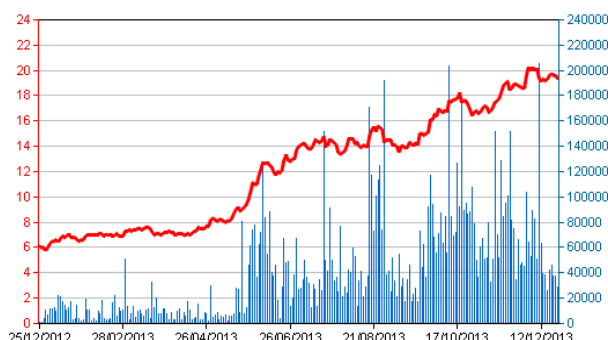


Thanh Cong Textile Garment Investment Trading JSC (HSX: TCM)

Bui Van Tot Analyst Email: totbv@fpts.com.vn Tel: (84) – 8 6290 8686 – Ext: 7593	Current price	21,500					
	Target price	30,500	-18%	-7%	0%	7%	18%
	Increase/decrease	41.86%	Sell	Reduce	Neutral	Add	Buy
	Dividend yield	6.98%					
			BUY				

TCM's Price Chart

Trading Information

52-week high (VND/share)	21,500
52-week low (VND/share)	5,800
Listed shares (shares)	44,737,486
Outstanding shares (shares)	49,099,501
3M average trading volume	759,659
% current foreign ownership	49%
Chartered capital (VND bil)	447
Market Cap (VND bil)	1,056

Valuation	2011	2012	2013F
Basic EPS	2,505	-451	2,610
BV (VND/share)	16,162	13,926	14,323
P/E	3.4	-	7.4
P/B	0.52	0.42	1.39
ROE	16.1%	-2.8%	19.4%
ROA	5.7%	-0.9%	6.5%

Shareholders

	Rate %
E-Land Asia Holdings	43.3%
Lam Quang Thai	4.83%
Vietnam National Textile and Garment Group	4.04%
Others	47.8%

Summary

We conduct initial valuation for TCM, estimated profit after tax in 2013 was about VND 128.2bn, and its EPS is likely VND 2,610 per share. Along with positive business results, TCM is highly expecting on TPP agreement if adopted in coming time, TCM products can be exported to TPP member countries, especially the United States with import tax rate reduces from 17% to 0%.

In the long-term, based on FCFF valuation, **assuming TPP agreement is adopted and takes effect beginning in 2015, target price for next 12 months is VND 30,500**, 41.86% higher than current market price. **In the case of TPP is not signed, target price for next 12 months is VND 23,700**, higher than current market price of 10.23%. Hence, **we recommend BUY TCM share for long term investment. TCM has the risks of fluctuation in cotton prices and USD/VND exchange rate.** Cotton cost accounts for 40% of cost of goods sold, thus, increased cotton prices will affect profit margin. Increased exchange rate will result in foreign exchange losses and affect the profit as most of the company's loans are in USD.

TCM is the biggest company among listed textile businesses in Vietnam in terms of total asset and revenue. Sales continuously increased during period 2008-2012 with an average growth rate of 24.5% per year. With the management of strategic shareholder E-Land since 2010, business performance and export value have improved markedly. In 2010, revenue growth rate stood at 68.1%, of which export revenue increased by 127% as compared to 2009.

Largest shareholder is a leading fashion and retail corporation in Korea and has strong financial capacity. E-Land Asia Holdings Pte Ltd (holds 43.3% of share capital) not only participates in management but also supports on market, customer and transfers technology, other processes such as ERP, BSC, etc.

TCM is one of a few Vietnam textile enterprises have closed production cycle (spinning → weaving, knitting →

Income statement	2011	2012	2013F
Revenue	2,195	2,284	2,569
Gross profit	357.4	167.4	357.1
Profit before tax	117.9	-20.4	139
Profit after tax	112.1	-20.2	128.2

Balance sheet	2011	2012	2013F
Total asset	2,053	1,966	1,972
Short-term asset	1,018	953	1,017
Long-term asset	1,035	1,013	955
Liabilities & equity	2,053	1,966	1,972
Short-term liabilities	892	991	995
Long-term liabilities	433	345	267
Shareholders' equity	723	623	703

dyeing, finishing → cutting, sewing). This advantage helps to reduce reliance on volatile sources of raw materials, ensure product quality and company's margins. TCM will also benefit from the reduction of import tax when TPP adopted thanks to satisfying "yarn forward" requirement.

According to company representative, **TCM is planning to invest in upgrading the capacity of sewing, knitting and dyeing plant** in 2014-2017 with total investment of about \$30m. Currently, company is working with Vinh Long People's Committees to complete application procedures for investment's license.

We estimate **2014 revenue will reach VND 2,810bn**, up by 9.4% YoY. **Profit after tax is VND 158bn**; corresponding to EPS forward 2014 is VND 3,215 per share.

Net profit margin in 2014 will be higher compared to 2013 and reaches about 5.8% due to 2 main reasons: 1) Decline of cotton price since Chinese government will reduce cotton reserves beginning in 2014; 2) Increase of production efficiency by putting ERP system into operation.

Company currently has **4 real estate projects with total investment of VND 119bn**. TCM is investing in 2 subsidiaries and 4 associates in the fields of health care, securities, real estate, building materials, entertainment, etc. In particular, **investment value in associates is VND 121bn on September 30th, 2013**.

Items	2012	2013F	2014F	2015F	2016F	2017F
Revenue (VND mil)	2,283,501	2,568,939	2,810,419	3,283,769	3,836,844	4,483,072
Net profit (VND mil)	-20,160	128,153	157,851	181,529	238,819	282,382
EPS (VND)	-451	2,610	3,215	3,697	3,924	3,774
DPS (VND)		1,500	1,040	800	920	980
Revenue growth (%)	4.0%	12.5%	9.4%	16.8%	16.8%	16.8%
Gross profit growth (%)	-53.1%	113.3%	11.0%	19.2%	21.3%	19.8%
Profit before tax growth (%)	-117.3%	780.5%	23.2%	15.0%	31.6%	28.7%
EPS growth (%)	-118.0%	679.2%	23.2%	15.0%	6.1%	-3.8%
Gross margin	7.3%	13.9%	14.1%	14.4%	14.9%	15.3%
ROE (%)	-2.8%	19.4%	21.1%	21.0%	22.3%	20.5%
ROA (%)	-0.9%	6.5%	7.7%	8.0%	9.4%	9.9%
P/E (x)	-45.7	7.9	6.4	5.6	5.2	5.5
P/B (x)	1.48	1.44	1.26	1.09	1.02	0.99

FCFF Valuation

FCFF valuation method is used to estimate reasonable price of TCM in textile and garment operation because it is core business activity in short and long-term strategy.

Value of real estate investment is estimated as book value since company intends to hold for long term and has no specific plans to exploit these properties. Associated companies are small and unlisted, thus, value of investment in associates is estimated as book value.

