

[Vietnam] Textile

May 4, 2022

TNG INVESTMENT & TRADING JSC

(TNG VN)

Seizing opportunity

Trading Buy
(Downgrade)

TP: VND38,500
Upside +11.9%

Mirae Asset Securities (Vietnam) JSC.

Chau Bui chau.bn@miraeasset.com.vn

1Q22 business results

Revenue and NPAT continue to grow: In 1Q22, TNG recorded revenue and NPAT of VND1,259.8bn (+38.3% YoY) and VND38.37bn (+73.7% YoY), respectively. Gross profit margin, operating profit margin and net profit margin reached 12.5%, 3.7%, and 3.0%, respectively, all improved compared with their respective 1Q21 figures.

2022 drivers and key uncertainties

Consumption in the US and EU markets continues to recover: Clothing retail growth in the US and EU continues to recover. Particularly, the 1Q22 average growth in the US reached 17.5% YoY and January growth in the EU reached 13% YoY. GDP growth in the US and EU is forecast to continue at high levels, at 3.7% and 4.2%, respectively; we expect apparel consumption in these two markets to maintain robust recoveries.

Revenue from real estate segment: By end-2021, TNG had invested VND514.5bn in Son Cam 1 Industrial Park (estimated total investment capital of VND520bn). The company said that it has completed about 50% of site clearance, and has carried out infrastructure construction on the cleared land. Therefore, we expect the project to be completed in the near future and bring in a new revenue stream for TNG in the future.

Key uncertainties:

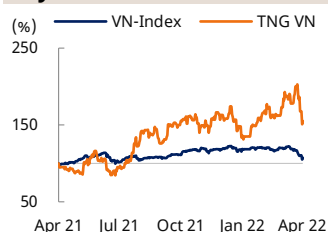
Risk of supply chain crisis due to China's social distancing measures: China's persistent Zero-COVID policy has strongly affected port operations and shipping worldwide; this could potentially lead to delays in order fulfillment and increased logistics costs.

Fluctuations in domestic bond market fluctuates and rising interest rates: The Vietnamese government's recent revisions to the corporate bond market are likely to affect TNG's ability to raise additional capital from bond sales. Central banks in the world are likely to raise interest rates to deal with inflation, which will increase the company's interest costs; higher interest rates would negatively affect the valuation of stocks.

Forecast and valuation

TP raise to VND38,500; rating downgrade to Trading Buy: In 2022, we forecast TNG's revenue and NPAT at VND5,940bn (+9.1% YoY) and VND242bn (+4.2% YoY), respectively. Using the residual income discount method, we raise our target price for TNG to VND38,500 (from VND26,000), and downgrade our rating to Trading Buy (from Buy).

Key data



Share price (05/04/22, VND)	34,400	Market cap (VNDbn)	3,189
OP (22F, VNDbn)	298	Shares outstanding (mn)	93
Consensus OP (22F, VNDbn)	NA	Free float (%)	60.7
EPS growth (22F, %)	4.2	Foreign ownership (%)	1.6
P/E (22F, x)	14.9	Beta (12M)	1.4
Market P/E (22F, x)	14.7	52-week low (VND)	16,852
VN-Index	1,349	52-week high (VND)	42,600

Share performance

(%)	1M	6M	12M
Absolute	-9.5	3.0	79.5
Relative	2.1	10.4	70.9

Earnings and valuation metrics

FY (I)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue (VNDbn)	4,612	4,480	5,444	5,940.0	6,676.6	7,504.5
OP (VNDbn)	407	312	288.3	298.1	355.6	408.5
OP margin (%)	8.8	7.0	5.3	5.0	5.3	5.4
NP (VNDbn)	230	154	232	242.0	288.6	331.6
EPS (VND)	3,187	2,297	2,506	2,610	3,113	3,577
ROE (%)	24.7	13.9	15.9	15.4	15.9	15.9
P/E (x)	4.0	6.3	15.5	14.9	12.5	10.9
P/B (x)	0.9	1.0	2.5	2.1	1.9	1.6

