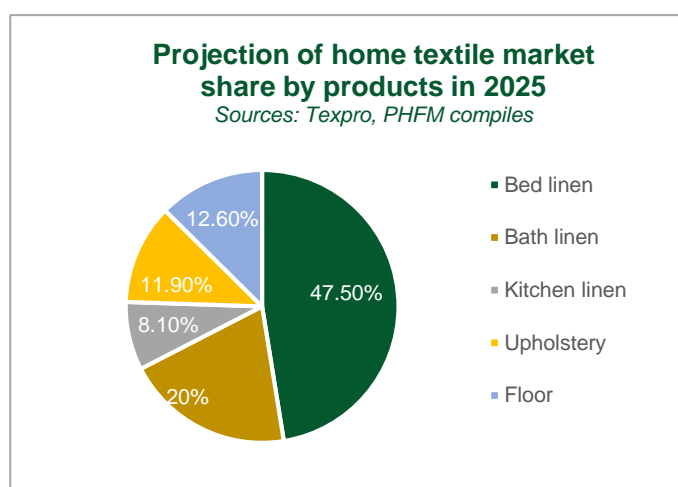
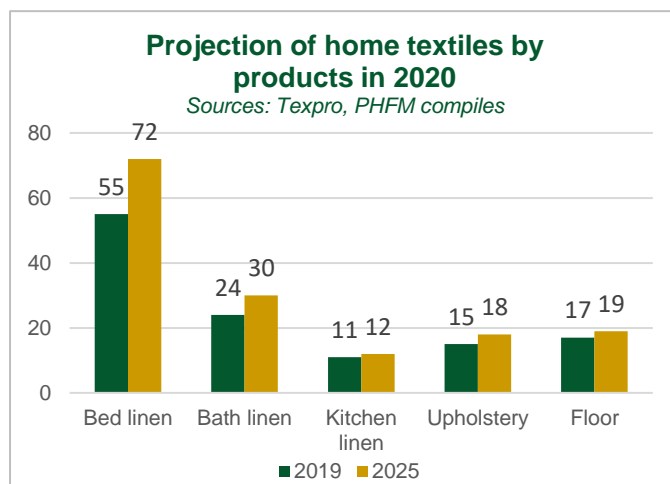
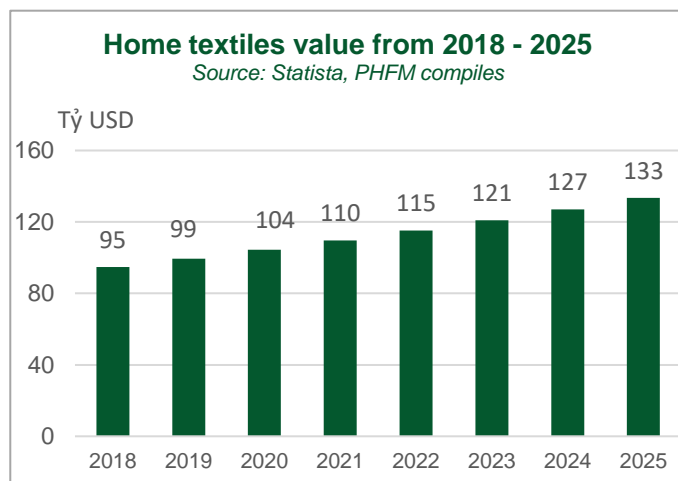
Valuation and recommendation: We project that Net Revenue in 2021 would be around VND 3,738 billion (+8.2% YoY) and Net Income would be VND 317 billion (+3% YoY), with Gross Profit Margin of 16.7%.

By using DCF and EV/EBITDA, we estimate the fair price of GIL shares is about **VND 54,800 per share** (+9.6% compared to the current price). Hence, we recommend **HOLD** for this stock.

Investment risks: (1) Risk of revenue concentration; (2) Risk from new business – Industrial parks; (3) FX risk; (4) Risk from receivables; (5) Risk from raw materials; (6) Leverage risk

Financial Indicators	2016A	2017A	2018A	2019A	2020F	2021F
Net Revenue (VND Billion)	1,291	2,170	2,254	2,538	3,457	3,739
Profit After Tax (VND)	95	144	163	161	308	317
EPS (VND)	6,345	10,306	11,445	7,861	8,545	8,813
EPS Growth (%)	6%	62%	11%	-31%	9%	3%
Book Value (VND)	32,430	40,204	37,163	34,853	35,799	43,186
P/E	4.7	2.4	2.3	3.2	4.9	6.2
P/B	0.9	0.6	0.7	0.7	1.2	1.3
Dividends (%)	25%	47%	21%	15%	15-30%	N/A

Global home textiles



The home textile industry is observing a steady growth driven by the increasing spending on home repair and the rising consumer sensitivity to home furniture designs. The US and Europe are the largest markets for home textiles, accounting for about 60% of global market share.

