

Song Hong Garments (MSH)

Solid growth in 1Q25 but risks loom from 2Q25F onward

1Q25 – CMT orders led MSH's growth

- In 1Q25, MSH's revenue posted to VND1,036bn (+34.5% yoy/ -27.5% qoq). The MSH's revenue growth outperformed compared to Vietnam T&G export in 1Q25. Per Vietnam customs, 1Q25's total T&G export turnover grew only by 11% yoy, including exports to US: +15.1% yoy (a primary market of MSH) (Figure 1, 2) thanks to the robust growth of CMT orders. Specifically:
 - o **FOB contracts:** Posted to VND552bn (+3% yoy), with a gross margin (GM) of 15.7% (+1.1%p yoy/ -0.9%p qoq).
 - o **CMT contracts:** Soared by 1.06x yoy to VND484bn, with a GM of 21.6% (+14.2%p yoy/ -13.3% qoq). A demand for CMT contract remained intact that led to MSH deal higher average selling prices (ASPs) for these products under CMT contracts.
- 1Q25's revenue growth have not yet been impacted by "reciprocal tariff" as strong orders persisted in 1Q25, with brands/ retailers making effort to fulfill their stockpile.
- Notably, gross profit (GP) fostered by 1.01x yoy but sliding by 33.3% qoq to VND191bn in 1Q25. MSH's blended GM maintained at high level, pegging at 18.4% (+6.1%p yoy/ but -1.6%p qoq), we saw the CMT contracts mainly contributed to a high GM. However, we think a high GM of CMT orders that could not maintain, it will likely pull back to the normal level as demand eases.
- 1Q25's SG&A/ revenue edged up, posting to 9.4% (+0.7%p yoy and +1.9%p qoq). We think administration costs increased due to higher costs of quality control as revenue growth.
- At the bottom line, 1Q25's NPAT posed to VND43.3bn (+3.4% yoy) and net margin (NM) of 2.9%, squeezing by 1.1%p qoq.

2025F's outlook – Headwinds starting from 2Q25F

- In 2025 annual general meeting, BOD plan 2025's revenue and PBT will likely post to VND5,500bn (+4.2% yoy) and VND600bn (+10.3% yoy).
- **BODs view about US market's demand outlooks:**
 - o Consumption could be hit hard amid tariff-related disruptions.
 - o Export orders: MSH has secured full orders through Jul - Aug/25. However, BODs assess that order prospects for the 2H25F are unfavorable, as brands/retailers are awaiting the final tariff decision from the Trump administration and reassessing end-consumer purchasing power.
 - o At the current 10% tariff, MSH is only willing to share 1–2% of the cost burden, while the remaining portion will be borne by raw material suppliers and the customers themselves.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

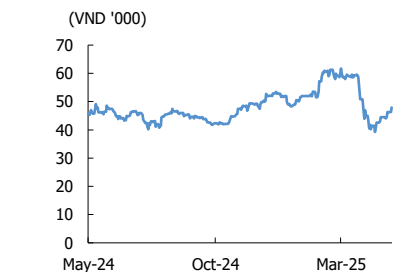
Stock Data

VNIndex (12 May, pt)	1,282
Stock price (12 May, VND)	47,850
Market cap (USD mn)	138
Shares outstanding (mn)	75
52-Week high/low (VND)	61,700/39,250
6M avg. daily turnover (USD mn)	0.59
Free float / Foreign ownership (%)	49.4/5.3
Major shareholders (%)	
Bui Duc Thinh	23.9
FPT securities	12.8
Bui Viet Quang	11.4

Performance

	1M	6M	12M
Absolute (%)	6.6	1.5	4.2
Relative to VNIndex (%p)	1.6	(1.9)	(0.7)

