



**Công ty Cổ phần chứng khoán
Ngân hàng Đầu tư và Phát triển Việt Nam**

SECTOR REPORT 2021: TEXTILE INDUSTRY OUTLOOK

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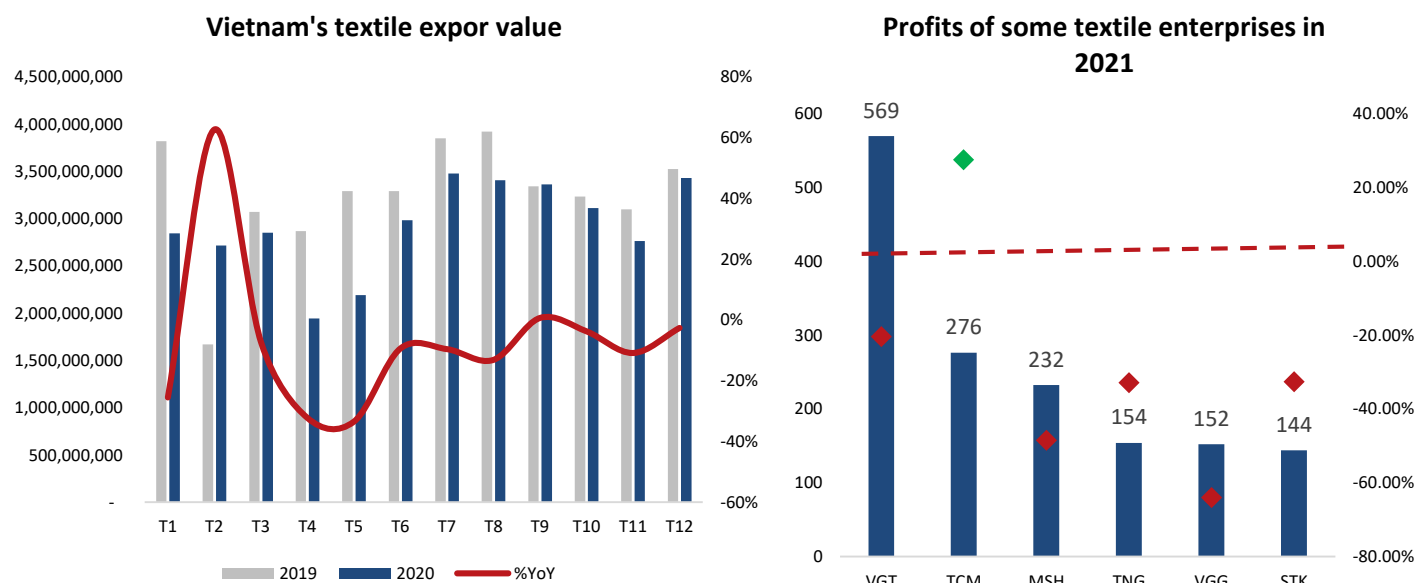
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I. OUTLOOK OF TEXTILE INDUSTRY IN 2021

1.1. 2020 _YEAR OF THE DIFFICULTIES AND CHALLENGES

In 2020, due to the impact of the Covid - 19 epidemic, the Vietnam Textile industry faces many difficulties and challenges: (i) A failure in the material supply chain (ii) Orders fell sharply when the social distancing and consumption habits changed. Although the epidemic has increased the demand for mask and gown products, not many listed companies were benefited from this (except Thanh Cong Textile Garment Investment Trading JSC – Ticker: TCM).

By the end of 2020, Vietnam's entire textile and garment industry recorded export value of \$ 35 billion, decreasing 10% compared to 2019. In a difficult business environment, listed textile companies also recorded declining business results: 12 companies post total revenue and profit after tax of VND 45,998 billion (-17% YoY) and VND 2,316 billion (-17% YoY) respectively.



Source: BSC

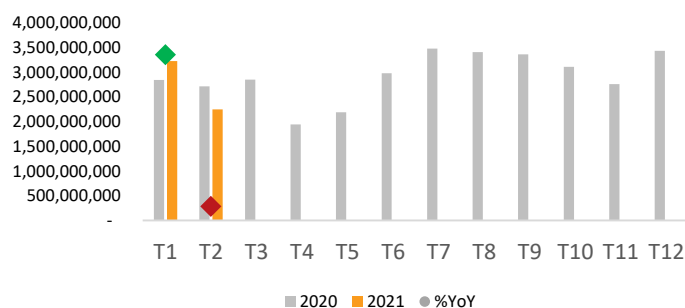
1.2. RECOVERY FROM THE BOTTOM

In 2021, with a low base level of 2020, BSC expects the textile industry to recover thanks to (i) the recovery traditional orders (ii) Some events supporting the shifting orders to Vietnam from China (iii) Some textile enterprises deploy real estate based on existing land bank.

