15 January 2024

RECOMMENDATION	BUY
Fair price	55,900 VND
Current price	36,500 VND
Upside/downside	53%

STOCK INFORMATION

Outstanding shares (mil)	75
Free float (mil)	26.3
Market cap. (billion VND)	2,790
3m avg. volume (shares)	129,785
Foreign ownership (%)	4.14%
First listing date	28/11/2018

SHAREHOLDER STRUCTURE

Bui Duc Thinh	23.91%
FPTS	12.79%
Bui Viet Quang	11.35%
Bui Thu Ha	7.72%
Others	44.23%

KEY ATTRIBUTES

TTM EPS (VND)	2,887
BVPS (VND)	23,394
Debt/Equity	0.96
ROA (%)	6.17%
ROE (%)	12.95%
P/E	12.89
P/B	1.6
Dividend yield (%)	6.72%

PRICE PERFORMANCE
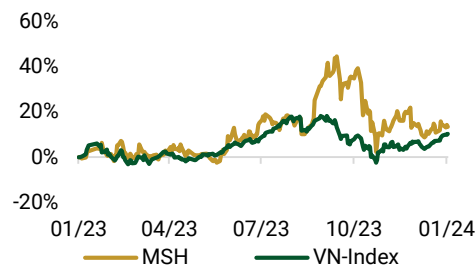
COMPANY PROFILE

Established in 1988, Song Hong Garment Joint Stock Company (MSH) is a major company in the Vietnamese textile industry. The main business activities of MSH include: (i) manufacturing and exporting garments and blankets, sheets and pillows under the brand name Song Hong and (ii) outsourcing products for famous brands. The company is a contract manufacturer of leading international brands such as Columbia Sportwear, Walmart, G-III Apparel Group, Haddad Brands.

ANALYST(S)

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Increased productivity creates long-term opportunities

- In 9M23, Net Revenue decreased by 22.7% YoY to VND 3,385 bn, in line with our forecast, NPAT declined by 41.5% YoY to VND 163.9 bn.
- For 2023, we project Net Revenue and NPAT to be VND 4,733 bn (-14.3% YoY) and VND 245 bn (-27.6% YoY), respectively.
- Building on the low base from the same period last year, we anticipate that MSH will experience growth starting from 1Q2024.
- We maintain **BUY** recommendation for MSH at fair price of 55,900 VND/share, corresponding to 2024 P/E forward of 8.6x.

2023 Business results forecast: MSH's management has indicated that although orders are still quite slow, they have started to return from 4Q2023. We anticipate that Net Profit and NPAT in 2023 would reach VND 4,733 billion (-14.3% YoY) and VND 245 billion (-27.6% YoY), representing a 4.5% and 9.3% reduction compared to our previous projections, respectively. Meanwhile, the Gross Profit Margin in 2023 is expected to decline to 13%, down from 15% in the same period last year, due to (1) reduced prices for textile orders and (2) the Song Hong 10 factory operating at a lower productivity level, reaching only 50%.

Investment highlights:

Benefiting from the recovery of the entire textile and garment industry: After the widespread inventory reduction wave concluded, fashion brands have gradually been replenishing inventory since 4Q2023. MSH is expected to benefit from the recovery of textile orders, especially as key partners Walmart and Target are both increasing their orders.

Construction of new factories contributes to the overall growth of the company: In November 2023, MSH commenced the construction of the Xuan Truong II factory with a total investment of over VND 700 bn, expected to be operational by the end of 2024. As for the Song Hong 10 garment factory, as of May 2023, it has been operating at half of its designed capacity. The new factories coming into operation will contribute to increasing productivity for FOB orders, providing growth momentum for the future.

Valuation & recommendation: Based on the low base of 2023 and the prospect of increasing orders in key export markets, we believe that MSH's business situation will grow from 1Q2024. For 2024F, we project MSH's Net Revenue to increase by 10.9% YoY to VND 5,252 bn, while NPAT is expected to grow by 30% YoY to VND 318 bn. The Gross Profit Margin in 2024F is expected to improve to 15% due to (1) the declining trend in raw cotton prices and (2) the optimization of production capacity at Song Hong 10 factory thanks to increased orders. Using the DCF and EV/EBITDA valuation methods, we derive fair value for MSH at 55,900 VND/share. Therefore, we make Buy recommendation for MSH with potential upside of 53%.

Risks: (1) Raw materials risk; (2) Competitive risk; (3), Risk of customer concentration; (4) Labour source risk; (5) FX risk.

Financial Indicators	2020	2021	2022	2023F	2024F
Net Revenue (VND bn)	3,813	4,748	5,521	4,733	5,252
Net Profit (VND bn)	232	442	338	245	318
Gross Profit Margin (%)	19.7%	19.6%	15.0%	13.0%	15.0%
Cash Dividend (VND)	3,000	4,500	2,500	2,500	N/A