Stock price trend



Source: Bloomberg

Research Department

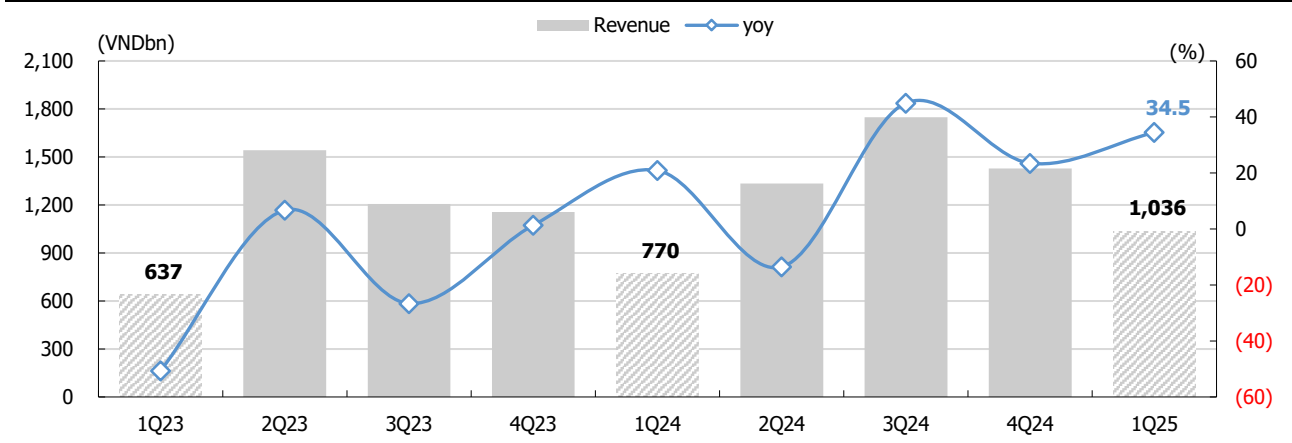
researchdept@kisvn.vn

- On the other hand, the order shifting from Chinese markets gradually increases. As such, MSH still peg positive about garment order visibility throughout 2025F.
- However, in our view, in the context of unpredictable tariffs and ongoing trade tensions that could impact US consumer demand—there is a significant risk that (1) Garment export order may decline, and (2) MSH may be compelled to adjust ASPs in order to share the burden with customers. Therefore, the 2025 business plan is unlikely to achieve its targets.

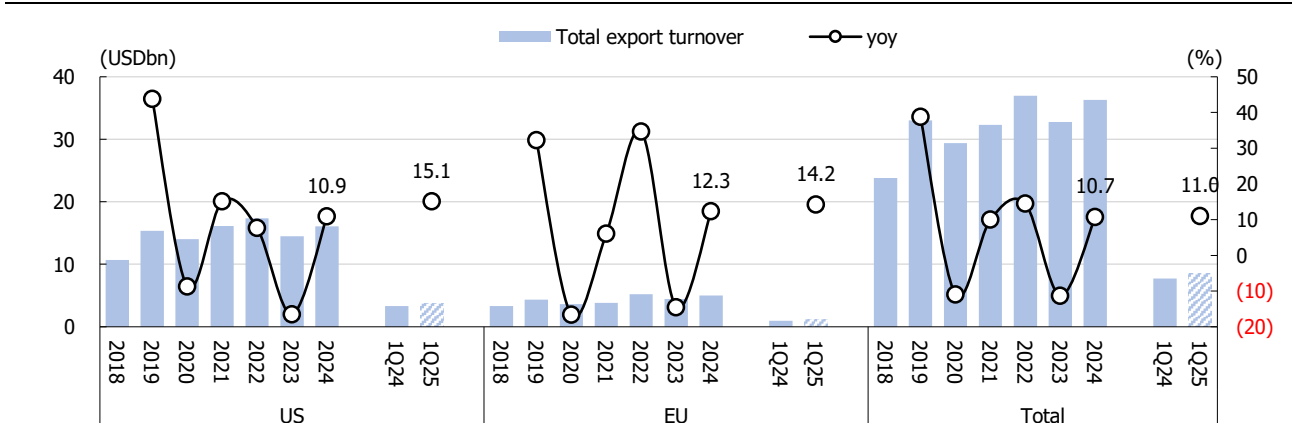
Table 1. Yearly earnings and financial ratios

	2020A	2021A	2022A	2023A	2024A
Sales (VND bn)	3,813	4,748	5,521	4,542	5,280
chg. (% YoY)	(13.6)	24.5	16.3	(17.7)	16.3
Operating profit (VND bn)	238	487	359	187	440
Net profit (VND bn)	232	442	375	245	410
EPS (VND)	3,118	5,897	4,998	3,260	5,465
chg. (% YoY)	(48.6)	89.1	(15.3)	(34.8)	67.6
PE (x)	6.3	7.3	5.8	10.4	9.5
EV/EBITDA (x)	4.3	6.3	3.8	7.1	7.1
PB (x)	1.1	2.3	1.3	1.5	2.2
ROE (%)	18.3	31.7	24.7	15.0	23.8
Dividend yield (%)	15.4	11.6	17.3	7.4	6.7