Source: Company data, Bloomberg, Mirae Asset Vietnam Research

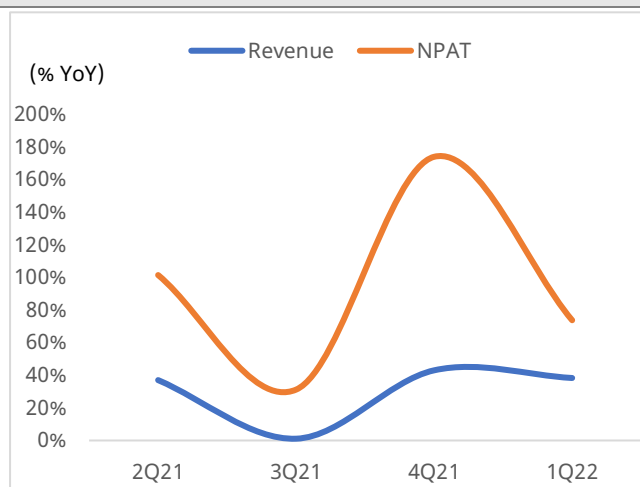
PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

2022 business results

Revenue and NPAT continue to grow: In 1Q22, TNG recorded revenue and NPAT of VND1,259.8bn (+38.3% YoY) and VND38.37bn (+73.7% YoY), respectively. Gross profit margin, operating profit margin and NPAT margin reached 12.5%, 3.7%, and 3.0%, respectively, all improved compared with their respective 1Q21 figures. 1Q22 revenue and NPAT reached 21.2% and 16.5% of their respective 2022 targets (1Q is usually the low point of the company's business period).

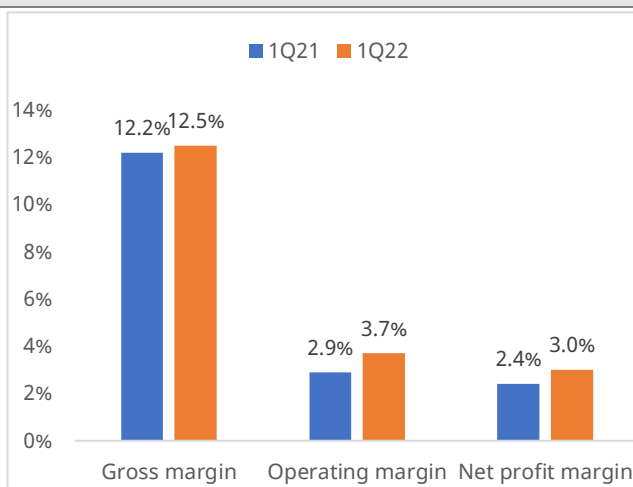
Production continues to expand: In 2021, TNG continued to expand its scale and increase production efficiency. As of end-2021, the company had 15,794 employees, an increase of 6.7% YoY; the largest number since 2017. In addition, labor efficiency increased, with the revenue/employee reaching nearly VND370mn in 2021 (+27.5% YoY).

Figure 1. Revenue and NPAT growth



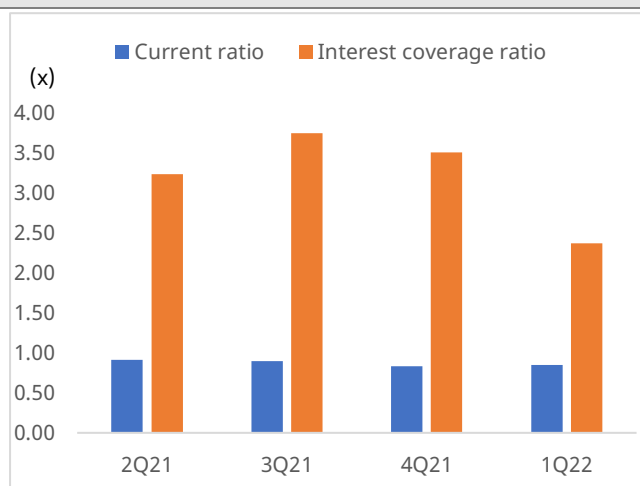
Source: Company data, Mirae Asset Vietnam Research

