

TNG Investment and Trading JSC (HNX: TNG)

Upside potential is limited as high-growth phase ends

Using the Sum-of-the-Parts (SoTP) method, we conducted an initial valuation of TNG stock. We believe that the current stock price broadly reflects the company's long-term growth prospects. Our target price for TNG is **VND 26,700/share**, corresponding to a projected P/E ratio of 9.8x for 2024. Along with a cash dividend of VND 800 share over the next year, we recommend an **ACCUMULATE** rating with a total expected return of 9% based on the closing price as of December 2nd, 2024.

• Garment processing growth is expected to slow down amid industry saturation

- TNG's revenue is projected to reach VND 7,650 billion in 2024 (+8% YoY) and VND 8,800 billion by 2028, with a compound annual growth rate (CAGR) of 4%. Growth will primarily come from the EU market due to additional orders from Decathlon.
- Gross margin is forecast to improve from 13.8% in 2023 to 15.2% in 2024 and reach 15.6% by 2028. Key drivers include (1) Higher cost efficiency due to increased order volumes and (2) an increased proportion of orders from Decathlon, which has a higher gross margin of around 18% than TNG's other customers.
- Net margin is expect to improve slightly, reaching 4.0% in 2024 and 5.4% in 2028 (Page 5).
- Net profit is forecast to reach VND 305 billion in 2024 (+2% YoY) and VND 473 billion by 2028, corresponding to a CAGR of 9%. EPS for 2024 is projected at VND 2,488.

• Son Cam 1 Industrial Cluster offers leasing potential

- Son Cam 1 Industrial Cluster is a TNG project to attract textile and garment-supporting industries to invest in Thai Nguyen. We assume the remaining 47 hectares of leasable area will be fully occupied within the next 10 years, with a rental rate of USD 100/m², growing at 1% annually.

Risks to our call

- Strong competition could prevent TNG from maintaining its projected profit margins.
- One of TNG's major customers, TCP, is undergoing restructuring and is experiencing declining performance, posing a risk of increased bad debt provisions that could impact TNG's profitability.
- With 75% of capital sourced from debt (the highest among domestic textile companies), TNG faces heightened solvency risks under unfavorable business conditions.

Key financial ratios

Indicator (VND Bn)	FY2021	FY2022	FY2023	FY2024F	FY2025F	FY2026F
Net revenue	5,444	6,772	7,095	7,649	8,005	8,373
YoY (%)	21.5	24.4	4.8	7.8	4.6	4.6
EBITDA	555	722	694	832	869	903
NPAT-MI	267	407	300	305	325	367
YoY (%)	59.4	52.3	-26.3	1.8	6.4	13.2
NPAT-MI margin (%)	4.9	6.0	4.2	4.0	4.1	4.4
ROA (%)	6.1	7.7	5.7	5.0	5.2	5.8
ROE (%)	18.3	24.6	16.2	14.6	13.9	14.0
Basic EPS (VND)	2,880	3,868	2,640	2,488	2,647	2,996
Book value (VND)	15,774	15,705	16,339	16,993	19,031	21,381
Cash dividend (VND)	800	800	800	800	800	800
P/E (x)	11.7	9.7	7.8	10.2	9.6	8.5
P/BV (x)	1.7	1.7	1.2	1.5	1.3	1.2

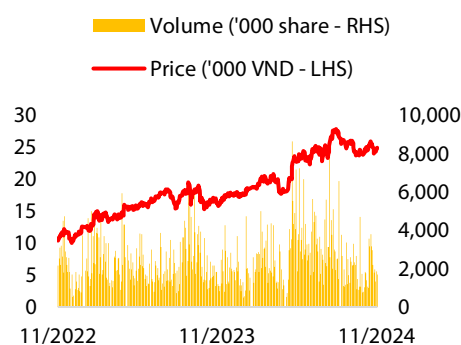
Source: TNG, RongViet Securities. Based on the closing price as of December 2nd, 2024.

ACCUMULATE +9%

Market price (VND)	25,200
Target price (VND)	26,700
Cash dividend next 12 months	VND 800

Stock Information

Sector	Textile
Market Cap (VND Bn)	3,089.6
Shares O/S (Mn)	122.6
Beta	1.1
Free Float (%)	65
52 weeks high	27,800
52 weeks low	15,800
Average trading volume (20 sessions)	1,995



Performance (%)

	3T	1N	2N
TNG	-3.4	57.4	120.7
VN30 Index	-0.7	20.0	19.7
VN-Index	-1.9	13.5	15.9

Major shareholders (%)

Nguyen Van Thoi	18.53
Nguyen Duc Manh	8.01
Tran Canh Thong	6.26
Fides	6.11
Others	61.09
Remaining foreign room (%)	31.69

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Valuation
LONG-TERM VALUATION BY FCFF METHOD (SEGMENT: TEXTILE)

DCF assumptions	Value	Valuation summary	Unit: VND bn
WACC 2024	10.4%	DCF forecast duration	5 years
Effective tax rate	20.0%	Discounted free cash flow	5,742
Cost of equity	14.8%	+ Cash & Short-term investment	61
Risk-free rate	2.8%	- Debt	2,988
Equity risk premium	8.0%	Equity value	2,816
Beta	1.5	No. of Share outstanding (million shares)	123
Exit EV/EBITDA	6.0x	Equity value per share (VND)	22,968

Table 1: Sensitivity analysis for TNG's textile segment equity value per share (VND)

		Exit EV/EBITDA				
		4	5	6	7	8
WACC	8.4%	15,197	20,663	26,129	31,595	37,062
	9.4%	13,983	19,243	24,502	29,761	35,020
	10.4%	12,823	17,885	22,946	28,008	33,069
	11.4%	11,712	16,585	21,459	26,332	31,205
	12.4%	10,649	15,342	20,036	24,729	29,423

SHORT-TERM VALUATION BY P/E METHOD (SEGMENT: TEXTILE)

Stock	Country	Market cap (USD mn)	Net revenue 2023 (USD mn)	EBITDA 2023 (USD mn)	Gross margin (%)	Net margin (%)	P/E 2023 (x)	EV/EBITDA 2023 (x)
VGG VN Equity	Vietnam	65	361	11	9.5	2.2	10.3	4.7
VGT VN Equity	Vietnam	241	691	31	7.5	1.0	40.5	16.0
HTG VN Equity	Vietnam	46	197	13	9.2	3.7	7.0	5.2
TCM VN Equity	Vietnam	155	140	14	15.0	4.0	33.6	10.8
M10 VN Equity	Vietnam	26	174	8	10.5	2.5	6.9	4.5
MGG VN Equity	Vietnam	14	74	1	12.1	1.3	18.0	12.6
MSH VN Equity	Vietnam	112	191	13	12.4	5.4	11.1	7.1
002687 CH Equity	China	375	211	41	49.9	13.6	13.0	6.8
PBRX IJ Equity	Indonesia	70	582	45	11.2	-0.2	24.1	7.9
Industry's 5-year median (2018-2023)							9.4	7.4

Table 2: Sensitivity analysis for TNG's textile segment equity value per share (VND)

			P/E				
			7.4x	8.4x	9.4x	10.4x	11.4x
EPS (VND)	2024	2,663	19,780	22,443	25,106	27,769	30,431
	2025	2,836	21,066	23,902	26,738	29,574	32,410

Source: Fiinx, Bloomberg, RongViet Securities

LONG-TERM VALUATION BY FCFF METHOD (SEGMENT: INDUSTRIAL REAL ESTATE)

Valuation summary	
DCF forecast duration	10 years
Cost of equity	15%
Equity value (VND bn)	450
No. of shares outstanding (million shares)	123
Equity value per share (VND)	3,667

Source: RongViet Securities

In the short and long term (5 years), we believe that TNG's current market price has adequately reflected the potential that the company can achieve. Based on the SoTP method, the intrinsic value of TNG is **VND 26,700/share**, equivalent to a projected 2024 P/E of 9.8x. Investors can rely on our sensitivity analysis tables to make an investment decision that aligns with their risk appetite for this stock.

Table 3: Valuation summary

Segment	Method	Equity value
Textile	FCFF	2,816
Industrial park	FCFF	450
Total (VND bn)		3,265
Number of shares outstanding (million shares)		123
Target price (VND/share)		26,700

Source: RongViet Securities

CONTENTS	
A. FINANCIAL ANALYSIS AND FORECAST FOR 2024-28	Page 4
B. APPENDIX 1 – FINANCIAL ANALYSIS AND FORECAST FOR 2024-28	Page 10
C. APPENDIX 2 – COMPARABLE COMPANIES IN THE TEXTILE SEGMENT	Page 11
D. APPENDIX 3 – VALUE CHAIN ANALYSIS	Page 13
1. Company overview	Page 13
2. Core operation	Page 14
E. APPENDIX 4 – OUTLOOK FOR THE TEXTILE AND GARMENT INDUSTRY	Page 18
1. Demand for garment consumption in the US	Page 18
2. Demand for garment consumption in the EU	Page 19
3. Competitive landscape between domestic companies	Page 20
F. APPENDIX 5 – COMPARISON OF TRADE AGREEMENT	Page 22

FINANCIAL ANALYSIS AND FORECAST FOR 2024-28 ([Back to Contents](#))

Revenue: *Garment processing for export accounts for 99% of TNG's total revenue. We forecast TNG's revenue to reach VND 7,650 billion (+8% YoY) in 2024 and VND 8,800 billion in 2028, corresponding to a CAGR of 4% (Figure 1). Beyond manufacturing, TNG is leasing land at Son Cam 1 Industrial Cluster, which provides stable cash flow despite its insignificant contribution to revenue. Meanwhile, TNG plans to halt its branded fashion business, which will no longer contribute to its business performance from 2024 to 2028.*

Garment processing for each market is projected based on the following assumptions:

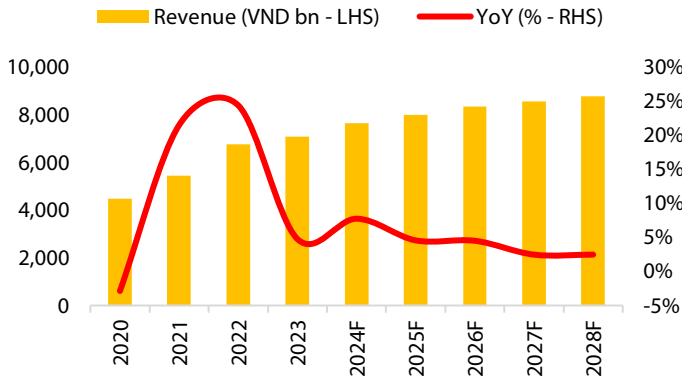
- **The US:** Between 2018 and 2023, TNG's export revenue to the US surged at a CAGR of 25%, reaching 3,240 VND billion (+10% YoY) in 2023, accounting for 46% of net revenue, with The Children's Place (TCP) as the main customer. Like other domestic companies, TNG benefited from the US-China trade war in 2018, which caused manufacturers to shift from China to Vietnam, making the US TNG's strategic export market.

