CENTURY SYNTHETIC FIBER CORPORATION (HSX: STK)

Recycled yarn and new factory to drive long-term growth

(VND bn)	Q3-FY21	Q2-FY21	+/- qoq	Q3-FY20	+/- yoy
Net revenue	469	510	-8.1%	328	43.0%
PAT	62	71	-11.8%	20	210.4%
EBIT	65	73	-10.7%	25	164.0%
EBIT margin	14.0%	14.4%	-41 bps	7.6%	640 bps

Source: STK, Rong Viet Securities

9M-FY21– Recycled yarn boosted total NPAT to exceed pre-pandemic levels

- Net revenue in 9M-FY21 rose 29% YoY to reach VND 1,545 Bn (or USD 67 Mn), driven by an 88% YoY surge in recycled yarn revenue. In contrast, virgin yarn revenue dropped 5% YoY as brand customers have tended to shift their orders from virgin yarn to eco-friendly materials and virgin yarn faced fierce competition with China. Recycled yarn contributed 54% of total revenue in 9M-FY21 versus 37% in 9M-FY20.
- Gross margin widened 636 bps to reach 19.4% in 9M-FY21 due to (1) a 22% YoY blended price gap expansion and (2) a 66% gross profit contribution of high-margin recycled yarn in 9M-FY21 compared to a 57% level in 9M-FY20.
- 9M-FY21 NPAT surged 171% YoY and even 26% higher than the 2019 level to reach VND 203 Bn (or USD 9 Mn), mainly due to GPM expansion and lower financial expenses (- 72% YoY).

FY21 outlook – Gross margin improvement to help STK achieve NPAT guidance

In 4Q-FY21, we see positive drivers to help STK recover after 3Q-FY21 disruptions: (1) operating capacity recovered 85% in October versus pre-lockdown, (2) recycled yarn demand to rebound in line with the recovery of domestic garment companies and (3) China's power shortage to bolster yarn's selling prices. For 4Q-FY21, we estimate revenue and NPAT to reach VND 559 Bn (or USD 24 Mn, -2% YoY and +19% QoQ) and VND 75 Bn (or 3.3 USD Mn, +10% YoY and +21% QoQ), respectively.

Overall, widening gross margin driven by shifting from virgin yarn to more profitable recycled yarn and price gap expansion will be the main driver to help FY21 NPAT surpass STK's guidance despite lower-than-expected revenue. In FY21, we project STK's gross margin to widen 488 bps to reach 19.3% and recycled yarn will contribute 54% in total revenue. We forecast FY21 revenue and NPAT to be VND 2,104 Bn (or USD 91 Mn, +19% YoY) and VND 278 Bn (or USD 12 Mn, +94% YoY), completing 89% and 112% of STK's guidance, respectively.

Valuation and Recommendation:

We view STK's prospect remains bright, resulting in our NPAT CAGR projection of 24% in the FY21-25 period, buoyed by (1) favorable anti-dumping duties against imported polyester filament yarn, (2) fast-growing recycled yarn demand of apparel brands, estimated a 25% CAGR of global consumption in the FY20-25 period, and (3) doubling capacity due to the Unitex factory in FY25. However, we believe expectations on long-term growth potential are largely priced in, as shown in the strong share price performance.

*Using the 50:50 valuation mix of FCFF and PE methods, we arrive at a fair value of **VND 67,000**, equivalent to **an expected return of 8%** including a 2.5% cash dividend yield on November 19th, 2021. We recommend to **ACCUMULATE** the stock.*

ACCUMULATE	+8%
CMP (VND)	63,500
Target Price (VND)	67,000
Cash dividend (VND)*	1,500

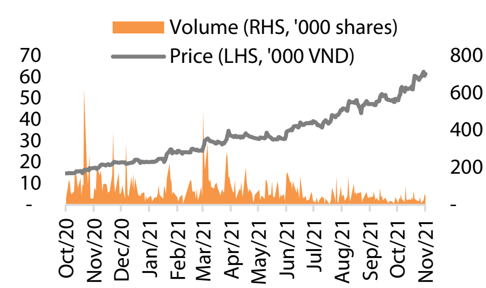
**Expected in the next 12 months*

Stock Info

Sector	Textile
Market Cap (VND bn)	4,330
Current Shares O/S (mn)	68.2
Avg. Daily Volume (in 20 sessions)	36,485
Free float (%)	53.5
52 weeks High	64,400
52 weeks Low	17,500
Beta	0.8

