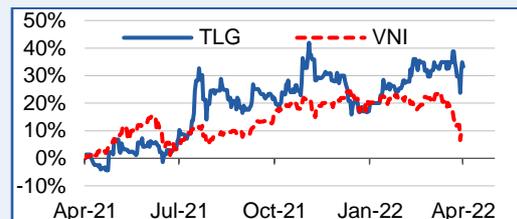


Industry	Stationery		2021	Q1/22	2022
Report Date	April 29, 2022	Rev y/y	-0.6%	16.8%	21.5%
Current Price	VND46,000	EPS y/y	15.4%	34.9%	17.1%
Target Price*	VND49,500	GPM	42.2%	42.5%	41.4%
Upside	+7.6%	NPM	10.4%	14.4%	10.0%
Dividend Yield	4.3%	EV/EBITDA	7.6x	N.M.	6.5x
TSR	+12.0%	P/B	2.0x	N.M.	1.8x
Rating*	OUTPERFORM	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
Net revenue	680	790	794	17%	1%	3,241	25%
Gross profit	285	350	338	18%	-4%	1,342	25%
SG&A expenses	-184	-228	-201	9%	-12%	-940	21%
EBIT	102	122	137	35%	12%	402	34%
Interest expense	-2	-2	-2	-9%	-1%	-7	22%
Net other gain/loss	8	10	9	19%	-6%	10	90%
NPAT-MI	85	97	115	35%	18%	324	35%
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 (target price – current price)/current price + 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.
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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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