trueFriend KIS Viet Nam Securities Corporation

2H25F TEXTILE & GARMENT

"TARIFFS" POSE MAJOR HEADWINDS

NEUTRAL

2H25F Textile & Garment Outlook
"Tariffs" pose major headwinds

Sector Rating

NEGATIVE — NEUTRAL — POSITIVE

Sector Overview

- ***Textile & Garment (T&G) and footwears export experienced a solid growth in 1Q25 thanks to**: (1)* Ongoing demand recovery in key markets (The US and EU markets), and *(2)* Restocking activities kept boosting export orders for T&G manufacturers. In April and May-25, this growth remained intact (a double-digit growth, mainly driven by the US market). The pace even accelerated due to the "trade rush" before the 90-day tariff postponement end.
- ***As a result, export orders for T&G manufacturers were secured throughout 1Q25 and 2Q25F*,** thereby fostering a topline growth during this period. Most of enterprises recorded a modest expansion in gross margin, driven by: *(1)* An uptick in average selling prices, and *(2)* high utilization capacity.

2H25F Outlook

- ***However, the prospects of T&G sector become more uncertain in 2H25F onwards.*** As we observe the US market (the largest markets of Vietnamese T&G exports) which will likely face to notable headwinds, particularly related to the risk of "reciprocal tariffs":
  - *Headwind 1 - Unknown final decision on "reciprocal tariff" rates*.
  - *Headwind 2 - Consumer spending could be pressured as economic headwinds after trade policy uncertainties arising*.
- ***Given the challenging macroeconomic backdrop, we expect T&G enterprises to deliver weak performance in 2H25F:***
  - *Regarding to topline growth*, export orders could be dampened due to weakening US consumer confidence, then weighing on purchasing power on apparel and footwears. Additionally, the wave of front-loading activities in 2Q25 could elevate stockpile in brands and retailers, alongside, they primarily focus on controlling inventory at the healthy level.
  - *Regarding to average selling prices*, we believe that T&G manufacturers must share higher tariff costs to clients. Therefore, gross margin could potentially see a contraction in 2H25F.
  - *Moreover, in the uncertain period, brands and retailers usually require shortened lead times*, hence increasing quality control costs, then heightening SG&A expenses for T&G manufacturers.
- ***Upside potential:***
  - Vietnam could negotiate the lower level of tariffs for T&G and footwear products to the US market as the Trump administration has stated that it does not intend to decouple the T&G sector and bring T&G manufacturing back to the US.
  - Vietnam's T&G manufacturers will likely capture market share reallocated from China amid ongoing trade tensions between China and the US.

Stock recommendation

- Based on our analysis, we rate **NEUTRAL recommendation for Textile & Garment Sector**. Regarding to stock recommendation, we respectively rate **MSH (HOLD); TNG (HOLD); and STK (HOLD).**

"SECTOR" COVERAGE LIST

Sector coverage list

Ticker	Recommendation	TP	Upside	2025F Rev	2025F NPAT	Rev - yoy	NPAT - yoy	2025F ROE	Trailing PE	Trailing PB	Current DY
Textile & Garment											
MSH	HOLD	-	-	5,523	342	4.6	(18.4)	16.5	9.0x	2.1x	6.7
TNG	HOLD	-	-	7,363	301	(3.8)	(4.5)	15.2	7.1x	1.2x	3.4
TCM	NON-RATED	-	-	-	-	-	-	-	12.0x	1.4x	-
VGG	NON-RATED	-	-	-	-	-	-	-	7.2x	1.0x	9.3
VGT	NON-RATED	-	-	-	-	-	-	-	18.7x	0.8x	2.1
HTG	NON-RATED	-	-	-	-	-	-	-	5.8x	1.6x	12.5
Fiber & Yarn											
STK	HOLD	-	-	2,308	177	1.27x	13.3x	9.9	52.7x	1.4x	-
ADS	NON-RATED	-	-	-	-	-	-	-	11.3x	0.6x	12.1

2H25F – “Tariffs” Pose Major Headwinds

I. Industry analysis

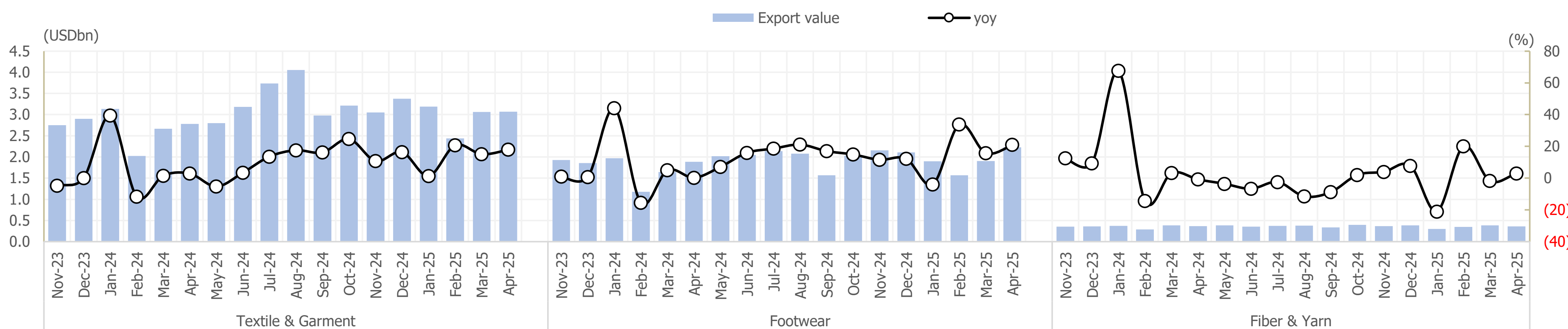
Textile and garment export turnover in 4M25

Sector Snapshot – Export growth was solid in 1Q25

Table 1. Types of textile and garment products gained a robust growth in 1Q25, especially export to US market

1Q25 performance	Total Export Value (USDbn)	%YoY	%QoQ	Export Value by FDI Enterprises (USDbn)	FDI Share (%)	%YoY	% of VN Exports to US	%YoY
Garment	8.69	*11.1*	*-10.3*	5.15	59.2	*10.4*	43.6	*15.2*
Footwear	5.37	*12.1*	*-15.2*	4.26	79.3	*10.9*	36.7	*15.6*
Bags, Wallets, Suitcases, Hats, Umbrellas	0.99	*10.7*	*-16.2*	0.68	68.6	*8.1*	41.8	*15.2*
Fiber, Yarn	1.03	*-2*	*-10.3*	0.72	69.5	*-6.7*	5	*6*
Raw Materials	0.56	*12.4*	*-4.3*	0.43	77.1	*14.1*	7.7	*38*
Technical Fabrics	0.19	*-2.2*	*4*	0.19	97.8	*-2.2*	25.7	*-10.8*

Figure 1. Textile, garment and footwear kept growth stance, with a double-digit growth until April – 25



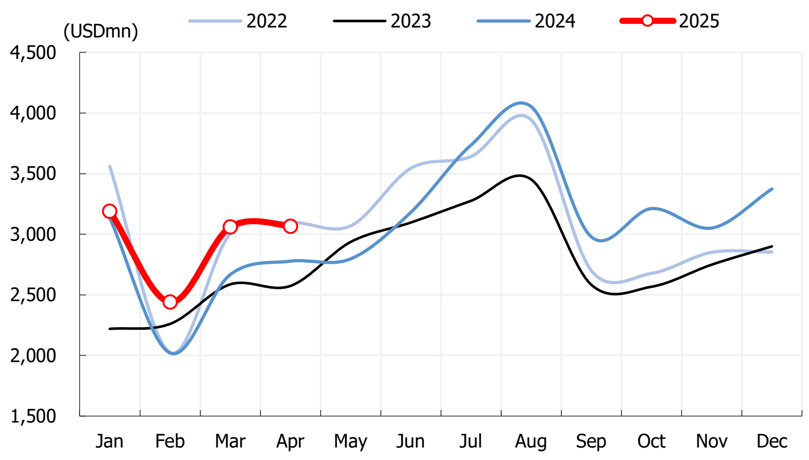
Source: Vietnam Custom, KIS Research

- ***Most of textile and garment products recorded a robust growth in 1Q25*** underpinned by high export orders throughout 1Q25 from US and EU clients. Notably, exporting to the US (the largest importer of T&G Vietnamese products) posted a double-digit growth.

