

# Textile & Garment

**Non-rated**

## On a growth track

### Robustly restocking activities bolstered export growth

In 4Q24, textile and garment sector continued a growth stance in both manufacturing and export activity. Particularly, clothing, fabric and yarn domestic production soared by a double-digit in 4Q24. Notably, the exports of textile and garment; and footwear soared by +17.2% yoy and +13.8% yoy, respectively. The rosy growths were bolstered by the restocking inventories activities in US and EU markets. Moreover, Vietnam's fiber and yarn exports saw moderated by 4.3% yoy in 4Q24.

### Textile and garment players – Keep growth stance in 4Q24

In 4Q24, T&G export segment saw the rally across the industries (including FDI and domestic companies), including: FDI firms: +15% yoy; domestic firms: +25% yoy. The US and EU markets continued to play the engine for T&G export growth in 4Q24, with an export growth of +19.4% yoy and 24.5% yoy, respectively. It was attributed to (1) Actively restocking inventory activities to the US market, and (2) Shinning signs of consumption in the EU market. Driven by favorable order trends in the US and EU markets, T&G listed enterprises recorded strong growth in both revenue and NPAT in 4Q24.

### Fiber and yarn – Export volume rebounded in 4Q24

In 4Q24, F&Y export turnover sat at USD1.15bn (+4.3% yoy). Specifically, exports to China (Vietnam's largest cotton yarn importer) are narrowing their decline, with exports recording USD0.57bn (-5.2% yoy/ +9.3% qq). Specifically, yarn prices remained stagnant, export volumes began to rise (+8.5% yoy), signaling a gradual uptick in downstream demand from the clothing and footwear industries. However, for F&Y producers (including ADS and STK), the resumption pace remains slow, partly due to demand being in the early stages of recovery and persistent competitive pressures during this time.

### Growth momentum could slow down in 1Q25F

In 1Q25F, we expect that 1Q25F T&G exports and enterprises are projected to experience only single-digit growth due to a potential slowdown in the US market, driven by high retailer inventories after restocking in late 2024 and steady recovery of consumer spending. Although, most companies have secured orders for 1Q25F and are negotiating for 2Q25F, they face challenges like stagnant prices, small orders, tight deadlines, and demanding requirements. The F&Y export segment faces continued challenges in 1Q25F due to competition from cheaper Chinese fibers, with selling prices remaining low to maintain order volumes, resulting in a negative outlook for stocks in this sector for at least 1H25F.

Based on the 4Q24's business results, MSH and TNG that was the top performers in sector and we think these NPAT growth could remain intact in 1Q25F thanks to stable export orders and well-managed costs.

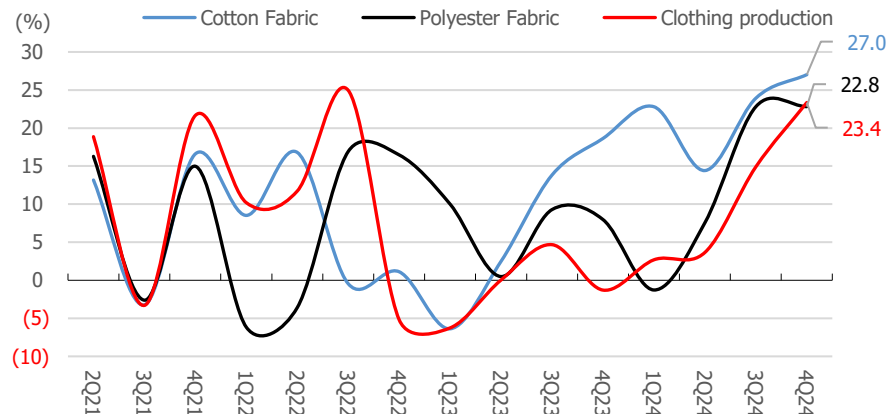
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## I. 4Q24 Sector overview – On growth track

According to General Statistics Office (GSO) data, the production of domestic fabric and clothing remained sharply surging, with a double-digit growth in 4Q24 (Figure 1), reflecting robust manufacturing activity in the textile and garment (T&G) sector.

**Figure 1. The robust domestic production of fabric and clothing in 4Q24**

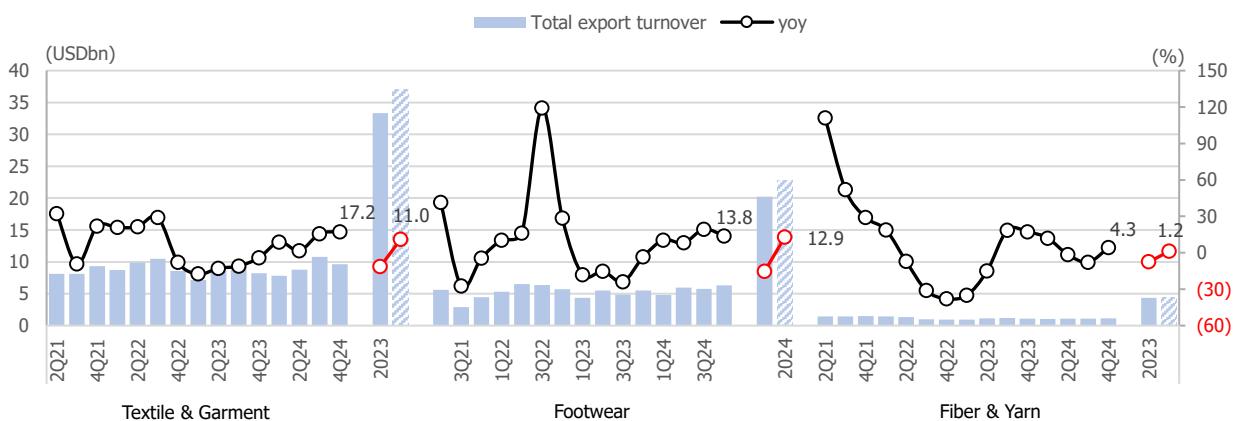


Source: GSO, KIS Research

Per Vietnam Customs data, the 4Q24 exports turnover of three types of products respectively recorded (T&G): USD9.6bn (+17.2% yoy); footwear: USD6.3bn (+13.8% yoy); and fiber and yarn (F&Y): USD1.15bn (+4.3% yoy) (Figure 2). Positive results indicated that the demand for fashion consumption has maintained a steady recovery.