Price target of TCM share in next 12 months is VND 30,500 per share.

DCF assumption		DCF valuation results	Unit: VND mil.
WACC 2014	12.8%	Total present value of cash flow	1,806,317
Tax rate	7.5%	Investment in properties	118,730
Cost of equity	20.9%	Investment in associates	120,962
Risk-free rate (10-year government bond)	8.89%	(+) Cash and short-term investment	119,384
Risk premium	9.88%	(-) Short-term and long-term debt	871,370
Beta	1.36	Total equity value	1,294,023
Cost of debt	6.3%	Minority interest	10,194
Growth rate (2014-2019)	16.8%	Total equity value of parent company	1,283,829
Growth rate (2020-2022)	11.1%	Outstanding shares	49.1
Long-term growth rate	5.2%	Present value of share (VND/share)	26,147
Forecast period (year)	10	Cost of equity in 2014	20.87%
		Estimated dividend yield	4.0%
		Target price in next 12 months (VND/share)	30,500

P/E Valuation

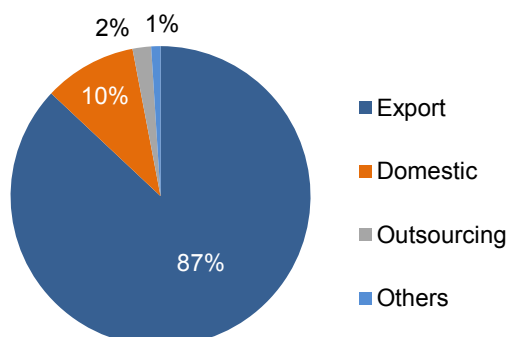
Company	Country	Ticker	2012 revenue (VND bil)	ROE (2008 - 2012)	P/E trailing	Market cap (VND bil)
Thanh Cong Textile Garment Investment Trading JSC	Vietnam	TCM	2,284	10.6%		953
TNG Investment and Trading JSC	Viet Nam	TNG	1,209	17.8%	6.37	143
Eagle Nice International Holdings Ltd	Hong Kong	2368:HK	3,962	12.1%	7.24	1,769
Golden Shield Holdings Inc.	Hong Kong	2123:HK	2,655	14.9%	9.37	1,325
Kitex Garments Ltd	India	KTG:IN	1,090	18.6%	5.74	1,375
Jiangsu Sanyou Group Co Ltd	China	002044:CH	2,430	10.8%	14.64	5,626
Hagihara Industries Inc.	Japan	7856:JP	4,396	10.1%	4.40	2,189
Average					7.96	

(Source: Bloomberg.com, FPTTS)

After conducting risk adjustment between Vietnam market and these of other countries where comparable companies are operated and performance (ROE) of these companies compared to TCM, P/E is computed at 7.96x. **EPS in FY2013 is estimated at VND 2,610 per share, so price target at the end of 2013 according to P/E valuation is VND 20,800.** This price nearly closes to current market price indicates that market already reflects quite adequately and reasonably value of TCM share in short term.

ANALYSIS OF BUSINESS ACTIVITIES

Revenue structure



TCM at a glance

TCM was founded in 1976, equitized in 2006, officially listed on HCM Stock Exchange on October 15th, 2007. Company's equity and total asset are VND 641bn and VND 1,927bn in turn on September 30th, 2013.

TCM is the largest company among listed textile and apparel companies in Vietnam. Its main products are yarn, woven fabric, knitted fabric and garment with diversified high-value items such as high-end blended yarn, high-rate spandex fabric, patterned-effect T-shirt, etc.

Development strategy

Strategies in mid-term and long-term.

- To concentrate on core business - Textile and garment.
- To enhance production capacity through investment in new machinery and equipment, construction of new factories, factory relocation and acquisition of existing plants.
- To diversify products through operation of R&D center and co-operation with KOTITI.
- To develop real estate projects right after getting good signal of real estate market.
- To develop fashion retail chain in Vietnam.

Core activities

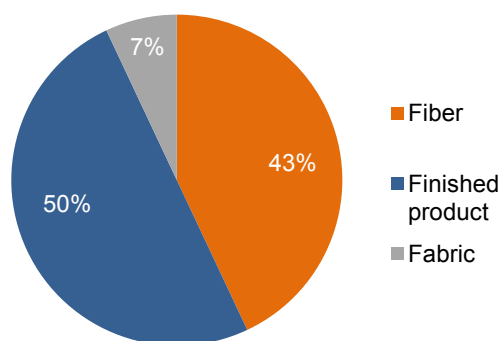
TCM has a closed production cycle consists of 4 main stages: Spinning → weaving/knitting → dyeing and finishing → cutting and sewing.

Yarn: Company has 4 manufacturing plants in HCM city, Long An, Tay Ninh. Approximately 35% of fiber is used for other stages in the production chain, the rest is mainly exported. Revenue from fiber accounts for about 43% of total revenue of textile and garment activities. Fiber's products are quite diverse such as Cotton yarn, Rayon yarn, 100% Polyester yarn, blended yarn, etc.

Fabric: Most fabrics are used to manufacture apparel products. Revenue from fabric accounts for about 7% of total revenue of textile and garment activities. Main products are semi-finished weaving fabric with weave, twill, etc. and knitting fabric with Single, Pique, Jacquard, Rib category, etc.

Garment: Current output of finished product is about 18m products per year. Main products are T-shirt, provided for foreign fashion brands like E-Land, Sanmar, Costo, Target, Perry Ellis, etc. Currently, most orders are made under FOB method. Company will enhance added value of the production

Revenue structure by product



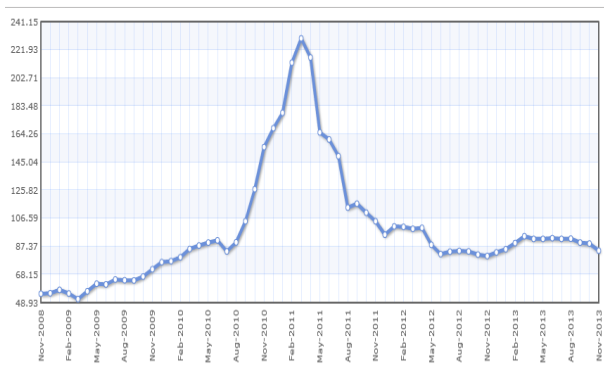
chain by increasing proportion of other methods (ODM and OBM). Revenue from garment accounts for 50% of sales of textile and garment activities.

Raw material

Input materials are cotton, fiber, chemical, etc. In which, cotton is the main raw material, accounting for approximately 55% - 60% of the cost of raw materials and imported from the United States, West Africa, Australia, Pakistan, etc.

Previously, company bought cotton at the portion of 80% on future market and 20% on spot market. Cotton price fluctuated significantly in recent years and reached its peak \$5.06 per kg in March 2011, made gross margin of fiber industry fell sharply in 2011 and 2012. Currently, company has adjusted portion of cotton purchasing on spot market and future market with 70% and 30% respectively. Cotton price falls sharply in 2013 and stabilizes at \$1.99 per kg.