We project revenue to reach VND 3,700 billion (+13% YoY) in 2024 and VND 4,050 billion in 2028, corresponding to a CAGR of 2%. Growth is supported by the continued shift of orders out of China, - with Vietnam's garment exports to the US expected to grow at a CAGR of 0.3%, reaching USD 15.5 billion by 2028 ([Page 18](#)). Given the intense competition ([Page 20](#)), we assume TNG will maintain its 1% market share of Vietnam's garment exports to the US throughout the forecast period.

Despite some positive signals in Q2 2024, TCP's business remains challenging as it transitions from a traditional retail model to e-commerce. We expect TNG to maintain its current order levels with TCP to support the customer during this restructuring phase. Key operational highlights for TCP in the first half of 2024 are as follows:

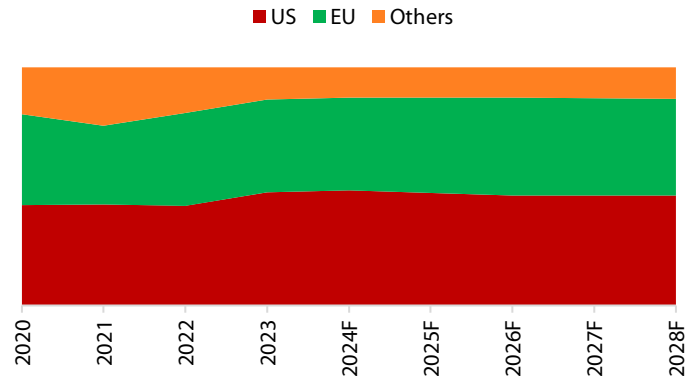
- **Revenue and profit decline:** *TCP reported a cumulative net loss of USD 70 million for the first two quarters of 2024 (an increase of USD 5.7 million YoY) due to a 12% YoY decline in revenue and a USD 28 million non-cash charge from a write-down of the Gymboree brand. Operating cash flow was negative at USD 195 million, driven by increased inventory.*
- **Profitability improvement from restructuring:** *TCP reduced its operating loss (EBIT) to USD 50 million USD (vs. a loss of USD 67 million in the same period last year) due to (1) gross margin expansion of 720 bps YoY, aided by optimized promotions and lower logistics costs, and (2) SG&A expenses/net revenue decline of 120 bps YoY from store closures. We will monitor TCP's business developments for potential disruptions.*
- **The EU:** Between 2018 and 2023, export revenue to Europe grew at a CAGR of 8%, reaching VND 2,650 billion (-3% YoY) in 2023, accounting for 38% of net revenue, with Decathlon as the primary customer. TNG's revenue growth from Europe closely mirrored Decathlon's CAGR of 7% over the same period ([Page 10](#)). Revenue is projected to reach VND 2,975 billion (+11% YoY) in 2024 and VND 3,560 billion in 2028, corresponding to a CAGR of 5%. Vietnam's garment exports to Europe are projected to stabilize at USD 4.2 billion ([Page 19](#)). TNG's growth in this market is attributed to an increase in its market share from 2.7% in 2023 to 3.2% in 2028, driven by expectations that additional Decathlon orders will be relocated from China to optimize production costs. In August 2024, TNG established a product design center to serve Decathlon. Previously, Decathlon's sample development center was based in Wuhan. This collaboration is expected to optimize production timelines from design to market launch.
- **Other export markets,** including Canada, Asia, and Africa. Between 2018 and 2023, these markets experienced a CAGR of 7%, reaching VND 930 billion (-31% YoY) in 2023, accounting for 13% of net revenue. The negative growth in 2023 was due to elevated global inflation. Revenue is projected at VND 973 billion (+5% YoY) in 2024, recovering from a low base, and VND 1,168 billion in 2028, corresponding to a CAGR of 5%. Forecasts are based on GDP growth rates for developing countries at around 4-5%.

Figure 1: Revenue of TNG



Source: TNG, RongViet Securities

Figure 2: Revenue by export markets



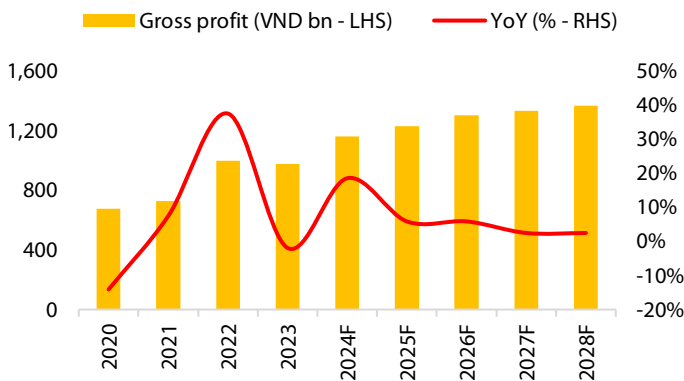
Source: TNG, RongViet Securities

Land lease in Son Cam 1 Industrial Cluster: TNG is leasing 2ha of land to its associate company, TNG Land, at a rate of USD 100/m², and has recognized VND 66 billion in deferred revenue. We assume the remaining 47 hectares (Page 17) will be fully leased over 10 years, from 2025 to 2034, with an average annual rental rate increase of 1%, reaching USD 110/m² by 2034.

Gross margin: We project TNG's gross margin to improve from 13.8% in 2023 to 15.2% in 2024, reaching 15.6% by 2028 (Figure 4). Although the textile and garment industry is highly competitive, particularly in terms of pricing, we expect TNG to expand its gross margin due to (1) abundant orders that optimize production costs, allowing the company to prioritize higher-value orders, and (2) an increased proportion of goods supplied to Decathlon, which has a gross margin of approximately 18%, higher than TNG's other customers (Page 10).

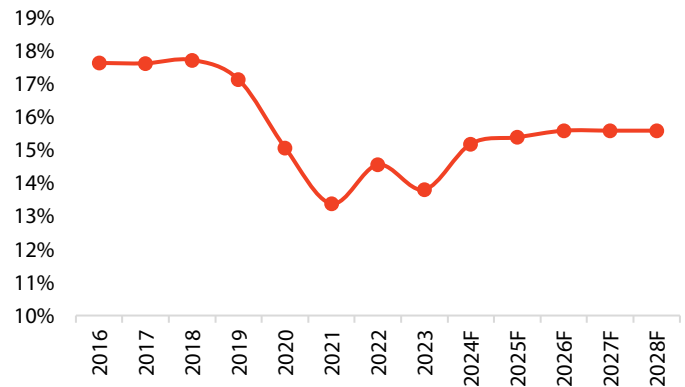
Based on historical trends, we anticipate gross margin to improve as order volumes increase during the forecast period. For instance, during the COVID-19 pandemic, the textile and garment industry faced a general trend of reducing processing prices to secure orders, while also producing lower-margin protective gear (approximately 4% gross margin). This caused TNG's gross margin to decline from 17.1% in 2019 to its lowest level of 13.4% in 2021. In 2022, the gross margin improved to 14.6% (+120 bps YoY) thanks to robust orders as customers increased inventory stockpiles. In 2023, global inflation affected consumer demand, narrowing TNG's gross margin to 13.8% (-80 bps YoY).

Figure 3: Gross profit of TNG



Source: TNG, RongViet Securities

Figure 4: Gross profit margin expansion due to increased proportion of goods supplied to Decathlon (%)



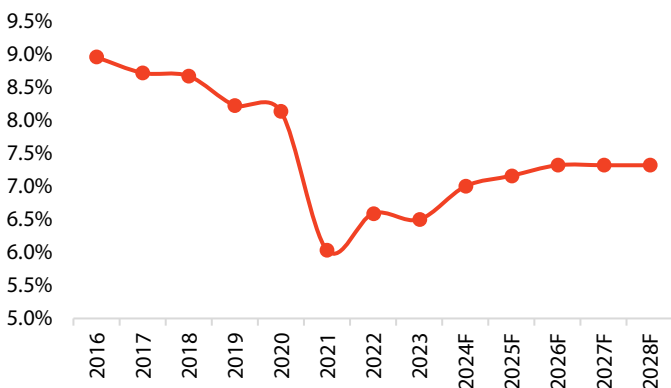
Source: TNG, RongViet Securities

Selling, general, and administrative expenses (SG&A): In 2021, due to the impact of the COVID-19 pandemic, TNG closed its branded fashion stores, thereby reducing the company's rent expenses. From 2020 to 2023, SG&A expenses accounted for an average of 6.4% of total revenue (Figure 5). We observed a positive correlation between SG&A expenses and the revenue share from Decathlon. This is due to Decathlon's higher quality control and inspection requirements for controlling and inspecting finished product quality compared to other partners. As a result, while gross profit margins expand due to an increased revenue share from Decathlon, this comes at the cost of a proportionate rise in SG&A expenses. We project the SG&A expenses/net revenue ratio to increase to 7% in 2024 and reach 7.3% in 2028.

