

# Textile & Garment

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**Non-rated**

## A challenging outlook for 2H22

### Mixed export performance in 2Q22

According to the General Department of Customs, the prelim export turnover of Vietnam's textile and garment remained robust with a growth of 22.3% yoy, achieving USD9.9bn in 2Q22. In contrast to the textile segment, Vietnam's 2Q22 fiber and yarn export posted a negative growth of -6.8% yoy, reaching USD1.3bn. The US persisted as the largest textile importer in 2Q22 with USD5bn (+22.7% yoy), accounting for 50.7% of Vietnam's total textile export value. Meanwhile, China, the largest fiber and yarn importer of Vietnam, accounted for USD610mn (-20.9% yoy) in 2Q22, making up 45.9% of Vietnam's total fiber and yarn export value.

### Garment companies posted optimistic earnings while yarn manufacturers witnessed modest growth in 2Q22

The total revenue growth momentum of listed garment companies was sustained in 2Q22. However, 2Q22 revenue growth came in at 25.8% yoy, lower than 1Q21 of 32.6% yoy. The earnings growth pace also slid from 71.7% yoy in 1Q22 to 22.6% yoy in 2Q22. Meanwhile, listed yarn makers witnessed modest growth figures in 2Q22. The revenue growth pace in 2Q22 was only 5.5% yoy compared to 22.6% yoy in 1Q22. Net profit growth also declined significantly to 1.2% yoy in 2Q22 from 22.8% yoy in 1Q22.

### Challenges are ahead in 2H22

In 2H22F, we expect a challenging outlook for the T&G industry as export could slow down in the coming months due to the high inflation situation in main export markets, which may cause consumers to tighten spending on non-essential goods. Besides, the costs of raw material, transportation, and labor are still expected to remain at a high level due to high oil prices and competition in the labor market (mainly with FDI enterprises in other industries).

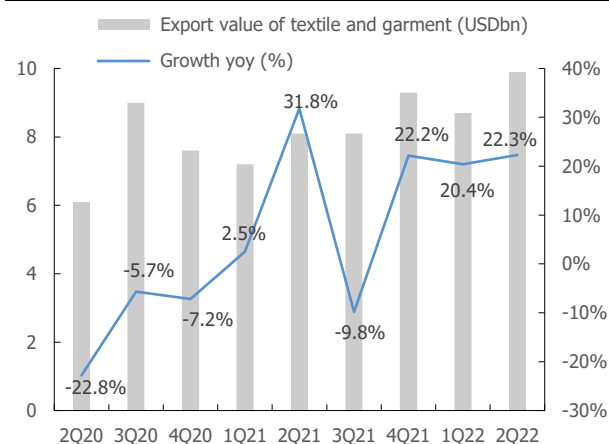
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## Mixed performance between segments in 7M22

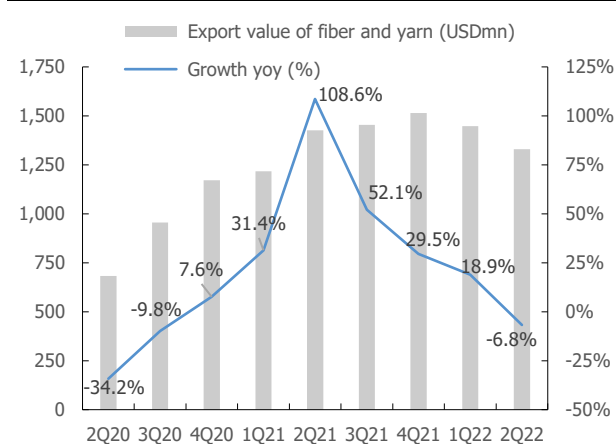
According to the General Department of Customs, the prelim export turnover of Vietnam's textile and garment remained robust with a growth of 22.3% yoy, achieving USD9.9bn in 2Q22. In contrast to the textile segment, Vietnam's 2Q22 fiber and yarn export posted a negative growth of -6.8% yoy, reaching USD1.3bn.

