

Thien Long Group (TLG)

The shooting star

Revenue surged by 100% yoy in 3Q22

- In 3Q22, TLG posted revenue of VND899bn, upped 100% yoy and NPAT of VND103bn, sharply improved from VND3.7bn in 3Q21.
- We attribute the flourishing 3Q22 NPAT to a series of reward including 1) blended gross margin (GM) expanded to 45%, +7%p yoy. Gross profit swelled by 144% yoy. 2) Financial income grew by 106%, and 3) SG&A to sales shrank to 36%, -5%p yoy.
- In 9M22, TLG's net revenue rose by 48% yoy to VND2.7tn. NPAT also grew 125% yoy to VND404bn. Up to 9M22, TLG has fulfilled 86% of revenue guidance and surpassed 44% of NPAT guidance.

Back on the rails in 9M22

- Export sale climbed by 61% yoy to VND667bn, contributing 24% to TLG's revenue in 9M22. Meanwhile, domestic sales in 9M22 also surged by 44% yoy to VND2,113bn.
- Comparing to 9M19 base, the pre COVID-19, 9M22 revenue significantly increased by 21%, thanks to:
 - Recovered social status after lockdown that resumed sales for students and offices.
 - The sales channels restructure and new product lines exploring.
- Both GM and net margin (NM) in 9M22 improved respectively by 2.9%p/4.9%p yoy to 43.9%/14.4%, thanks to better product mix. However, in Sep 2022, TLG's NM tumbled from 13% in Aug 2022 to 3% in Sep 2022, mainly due to the recording of costlier marketing expenses in Sep 2022.
- Per management, TLG has been hedging foreign exchange risk to stabilize production costs. SG&A to sales is under control, equaling 26.8% in 9M22 vs 30% in 9M21.
- The management expects TLG to surpass 10% of revenue guidance and exceed over 50% of NPAT.

12M rating **Non-rated**

12M TP **N.A**

Uo/Downside **N.A**

Stock Data

VNIndex (01 Nov, pt)	1,028
Stock price (01 Nov, VND)	54,100
Market cap (USD mn)	169
Shares outstanding (mn)	78
52-Week high/low (VND)	69,600/38,716
6M avg. daily turnover (USD mn)	0.69
Free float / Foreign ownership (%)	33.2/19.0
Major shareholders (%)	
Thien Long An Think Investment	48.01
NWL Cayman Holdings Ltd	7.07
Co Gia Tho	6.1

Performance

	1M	6M	12M
Absolute (%)	(0.9)	21.8	36.3
Relative to VNIndex (%p)	8.1	45.8	63.8

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	2,497	2,856	3,253	2,685	2,668
chg. (% YoY)	13.9	14.4	13.9	(17.5)	(0.6)
Operating profit (VND bn)	314	361	412	286	330
Net profit (VND bn)	268	294	349	240	277
EPS (VND)	2,557	4,009	4,480	2,625	3,153
chg. (% YoY)	(53.5)	56.8	11.8	(41.4)	20.1
EBITDA (VND bn)	364	427	490	367	414
PE (x)	20.9	13.3	11.9	20.4	17.0
EV/EBITDA (x)	6.9	8.4	7.6	9.8	8.6
PB (x)	2.6	2.8	2.3	2.4	2.3
ROE (%)	50.6	25.3	22.7	13.5	15.5
Dividend yield (%)	2.1	2.9	4.4	3.7	4.7

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

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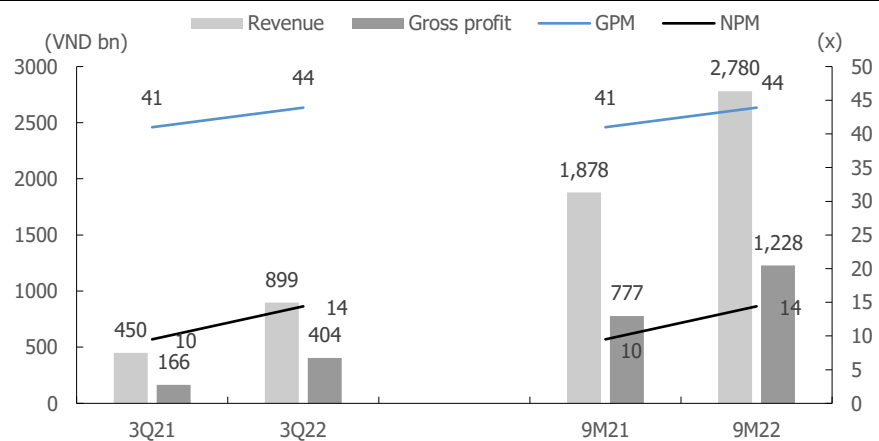
Manufacturing expansion plans are on track

- The Center warehouse at Le Minh Xuan industrial park has launched in Oct 2022 and has loaded stocks.
- Construction of B2 factory is coming to the final phase and is expected to complete by the end of 2022.
- The Colorkit promotion attracted over 60,000 attendants, tripled the expectation. TLG expected to annualize this event for kids to promote TLG's brands.