Textile and garment export turnover in 4M25

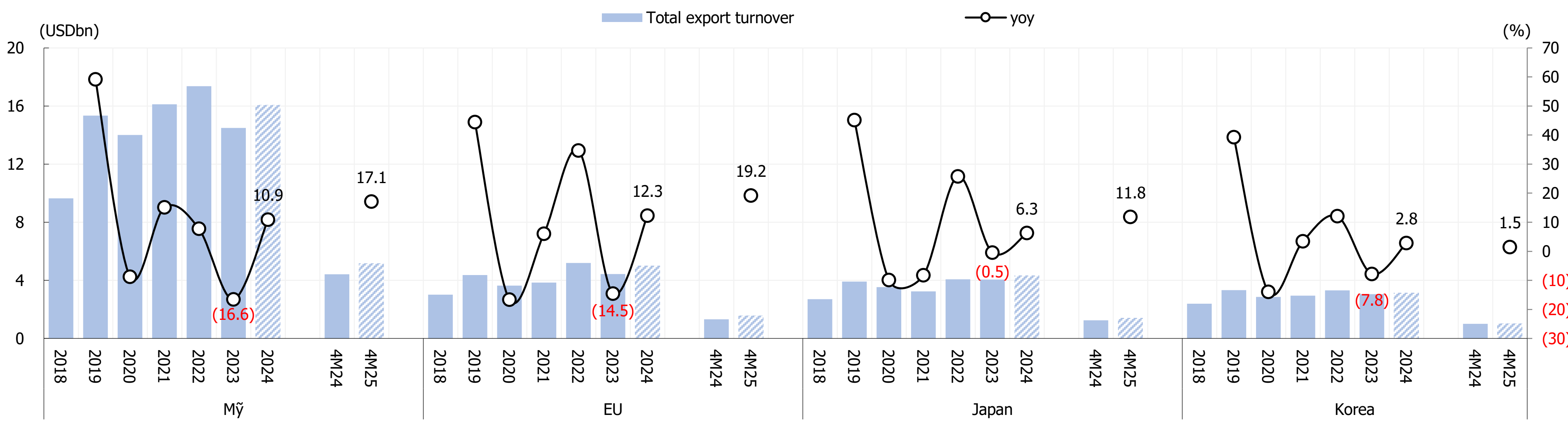
Textile and Garment (T&G) export - Keeping growth stance in 4M25

Figure 2: T&G export hit the high base 2022



- ***In 4M25, total textile and garment (T&G) export turnover*** stayed at USD8.7bn (+11.1% yoy). Of which, the US and EU markets (two primarily market) gained a double-digit growth of 17.1 % yoy and 12.3% yoy, respectively. Meanwhile, the Asia market, including Korea (+1.5% yoy) and Japan (+11.8% yoy).
- ***There attributed to*** *(1)* US and EU Consumption gradually revived, especially spending on discretionary goods *(2)* Active restocking activities of retailers/ wholesalers.
- ***However, the industry faces significant risks amid escalating US-China trade tensions and the introduction of new tariff policies by the US, due to the following:***
  - This product group accounts for 20% of Vietnam's total export value to the US.
  - The US market currently represents more than 30% of Vietnam's total textile and footwear exports.
  - The industry's localization rate remains relatively low at just 57%, with 40% of production materials still dependent on imports from China.

Figure 3: The US and EU are key engine for T&G export growth in 4M24



Source: Vietnam Custom, KIS Research

The US market – Risks of "Reciprocal tariff"

1Q25 – demand was solid, but headwinds will likely come in 2Q25F onward

Figure 4. US T&G import value soared +11.1% yoy in 1Q25

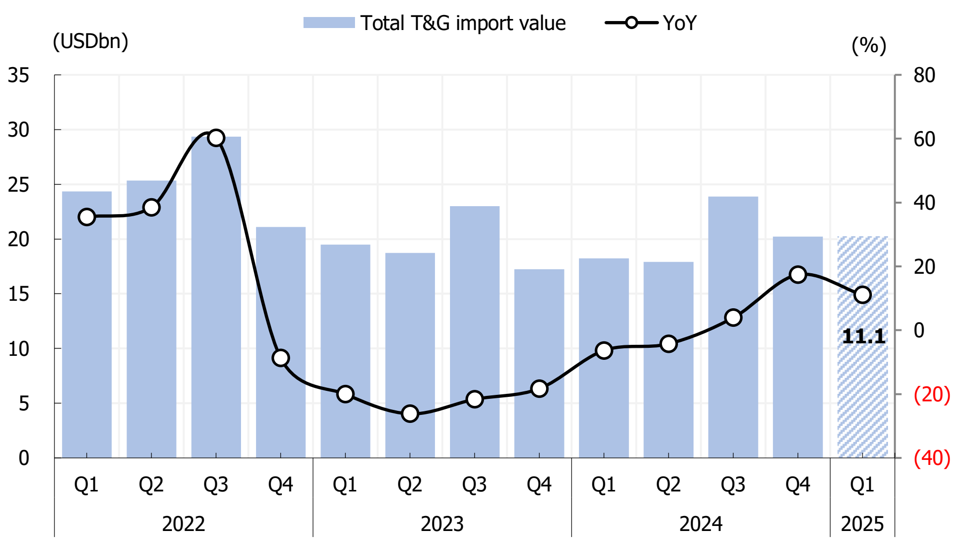
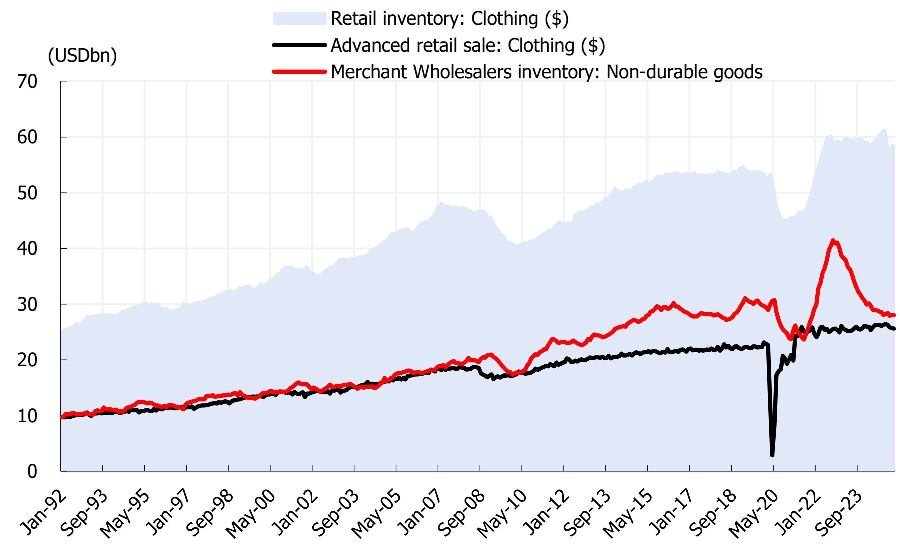


Figure 5. Retailers and wholesalers are maintaining well-controlled inventory levels to avoid excessive stockpiling and reduce the risk of de-stocking if demand suddenly plummets

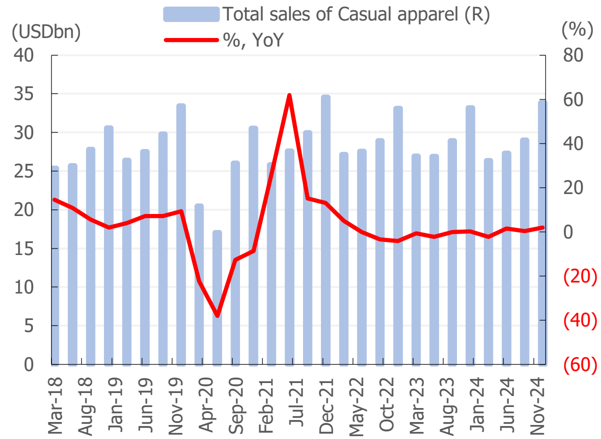


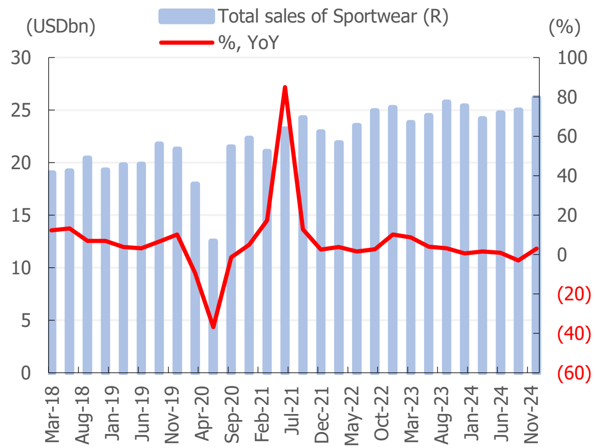
Source: Bloomberg, US Otexa, KIS Research

- ***According to OTEXA, total US textile and apparel imports strongly soared by 17.4% yoy in 4Q24, and +11.1% yoy in 1Q25,*** *supported by restocking activities from brands and retailers.*
- ***Retail inventories clothing have gradually edged up since 2H24, amidst clothing retail sales are on the modest uptick.*** Meanwhile the wholesalers' inventory returns to the healthier level.