Net profit margin: TNG's projected net profit margin shows a slight improvement, reaching 4.0% (-23 bps YoY) in 2024 and 5.4% in 2028 (Figure 6). This is driven by (1) a greater expansion in gross profit margin compared to SG&A expenses as mentioned above, and (2) a gradual reduction in interest expenses due to the decrease in long-term debt (Figure 8). ([back to page 1](#))

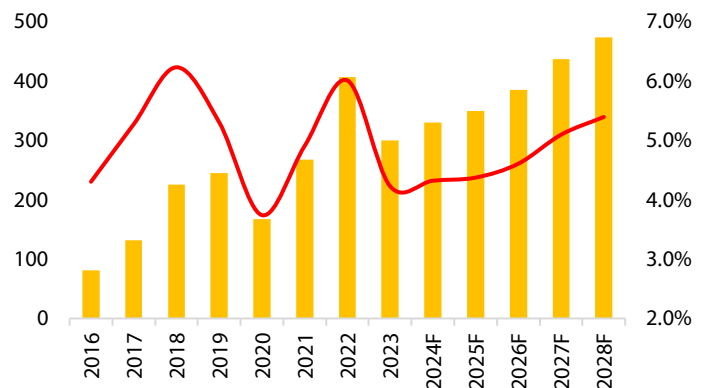
Net profit after tax (NPAT) for 2024 is projected at VND 305 billion (+2% YoY), reaching VND 473 billion in 2028, corresponding to a CAGR of 9%.

Figure 5: SG&A expenses/net revenue (%)



Source: TNG, RongViet Securities

Figure 6: NPAT-MI (VND billion) and NPAT-MI margin (%)



Source: TNG, RongViet Securities

Key asset highlights

Working capital: TNG's business model is working capital intensive, which is a common characteristic of textile and garment companies. Specifically, TNG requires a significant amount of cash to maintain production and business activities, including short-term debt payments, production costs, and ensuring adequate inventory levels. Additionally, textile companies are often faced with capital tied up in receivables while having to make early payments to suppliers due to weak bargaining power ([reference Analyst Pinboard - Profit faces](#))

challenges in highly competitive context). Compared to the pre-COVID-19 period, TNG's working capital turnover has improved significantly, thanks to tighter credit policies that transitioned from deferred payment terms to payment guarantees, as well as the application of technology in production and inventory management. We project TNG's cash conversion cycle to be 80–85 days (industry average: 70–100 days) during 2024–2028, based on the following assumptions:

- **Days inventory on hand (DOH):** 62 days in 2023, a significant reduction from 81 days in 2022 due to decreased finished goods and raw material inventory, as weak consumer demand prompted brands to focus on reducing stock levels. For the 2024–2028 period, inventory days are forecasted to rise to 70–75 days (Figure 7), in line with the industry median. This increase is attributed to (1) TNG needing to stock more raw materials to secure orders, and (2) brands becoming more experienced in inventory management, avoiding large fluctuations in procurement.
- **Days of sale outstanding (DSO):** 40 days in 2023, up 10 days from 2022. A significant proportion of receivables (20%) is owed by a major customer, TCP. Given TCP's challenging business conditions, we believe TNG will adopt more flexible sales policies to support TCP and retain their orders. We project TNG's accounts receivable days to stabilize at 45 days during 2024–2028 (Figure 7).
- **Days of payable outstanding (DPO):** 29 days in 2023, a sharp decline from 42 days in 2022. Pre-COVID-19, the payment period to suppliers averaged around 30 days, consistent with the domestic textile industry's average. However, from 2020–2022, when supply chains were disrupted, TNG demonstrated negotiation capability by extending payment terms as its own capital was tied up by customers (Figure 7). Consequently, we project TNG's accounts payable days to be 35 days (5 days higher than the historical average), reflecting the capital strain caused by customer TCP.

Fixed asset investment: Operating in both manufacturing and real estate businesses, TNG has significant demand for fixed asset investment, including building new plants and upgrading/replacing machinery and equipment.

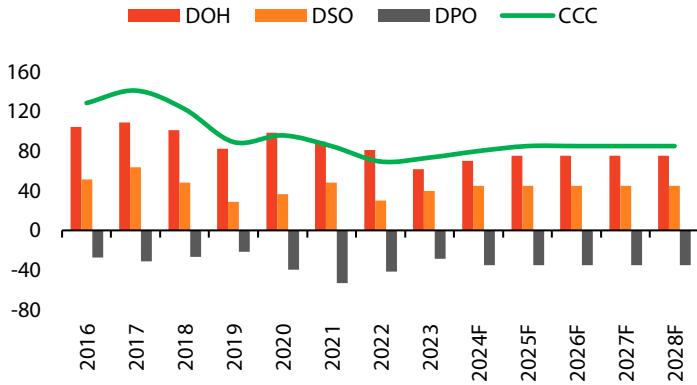
Between 2018 and 2023, TNG invested VND 2,800 billion in constructing factories and developing real estate projects (e.g., Phu Luong, Song Cong, Vo Nhai, Dong Hy, Viet Thai, Viet Duc, TNG Village Building, and Son Cam 1 Industrial Cluster), alongside VND 70–80 billion annually for machinery and equipment upgrades/replacements (approximately 1% of revenue).

For the 2024–2028 period, we forecast TNG will invest an additional VND 300 billion to complete Son Cam 1 Industrial Cluster (already reflected in the valuation of the industrial park leasing segment) and maintain a 1% of revenue allocation for machinery and equipment upgrades/replacements.

Debt: With a debt-to-equity ratio of 1.5x, TNG has the highest debt structure among domestic textile companies. Short-term debt accounts for 60% of the total, reflecting the high working capital intensity. Long-term debt has also risen rapidly since 2020, driven by investments in new factories and the aforementioned Son Cam 1 Industrial Cluster. TNG's interest coverage ratio (EBITDA/interest expense) and quick liquidity ratio stood at 3.6x and 0.4x, respectively, in 2023, both low compared to industry peers ([Appendix 2](#)). This indicates that TNG may face challenges in meeting debt obligations if business conditions deteriorate.

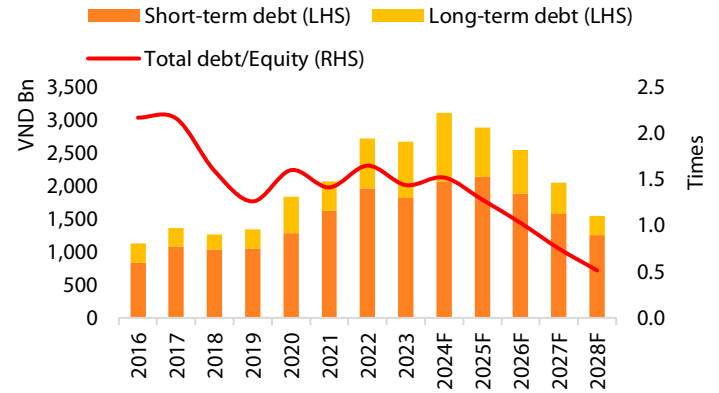
For 2024–2028, we forecast short-term debt will remain high at around VND 1,500–2,000 billion, while long-term debt will gradually decline in line with the repayment terms of each loan. Consequently, the debt-to-equity ratio is expected to improve over time, reducing the risks associated with TNG's capital structure.

Figure 7: Projected efficiency ratios (days)



Source: TNG, RongViet Securities

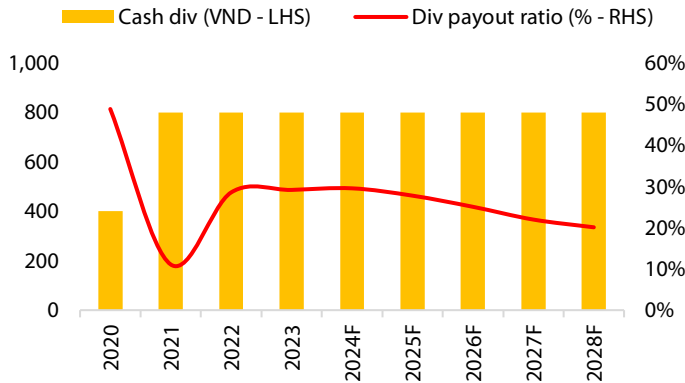
Figure 8: Projected debt amount (VND billion) and debt-to-equity ratio



Source: TNG, RongViet Securities

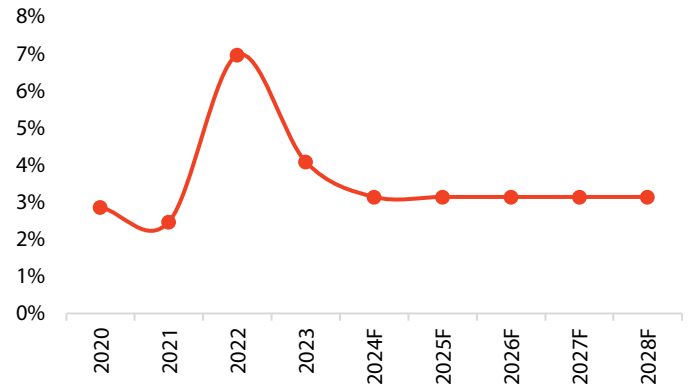
Cash dividend policy: TNG implements an annual cash dividend policy of VND 800/share, equivalent to a dividend yield of approximately 3-4% per year. The dividend yield is lower than the one-year term deposit rate of 4.6% per year at Vietcombank. Therefore, TNG is not suitable for a dividend investing strategy.