**Figure 1. Vietnam's textile and garment export value**



Source: General Department of Customs

**Figure 2. Vietnam's fiber and yarn export value**

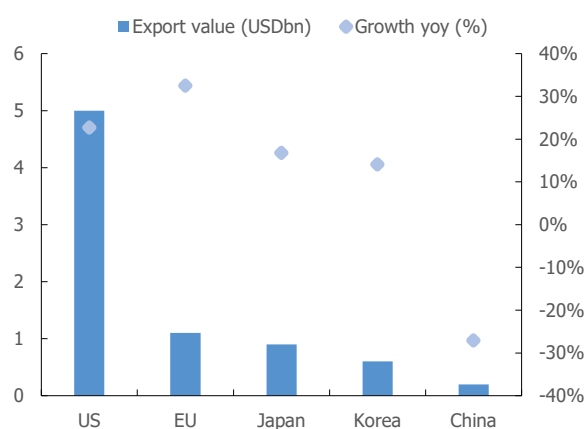


Source: General Department of Customs

Regarding the exports by nation, the US persisted as the largest textile importer in 2Q22 with USD5bn (+22.7% yoy), accounting for 50.7% of Vietnam's total textile export value. 2Q22 export to the EU also witnessed a spike in value with a 32.5% yoy, reaching USD1.1bn, followed by Japan with USD0.9bn (+16.8% yoy) and Korea with USD0.6bn (+14.1% yoy). Whereas, the export to China declined by 27.1% yoy to USD0.2bn in the same period.

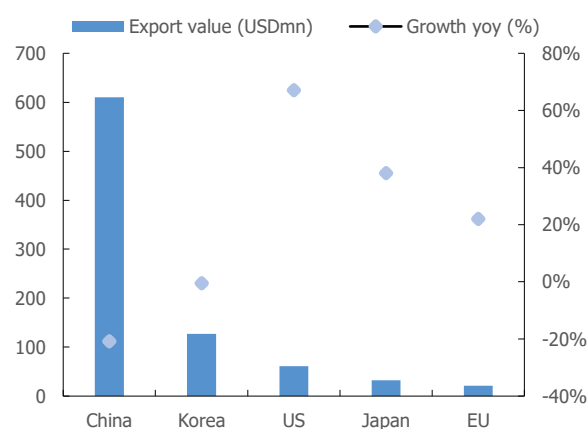
China, the largest fiber and yarn importer of Vietnam, accounted for USD610mn (-20.9% yoy) in 2Q22, making up 45.9% of Vietnam's total fiber and yarn export value. The export to US, EU, Japan and Korea in 2Q22 posted USD61mn (+67.1% yoy), USD21mn (+22.1% yoy), USD32mn (+38.1% yoy) and USD127mn (-0.4% yoy), respectively.

**Figure 3. Vietnam's textile and garment export value by nation in 2Q22**



Source: General Department of Customs

**Figure 4. Vietnam's fiber and yarn export value by nation in 2Q22**



Source: General Department of Customs

## Garment companies posted optimistic earnings while yarn manufacturers witnessed modest growth in 2Q22

The total revenue growth momentum of the 22 listed garment companies was sustained in 2Q22. However, 2Q22 revenue growth came in at 25.8% yoy, lower than 1Q21 of 32.6% yoy. The earnings growth pace also slid from 71.7% yoy in 1Q22 to 22.6% yoy in 2Q22 due to a high base of 2Q21.

Based on our collection, 5 listed yarn makers witnessed modest growth figures in 2Q22. The revenue growth pace in 2Q22 was only 5.5% yoy compared to 22.6% yoy in 1Q22. Net profit growth also declined significantly to 1.2% yoy in 2Q22 from 22.8% yoy in 1Q22.