Brands and retailers’ inventories pick up but maintaining at a healthy level

Figure 6. Sales growth of US brands and retailers are moderate





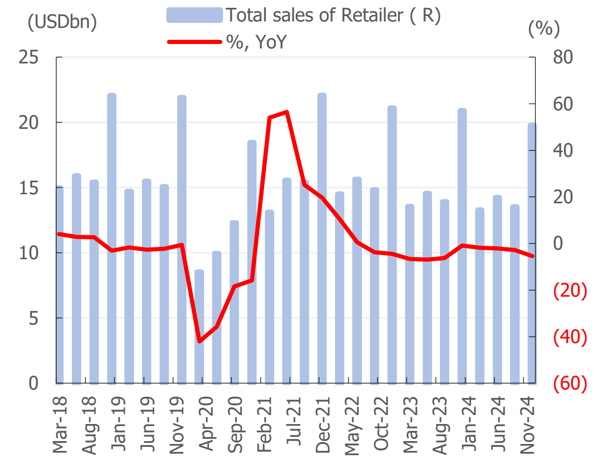
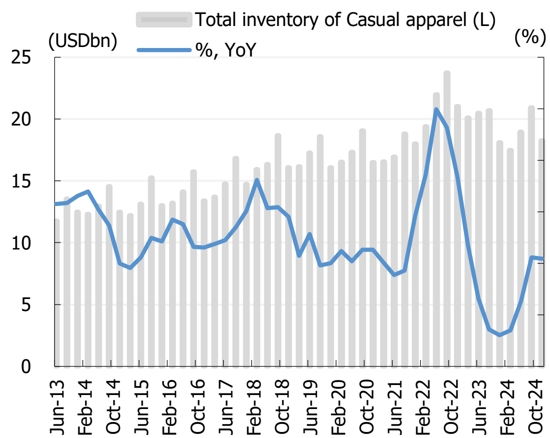
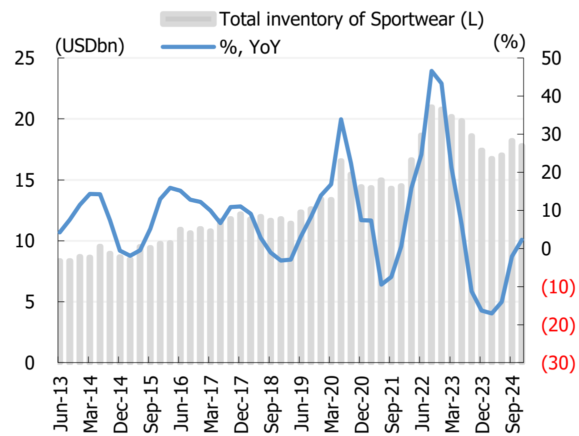
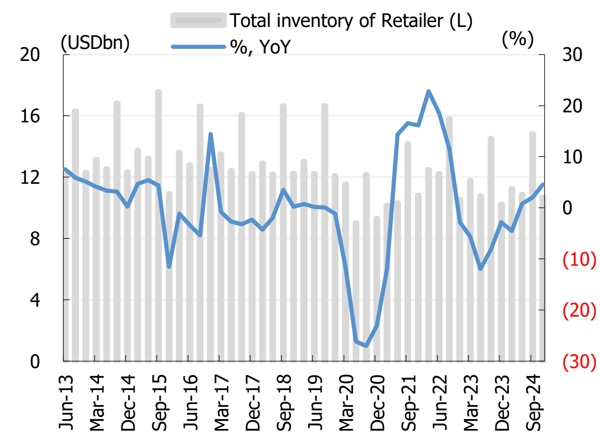


Figure 7. Inventories of U.S. brands and retailers gradually pick up but remain at a reasonably controlled level, as fashion retailers are cautious about building up inventory too quickly amid only a mild recovery in demand. In addition, uncertainty surrounding tariffs has made them more conservative in stockpiling goods if demand turns to be glimmer.







Source: Bloomberg, KIS Research compiled

The US market – Risks of "Reciprocal tariff"
Most of brands and retailers conservatively fulfill their inventories

- ***Specifically, big players are well-controlled inventory at a healthier level during an uncertain macroeconomic backdrop***, aiming to reduce de-stocking risk as happening in 2023 – 2024.
- ***… But we think tariff policies could pressure on consumer spending***, in turn, weighing on export orders visibility for T&G and footwear manufacturers.

	Company	Comments on inventory
Retailers	Walmart	- WMT is hyper-focused on keeping inventory clean. - The company wants to avoid seasonal inventory builds.
	Target	- Inventory escalated further due to the weakness on discreationary categories (including apparel)
	Dick's Sporting & Foot Locker	- FL CEO noted, *"we continued to manage our promotional levels and maintain inventory and expense discipline, and we have taken actionable steps to advance these efforts and remain nimble and well positioned in an uncertain macroeconomic backdrop."*
Sportwear brands	Adidas	- Inventories was up +15% yoy, but needed to deliver double-digit growth going forward, per Management.
	Nike	- On the 3/20 EPS call "inventory remains elevated across all geographies (1) Increased markdowns in Nike Factory stores to drive velocity of close-out inventory. (2) Reduced forward supply across wholesale and higher wholesale discounts to liquidate aged inventory to partners – all of which will continue through 2H25 - Said differently, the primary NKE marketplace (NKE DTC & primary wholesale partners) is management's priority to restoring healthier inventory supply through 1H26 with the macroeconomic impact on consumer spending and specific timeline off -price sell-through including packaway outside of management's control.
	Puma SE	- 1Q25 closing levels are high. Reviewing purchase orders and inventory terms for better management.

Source: Company data, KIS Research compiled from company's earning call

The US market – Risks of "Reciprocal tariff"

Export orders for 2H25F become unpredictable

We follow the operations of FDI textile & footwear ODMs and notice two notable risks:

(1) Sales of Taiwanese textile and footwear manufacturers (large capacity exposure in VN & mainly export to US clients) recorded a solid growth in 1Q25 and order visibility in 2Q25F, but 2H25F's prospects becoming muted due to the negative impacts of trade policy uncertainties.

(2) Besides, retailers/ brands require shortened lead times, hence increasing quality control costs and potentially weighing on margin of manufacturers.

… Therefore, we highlight the following risks that could also pose challenges to Vietnamese T&G manufacturers in the near-term.

A. Footwear	Region	Capacity exposure in Vietnam	1Q25	4Q24	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23
Feng Tay	US	47%	(3.92)	(4.56)	(3.48)	2.38	2.19	(2.96)	(14.44)	(20.02)	(19.73)
Yue Yuen	China 47%, U.S. 18%, Europe 16%, Other Asia 13%, Others 5%	n/a	1.29	10.68	12.46	(1.75)	(4.93)	(4.75)	(19.03)	(11.57)	(11.98)
Lai Yih	U.S. 30%, Germany 14%, China 13%, Others 43%	91%	19.11	30.06	36.02	22.16	36.09	-	-	-	-
Fulgent Sun	Europe 48%, America 37%, Asia 8%, China 6%, Others 1%	59%	31.84	17.17	(0.43)	(18.42)	(49.13)	(41.70)	(53.02)	(28.61)	2.89
Huali	U.S. 86%, Europe 12%, Others 2%	n/a	11.01	12.08	19.77	17.09	23.96	10.06	(12.01)	(9.36)	(17.70)
Taiwan Paiho	China 42%, Vietnam 29%, Taiwan 17%, Indonesia 9%, North America 3%	n/a	14.28	20.22	18.39	30.54	14.41	4.91	(14.33)	(48.44)	(35.08)
B. Apparel											
Makalot	U.S 70%	41%	10.20	5.87	10.63	1.15	6.21	8.69	(5.40)	(5.65)	(9.42)
Eclat	U.S 72% of garment sales	73%	17.48	10.67	23.33	16.50	13.55	9.67	(28.57)	(33.14)	(41.16)