Figure 9: We assume TNG will maintain the annual cash dividend of VND 800/share



Source: TNG, RongViet Securities

Figure 10: Projected dividend yield (%)



Source: TNG, RongViet Securities

Table 4: Income statement

INCOME STATEMENT	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Revenue	4,480	5,444	6,772	7,095	7,649	8,005	8,373	8,587	8,807
COGS	3,804	4,717	5,773	6,115	6,492	6,777	7,071	7,251	7,436
Gross profit	676	727	999	980	1,156	1,228	1,302	1,336	1,371
SG&A expenses	364	328	446	461	535	573	613	628	644
Other cash expenses	29	10	28	51	31	31	35	40	42
EBITDA	435	555	722	694	832	869	903	920	941
Non-Operating expenses	18	11	18	24	26	27	28	29	30
Gain (loss) on asset sales	3	4	4	3	-	-	-	-	-
Interest income	34	60	121	99	18	21	21	22	22
Interest expenses	101	125	160	192	199	207	182	121	79
Earning before taxes (EBT)	200	316	473	353	390	415	468	542	599
Provision for taxes	32	49	66	52	83	89	99	113	124
Equity earnings in affiliates	-	-	-	-	-	-	-	-	-
Minority interest	0	0	0	2	2	2	2	2	2
Net income	167	267	407	300	305	325	367	427	474
Net margin	3.7%	4.9%	6.0%	4.2%	4.0%	4.1%	4.4%	5.0%	5.4%
EPS (VND per share)	2,054	2,224	3,523	2,594	2,445	2,604	2,954	3,442	3,820

Source: TNG, RongViet Securities

Table 5: Balance sheet statement

BALANCE SHEET	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
ASSETS									
Operating cash	133	14	512	284	442	391	446	439	459
Short-term investments	-	-	-	15	-	-	-	-	-
Account receivable (AR)	451	719	559	775	943	986	1,031	1,057	1,084
Inventory	1,026	1,159	1,280	1,039	1,244	1,391	1,451	1,487	1,525
Other current assets	92	134	256	147	224	235	245	251	258
Current assets	1,701	2,026	2,608	2,260	2,853	3,003	3,173	3,234	3,326
Net PPE	1,724	2,181	2,507	2,630	2,764	2,761	2,661	2,500	2,333
Investment in affiliates	-	-	-	-	141	141	141	141	141
Intangibles	27	24	21	162	153	144	136	127	118
Long-term assets	103	136	156	178	192	201	210	216	221
Non-current assets	1,854	2,342	2,684	2,971	3,250	3,247	3,148	2,983	2,813
Total assets	3,555	4,367	5,292	5,230	6,103	6,250	6,321	6,217	6,138
LIABILITIES									
Short-term notes	1,282	1,622	1,961	1,819	2,028	2,054	1,744	1,349	924
Account payable	410	684	658	477	622	649	677	694	711
Other current liabilities	144	141	305	249	261	283	311	305	313
Current liabilities	1,836	2,447	2,925	2,545	2,911	2,985	2,732	2,348	1,948
Non-current liabilities	551	443	758	854	1,108	932	968	904	840
Total liabilities	2,408	2,905	3,641	3,166	4,019	3,917	3,700	3,252	2,788
MINORITY INTEREST									
Minority interest	-	-	-	-	2	4	5	7	9
SHARE HOLDER'S EQUITY									
Preferred stock	-	-	-	-	-	-	-	-	-
Common stock	740	927	1,051	1,135	1,226	1,226	1,226	1,226	1,226
Retained earnings	124	232	251	173	311	560	849	1,192	1,577
Other equity accounts	284	303	349	547	547	547	547	547	547
Shareholder's equity	1,148	1,462	1,651	1,855	2,083	2,333	2,621	2,965	3,350
Total Equity	3,556	4,367	5,292	5,021	6,103	6,250	6,321	6,217	6,138

Source: TNG, RongViet Securities

APPENDIX 1 – FINANCIAL ANALYSIS AND FORECAST FOR 2024-28
Table 6: Revenue by segments (VND bn) ([Back to Contents](#))

REVENUE (VND Bn)	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Garments	4,396	5,381	6,702	7,018	7,645	7,995	8,355	8,562	8,775
Growth YoY	0%	22%	25%	5%	8.9%	4.6%	4.5%	2.5%	2.5%
Weighted	98.1%	98.8%	99.0%	98.9%	100.0%	99.9%	99.9%	99.9%	99.8%
TNG fashion	69	33	49	57	-	-	-	-	-
Growth YoY	-57%	-51%	46%	15%	-100%				
Tỷ trọng	2%	1%	1%	1%	0%	0%	0%	0%	0%
Real estate	15	32	20	20	2	5	9	12	16
Growth YoY	-63.3%	109.1%	-38.6%	2.7%	-91.9%	208.3%	70.2%	42.9%	31.2%
Weighted	0.3%	0.6%	0.3%	0.3%	0.0%	0.1%	0.1%	0.1%	0.2%
Total	4,480	5,446	6,771	7,095	7,647	8,000	8,364	8,574	8,791
Growth YoY	-3.0%	21.6%	24.3%	4.8%	7.8%	4.6%	4.6%	2.5%	2.5%

Source: RongViet Securities

Table 7: Profitability ratios

UNIT: VND BN	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Gross profit	676	727	999	980	1,156	1,227	1,300	1,334	1,368
Gross profit margin	15.1%	13.3%	14.8%	13.8%	15.1%	15.3%	15.5%	15.6%	15.6%
Growth YoY	-14.1%	7.5%	37.6%	-1.9%	18.6%	5.9%	5.9%	2.5%	2.5%
SG&A expenses	364	328	446	461	535	573	612	627	643
OPEX/sale	8.1%	6.0%	6.6%	6.5%	7.0%	7.2%	7.3%	7.3%	7.3%
Growth YoY	-9.9%	35.9%	3.3%	16.1%	7.0%	6.8%	2.5%	2.5%	-9.9%
EBIT	282	388	525	468	596	628	656	669	684
EBIT margin	6.3%	7.1%	7.7%	6.6%	7.8%	7.9%	7.9%	7.8%	7.8%
Growth YoY	37.4%	35.3%	-10.8%	27.5%	5.2%	4.6%	1.9%	2.3%	37.4%
NPATMI	167	267	407	300	305	324	367	427	473
Net margin	3.7%	4.9%	6.0%	4.2%	4.0%	4.1%	4.4%	5.0%	5.4%
Growth YoY	-31%	59.4%	52.3%	-26.3%	1.8%	6.3%	13.1%	16.3%	10.8%

Source: Fiinx, RongViet Securities

Table 8: Efficiency ratios

WORKING CAPITAL	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Days AR on hands	36.8	48.2	30.1	39.9	45.0	45.0	45.0	45.0	45.0
Day Inventory on hands	98.4	89.7	80.9	62.0	70.0	75.0	75.0	75.0	75.0
Day AP	39.4	52.9	41.6	28.5	35.0	35.0	35.0	35.0	35.0

Source: Fiinx, RongViet Securities

Table 9: Cash dividend

	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Cash dividend (VND/share)	400	800	800	800	800	800	800	800	800
Dividend payout ratios	48.8%	11.1%	28.6%	29.2%	29.6%	27.8%	25.1%	22.0%	20.1%
Dividend yield	2.9%	2.5%	7.0%	4.1%	3.1%	3.1%	3.1%	3.1%	3.1%

Source: TNG, RongViet Securities

APPENDIX 2 – COMPARABLE COMPANIES IN THE TEXTILE SEGMENT ([Back to Table of Contents](#))

In this report, we use nine textile and garment companies with business models similar to TNG as references for analysis and forecasting.

Viet Tien Garment Joint Stock Corporation (VGG VN Equity): This is a Vietnamese garment enterprise established in the 1970s. Viet Tien specializes in producing high-quality garments such as shirts, trousers, jackets, and uniforms. Additionally, Viet Tien has its own fashion brands to cater to domestic consumers, including Viettien Smart Casual, San Sciaro, TT-up, and Manhattan. The company operates domestically and exports to international markets such as the US, Japan, and the EU.

Vietnam National Textile and Garment Group (Vinatex) (VGT VN Equity): This is the largest state-owned corporation in Vietnam's textile and garment industry. Established in 1995, Vinatex operates a vertically integrated supply chain, covering raw materials (such as yarn and fabric), production, and distribution of garment products. Through its subsidiaries, Vinatex manufactures clothing and other fashion products for the domestic and export markets. Its products are exported to major markets like the US, the EU, Japan, and South Korea.

Hoa Tho Textile and Garment Joint Stock Corporation (HTG VN Equity): This is a Vietnamese textile and garment enterprise established in the 1960s. Hoa Tho currently operates as a subsidiary of Vinatex. The company produces a variety of garment products such as shirts, trousers, jeans, protective clothing, and other apparel items. Additionally, Hoa Tho produces yarn and weaves fabric, contributing to a complete supply chain. Its products are exported to markets such as the US, the EU, Japan, and South Korea.

Thanh Cong Textile Garment Investment Trading Joint Stock Company (TCM VN Equity): This Vietnamese textile and garment enterprise is notable for its vertically integrated supply chain, ranging from raw material production to finished garments. Thanh Cong engages in activities including yarn production, fabric weaving, dyeing, garment manufacturing, and exports. Its main products include T-shirts, shirts, trousers, and other textile items. Thanh Cong's products are exported to major markets such as the US, Japan, South Korea, and the EU.

Garment 10 Corporation – Joint Stock Company (M10 VN Equity): This Vietnamese garment enterprise was founded in 1946. Garment 10 produces fashion products such as shirts, trousers, suits, jackets, and uniforms. The company has its own brands catering to the domestic market, including May 10 and Eternity Grusz. It also manufactures goods for international markets like the US, the EU, Japan, and South Korea.

Duc Giang Corporation – Joint Stock Company (MGG VN Equity): This is a reputable textile and garment enterprise in Vietnam, with a history dating back to 1990. Duc Giang specializes in producing fashion items such as shirts, trousers, suits, uniforms, jackets, and office attire for both men and women. The company exports its products to key markets such as the US, the EU, Japan, and South Korea.

Song Hong Garment Joint Stock Company (MSH VN Equity): This Vietnamese textile and garment enterprise was established in 1988. Song Hong manufactures a variety of textile products, including fashion garments (jackets, T-shirts, shirts, dresses, jeans), sportswear, sleepwear, underwear, and especially bedding products like blankets, sheets, and pillows. The company exports its products to large international markets such as the US, the EU, Japan, and South Korea.

Zhejiang Giuseppe Garment Co., Ltd. (002687 CH Equity): This is a Chinese textile and garment company specializing in producing and processing high-quality garment products. The company focuses on manufacturing various clothing items, including jackets, T-shirts, shirts, trousers, dresses, and office attire. Its products are sold in both the domestic Chinese market and international markets like the US, Japan, and the EU.

PT Pan Brothers Tbk (PBRX IJ Equity): One of Indonesia's largest textile and garment companies, established in 1980. PT Pan Brothers specializes in manufacturing garment products for both men and women, including fashion wear, shirts, T-shirts, jackets, jeans, uniforms, and sportswear. The company primarily exports its products to major international markets such as the US, the EU, Japan, and other regions. It has collaborated with renowned brands like Adidas, Nike, and Levi's.