	FY2020	Current
EPS	2,092	3,999
EPS Growth (%)	-34.3	116.2
Diluted EPS	2,092	3,999
P/E	10.3	15.4
P/B	1.8	3.5
EV/EBITDA	5.3	8.1
Cash dividend yield (%)	2.5	2.5
ROE (%)	13.3	24.8

Price performance



Major Shareholders (%)

Huong Viet Investment Consulting	20.73
Dang My Linh	14.86
Dang Trieu Hoa	14.30
Foreign ownership room (%)	40.8

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Exhibit 1: Q3-FY21 Results

(VND bn)	Q3-FY21	Q2-FY21	+/- (qoq)	Q3-FY20	+/- (yoy)
Net revenue	469	510	-8.1%	328	43.0%
Gross profit	88	99	-10.9%	40	119.6%
SG&A	23	26	-11.4%	15	48.1%
Operating income	65	73	-10.7%	25	164.0%
EBITDA	93	100	-7.3%	58	61.3%
EBIT	65	73	-10.7%	25	164.0%
Financial expenses	3	0	735.5%	5	-41.1%
- Interest Expenses	1	1	10.0%	4	-68.4%
Dep. and amortization	28	27	1.9%	33	-15.9%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	71	75	-5.3%	23	210.1%
PAT	62	71	-11.8%	20	210.4%
(*) Adjusted PAT	62	71	-11.8%	20	210.4%

Source: STK, Rong Viet Securities

Exhibit 2: Q3-FY21 Performance Analysis

	Q3-FY21	Q2-FY21	+/- (qoq)	Q3-FY20	+/- (yoy)
Profitability Ratios (%)					
Gross Margin	18.8%	19.4%	-59 bps	12.3%	657 bps
EBITDA Margin	19.9%	19.7%	17 bps	17.6%	226 bps
EBIT Margin	14.0%	14.4%	-41 bps	7.6%	640 bps
Net Margin	13.3%	13.9%	-56 bps	6.1%	718 bps
Adjusted Net Margin	13.3%	13.9%	-56 bps	6.1%	718 bps
Turnover *(x)					
-Inventories	2.9	3.3	-36.6%	2.5	40.7%
-Receivables	17.8	18.8	-102.0%	18.2	-38.5%
-Payables	3.4	3.4	2.0%	5.0	-161.9%
Leverage (%)					
Total Liability/ Equity	59.7%	77.6%	-17.9%	69.1%	-9.5%

Source: STK, (*) Annualized turnover

Exhibit 3: Q4-FY21 Performance Forecast

VND Bn	Q4-FY21	+/- qoq	+/- yoy
Revenue	559	19%	-2%
Gross profit	108	22%	8%
EBIT	80	22%	5%
NPAT	75	20%	10%

Source: Rong Viet Securities

Assumptions

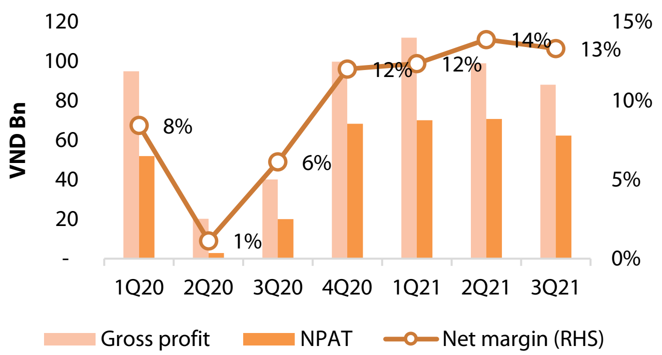
- The recycled yarn's revenue growth of 31% QoQ and the virgin yarn's revenue growth of 8% QoQ.
- Recycled yarn will contribute 53% to 4Q-FY21 total revenue versus 48% in 3Q in line with the recovery of domestic garment manufacturers.
- Gross margin to widen 52 bps QoQ to reach 19.3% due to higher contribution of recycled yarn.