Figure 08. Feng Tay monthly revenue

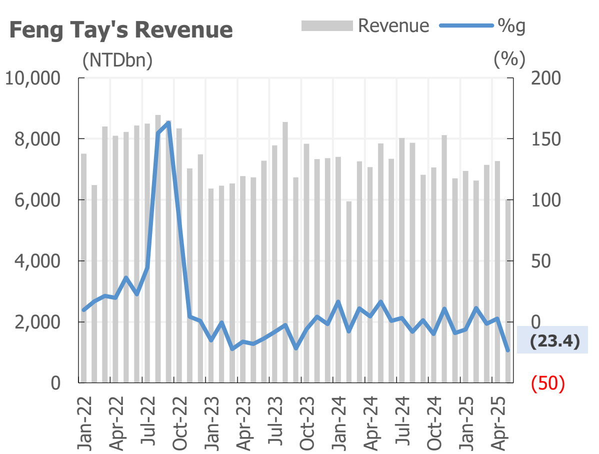


Figure 09. Eclat monthly revenue

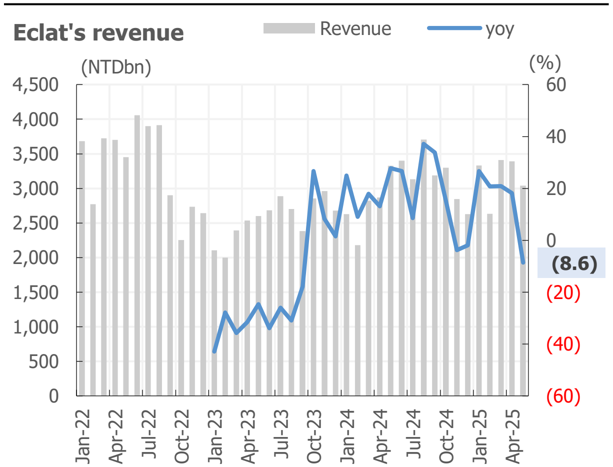
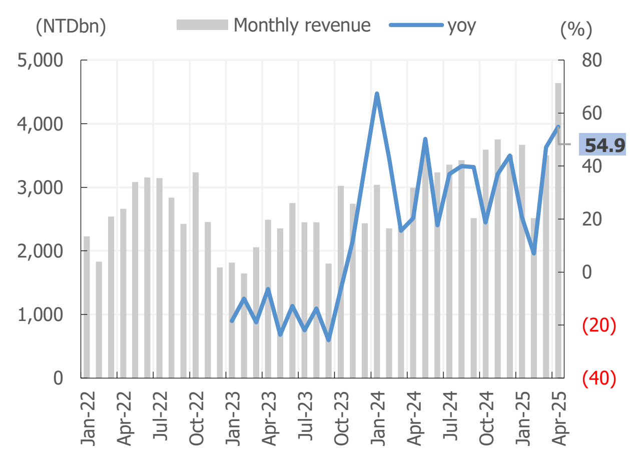


Figure 10. Lai Yih monthly revenue

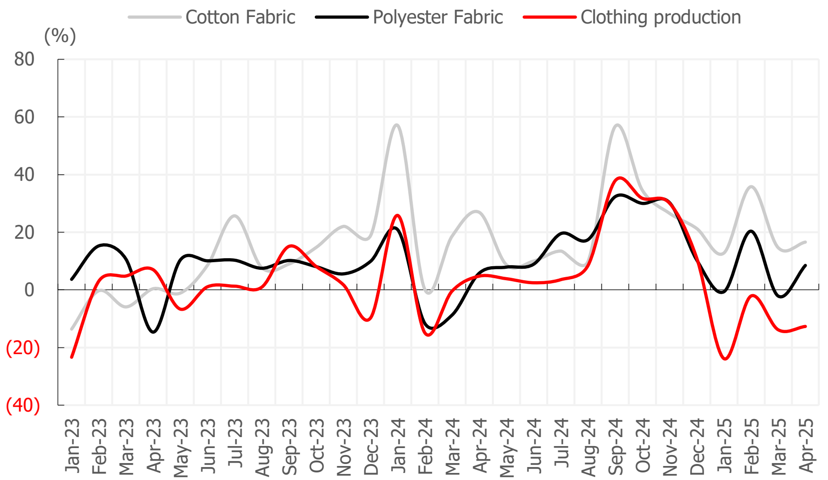


Source: Bloomberg, Company data, KIS Research compiled

Textile and garment export turnover in 4M25

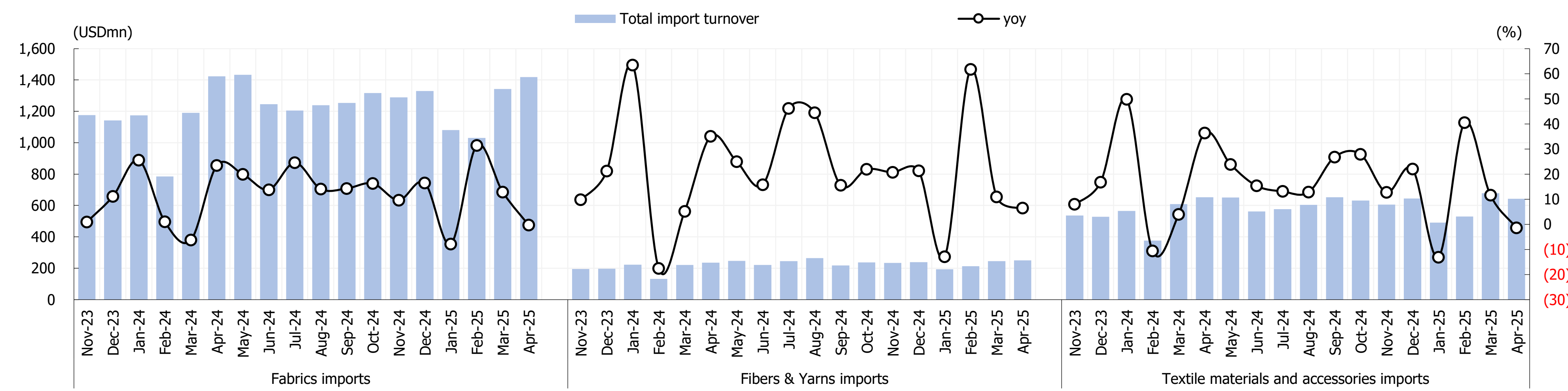
Early sign of slowdown in coming month in Vietnamese T&G sector

Figure 11: Manufacturing activities are getting slowdown



- ***In addition, we observe several early signals as follows:***
  - Domestic fabric and clothing production trend has showed a slowdown.
  - The import of raw materials and accessories for garment processing has also shown signs of slower growth in recent months, partially reflecting weakening order demand in the coming quarters.

Figure 12:… Alongside, import raw material also showed a slow pace

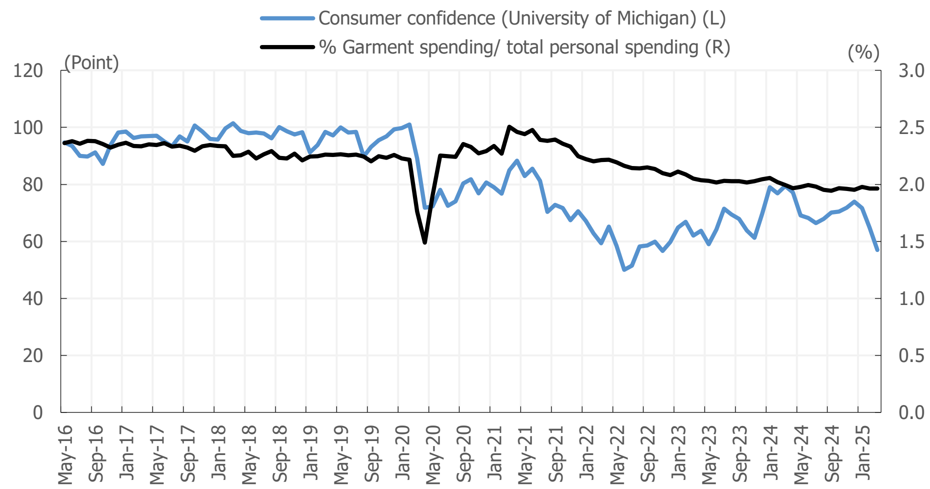


Source: Vietnam Customs, KIS Research

The US market – Risks of "Reciprocal tariff"

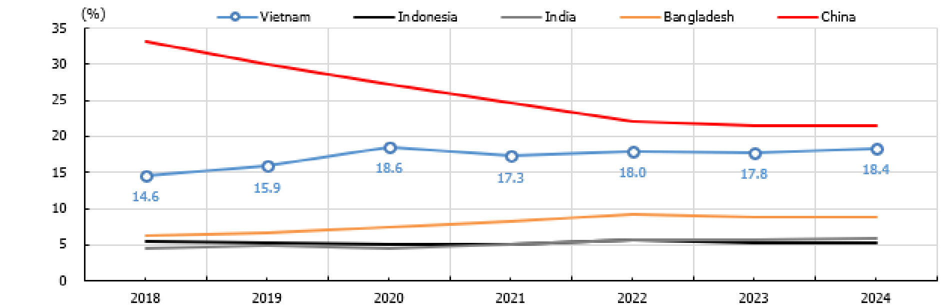
Export orders for 2H25F become more challenging