**Table 1. 22 T&G producers' aggregated earnings**  
(VNDbn, %)

	2Q21	1Q22	2Q22	YoY	QoQ
Revenue	16,015	18,059	20,146	25.8%	11.6%
Gross Profit	2,388	2,520	3,005	25.8%	19.2%
Net Profit	893	866	1,095	22.6%	26.4%

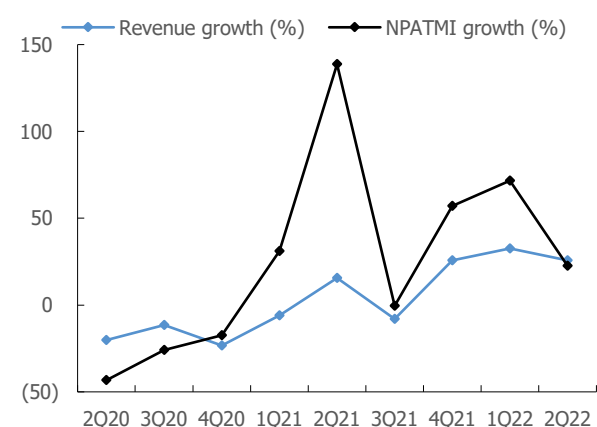
Source: Company data, Fiiipro

**Table 2. 5 yarn makers' aggregated earnings**  
(VNDbn, %)

	2Q21	1Q22	2Q22	YoY	QoQ
Revenue	1,376	1,592	1,452	5.5%	-8.8%
OP	233	258	245	5.2%	-5.0%
NP	198	219	200	1.0%	-8.7%

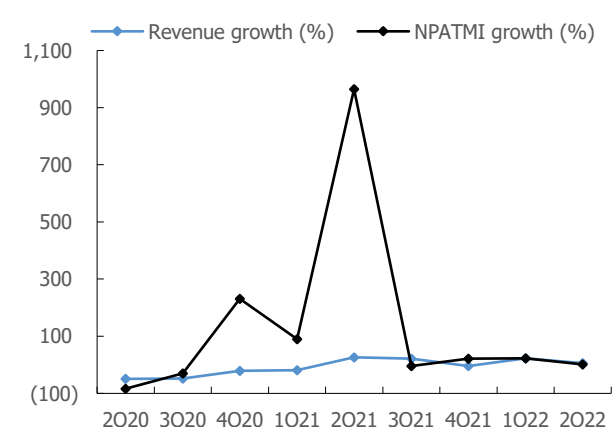
Source: Company data, Fiiipro

**Figure 5. The trend of T&G producers' aggregated earnings**



Source: Company data, Fiiipro

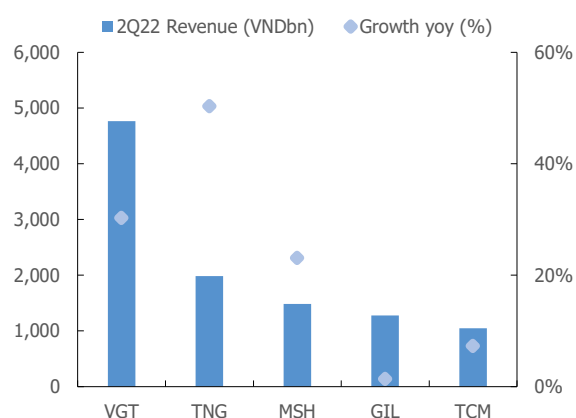
**Figure 6. The trend of yarn makers' aggregated earnings**