9M 2021 Update: NPAT surged 171% YoY driven by recycled yarn

In 9M-FY21, STK recorded revenue of VND 1,545 Bn (or USD 67 Mn, +29% YoY) and NPAT of VND 203 Bn (or USD 9 Mn, +171% YoY) on the back of (1) 9M-FY20 low base hit hard by COVID-19 outbreaks in developed markets, and (2) higher revenue contribution of recycled yarn and price gap expansion. Particularly:

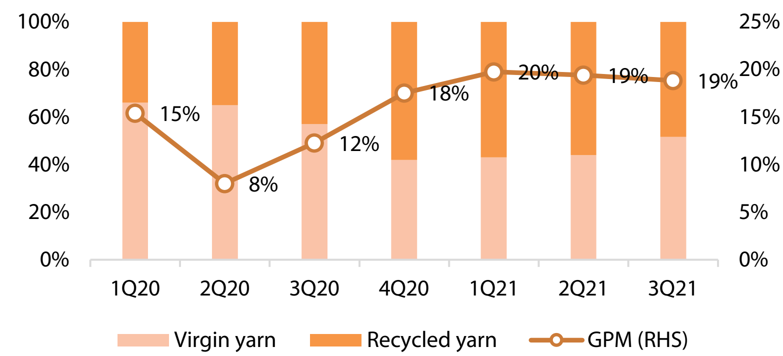
- Recycled yarn revenue surged 88% YoY to reach VND 835 Bn (or USD 36 Mn) in 9M-FY21, driven by global apparel demand recovery and STK's revenue mix toward recycled yarn. Recycled yarn contributed 54% in total revenue and 66% in gross profit. In contrast, virgin yarn revenue was down 5% YoY, resulting from a 18% YoY decrease of sales volume.
- STK's gross margin widened 636 bps to reach 19.4% in 9M-FY21, buoyed by the price gap expansion of 22%YoY as PET chip prices (input materials to manufacture polyester filament yarn – PFY) rose slower than average selling price increase.
- 3Q-FY21 revenue dropped 8% QoQ due to declining recycled yarn sales volume (-22% QoQ) amid Vietnam's strict lockdown period. Per STK, domestic garment manufacturers who are the major customers of recycled yarn products faced tough challenges in term of canceled orders and labor shortage in 3Q-FY21. GPM contracted 41 bps QoQ to be 18.8% in 3Q-FY21 due to lower recycled yarn revenue contribution (48% versus 56% in 2Q-FY21).

Figure 1: STK's quarterly gross profit, NPAT and net margin



Source: STK, Rong Viet Securities

Figure 2: STK's revenue contribution by segment (%)



Source: STK, Rong Viet Securities

Table 1: 3Q-FY21 and 9M-FY21 Income statement breakdown by segment

VND Bn	3Q-FY21	%YoY	%QoQ	9M-FY21	%YoY	Comments on 9M-FY21
Revenue	**469**	**43%**	**-8%**	**1,545**	**29%**	
Virgin yarn	242	30%	7%	710	-5%	Sales volume plunged 18% YoY, partly offset by a 16% YoY increase in ASP in accordance with rising virgin PET chip prices.
Recycled yarn	227	61%	-20%	835	88%	Driven by soaring sales volume of 85% YoY, while ASP was flat YoY. Recycled yarn revenue accounted for 54% of total revenue versus 37% in 9M-FY20.
Gross profit	**88**	**120%**	**-11%**	**299**	**92%**	
Virgin yarn	32	139%	13%	102	54%	
Recycled yarn	56	110%	-21%	197	121%	
Gross margin (%)	**18.8%**	**657 bps**	**-59 bps**	**19.4%**	**636 bps**	
Virgin yarn	13.3%	609 bps	73 bps	14.4%	558 bps	STK's virgin yarn price gap widened 17% YoY as the company stocked low-priced virgin PET chip and improving virgin ASP.

Recycled yarn	24.7%	577 bps	-41 bps	23.6%	357 bps	STK maintained a high recycled yarn price gap driven by high demand from its stable customer base.
NPAT	**62**	**210%**	**-12%**	**203**	**171%**	In 9M-FY21, financial expenses decreased 72% YoY as STK repaid all long-term debt in 1Q-FY21 and FX losses went down.

Source: STK, Rong Viet Securities

2021 outlook: Gross margin improvement to help 2021 NPAT surpass STK's guidance

In 4Q-FY21, we forecast revenue and NPAT to reach VND 559 Bn (or USD 24 Mn, -2% YoY and +19% QoQ) and VND 75 Bn (or 3.3 USD Mn, +10% YoY and 21% QoQ), driven by recovering sales volume, rising selling prices and increasing recycled yarn revenue contribution.

(1) **Operating capacity recovery:** Per management, in October, STK's operating capacity increased to 85% from 50% level in September after terminating social distancing policy.