Figure 13. Consumer confidence slumped after trade tensions arise



Source: Bloomberg, USITC, KIS Research compiled

Figure 14. Higher tariff could dampen Vietnam's competitiveness in T&G sector



	Viet Nam	Bangladesh	India	China
Types of tariffs	MFN	MFN	MFN	MFN
Effective tariff rates	HS61: 14.9% ~ 16.6% HS62: 16.6% ~ 32%	HS61: 14.9% ~ 16.6% HS62: 16.6% ~ 32%	HS61: 14.9% ~ 16.6% HS62: 16.6% ~ 32%	HS61: 14.9% ~ 16.6% HS62: 16.6% ~ 32%
Note				- An additional of +7.5% tariffs
Market share in 2024	18.4%	8.8%	5.9%	21.6%

Based on rationales, there imply the order visibility for apparel and footwear manufacturers to the US that could be positive at least to 1H25F. In facts, Vietnam Custom data showed that T&G export to US remained growth trajectory, with an increase +15.1% yoy in 1Q25F and order visibility of T&G manufacturer securing to 2Q25F.

- ***In 2Q25F, we think T&G export prospects remain intact:***
    - In response to the "Reciprocal tariffs", US brands and retailers are accelerating front-loading of shipments ahead of the expiration of the 90-day tariff postponement.
    - Importers are still subject to "the universal tariff of 10%" during the postponement period. As a result, Vietnamese T&G exporters are sharing the tariff burden, typically bearing a tariff rate of 1~2%.

We believe that two risks may affect T&G export growth in 2H25F

- ***Headwind 1 – Unknown final decision on "reciprocal tariff"***
    - Higher tariff on Vietnamese goods compared to other competitors, leading to erode Vietnam's competitiveness in the US market.
    - Besides, Vietnamese T&G enterprises could reduce average selling prices as sharing tariff burden costs to importers.
- ***Headwind 2 – Consumer spending could be pressured as economic headwinds after trade policy uncertainties arising:***
    - Consumer confidence is plummeting.
    - Spending on discretionary categories (including garment) remained bleak.

The EU market – On the recovery path

Consumption is better than the US market, however, caution remains regarding global trade policies, which could potentially weaken purchasing power in the near-term

Figure 15. Total T&G import to EU markets

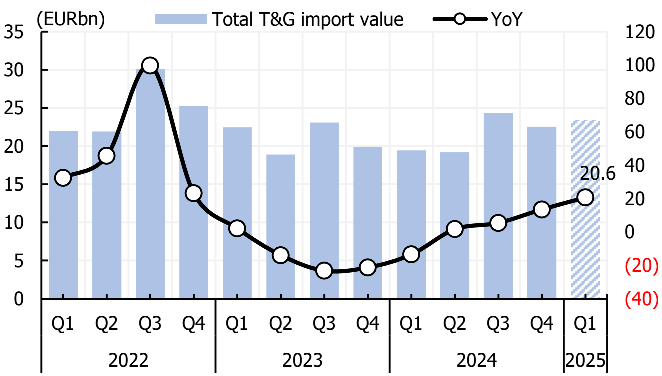


Figure 16. Market share of Vietnam is stable

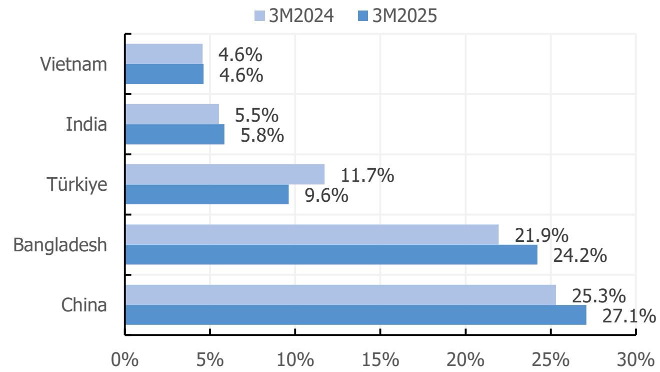


Figure 17. Consumption is fueled after inflation and interest rate easing

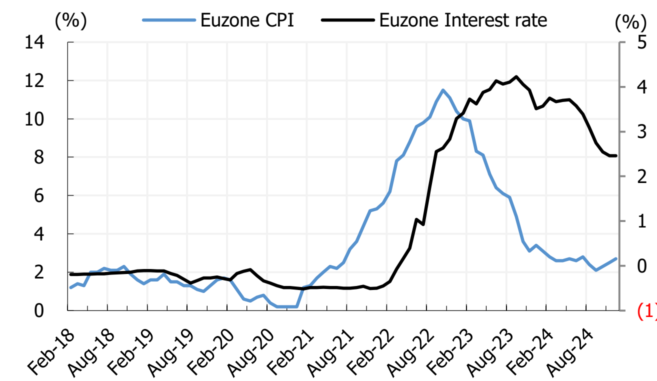
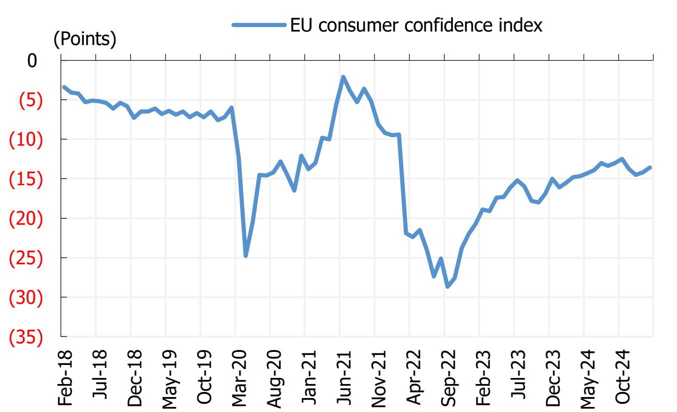


Figure 18. Consumer confidence is getting brighter



- ***According to Eurostat, T&G import turnover growth remains intact in 1Q25,*** with an increase by 20.6% yoy. Our analysis implies that, restocking activities will likely get more active in EU market.
- ***On the demand side***, we believe two primary drivers contributed to the pickup in consumer confidence in 2025F: *(1)* inflationary relief, and *(2)* the ECB's rate cuts to stimulate the economy.
- ***Additionally, as the excess of inventory comes into the end***, the markdown also moderate and reviving gross margin of these brands and retailers, in turn, the pressure on selling prices' suppliers could lessen.

Source: Bloomberg, Eurostat, KIS Research

Industry's margin trend in 2H25F

Macroeconomic headwinds potentially weigh on industry's margin in 2H25F

Figure 19. A robust order demand in 1Q25 supported selling prices for T&G enterprises and reaching capacity utilization, hence gradually picking up GM

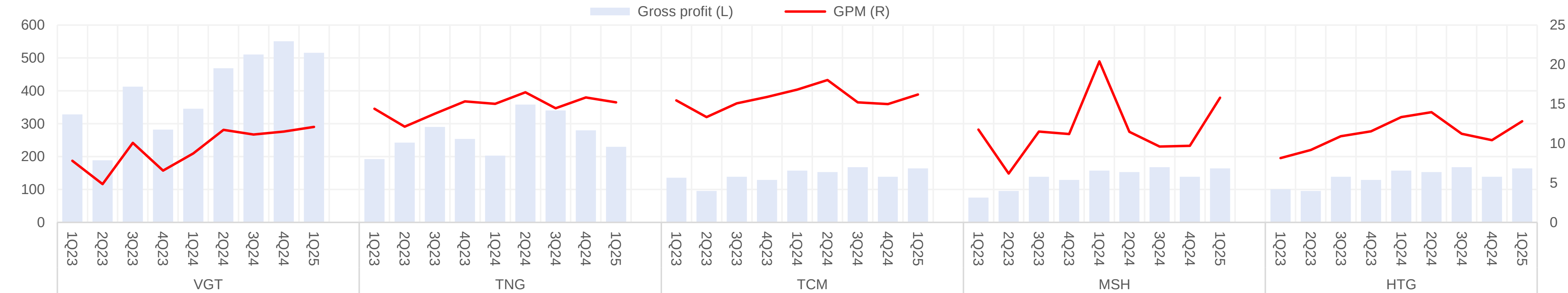
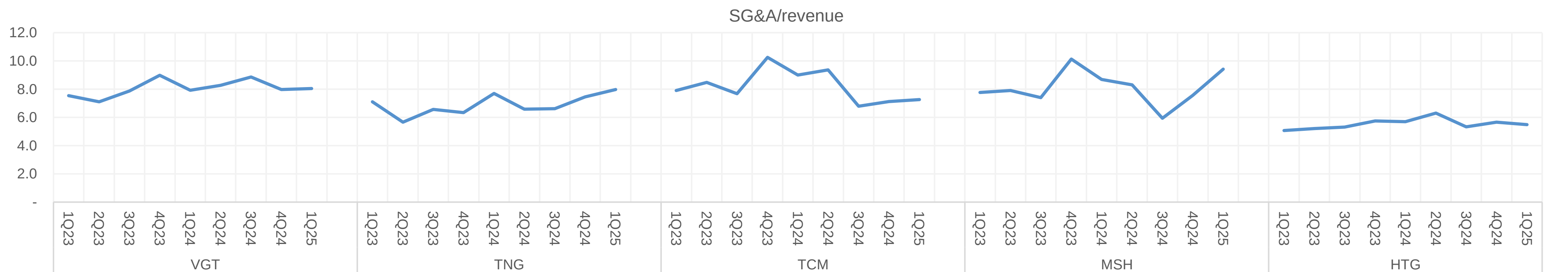