Table 10: Valuation of textile companies in Asia - The industry average is calculated from the nine companies mentioned above.

Ratio	2018	2019	2020	2021	2022	2023	Industry Average
Weight	15%	15%	15%	15%	20%	20%	
Days sales outstanding							
Average	42.9	43.4	50.4	51.6	50.0	56.3	49.5
Median	41.9	38.8	50.3	46.4	43.7	49.6	45.2
Days of inventory on hand							
Average	85.0	89.3	96.9	95.0	91.6	92.5	91.7
Median	76.1	83.1	88.8	78.3	76.2	78.0	79.8
Days payable outstanding							
Average	36.3	38.0	46.7	48.9	43.0	44.4	43.0
Median	33.5	29.0	39.8	45.5	36.5	28.6	35.2
Gross margin (%)							
Average	16.3	16.4	17.7	17.9	16.1	15.1	16.5
Median	12.0	13.2	13.3	13.4	12.1	10.7	12.3
EBIT margin (%)							
Average	6.4	6.5	6.1	6.3	6.1	4.9	6.0
Median	3.9	4.2	2.3	4.5	5.4	4.0	4.1
Net margin (%)							
Average	4.4	4.6	3.9	4.2	4.1	3.4	4.1
Median	2.3	2.8	2.0	2.5	2.7	2.2	2.4
Quick ratio							
Average	0.84	0.89	0.82	0.74	1.37	1.00	0.97
Median	0.60	0.68	0.77	0.72	0.66	0.86	0.72
Debt-to-equity							
Average	0.9	0.7	0.6	0.7	0.6	0.6	0.7
Median	1.0	0.7	0.5	0.8	0.6	0.6	0.7
EV/EBITDA							
Average	8.5x	6.7x	7.7x	8.3x	9.6x	8.5x	8.3x
Median	6.9x	6.0x	7.1x	6.5x	9.9x	7.1x	7.4x
P/E							
Average	13.7x	10.1x	9.0x	11.3x	12.0x	17.7x	12.6x
Median	9.6x	8.6x	8.5x	9.0x	9.3x	11.1x	9.4x
P/B							
Average	1.5x	1.2x	1.3x	1.4x	1.5x	1.2x	1.4x
Median	1.3x	1.2x	1.0x	1.4x	1.5x	1.2x	1.3x
P/S							

Average	0.5x	0.4x	0.5x	0.6x	0.7x	0.7x	0.6x
Median	0.3x	0.3x	0.2x	0.3x	0.5x	0.3x	0.3x

Source: Fiinx, Bloomberg, RongViet Securities

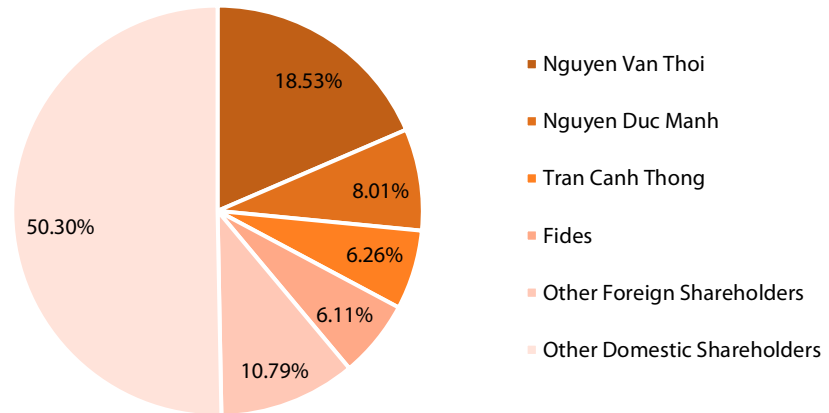
APPENDIX 3 – VALUE CHAIN ANALYSIS ([back to Table of Contents](#))

Company overview

TNG Investment and Trading Joint Stock Company (HNX: TNG), formerly Bac Thai Nguyen Garment Factory, was established in 1979. In 2007, it was renamed TNG Investment and Trading Joint Stock Company and listed on the Hanoi Stock Exchange (HNX).

TNG has five major shareholders, accounting for 43.9% of the outstanding shares: Nguyen Van Thoi (Chairman of the Board) (18.5%), Nguyen Duc Manh - son of the Chairman and also the CEO (8.0%), Tran Canh Thong (6.3%), Fides Investment Fund (an asset management company from South Korea) (6.0%).

Figure 11: Shareholder structure of TNG



Source: Fiinx, RongViet Securities

Company structure

TNG currently holds 48.81% of TNG Land Joint Stock Company with a capital contribution of VND 140 billion. Mr. Nguyen Van Thoi is the Chairman of the Board of Directors and legal representative, while Mr. Nguyen Manh Linh (the Chairman's son) serves as the General Director. Currently, this company is managing two projects:

- Construction of the Dai Thang residential area project with a total investment of VND 702 billion, covering an area of 11 hectares. The purpose of this project is to build 100 three-story shophouses, 32 villas, and 118 row houses.
- TNG Land leases 2 hectares from TNG Group to build a factory for lease at VND 4/m² in Son Cam 1 Industrial Cluster.

In addition, two other affiliate companies, Bac Thai Investment and Construction JSC and Yen Binh TNG Golf Co., Ltd., are in the process of liquidation:

- Bac Thai Investment and Construction JSC has ceased operations and is in the process of liquidation. TNG has fully provisioned for loss of investments in this company, amounting to VND 800 million.
- TNG is committed to contribute VND 147 billion to Yen Binh TNG Golf Co., Ltd. As of Q3 2024, TNG has not yet made its capital contribution, and this affiliate company is in the process of liquidation.

Table 11: List of affiliate companies

Companies	Voting rights	Business segment	Business position
TNG Land JSC	48.81%	Real estate	Loss
BAC THAI INVESTMENT CONSTRUCTION JSC	48%	Electrical construction	Stopped operating
TNG YEN BINH GOLF COMPANY LIMITED	49%	Golf	Dissolved
TNG ECO GREEN COMPANY LIMITED		Real estate	Dissolved
TNG FASHION COMPANY LIMITED		Fashion	Dissolved

Source: TNG, RongViet Securities

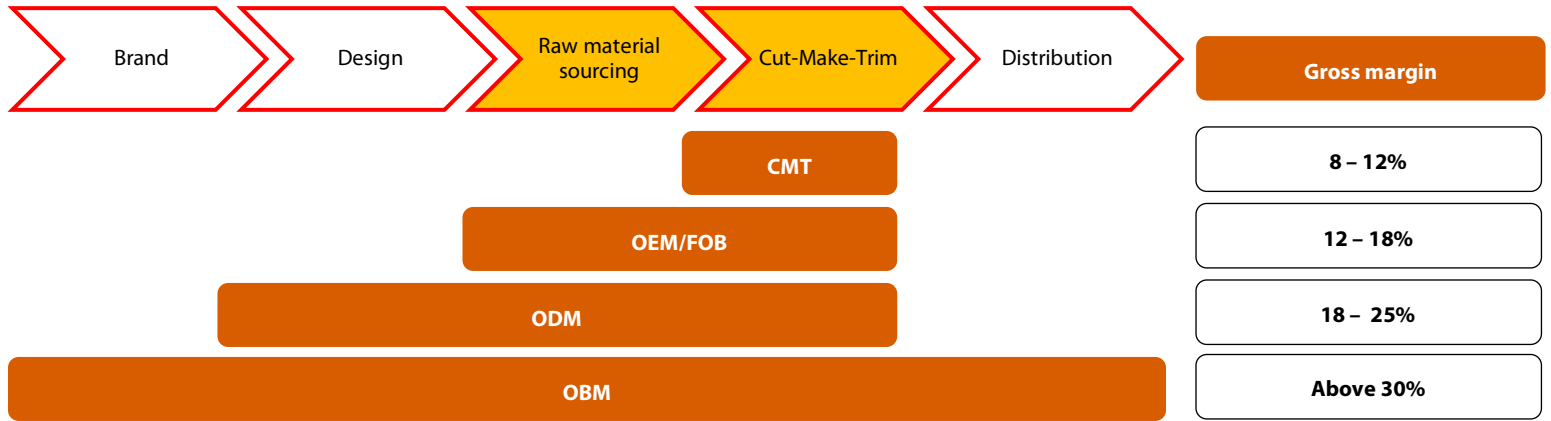
Core operation ([Back to Table of Contents](#))

TNG is an industrial garment exporter specializing in core products such as padded jackets, down jackets, seam-taped clothing, various types of shorts, and children's apparel. Additionally, TNG provides auxiliary products such as paper packaging, industrial printing, embroidery, garment accessories, and machinery for the garment industry.

During the period 2018–2023, TNG's revenue achieved a CAGR of 15%, with export garments accounting for 99% of net revenue. Two other segments - office leasing and TNG fashion - contributed very little to revenue, making up only about 1%. Specifically:

- **Production Methods:** TNG operates under two production models: first-tier FOB and CMT, with revenue proportions of 86% and 14%, respectively, in the first half of 2024. Under the CMT model, the company receives materials from brands, produces garments, and delivers them back to the brands. For FOB level 1, TNG procures raw materials as designated by the brands, produces garments, and then sells them back to the brands (Figure 12). As TNG is not responsible for sourcing raw materials, the gross profit margins of the two models are not significantly different. (Figure 14).
- **By Export Market:** The US and Europe are TNG's main export markets, contributing 46% and 38% of revenue in 2023, respectively (Figure 15). Before 2020, Europe was consistently TNG's largest export market, with Decathlon (DCL) as a major customer. From 2020–2024, TNG significantly increased exports to the US, adding orders from Columbia Sportswear, The Children's Place (TCP), and The Haddad Brand, making the US TNG's largest market.
- **Key Customers:** In the first half of 2024, Decathlon and TCP were TNG's two largest customers, accounting for 21.3% and 20.5% of revenue, respectively (Figure 16). Specifically:
 - **Decathlon:** TNG produces sportswear under the FOB model, with DESIPRO PTE LTD as the designated raw material supplier. Decathlon is one of the world's largest retail sportswear brands, headquartered in France, with 1,749 stores across 57 countries. Unlike competitors such as Adidas and Nike, which are increasingly investing in the "Lifestyle" product line, DCL focuses on the specialized sports market segment, offering apparel for over 86 sports globally. This differentiated strategy has enabled DCL to achieve a CAGR of 7% during 2018–2023, despite weak consumer demand due to inflationary pressures. Consequently, TNG has also secured orders from DCL. The gross profit margin on garments produced for DCL is approximately 18%. ([Page 5](#))
 - **The Children's Place:** TNG supplies children's fashion products under the FOB model, but its gross profit margin is lower than DCL's, at approximately 14%. TCP is one of the largest specialty retailers of children's clothing in North America. However, TCP's business has faced been struggling since the COVID-19 pandemic and has fluctuated between profit and loss.

