

Century Synthetic Fiber (STK)

Earnings rebound from the low base

1Q25 – Gross margin hit all high time

- In 1Q25, STK's revenue posted to VND376bn (+41.6% yoy/ +12.7% qoq), of which, virgin yarn: VND187bn (+17.8% yoy/ +7.9% qoq) and recycled yarn: VND189bn (+77.3% yoy/ +17.9% qoq). Specifically:
 - o *Virgin yarn*: Total volume rebounded from the low base in 1Q24, to 4,610 tonnes (+32.6% yoy/ +13.9% qoq), as STK resolved the problems relating to Certification of Origin (C/O) and automatic quality systems, while average selling prices (ASPs) sat at VND40.6mn/kg (-11.2% yoy/ -5.2% qoq). However, the recovery remained unclear due to an intense competition to Chinese yarn. Per STK data, Chinese polyester filament yarn imports to Viet Nam grew by 15.3% yoy.
 - o *Recycled yarn*: Volume soared by 49.4% yoy, to 2,540 tonnes. Meanwhile, the recycled ASPs kept reviving, with an increase by +18.7% yoy and +5.6% qoq, thanks to the slight resumption demand in high-end segment of apparel products (using higher proportion of recycled in apparel/ footwear).
- *Regarding to sale mix by countries*, export revenue recorded to VND106bn (+38.2% yoy/ 13.5% qoq), the key export market includes Thai, Korea (17.8% of total revenue), US (6% of total revenue) and other (4.4% of total revenue). Meanwhile, domestic market and exporting domestic posted to VND270bn (+43.1% yoy/ +12.4% qoq, accounting for 71.8% of total revenue).
- *Notably, STK's blended GM* peg at 20.8% (+8.6%p yoy/ +1.5%p qoq) due to:
 - (1) The price gap (yarn ASPs – PET chip costs) of virgin and recycled yarns widened:
 - o *Virgin yarn*: Although its ASPs slumped due to softer raw material costs, hence STK actively reduced its ASPs further to support sales volume amid fierce competition to Chinese imported yarn. Specifically, virgin PET chip fell by 25.9% yoy and 19.8% qoq, widening price gap by 7.1% yoy and 12.3% qoq.
 - o *Recycle yarn*: its price gap increases +12.5% yoy but -18.4% qoq, mainly driven by ASPs soaring in 1Q25, meanwhile, recycle PET chip also surged +23.9% yoy and +36.2% qoq. STK finds it difficult to significantly increase ASPs to offset all high input costs, as demand is only in the early stages of recovery.
 - (2) The sales volume revived strongly in 1Q25, hence utilizing capacity, in turn lowering the costs per finished yarns.

12M rating **Non-rated**

12M TP **N. A**

Up/Downside **N. A**

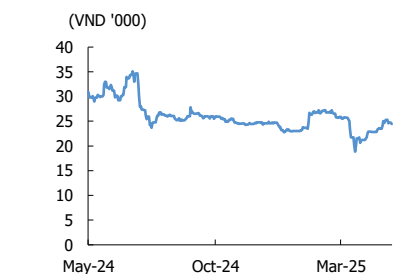
Stock Data

VNIndex (23 May, pt)	1,309
Stock price (23 May, VND)	24,450
Market cap (USD mn)	91
Shares outstanding (mn)	97
52-Week high/low (VND)	35,100/18,850
6M avg. daily turnover (USD mn)	0.04
Free float / Foreign ownership (%)	61.2/17.0
Major shareholders (%)	
Huong Viet Investment	20.2
Dang Trieu Hoa	14.6
Dang My Linh	14.5

Performance

	1M	6M	12M
Absolute (%)	12.7	(0.2)	(20.7)
Relative to VNIndex (%p)	4.0	(7.7)	(24.9)

Stock price trend



Source: Bloomberg

Research Department

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- 1Q25's SG&A/ revenue was down to 4.3% (-3.1%p yoy and +0.5%p qoq). Financial revenue posted to VND11bn thanks to realized FX gain of VND10bn. Meanwhile, financial expenses recorded to VND24bn, including FX losses of VND18bn and interest expenses of VND7bn. In general, financial revenue/ expenses in 1Q25 showed less volatility compared to prior quarters
- At the bottom line, 1Q25's NPAT posed to VND36bn, strongly recovered from the low base yoy and the losses of VND14bn in 4Q24