Figure 20. SG&A/ revenue of some enterprises inched up due to high quality control expenses as orders increasing respectively



Source: FiinX, KIS Research

- ***In 1Q25, T&G enterprises' GM was on the recovery trend, thanks to*** *(1)* Growing demand boosted export orders, thus picking up average selling prices (ASPs), *(2)* Solid orders in 1Q25 support capacity utilization.
- ***However, we think trade policy uncertainties will likely the headwinds for industry's GM from 2H25F onward,*** due to *(1)* These enterprises would share costs associated with tariff to clients , (2) The anticipated weakening in consumption could be pressure on export orders, prompting manufacturers to reduce ASPs to remain competitive against peers.
- ***Regarding to SG&A expenses, we see retailers/ brands require shortened lead times orders,*** hence increasing quality control costs. As such, SG&A/ revenue will likely inch up and hit EBIT margin of T&G enterprises.

2H25F – “Tariffs” Pose Major Headwinds

II. Company analysis

1. MSH
2. TNG
3. STK

1. MSH – HOLD

Large exposure to US clients lead to an uncertain growth outlook

Investment Theme

- *2H25F – Slowing growth amid weakening US consumer demand*
  - MSH takes largely exposure in the US market (80% of total revenue). Therefore, we believe MSH's growth that could face obstacles amid trade policy uncertainties.
  - Export orders are forecasted to be stagnant as brands and retailers tend to keep inventory clean. Meanwhile, the average selling prices become vague due to tariff rate, we think MSH must share tariff burden to their US clients. Even if demand is worse-than-expected, MSH must further discount its ASPs.
  - Regarding to CMT contracts, we saw the skyrocketing GM in CMT contracts, but we think it will likely return to the norm in 2H25F. As such MSH's blended GM will result in 15.5% - 16% in 2H25F.
  - For new factory – Song Hong – Xuan Truong II, we forecast this factory will commence in 2Q25F and operate 25 – 30% of total capacity. The low capacity in the 1st year is due to glimmer prospects in US market.
- *2025F* – We project MSH's revenue and NPAT-MI of VND5,523bn (+4.6% yoy) and VND337bn (-18.4% yoy), respectively.

Risks to be considered

- Upside potential:
  - Better – than – expected demand in the US market.
- Downside risk:
  - Weakening demand has caused the Song Hong – Xuan Truong II plant to operate below the break-even point.

Table 01: KIS forecast on MSH, 2025F-2027F

	1Q25	2Q25F	3Q25F	4Q25F	2025F	2026F	2027F
Net Revenue	**1,036**	**1,381**	**1,705**	**1,400**	**5,523**	**6,310**	**6,568**
Growth	*34.5*	*3.6*	*(2.5)*	*(2.0)*	*4.6*	*14.2*	*4.1*
Gross Profit	**191**	**206**	**262**	**209**	**867**	**992**	**1,034**
% yoy	*100.5*	*12.7*	*(1.4)*	*(27.1)*	*4.6*	*14.4*	*4.3*
% gross margin	*18.4*	*14.9*	*15.4*	*14.9*	*15.7*	*15.7*	*15.7*
Operating Profit	**115**	**99**	**130**	**101**	**445**	**613**	**664**
% yoy	*83.5*	*(11.6)*	*(24.2)*	*(54.2)*	*(21.5)*	*37.8*	*8.4*
% OP margin	*11.1*	*7.2*	*7.6*	*7.2*	*8.1*	*9.7*	*10.1*
NPAT-MI	**84.4**	**75.5**	**100.8**	**77**	**342**	**448**	**482**
% yoy	*59.4*	*(13.7)*	*(22.6)*	*(49.7)*	*(18.4)*	*33.2*	*7.6*
% net margin	*8.1*	*5.5*	*5.9*	*5.5*	*6.1*	*7.1*	*7.3*
% ROE					*16.5*	*18.7*	*18.3*
Multiple ratio							
PE					12.0	8.5	7.8
PB					1.8	1.6	1.5
DY					5.6	5.6	5.6

1. MSH – HOLD

Large exposure to US clients lead to an uncertain growth outlook

Figure 01: US clients account for 80% MSH's total revenue

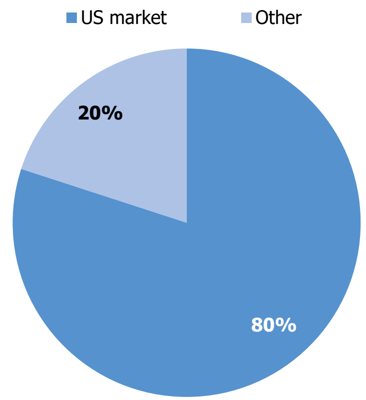
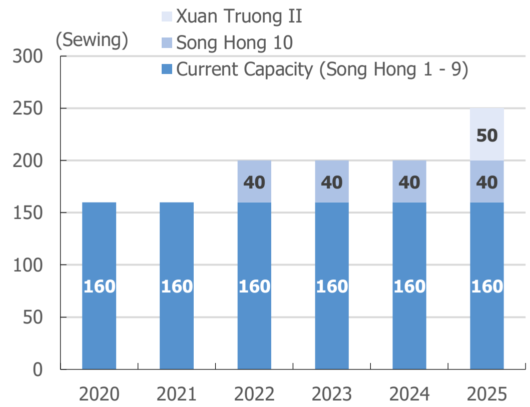


Figure 02: Song Hong – Xuan Truong II is expected to commence officially in 2Q25F



Garment factory	Location	Number sewing	Number labors
Song Hong 1	Nam Dinh City, Nam Dinh Province	16	1,000
Song Hong 3	Nam Dinh City, Nam Dinh Province	36	2,000
Song Hong 4	Xuan Truong District, Nam Dinh Province	36	2,000
Song Hong 7	Hai Hau District, Nam Dinh Province	36	2,000
Song Hong 8 (Bedding)	Nam Dinh City, Nam Dinh Province		300
Song Hong 9	Nghia Hung Province, Nam Dinh Province	36	2,000
Song Hong 10	Nghia Hung Province, Nam Dinh Province	40	2,300
Xuan Truong II (Under construction)	Xuan Truong District, Nam Dinh Province	50	3,000
Total		250	14,600