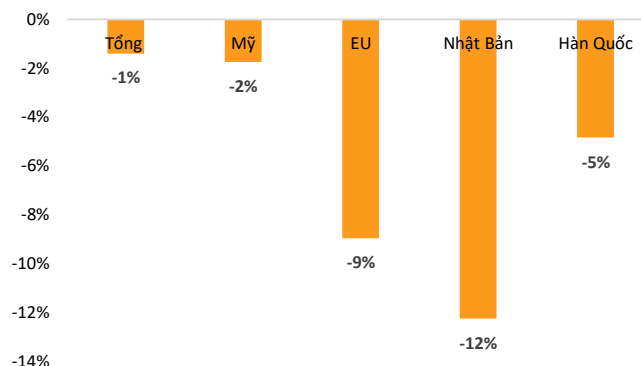
1.2.1. Production chain recovered with traditional orders rising again

According to the Vietnam Textile and Apparel Association, Vietnam's textile industry is expected to return to the export value of 2019 (before Covid - 19) of 39 billion USD, equivalent to 11.4% growth over the same period. By the mid-March 2021, the total textile export value reached 7 billion USD, up 1% over the same period. Particularly, the first half of March increased by 11% compared to the same period last year, when the disease Covid - 19 began to have negative impact on exporting activities.

Export turnover of Vietnam Textile and Garment in the first 2 months of 2021



Growth in export markets 2M.2021



Source: General Department of Customs

Currently, a number of textile and garment enterprises said that their textile and garment factories have their factories fulfilled orders until August 2021. This situation improves significantly compared to the same period last year when customers stopped placing new orders and old orders were canceled / delayed. In 2021, with the expectation that life will return to normal (as countries already have experience handling with epidemics and vaccination - rapidly rolling out), consumption demand of people after a year of being suppressed will grow again. This helps retail brands to be more optimistic about their business prospects, thereby placing more traditional garment orders at garment factories in Vietnam.

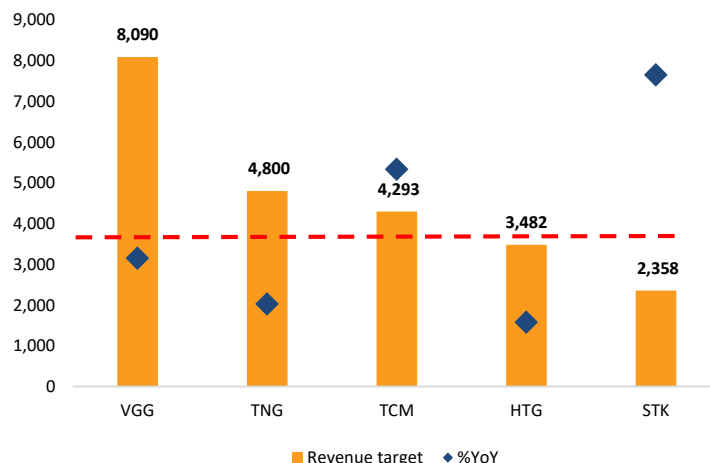
Update garment orders of some enterprise up to the present time

Enterprise	Order value up to now
Vietnam National Textile and Garment Group (VGT)	Full order value until August 2021
TNG Investment and Trading JSC (TNG)	The value of the order is 190 million USD
Thanh Cong Textile Garment Investment Trading JSC (TCM)	Full order value until August 2021
Binh Thanh Import Export Production, Business Joint Stock Company (GIL)	Order value is expected to increase by 13%