Figure 2. Profit margin



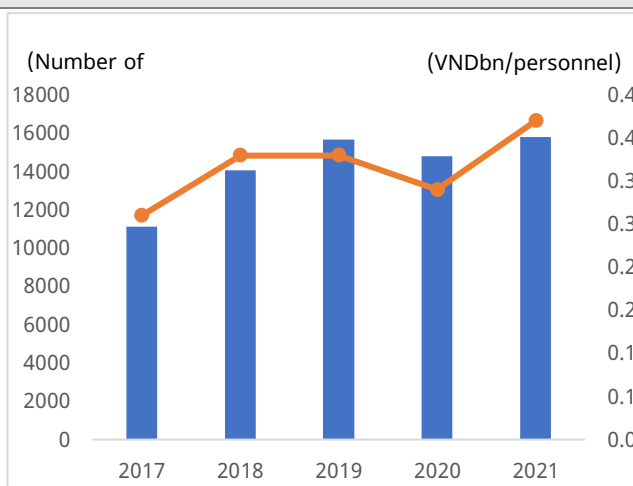
Source: Company data, Mirae Asset Vietnam Research

Figure 3. Financial safety



Source: Company data, Mirae Asset Vietnam Research

Figure 4. Labor efficiency



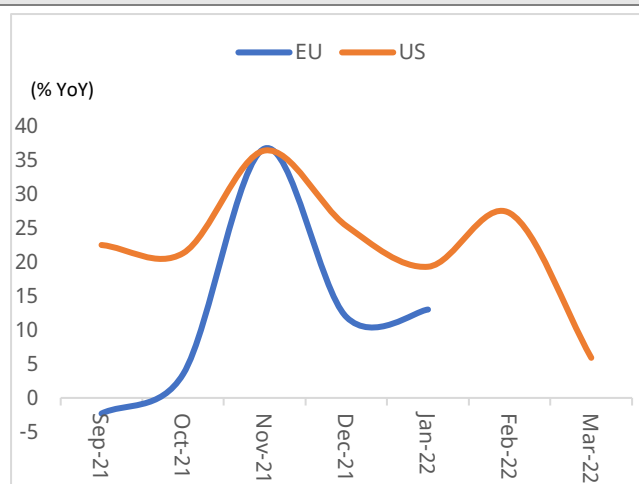
Source: Company data, Mirae Asset Vietnam Research

2022 key drivers

Consumption continues to recover: Clothing retail growth in the US and EU continues to recover. 1Q22 average growth in the US reached 17.5% YoY and January growth in the EU reached 13% YoY. Forecasting GDP growth in the US and EU to continue at high levels, at 3.7% and 4.2%, respectively; we expect apparel consumption in these two markets to maintain robust recoveries. The US and EU are TNG's two largest export markets, accounting for 51% and 40% of revenue, respectively, in 2021. Clothing retail in these two markets has averaged double-digit growth, which is the main driver of revenue growth for TNG.

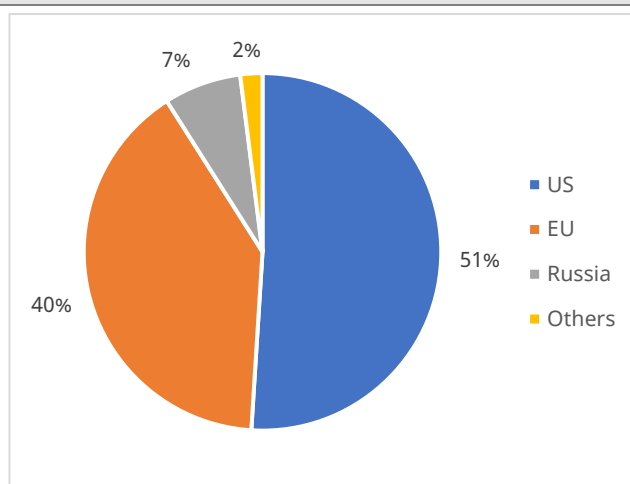
Potential revenue from real estate segment: By end-2021, TNG had invested VND514.5bn in Son Cam 1 Industrial Park (estimated total investment capital: VND520bn). The company said that it has completed about 50% of site clearance, and has carried out infrastructure construction on the cleared land. Therefore, we expect the project to be completed in the near future and bring in a new revenue stream for TNG in the future.