Cotton price 11/2008 - 11/2013 (USD/pound)



Production capacity

Company has 4 spinning mills in HCM city, Long An, Tay Ninh. Total designed capacity of fiber lines is fairly high with 21,000 tons per year. Only one third of fiber produced is used for other lines, the rest is sold to domestic firms or exporters.

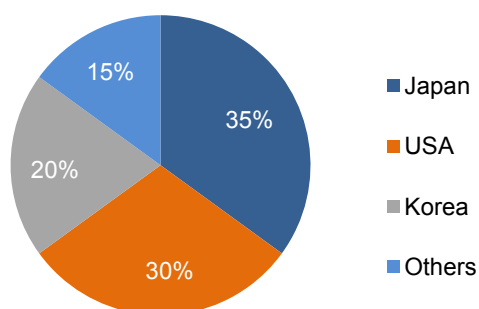
Current sewing capacity is about 15 million products per year, thus, company has to outsource partly from other units. TCM is planning to increase production capacity to 18-20 million products per year in 2014 or 2015 at the latest in order to meet production need.

Geographic segments and distribution channels

Domestic market: Distribution network of TCM is not large and domestic revenue just accounts for approximately 10% of total revenue in 2012.

Export market: Revenue from export markets accounts for approximately 90% of total textile and garment sales. Export markets are diversified, mainly in Japan, US, South Korea. Japan is the largest export market, accounting for 30% - 35% of total export revenue. TCM currently exports to Japan with 0% import tax rate under provisions of Vietnam-Japan FTA Agreement. U.S. is the largest market in the past, but export sales to this market plummeted 35% in 2012 due to economic crisis. Number of orders from U.S. has increased significantly since the beginning of 2013 and accounts for 25% - 30% of total export revenue. From 2012, company received additional orders from E-Land South Korea and China. Orders of E-Land have higher gross profit margin due to strict requirements of design, quality and currently accounts for about 15% - 20% of total export revenue.

Structure of export market



Investment projects

In order to prepare for increased export demand, company is planning to expand production capacity in sewing, knitting and dyeing stages.

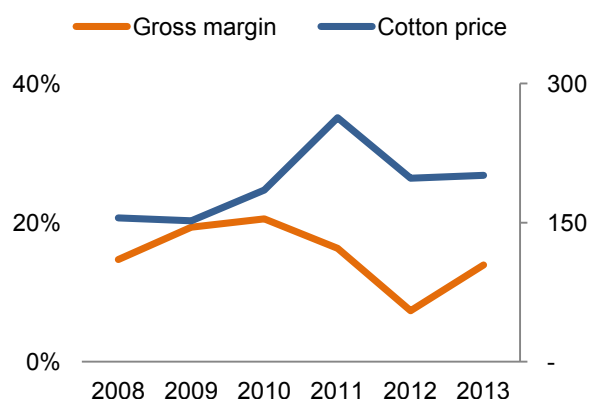
Particularly, TCM will build new factory in Vinh Long province from 2014 to 2017 with total estimated investment capital of \$30m. Expected capital will be mobilized from bank borrowing or issuing additional shares to existing shareholders and partners. Company will invest in building sewing plant with 1,300 workers in 2014 and put it into operation in early 2015. TCM continues to invest in sewing plant in 2015 with equivalent scale as in 2014, and in knitting and dyeing plant in 2016-2017. Capital invested in sewing, knitting and dyeing plant are VND 273bn, VND 168bn and VND 200bn respectively.

Investment risks

Risk of fluctuations in raw materials price. Main raw material of company is cotton, mainly imported from China, U.S., West Africa, Pakistan, Australia, accounting for about 60% of the cost of materials and approximately 40% of cost of goods sold. Hence, TCM bears the risk of fluctuations in cotton price. According to the World Bank, cotton price will increase in coming years with growth rate of 1% - 2% per year.

Risk of fluctuation in exchange rate. Most of TCM loans are in USD and raw materials are mainly imported. Hence, although export sales accounts for a large proportion of total revenue, company still has a balance of liabilities in foreign currency (USD). Company profits will suffer losses from foreign exchange if the exchange rate USD/VND increases.

Gross margin and cotton price

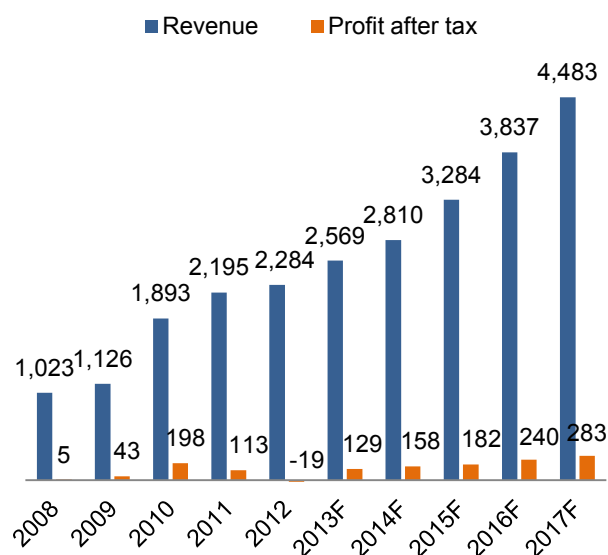


FINANCIAL ANALYSIS AND FORECAST

The effectiveness in business and growth rate

Revenue

Revenue and profit after tax (VND bil)



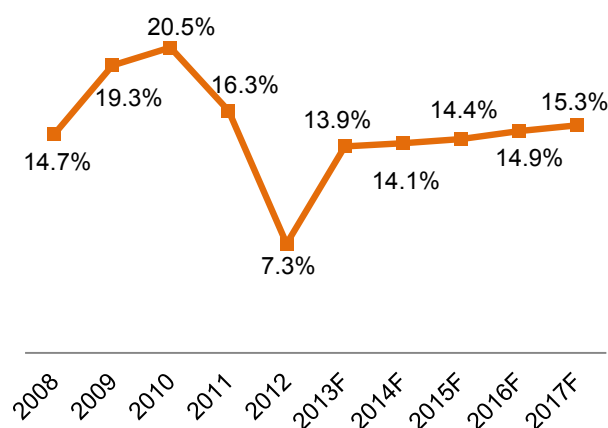
Revenue continuously went up in 2008-2012 at average rate 24.5% per year. With the management of E-Land from 2010, business efficiency and export value has improved significantly. In 2010, revenue growth rate reached 68.1%, in which, export revenue increased 127% compared to 2009. In 2012, E-Land moved a part of orders from Korea, China to Vietnam that it helped E-Land's orders increased by 20%; however, export value to U.S. reduced 35% due to global crisis, as a result, revenue growth rate only achieved 4%. In 2013 and 2014, this rate may reach 12.5% and 9.4% in turn, as company planned.