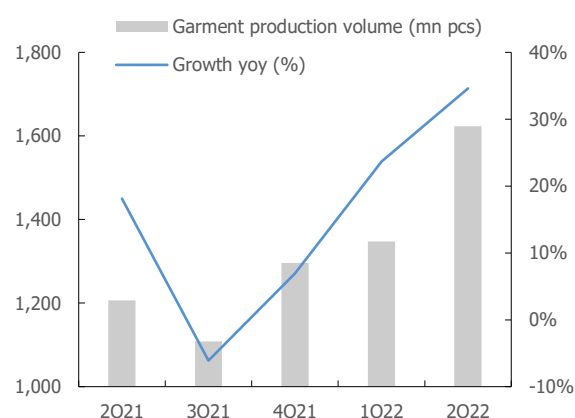
Source: Company data, Fiiipro

## Production volume boosted T&G's topline growth while export price bolstered yarn

Breaking down T&G aggregated revenue growth by a specific company, VGT had the greatest impact in the light of its dominant position with revenue growth of 30.3% yoy to VND4,768bn in 2Q22. Among garment producers, TNG performed the best with revenue grew 50.3% yoy to VND1,982bn while MSH, TCM, and GIL underperformed the industry with revenue growth of 23.1%, 7.3%, and 1.4%, reaching VND1,486bn, VND1,049, VND1,275bn, respectively. According to the General Statistics Office (GSO), Vietnam's 2Q22 garment production volume soared to 1,623mn pieces (+34.6% yoy). The positive growth was mainly contributed by increased apparel demand in major exporting markets of Vietnam such as the US, and EU.

**Figure 7. T&G producers' aggregated revenue in 2Q22**

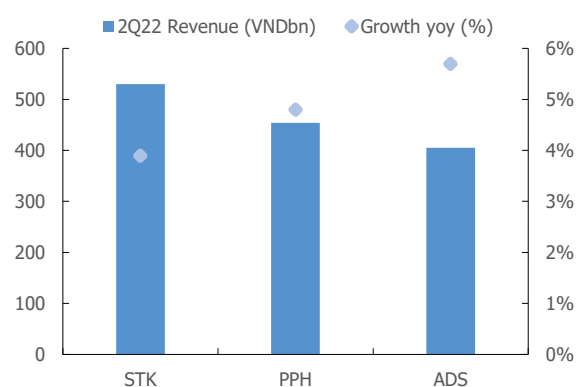
Source: Company data, Fiinpro

**Figure 8. Vietnam's garment production volume in 2Q22**

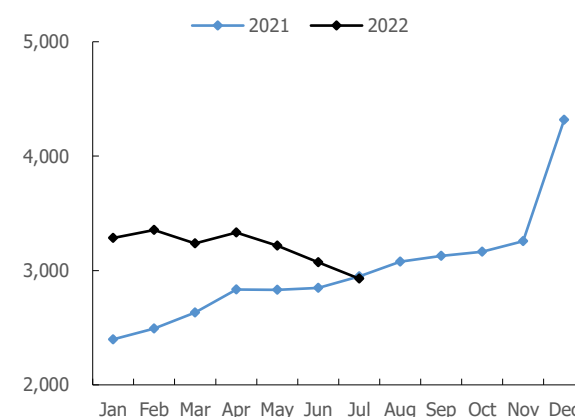
Source: General Statistics Office

STK, the leader of the yarn segment, posted revenue growth of 3.9% yoy in 2Q22, achieving VND530bn. The smaller players also recorded modest business figures, in which PPH's topline growth came in at 4.8% yoy, achieving VND454bn while ADS's revenue grew 5.7% yoy to VND405bn.

Based on the data from the General Department of Customs, the average export price of Vietnam's yarn climbed by 13.0% yoy in 2Q22, from about USD2,838/tonne to about USD3,207/tonne. This was the leading driver of revenue growth of yarn producers in 2Q22. However, the average yarn export price is on a downtrend, signaling a difficult 2H22 for yarn companies.