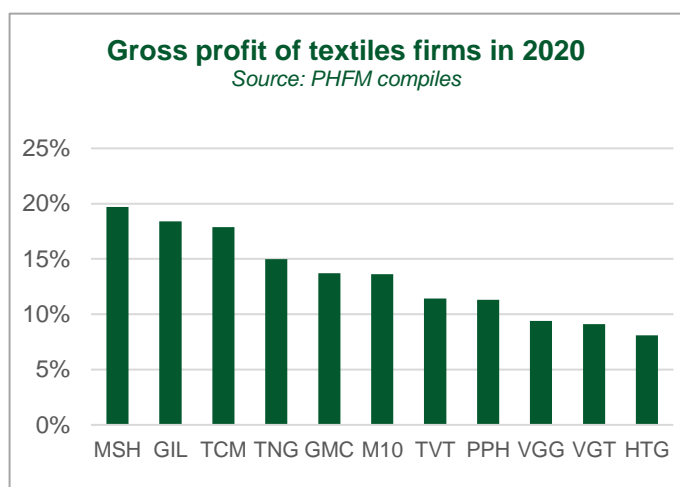
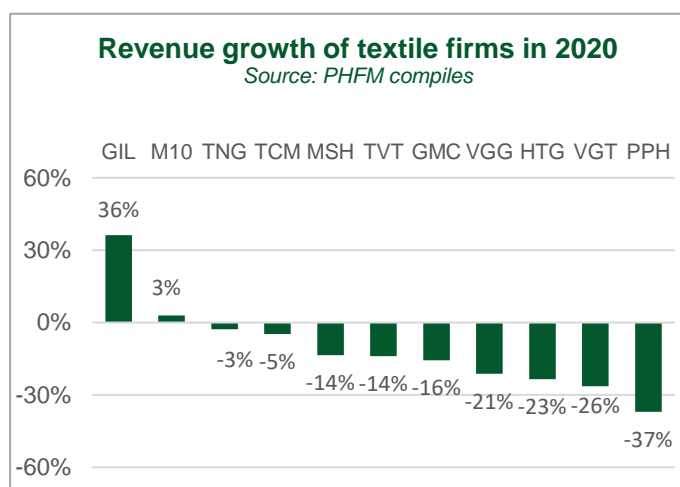
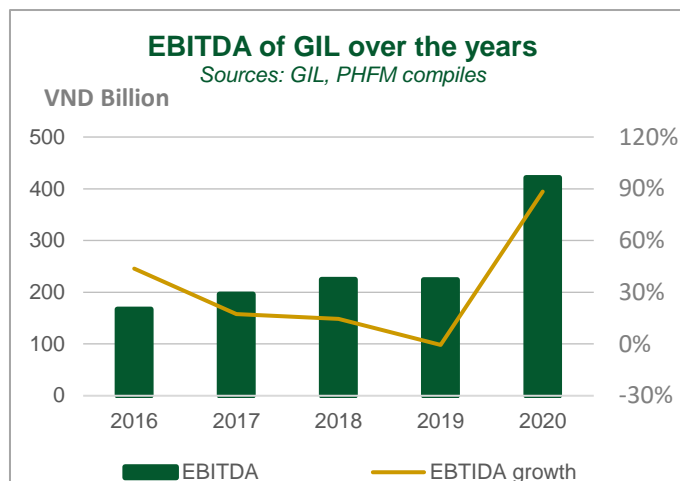
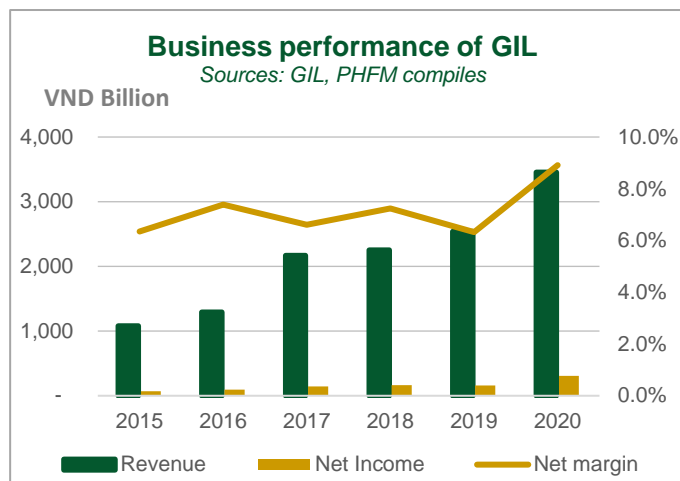
The size of the global home textiles market is expected to reach about USD 133.4 billion by 2025, with a CAGR of 5.01%. Demand for home textiles is expected to increase due to upsurge in income and improved standards of living. In addition, the rapidly growing real estate market would drive market growth through 2025.