As followed “*TPP Negotiation – Opportunities and challenges for Vietnam textile and apparel industry*” report of Amcharm Vietnam in March 2013, growth rate of Vietnam's export value of textile and apparel in period 2015-2019 and period 2020-2022 are 15.2% per year and 10.1% per year in turn. As Resolution 36/2008/QĐ-TTg signed by Prime Minister, export value of Vietnam textile and apparel industry will grow at the rate of 15% per year in 2011-2020. Based on these basis and the correlation between export value of TCM and this of Vietnam textile and apparel industry in the past, forecasted growth rate of TCM's textile and apparel activities will be at 16.5%-17% per year in 2015-2019 with following factors: 1/ TPP Agreement will boost export volume to its members; 2/ Projects to enhance production capacity of sewing, knitting and dyeing plants; 3/ Increase in orders from E-Land. Growth rate will be lower and gradually reach 11% per year in 2020-2022.

As “*Global connections report*” of HSBC in October 2013, Vietnamese long term export growth rate is estimated at 5% per year. Based on the correlation between export value of Vietnam and of textile and apparel industry, we forecast that long-term export growth rate is about 4.4% per year. This is also the long-term growth rate of TCM.

Gross profit margin

In 2009-2013, gross profit margin has mainly depended on the cotton price fluctuations. In 2009 and 2010, gross profit margin reached 19.3% and 20.5% in turn due to lower cotton

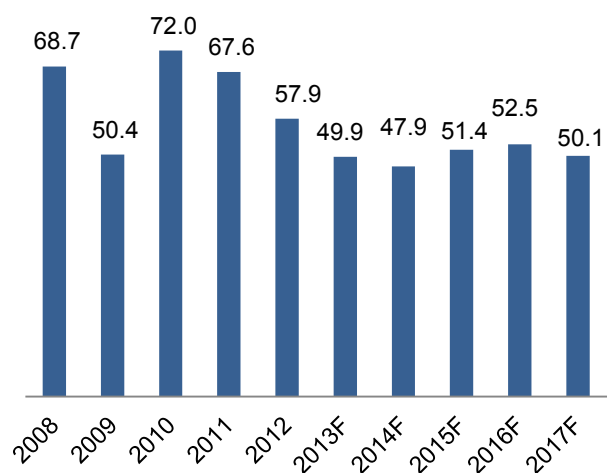
Gross profit margin


price, equivalent to about \$1.52 per kg and \$1.85 per kg. Because company bought cotton in the form of 80% on future market and 20% on spot market, gross profit margin reflected previous year's cotton price. In 2012, gross profit margin was only 7.3% due to the high-price cotton, which was bought from future market in 2011. In 2013, company has changed method to buy cotton at a rate of 70% on spot market and 30% on future market. By the end of 2Q13, company has consumed all high-price cotton from 2011, so gross profit margin in 2013 has improved significantly as compared to 2012 and reached 13.9%. According to our estimation, gross profit margin in 2014 will be at 14.1%.

From 2015 onwards, gross profit will increase by 20% per year because mainly of revenue growth and higher gross profit margin. Gross profit margin increases at the rate of 2.5% - 3.5% per year due to the changes in main factors: 1) Cotton price fluctuation. According to the World Bank, cotton price will increase at approximately 1% - 2% per year from 2014 onwards; 2) Changes in revenue structure of fiber, fabric and garment. Increase portion of garment's revenue in total revenue will lead to an increase in gross margin; 3) TPP will help the import tariff to U.S. market decline from approximately 17% to 0% while current export sales to U.S. market accounts for 30% of total export revenue.

Financing activities

Financial income primarily comes from 3-month term deposit interest and dividend from long-term financial investment. TCM currently holds stakes in some textile enterprises such as Viet Thang textile, Thang Loi textile and garment, Hue textile and garment, etc with the value only at VND 5.4bn.

Interest expense (VND bil)


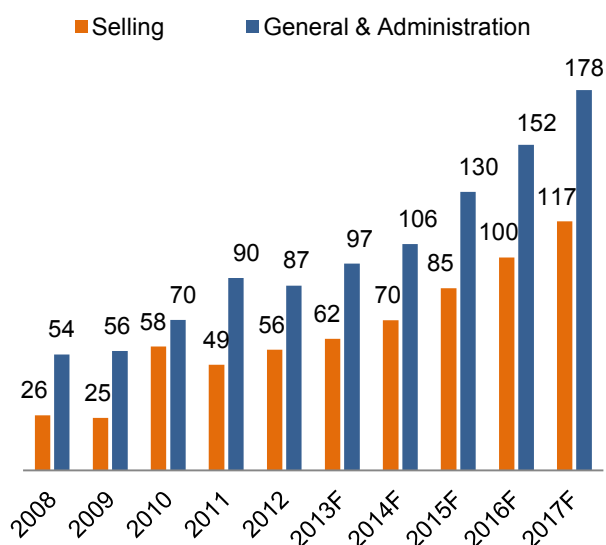
Short-term deposit interest rate in VND and USD respectively are at 6.8% per year and 0.25% per year. This is the main financial revenue in coming years.

Financial expenses are arising primarily from loan interest expense and losses in foreign exchange. Value of short-term loans on September 30th, 2013 is VND 656bn, primarily in USD at average interest rate of 3.5% - 4% per year. Long-term loans primarily include loans of VND 148bn (mainly in USD) from E-Land with a low interest rate of 0.78% - 0.99% per year and loan of VND 112.7bn with an interest rate of about 12% - 12.5% per year.

Loan interest expense as a percentage of revenue decreased continuously during the period 2008-2012 and is forecasted to decrease in coming years due to the stable amount of cash and cash flow from operating activities and company continues to receive low interest rate from loans in USD and loan from E-Land.

In coming years, assumed that exchange rate will be slipping of 2% per year based on forecasts of HSBC and EIU (Independent economic research organization of the UK) and adjust only one time in the year.

Selling, General & Administration expense (VND bil)



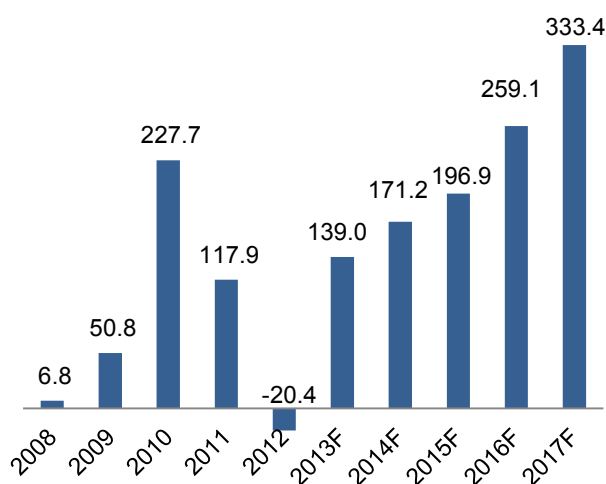
Selling, General & Administration expense

The proportion of selling expense on total revenue was quite stable in 2008-2012. In 2010, this ratio achieved the highest of 3% because company expanded sales and export activities.

