

Consumer goods industry

Update report

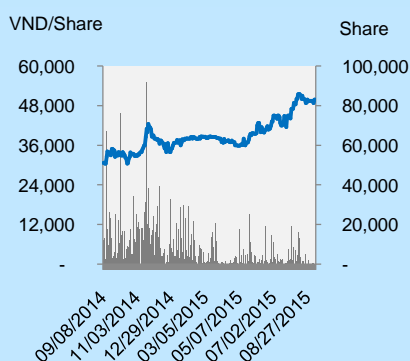
Sept 2015

Recommendation	NEUTRAL
Target price (VND)	49,700
Market price (10/9/2015)	49,800
Expected profit	-0.2%

SHARES INFORMATION

Trading exchange	HSX
52-week price range	30,500-51,500
Market cap	580 Bil VND
Outstanding shares	11,641,070
10-day average volume	268
% foreign owned	15.3 %
Foreign room	49 %
Dividend per share	2,000
Dividend yield	%
Beta	0.6

PRICE MOVEMENTS



	YTD	1M	3M	6M
GMC	62.2%	-3.3%	23.3%	29.4%
VN-Index	-10.6%	-3.7%	-1.4%	-0.3%

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Saigon Garment Trade Jsc Manufacturing

Ticker: GMC

Reuters: GMC.HM

Bloomberg: GMC VN

Unfavorable profit in 2H/2015

□ **Strong growth in 6M/2015's net profit.** In 1H/2015, GMC earned revenue of VND656 billion, up 11% yoy thanks to the increase in export orders. Its gross profit climbed by 3.4% yoy to reach VND100 billion. Its gross profit margin tumbled significantly from 16.5% in 1H/2014 to 15.3% due to declining selling price. The 50.3% tumble in general and administrative expenses yoy (owing to reversing wage fund) offsetted the surges in selling expenses and financial expenses (exchange rate losses). Accordingly, the company could record a pre-tax profit of ~VND61 billion, surging by 79.1% yoy. Its net profit reached VND49 billion, soaring by 87.4% yoy. Given the above results, in 1H/2015, GMC has fulfilled 44% of its revenue plan and 81% of its profit plan.

Item (bil VND)	1H/2015	1H/2014	%YoY	%Plan 2015
Revenue	656	591	11.0%	43.7%
Gross profit	101	97	3.4%	
Gross profit margin	15.3%	16.5%		
Pre-tax profit	61	34	79.1%	81.5%
NPAT	49	26	87.4%	-

(Source: GMC)

□ 2015's operating prospect

Benefitting from positive industry prospect. Garment and textile products remained our main export products with an export turnover of ~ USD12.6 billion in 7 beginning months of 2015, up 9.7% yoy. The trend of shifting orders from China to Vietnam will continue in 2015 thanks to our cheap labour advantage. Free trade agreements reached or under negotiation will support for the growth of textile and garment industry. Therefore, GMC will continue benefitting from positive industry prospect.

Enhancing capacity thanks to expanding production scale. Until the end of Quarter 2, GMC has already received enough orders for its production in 2015 and is under negotiations for other orders for the year 2016. The amounts of orders from major customers such as Columbia and Decathlon all rose. In order to meet customers' demands, GMC has put 4 new lines into operation and intends to invest 2 more lines to raise its total line number to 66 lines.

Sliding profit margin. About 80% of GMC's materials are imported from China and settled in USD. Therefore, the devaluation of Chinese Yuan and VND against USD will have modest impact on the company's materials cost. However, the climbing labor cost and the likely pressure from customers for lower selling prices (because Chinese garment and textile products have become cheaper) will erase GMC's gross profit margin.

2015's estimated operating results.

GMC estimated to earn a revenue of ~VND1,100 billion in 9M/2015, in which revenue of Q3/2015 reached VND444 billion, down by 14.3% yoy. In Q4/2014, we forecast its revenue will climb by 15% yoy to reach VND345 billion thanks to the increase in export and domestic orders. Its average gross profit margin is expected to slide from 13.4% in 2014 to 12.9% in 2H/2015 due to declining selling price.

