

21 Oct 2022

# Century Synthetic Fiber (STK)

## Dismal performance in 9M22

### Weaker garment demand led to a decline in yarn orders

- STK announced 3Q22 IR News on Oct 20, which delivered a dismal performance. Specifically, the company posted 3Q22 business results with revenue of VND515bn (+10% yoy) and NPAT of VND50bn (-20% yoy).
- According to the company, due to the negative impact of high inflation and the loom of economic recession in the US and EU (key garment importers), top fashion brands witnessed low sales and high inventory level. As a result, yarn orders were also lowered in 3Q22. Despite the weak demand, STK was still able to secure high value-added orders from premium customers, helping the company to post positive revenue growth. However, because of a sharp increase in financial expenses including interest expenses and exchange rate losses in 3Q22 as market interest rates and VND/USD exchange rates surged, STK recorded negative growth in NPAT.
- Overall, in 9M22, the company recorded revenue of VND1,686bn (+9% yoy) and NPAT of VND197bn (-3% yoy), fulfilling 65%/66% full-year guidance.
- In 9M22, the proportion of recycled yarn in total revenue reached only 51% compared to STK's target of 54% for 2022F.

### Actively promote R&D activities

- In 3Q22, the company continued to produce AAA products with high quality, and special yarns such as Full Dull, Dope Dye, Recycled, and CD Mix yarn for customers in both domestic and export markets. In addition, STK continuously develops new products such as 75/72/4-Melange yarn, and By Pass-50/72/1 yarn for domestic customers. These products are presently in the process of testing and developing samples with customers.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,989	2,408	2,229	1,766	2,042
chg. (% YoY)	46.4	21.0	(7.4)	(20.8)	15.7
Operating profit (VND bn)	126	245	269	174	276
Net profit (VND bn)	100	178	214	144	278
EPS (VND)	1,657	2,972	3,021	2,029	3,923
chg. (% YoY)	210.1	79.4	1.6	(32.8)	93.4
EBITDA (VND bn)	274	388	406	308	386
PE (x)	20.2	11.3	11.1	16.5	8.5
EV/EBITDA (x)	9.8	6.7	6.9	8.2	6.0
PB (x)	2.6	2.2	2.2	2.2	1.9
ROE (%)	13.5	21.1	21.5	13.3	23.8
Dividend yield (%)	0.8	2.4	4.5	4.3	4.3

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 Oct, pt)	1,058
Stock price (20 Oct, VND)	33,500
Market cap (USD mn)	115
Shares outstanding (mn)	82
52-Week high/low (VND)	57,337/32,250
6M avg. daily turnover (USD mn)	0.05
Free float / Foreign ownership (%)	58.9/11.2
Major shareholders (%)	
Huong Viet Investment Consultant	20.0
Dang My Linh	14.3
Dang Trieu Hoa	13.8

### Performance

	1M	6M	12M
Absolute (%)	(18.9)	(34.6)	(28.1)
Relative to VNIndex (%p)	(5.8)	(9.5)	(2.6)

### Stock price trend



Source: Bloomberg

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**Unitex factory expected to be in operation in 4Q23**

- Unitex's foundation construction has been completed, and the company is waiting for the construction permit release as well as completing other necessary legal procedures. 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 beginning of 4Q23.

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