(2) **Domestic garment production recovery to increase recycled yarn demand:** Due to increasing vaccine coverage and declining new COVID-19 cases, Vietnam terminated the strict social distancing policy by end-September, helping domestic garment manufacturers recover production activities. STK expects that 4Q-FY21 recycled yarn's sales volume will recover to 2Q-FY21 level in November. In 4Q-FY21, we expect recycled yarn will contribute 53% in total revenue versus 48% in 3Q-FY21.

(3) **China's power shortage to bolster yarn's selling prices:** The extreme electricity shortage caused by soaring prices of coal led to shutdowns in industrial provinces of Jiangsu, Zhejiang and Guangdong. China's polyester recycled yarn prices soared roughly 10% MoM in October and are expected to continue rising in the coming months of 2021. We expect this will bolster STK's selling prices, resulting in 4Q-FY21 gross margin of 19.3% (+52 bps QoQ).

Despite COVID's disruptions in 3Q-FY21, we expect that the company may exceed its NPAT guidance driven by higher-than-expected price gap expansion and high gross profit contribution of recycled yarn. In FY21, we project the price gap expansion will rise 20% YoY and recycled yarn will account for 66% of gross profit, leading to a widening 488 bps YoY of gross margin to reach 19.3% versus the guidance of 17.7%. Therefore, we forecast FY21 revenue and NPAT to be VND 2,104 Bn (or USD 91 Mn, +19% YoY) and VND 278 Bn (or USD 12 Mn, +94% YoY), completing 89% and 112% of STK's guidance, respectively.

Bright long-term outlook driven by industry tailwinds and new CAPEX

Favorable results of anti-dumping duties on polyester filament yarn imported into Vietnam

On October 13, 2021, Vietnam's Minister of Industry and Trade decided to levy final anti-dumping duties on polyester filament yarn (PFY) products originating from China, India, Indonesia and Malaysia, covering Hs code: 5402.33.00, 5402.46.00 and 5402.47.00. In which, China is the largest PFY exporter to Vietnam with over 50% market share while the rest accounts for 10-15% total imported PFY volume. The anti-dumping tax rates are as follows:

- PFY imported from 23 Chinese manufacturers will be in a range of 9.47% - 15.55% and 10 others will be taxed at 3.36% - 3.44%. These 33 companies account for roughly 10% total imported PFY volume from China to Vietnam. The rest will face a tax of 17.45%.
- PFY imported from all Indian companies will be taxed at 54.90%.
- PFY imported from all Malaysian companies will be taxed at 21.23%.
- PFY imported from all Indonesian companies will be taxed at 21.94%.

Table 2: Vietnam's final anti-dumping duties on PFY

Country	Tax rate	Imported volume into Vietnam in 2020 ('000 tons)
China	3.36% - 17.45%	238
India	54.90%	15
Malaysia	21.23%	9
Indonesia	21.94%	11

Source: MoIT, STK, Rong Viet Securities

Over the years, price competition of PFY imported from other countries, especially China, put pressure on domestic companies, including STK. The negative impact can be seen in a sharp decline of STK's virgin yarn sales volume in FY19 (-23% YoY). Per MoIT, although total domestic PFY production volume has been enough to meet total domestic demand, PFY volume imported into Vietnam still soared 37% YoY in 1H-FY21 due to price advantages and Vietnam's PFY manufacturers only account for 20% total domestic PFY's market share. Per STK, in 1H-FY21, China's PFY average selling prices were 10-15% lower than that of STK. Therefore, we expect that anti-dumping duties will help STK reclaim its market share and increase gross margin of both recycled yarn and virgin yarn.

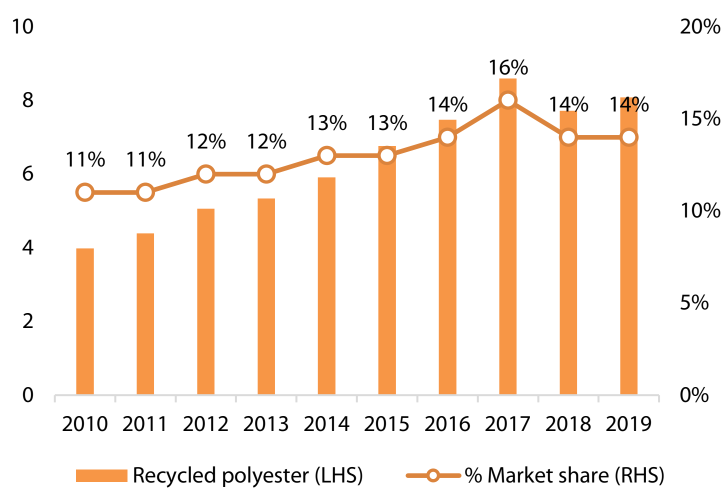
Promising recycled yarn prospects driven by surging global demand in the next five years