Being an export company, GMC benefits from the devaluation of VND against USD. On the other hand, it also suffers from the appreciation of exchange rate as financial expenses will be higher. As per calculated, with an export revenue of about USD66 million/year and a short-term debt of about USD9,8 million, the influence of exchange rate fluctuations on GMC is insignificant. On prudent perspective, we estimate GMC's 2H/2015 profit at VND21 billion, down 45% yoy. Accordingly, its FY revenue and net profit are respectively forecast at VND1,446 billion (+2.6% yoy) and VND70.3 billion (+23.5% yoy). Its EPS and P/E are projected at ~ VND6,036 /share and 8.1x.

Item (bil VND)	Q3/2015	Q4/2015	2015E	%YoY	%Plan2015
Revenue	445	345	1,446	2.6%	96.4%
Gross profit	59.8	42.6	202.9	-2.5%	
Pre-tax profit	14.1	12.9	88.1	18.6%	117.5%
NPAT	11.0	10.1	70.3	23.5%	

(Source: GMC, estimated by BVSC)

□ **Investment viewpoint:** In long-term perspectives, we think GMC is an enterprise having stable operating activities, benefitting from the trend of shifting orders from China to Vietnam and the signed free trade agreements such as FTA VN-EU, TPP, etc. However, GMC is no longer attractive in short-term when its share price has already climbed by 47% yoy (calculated based on 10/9/2015's closed price at VND49,800). We think the current market price has closely reflected all of its operating prospects in 2015. Therefore, we rate **NEUTRAL** on GMC share at the target price of VND49,700.

Update report

OWNERSHIP INFORMATION

State owned	10.08 %
Foreign owned	15.30%
Others	74.62 %

MAJOR SHAREHOLDERS

Lam Quang Thai	16.21 %
Gia Dinh Textile and Garment Company	10.08 %

FINANCIAL RATIOS

Profit and loss statement

Unit (VND billion)	2011	2012	2013	2014	2015
Revenues	866	1,059	1,228	1,409	1,446
Cost of goods sold	682	890	1,062	1,201	(1,243)
Gross profit	183	169	166	208	203
Financial income	20	18	16	14	17
Financial expenses	17	10	13	11	(19)
Net income	53	61	65	57	70

Balance sheet

Unit (VND billion)	2011	2012	2013	2014	2015
Cash and cash equivalents	17	31	52	40	43
Accounts receivable – short-term	111	129	165	183	169
Inventories	156	172	241	187	256
Tangible fixed assets	86	106	136	161	178
Long-term investments	19	18	18	18	18
Total assets	396	466	658	637	713
Short-term loans	232	289	422	389	446
Long-term debt	-	-	-	-	-
Owners' equity	162	177	213	227	267
Total resources	396	466	658	637	713

Financial ratios

Items	2011	2012	2013	2014	2015
Growth					
Revenue growth (%)	41.0%	22.3%	16.0%	14.7%	2.6%
Net profit growth (%)	23.1%	20.4%	-4.8%	15.4%	23.5%
Yield					
Gross profit margin (%)	21,2%	16,0%	13,5%	14.8%	14.0%
Net profit margin (%)	5,0%	4,9%	4,0%	4.0%	4.9%
ROA (%)	12,2%	12,0%	8,8%	9.7%	9.9%
ROE (%)	29,0%	30,5%	25,3%	27.7%	26.3%
Capital structure					
Total liabilities to total asset (%)	59,1%	62,0%	64,2%	61.2%	62.6%
Total liabilities to owners' equity (%)	144,2%	163,1%	198,5%	171.4%	167.1%
Per shares					
EPS (VND/share)	4.850	5.838	5.364	5,175	6.036
Book value (VND/share)	18.303	19.965	19.992	19,542	22,930

REPORT COMMENTARY

Target price is the analyst's valuation based on analysis of the company's business performance, potentials, development prospects and potential risks to determine the share price. Valuation methods commonly used include discounted cash flow (FCFE, FCFF, DDM); NAV-based valuation; comparative indicators (P/E, P/B, EV/EBIT, EV/EBITDA...). Selecting any method will depend on each industry, company and share features. Market sentiment also can affect the valuation of the target price.

RECOMMENDATION SYSTEM

BVSC's recommendation system is based on the increase/decrease of the share price to the target price. There are three levels of recommendation with the corresponding difference in magnitude from low to high. Investors should be noticed that investment recommendations can be changed at the end of each quarter after BVSC's corporate reappraisal.

Recommendation levels	
Recommendation	Explanation
OUTPERFORM	Target price above 15% higher than market price
NEUTRAL	Target price between 0% and 15% higher than market price
UNDERPERFORM	Target price lower than market price



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