Bed linen products are expected to grow the fastest at a CAGR of 4.3% in the period of 2019 - 2025 and reach a value of about USD 72 billion by 2025, accounting for the highest market share of global home textiles - 47.5%. Followed by towels and pillow covers, which would grow at a CAGR of 3.4% in the period of 2019 - 2025 and reach the value of USD 30 billion and USD 18 billion in 2025, respectively.

The home textiles market in Asia Pacific is forecast to grow with a CAGR of about 5.4% and achieve a market share of 50.7% by 2025. Rapid urbanization, improved living standards, growing purchasing power, and the trend of using high-end furniture are the main factors, driving the demand for home textiles in Asia.

America and Europe are forecast to grow more slowly than Asia with CAGR of 2.2% and 0.9%, respectively, to USD 33 billion in America and USD 31 billion in EU. In America, the US accounts for about 90.9% of the regional market share and would grow at a CAGR of about 2.1% to USD 26 billion by 2025. In the EU, Germany, which is the largest market, contributing about 20% of the regional market share, is expected to grow with a CAGR of 1% to USD 5 billion by 2025.

Business performance of GIL in 2020



In 2020, under the negative impact of Covid-19 pandemic, the global textile demand declined 25%. Vietnam textiles industry has also experienced many challenges. According to statistics of the General Department of Customs, export turnover of textiles industry in 2020 was about USD 29.81 billion, (-9.2% YoY).

GIL operates mainly in home textiles segment, which differentiated itself from peers in the industry. The Company's products are diversified in the multi-purpose textile manufacturing industry, including storage items, household products, laundry baskets, bags, backpacks, outdoor furniture, kids stuff, lampshades, etc. In the future, in addition to home and industrial textiles, GIL would develop more textiles in regions 3 and 4 to ensure its competitiveness and product diversification.

On the contrary, GIL showed positive business results. Accumulated in 2020, revenue of GIL was about VND 3,456 billion (+36.2% YoY), fulfilling 138% of the 2020 target, while Net Income was VND 307 billion (+92% YoY).

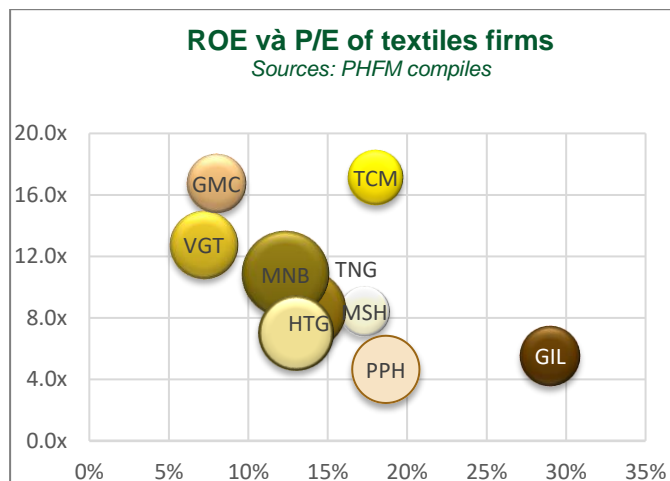
The business model of two major customers supports GIL's positive result despite the gloomy textile industry due to Covid-19. Amazon and IKEA are two major customers of GIL, accounting for about 80% of GIL's revenue. The operating models of the two customers focus on. Hence, when online shopping is an alternative to in-store shopping, this positively affects the business of Amazon and IKEA and contributed to revenue improvement of GIL.