Figure 03: Revenue/ Sewing is forecasted to edge down in 2H25F

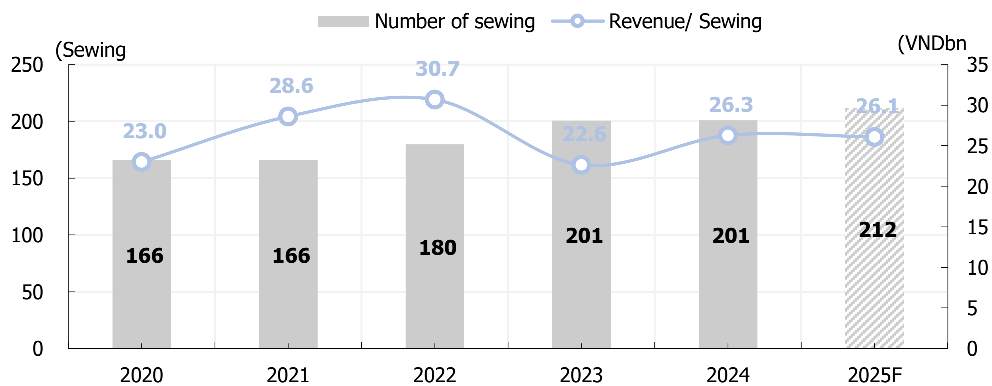
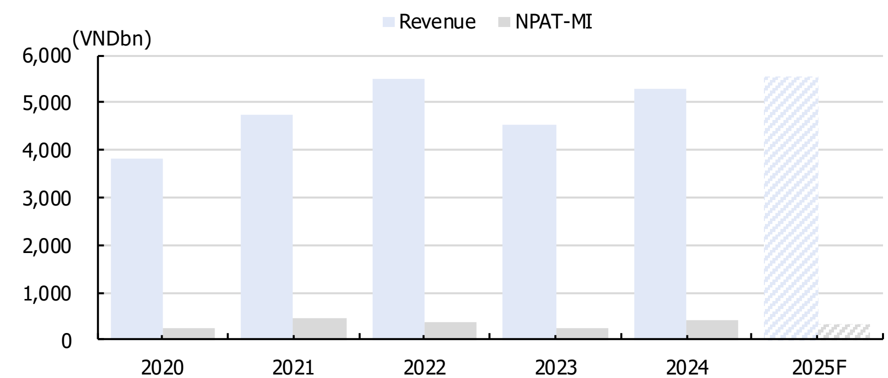


Figure 04: 2025F's NPAT-MI is projected to slump 18.6% yoy due to the slight downturn in GM and a pickup in SG&A/revenue



	2020	2021	2022	2023	2024	2025F
Revenue	3,813	4,748	5,521	4,542	5,280	5,523
yoy		*24.5*	*16.3*	*(17.7)*	*16.3*	*4.6*
NPAT-MI	232	442	375	245	413	336
yoy		*90.8*	*(15.3)*	*(34.8)*	*68.7*	*(18.6)*

Source: KIS Research

2. TNG – HOLD

Diversified markets could ease the impact of US “Reciprocal tariff”

Investment Theme

- *2H25F – Lack of catalyst for growth*
  - With the US market accounting for approximately 45~50% of TNG's total export revenue, the company's export activities to this market are expected to face certain headwinds.
  - TNG's diversifies customer base in other major markets such as the EU could partially offset the decline from the US market, especially as apparel import demand in the EU is showing a notable recovery.
  - Son Cam IPs will likely lease 5ha in 2025F.
  - In terms of ASPs, we think TNG also share a tariff burden with US clients, meanwhile ASPs to EU (especially Decathlon) will likely stay flat.
- *2025F* – We project a revenue and NPAT-MI of VND7,363bn (-3.8% yoy) and VND301bn (-4.5% yoy), respectively.

Risks to be considered

- Downside risk:
  - Weaker-than-expected demand in the EU market has impacted TNG's export order prospects to the region and has not been sufficient to offset stagnant growth in the US.

Table 01: KIS forecast on TNG, 2025F-2027F

	1Q25	2Q25F	3Q25F	4Q25F	2025F	2026F	2027F
Net Revenue	**1,511**	**2,081**	**2,181**	**1,591**	**7,363**	**7,799**	**8,031**
Growth	*11.6*	*(4.2)*	*(7.5)*	*(10.2)*	*(3.8)*	*5.9*	*3.0*
Gross Profit	**230**	**317**	**332**	**242**	**1,162**	**1,233**	**1,256**
% yoy	*13.2*	*(11.6)*	*(2.6)*	*(13.6)*	*(1.7)*	*6.1*	*1.9*
% gross margin	*15.2*	*15.2*	*15.2*	*15.2*	*15.8*	*15.8*	*15.6*
Operating Profit	**54**	**103**	**114**	**66**	**384**	**442**	**480**
% yoy	*1.6*	*(11.0)*	*(18.2)*	*(28.5)*	*(4.2)*	*15.2*	*8.6*
% OP margin	*3.6*	*5.0*	*5.2*	*4.2*	*5.2*	*5.7*	*6.0*
NPAT-MI	**43.3**	**83.1**	**89.5**	**51.4**	**301**	**348**	**378**
% yoy	*3.4*	*(5.6)*	*(19.4)*	*(30.5)*	*(4.5)*	*15.6*	*8.8*
% net margin	*2.9*	*4.0*	*4.1*	*3.2*	*4.1*	*4.5*	*4.7*
% ROE					*15.2*	*15.9*	*15.9*
Multiple ratio							
PE					7.5	6.5	6.0
PB					1.1	1.0	0.9
DY					5.4	5.4	5.4

2. TNG – HOLD

Diversified markets could ease the impact of US “Reciprocal tariff”

Figure 01: Customer base of TNG are diversified

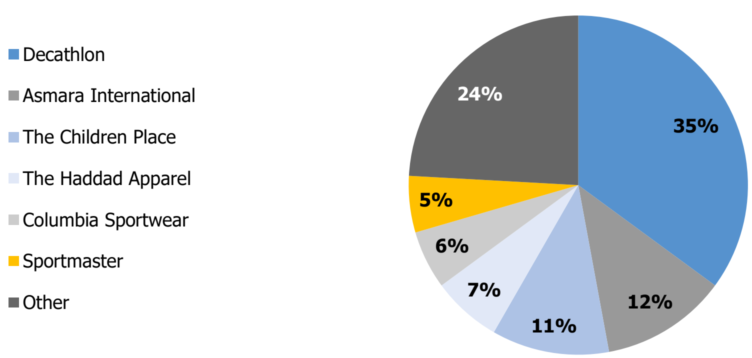


Figure 02: US clients account for 54% TNG’s total revenue

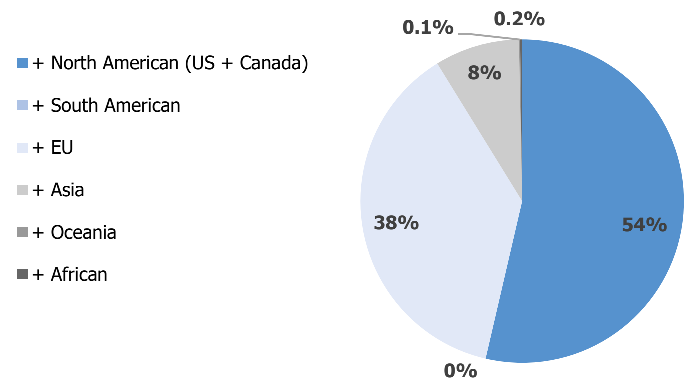


Figure 03: Revenue/ Sewing is forecasted to edge down in 2H25F

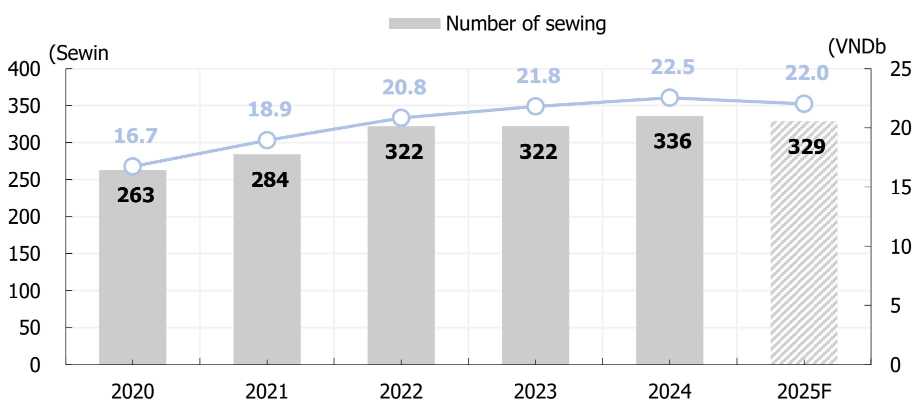
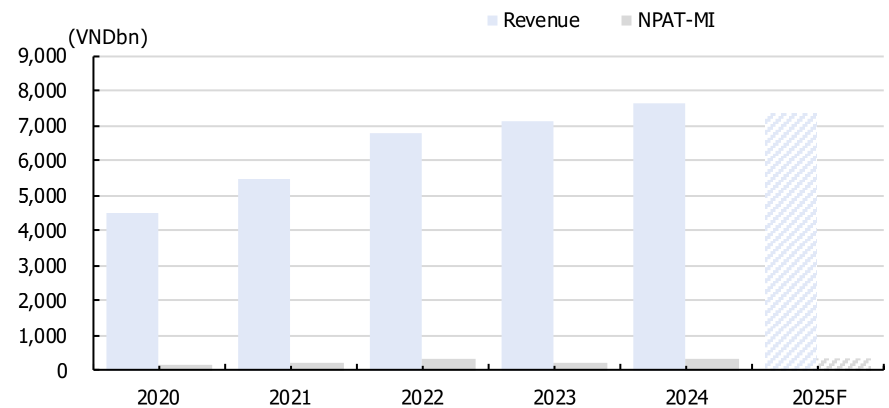


Figure 04: TNG could minimize the risk from the US market, hence 2025F’s NPAT is only forecasted to inch down by 4.5% yoy.