Overall, in 2024, T&G and footwear recorded the best growth, surging by 11% yoy and 12.9% yoy, respectively. Meanwhile, exports of fibers and yarns inched up +1.2% yoy due to intense competition, which led to a plummet in prices throughout the year.

**Figure 2. T&G and footwear products gained a spotlight in 4Q24 and FY2024**



Source: Vietnam Customs, FiinproX, KIS Research

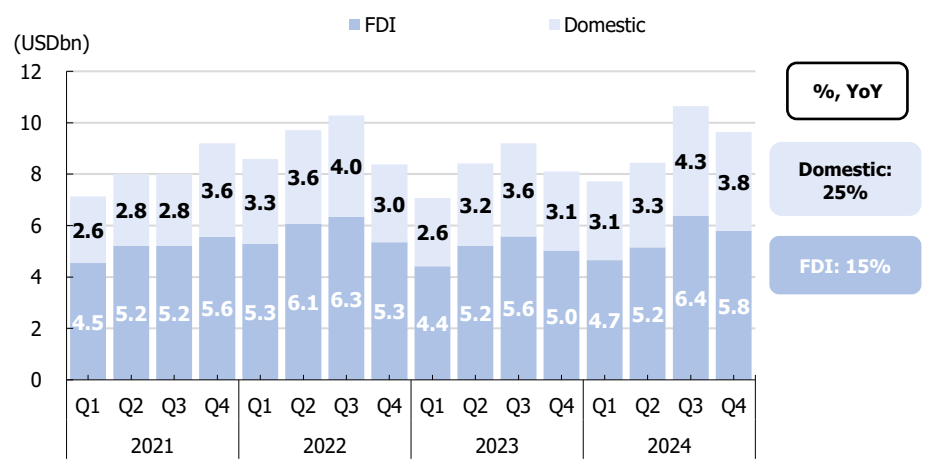
## II. T&G export segments – Keeping growth stance in 4Q24

### 1. 4Q24 T&G export turnover overview

In 4Q24, we witnessed the rally across the industries (including FDI and domestic companies), including FDI firms: +15% yoy; domestic firms: +25% yoy (Figure 3). Notably, exporting to key markets remained intact, specifically:

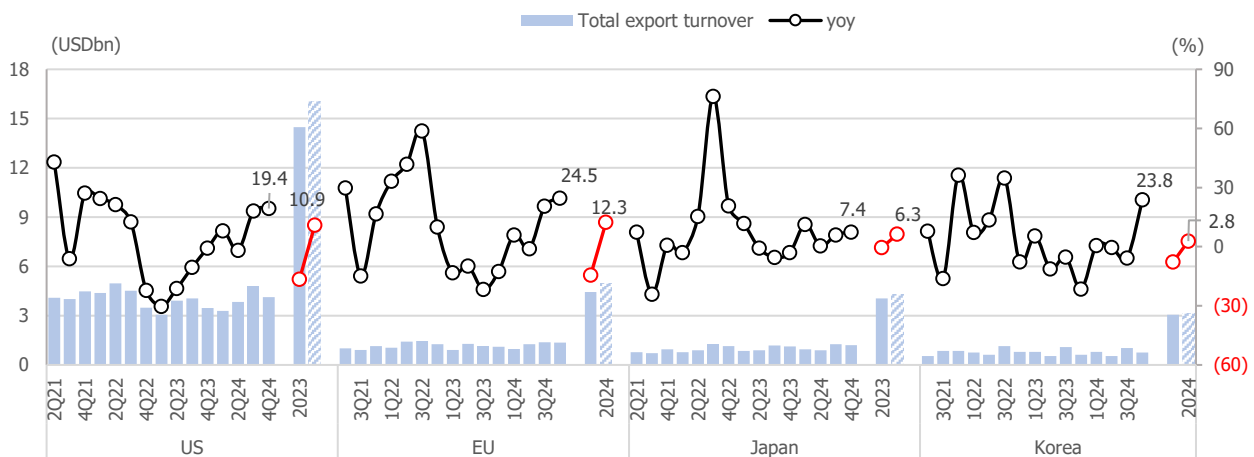
- *The US and EU markets:* Despite the end of the Q3 peak shopping season, import demand from these two markets remained strong, swelling on +19.4% yoy and +24.5% yoy in 4Q24. These markets were the primary drivers of garment export in 2024, increasing by 10.9% yoy and 12.3% yoy, respectively.
- *In the Asian markets:* represented by Japan and Korea, growing by +7.4% yoy and 23.8% yoy, respectively. There indicated that consumption in these markets gradually reviving. For FY2024, export to these two markets only saw a modest single-digit uptick.

**Figure 3. T&G export turnover of domestic enterprises plunged by 25% in 4Q24**



Source: Vietnam Custom, KIS Research

**Figure 4. The US and EU markets played the engine for T&G export growth**



Source: Vietnam Customs, FiinproX, KIS Research

## 2. The US market – Restocking inventories fostered T&G export

The US market accounted for 44% of total Vietnamese export value in 2024. According to OTEXA, total US textile and apparel imports strongly rebounded by 17.4% yoy in 4Q24 (Figure 5).