The advantage of large customers with good business operations has driven GIL business. In 2020, as Covid-19 pandemic heavily affected the operations of textile firms, the industry's revenue decreased by an average of 11%. Meanwhile, GIL observed an impressive growth of 36%.

Furthermore, business differentiation has contributed to create competitive advantage for GIL. In 2020, Gross Profit Margin of GIL was 18%, 1.4x higher than the industry average of 13%.

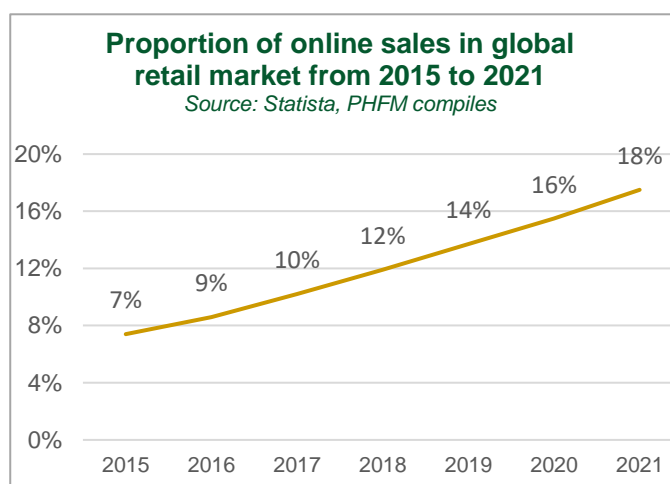
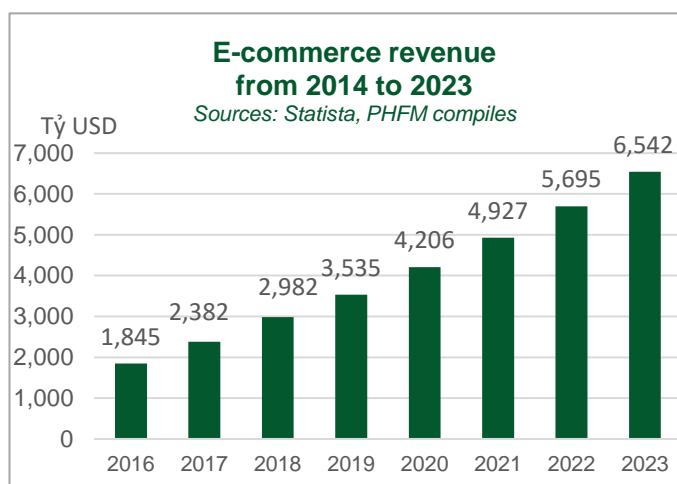
Business performance of GIL also showed positive signs, reflected in the impressive growth of EBITDA. By the end of 2020, EBITDA increased by 88.4% YoY to VND 421 billion, the highest growth rate in the past 5 years. This indicated that the business operations and cost management have been improved significantly compared to last year.

GIL has high returns and low valuation. Accumulated in 2020, GIL has the highest Return on Equity in the industry of 29%, 2.2x higher than the industry average of 13%, while its P/E in 2020 was 5.5x, lower than the industry average of 8.5x. This reflects the risk of revenue concentration and risk introduced by new business segment – industrial parks.



Long-term growth momentum

1) The trend of online sales supports the growth of GIL's major customers who exhibit strong financials, which facilitates operations of GIL



The Covid-19 pandemic driven the development of E-commerce. Companies are seeing further expansion in their online sales channel. By the end of 2020, global E-commerce sales are estimated to be USD 4.2 trillion. Asia-Pacific and North America took the dominance in e-commerce sales, followed by Western Europe. Thanks to China, the Asia-Pacific leads the global e-commerce market with 62.6% of market share, while North America and Western Europe account for 19.1% and 12.7%, respectively.

Global online sales are estimated to be USD 6.5 trillion by 2023 with a CAGR of about 16% from 2020 to 2023. This shows a steady upward trend. Moreover, E-commerce is increasing its proportion in global retail market. According to Statista, by 2021, e-commerce would account for about 18% of global retail sales.