Figure 5. Clothing retail sales



Source: Bloomberg, Mirae Asset Vietnam Research

Figure 6. TNG's export structure



Source: VITAS, Company data, Mirae Asset Vietnam Research

Forecast and valuation

In 2022, we forecast TNG's revenue and NPAT at VND5,940bn (+9.1% YoY) and VND242bn (+4.2% YoY), respectively (adjusted from our previous forecast of revenue and NPAT of VND6,413bn and VND300.6bn, respectively).

Using the residual income discount method, with a required return of 10% (up from the old rate of 8%), and assuming long-term growth after 2025 of 6%/year (from the old assumption of no growth), we raise our target price for TNG to VND38,500 (from VND26,000), and downgrade our rating to Trading Buy (from Buy).

Key uncertainties

Risk of supply chain crisis due to China's social distancing measures: China's persistent zero-COVID measures have strongly affected port operations and shipping worldwide. In March 2022, cargo clearance volume at key ports showed a sharp decline; in particular, Singapore (-5.5% YoY), Hong Kong (-8.3% YoY), Mainland China ports (+1.6% YoY), and key US ports (-23.7% YoY). Affected shipping operations are likely to lead to delays in order fulfillment and increased logistics costs.

Fluctuating domestic bond market and rising interest rates: In addition to commercial bank loans, TNG also issued a number of bonds to supplement capital for Son Cam 1 industrial cluster. Vietnam government's recent revisions to the corporate bond issuance market are likely to affect TNG's ability to raise additional capital from bonds, especially when the company's current ratio often remains below 1. Central banks in the world are likely to raise interest rates to cope with inflation, causing interest costs to increase; higher interest rates would negatively affect stock valuations.

TNG INVESTMENT & TRADING JSC (TNG VN)

Income statement (summarized)

(VNDbn)	2021	2022	2023	2024
Revenue	5,446.4	5,940.0	6,676.6	7,504.5
COGS	-4,717.1	-5,043.1	-5,668.4	-6,371.3
Gross profits	726.5	896.9	1,008.2	1,133.2
Financial expenses	-169.9	-153.3	-151.9	-161.9
SG&A	-328.5	-445.5	-500.7	-562.8
Operating profits	288.3	298.1	355.6	408.5
Pre-tax profits	280.9	295.1	352.0	404.4
After-tax profits	232.3	242.0	288.6	331.6

Balance sheet (summarized)

(VNDbn)	2021	2022	2023	2024
Current assets	2,025.8	2,231.3	2,501.8	2,805.9
Cash and cash equivalents	13.5	50.0	50.0	50.0
Receivables	718.6	742.5	834.6	938.1
Inventory	1,159.3	1,320.0	1,483.7	1,667.7
Other current assets	134.3	118.8	133.5	150.1
Non-current assets	2,341.6	2,372.1	2,439.1	2,681.8
Fixed assets	1,501.4	1,733.3	1,780.4	2,001.2
Long-term investments	671.3	520.0	525.2	530.5
Other non-current assets	115.0	118.8	133.5	150.1
Total assets	4,367.4	4,603.4	4,940.9	5,487.7
Liabilities	2,905.1	2,923.3	3,001.1	3,249.5
Payables	826.4	779.5	876.2	984.8
Short-term debts	1,621.7	1,715.0	1,806.2	1,925.0
Long-term debts	457.0	428.8	318.7	339.7
Equity	1,462.3	1,680.1	1,939.8	2,238.2
Total resources	4,367.4	4,603.4	4,940.9	5,487.7

Cash flow statement (summarized)