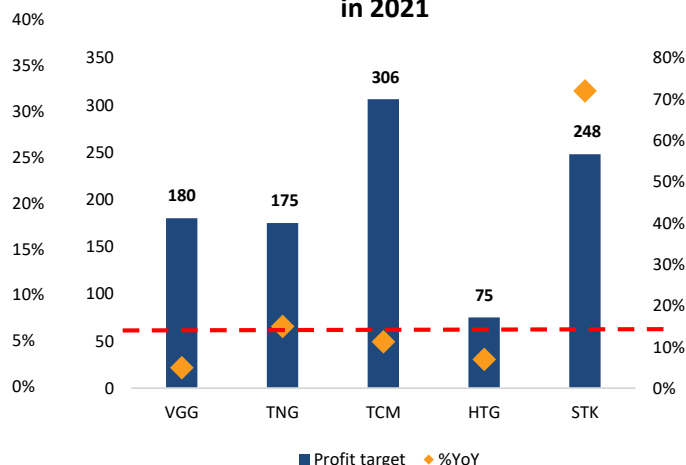
Source: BSC Research

However, except for businesses with a high level of background in 2020 (TCM), BSC believes that most businesses that have announced their 2021 business plans are quite conservative with growth below 10%. The plan level has not shown a recovery in revenue and profit to the level before the Covid - 19 epidemic.

Revenue plans of some textile enterprises in 2021



Profit plans of some textile enterprises in 2021



Source: BSC Research

Business results of the first quarter of 2021 of a number of enterprises

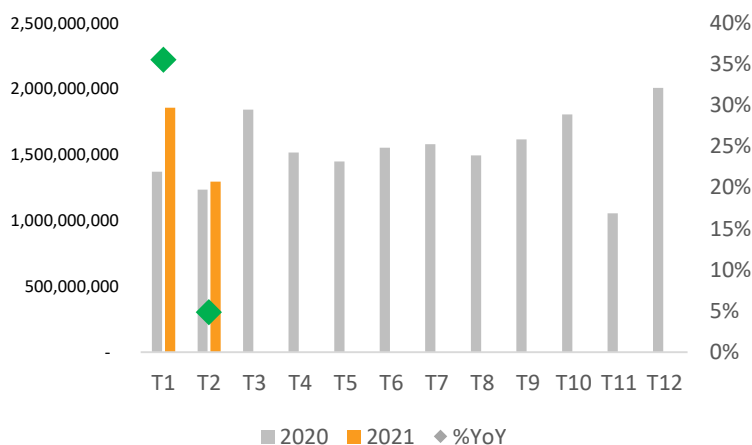
	Revenue Q1.2021	%YoY	Net income Q1.2021	%YoY
TCM	846	+9%	61	+86%
TNG*	586	+13%	15	-40%
STK	568	-7.8%	70	+35%

*: Business results for 2 months of 2021

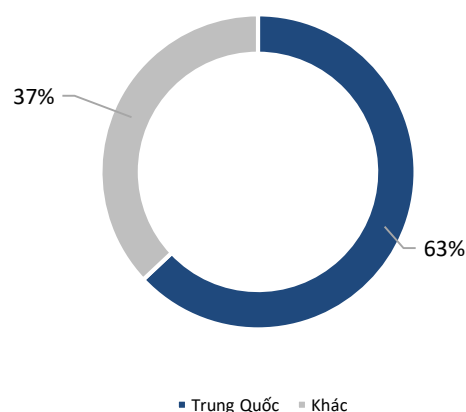
Source: BSC Research

In addition, in 2021, BSC believes that textile enterprises will not encounter the problem of disrupted raw material supply chain. Because 63% of the value of textile materials is imported from China, when the epidemic broke out in early 2020, the supply chain is affected, making it difficult for businesses to meet orders. In 2021, commercial trade between the two countries has been improved thanks to the strict control of epidemics, ensure the supply of raw materials continuously and in a timely manner.