In April 2021, Textile Exchange - a global nonprofit organization in the fiber & material industry - initiated *The 2025 Recycled Polyester Challenge* to encourage brands to further spur a shift in the market towards the uptake of recycled polyester (rPET). The apparel industry accounts for over 50% of polyester used each year. Currently, only approximately 14% of this comes from recycled inputs. Per this program, assuming a 3% growth rate of the apparel industry, by 2025 rPET needs to comprise at least 45% of fashion's polyester market – this is equivalent to roughly 17.1 million metric tons. To achieve this, we estimate that global recycled yarn consumption will grow at a 25% CAGR in 2019-2025F period, much higher than a CAGR of 8% in the 2013-2019 period (***Figures 3, 4***).

With 85 brands and suppliers (Adidas, H&M, Inditex, Puma, Mango, etc.) already committed, the 2025 Recycled Polyester Challenge serves as an essential catalyst for change in the apparel and textile industry. Although the sustainable trend in fashion towards using recycled materials has been pursued for many years, this program will become a trigger for fashion brands to accelerate shifting to recycled yarn as consumers are increasingly prioritizing the use of products with environmental protection origin. STK is one of the two largest recycled yarn manufacturers in Vietnam, thereby largely benefiting from this trend.

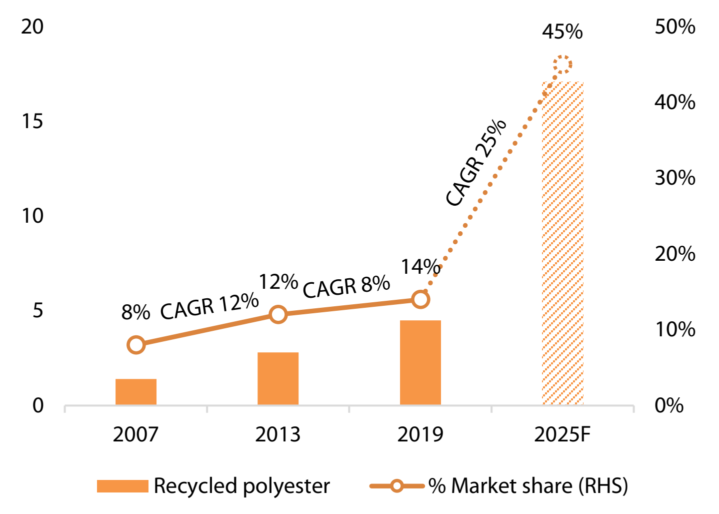
Moreover, in 2018, China which accounts for half of global recycled yarn production, began to ban the import of solid waste, including materials to produce rPET and causing a significant decline in global rPET production. This opens up an opportunity to shift recycled yarn orders to Vietnam.

Figure 3: Global rPET production (mn tons) and market share (% rPET in total polyester production) in 2010-2019



Source: Textile Exchange, Rong Viet Securities

Figure 4: Global rPET consumption (mn tons) and market share (%) forecast in apparel in 2025F



Source: Textile Exchange, Rong Viet Securities

Table 3: Recycled polyester target of STK's indirect customers

Brand	% Current use of recycled yarn	% Target	Year	% Products made in Vietnam/Total products	
				Apparel	Footwear
Adidas	50%	100%	2024	20%	42%
Puma	17%	75%	2025	-	35%
Decathlon	35%	100%	2022	52%	35%
Nike	59%	100%	2025	28%	50%
H&M	64%	100%	2030	N/A	
Inditex	20%	100%	2025	N/A	
Uniqlo	Started using in 2020			N/A	

Source: Company's annual report, STK, Rong Viet Securities

Unitex factory to double STK's capacity in FY25

STK aims to construct the Unitex factory in the FY21-FY25 period with total capacity of 60,000 tons/year, coming online the first phase of 60% capacity in FY23 and doubling its current capacity in FY25. The total CAPEX will be USD 120 Mn with 70% debt financing. The project will be divided into two phases: 2021 - 2023 (36,000 tons/year and CAPEX of USD 75 Mn); 2023 – 2025 (24,000 tons/year and CAPEX of USD 45 Mn). STK also plans to conduct a rights issue of 13.6 million shares (20% of current outstanding shares) to finance this project, carried out in late 2021. In addition, at the 2Q-FY21 analysts meeting, STK revealed that the company will implement a private placement of another 13.6 million shares in FY22. In this report, we incorporate the factory and the rights issue into our valuation in line with STK's guidance while the private placement is not yet due to awaiting more information ***(Table 4).***