(VNDbn)	2021	2022	2023	2024
Net income	232.3	242.0	288.6	331.6
Depreciation & Amortization	163.7	193.8	226.5	247.5
Chg. in receivables	-316.8	-8.4	-106.8	-120.1
Chg. in inventories	-167.4	-160.7	-163.7	-184.0
Chg. in payables	58.0	-46.9	96.7	108.6
CFO	36.0	219.8	341.3	383.6
Investment in fixed assets	-579.4	-274.4	-278.8	-473.5
Others	2.1	50.2	-14.7	-16.7
CFF	-577.3	-224.2	-293.5	-490.2
Net borrowing	451.8	65.1	-18.9	139.8
Dividend paid	-29.6	-24.2	-28.9	-33.2
CFI	422.2	40.9	-47.8	106.6
Net CF	-119.1	36.5	0.0	0.0
Begin Cash	132.6	13.5	50.0	50.0
End Cash	13.5	50.0	50.0	50.0

Key valuation metrics/ratios

	2021	2022	2023	2024
P/E (x)	15.5	14.9	12.5	10.9
P/B (x)	2.5	2.1	1.9	1.6
EPS (VND)	2,506.0	2,610.6	3,113.3	3,577.2
BPS (VND)	15,774.7	18,124.3	20,925.8	24,144.9
DPS (VND)	319.3	261.1	311.8	358.1
Revenue growth (%)	21.5	9.1	12.4	12.4
Operating profit growth (%)	43.6	3.4	19.3	14.9
EPS growth (%)	29.2	4.2	19.3	14.9
Accounts receivable turnover (x)	7.6	8.1	8.5	8.5
Inventory turnover (x)	4.1	4.1	4.0	4.0
Accounts payable turnover (x)	5.7	6.3	6.8	6.8
ROA (%)	5.3	5.4	6.0	6.4
ROE (%)	15.9	15.4	15.9	15.9
Accounts payable to equity (%)	82.7	89.4	93.3	96.4
Current ratio (%)	142.2	127.6	109.5	101.2
Total debt to equity (%)	2.7	2.9	3.3	3.5

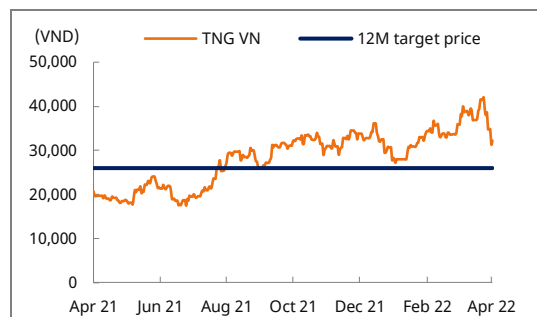
Source: Company data, Mirae Asset Vietnam Research

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (VND)
TNG Investment & Trading JSC	04/28/2022	Trading Buy	38,500
TNG Investment & Trading JSC	01/26/2021	Buy	26,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Analyst certification

The research analysts who prepared this report (the “Analysts”) are subject to Vietnamese securities regulations. They are neither registered as research analysts in any other jurisdiction nor subject to the laws and regulations thereof. Opinions expressed in this publication about the subject securities and companies accurately reflect the personal views of the Analysts primarily responsible for this report. MAS policy prohibits its Analysts and members of their households from owning securities of any company in the Analyst’s area of coverage, and the Analysts do not serve as an officer, director or advisory board member of the subject companies. Except as otherwise specified herein, the Analysts have not received any compensation or any other benefits from the subject companies in the past 12 months and have not been promised the same in connection with this report. No part of the compensation of the Analysts was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report but, like all employees of MAS, the Analysts receive compensation that is determined by overall firm profitability, which includes revenues from, among other business units, the institutional equities, investment banking, proprietary trading and private client division. At the time of publication of this report, the Analysts do not know or have reason to know of any actual, material conflict of interest of the Analyst or MAS except as otherwise stated herein.

Disclaimers

This report is published by Mirae Asset Securities (Vietnam) JSC (MAS), a broker-dealer registered in the Socialist Republic of Vietnam and a member of the Vietnam Stock Exchanges. Information and opinions contained herein have been compiled in good faith and from sources believed to be reliable, but such information has not been independently verified and MAS makes no guarantee, representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained herein or of any translation into English from the Vietnamese language. In case of an English translation of a report prepared in the Vietnamese language, the original Vietnamese language report may have been made available to investors in advance of this report.