The proportion of General & Administration expense on total revenue has been also steady in 2010-2012 but lower than period 2008-2009 because E-Land started to participate in management from 2010, which improved administration level as well as cut down its cost.

Estimated ratio of selling expense on total revenue from 2014 onwards is at 2.6%, equivalent to the average of it in 2008-2012. General and administration expense on total revenue in next years is estimated at 3.97%, equivalent to the average of it in 2010-2012.

Profit before tax (VND bil)



Profit

Profit before tax in 2008-2012 was unstable due to fluctuation of revenue, gross profit margin and income/ (loss) from financial activities. The proportion of pre-tax profit on sales will increase in coming years thanks to higher gross profit margin and lower financial cost.

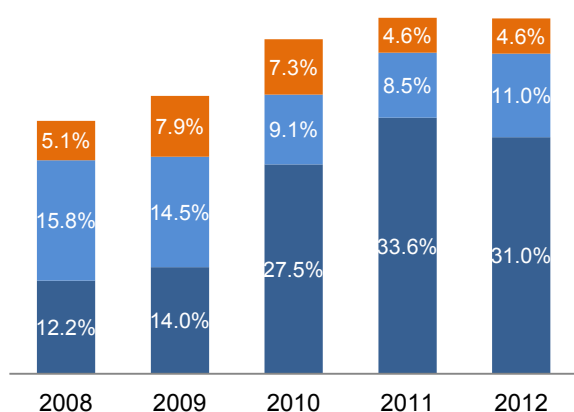
TCM receives preferential corporate income tax of 7.5% by 2016 and 15% in the period 2017-2022 because of switching from state-owned company into joint-stock company in 2006. In the long term, company is subject to 20% tax rate. Profit after tax in 2013 and 2014 will be at VND 128bn and VND 158bn respectively, with net profit margin of 5% and 5.6%.

Forecasted income statement in period 2013-2017
Unit: VND million

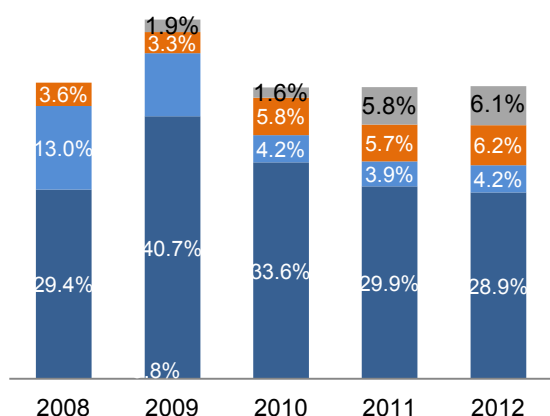
Forecast	2012	2013F	2014F	2015F	2016F	2017F
Net revenue	2,283,501	2,568,939	2,810,419	3,283,769	3,836,844	4,483,072
Gross profit	167,439	357,082	396,269	472,381	572,801	686,093
Income/(loss) on financial activities	3,477	(17,400)	(5,272)	(12,670)	(13,498)	(12,430)
Selling expense	56,492	61,664	70,271	85,391	99,773	116,577
General & Administration expense	86,578	96,919	106,029	130,455	152,427	178,100
Profit before tax and loan interest expense	37,427	188,927	219,173	248,342	311,580	383,462
Profit before tax	(20,429)	139,029	171,248	196,935	259,087	333,377
Profit after tax of holding company	(20,160)	128,153	157,851	181,529	238,819	282,382
EPS (VND)	-451	2,610	3,215	3,697	3,924	3,774

Financial performance
Component/ Total Asset

■ Inventory ■ Account Receivable ■ Cash and cash equivalent


Component/ Total Asset

■ Tangible fixed asset ■ Intangible fixed asset
■ Long term investment ■ Real estate investment


Asset structure

In the structure of assets last 3 years, proportion of short-term assets was unstable, accounted for 48%-48.5% of total assets. Inventories' value is VND 544bn on September 30th, 2013. Of these, the largest proportions are of raw material and finished product, accounts for 38.3% and 34% respectively. Company already has a stable number of orders for the first quarter of 2014.

The value of account receivables on September 30th, 2013 is VND 166bn. TCM has no significant risks of account receivables as clients are in various industries and allocate in different geographical areas. Account receivables turnover of TCM is 11.7 cycles per year, indicates that the company can recover account receivables in 31 days, shorter than the industry average of 37 days.

Company has substantial investment in fixed assets in period 2008-2009 with approximately VND 500bn and no significant investment in period 2010-2012. The remaining value of tangible fixed assets on September 30th, 2013 is VND 567bn. Accounted for the largest proportions of fixed asset are machines, equipment and buildings at the portion of 61.2% and 30.5%.

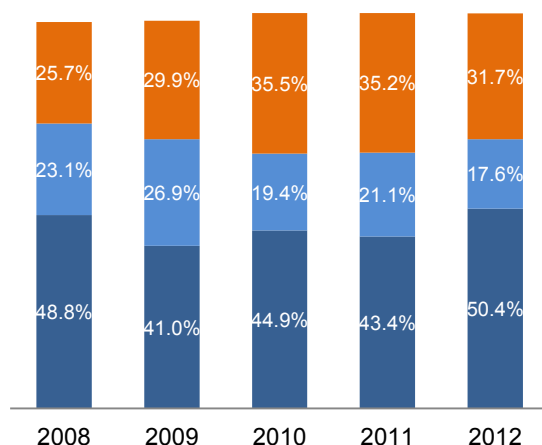
The value of real estate investment on September 30th, 2013 is VND 119bn, included VND 110bn of land use right and VND 9bn of home and structure. Currently, there are 4 real estate projects that TCM has been implemented in medium and long term when real estate market recovers.

Project	Plan	Location	Area	Progress
TC1	Flat (apartment)	Tan Phu District, HCMC	9,898 m ²	Procedure for construction
TC2	Complex	Tan Phu District, HCMC	66,478 m ²	Establishment schedule
TC3	Flat and commerce	District 4, HCMC	13,178 m ²	Signed business cooperation
Phan Thiet	Resort	Phan Thiet	102,000 m ²	Set up schedule and compensation

TCM is investing in two subsidiaries and 4 associations in the fields of health care, securities, real estate, material building, entertainment, etc. with total investment value on September 30th, 2013 is VND 147bn. However, only Thanh Cong Medical Center Joint Stock Company (TCM contributed VND 13.9bn, equal to 70% of chartered capital) contributed significantly to the consolidated revenue and profit of the holding company. In 2012, revenue and net profit of this company were respectively VND 34bn and VND 3.1bn.

Component/ Total Asset

■ Current Liabilities ■ Long term liabilities ■ Owner Equity



Equity structure

Proportion of total debt on total assets in 2012 was 68%; this is the highest level in 4 recent years as business performance in 2012 was not positive. Therefore, company increased short-term borrowing to supplement working capital. On September 30th, 2013, this ratio was 66.7% because of the reduction in account payables in the first 9M/2013.