Due to the large CAPEX in the next five years, we expect that STK's long-term debt will surge from 2022. However, STK's robust balance sheet and new equity issuances will support the company to reach a relatively safe D/E ratio. Specifically, we project the D/E ratio will move up from 31% in FY21 to 92% in FY22. If the private placement is carried out as planned, the FY22 D/E ratio will be lower than our current projection ***(Table 5).***

In FY22, we project revenue and NPAT to increase 26% YoY and 29% YoY, respectively, mainly driven by higher revenue contribution of recycled yarn (59% in FY22 versus 54% in FY21), bolstering FY22 GPM to expand 111 bps YoY to 20.4%. In FY23, we expect the new factory will increase STK's capacity by 57%, leading to a 45% YoY jump of revenue in FY23. However, NPAT will grow at a lower rate of 36% YoY in FY23 as net margin will contract 80 bps YoY due to rising depreciation expenses. We project that STK's revenue and NPAT will grow at a CAGR of 23% and 24% in FY21-25 period, respectively ***(Table 6).***

Table 4: Unitex factory project and rights issue plan

Unitex project		Rights issue	
Timeline	Phase 1: 2021 – 2023; Phase 2: 2023 – 2025	**Timeline**	Late 2021
Total capacity	60,000 tons/year (Phase 1: 36,000 tons; Phase 2: 24,000 tons)	**Number of issued shares**	13.6 Mn (1 new share for 5 existing shares)
Total CAPEX	USD 120 Mn (Phase 1: USD 75 Mn; Phase 2: USD 45 Mn)	**Placement price**	VND 10,000/share
Financing structure	D/E: 70/30	**Proceeds**	VND 136 Bn (or USD 5.9 Mn)

Source: STK, Rong Viet Securities

Table 5: Debt and equity projections for 2021F-2023F

VND Bn	2020A	2021F	2022F	2023F
Total debt	**274**	**423**	**1,481**	**1,787**
Short-term debt	223	254	318	428
Long-term debt	52	169	1,163	1,359
Total equity	**1,082**	**1,385**	**1,611**	**1,968**
D/E (%)	**25%**	**31%**	**92%**	**91%**
Interest coverage ratio (x)	10.1	27.4	11.8	8.8
Cash dividend (VND)	1,500	1,500	1,500	1,500
Dividend payout ratio (%)	40%	37%	27%	24%

Source: Rong Viet Securities

Table 6: Income statement forecast for 2021F-2025F

VND Bn	2020A	2021F	2022F	2023F	2024F	2025F
Design capacity (tons/year)	63,000	63,000	63,000	99,000	99,000	123,000
Revenue	**1,766**	**2,104**	**2,659**	**3,846**	**4,171**	**5,040**
% YoY growth	-21%	19%	26%	45%	8%	21%
% Recycled yarn revenue contribution	45%	54%	59%	64%	67%	71%
NPAT	**143**	**278**	**358**	**488**	**551**	**668**
% YoY growth	-33%	94%	29%	36%	13%	21%
Net margin (%)	8.1%	13.2%	13.5%	12.7%	13.2%	13.3%

Source: Rong Viet Securities

2021 & 2022 Forecast

Table 7: 2021 & 2022 Forecast

VND Bn	2020A	2021F	2022F	%2021 (YoY)	%2022 (YoY)	2021F's assumptions	2022F's assumptions
Revenue	**1,766**	**2,104**	**2,659**	**19%**	**26%**		
Virgin yarn	977	970	1,095	-1%	13%	Declining virgin yarn sales volume will be offset by a 9% increase of ASP due to improving price gap expansion.	Driven by favorable anti-dumping tax results, STK can regain its market share from China's manufacturers and increase selling prices.
Recycled yarn	788	1,132	1,563	44%	38%	Recycled yarn will contribute 58% in total revenue, mainly driven by increasing sales volume while recycled yarn ASP will be flat.	We expect STK will continue to focus on recycled yarn segment due to high demand from fashion brands. Recycled yarn will contribute 60% into total revenue in FY22 versus 54% in FY21.
Gross profit	**255**	**407**	**544**	**59%**	**34%**		
Virgin yarn	103	137	165	34%	20%		
Recycled yarn	154	269	378	75%	40%		
SG&A expenses	-81	-90	-104	12%	15%		
EBIT	**174**	**316**	**440**	**81%**	**39%**		
EBITDA	307	454	577	48%	27%		
Non-operating gain/(loss)	-11	-4	-37	-67%	888%	Financial expenses to decline 52% YoY as STK repaid all long-term debt in 1Q-FY21.	Financial expenses to soar 3 times YoY as STK will increase long-term debt to finance Unitex factory.
NPAT	**143**	**278**	**358**	**94%**	**29%**		