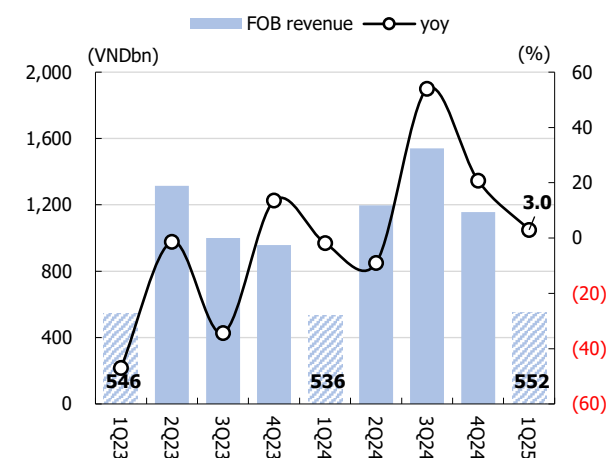
Note: Bloomberg, Net profit, EPS and ROE are based on figures attributed to controlling interest

Figure 1. MSH's revenue surged by 34.5% yoy in 1Q25 but declined 27.5% qoq due to seasonality

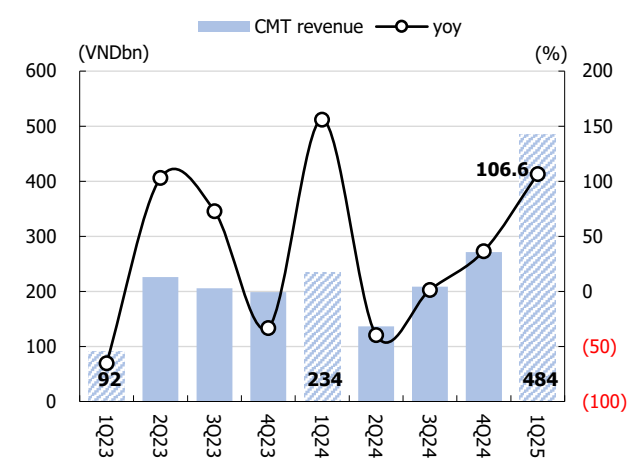
Source: Company data, KIS Research

Figure 2... MSH's revenue outperformed 1Q25's Vietnamese T&G export

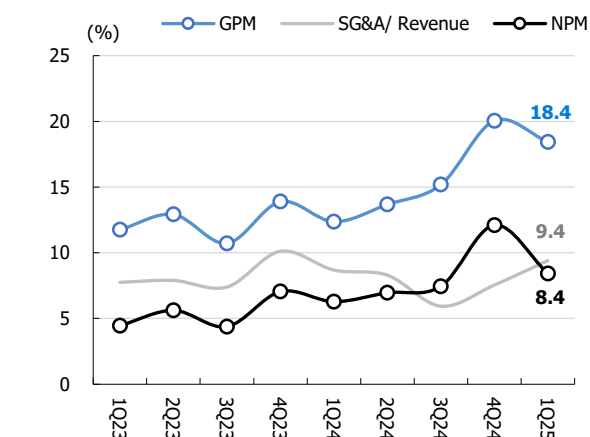
Source: Vietnam Customs, KIS Research

Figure 3. FOB revenue inched up +3% yoy

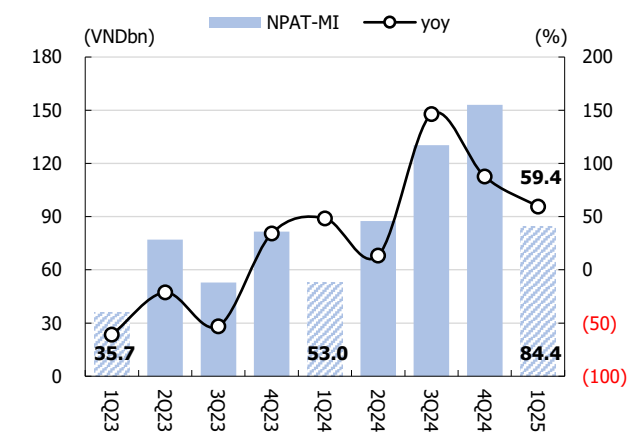
Source: Company data, KIS Research

Figure 4... While CMT soared by 1.06x yoy

Source: Company data, KIS Research

Figure 5. GM remained at a high level thanks to the contribution of CMT contracts

Source: Company data, KIS Research

Figure 6... Hence, 1Q25's NPAT kept growth stance

Source: Company data, KIS Research

■ Company overview

Founded in 1988, Song Hong Garment Joint Stock Company is one of Vietnam's leading manufacturers and exporters of garments and bedding products. With 26 production workshops centrally built and managed in Nam Dinh, the company benefits from its proximity to airports and seaports. It has become a reliable partner of many renowned global fashion brands such as Columbia Sportswear, Haddad Brands (featuring Nike, Converse, Levi's), among others.

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