**Figure 9. Yarn producers' aggregated revenue in 2Q22**

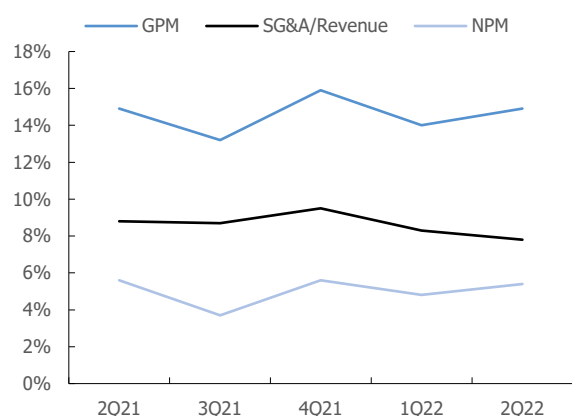
Source: Company data, Fiinpro

**Figure 10. Average export price of Vietnam's fiber and yarn**

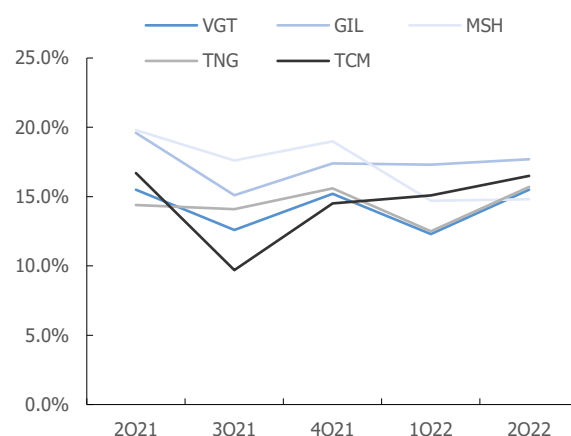
Source: General Department of Customs

### Gross profit margin stayed flat for T&G segment and declined for yarn

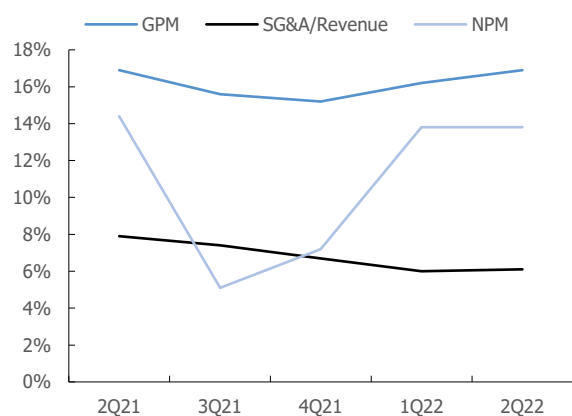
In 2Q22, the gross profit margin of T&G producers stayed flat while MSH's gross profit margin dipped farthest by 5.0%p yoy to 14.8%. Meanwhile, yarn companies saw a drop in 2Q22 gross profit margin with a 0.5%p yoy reduction, which was mostly dragged down by ADS's 2.9%p yoy GM decline. The gross margin contraction was mainly due to the heavier cost of raw materials together with higher freight rates that drove up purchase costs.

