

20 Jun 2022

Garmex Saigon (GMC)

AGM Briefing: The fog is not clearing

- On June 18th, we attended GMC's AGM presentation. Key issues covered were 2021 business results, 2022F guidance and their operational updates.

Conservative 2022F guidance as more headwinds arise

- GMC targets a VND620bn revenue (-42% yoy) and a VND60bn NPAT (+9% yoy) in 2022F. The company sets conservative revenue guidance as it has to selectively pick up export orders with reasonable profit margins and avoid those with low margins in the context of rising raw material and logistics costs.
- The company expects to save COVID-related expenses and improve labor productivity in 2022F, so they aim for positive growth in net profit despite a significant decline in revenue as guidance.
- The company will pay 2021's dividend by cash at 50%, in which 1st payment of 20% will be on June 24th and the 2nd payment of 30% is expected to be in 3Q22F. A 50% cash dividend at par could bring an appealing dividend yield of 22.2%.
- In 1Q22, the company recorded a VND139bn revenue, -55% yoy (fulfilling 22% of full-year guidance), and a -VND8bn NPAT. Per management, 2Q22F's business results will be more optimistic and 1H22F is pegged to post positive earnings.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

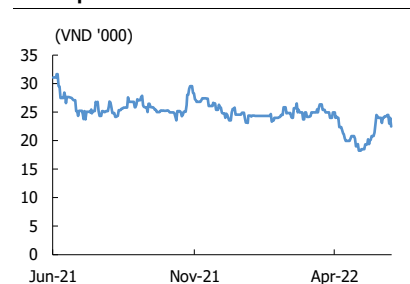
Stock Data

VNIndex (17 Jun, pt)	1,217
Stock price (17 Jun, VND)	22,500
Market cap (USD mn)	32
Shares outstanding (mn)	33
52-Week high/low (VND)	31,667/18,249
6M avg. daily turnover (USD mn)	0.004
Free float / Foreign ownership (%)	35.7/8.2
Major shareholders (%)	
Thien Hai Investment & Trading	15.86%
T.T.A Investment Corporation	15.19%
Thua Thien Hue Import-export & Investment	12.86%

Performance

	1M	6M	12M
Absolute (%)	21.7	(9.2)	(27.6)
Relative to VNIndex (%p)	22.3	8.0	(18.4)

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,605.1	2,038.9	1,747.8	1,474.6	1,064.8
chg. (% YoY)	(0.4)	27.0	(14.3)	(15.6)	(27.8)
Operating profit (VND bn)	62.0	138.9	137.0	62.4	50.8
Net profit (VND bn)	58.6	120.4	104.5	46.4	43.6
EPS (VND)	3,540.0	7,799.0	5,858.0	1,564.0	1,323.0
chg. (% YoY)	(31.2)	120.3	(24.9)	(73.3)	(15.4)
EBITDA (VND bn)	96.6	172.4	170.2	99.4	82.4
PE (x)	5.9	2.9	3.9	14.6	17.0
EV/EBITDA (x)	6.3	3.3	2.5	4.6	5.0
PB (x)	1.1	0.9	0.8	1.0	1.1
ROE (%)	19.9	34.5	24.2	8.1	6.4
Dividend yield (%)	13.3	6.7	0.0	0.0	8.9

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

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Strategic moves and challenges in 2022F

- In order to realize the 2022F target and boost earnings in the following years, the company has been implementing strategic moves, including:
 - Acquire a new factory in region III/IV to save labor cost
 - Invest in the 213 Hong Bang R&D center to enhance product quality and come up with trendy designs
 - Upgrade An Nhon, An Phu factories, and expand Quang Nam factory
 - Invest in machinery and equipment to achieve lean automation
- Per management, 2022F challenges are: (1) heavier labor cost regarding the government's new policy on minimum wage (valid from July), (2) raw material and transportation costs continue to escalate, (3) increased interest expenses as SBV may raise interest rate to control inflation, (4) high inflation rate in the US and EU may have a negative impact on apparel demand, (5) increasingly strict requirements from foreign customers to meet ESG standards.

Valuation

- Based on 2022F guidance, 12MF PE is trading at 12.36x and PB is 1.04x, much lower than the 1-year median of 20.43x and 1.32x, respectively.

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