

21 Jul 2022

Century Synthetic Fiber (STK)

Headwinds still ahead

Revenue growth slowed down due to weaker demand

- STK posted 2Q22 business results with revenue of VND530bn (-17.3% qoq, +3.8% yoy) and NPAT of VND70bn (-8.9% qoq, -2.0% yoy). According to the company, the negative growth figures in 2Q22 were due to customers placing orders more slowly in light of the escalating inflation situation in the US and Europe while the inventory level in these markets is high.
- Overall, in 1H22, the company recorded revenue of VND1,170bn (+8.6% yoy) and NPAT of VND146bn (+3.4% yoy), fulfilling 45%/49% of annual guidance.
- The proportion of recycled yarn in total revenue reached only 50% compared to the target of 54% for 2022F, thus STK will need to boost up recycled yarn orders in 2H22 to meet their target.

New R&D activities

- In 2Q22, the company continuously developed more product samples such as Quick Dry, Full Dull, Dope Dye, Recycle, CD Mix, and Soft package for new customers and develop other specifications for existing domestic customers such as yarn 150/132/1 CD50% and 50/72/1 AS CD50%.

Unitex factory expected to become operational in 2023

- STK is carrying out the foundation pile driving for the Unitex project and is applying for the construction permit as well as other necessary legal documents. It is expected that the first phase of the Unitex factory with a capacity of 36,000 tons of yarn/year will be put into operation from the end of 3Q23 or the beginning of 4Q23.
- STK will issue more than 13.6mn shares for existing shareholders at 20% ratio. The amount collected (VND136bn) will be used to finance for the Unitex factory. The last registration date is August 5, 2022.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,989	2,408	2,229	1,766	2,042
chg. (% YoY)	46.0	21.0	(7.0)	(21.0)	16.0
Operating profit (VND bn)	104	202	248	164	285
Net profit (VND bn)	100	178	214	144	279
EPS (VND)	1,662	2,976	3,032	2,041	3,937
chg. (% YoY)	213.6	79.1	1.9	(32.7)	92.9
EBITDA (VND bn)	274	388	406	308	386
PE (x)	30.3	16.9	16.6	24.7	12.8
EV/EBITDA (x)	13.6	9.4	10.1	12.2	9.1
PB (x)	3.9	3.3	3.3	3.3	2.8
ROE (%)	13.5%	21.1%	21.5%	13.3%	23.8%
Dividend yield (%)	1.6%	3.0%	3.0%	3.0%	3.0%

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

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12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

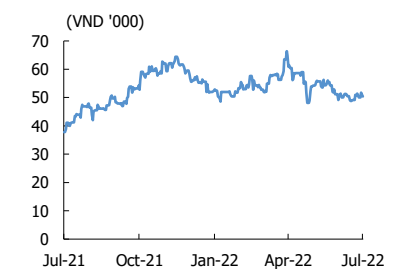
Stock Data

VNIndex (20 Jul, pt)	1,194
Stock price (20 Jul, VND)	50,400
Market cap (USD mn)	147
Shares outstanding (mn)	68.1852900
52-Week high/low (VND)	66,381/37,877
6M avg. daily turnover (USD mn)	0.09
Free float / Foreign ownership (%)	53.6/9.5
Major shareholders (%)	
Huong Viet Investment Consultant	19.9
Dang My Linh	14.3
Dang Trieu Hoa	13.8

Performance

	1M	6M	12M
Absolute (%)	2.4	(3.8)	33.1
Relative to VNIndex (%p)	0.8	14.2	37.4

Stock price trend



Source: Bloomberg

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