	2020	2021	2022	2023	2024	2025F
Revenue	4,480	5,444	6,772	7,095	7,656	7,363
yoy		*21.5*	*24.4*	*4.8*	*7.9*	*(3.8)*
NPAT-MI	154	232	293	218	315	301
yoy		*51.2*	*26.1*	*(25.7)*	*44.7*	*(4.5)*

Source: KIS Research

3. STK – HOLD

Earning rebounds in 2025F, but bleak downstream demand will hinder the recovery pace

Investment Theme

- *2H25F – The recovery trend could be hindered by weaker-than-expected apparel consumption in the US market*
  - The demand for virgin and recycled yarns is expected to recover strongly in 2Q25F thanks to the rush completed apparel & footwear orders before 90-day postponement tariff. As we see apparel and footwear manufacturers push sales strongly in 1H25.
  - However, we think demand turmoil arise in 2H25F, hence dragging on the yarn consumption, especially high-segment yarn as recycled yarn. As a result, we expect sales volume and ASPs which will be less catalyst for a strong rebound in 2H25F.
  - Unitex is expected to commence operation from 2Q25 onward, but the glimmer demand could negatively impact on its optimal utilization. Besides, STK will record higher depreciation from Unitex, in turn, its GM inching down in 2H25F.
- *2025F* – We project a revenue and NPAT-MI of VND2,308bn (+90.7% yoy) and VND177bn (+13.2x yoy), respectively.

Risks to be considered

- Downside risk:
  - Soft demand could heighten competition in virgin yarn products, while recycled yarn demand slump due to high costs.
  - The Unitex factory come into operation later than expected.

Table 01: KIS forecast on STK, 2025F-2027F

	1Q25	2Q25F	3Q25F	4Q25F	2025F	2026F	2027F
Net Revenue	**376**	**721**	**580**	**630**	**2,308**	**3,428**	**3,840**
Growth	*41.6*	*1.38x*	*88.8*	*88.6*	*90.7*	*48.6*	*12.0*
Gross Profit	**78.3**	**121.8**	**82.2**	**92.5**	**370**	**577**	**665**
% yoy	*1.42x*	*7.4x*	*58.1*	*43.8*	*1.27x*	*55.8*	*15.3*
% gross margin	*20.3*	*16.9*	*14.2*	*14.7*	*16.0*	*16.8*	*17.3*
Operating Profit	**48.6**	**71.8**	**40.8**	**48.2**	**202**	**297**	**297**
% yoy	*44.6x*	*Reverse from loss*	*(51.0)*	*Reverse from loss*	*6.9x*	*46.8*	*22.6*
% OP margin	*12.9*	*10.0*	*7.0*	*7.7*	*8.8*	*8.7*	*9.5*
NPAT-MI	**35.6**	**62.9**	**35.8**	**42.3**	**177**	**260**	**318**
% yoy	*49.1x*	*Reverse from loss*	*(56.0)*	*Reverse from loss*	*13.3x*	*46.4*	*22.6*
% net margin	*9.5*	*8.7*	*6.2*	*6.7*	*7.7*	*7.6*	*8.3*
% ROE					*9.9*	*12.9*	*14.1*
Multiple ratio							
PE					*13.9*	*9.5*	*7.8*
PB					*1.3*	*1.2*	*1.0*
DY					*-*	*-*	*3.9*

3. STK – HOLD

Earning rebounds in 2025F, but bleak downstream demand will hinder the recovery pace

Figure 01. Virgin and recycled yarn saw the resumption in 1Q25

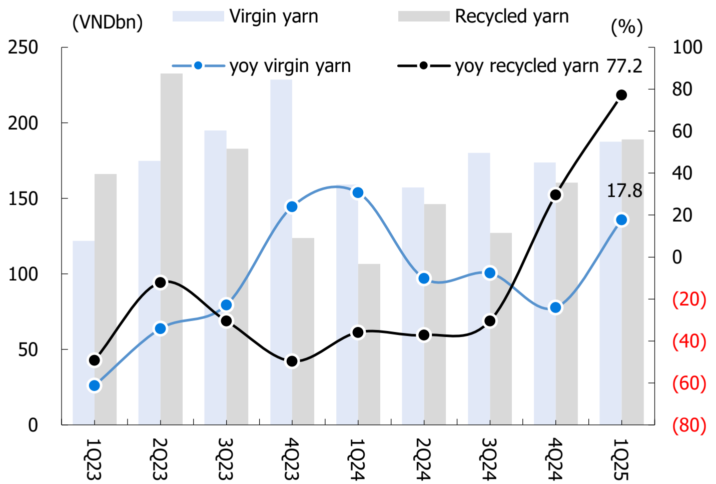


Figure 02. Virgin and recycled yarns are expected to rebound in sale volume in 2025F.

	2020	2021	2022	2023	2024	2025F
Virgin yarn sale volume	20,400	22,336	23,521	16,700	15,159	25,197
yoy		*9.5*	*5.3*	*(29.0)*	*(9.2)*	*66.2*
Virgin yarn ASPs	47,864,319	45,717,676	43,163,923	43,109,461	43,912,677	40,591,687
yoy		*(4.5)*	*(5.6)*	*(0.1)*	*1.9*	*(7.6)*
Recycled yarn sale volume	19,290	19,622	15,602	11,083	7,887	17,226
yoy		*1.7*	*(20.5)*	*(29.0)*	*(28.8)*	*118.4*
Recycled yarn ASPs	40,915,910	52,041,076	70,495,986	63,671,569	69,054,486	74,587,889
yoy		*27.2*	*35.5*	*(9.7)*	*8.5*	*8.0*

Figure 03. STK's revenue will likely soar by 90.7% yoy, driven by sale volume rebound

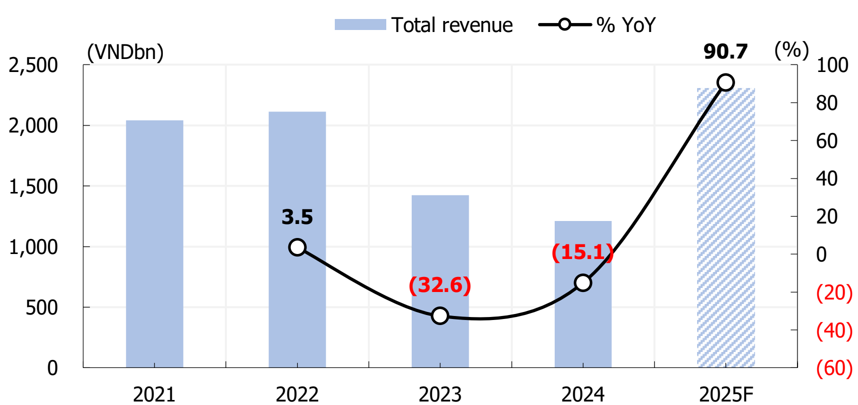
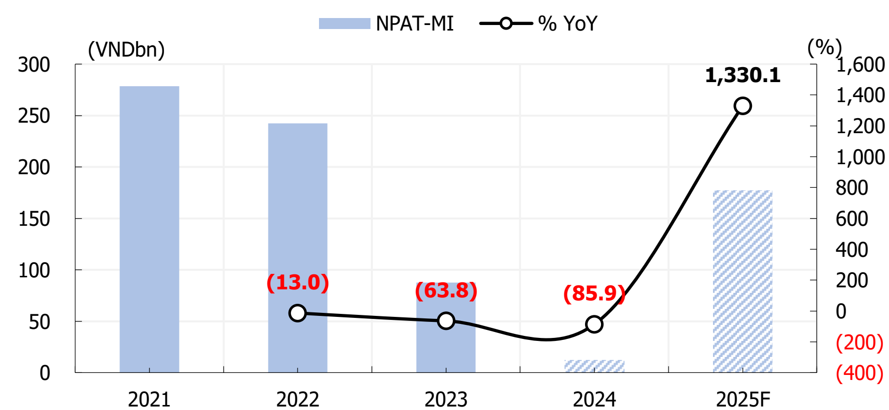


Figure 04. Hence NPAT is forecasted to revive from the low base



Source: KIS Research