*In demand side*, we see positive signs from US consumer spending data, as (1) Consumer confidence picked up in 4Q24 (but it remained lower than levels seen

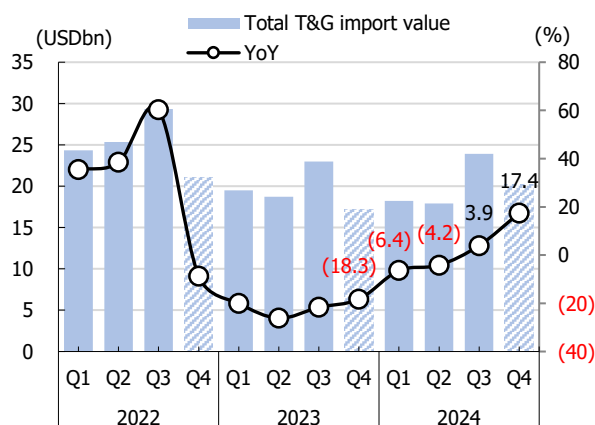
in 2018-19), (2) Garment spending/ total personal spending gradually stayed flattish after a period of a steep decline (Figure 6). Although data reveal that the propensity to spend on discretionary goods, such as fashion apparel, has not robustly rebounded, indications of slight improvement have emerged, notably from 2H24 onwards.

*In terms of inventory in US market, our analysis showed that:*

- Retail inventories clothing gradually edged up in 2H24, amidst clothing retail sales are still modest (Figure 7).
- Particularly, major US sportswear, casual fashion and key retailers' companies' inventories bounced back after a prolonged promotional activity to lean inventories. Specifically, in 4Q24, there recorded that sportswear brands: -2.1% yoy vs. -14.1% yoy in 3Q24; Casual fashion brands: +1.1% yoy vs. -7.4% yoy in 3Q24; and retailers: +2.1% yoy vs. +0.8% yoy in 3Q24 (Figure 8, 9, 10).

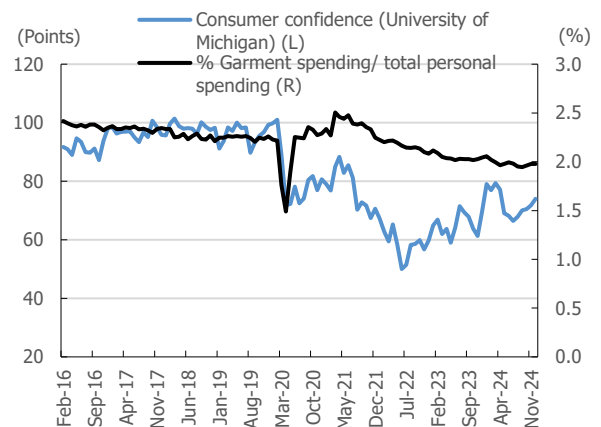
In further details, US clothing brands and retailers could predict the more certain about the demand outlook in next few months, thereby actively restocking inventory. As such, Vietnamese T&G enterprises received the full orders in 4Q24, that ensured the double-digit export growth as discussed above.

**Figure 5. The US T&G import value soared +17.4% yoy in 4Q24**



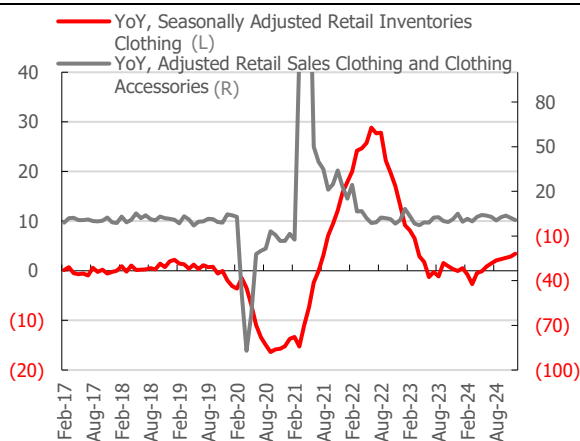
Source: OTEXA, KIS Research  
(\* Note: Calculating based on HS61, HS62)

