

Thien Long Group (TLG)

AM Brief: Ambition with new product lines

- On Aug 29, TLG held an analyst meeting to supplement more about performance results in 7M22 and shed some light on their future plans in 2022-23F. Here are some key issues covered.

A remarkable growth in 7M22

- The Covid-19 containment and back-to-school season bolstered TLG's net revenue to VND2.2tn (35% yoy) in 7M22. Compared to the pre-pandemic operation in 1H19, 1H22 net revenue was also up by 22%.
- 7M22 NPAT grew 83% yoy to VND357bn, equivalent to a VND3,473 EPS.
- Gross margin in 7M22 inched to 44%,+ 2%p compared to 1H19, driven by higher selling prices and fat-margin product mix. The proportion of writing instrument revenue climbed from 38% in 1H19 to 41% in 1H22, art supplies increased from 8% to 14%, while other household products dropped significantly from 13% in 1H19 to 1% in 1H22.
- Net profit margin in 7M22 also expanded by 4%p yoy to 16.2% thanks to expenses optimization.
- The proportion of export revenue rose from 16% in 1H19 to 24% in 1H22. In which, Flexoffice and OEM shared similar export proportions and Flexoffice products have the lower GPM.
- 7M22 results fulfilled 66.7/127.5% of AGM revenue and net profit guidance and TLG has yet to adjust the targets.

Promising sale season in 3Q22F

- Preparing back to school shopping season, TLG will hold the family event Colorkit from the 1st to the 4th of Sep 2022 at Phu Tho Stadium, HCMC. TLG is also running a marketing campaign for the new product range Pastel, targeting students and youngsters.

12M rating **Non-rated**

12M TP **N.A**

Uo/Downside **N.A**

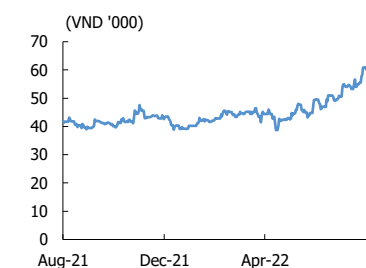
Stock Data

VNIndex (30 Aug, pt)	1,281
Stock price (30 Aug, VND)	60,000
Market cap (USD mn)	199
Shares outstanding (mn)	78
52-Week high/low (VND)	61,000/38,716
6M avg. daily turnover (USD mn)	0.27
Free float / Foreign ownership (%)	33.3/20.9
Major shareholders (%)	
Thien Long An Think Investment	48.01
NWL Cayman Holdings Ltd	6.75
Co Gia Tho	6.1

Performance

	1M	6M	12M
Absolute (%)	18.8	41.8	43.5
Relative to VNIndex (%p)	12.6	55.1	45.5

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	2,520.9	2,881.4	3,298.7	2,738.4	2,686.9
chg. (% YoY)	15.6	14.3	14.5	(17.0)	(1.9)
Operating profit (VND bn)	320.3	357.9	427.9	296.8	355.3
Net profit (VND bn)	268.1	294.4	349.1	239.8	276.7
EPS (VND)	4,833.0	4,031.0	4,084.0	2,775.0	3,201.0
chg. (% YoY)	(12.3)	(15.5)	0.2	(31.3)	15.4
EBITDA (VND bn)	363.57	427.29	489.86	366.63	414.01
PE (x)	12.78	15.13	15.10	21.98	19.06
EV/EBITDA (x)	7.97	9.56	9.75	12.42	10.69
PB (x)	2.91	3.16	2.63	2.71	2.60
ROE (%)	27.0	25.3	22.7	13.5	15.5
Dividend yield (%)	3.3	2.5	3.3	3.3	3.3

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

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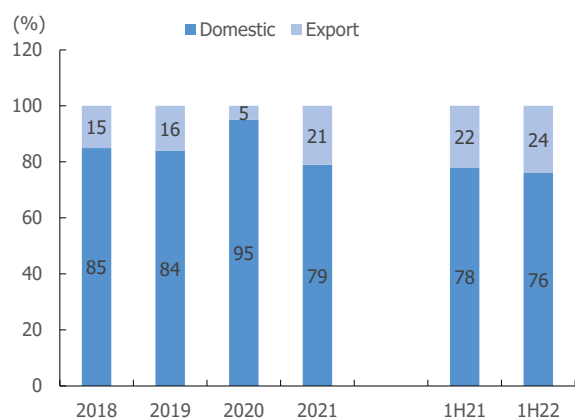
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- The 5-floors B2 factory in Long Thanh District focusing on OEM, stick products and new well-designed brands could operate since early 2023F.
- TLG will utilize the 3 floors and reach full capacity by 2027F. The remaining vacant land lot and 2 vacant floors of B2 will be reversed for manufacturing larger OEM orders.

Ambitious transformation

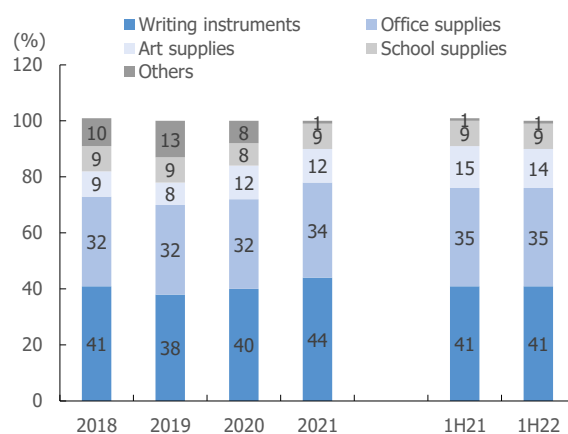
- TLG targets the revenue of VND10tn in 2027F, by developing the domestic market, growing the export market, engaging in new business and focusing on more refreshed & creative products.
- TLG considers itself to have the advantage of mass production, which enables the constant & uniform product supply at a low price to compete with local competitors. On the other hand, TLG is confident in having a nationwide sales network that is a better advantage over foreign players entering the Vietnam market.
- TLG is trading at 11.8x TTM PE, which is slightly below with 2-year median of 12.1x. According to management's prosperous growth plans in 2022-23F, we think TLG is deserved to trade at a premium valuation.

Figure 1. Revenue of domestic & export market



Source: Company data, Finpro

Figure 2. Revenue by product line



Source: Company data, Finpro

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