Figure 12: Value chain



Source: RongViet Securities

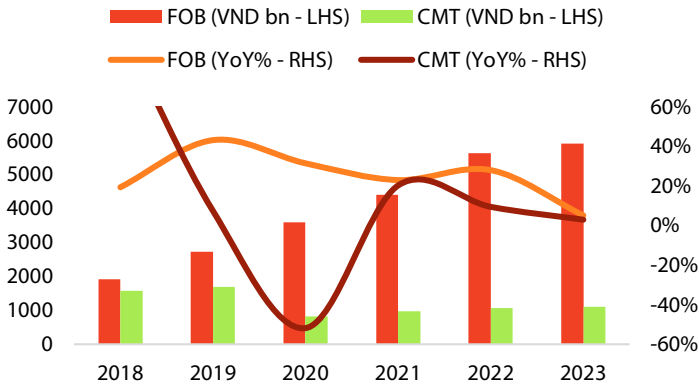
CMT (Cut, Make, Trim): The garment company only carries out the processes of cutting, sewing, and finishing products based on the design and materials provided by the customer.

FOB (Free on Board): The garment company is more involved than in the CMT model in the production process. In addition to cutting, sewing, and finishing products according to the design, the garment factory can take the initiative in sourcing materials. In FOB level 1, the company purchases materials from suppliers designated by the brand. In FOB level 2, the company is responsible for sourcing materials independently.

ODM (Original Design Manufacturer): The garment company proactively creates designs, finishes products, and sells them to buyers.

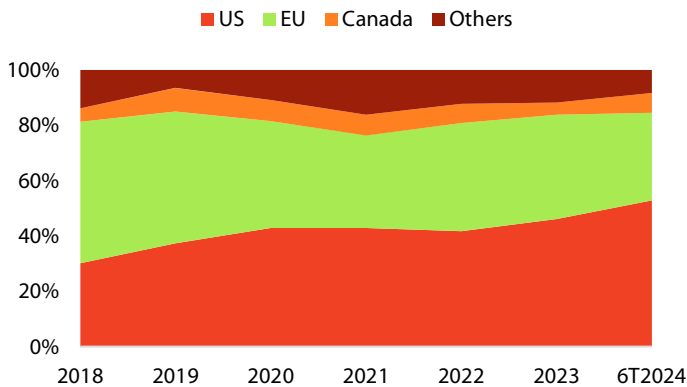
OBM (Original Brand Manufacturer): The company manufactures and sells products under its own brand.

Figure 13: Revenue by production methods



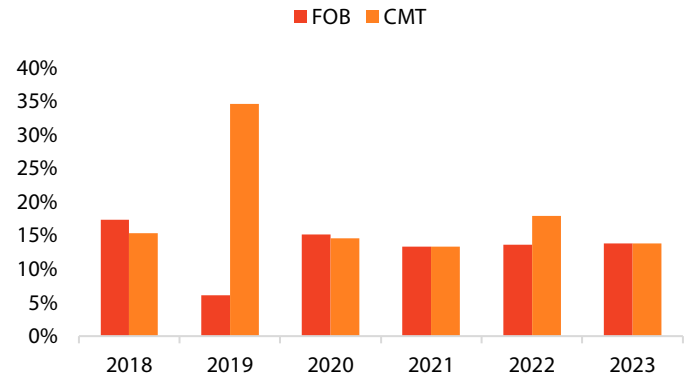
Source: TNG, RongViet Securities

Figure 15: Export revenue by markets (%)



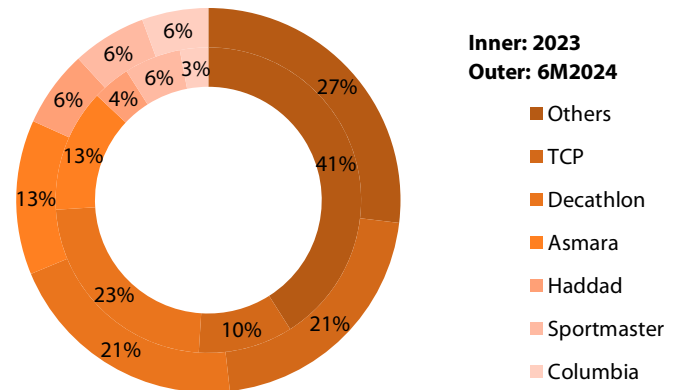
Source: TNG, RongViet Securities

Figure 14: Gross margin by production methods (%)



Source: TNG, RongViet Securities

Hinh 16: Revenue by customers (%)



Source: TNG, RongViet Securities

TNG’s competitive position compared to other domestic companies

TNG is one of the leading textile and garment companies in Vietnam with strong competitiveness and significant bargaining power when compared to other domestic companies:

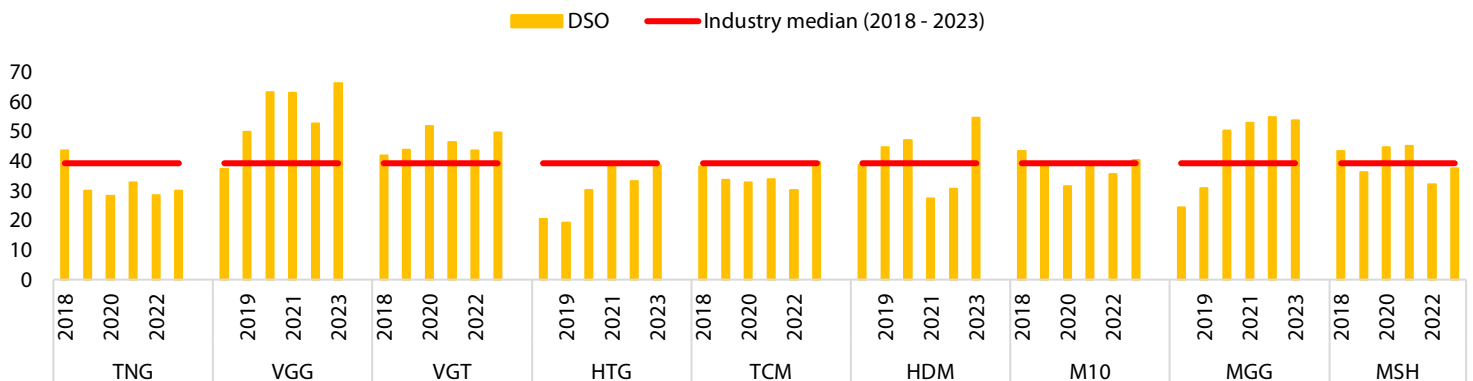
- It owns 15 textile factories (12 woven branches and 3 knit branches) with 336 sewing lines, capable of producing over 56 million clothing products annually, placing it among the top 3 in terms of production capacity compared to other publicly listed domestic textile and garment companies (Table 7). Moreover, TNG's factories incorporate automation technology throughout the processes, including pattern layout, fabric spreading, cutting, and sewing (e.g., sleeve setters, automatic thread trimming machines, stitch securing machines, and seam pressing machines). This implies that TNG can handle large orders while meeting the quality and production time standards set by brands.
- Since 2019, TNG has maintained a relatively strict debt collection policy, with an average collection period of only about 35 days. This is the lowest compared to other publicly listed companies (Figure 17) and is also low compared to the industry average in Vietnam, which ranges from 30 to 60 days. This demonstrates its strong negotiation ability and good credit relationships with customers.
- TNG's export revenue recorded a CAGR of 15% during the 2018–2023 period, despite its stricter credit policy compared to other companies in the industry. In 2023, despite weakening consumer demand due to global inflationary pressures, TNG still achieved a growth rate of +5% YoY, while the entire industry is estimated to have contracted by 9% YoY (Figure 18). This indicates TNG's strong trust and consistent orders from partners.

Table 12: Information about factories possessed by TNG and other peers

Company	Number of factories	Number of sewing lines	Design capacity (million units/year)
VGG	20	N/A	42
VGT	N/A	1,607	410
HTG	12	N/A	31
TCM	3	N/A	22
M10	11	N/A	39
MGG	22	160	N/A
MSH	7	40	66
TNG	15	336	56

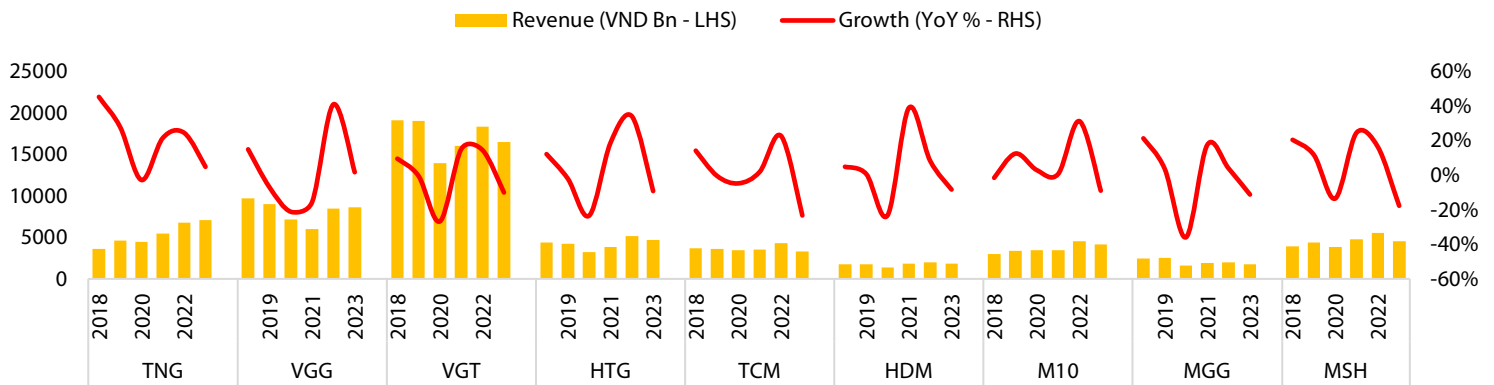
Source: Annual reports, RongViet Securities

Figure 17: TNG has the lowest accounts receivable days among its peers



Source: Fiinx, RongViet Securities, Median does not include TNG

Figure 18: Revenue of TNG achieved a CAGR of 15% in the period 2018-2023, the highest among domestic companies



Source: Fiinx, RongViet Securities

Son Cam 1 Industrial Cluster’s leasing project (Page 5)

Son Cam 1 Industrial Cluster is a project by TNG aimed at “attracting” companies from supporting industries in the textile and garment sector to invest in Thai Nguyen. A key highlight of the project is its design as an eco-industrial park, with a focus on green and environmentally friendly industrial practices.