Table 1. Revenue breakdown of STK in 1Q25

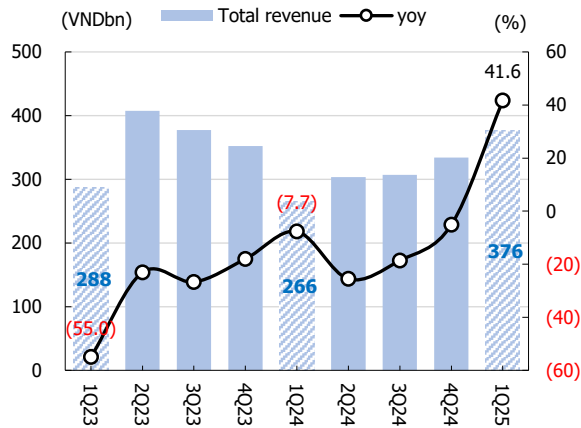
(VNDbn, %)

	1Q24	4Q24	1Q25	YoY	QoQ
Total revenue	266	334	376	41.6	12.7
+ Domestic	189	240	270	43.1	12.4
+ Export	77	94	106	38.2	13.5
i. Virgin yarn	159	174	187	17.8	7.9
+ Volume (tonnes)	3,475	4,047	4,610	32.6	13.9
+ ASPs (VND/tonnes)	45,794,019	42,911,923	40,661,511	(11.2)	(5.2)
+ Price gap	20,378,019	19,442,923	21,833,591	7.1	12.3
ii. Recycled yarn	107	160	189	77.3	17.9
+ Volume (tonnes)	1,700	2,277	2,540	49.4	11.6
+ ASPs (VND/tonnes)	62,673,941	70,419,566	74,389,163	18.7	5.6
+ Price gap	28,589,941	39,411,232	32,163,684	12.5	(18.4)

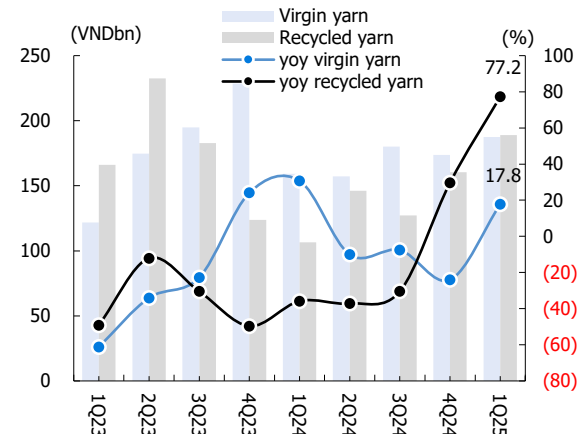
Source: Company data, KIS Research

2025F's outlook – ... Amid a modest recovery in demand

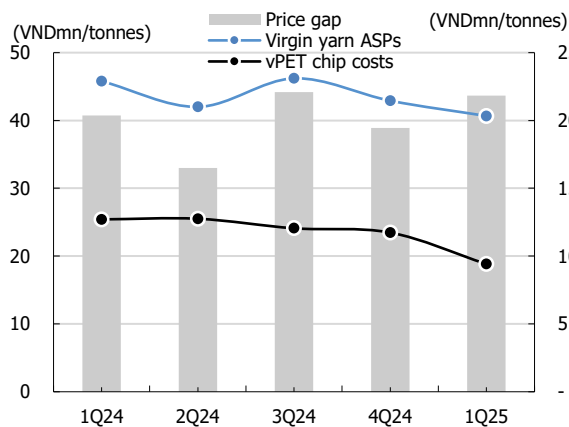
- 2025 Annual General Meeting (AGM) approved plan, revenue of VND3,270bn (+1.7x yoy) and NPAT of VND301bn compared to the low base in 2024 (VND12bn). According to BODs, yarn orders are expected to rebound strongly in 2Q25F and 3Q25F, driven by increased demand for garment production in preparation for the Spring–Summer fashion season and the 2026 FIFA World Cup. As such, total yarn volume is projected to 60,500 tonnes (+1.61x yoy), of which virgin yarn: +2.69x yoy and recycled yarn: +91% yoy.
- Regarding to yarn ASPs, per BODs' view, blended yarn ASPs could inch up by low single-digit growth in 2025F (+3~4% yoy). However, recycle yarn is forecasted to decline by double-digit growth (-15~16% yoy), management explained that the reduction in recycled yarn prices is a strategic move to boost sales volume.
- The blended GM is expected to reach 18.3%. Management attributes this to widen price gap. Additionally, the anticipated high volume sales will utilize the current capacity, thereby reducing per-unit production costs.
- Despite the company's ambitious targets and stronger-than-expected 1Q25 performance, we believe that achieving 2025F's guidance will be challenging:
 - On the demand side: demand for apparel is facing to the potential downward due to the trade policy uncertainties in US markets. We think these challenges could weigh on demand for yarns.
 - On the supply side: Competitive pressures from low-cost Chinese yarn and domestic FDI firms are expected to persist at least through 2025F.