**Figure 6... Thanks to consumption demand becoming more favorable**



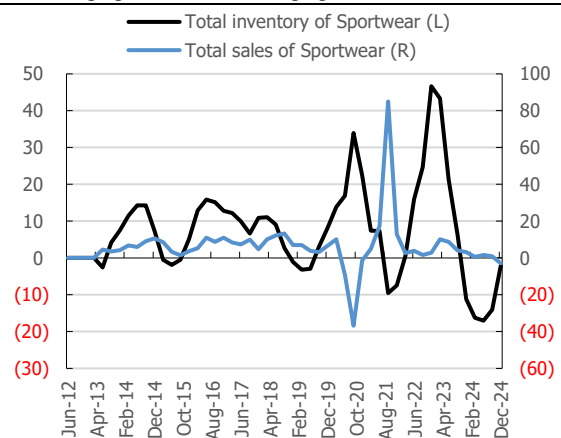
Source: Vietnam Customs, KIS Research

**Figure 7... Leading to actively restocking inventories**



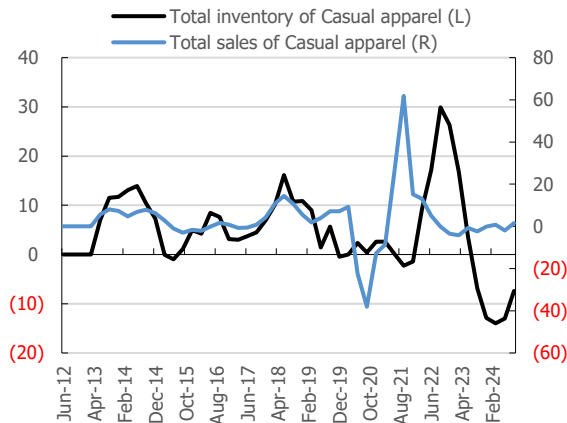
Source: Bloomberg, KIS Research

**Figure 8. Sportswear enterprises' inventories was at -2.1% yoy vs. to -14.1% yoy in 3Q24**



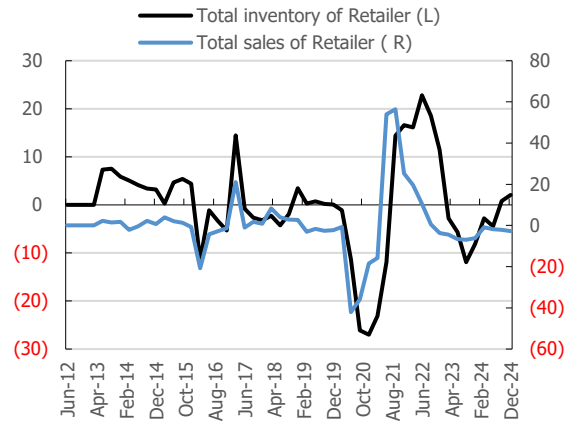
Source: Bloomberg, KIS Research

**Figure 9. Casual brands' inventories moderated +1.1% yoy vs. to -7.4% yoy in 3Q24**



Source: Bloomberg, KIS Research

**Figure 10. Retailers' inventories inched up by 2.1% yoy vs. to +0.8% yoy in 3Q24.**



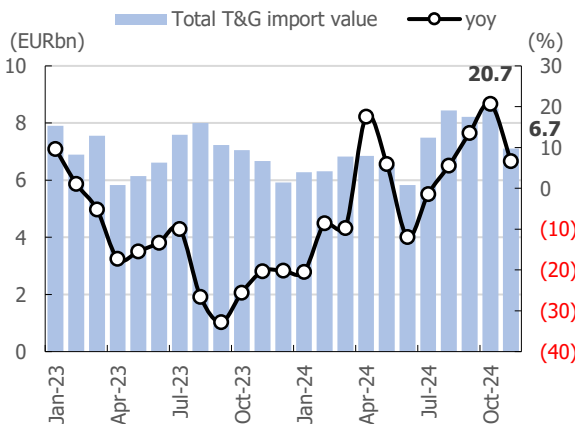
Source: Bloomberg, KIS Research

### 3. The EU market – Shinning signs of consumption

The EU market accounted for 13% of total Vietnamese export value in 9M24. According to Eurostat data, total EU T&G import turnover (HS 61, 62) bounced back +20.7% yoy in Oct-24 and +6.7% yoy in Nov-24 (Figure 11).

We believe two primary drivers contributed to the pickup in consumer confidence: (1) inflationary relief, and (2) the ECB's rate cuts to stimulate the economy (Figure 12, 13). As a result, export orders for major EU textile and garment processing countries gradually improved. Notably, Vietnamese T&G export turnover recorded growth of +24.5% yoy in 4Q24 and for FY2024: +12.3% yoy.

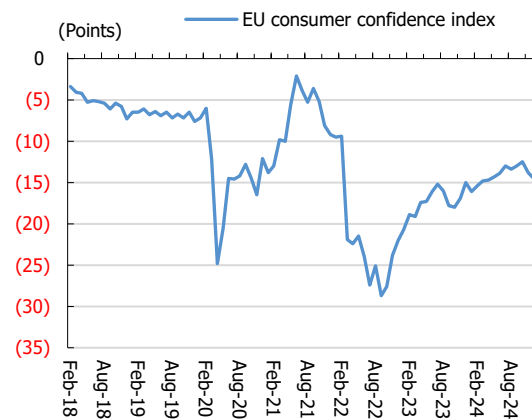
**Figure 11. Positive signal from EU T&G import turnover in 4Q24**



Source: Eurostat, KIS Research

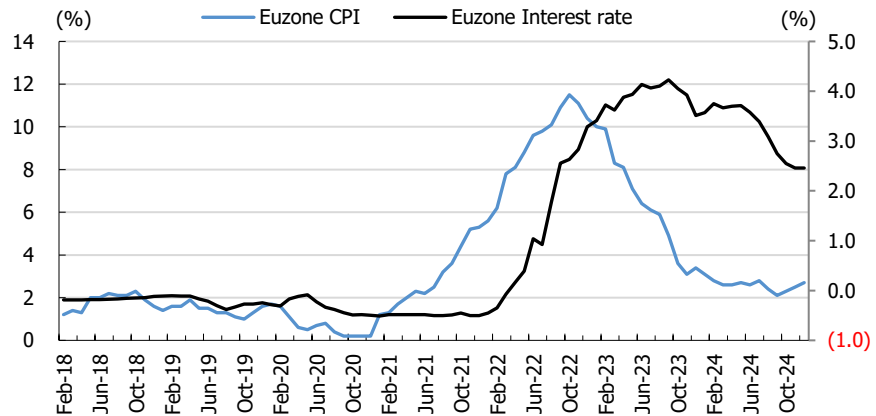
(\*) Note: Calculating based on HS61, HS62