The project spans nearly 70 hectares and is divided into two main areas: (1) TNG’s factories for production purposes and (2) subdivided plots for lease with pre-built infrastructure. We estimate the total investment for the entire project at approximately VND 1,300 billion.

- **Factory construction activities:** TNG will utilize 21 hectares to build garment factories and wastewater treatment plants. The Viet Duc factory began operations at CCN in April 2024, and the Viet Thai factory is expected to complete relocation by December 2024.
- **Land leasing activities:** The leaseable land area totals 49 hectares, where TNG will develop infrastructure and lease plots at a rate of USD 100/m². The construction of rental factory facilities will be carried out by TNG’s affiliate, TNG Land.

TNG is in the process of site clearance, with 87% completed, incurring compensation costs of VND 553 billion. The company is building infrastructure on the land allocated by the government, with total investment in this category amounting to VND 520 billion.

Table 13: Information about Son Cam 1 Industrial Cluster

Information	Unit	Value
Planning area	Ha	70
Project life cycle	Year	50
Land clearance progress	%	87
Total investment	VND bn	1,300
Total infrastructure investment	VND bn	520
Rental area	Ha	49
Rental price	USD/m ²	100

Source: TNG, RongViet Securities

APPENDIX 4 – OUTLOOK FOR THE TEXTILE AND GARMENT INDUSTRY ([Back to Contents](#))

DEMAND FOR GARMENT CONSUMPTION IN THE US ([Page 4](#))

We forecast the export value of Vietnam's apparel products (HS Code 61 – 62) ([reference Analyst Pinboard -The textile industry is expected to grow in the second half of 2024 as orders increase](#)) to the US market to remain flat with a CAGR of 0.3% throughout the forecast period, reaching USD 15.5 billion by 2028. This is driven by the following factors:

- **The US market is forecasted to be saturated, and consumers are not prioritizing discretionary goods**

- During the COVID-19 period and supply chain disruptions (2020–2023), the US import value of apparel saw a sudden spike. However, over the longer 2013–2023 period, this product group exhibited a flat trend, averaging USD 86 billion in value (Figure 21).
- Real weekly earnings (average wages adjusted for inflation) of US workers grew by 1.4% YoY in the third quarter of 2024 (Figure 19). However, 65% of their income is used to pay for housing services, while spending on clothing accounts for 2.6% and remains in a declining trend (Figure 20)

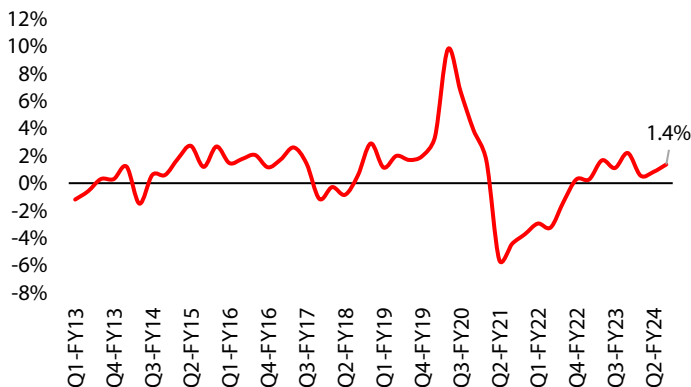
We use expenditure by goods category from the Personal Consumption Expenditures (PCE) index to calculate the proportion of value among goods and services consumed quarterly.

- **Increasing export market share to the US thanks to brands leaving China**

Vietnam has benefited from the shift of goods from China, particularly after the US-China trade war in 2018. From 2013 to 2023, Vietnam's export market share in the US increased 1.8 times, from 10.0% to 17.8% (Figure 22). However, in recent years, Vietnam's share has plateaued at around 18% due to intense competition from other countries, especially Bangladesh, which has increasingly diversified its production models ([reference Analyst Pinboard - Profit faces challenges in highly competitive context](#)). We believe the trend of shifting orders out of China will continue. However, this opportunity will increasingly be shared with other regions like Bangladesh, Indonesia, and India, rather than Vietnam, due to their lower labor costs. We project Vietnam's market share to grow by 5 basis points annually during the 2024–2028 period.

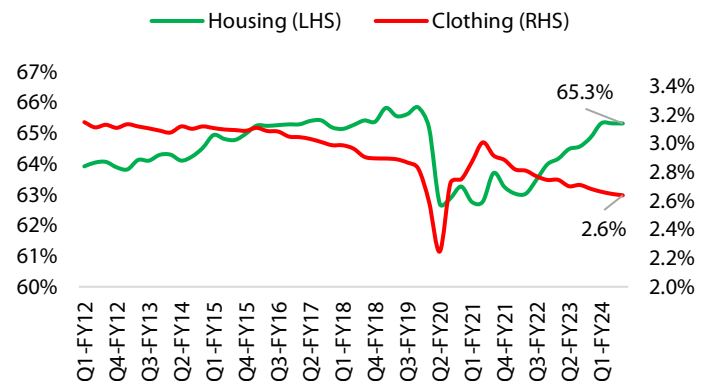
- **In the first 8 months of 2024, the total import value of US apparel from Vietnam reached USD 9.4 billion (go sideways YoY), achieving 61% of our forecast.**

Figure 19: US consumers' purchasing power improved 1.4% YoY...



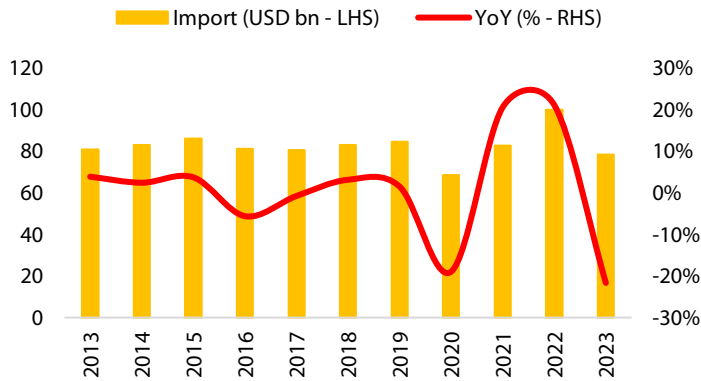
Source: Fred, RongViet Securities

Hinh 20: ...But mostly from non-discretionary spending such as housing, while spending for clothing has been in the downward trend since 2021



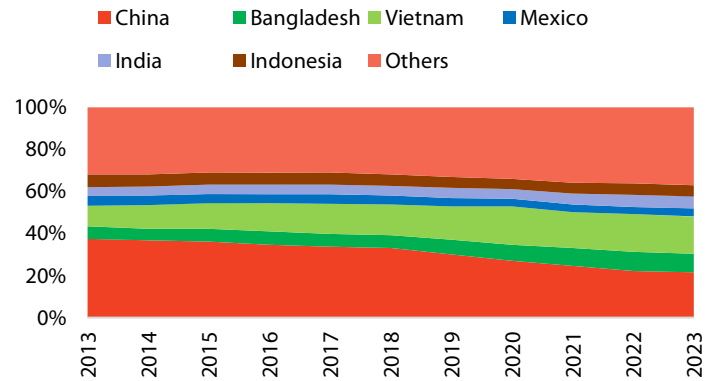
Source: US Bureau, RongViet Securities

Figure 21: US import value by HS code 61 – 62



Source: US OTEXA, RongViet Securities

Figure 22: Vietnam’s market share expands due to brands leaving China (%)



Source: US OTEXA, RongViet Securities

DEMAND FOR GARMENT CONSUMPTION IN THE EU (Page 4)

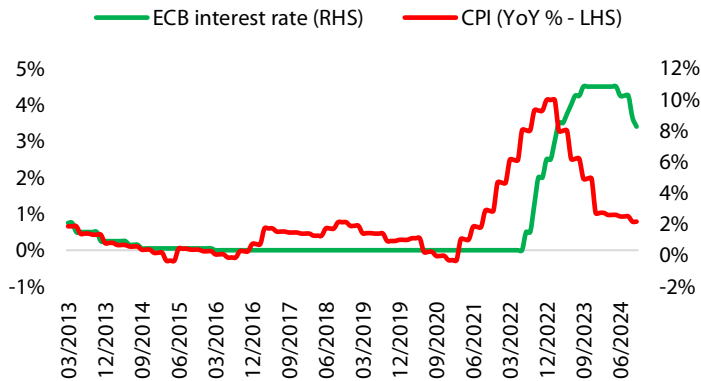
We forecast that the export value of Vietnamese textile and garment (HS Code 61–62) to the EU market will fluctuate slightly at USD 4.2 billion throughout the projection period. This is due to two factors:

- **Similar to the US, the EU’s import value is expected to be saturated. We anticipate that the value of EU textile and garment imports will recover as purchasing power improves**
 - During the COVID-19 period and supply chain disruptions (2020–2023), the import value of textile and garment in the EU experienced a sharp increase. However, over the 2013–2023 period, these products generally showed slight fluctuations around an average level of USD 92 billion (Figure 25).
 - We expect EU consumer purchasing power to improve as inflation eases, and the relaxation of monetary policies gradually impacts the economy (Figure 23).
 - In 2023, EU consumers maintained a 4% share of spending on clothing and footwear products, a trend that has remained nearly unchanged over the past 10 years (Figure 24). We believe this ratio will continue to hold steady during the forecast period.
- **Vietnam faces disadvantages in price competitiveness compared to Bangladesh, limiting its ability to expand market share in Europe**

The trend of EU fashion brands shifting away from China aligns closely with that of US brands. During the 2013–2023 period, China’s market share of textile and garment exports to the EU declined from 39.7% to 27.3% (Figure 26). While Vietnam’s share increased from 2.7% to 4.5% over this period, most orders were redirected to Bangladesh, which benefits from lower tariffs and production costs compared to Vietnam (Page 22). As a result, we forecast that Vietnam’s textile and garment export market share will remain at 4.5% during 2024–2028.

