

23 Apr 2021

# Century Synthetic Fiber (STK)

## AGM brief: Shines the ginning results

The company held an AGM session on April 22<sup>nd</sup> to articulate the business plan, coming out with optimistic business guidance.

### Concentrate on recycled yarn.

- The company targets a VND2,358bn revenue, +33.5% yoy and a VND248bn NPAT, 71.8% yoy in FY21F. A 15.0% cash dividend at par could be paid this year. In 1Q21, the company reached VND567bn in revenue (-8.0% yoy) and VND71bn in NPAT (+36.4% yoy), completing 24.0%/28.5% of full-year guidance.
- In 2021, STK plans the rights offering of 13 million shares at par with 5:1 ratio. The receipt aims to fund a new yarn plant UNITEX.
- Per management, 2021 strategic initiatives include:
  - Concentrate on producing recycled yarn.
  - Increase the market share in supplying brands.
  - Reduce waste in production by developing quality control process and solar energy system.
  - Enhance the R&D and staff performance.
- Particular, the company focuses on producing the recycled yarn and expects to increase the proportion of recycled yarn revenue by 50% (+6% yoy) in 2021, backed by:
  - Recycled yarn enjoys a prosperous outlook due to the well-known brand names has been committing to the recycled yarn such as Nike, Uniqlo, Adidas, Walmart, Inditex, IKEA, H&M since 2020.
  - STK owns a “know-how” technique in producing long and short recycled polyester yarn.
  - The company won Top 2 market share of Vietnam in recycled yarn in 2020

12M rating **Not rated**

12M TP **N/A**

Up/Downside

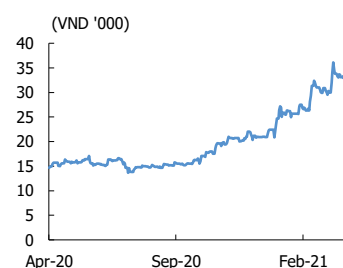
### Stock Data

VNIndex (23 Apr, pt)	1,217
Stock price (23 Apr, VND)	32,200
Market cap (USD mn)	95
Shares outstanding (mn)	68
52-Week high/low (VND)	36,100/13,650
6M avg. daily turnover (USD mn)	0.11
Free float / Foreign ownership (%)	56.7/9.8
Major shareholders (%)	
Huong Viet Investment Consultant	20.0
Dang My Linh	14.3
Dang Trieu Hoa	13.8
Dang Huong Cuong	8.46
Tang Kien Nghiep	5.2

### Performance

	1M	6M	12M
Absolute (%)	7.0	88.9	120.1
Relative to VNIndex (%p)	4.1	61.4	60.1

### Stock price trend



	2017A	2018A	2019F	2020F	2021F
Sales (VND bn)	1,989.1	2,407.7	2,229.0	1,765.7	2,358.0
chg. (% YoY)	46.4	21.0	(7.4)	(20.8)	34.0
Operating profit (VND bn)	126.2	245.2	269.3	174.4	-
Net profit (VND bn)	99.6	178.4	214.4	144.4	248.0
EPS (VND)	1,443.7	2,584.8	3,107.6	2,092.2	-
chg. (% YoY)	248.3	79.0	20.2	(32.7)	-
EBITDA (VND bn)	274.0	387.8	405.9	307.4	-
PE (x)	12.7	6.2	5.6	10.0	-
EV/EBITDA (x)	4.0	2.6	2.9	4.7	-
PB (x)	2.5	2.2	1.8	1.8	-
ROE (%)	13.5	21.1	21.5	13.3	-
Dividend yield (%)	0.8	1.6	1.7	1.8	-

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

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- Also, the company will accelerate the production of recycled yarn, high-value-added yarn and other yarn by building UNITEX yarn factory in Tay Ninh. The phase 1 needs a USD75mn capex to produce 36,000 tonnes per year from 2023. The phase 2 will commence in 2025 with a capex of USD45mn to add 24,000 tonnes per year. STK could borrow around USD52.5mn loan from local banks this year to fund the capex need in the 1<sup>st</sup> phase.

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