**Figure 12... Thanks to the resumption of consumer confidence**



Source: Bloomberg, KIS Research

**Figure 13. Inflationary relief and lower interest rate are catalyst for reviving consumption**



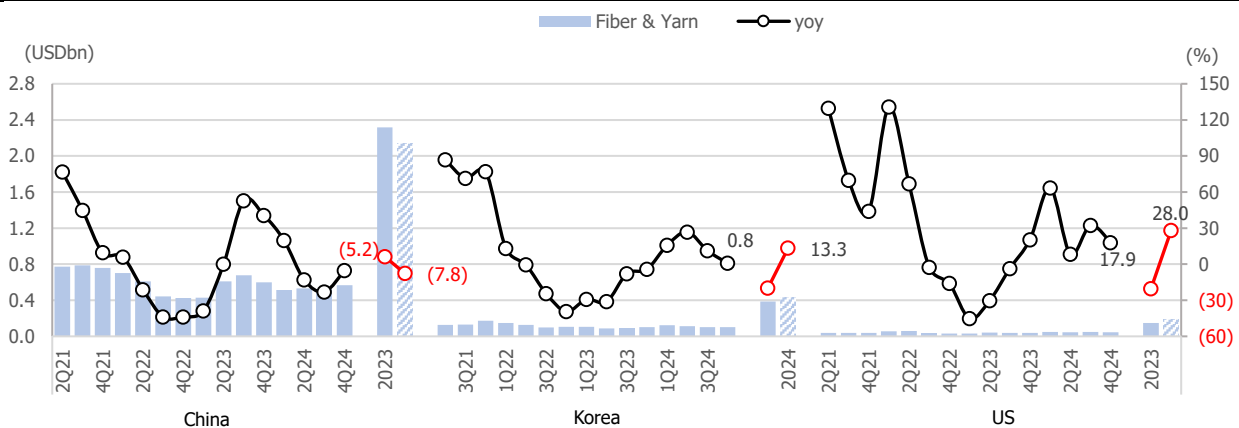
Source: Bloomberg, KIS Research

### III. F&Y segments – Export volume rebounded in 4Q24

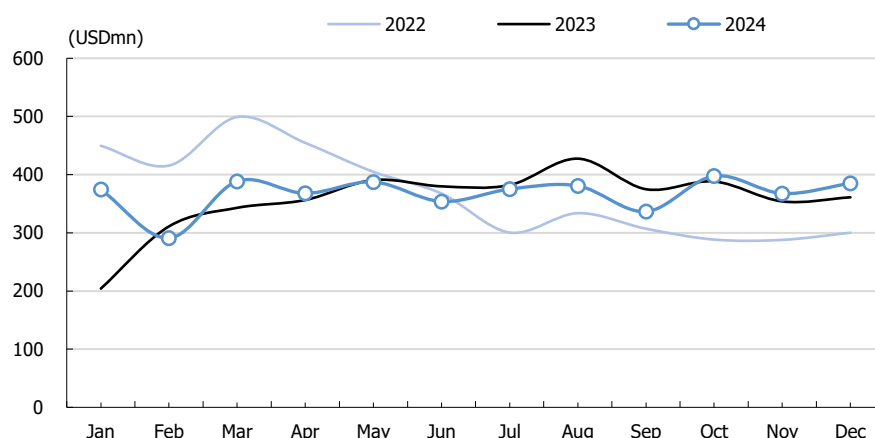
According to Vietnam Customs, F&Y export turnover sat at USD1.15bn (+4.3% yoy) in 4Q24. Specifically, exports to China (Vietnam's largest cotton yarn importer) are narrowing their decline, with exports recording USD0.57bn (-5.2% yoy/ +9.3% qoq) in 4Q24. Overall, in 2024, the top three importers of Vietnamese F&Y – China, Korea, and the US – recorded growth of -7.8% yoy, +13.3% yoy, and +28% yoy, respectively.

We saw that F&Y export turnover showed positive momentum at year-end (*Figure 15*). While yarn prices remained stagnant, export volumes began to rise in 4Q24 (+8.5% yoy, *figure 16*), signaling a gradual uptick in downstream demand from the clothing and footwear industries (as a primary input for processing finished products).

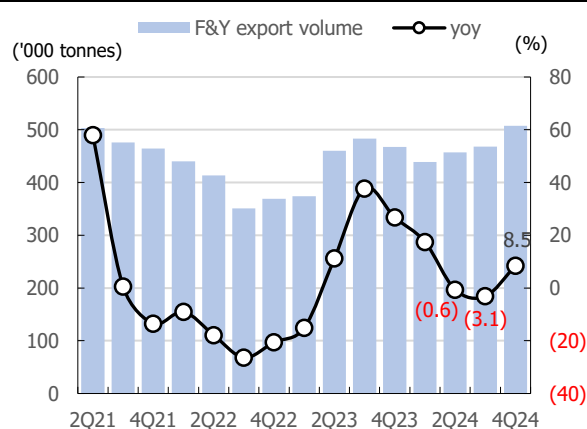
**Figure 14. Exports to China (Vietnam's largest cotton yarn importer) are narrowing their decline momentum**



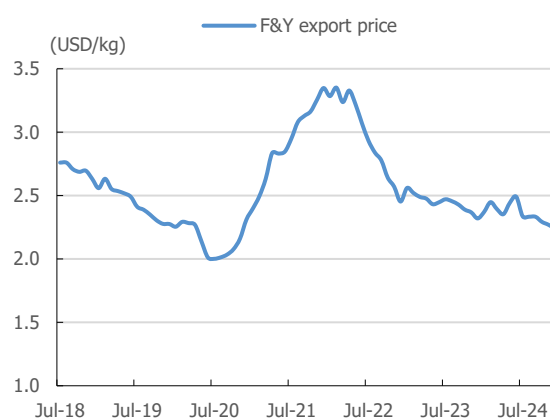
Source: Vietnam Customs, FiinproX, KIS Research

