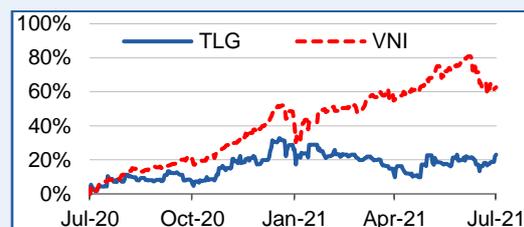


Industry	Stationery		2020A	H1/21	2021F
Report Date	July 28, 2021	Rev y/y	-17.5%	28.3%	13.3%
Current Price	VND37,600	EPS y/y	-31.3%	929.3%	18.9%
Target Price*	VND47,000	GPM	38.4%	42.8%	36.7%
Upside	+25.0%	NPM	8.9%	12.3%	9.4%
Dividend Yield	5.3%	EV/EBITDA	6.3x	N.M.	5.3x
TSR	+30.3%	P/B	1.7x	1.6x	1.6x
Rating*	BUY	P/E	13.6x	N.M.	11.4x



			TLG	Peers**	VNI
Market Cap	USD127.2mn	P/E (ttm)	8.2x	14.7x	17.1x
Foreign Room	USD95.9mn	P/B (curr)	1.6x	1.2x	2.6x
ADTV30D	USD0.2mn	Net D/E	-33.0%	-10.1%	N/A
State Ownership	0.0%	ROE	21.9%	6.7%	15.3%
Outstanding Shares	77.8 mn	ROA	16.5%	4.5%	2.5%
Fully Diluted Shares	77.8 mn				

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 instrument market and is expanding globally. TLG has had a partnership with Newell Brands, a leading US-based global consumer goods company, since early 2019.

Note: \* TP and rating last updated May 24, 2021; \*\* foreign peers

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## Healthy sales, low cost inventory support strong H1 results

TLG reported strong Q2 2021 results with revenue of VND748bn (USD32.5mn; +16% YoY) and NPAT-MI of VND91bn (USD4.0mn; +146% YoY). These strong Q2 2021 business results were driven by 1) a recovery in stationery demand in Q2 2021 vs Q2 2020's low base, 2) TLG continuing to benefit from low cost input plastic, and 3) TLG pushing for sales of product categories with higher margins. TLG's Q2 2021 gross margin remained high at 43.5% vs 42.0% in Q1 2021 and 33.5% in Q2 2020.

For H1 2021, TLG recorded revenue of VND1.4tn (USD62.1mn; +28% YoY) and NPAT-MI of VND176bn (USD7.7mn; +929% YoY). We note that H1 2020 was a low base for TLG as the company incurred a loss of VND20bn (USD0.9mn) in Q1 2020. Although H2 is the high season for TLG and TLG's H1 2021 NPAT-MI already completed 62% of our full-year forecast, we foresee insignificant changes to our current forecasts for TLG as we expect 1) the company's gross margin to experience some pressure in H2 2021 due to the input plastic price rally in H1 2021 and 2) the current fourth wave of COVID-19 in Vietnam posing a risk of prolonged school closures in Q3 2021 (back-to-school season). More details on our forecasts can be found in our last Update Report, [TLG \[BUY +31.4%\] - Earnings to rebound in 2021 despite higher input prices](#), dated May 24, 2021.

Figure 1: TLG's H2 2021 results

VND bn	Q2 2020	Q2 2021	Growth	H1 2020	H1 2021	Growth	2021F	H1 2021 as % of 2021F
<b>Net revenue</b>	<b>645</b>	<b>748</b>	<b>16%</b>	<b>1,113</b>	<b>1,428</b>	<b>28%</b>	<b>3,041</b>	<b>47%</b>
Writing instruments	221	278	26%	374	581	56%	1,306	45%
Office supplies	203	277	36%	366	502	37%	1,077	47%
School supplies	57	74	30%	74	125	68%	257	49%
Art supplies	78	112	44%	117	209	78%	380	55%
Others	86	6	-93%	183	10	-95%	21	47%
<i>Of which: Export</i>	111	138	24%	255	314	23%	591	53%
<b>Gross profit</b>	<b>216</b>	<b>325</b>	<b>51%</b>	<b>351</b>	<b>611</b>	<b>74%</b>	<b>1,115</b>	<b>55%</b>
SG&A expenses	-172	-222	29%	-338	-406	20%	-760	53%
<b>EBIT</b>	<b>44</b>	<b>104</b>	<b>138%</b>	<b>14</b>	<b>205</b>	<b>1383%</b>	<b>355</b>	<b>58%</b>
Interest expense	-3	-2	-41%	-7	-4	-49%	-15	25%
Net other gain/loss	7	13	100%	17	21	23%	16	132%
<b>NPAT-MI</b>	<b>37</b>	<b>91</b>	<b>146%</b>	<b>17</b>	<b>176</b>	<b>929%</b>	<b>285</b>	<b>62%</b>
<b>Gross margin %</b>	<b>33.5%</b>	<b>43.5%</b>		<b>31.6%</b>	<b>42.8%</b>		<b>36.7%</b>	
SG&A as % sales	26.7%	29.6%		30.3%	28.4%		25.0%	
EBIT margin %	6.8%	13.8%		1.2%	14.4%		11.7%	
<b>NPAT-MI margin %</b>	<b>5.7%</b>	<b>12.2%</b>		<b>1.5%</b>	<b>12.3%</b>		<b>9.4%</b>	

Source: TLG's Q2 2021 financial statements, VCSC forecast (updated May 24, 2021)

## VCSC Rating System

**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
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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