Import turnover of Vietnam Textile and Garment industry



Proportion of Vietnam's imported garment materials



Source: BSC Research

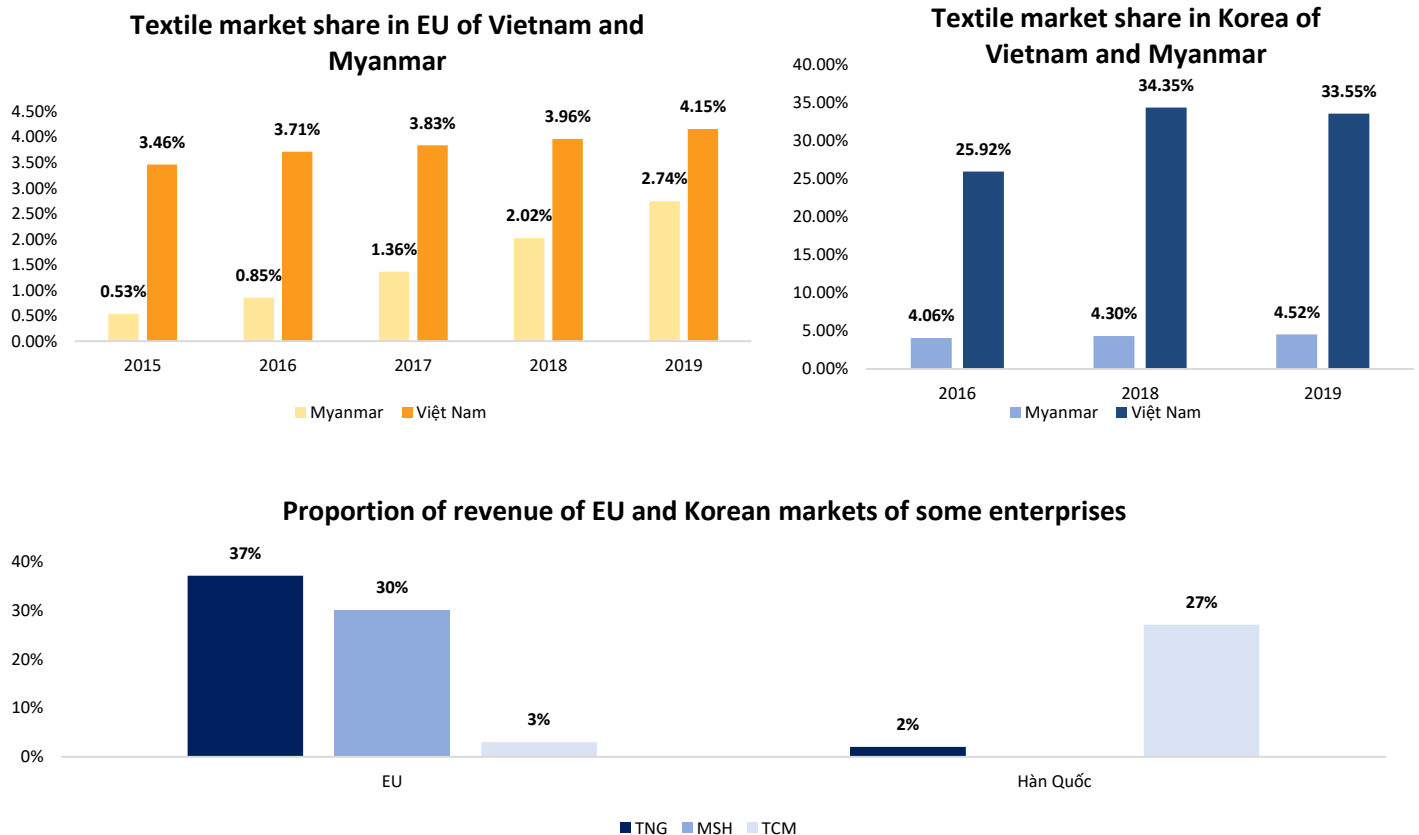
1.2.2. Some events expected to promote the shift orders to Vietnam Textile.

Myanmar's textile and garment industry is negatively affected when political tensions increase

Political tensions in Myanmar have a negative impact on the textile industry in this country when some textile factories (especially those owned by China) were destroyed and set on fire. BSC believes that political instability will make retailers afraid to place orders in Myanmar and will find alternative countries in the coming period (Vietnam, Bangladesh, Cambodia, ...). Myanmar's textile and garment industry has competition with Vietnam in major markets such as EU, Japan, Korea, ...

Proportion of EU market of some textile enterprises in 2019: TNG (37%), MSH (30%), TCM (3%)

Proportion of the Korean market of some textile enterprises in 2019: TCM (27%), TNG (1.5%).



Source: BSC Research

Events related to Xinjiang Cotton are expected to continue to accelerate the shift of orders from China to countries with lower labor costs (including Vietnam).

On March 1, 2021, The Better Cotton Initiative (BCI) announced the suspension of BCI cotton licensing to Xinjiang, reaffirming a press release released in October 2020. BCI's decision causes members (including fashion brands, manufacturers, social organizations) to simultaneously make a statement not to use Xinjiang cotton in the production process. Famous names in this campaign may include names such as Nike, Adidas, Burberry, GAP, H&M, Zara, ... The Chinese people reacted harshly to the actions of the firms, prompting some firms to shift orders from China to Vietnam (Lacoste increased orders for TCM). BSC expects that the event will continue to promote the process of moving orders from China to countries with lower labor costs (including Vietnam) that took place many years ago.

