

THANH CONG TEXTILE GARMENT INVESTMENT TRADING JSC (TCM)

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COMPANY UPDATE BRIEFS



TCM: 2015 net profit decreased by 8.8 percent y-o-y, below management's target

Thanh Cong Textile Garment Investment Trading JSC (TCM) has announced financial results for 2015: net revenues were VND2,792 billion (USD124.0 million), up 8.6 percent y-o-y; however, net profits fell by 8.8 percent y-o-y to VND154 billion (USD6.8 million). Though net revenues were in line with our forecast for 2015, actual net profit was lower, as TCM bore higher financial expenses in 2015 due to forex losses.

VND bn	2014 (audited)	2015 (unaudited)	% y-o-y	2015's target	% target	2015 VPBS Forecast	% VBPS Forecast
Net revenues	2,571	2,792	8.6%	2,781	100.4%	2,777	100.5%
Gross profits	376	426	13.3%			423	100.8%
<i>Gross profit margin</i>	<i>14.6%</i>	<i>15.3%</i>				<i>15.2%</i>	
EBIT	205	219	6.8%			245	89.5%
<i>EBIT margin</i>	<i>8.0%</i>	<i>7.9%</i>				<i>8.8%</i>	
EBITDA	264	289	9.3%			311	
<i>EBITDA margin</i>	<i>10.3%</i>	<i>10.3%</i>				<i>11.2%</i>	
Profits before tax	182	167	-8.1%			192	87.0%
Profits after tax	168	154	-8.7%	170	90.4%	177	86.9%
Net profit	168	154	-8.8%			177	86.7%
<i>Net profit margin</i>	<i>6.5%</i>	<i>5.5%</i>	<i>NA</i>			<i>6.4%</i>	

For 2016, TCM's management has set targets for net revenues of VND3,264 billion (USD145 million) and profit after tax of VND160 billion (USD7.1 million). We believe that TCM will still suffer from forex fluctuations in 2016. The new garment factory, with a capacity of six million items per year, will generate significant growth in net revenues for TCM in 2016.

We forecast that 2016 net revenues will increase by 10 percent to VND3,075 billion (USD136.7 million) and net profit will climb to VND159 billion (USD7.1 million), up 3.3 percent y-o-y (please note that TCM's garment business will apply an income tax rate of 15 percent in 2016, instead of 7.5 percent as in 2015). We forecast 2016 EPS will be VND2,266. We maintain our **HOLD** recommendation for TCM stock with a target price of VND30,000 per share.

Today's stock price increased 1.9 percent, closing at VND27,000 per share, trading at 2015 P/E of 12.3x and 2016 P/E of 11.9x.

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