**Figure 15. F&Y export turnover narrowed the deceleration momentum in 4Q24**

Source: Vietnam Customs, FiiiproX, KIS Research

**Figure 16... Thanks to an uptick in export volume**

Source: Vietnam Customs, KIS Research

**Figure 17. Meanwhile, F&Y export price remained dimming**

Source: Vietnam Customs, KIS Research

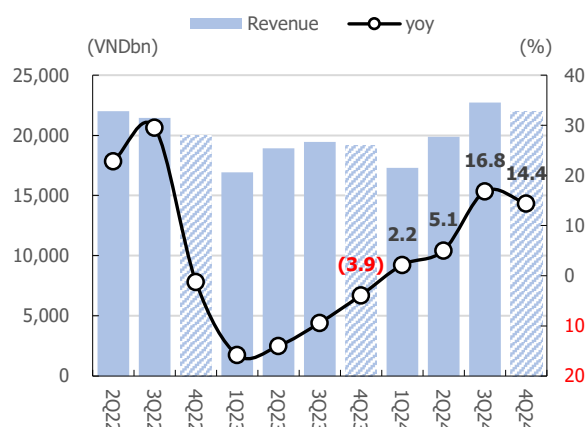
## IV. Listed company overview – In line with export trends

### 1. 4Q24 aggregated business performance of entire sector

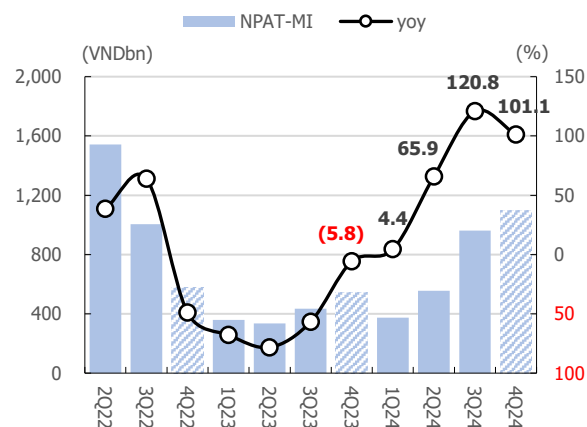
In our collection, 4Q24 aggregated revenue of 32 listed T&G and F&Y companies kept surging +14.4% yoy, amounting to VND21,962bn, that was in line with the T&G export trends. Meanwhile, NPAT-MI growth remained intact, soaring by 1.01x yoy/ +14.3% qoq, posting to VND1,098bn.

In 4Q24, the aggregated gross margin (GM) was up to 14.8% (+3.2%p yoy/ +1.8% qoq). Most enterprises reviving their GM, which could be attributed to strong order growth optimizing production processes and gradually improving processing prices as import demand from major markets like the US and EU surged during the year-end peak season. Meanwhile, SG&A/ revenue remained stable at 9.3%, enabling net margin (NM) to 5% (+2.2%p yoy / +0.7%p qoq).

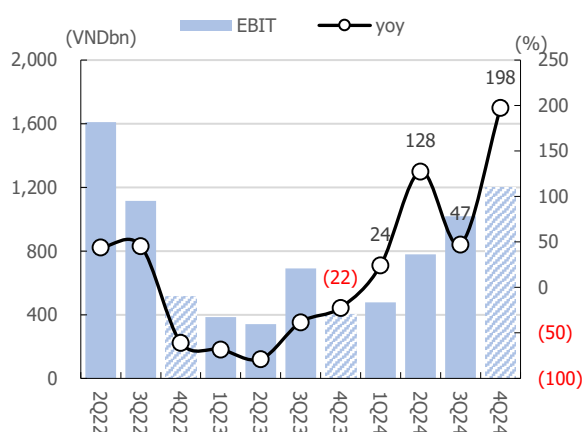
Additionally, the robust growth of aggregated NPAT-MI is due to VGT (the largest exporter in industry) resuming from a low base in 4Q23, posting NPAT-MI to VND200bn vs. VND25bn in 4Q23. Alongside, the other enterprises' NPAT also steeply rallied (Table 1), reflecting more favorable business condition.

**Figure 18. 3Q24 aggregated revenue of entire textile sector surged by 16.8% yoy**

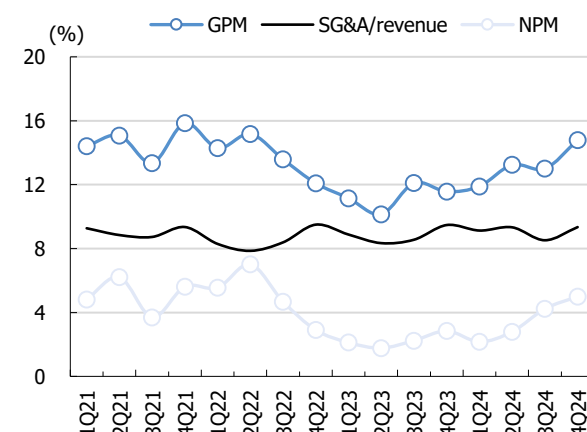
Source: Company data, FiiiproX, KIS Research

**Figure 19. Meanwhile, NPAT-MI also kept a high growth, with a VND961bn (+1.2x yoy)**

Source: Company data, FiiiproX, KIS Research

**Figure 20. Core business rebounded strongly in 4Q24**

Source: Company data, FiiiproX, KIS Research

**Figure 21. 4Q24 Aggerated GM and NM gradually picked up in 4Q24**

Source: Company data, FiiiproX, KIS Research

**Table 1. Business results of some notable listed T&G and F&Y companies in 4Q24**

(VNDbn, %, %p)