The positive E-commerce market will boost the business activities of major businesses like Amazon. Amazon is the leading online retailer in America. Its market share is estimated to be 50% in 2021, up from 47% in 2020. We expect that as online sales would dominate global retail market, Amazon is expect to experience growth potential. This would actively support the business activities of GIL.

The strong business and financial status of major customers of GIL (Amazon) would be a favorable support to its business operation. At the end of 9M2020, Revenue of Amazon was VND 260 billion (+35% YoY), while Net Income was VND 14 billion (+75% YoY). Furthermore, strong cash flow is a highlight for Amazon with USD 18.4 billion free cash flow after debt service. At the end of 2020, Revenue of IKEA reduced 5% YoY to USD 23.6 billion due to supply chain disruption, however, demand for IKEA products still exhibits positive outlook.

2) New growth from the plan to develop Phu Bai industrial park 4

GIL plans to invest in the Industrial parks (IP) through a subsidiary it owned 95% - Gilimex Industrial Park Joint Stock Company. GIL plans to invest in building an IP called Phu Bai 4 with a total area of about 507 hectares to be a Singapore-standard Green, Clean, and Advanced IP for manufacturing high-quality products.

Phu Bai IP is the key IP in Thua Thien Hue province. With a location adjacent to National Highway 1 and on the Cam Lo - Tuy Loan expressway, which connects 3 provinces of Central Vietnam: Quang Tri, Thua Thien Hue, and Da Nang. Phu Bai 4 IP belongs to Phu Bai IP.

In addition to convenient location, Phu Bai IP is the largest and most active industrial park in Thua Thien Hue. Currently, Phu Bai IP has attracted many domestic and foreign projects from USA, Denmark, Bulgaria, Japan, Korea, China, Italy, etc., which focus on investing in yarn, textiles, carpentry, building materials, ceramics, beverages, etc. The investment in Phu Bai 4 IP would resolve the needs for firms who could provide high quality and environment-friendly products, using advanced technology.

According to GIL, the duration to apply for a planning permit would be shortened because the land has been approved by the President to use for the development of industrial parks. Furthermore, 90% of the project is hills and mountains, which are covered by short-term forest trees. So this makes the relocation and leveling of the land be more favorable.

At the same time, the company expects that the duration to complete site clearance and construction in industrial zone is 7 years (from 2020 to 2027). In October 2020, the Ministry of Construction gave feedback that the dossier on the project investment proposal in Phu Bai Industrial Park was complete and valid.

Projection of business results in 2021

We project that Net Revenue in 2021 would be around VND 3,738 billion (+8.2% YoY) and Net Income would be VND 317 billion (+3% YoY), mainly from the sales of home textiles. We estimate that the revenue from home textile in 2021 would be VND 3,451 billion (+9.2% YoY) thanks to:

- (1) The growing of the global home textile supports the increased production in countries where home textiles are processed. The size of the global home textile is expected to be about USD 133 billion by 2025.
- (2) Support from major customers with strong finance like IKEA and Amazon. The increase in orders from major customers guarantee revenue of GIL.
- (3) Business model is immune to risks from Covid-19 pandemic that other firms are facing.

Valuation and recommendations:

By using DCF and EV/EBITDA valuation methods, we expect the target price for TNG is **VND 54,800 per share (*)**, upside 9.6% compared to current price. Hence, we recommend **HOLD** for this stock.

DCF valuation

(VND Billion)	2021F	2022F	2023F	2024F	2025F
Earnings before interest and taxes (EBIT)	358	387	411	436	453
Net Profit After Tax	280	303	321	341	355
Depreciation	25	34	41	48	61
WC	(160)	(132)	(117)	(111)	(107)
CAPEX	(75)	(81)	(86)	(91)	(95)
FCFF	71	125	159	187	214
Present value of FCFF (WACC 9.9%)	65	103	120	128	133
Terminal value (1% g)	1,518				
Net debt	(178)				
Equity value	1,889				
Outstanding shares	36,000,000				
Target price (VND/share)	52,459				

EV/EBITDA method

EBITDA 2020 (VND Billion)	384	DCF	EV/EBITDA	Target price
Industry EV/EBITDA	6.5x	Target price (VND/share)	52,459	64,646
EV (VND Billion)	2,505	Proportion	80%	20%
Net debt	(178)			
Equity value	2,327			
Outstanding shares	36,000,000			
Target price (VND/share)	64,646			

(*)The above price does not include the evaluation of the industrial park due to the lack of information about the project and the official announcement of GIL on the investment certificate of the project. However, we expect Phu Bai 4 Industrial Park would have a positive impact on GIL in the future.