Valuation is undemanding given the prosperous outlook

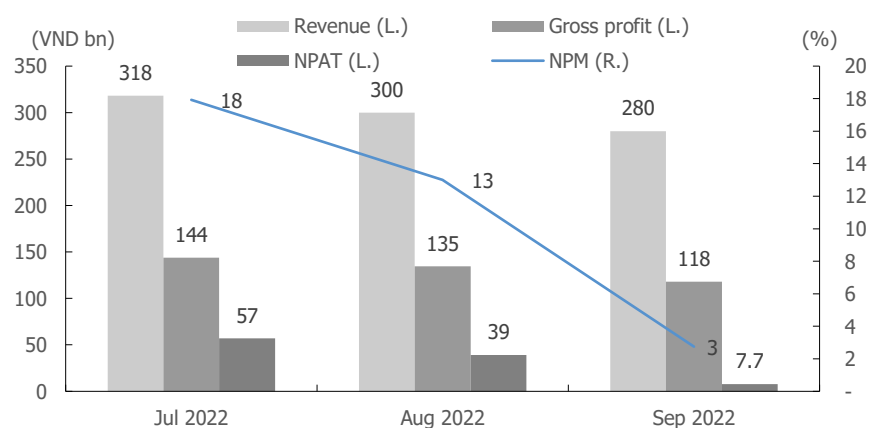
- TLG is trading at 8.3x TTM PE which is slightly below with 3-yrs PE median of 11.9x. Current TTM PB of 2x is slightly higher than the 3-yrs PB median of 1.81x.

Figure 1. Quarterly & accumulated revenue movement



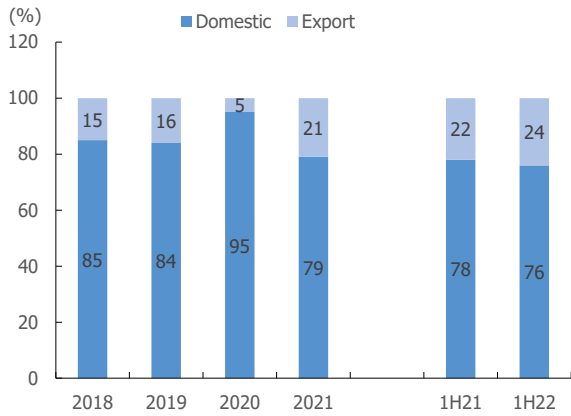
Source: Company data, KIS

Figure 2. Collapsed NPM in Sep 2022 due to high marketing expenses



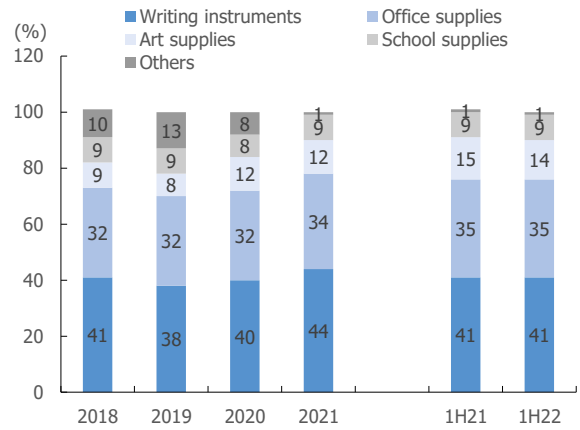
Source: Company data, KIS

Figure 3. Domestic and export revenue



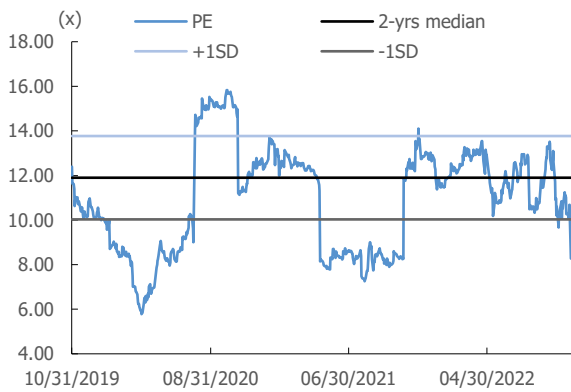
Source: Company data, Finpro

Figure 4. Revenue by product line



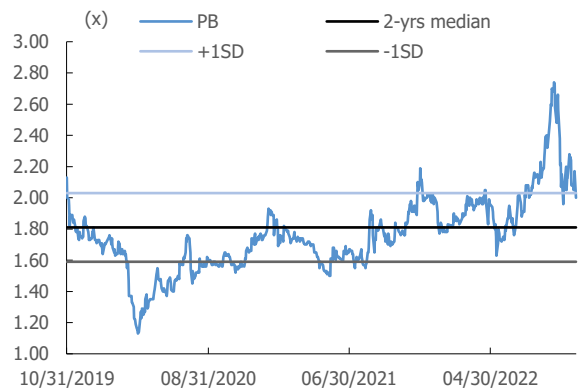
Source: Company data, Finpro

Figure 5. TLG's 2 years TTM PE



Source: Company data, Finpro

Figure 6. TLG's 2 years TTM PB



Source: Company data, Finpro

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