	Company	Revenue	yoy	GP	yoy	NPAT-MI	yoy	GM	yoy	NM	yoy
<b>T&amp;G</b>	<b>Total</b>	<b>16,141</b>	<b>12.5</b>	<b>2,393</b>	<b>48.0</b>	<b>881</b>	<b>92</b>	<b>14.8</b>	<b>3.6</b>	<b>5.5</b>	<b>2.3</b>
	VGT	4,819	12.1	587	108.3	200	696	12.2	5.6	4.2	3.6
	VGG	2,130	(4.0)	276	28.3	94	75	12.9	3.3	4.4	2.0
	TNG	1,852	12.0	276	8.7	75	32	14.9	(0.4)	4.0	0.6
	M10	1,306	18.4	163	51.6	20	(24)	12.5	2.7	1.5	(0.8)
	TCM	925	13.6	139	7.2	61	181	15.0	(0.9)	6.6	3.9
	MNB	1,401	39.7	262	33.2	31	500	18.7	(0.9)	2.2	1.7
	MSH	1,428	23.5	286	78.3	170	109	20.1	6.2	11.9	4.9
	GIL	192	(16.8)	47	65.7	14	(1)	24.4	12.1	7.4	(32.1)
	EVE	197	(12.9)	79	12.1	6	54	40.3	9.0	3.2	1.4
	HTG	1,331	18.8	164	85.6	92	189	12.3	4.4	6.9	4.1
PPH	561	7.1	114	34.7	116	92	20.3	4.2	20.8	9.2	
<b>F&amp;Y</b>	<b>Total</b>	<b>816</b>	<b>12.9</b>	<b>114</b>	<b>20.5</b>	<b>48</b>	<b>20</b>	<b>13.9</b>	<b>0.9</b>	<b>5.9</b>	<b>0.3</b>
	ADS	482	30.1	51	40.6	29	247	10.7	0.8	6.0	3.8
	STK	334	(5.2)	62	7.8	19	(40)	18.7	2.2	5.6	(3.3)

Source: Company data, FiiiproX, KIS Research



## 2. 4Q24's T&G and F&Y enterprises business performance

Driven by favorable order trends in the US and EU markets during 4Q24, T&G enterprises recorded strong growth in both revenue and NPAT. Notably, MSH achieved its all-time high on absolute NPAT, representing the sector's brightest spot in 4Q24. Meanwhile, VGT, TNG, and TCM all maintained their recovery momentum.

**Table 2. Selected T&G companies' business performance in 4Q24**

(VNDbn, %)

	2024 Revenue	YoY	2024 NPAT-MI	YoY	Comments on 4Q24 performance
<b>VGT</b>	17,361	5.4	372	1.24x	<p>In 4Q24, VGT's revenue posted VND4,819bn (+12.6% yoy/ +5% qoq). Per BOD, this growth was thanks to the resumption of demand in key markets. Particularly, per BOD view, garment segment saw a recovery in both orders and selling prices, alongside capitalizing on the shift away from markets like China, Bangladesh, and Myanmar... Notably, fiber and yarn segment significantly reduced loss as compared to 2023 thanks to lower cotton prices.</p> <p>Therefore, blended GM stood at 12.2% (+5.2%p yoy/ +1.1%p qoq). As such, NPAT-MI jumped to VND200bn (+6.7x yoy/ +54.9% qoq).</p>
<b>TNG</b>	7,736	9.1	316	44.9	<p>In 4Q24, TNG's topline grew to VND1,852bn (+11.7% yoy/-21.5% qoq), maintaining its growth momentum thanks to high orders from key clients (Decathlon).</p> <p>The GM was 14.9% (-0.5%p yoy / +0.5%p qoq). Overall, TNG's GM trend stayed flat despite limited upward pressure on processing prices, primarily due to TNG's improved production processes aimed at optimizing raw material costs.</p> <p>4Q24 NPAT swelled on +24.8% yoy to VND74.5bn, marking the third consecutive quarter of double-digit NPAT growth.</p>
<b>TCM</b>	3,810	14.6	276	1.1x	<p>In 4Q24, TCM's revenue reached VND925bn (+13.5% yoy/ 16.3% qoq), mainly fueled by the Korean market (the key exporting market of TCM). Notably, the large orders from major shareholder E-Land (South Korea) leading TCM, with a rally of +47.8% yoy. In contrast, the US market (accounting for 23% of revenue in 4Q24), remaining dimming, declining by 15.7% yoy.</p> <p>TCM's GM stayed flattish vs to 3Q24, to 15% (-0.9%p yoy). However, TCM recorded lower SG&amp;A/ revenue, only sitting at 7.1% (+0.3% yoy/ -3.2% qoq), and higher financial revenue thanks to gain of FX (VND16.5bn, +45.4% yoy) in 4Q24. As a result, 3Q24 NPAT-MI reached VND61bn (+1.8x% yoy/ -24.7% qoq).</p>
<b>MSH</b>	5,280	16.2	410	67.3	<p>In 4Q24, MSH's revenue growth remained intact, as VND1,428bn (+23.4% yoy/ -18.3% qoq) thanks to the resumption of orders from key clients.</p> <p>Notably, GM bolstered to 20.1% (+6.2%p yoy/ +4.9%p qoq), the highest level since 3Q22, we think increased order volume coupled with slightly improved processing prices were the two main drivers behind this significant GM expansion. Additionally, MSH gained a financial revenue of VND63.4bn, partially contributing to NPAT growth. As such, NPAT-MI jumped to VND170bn (+1.04%p yoy/ +30.7% qoq).</p>

Source: Company data, KIS Research

For F&Y producers (including ADS and STK), the recovery pace remains slow, partly due to demand being in the early stages of recovery and persistent competitive pressures.