Customers of Textile Enterprises are members of BCI

Textile Enterprise	Customers are members of BCI
TNG	Decathlon (~ 38% of the order value), The Children Place (~ 22% of the order value).
MSH	GAP (~ 5% of the order value)
STK	Nike, Adidas (No weight)

Source: BSC Research

Members of BCI can see here: <https://bettercotton.org/>

*: The BSC has not seen a document showing that BCI members are obliged to comply with the BCI's decision and that the fashion brands' moves may change in the face of a fierce response from the Chinese people.

1.2.3. Some textile enterprises deploy Real Estate based on the advantages of existing land bank: TNG, TCM, GIL TNG Investment and Trading JSC (TNG)_ Development of Son Cam industrial park and real estate, apartments, offices.

In the year 2021 - 2022, TNG will focus on developing Son Cam industrial park:

Progress: TNG has completed 50% of the industrial park area, equivalent to 35ha.

Plan: TNG will promote sales in the second quarter of 2021. The company said that many customers (in the textile industry) contact and work with the company.

BSC's forecast: BSC expects NPV of Son Cam IP project to reach 189.7 billion VND (Assumption: Rental price: 57 USD (10% higher than average price of Thai Nguyen IP), Rental progress: 30% in 2021).

In the long-term (10-year), TNG plans to relocate some factories in the center of Thai Nguyen and convert its business license to real estate.

	Address	Distance to center of Thai Nguyen	Note
Viet Duc Garment Factory	No. 160 Minh Cau Street, Thai Nguyen	1.8 km	BSC believes it will be relocated
Viet Thai Garment Factory	No. 221 Thong Nhat Street, Thai Nguyen	3.5 km	
Song Cong Garment Factory 1,2,3	Song Cong Industrial Park, Song Cong City, Thai Nguyen	15.7 km	
Phu Binh Garment Factory 1,2,3,4	Phu Binh district, Thai Nguyen	29.8 km	
Dai Tu garment Factory	Dai Tu district, Thai Nguyen	26.7 km	
Dong Hy Garment Factory	Dong Hy district, Thai Nguyen	10.2 km	
Vo Nhai Garment Factory	Vo Nhai district, Thai Nguyen	17.5 km	

Source: TNG

Thanh Cong Textile Garment Investment Trading JSC (TCM) _ Real estate apartments and commercial services

In 2021, TCM focuses on TC1 project:

Progress: TCM has found a partner to implement, the company is completing legal procedures.

Thông tin dự án: Diện tích 9,898 m² tại 37 đường Tây Thành, Tây Thạnh, Tân Phú. Dự án gồm 3 tòa nhà tổng cộng 650 căn hộ chung cư với giá bán 40 triệu/m².

Project information: Area: 9,898 m² at 37 Tay Thanh, Tay Thanh, Tan Phu. The project consists of 3 buildings with a total of 650 apartments with selling price of 40 million / m².

In the long term, TCM focuses on developing 2 projects TC2 and TC3:

Both TC2 and TC3 projects are expected to be deployed on the existing factory site. In which, TC2 deployed on the land of 6.6 hectares, TC3 deployed on the land of 1.3 hectares.

GIL_CTCP Manufacturing, Import and Export Binh Thanh_ Redirects to Real Estate Industrial Park

In the year 2021 - 2023, GIL will focus on implementing Gilimex industrial park in Thua Thien Hue.

Project information: + Project area: 460.8 ha

+ Total investment capital: 2,614 billion

+ Land rental price: ~ 10 USD / m²; Expected rental price: 50 - 60 USD / m²

Progress: Have obtained an investment license from the government. The company proceeds to site clearance (expected to happen quickly)