The intended recipients of this report are sophisticated institutional investors who have substantial knowledge of the local business environment, its common practices, laws and accounting principles and no person whose receipt or use of this report would violate any laws and regulations or subject MAS and its affiliates to registration or licensing requirements in any jurisdiction shall receive or make any use hereof.

This report is for general information purposes only and it is not and shall not be construed as an offer or a solicitation of an offer to effect transactions in any securities or other financial instruments. The report does not constitute investment advice to any person and such person shall not be treated as a client of MAS by virtue of receiving this report. This report does not take into account the particular investment objectives, financial situations, or needs of individual clients. The report is not to be relied upon in substitution for the exercise of independent judgment. Information and opinions contained herein are as of the date hereof and are subject to change without notice. The price and value of the investments referred to in this report and the income from them may depreciate or appreciate, and investors may incur losses on investments. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. MAS, its affiliates and their directors, officers, employees and agents do not accept any liability for any loss arising out of the use hereof.

MAS may have issued other reports that are inconsistent with, and reach different conclusions from, the opinions presented in this report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. MAS may make investment decisions that are inconsistent with the opinions and views expressed in this research report. MAS, its affiliates and their directors, officers, employees and agents may have long or short positions in any of the subject securities at any time and may make a purchase or sale, or offer to make a purchase or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principals or agents. MAS and its affiliates may have had, or may be expecting to enter into, business relationships with the subject companies to provide investment banking, market-making or other financial services as are permitted under applicable laws and regulations.

No part of this document may be copied or reproduced in any manner or form or redistributed or published, in whole or in part, without the prior written consent of MAS.

Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul) One-Asia Equity Sales Team Mirae Asset Center 1 Building 26 Eulji-ro 5-gil, Jung-gu, Seoul 04539 Korea Tel: 82-2-3774-2124	Mirae Asset Securities (HK) Ltd. Units 8501, 8507-8508, 85/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong Tel: 852-2845-6332	Mirae Asset Securities (UK) Ltd. 41st Floor, Tower 42 25 Old Broad Street, London EC2N 1HQ United Kingdom Tel: 44-20-7982-8000
Mirae Asset Securities (USA) Inc. 810 Seventh Avenue, 37th Floor New York, NY 10019 USA Tel: 1-212-407-1000	Mirae Asset Wealth Management (USA) Inc. 555 S. Flower Street, Suite 4410, Los Angeles, California 90071 USA Tel: 1-213-262-3807	Mirae Asset Wealth Management (Brazil) CCTVM Rua Funchal, 418, 18th Floor, E-Tower Building Vila Olimpia Sao Paulo - SP 04551-060 Brazil Tel: 55-11-2789-2100
PT. Mirae Asset Sekuritas Indonesia Equity Tower Building Lt. 50 Sudirman Central Business District Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan 12190 Indonesia Tel: 62-21-515-3281	Mirae Asset Securities (Singapore) Pte. Ltd. 6 Battery Road, #11-01 Singapore 049909 Republic of Singapore Tel: 65-6671-9845	Mirae Asset Securities (Vietnam) JSC 7F, Le Meridien Building 3C Ton Duc Thang St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3911-0633 (ext.110)
Mirae Asset Securities Mongolia UTsK LLC #406, Blue Sky Tower, Peace Avenue 17 1 Khoroo, Sukhbaatar District Ulaanbaatar 14240 Mongolia Tel: 976-7011-0806	Mirae Asset Investment Advisory (Beijing) Co., Ltd 2401B, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699	Beijing Representative Office 2401A, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China Tel: 86-10-6567-9699 (ext. 3300)
Shanghai Representative Office 38T31, 38F, Shanghai World Financial Center 100 Century Avenue, Pudong New Area Shanghai 200120 China Tel: 86-21-5013-6392	Ho Chi Minh Representative Office 7F, Saigon Royal Building 91 Pasteur St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam Tel: 84-8-3910-7715	Mirae Asset Capital Markets (India) Private Limited Unit No. 506, 5th Floor, Windsor Bldg., Off CST Road, Kalina, Santacruz (East), Mumbai – 400098 India Tel: 91-22-62661336