**Table 3. Selected F&Y companies' business performance in 4Q24**

(VNDbn, %)

	2024 Revenue	YoY	2024 NPAT-MI	YoY	Comments on 4Q24 performance
<b>ADS</b>	1,629	(0.1)	51	(12.8)	<p>In 4Q24, ADS's revenue bounced back to VND482bn (+30.1% yoy) thanks to the rebound in F&amp;Y export in 4Q24 (as we discussed in sector review).</p> <p>However, we noticed that gross profit of F&amp;Y segment recorded losses of VND12bn in 4Q24 due to the intense competition that weighed on F&amp;Y selling prices, causing losses. 4Q24 blended GM sat at 10.7% (+1.7% yoy /+4% qoq) thanks to recording high revenue from real estate segment.</p> <p>Therefore, at the bottom line, NPAT-MI surged to VND29bn (+2.5x yoy/ +2.85x qoq), but this was primarily derived from non-core business activities.</p>
<b>STK</b>	1,210	(15)	46	(48)	<p>In 4Q24, STK's revenue posted to VND334bn (-5.2% yoy/ +8.8% qoq) amid cautious consumer spending and intense competition to import polyester yarns, which led to lower sales.</p> <p>STK's GM moderated to 18.7% (+2.2% yoy/ +1.8% qoq). However, STK recorded a FX loss of VND31bn in 4Q24, that dragging on NM to 5.6% (-3.3% yoy/ -21%p qoq). As a result, NPAT plummeted to VND19bn (-41.2% yoy/ -76.8% qoq).</p>

Source: Company data, KIS Research

## V. Growth momentum could slow down in 1Q25F

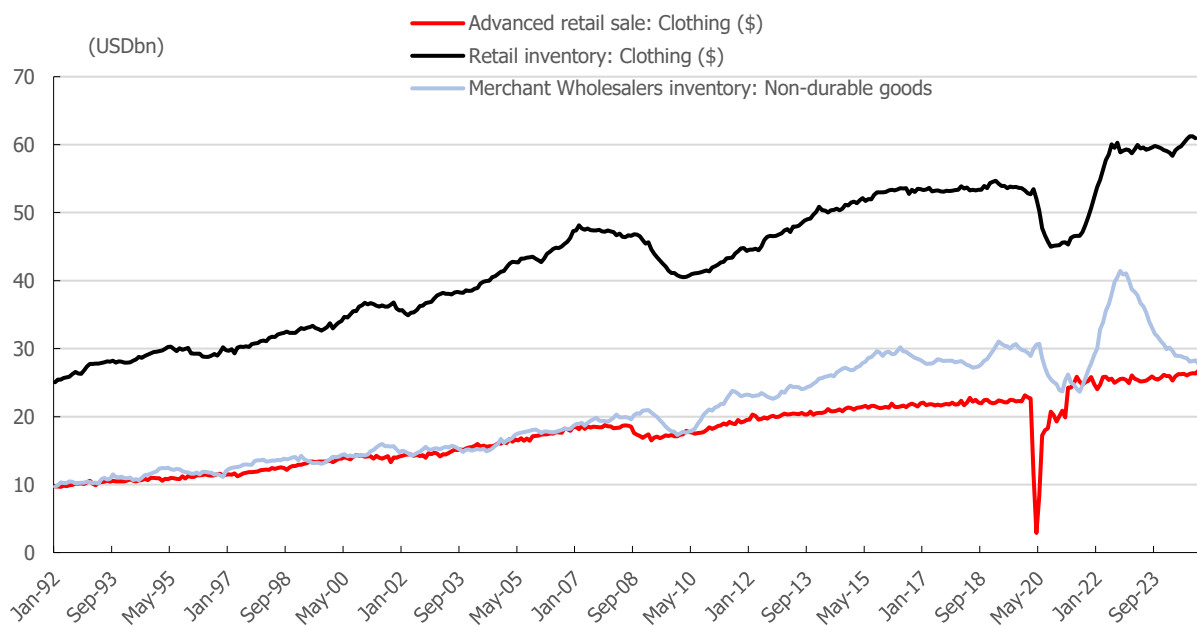
In 1Q25F, for T&G export and T&G enterprises' performance, we assess that:

- The growth momentum could pose a single-digit growth. We think the key engine for growth (the US market) that could slow down due to inventories of retailers, sportswear and casual brands elevated after re-stocking activities in 3Q24 and 4Q24 (as we discussed on section II). Meanwhile, clothing retail sales are in early stage of recovery, thereby the high stockpile need more time to observe. Alongside this, wholesaler' inventories remain shrinking, reflecting a conservative outlook on downstream (end-user) consumption demand (Figure 22).
- In term of average selling prices, we think a limited incentive for manufacturers to negotiate higher selling prices with customers. This is attributable to the nascent stage of demand recovery, with consumers remaining cautious in their spending on discretionary products.
- Moreover, according to the Vietnam Textile and Apparel Association (VITAS), most textile and garment enterprises have secured orders for 1Q25F and are currently negotiating orders for 2Q25F. However, the prevailing environment presents challenges, characterized by stagnant unit prices, a scarcity of large-volume orders, stringent delivery timelines, and demanding requirements.

Therefore, textile and garment companies will likely face stagnant GM due to low selling prices. Furthermore, SG&A expenses may increase with order growth because of stricter product quality control, thereby weighing on EBIT margin expansion.

*Regarding the F&Y export segment, we anticipate continued challenges in 1Q25F. Competition from cheap Chinese fibers poses a significant threat to Vietnamese F&Y products. Selling prices are unlikely to experience a substantial recovery and will likely remain at depressed levels to maintain export order volumes. Consequently, we maintain a negative outlook on stocks within this sector for at least the 1H25F.*

**Figure 22. the divergence trend between retailers' inventories and wholesalers' inventories.**



Source: Fred, KIS Research

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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