

Consumer goods industry

Update report

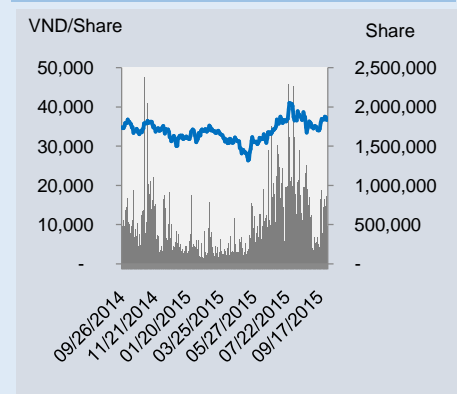
Oct 2015

Recommendation	NEUTRAL
Target price (VND)	36,400
Market price (30/9/2015)	36,700
Expected profit	-1%

SHARES INFORMATION

Trading exchange	HSX
52-week price range	26,300-41,000
Market cap	1,802 bil VND
Outstanding shares	49,099,501
10-day average volume	633,409
% foreign owned	49%
Foreign room	49%
Dividend per share	1,000
Dividend yield	2.7%
Beta	1.1

PRICE MOVEMENTS



	YTD	1M	3M	6M
TCM	5.5%	5.5%	2.8%	19.2%
VN-Index	-7.0%	1.5%	-9.7%	2.7%

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Thanh Cong Textile Garment Investment Trading Jsc

Ticker: TCM

Reuters: TCM.HM

Bloomberg: TCM VN

Stable operating prospect

1H/2015 operating results. TCM has announced its 1H/2015 operating results with VND1,339 billion in revenue, up 2.5% yoy and fulfilling 48% plan. Thanks to restructuring its product portfolio towards reducing the proportion of yarn segment (currently having low profit margin), and raising the proportion of garment segment (with higher profit margin), the company's gross profit margin was improved from 14.7% in 1H/2014 to 16.1%, pushing its gross profit up by 12.4% yoy to reach VND215 billion. Despite recording a decline in interest expenses, exchange rate difference loss and other expenses all climbed. Accordingly, its net profit was recorded at VND87 billion, increasing softly by 4.3% and fulfilling 51% plan.

Item (bil VND)	1H/2015	1H/2014	%YoY	%Plan 2015
Revenue	1,339	1,306	2.5%	48%
Gross profit	215	192	12.4%	
Gross profit margin	16.1%	14.7%		
Pre-tax profit	95	90	5.8%	
NPAT	87	84	4.3%	51%

(Source: TCM)

2015's operating prospect

❑ **Putting Vinh Long garment plant into operation.** In July 2015, TCM inaugurated and put into trial run the garment plant No.1 Vinh Long. This plant, with its current 16 lines and 30% designed capacity, is expected to produce 3 million products in 2015.

❑ 2015's operating forecasts

In our opinion, TCM's production capacity will have no significant change in 2015 when its old plants have already operated at full capacity. The garment plant No.1 Vinh Long will need 3 months for trial run and mostly complete orders that TCM previously must outsource. Accordingly, its 2H's revenue is projected at VND1,424 billion, up 13% yoy.

Cotton price has climbed by 4% from year beginning to August but declined by 8% yoy. This decline has had positive effect on TCM's materials expenses. The new plant, with its function as completing orders previously must be outsourced, has enabled the company to reduce its outsource proportion, thus increasing profit yield yoy. Moreover, TCM's focus on garment segment and contraction of yarn segment have made its profit margin improve. Accordingly, its 2H/2015 gross profit margin will averagely increase from 14.6% in 2014 to 14.9%.

Given its short-term loan balance of USD32.5 million, TCM will suffer a net financial loss of VND20 billion in 2H/2015.

Accordingly, its FY revenue and NPAT are respectively projected at VND2,763 billion (+7.5% yoy) and VND171 billion (+6.2% yoy). Its EPS and P/E, therefore, are estimated at ~VND3,476/share and 10.5x, respectively.

Item (bil VND)	Q3/2015	Q4/2015	2015	%YoY	%KH2015
Revenue	765	659	2,763	7.5%	99%
Gross profit	128	86	430	14.2%	
Pre-tax profit	52	39	186	7.5%	
NPAT	47	36	171	6.2%	100%

(Source: BVSC's estimation)

Investment viewpoint. TCM has rather stable operation in 2015 when mainly focusing on building and operating the new plant, resulted in little changes in revenue and net profit. In long-term, its possession of a close-end production line with increasing capacity is expected to create revenue and profit breakthrough since 2016. However, in short-term, TCM share price is no longer supported much by fundamental elements. Moreover, TCM share price has soared stiffly after its heavy decline in May 2015. Therefore, we rate **NEUTRAL** on TCM at the target price of VND36,400.

TCM Update report

OWNERSHIP INFORMATION

State owned	4.04%
Foreign owned	49.00%
Others	46.96%

MAJOR SHAREHOLDER

E-land Asia Holdings Pte., LTD Singapore	43.32%
Lê Quốc Hưng	5.97%

FORECASTED FINANCIAL RATIOS

Profit and loss statement

Unit (VND billion)	2012	2013	2014	2015F
Revenues	2,284	2,554	2,571	2,763
Cost of goods sold	2,116	2,209	2,195	2,762
Gross profit	167	346	376	430
Financial income	13	13	13	20
Financial expenses	67	66	47	(66)
Net income	(19)	124	168	171

Balance sheet

Unit (VND billion)	2012	2013	2014	2015F
Cash and cash equivalents	91	118	162	172
Accounts receivable – short-term	216	194	220	236
Inventories	610	613	621	711
Tangible fixed assets	678	697	820	848
Long-term investments	122	133	132	132
Total assets	1,966	1,989	2,186	2,334
Short-term loans	991	946	967	1,026
Long-term debt	345	301	392	395
Owners' equity	623	736	826	913
Total resources	1,966	1,989	2,186	2,334

Financial ratios

Items	2012	2013	2014	2015F
Growth				
Revenue growth (%)	4%	12%	1%	7%
Net profit growth (%)	-117%	-756%	36%	1%
Yield				
Gross profit margin (%)	7%	14%	15%	16%
Net profit margin (%)	-1%	5%	7%	6%
ROA (%)	-1%	6%	8%	7%
ROE (%)	-3%	18%	20%	35%
Capital structure				
Total liabilities to total asset (%)	68%	63%	62%	61%
Total liabilities to owners' equity (%)	215%	169%	165%	289%
Per shares				
EPS (VND/share)	(451)	2,511	3,423	3,476
Book value (VND/share)	13,926	14,956	16,797	18,548

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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