II. TEXTILE COMPANIES SHORT UPDATE

STK - BUY - TP 41,800 VND - Price on 07/04/2021: 33,700 VND - BSC Company Update

VND Billions	2019	2020	% YoY	2021F	KH 2021	% YoY	Comment
Net sales	2,229	1,766	-20.8%	2,686	2,358	52.1%	<p>Company update: STK expects revenue and profit in Q1 / 2021 to reach 568 billion (-8% YoY) and 70 billion (+ 35% YoY) thanks to the sharp increase in yarn price (+ 11% YoY).</p> <p>Outlook 2021: BSC believes that STK's outlook is positive in 2021 thanks to (i) increasing demand for domestic textile materials to meet EV rules of origin - FTA (ii) trend of using recycled yarn and product demand. sportswear (Adidas, Nike) continued to maintain after the epidemic.</p> <p>Investment view: BSC recommends Buying STK in 2021 with a target price of 41,800 VND, equivalent to 24% upside compared to the closing price on April 2, 2021. STK is being traded at P / E fw of 8.1 according to BSC's forecast.</p>
Gross profit	354	255	-28.0%	424		66.3%	
Gross margin	15.9%	14.5%		15.8%			
Selling expenses	(27)	(24)	-11.1%	(26)		8.3%	
General and Administrative Expenses	(58)	(57)	-1.7%	(62)		8.8%	
SG&A/ revenue	3.8%	4.6%		3.3%			
EBIT	269	174	-35.3%	336		93.1%	
Financial revenue	14	11	-21.4%	8		-	
Financial expenses	(35)	(22)	-37.1%	(24)		27.3%	
PBT	253	164	-35.2%	322		9.1%	
						96.3%	
Net income	214	144	-32.7%	285	248	97.9%	
Net profit margin	9.6%	8.2%		10.6%	10.5%		
EPS	3,163	2,091	-33.9%	4,173		99.6%	

MSH – Mua - TP 58,800 VND – Giá ngày 07/04/2021: 50,200 VND – BSC Company Update

VND Billions	2019	2020	% YoY	2021F	% YoY	Comment
Net Sales	4,425	3,813	-13.7%	4,036	7.8%	<p>Outlook 2021: BSC believes that MSH's 2021 outlook is positive when (i) return of traditional orders (ii) the company does not have to make provision related to NY & Co's receivables (because MSH has made a full 70% provision. according to Vietnamese accounting principles).</p> <p>In 2020, MSH made provision of VND 154 billion for receivables related to NY & Co.</p> <p>Investment view: BSC recommends Buying for MSH shares in 2021 with a target price of 58,800 VND, equivalent to 20% upside compared to the closing price on April 2, 2021. MSH is being traded at P / E fw of 6.2 according to BSC's forecast. Currently, the trailing P / E of MSH is around 9.7, 18% lower than the P / E of the industry (11.9); 82% higher than 2-year P / E 5.4</p>
Gross profit	928	751	-19.1%	818	6.1%	
Gross margin	21.0%	19.7%		20.3%		
Selling expenses	(180)	(137)	-24.0%	(141)	2.9%	
General and Administrative Expenses	(233)	(376)	61.4%	(218)	-42.0%	
SG&A/ net sales	9.4%	13.5%		8.9%		
EBIT	578	301	-47.9%	515	71.1%	
Financial revenue	61	63	3.2%	55	-12.7%	
Financial expenses	(29)	(18)	-37.9%	(31)	72%	
PBT	549	283	-48.4%	484	71.0%	
Net income	452	232	-48.7%	398	71.5%	
Net profit margin	10.2%	6.1%		9.9%		
EPS	9,113	4,635		7,967	51.4%	

TNG - Tracking - TP 25,500 - Price on 07/04/2021: 23,600 VND - BSC Company Update

VND Billions	2019	2020	% YoY	2021F	Plans 2021	% YoY	Comments
Net Sales	4,612	4,484	-2.8%	4,816	4,800	9.2%	<p>Outlook 2021: BSC expects TNG's business to recover when traditional orders return: the current value of textile orders is 190 million USD. In the second quarter of 2021, TNG boosted the sales of Son Cam Industrial Park, focusing on customers in the Textile industry.</p> <p>Investment view: BSC recommends Tracking for TNG shares in 2021 with a target price of 25,300 VND / share, equivalent to an upside of 6% compared to the closing price on April 2, 2021. TNG shares are being traded at P / E fw of 8.9 (undiluted) according to BSC's forecast and 9.8 according to the company's plan. Currently, P / E trailing of TNG is around 11.8, equivalent to P / E trailing of textile industry of 11.9; 49% higher than a 4-year P / E of 7.9.</p>
Gross profit	787	672	-14.6%	786		16.9%	
Gross margin	17.1%	15.0%		16.3%			
Selling expenses	(130)	(146)	12.1%	(164)		12.3%	
General and Administrative Expenses	(249)	(218)	-12.8%	(250)		14.7%	
SG&A/ net sales	8.2%	8.1%		8.6%			
EBIT	390	313	-19.7%	383		22.3%	
Financial revenue	21	34	59.8%	19		-44.1%	
Financial expenses	(136)	(144)	5.4%	(144)		0%	
PBT	289	183	-36.4%	239		30.6%	
Net income	230	152	-	191	175	25.6%	
Net profit margin	5.0%	3.4%	33.8%	4.0%			
EPS	3,717	2,057		2,936		42.7%	