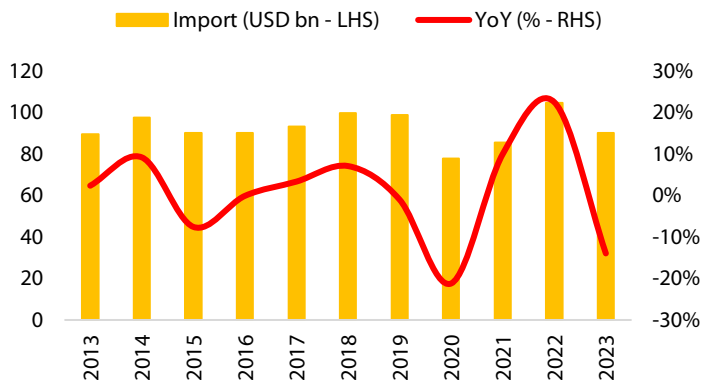
- **In the first six months of 2024, the total value of EU textile and garment imports from Vietnam reached USD 1.84 billion (-6% YoY), achieving 44% of our forecast.**

Figure 23: Inflation cooling down and the loosening of monetary policy will stimulate consumption for discretionary goods.



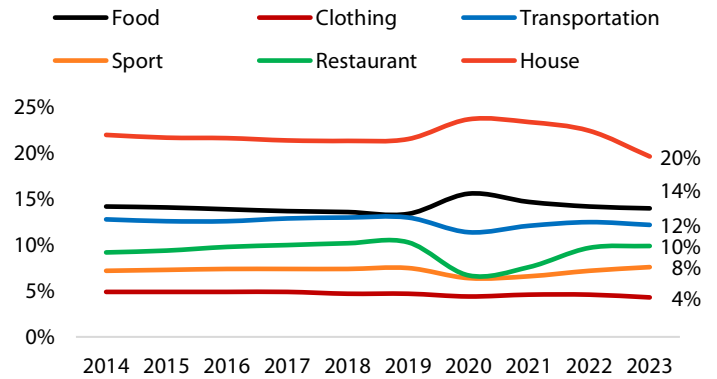
Source: Fred, RongViet Securities

Figure 25: EU's import value by HS code 61 – 62



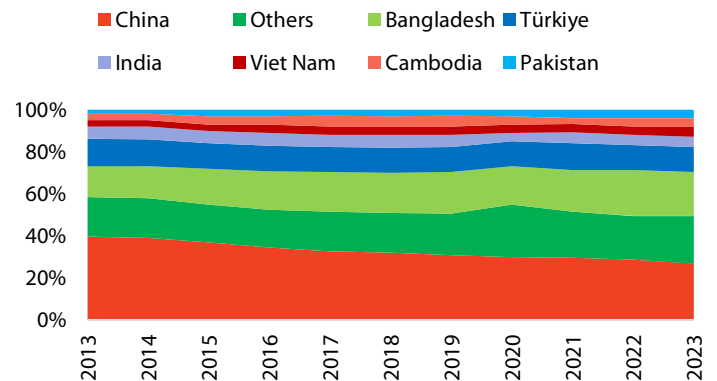
Source: UN Comtrade, RongViet Securities

Figure 24: ... Expenditure on clothing has remained stable around 4% over the past 10 years.



Source: EUROStat, RongViet Securities

Figure 26: Vietnam does not benefit much as EU brands move away from China (%)



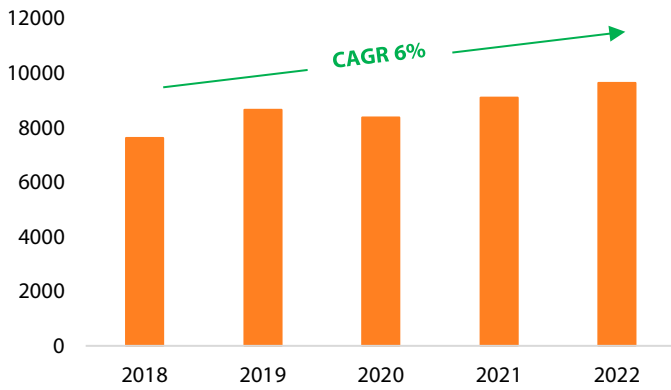
Source: UN Comtrade, RongViet Securities

COMPETITIVE LANDSCAPE OF DOMESTIC COMPANIES (Page 4)

The high level of competition in the industry and the strong resources of FDI firms make it difficult for Vietnamese textile and garment companies to expand their market share:

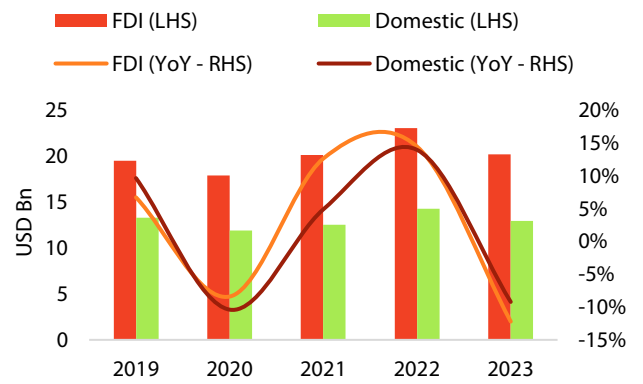
- **Number of companies:** According to the 2023 Statistical Yearbook, Vietnam has 9,600 garment enterprises, with a CAGR of 6% during the 2018–2022 period (Figure 27). These companies account for approximately 8% of all enterprises operating in the processing and manufacturing sectors, ranking third after fabricated metal production and food processing. This is attributed to low entry barriers, high exit barriers, and low differentiation. Consequently, companies must compete for market share, resulting in limited profitability.
- **The FDI sector dominates garment export revenue:** In 2023, the total export value of textiles and garments reached USD 33 billion (-11% YoY), with the FDI sector contributing 61% of the total (Figure 28). This implies that domestic companies not only compete with one another but also face challenges from FDI firms, which benefit from advantages in capital and orders from parent companies.

Figure 27: Number of textile and garment companies in Vietnam



Source: GSO, RongViet Securities

Figure 28: Textile and garment export value by company types



Source: Customs, RongViet Securities

APPENDIX 5 – COMPARISON OF TRADE AGREEMENTS ([Back to Contents](#)) ([Page 19](#))

Most of the US' trade operates under the Most Favored Nation (MFN) mechanism, with an average tariff rate of 3.5% (5.2% for agricultural products). China is subject to a punitive tariff of 7.5% on products imported into the US. Meanwhile, other Asian countries are treated equally, giving them competitive advantages based on production costs, order processing times, and ESG compliance.

The EU applies diverse and flexible preferential tariff programs for developing countries. The EU grants Vietnam the Generalized System of Preferences (GSP). By principle, when a country signs an FTA with the EU and the agreement takes effect, GSP will be terminated. The tariff rate for garments under the EVFTA is currently 12%, higher than the 9.6% under GSP. In the early stages of the EVFTA's implementation, due to the gradual tariff reductions outlined in the EU's tariff commitment schedule, preferential tariffs under the EVFTA may initially be higher than the rates Vietnam enjoys under GSP. Therefore, the EU provides a transition period of seven years for Vietnam to switch from GSP to EVFTA. Once the EVFTA takes effect, the tariff rate will drop to 0%.

However, to benefit from EVFTA's preferential tariffs, textile and garment enterprises must meet the "fabric-forward" rule. A textile product is considered of EVFTA origin if the fabric used is woven in Vietnam or EU member countries. This means Vietnam cannot import fabric from China, then export garments to the EU while enjoying preferential tariffs.

As a result, Vietnam will face disadvantages compared to other Asian countries such as Bangladesh, Cambodia, and Myanmar, as most of the fabric is imported from China and Taiwan.

Table 14: Chính sách thuế quan giữa các quốc gia trên thế giới

Country	US	EU				
	MFN	MFN	EBA for LDC	GSP+	GSP	FTA
China	MFN + punitive 7,5%	MFN				
Bangladesh	MFN		0%			
Vietnam	MFN				9,6%	Reduction of tariffs from 12% to 0% following the 7-year roadmap
India	MFN				9,6%	
Indonesia	MFN				9,6%	
Campuchia	MFN		0%			
Myanmar	MFN		0%			
Laos	MFN		0%			
Sri Lanka	MFN			0%		
Pakistan	MFN			0%		

Source: STK, RongViet Securities

MFN (Most-Favored-Nation) – Under the MFN principle, if a country reduces tariffs for another country within the framework of a trade agreement, it must also apply the same reduced tariffs to all other countries that have signed an MFN agreement. This is a key element in international trade agreements, especially within the framework of the World Trade Organization (WTO).

EBA for LDC (Everything but Arms for Least Developed Countries) – Exemption of tariffs for most products: LDCs enjoy tariff exemptions on all export products to the EU, except for arms and ammunition. This helps reduce costs for exporting countries and enhances the competitiveness of goods from these nations.

GSP (Generalized Scheme of Preferences) – A preferential tariff program offered by developed countries to developing countries to help boost exports and promote economic development.

GSP+ (Generalized Scheme of Preferences Plus) – A preferential tariff program of the European Union (EU) for developing and least-developed countries aimed at promoting trade and economic development. GSP+ is an extension of the GSP program, providing deeper tariff concessions for developing countries, with the condition that participating countries comply with standards on human rights and environmental protection.

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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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