GPM	14.5%	19.3%	20.4%	488 bps	111 bps	GPM will improve strongly due to shifting the product mix towards recycled yarn and price gap expansion.	
Virgin yarn GPM	10.5%	14.1%	15.1%	362 bps	94 bps	Driven by high price gap due to the demand recovery to lift selling prices and low-cost inventory in 1H-FY21.	Virgin yarn selling prices will continue improving, buoyed by MoIT's favorable anti-dumping duties.
Recycled yarn GPM	19.5%	23.8%	24.2%	430 bps	40 bps	We expect STK to maintain high recycled yarn price gap premised by buoyant demand from apparel brand customers.	Recycled yarn GPM will continue expanding driven by high demand.
EBIT margin	9.9%	15.0%	16.5%	516 bps	151 bps		
Net margin	8.1%	13.2%	13.5%	510 bps	26 bps		

Source: Rong Viet Securities

Valuation

We use a combination of DCF (50%) and P/E multiple (50%) to derive a one-year target price of VND 67,000/share. Using WACC of 11.0%, our intrinsic value with the DCF method comes to VND 71,000. In terms of peer group, we look for size-comparable PFY manufacturers over the globe but mainly Asia where STK's key competitors are identified. As a result, we arrive at an average PER of 16.5x, which is 20% higher than STK's average PER in the 2016-2020 period. We believe that bright prospects for recycled yarn and the Unitex factory will support the company's robust business growth in the next five years, resulting in our NPAT CAGR projection of 24% in 2021-2025 period.

Table 8: STK's valuation summary

Method	Weight	Valuation (VND/share)
FCFF	50%	71,000
PE 16.5x	50%	63,000
Total	**100%**	**67,000**

Source: Rong Viet Securities

Table 9: Discounted cash flow

Unit: VND Bn	2021F	2022F	2023F	2024F	2025F
Net income	**278**	**358**	**488**	**540**	**668**
(+) Depreciation	137	137	293	293	394
(+) Interest*(1-t)	10	33	62	69	60
(-) Changes in working capital	**-20**	**35**	**107**	**23**	**63**
(-) CAPEX	321	1,421	851	351	251
FCFF	**117**	**-937**	**-123**	**516**	**783**

Source: Rong Viet Securities

Table 10: FCFF model

Cost of capital		FCFF	VNDbn
Beta	1.0	PV of cumulative FCFF	64
Risk free rate	1.0%	PV of terminal value	4,876
Equity risk premium	12.0%	(-) Debt	423
Cost of equity	13.6%	(+) Cash and Cash Equivalents	316
After-tax cost of debt	4.1%	Equity value	4,833
D/E	0.39	Number of outstanding shares (mn)	68.2
WACC	**11.0%**	**Target price (VND)**	**71,000**

Source: Rong Viet Securities

Table 11: Comparable peers

Company name	Ticker	Country	Market cap (USD Mn)	ROE (%)	ROA (%)	P/E (x)	P/B (x)	EV/EBITDA (x)
LAN FA TEXTILE	1459 TT	Taiwan	155	12.6	5.6	10.5	1.2	49.0
RODA VIVATEX TBK	RDTX IJ	Indonesia	145	7.2	6.6	10.6	0.7	8.4
HONG YI FIBER INDUSTRY CO.	1452 TT	Taiwan	108	13.8	12.5	8.6	1.1	6.9
UNIFI INC	UFI US	US	451	5.7	3.7	12.8	1.3	5.9
VARDHMAN TEXTILES LTD.	VTEX IN	India	1,527	6.5	4.3	27.6	1.7	10.9
YI JINN INDUSTRIAL CO.	1457 TT	Taiwan	188	7.1	1.8	12.2	0.9	50.2
NITIN SPINNERS	NSPL IN	India	191	13.0	4.1	20.9	2.6	10.0
FORMOSA TAFFETA	1434 TT	Taiwan	1,807	3.5	2.9	32.1	0.8	26.0
Average			**626**	**13.6**	**5.6**	**16.5**	**1.1**	**20.9**
STK	**STK VN**	**Vietnam**	**188**	**24.8**	**14.9**	**15.9**	**3.7**	**8.1**