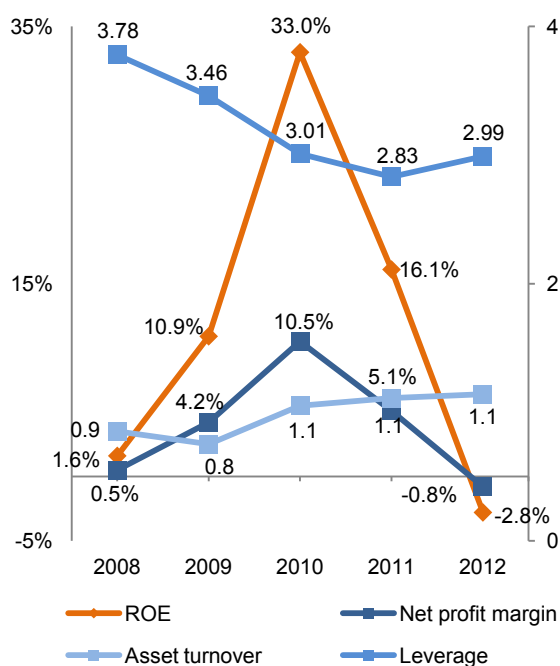
Account payable on September 30th, 2013 was VND 121bn, which was lower by VND 50bn as compared to at the end of 2012. In 2012, account payable turnover reached 13 cycles per year, corresponding to 28 days. This is the lowest level in the last 5 years due to the high pressure from suppliers.

Short-term borrowings increased continuously during the period 2010-3Q2013 and reached VND 656bn on September 30th, 2013, accounting for 34% of total equity. Accounted for the largest proportion of short-term loan is the amount of VND 315bn loan from the Foreign Trade Bank of Vietnam.

Long-term borrowings have decreased steadily since 2009 and reached at VND 303bn on September 30th, 2013. Especially, the amount of VND 148bn loan (loaned in USD) from E-Land was at low interest rate 0.78%-0.99% per year.

DuPont analysis of ROE

ROE fluctuated over the years mainly due to the change in net profit margin while asset turnover was relatively stable over years. In 2008, ROE was low at 1.6% since the net profit margin was only 0.5%. It was explained by the higher administration and loan interest expense since strategic shareholders E-Land had not yet participated in management

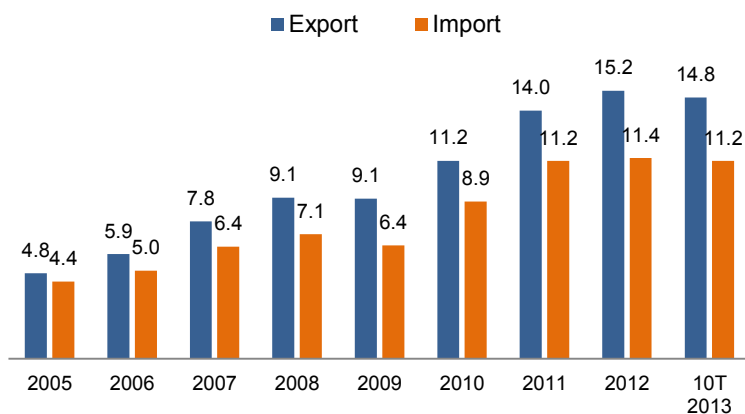


and company had not inherited low-interest loans in USD. ROE peaked at 33.2% in 2010 due to the low cotton price in 2009, 2010 and the amount of VND 45bn financial revenue was collected from the sale of long-term investment. In 2012, net profit margin was -0.8% due to the higher cotton price of future contracts in 2011.

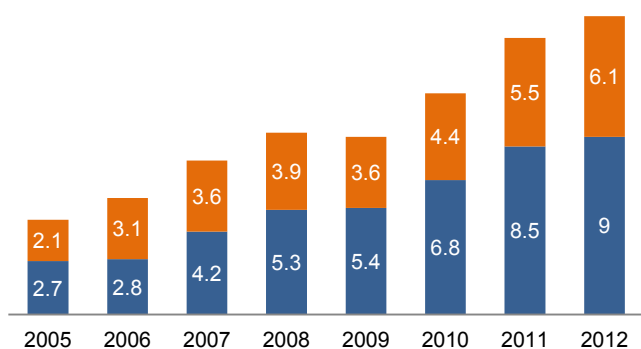
APPENDIX

Textile and Apparel Industry

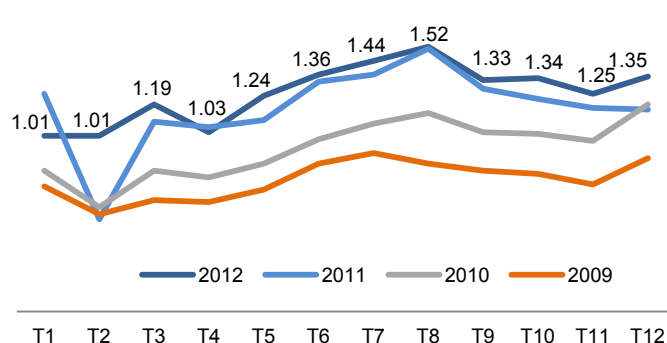
Textile and Apparel export and import



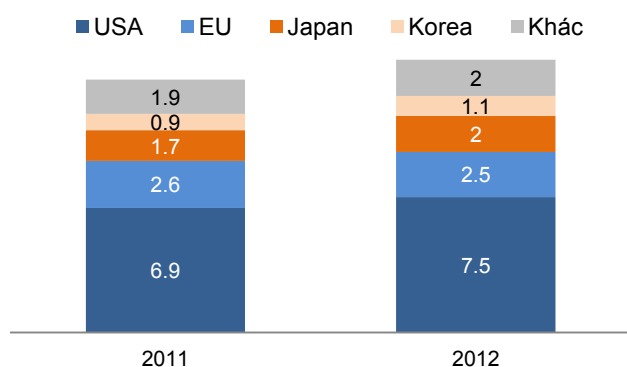
FDI Enterprises



Textile and Apparel export value (monthly)



Main export markets (VND bil)



Textile and Apparel current situation

According to Vietnam Textile and Apparel Association (VITAS), Vietnam is the 5th largest textile and apparel export in the world. Textile and apparel is a key sector and in the top of country in term of export value with nearly 4,000 enterprises, allocated mainly in South East region (58%) and Red River Plain (27%), attracting 2.5 million workers. In 2012, revenue of textile and apparel industry was \$20bn, accounting for about 15% of Vietnam GDP. In the first 10 months of 2013, export value of textile and apparel industry reached \$14.8bn, up to 18.5% compared to the same period in 2012.