Figure 1. Revenue strongly rebounded in 1Q25

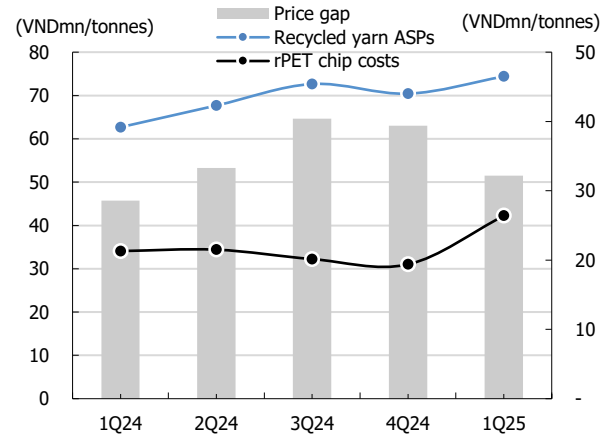
Source: Company data, KIS Research

Figure 2. thanks to the recovery of recycled and virgin yarns

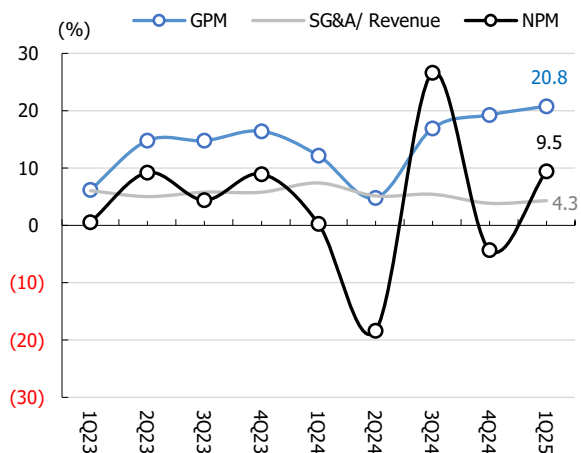
Source: Company data, KIS Research

Figure 3. Price gap of virgin yarn expanded thanks to vPET chip slumped

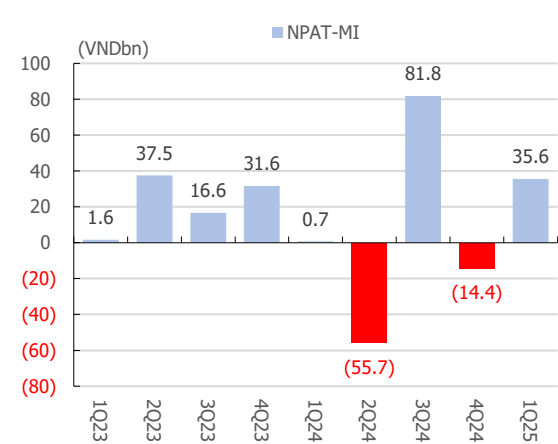
Source: Company data, KIS Research

Figure 3... While, price gap of recycled yarn widened thanks to ASPs fared better

Source: Company data, KIS Research

Figure 5. GM revived and hit all high times

Source: Company data, KIS Research

Figure 6... Hence, NPAT-MI posted to VND35.6bn

Source: Company data, KIS Research

■ Company overview

Century Synthetic Fiber Corporation (STK), founded in 2000, is one of Vietnam's top synthetic yarn producers, ranking third in sales and export value. Listed on the stock exchange since September 30, 2015 (ticker: STK), the company specializes in Polyester Filament Yarns, including DTY, FDY, and recycled yarns.

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