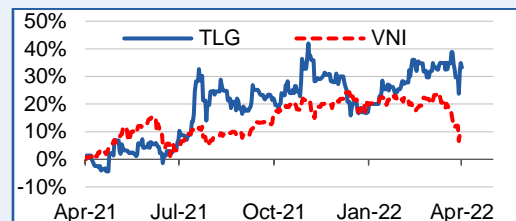




# Thien Long Group (TLG)

# Earnings Flash

Industry	Stationery		2021	Q1/22	2022
<b>Report Date</b>	<b>April 29, 2022</b>				
Current Price	VND46,000	Rev y/y	-0.6%	16.8%	21.5%
Target Price*	VND49,500	EPS y/y	15.4%	34.9%	17.1%
Upside	+7.6%	GPM	42.2%	42.5%	41.4%
Dividend Yield	4.3%	NPM	10.4%	14.4%	10.0%
TSR	+12.0%	EV/EBITDA	7.6x	N.M.	6.5x
Rating*	OUTPERFORM	P/B	2.0x	N.M.	1.8x
		P/E	14.4x	N.M.	12.3x



			TLG	Peers**	VNI
Market Cap	USD155.6mn	P/E (ttm)	13.0x	10.1x	15.2x
Foreign Room	USD116.6mn	P/B (curr)	1.9x	0.9x	2.4x
ADTV30D	USD0.1mn	Net D/E	-23.0%	-24.6%	N/A
State Ownership	0.0%	ROE	16.4%	10.1%	15.8%
Outstanding Shares	77.8 mn	ROA	12.6%	6.2%	2.6%
Fully Diluted Shares	77.8 mn				

Note: \* TP and rating last updated February 9, 2022; \*\* Regional 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 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.

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## Strong Q1 earnings amid robust sales, resilient margin

TLG reported strong Q1 2022 results with revenue of VND794bn (USD34.5mn; +17% YoY) and NPAT-MI of VND115bn (USD5.0mn; +35% YoY). TLG's business results continued to rebound strongly in Q1 2022 as its NPAT-MI jumped 18% QoQ despite the high input plastic price environment.

We attribute these strong Q1 2022 results to 1) a recovery in sales as educational services picked up after being disrupted by Vietnam's fourth wave of COVID-19 and 2) gross margin remaining high at 42.5% in Q1 2022 vs 42.0% in Q1 2021 and 44.4% in Q4 2021. We believe TLG's resilient gross margin in Q1 2022 was driven by 1) its continued efforts to push for product categories with higher margins in its total product portfolio and 2) the company already securing input plastic resin inventory at favorable prices.

As TLG's Q1 2022 NPAT-MI achieved 35% of our full year forecast, we anticipate upside risk to our forecast for TLG as stated in our last Update Report, [TLG \[OUTPERFORM +19.8%\] - Sales rebound, flat EBIT margin to drive 2022 profit growth](#), dated February 9, 2022, pending a fuller review.

Figure 1: TLG's Q1 2022 results

VND bn	Q1 2021	Q4 2021	Q1 2022	YoY growth	QoQ growth	2022F	Q1 % of 2022F
<b>Net revenue</b>	<b>680</b>	<b>790</b>	<b>794</b>	<b>17%</b>	<b>1%</b>	<b>3,241</b>	<b>25%</b>
<b>Gross profit</b>	<b>285</b>	<b>350</b>	<b>338</b>	<b>18%</b>	<b>-4%</b>	<b>1,342</b>	<b>25%</b>
SG&A expenses	-184	-228	-201	9%	-12%	-940	21%
<b>EBIT</b>	<b>102</b>	<b>122</b>	<b>137</b>	<b>35%</b>	<b>12%</b>	<b>402</b>	<b>34%</b>
Interest expense	-2	-2	-2	-9%	-1%	-7	22%
Net other gain/loss	8	10	9	19%	-6%	10	90%
<b>NPAT-MI</b>	<b>85</b>	<b>97</b>	<b>115</b>	<b>35%</b>	<b>18%</b>	<b>324</b>	<b>35%</b>
Gross margin %	42.0%	44.4%	42.5%			41.4%	
SG&A as % sales	27.0%	28.9%	25.2%			29.0%	
EBIT margin %	14.9%	15.5%	17.3%			12.4%	
NPAT-MI margin %	12.5%	12.3%	14.4%			10.0%	

Source: TLG's Q1 2022 financial statements, VCSC forecast (last updated February 9, 2022)

## 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
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