TCM - N / A - Price on 07/04/2021: 114,000 - BSC Company Update

VND Billions	2019	2020	% YoY	Plans 2021	% YoY	Comments
Net Sales	3,644	3,469	-4.8%	4,293	24%	<p>TCM expects revenue and profit to reach 846 billion (+ 9% YoY) and 61 billion (+ 86% YoY) in 1Q2021.</p> <p>Outlook 2021: BSC believes that TCM is positive in 2021 thanks to (i) benefiting from the trend of Vietnamese textile and garment enterprises looking for domestic fabric and yarn sources to meet EVFTA Rules of Conduct. Fabrics and yarns account for about 25% of TCM's revenue (ii) The recovery of traditional garment orders.</p> <p>Investment view: TCM stock is being traded at P / E fw of 23.3 according to the business plan of 2021. Currently, trailing P / E of MSH is around 30.5, 2.5 times higher than P / E of 11.9 textile industry; 4 times higher than a 4-year P / E of 7.5.</p>
Gross profit	579	620	7.1%			
Gross margin	15.9%	17.9%				
Selling expenses	(134)	(144)	7.7%			
General and Administrative Expenses	(153)	(142)	-7.2%			
SG&A/ net sales	7.9%	8.2%				
EBIT	336	391	16.4%			
Financial revenue	35	48	37.1%			
Financial expenses	(62)	(48)	-22.5%			
PBT	274	343	25.3%			
Net income	217	276	27.4%	306	11%	
Net profit margin	6.0%	8.0%		7.1%		
EPS	3,166	3,775				

APPENDIX

Evaluate stocks from a technical analysis point of view for 2021

Stock	Price on 02/04/2021	Target price	Support 2	Support 1	Resistance 1	Resistance 1	Price peak forecast	Upside
GIL	73.4	44.55	51.71	61.91	74.9	89.23	98.09	21.57%
GMC	33.9	25.51	28.81	33.51	39.5	46.1	50.19	35.99%
HTG	21.8	18.72	19.82	21.4	23.4	25.61	26.98	17.48%
KMR	3.54	2.85	3.04	3.33	3.69	4.09	4.34	15.54%
MSH	50.5	37.78	41.13	45.91	52	58.71	62.87	16.26%
PPH	31	21	23.43	26.89	31.3	36.16	39.17	16.65%
STK	33.3	24.56	27.29	31.16	36.1	41.55	44.91	24.77%
TCM	113.9	65.56	78.41	96.7	120	145.7	161.59	27.92%
TDT	13.9	2.64	7.06	11.48	14.22	16.43	18.64	18.20%
TNG	23.8	17.45	19.9	23.37	27.8	32.68	35.7	37.31%
VGG	50.4	41.35	44.76	48.17	53.02	59.2	66.02	17.46%
VGT	17.6	12.45	14.52	16.59	19.54	23.3	27.44	32.39%

Source: BSC Research

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BSC's headquarters

Level 10 & 11 of BIDV Tower
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84439352722
Fax: +84422200669

BSC's Ho Chi Minh Branch

9th Floor, Building 146 Nguyen Cong Tru
District 1, Ho Chi Minh City
Tel: +84838218885
Fax: +84838218510

<https://www.bsc.com.vn>

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**CÔNG TY CỔ PHẦN CHỨNG KHOÁN
NGÂN HÀNG ĐẦU TƯ VÀ PHÁT TRIỂN VIỆT NAM**

HỘI SỞ

Địa chỉ: Tầng 10, 11 Tháp BIDV 35 Hàng Vôi, Hoàn Kiếm, Hà Nội
Tel: (+84) 24 3935 2722

CHI NHÁNH

Địa chỉ: Lầu 9, Toà nhà 146 Nguyễn Công Trứ, Quận 1, Tp. Hồ Chí Minh
Tel: (+84) 28 3821 8885
Website: www.bsc.com.vn