Source: Bloomberg, Rong Viet Securities

VND billion

INCOME STATEMENT	2019	2020	2021F	2022F
Revenue	**2,229**	**1,766**	**2,104**	**2,659**
COGS	1,875	1,510	1,697	2,115
Gross profit	**354**	**255**	**407**	**544**
Selling Expense	27	24	27	35
G&A Expense	58	57	63	69
Finance Income	14	12	8	11
Finance Expenses	35	23	12	48
Other profits	5	-	-	-
PBT	**253**	**163**	**312**	**403**
Prov. of Tax	39	20	34	44
Minority's Interest	-	-	-	-
PAT to Equity S/H	**215**	**143**	**278**	**358**
EBIT	269	174	316	440
EBITDA	406	307	454	577

FINANCIAL RATIO	2019	2020	2021F	2022F
Growth (%)				
Revenue	-7.4	-20.8	19.1	26.4
EBITDA	4.5	-24.2	47.5	27.3
EBIT	9.8	-35.2	81.4	39.1
PAT	20.3	-33.2	93.9	28.8
Total Assets	-2.4	-17.7	26.3	63.7
Equity	19.2	-0.1	28.0	16.4
Profitability (%)				
Gross margin	15.9	14.5	19.3	20.4
EBITDA margin	18.2	17.4	21.6	21.7
EBIT margin	12.1	9.9	15.0	16.5
Net margin	9.6	8.1	13.2	13.5
ROA	10.4	8.4	12.9	10.2
ROE	19.8	13.3	20.1	22.2
Efficiency				
Receivable Turnover	22.7	18.1	25.0	25.0
Inventory Turnover	3.6	3.8	4.3	4.3
Payable Turnover	6.1	4.4	5.0	5.0
Liquidity				
Current	1.1	1.1	1.5	1.3
Quick	0.4	0.4	0.9	0.6
Finance Structure (%)				
Total Debt/Equity	62.3	25.3	30.5	91.9
Current Debt/Equity	47.1	20.6	18.3	19.7
Long-term Debt/Equity	15.1	4.8	12.2	72.2

VND billion

BALANCE SHEET	2019	2020	2021F	2022F
Cash and cash equivalents	150	95	316	266
Short-term investments	80	26	82	53
Account receivables	98	98	84	106
Inventories	523	401	390	487
Other current assets	27	14	25	26
Property, plant & equipment	1,049	914	1,097	2,381
Acquired intangible assets	-	-	-	-
Long-term investments	2	19	19	19
Other non-current assets	140	137	137	182
Total assets	**2,069**	**1,703**	**2,151**	**3,520**
Account payables	308	343	339	423
Short-term borrowings	510	223	254	318
Long-term borrowings	164	52	169	1,163
Other non-current liabilities	-	-	-	-
Bonus and Welfare fund	3	4	4	4
Technology-science, dev. fund	-	-	-	-
Total liabilities	**986**	**621**	**766**	**1,909**
Common stock and APIC	742	742	878	878
Treasury stock (enter as -)	-	-42	-42	-42
Retained earnings	340	381	547	774
Other comprehensive income	-	-	-	-
Inv. and Dev. Fund	1	1	1	1
Total equity	**1,083**	**1,082**	**1,385**	**1,611**
Minority Interest	-	-	-	-

VALUATION RATIO	2019	2020	2021F	2022F
EPS (VND)	3,034	2,028	3,307	4,261
P/E (x)	5.8	10.3	18.6	14.4
BV (VND)	15,316	15,296	16,464	19,158
P/B (x)	1.1	1.4	3.7	3.2
DPS (VND/cp)	1,500	1,500	1,500	1,500
Dividend yield (%)	2.9	2.9	2.9	2.9

VALUATION MODEL	Price	Weight	Average
FCFF	71,000	50%	35,500
PE	63,000	50%	31,500
Target price (VND)		**100%**	**67,000**

VALUATION HISTORY	Price	Recommendation	Period
11/2020	22,400	Buy	1 year
08/2021	47,000	Accumulate	1 year
11/2021	67,000	Accumulate	1 year

RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report. we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information. investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

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