Export value of FDI enterprises is higher than domestic enterprises. In 2005, textile and apparel's export value of FDI enterprises reached only \$2.14bn, accounting for 44% of total textile and apparel export of the country. Since 2007, export value of this group has continued to increase and now exceeds the domestic enterprises. In 2012, export turnover of FDI enterprises reached \$9.02bn, rose by 6% from the previous year and accounted for 59.8% of total textile and apparel export. Export value of domestic enterprises was at \$6.1bn, lower by \$2.9bn as compared to FDI enterprises.

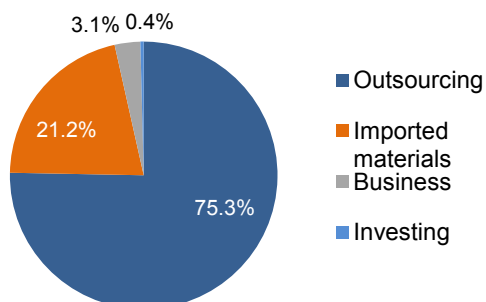
In 2012, the United States, EU, Japan and South Korea are 4 important partners for textile and apparel exported from Vietnam. Total export value of textile and apparel to these markets has reached \$12.96bn, accounting for 86% of total textile and apparel export of the country.

In these main imported markets from Vietnam, only EU market declined slightly in 2012, reaching \$2.5bn, going down by 3.8% compared to 2011. The U.S. market (\$7.5bn), Japan (\$2bn) and South Korea (\$1.1bn) have higher rate as compared to general growth rate (7.5%) of this group, respectively at 8.7%, 22.2% and 17.6%.

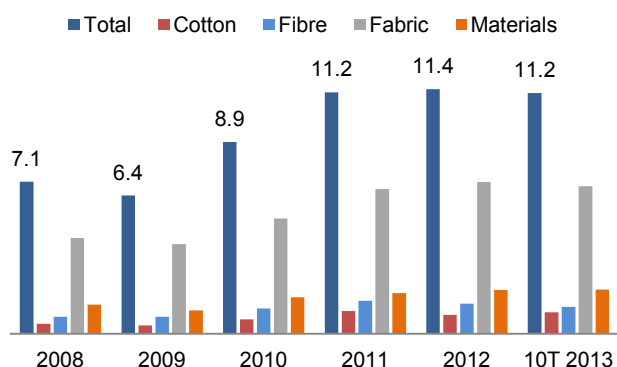
The United States is leading market for import of Vietnamese textile and apparel with export turnover reached \$7.46bn in 2012, accounting for 49.4% of total textile and apparel export of Vietnam. Additionally, among the group of industries that export to U.S., textile and apparel is leading with 37.9% share of total export value.

According to statistics of the U.S. Office of Textiles and

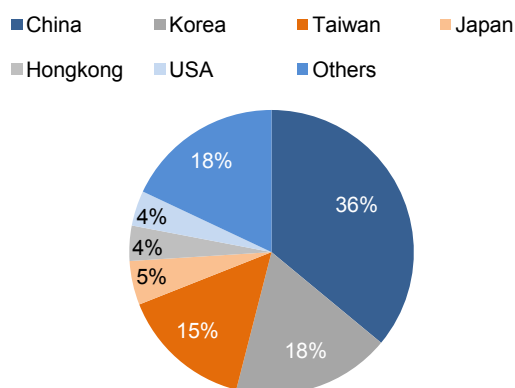
Export proportion as different forms



Import structure in 2008 - 10T/2013



Imported textile materials



Textile and Apparel export to U.S. market will achieve \$17bn in 2020 and \$30bn in 2025 as expected from TPP Agreement.

Apparel (OTEXA), in 2012, the share of Vietnamese textile and apparel in U.S. accounted for about 7.6%. In 2012, imported textile and apparel of U.S. from all over the world fell slightly by 0.4% but imported value from Vietnam has increased by more than 8% compared to previous year.

For years, Vietnamese exported textile and apparel has mainly made in the form of processing for foreign manufacture and exporting goods from imported raw materials. In 2012, the proportion of these two types accounted for over 96% of the total textile and apparel export of country, of which, exported processing accounted for 75.3% and exporting goods from imported raw materials accounted for 21.2%.

In 2012, Vietnam had 5.1 million spindles nationally with annual use of about 820 thousand tons of material (420 thousand tons of natural cotton, 400 thousand tons of fiber). Vietnam had to import 415 thousand tons of cotton (made up 99%); domestic material met only 1%, equivalent to 5,000 tons. While 220 thousand tons of fiber types were imported, accounting for 54%. In 2012, Vietnamese textile and apparel enterprises used about 6.8bn meters of fabric, in which, 6bn meters were imported; domestic fabric met only 0.8bn meters.

Vietnam textile and apparel industry mainly imports raw materials from China, South Korea, Taiwan (not TPP countries) for export processing, thus, if not changing material areas, Vietnamese export will not be entitled to preferential tariff treatment when exporting to the U.S. market.

Potential of industry

In 2012, export value of textile and apparel to the United States reached \$7.5bn while its imported value each year is about \$100bn of apparels, thus, this is still a huge market for Vietnamese textile and apparel enterprises. Vietnam exports to the United States about 1000 types of textile and apparel products at an average tax rate of 17% - 18% and TPP is expected to cut down this tariff gradually to 0%. According to Mr. Le Tien Truong, deputy chairman of Vietnam Textile and Apparel Association (VITAS), textile and apparel export from Vietnam to the United States could grow 13%-20% per year over the period 2013-2017 with the prospect of TPP. According to Amcharm Vietnam, textile and apparel export to the U.S. market will reach \$17bn in 2020 and \$30bn in 2025 if having TPP agreement.

Textile and apparel export to EU market will grow at average rate 6% per year when FTA EU – Vietnam was signed.

Export turnover of Vietnam textile and apparel to EU market in 2012 reached approximately \$2.5bn while the EU imports about \$250bn of textile and apparel each year. Current tax rate that EU applies to Vietnamese textile and apparel is still relatively high, averagely at about 9.6%. The provisions of FTA EU – Vietnam to exempt EU tariffs on most commercial activities will bring advantages for Vietnamese textile and apparel compared to other competitors in EU market. Export value of Vietnamese textile and apparel to EU market has average growth rate of 6% per year when FTA EU – Vietnam is expected to be signed by the end of 2014 and will become effective in 2015 (according to research projects of the Multilateral Trade Assistance EU - Vietnam phase III).

FTA Vietnam – Japan and reduction policy in import from China of Japan are good opportunities for Vietnam textile and apparel.

Japan is also a large market and contains many opportunities for Vietnamese textile and apparel products. It is expected that Vietnamese textile and apparel export to Japan in 2013 will exceed \$2.4bn (total import turnover of Japanese textiles at about \$40bn per year). The opportunity for Vietnamese textile and apparel in Japanese market has exploited gradually when FTA Vietnam – Japan was valid since 2009. In addition, besides inheriting preferential tax from FTA, the policy of reducing import from China is an opportunity to help Vietnamese textile and apparel to increase penetration and expansion in this market.