Risks:

(1) Risk of revenue concentration.

(2) Risk from new business – industrial parks.

With the ambition to expand its business into the industrial zone segment, GIL faces many challenges in its new business segment. This will bring risks to GIL's revenue.

(3) FX risk.

With the main activity of textile and garment export, GIL faces risks from changing exchange rate - EUR, USD, in major export markets. A change in exchange rate would affect GIL's revenue

(4) Risk from account receivables.

Covid-19 pandemic has been widespread in the US and Europe, which are the main consuming markets of GIL, likely affecting the ability of large customers to pay receivables. This would increase the risk of receivable collection.

(5) Risk from raw materials.

GIL depends largely on raw material supplies from China. The Covid-19 disrupts the supply of raw materials. Additionally, the increased price of an empty container would affect raw materials supply for GIL's production. The management said in the future there would be plans to reduce dependence on China in the future.

(6) Leverage risk.

In order to fulfill its ambition to develop the industrial park, GIL is expected to increase its debt in the future. This would increase leverage risk in GIL's financial structure.

Company profile

TNG Investment and Trading JSC (known as TNG) was established in 22/11/1979 as 100% state-owned enterprise. In the path of 37 year establishment and development, TNG had some important milestones as follows:

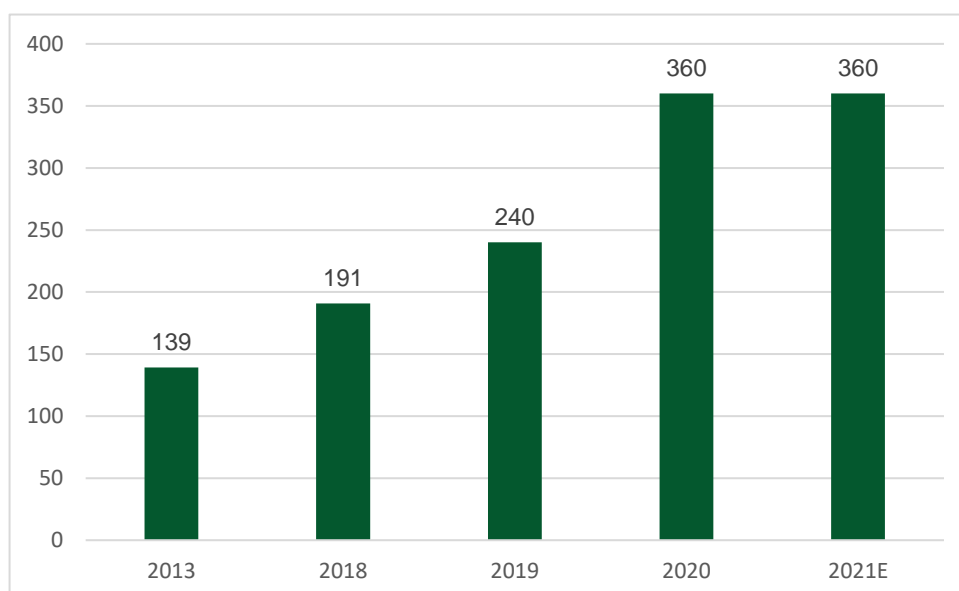
2/1/2003: TNG was equitized with VND10 billion chartered capital which was shareholders' contribution; from that, TNG became privately owned non-state enterprise.

22/11/2007: TNG's stock was listed in Hanoi Stock Exchange.

Until now, TNG has 11 factories with 253 sewing lines and auxiliary factories: Embroidery factory, Industrial washing, bag production, carton packaging, cotton and quilting factory. TNG was ranked in "TOP 500 largest enterprises in Vietnam", "TOP 10 largest textile companies in Vietnam". Since then, TNG has gradually affirmed its brand in the domestic market as well as in the world thanks to active export activities and the beginning of TNG Fashion Store brand.