**Figure 11. GM of garment manufacturers stayed flat in 1Q22**

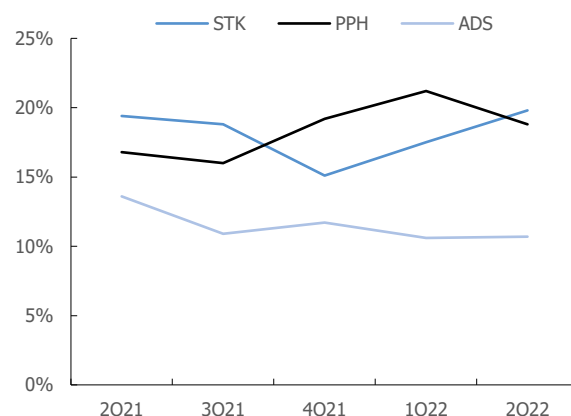
Source: Company data, Fiinpro

**Figure 12. MSH saw the largest decrease in GM**

Source: Company data, Fiinpro

**Figure 13. GM of yarn manufacturers slightly dropped in 1Q22**

Source: Company data, Fiinpro

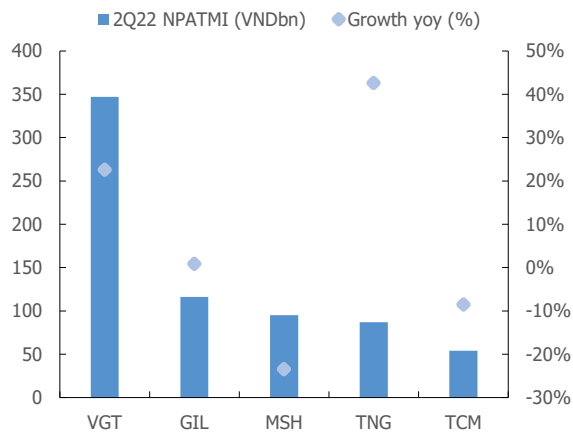
**Figure 14. ADS saw a decline in GM**

Source: Company data, Fiinpro

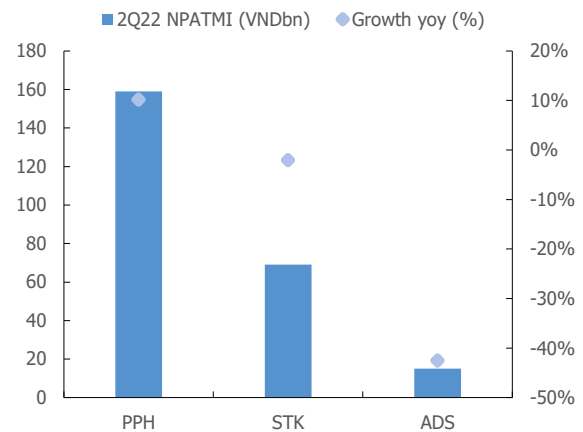
### 2Q22 net profit margin dropped for both segments

The average net profit margin of T&G segment slid from 5.6% in 2Q21 to 5.4% in 2Q22. VGT, the largest company in the industry, recorded net profit growth by 22.6% yoy, to VND347bn in 2Q22. TNG performed the best among all with a growth of 42.6% yoy while MSH saw a significant fall of 23.4% yoy in net profit growth.

Meanwhile, the 2Q22 net profit margin of yarn makers stayed declined by 0.6% to 13.8%. Among all yarn makers, PPH top net profit growth with 10.2% yoy, while ADS and STK saw a negative growth of -42.5% yoy and -2.0% yoy, respectively.

**Figure 15. TNG's net profit growth outperformed the industry**

Source: Company data, Fiinpro

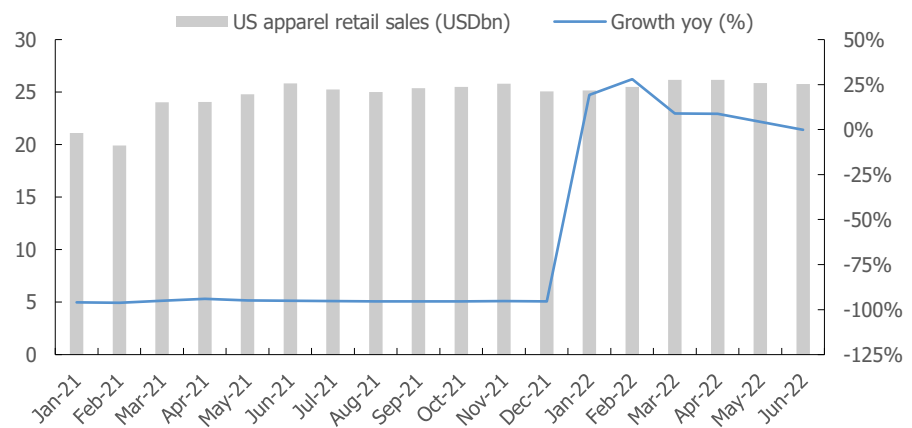
**Figure 16. ADS beat the industry's net profit growth**

Source: Company data, Fiinpro

### Challenging outlook expected in 2H22

In 2H22F, we expect a challenging outlook for the T&G industry as export could slow down in the coming months due to the high inflation situation in main export markets, which may cause consumers to tighten spending on non-essential goods. Besides, the costs of raw material, transportation, and labor are still expected to remain at a high level due to high oil prices and competition in the labor market (mainly with FDI enterprises in other industries).

Notably, the US apparel retail sales is currently on a downtrend with July sales growth of -0.2% yoy, which signals that consumers have already tightened their spending for apparel products.

**Figure 17. US apparel retail sales (seasonally adjusted)**

Source: Bloomberg, KIS

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