Income statement	2011	2012	2013	2014
Revenue	2,194,774	2,283,501	2,568,939	2,810,419
- Cost of goods sold	1,837,410	2,116,062	2,211,856	2,414,150
Gross profit	357,364	167,439	357,082	396,269
- Sales & marketing	49,494	56,492	61,664	70,271
- General & admin	90,066	86,578	96,919	106,029
Operating profit	217,804	24,369	198,499	219,968
- Financial gains/(losses)	-41,184	3,477	-17,400	-5,272
- Net non-op gains	11,125	7,828	4,477	4,477
EBIT	185,490	37,427	188,927	219,173
- Interest expense	67,553	57,856	49,898	47,926
EBT	117,937	-20,429	139,029	171,248
- Income tax expense	4,984	-1,543	10,427	12,844
Profit after tax	112,953	-18,886	128,602	158,404
- Minority interests	875	1,274	449	553
Net Income to common	112,078	-20,160	128,153	157,851
EPS	2,505	-451	2,610	3,215
EBITDA	224,438	73,365	242,469	272,673
Depreciation	38,948	35,938	53,542	53,500
Revenue grow th	16.0%	4.0%	12.5%	9.4%
Operating profit grow th	-16.3%	-88.8%	714.6%	10.8%
EBIT grow th	-38.1%	-79.8%	404.8%	16.0%
EPS grow th	-45.5%	-118.0%	679.2%	23.2%
Profitability ratios	2011	2012	2013	2014
Gross margin	16.3%	7.3%	13.9%	14.1%
Profit after tax margin	5.1%	-0.8%	5.0%	5.6%
ROE DuPont	16.1%	-2.8%	19.4%	21.1%
ROA DuPont	5.7%	-0.9%	6.5%	7.7%
* EBIT Margin	8.5%	1.6%	7.4%	7.8%
* Tax burden	95.8%	92.4%	92.5%	92.5%
* Interest burden	63.6%	-54.6%	73.6%	78.1%
* Asset turnover	1.11	1.14	1.30	1.37
Leverage ratio	2.83	2.99	2.97	2.73
ROIC	12.5%	2.4%	10.7%	13.2%
Efficiency ratios	2011	2012	2013	2014
Days inventory on hand	120.8	112.1	104.3	103.9
Days AR outstanding	29.1	31.2	33.7	33.5
Days AP outstanding	38.5	27.9	27.9	27.7
Cash conversion cycle	111.4	115.5	110.1	109.7
Inventory turnover	3.0	3.3	3.6	3.7
Liquidity/Solvency	2011	2012	2013	2014
Current ratio	1.14	0.96	1.02	1.08
Quick ratio	0.37	0.35	0.39	0.41
Cash ratio	0.11	0.09	0.12	0.13
Debt-to-assets	0.48	0.50	0.44	0.43
Debt-to-capital	0.58	0.61	0.55	0.53
Debt-to-equity	1.37	1.57	1.24	1.15
Short-term debt to equity	0.31	0.33	0.32	0.30
Long-term debt to equity	0.19	0.16	0.12	0.13
Interest coverage ratio	2.75	0.65	3.79	4.57
Valuation ratios	2011	2012	2013	2014
Price-to-earnings (P/E)	7.9	-44.2	7.6	6.2
Price-to-book value (P/B)	1.2	1.4	1.4	1.2
EV / EBITDA	8.5	25.9	7.8	7.1
Book value per share	16,162	13,926	14,323	16,301

Balance sheet	2011	2012	2013	2014
Assets				
+ Cash & equivalent	94,525	90,639	119,384	130,606
+ Short-term investments	0	0	0	0
+ Accounts receivable	174,784	215,953	237,098	257,846
+ Inventories	690,125	610,214	632,175	687,348
+ Other current assets	58,609	35,809	27,935	27,935
Total current assets	1,018,043	952,615	1,016,593	1,103,734
+ Gross fixed assets	1,284,401	1,273,571	1,273,571	1,410,071
- Accum. depreciation	-670,946	-705,091	-756,855	-808,619
+ Net fixed assets	613,455	568,480	516,716	601,452
+ Long-term investments	117,274	122,257	130,060	130,060
+ Other long-term assets	86,192	85,533	76,020	76,020
Total long-term assets	1,035,301	1,013,181	955,270	1,035,889
Total Assets	2,053,344	1,965,796	1,971,863	2,139,623
Liabilities & Equity				
+ Accounts payable	287,124	315,905	340,423	354,562
+ Short-term borrowings	598,967	667,596	638,739	640,711
+ Bonus, welfare	5,633	7,889	15,578	25,049
Current liabilities	891,724	991,390	994,740	1,020,322
+ Long-term debt	394,400	310,175	232,631	277,138
+ Other LT liabilities	17,876	17,876	0	0
Total LT liabilities	433,451	345,039	267,062	311,569
Total Liabilities	1,325,175	1,336,429	1,261,802	1,331,890
+ Total preferred equity	0	0	0	0
+ Addt'l paid in capital	45,032	44,094	22,714	22,714
+ Share capital	447,375	447,375	491,000	491,000
+ Retained earnings	188,593	55,872	75,424	131,502
+ Minority interest	5,116	6,351	6,800	7,353
Total equity	723,053	623,017	703,260	800,379
Liabilities & equity	2,053,344	1,965,797	1,971,862	2,139,622
Cash flow				
Beginning cash	139,337	94,523	90,641	119,384
Net Income	117,937	-20,428	128,602	158,404
+ Depreciation	53,857	54,552	55,924	55,881
+ Other non-cash adjust.				
+ Changes in non-cash	-294,176	100,513	-10,715	-61,781
Cash from Operations	-156,621	100,932	173,811	152,505
+ Disposal fixed assets	11,928	2,547	0	0
+ Capex	-99,864	-27,363	277	-136,500
+ Change in investments	-72	-883	-7,803	0
+ Other investments	937	2,128	0	0
Cash from Investing	-86,571	-23,571	1,987	-136,500
+ Dividends paid	-35,684	-66,951	-62,466	-51,261
+ Change in capital	0	0	22,245	0
+ Change in ST debt	181,294	68,629	-28,857	1,971
+ Change in LT debt	76,338	-84,225	-77,544	44,507
+ Other financing act.	-1,280	-3,631	-433	0
Cash from Financing	198,863	-81,178	-147,055	-4,783
Net changes in cash	-44,329	-3,817	28,743	11,222
Ending cash	94,523	90,641	119,384	130,606
<i>Units in VND bn</i>				

INTERPRETATION OF RECOMMENDATION

This assessment aims to determine the share's value representing the corporate valuation, in order to find each share's potential value and provide the useful information to investors during the 12-month investment.

The rate of 18% is based on the rate of 12-month Vietnamese Government Bond adjusted by the risk premium of Vietnamese market.

Recommendation	Interpretation
12 months	
Buy	Target price > Market price more than 18%
Add	Target price > Market price between 7% and 18%
Neutral	-7% < Target price - Market price < 7%
Reduce	The Target price < Market price between -7% and -18%
Sell	The Target price < Market price more than -18%

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