Capital Injection Progress (VND billion)



Source: GIL, PHFM compiles

Financial Statement (VND Billion)

Business Results	2016A	2017A	2018A	2019A	2020E	2021E
Net revenue	1,291	2,170	2,254	2,538	3,457	3,739
Cost of goods sold	(1,021)	(1,817)	(1,878)	(2,159)	(2,821)	(3,115)
Gross profit	270	353	376	379	636	623
Selling expense	(36)	(83)	(74)	(87)	(123)	(144)
Administration expense	(82)	(89)	(93)	(85)	(112)	(121)
Operating profit	151	181	209	207	401	358
Financial profit	(29)	(6)	(5)	(6)	15	48
Interest expense	(12)	(14)	(19)	(20)	(15)	(19)
Profit before tax	126	185	207	211	394	405
Profit after tax	95	144	163	161	308	317
Profit after tax for shareholders of parent company	81	144	163	161	308	317
Balance sheet	2016A	2017A	2018A	2019A	2020E	2021E
Short-term asset	721	1,125	1,486	1,544	2,161	2,630
Cash & cash equivalent	146	204	267	392	587	822
Short-term investment	3	6	17	43	357	386
Receivables	113	482	308	382	630	763
Inventory	427	398	844	642	511	577
Other short-term asset	31	34	50	85	75	81
Long-term asset	369	362	357	354	548	617
Long-term receivables	1	1	2	2	26	26
Fixed asset	137	133	123	139	185	248
Property investment	-	-	-	-	-	-
Construction-in-progress	7	8	13	29	18	11
Long-term investments	194	194	195	158	155	167
Other long-term assets	30	27	24	27	163	163
Goodwill	0	0	0	0	0	0
Total Asset	1,090	1,487	1,843	1,898	2,709	3,247
Total Liabilities	638	927	1,134	1,062	1,420	1,692
Short-term liabilities	631	924	1,131	1,059	1,417	1,689
Long-term liabilities	7	3	3	3	3	3
Shareholder's equity	452	560	709	836	1,289	1,555
Charter capital	139	139	191	240	360	360
Treasury stock	-	-	-	-	-	-
Total Equity	1,089	1,487	1,843	1,898	2,709	3,247

Cash flow	2016A	2017A	2018A	2019E	2020E	2021E
Net cash flow from operating activities	62	10	(56)	311	251	214
Net cash flow from investing activities	(194)	(10)	(22)	(71)	(370)	(88)
Net cash flow from financing activities	14	58	141	(115)	314	110
Net cash flow for the period	(118)	58	63	125	195	236
Beginning cash and cash equivalents	264	146	204	267	392	587
Ending cash and cash equivalents	146	204	267	392	587	822
Financial indicators (%)	2016A	2017A	2018A	2019E	2020E	2021E
Growth rate (%)						
Revenue	19.6%	68.1%	3.9%	12.6%	36.2%	8.2%
Earnings after tax	39.2%	50.5%	13.7%	-1.6%	91.9%	3.0%
Total asset	17.5%	36.4%	23.9%	3.0%	42.7%	19.9%
Total shareholder's equity	15.3%	24.0%	26.6%	18.0%	54.1%	20.6%
Profitability						
Gross Margin	20.9%	16.3%	16.7%	14.9%	18.4%	16.7%
EBIT margin	11.7%	8.3%	9.3%	8.2%	11.6%	9.6%
Net margin	7.4%	6.6%	7.2%	6.3%	8.9%	8.5%
ROA	8.7%	9.7%	8.9%	8.5%	11.4%	9.8%
ROE	21.1%	25.6%	23.0%	19.2%	23.9%	20.4%
Operating efficiency						
Receivable days	32	80	49	54	66	73
Inventory days	151	80	163	107	65	67
Payables days	35	54	49	62	62	57
Liquidity						
Current ratio	1.14	1.22	1.31	1.46	1.52	1.56
Quick ratio	0.47	0.79	0.57	0.85	1.16	1.22
Financial structure						
Debt to asset ratio	0.59	0.62	0.62	0.56	0.52	0.52
Debt to equity ratio	1.41	1.66	1.60	1.27	1.10	1.09
Short term debt to equity	1.40	1.65	1.60	1.27	1.10	1.09
Long term debt to equity	0.02	0.01	0.00	0.00	0.00	0.00

Nguồn: PHFM

Analyst certification

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Ratings definition

Buy = Expected to outperform the local market by >10%

Hold = Expected to in line with the local market by +10%~ -10%

Sell = Expected to underperform the local market by >10%.

Not Rated = The stock is not rated in Phu Hung's coverage universe or not listed yet.

Performance is defined as 12-month total return (including dividends).

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