March 25th , 2025

Shinhan Securities



Song Hong Garment JSC

[Vietnam / Textile]

Bloomberg Code (MSH VN) | Reuters Code (MSH.HM)

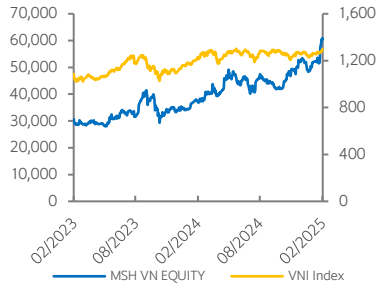
BUY

Initiation Coverage

Target price (12 months)	**VND 76,400**
Current price (24/03/25)	**VND 58,600**
Return (%)	**30%**

VNINDEX		1,330
HNXINDEX		246
Market Cap (bn VND)		4,396
Outstanding shares (mn)		75
Free-Floating (mn)		37
52-Wk High/Low (VND)		62,800/40,700
90-day avg trading volume (mn)		0.29
90-day avg turnover (bn VND)		16
Major shareholders (%)	Bui Duc Thinh	23.9
	FPT Securities JSC	12.8

Performance	3M	6M	12M
Absolute (%)	9.7	23.4	33.8
Relative to VN-Index (%)	4.8	19.8	30.6



Source: Bloomberg

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Riding the waves, reaching far

Initial Valuation with a BUY Recommendation, Target Price of 76,400 VND

Song Hong Garment Joint Stock Company (HOSE: MSH) is one of the leading enterprises in manufacturing export garments and bedding in Vietnam. With an export turnover of nearly 300 million USD/year, MSH is currently in the top 10 enterprises with the largest garment export value in Vietnam. Based on the P/E and DCF methods with a ratio of 50:50, we initially valued MSH shares at VND 76,400, corresponding to a profit margin of 30%. In the long term, we expect MSH's profits to grow thanks to: (i) MSH is one of the leading enterprises in the textile industry in terms of scale, production capacity and export turnover, (ii) Focusing on FOB orders to improve competitiveness, create high added value and bring good profit margins, (iii) Xuan Truong II Factory and the joint venture project in Egypt will be a key drivers of growth from 2025 onwards, (iv) Healthy financial structure and stable policy dividends.

MSH is one of the leading enterprises in the textile industry in terms of scale, production capacity and export turnover.

Song Hong Garment currently owns 7 factories concentrated in Nam Dinh. With a design capacity among the top in the industry, reaching about 102 million products/year (not including the Xuan Truong II factory), MSH is always one of the enterprises with the largest export turnover in Vietnam. This helps the company attract many famous customers and a large number of orders during the year.

Focusing on FOB orders helps improve competitiveness, create high added value and bring good profit margins.

Focusing on developing and increasing the proportion of FOB production methods in recent times has helped Song Hong Garment's gross profit margin always maintain at around 15-20%, higher than the industry average (13.2%). We believe that focusing on FOB is appropriate in the medium and long term thanks to: (1) The global textile model towards a comprehensive supply chain, (2) Shortening delivery times and attracting more new customers and (3) Stable profit margin.

Xuan Truong II factory and the joint venture project in Egypt will be a key drivers of growth from 2025 onwards.

- Xuan Truong II factory is a high-tech green factory located in Nam Dinh with a design capacity of 30 million standard jacket products/year. We expect Xuan Truong II to come into operation in 2025 and operate at full capacity in 2027. When the project runs at full capacity, MSH expects to earn VND1,500 billion in revenue (+30% revenue, +31% capacity compared to 2024).
- In Q2/2024, MSH entered into a joint venture with Giza For Upper Egypt Development to establish a textile company and build a factory in Egypt. We assess this a potential project thanks to leveraging advantages in Egypt such as: (1) Cheap labor costs, (2) Favorable geographical distance, (3) Opportunity to enjoy a 0% tax rate when exporting textiles from Egypt to the US.

Healthy financial structure and stable policy dividends.

MSH's dividend payout ratio has remained high (an average of about 61% of net profit allocated to parent company shareholders) over the past 5 years. We expect the company to continue to maintain a high dividend payout ratio thanks to (1) A healthy financial structure and (2) A regular dividend policy.

Risk: (1) Risk of slow demand recovery; (2) Risk of additional EU sustainable fashion legislation being published and adopted from March 2025 onwards.; (3) Risk of rising exchange rates; (4) Risk of the US imposing tariffs on Vietnamese textiles and garments and (5) Risk of customer bankruptcy.

Year to Dec.	2022	2023	2024	2025F	2026F
Net revenue (bn VND)	**5,521**	**4,542**	**5,280**	**6,200**	**6,741**
OP (bn VND)	359	187	441	652	655
NP (bn VND)	**338**	**245**	**440**	**679**	**702**
EPS (VND)	4,998	3,260	5,465	8,648	8,963
BPS (VND)	21,452	21,948	23,908	30,591	36,605
OPM (%)	6.5	4.1	8.4	10.5	9.7
NPM (%)	6.1	5.4	8.3	10.9	10.4
ROE (%)	**19.6**	**13.6**	**21.4**	**26.3**	**25.5**
PER (x)	5.7	11.1	9.5	7.0	6.8
PBR (x)	1.4	1.5	1.9	2.0	1.7
EV/EBITDA(X)	4.7	6.7	6.5	6.9	6.6

Source: Company data, Shinhan Securities Company

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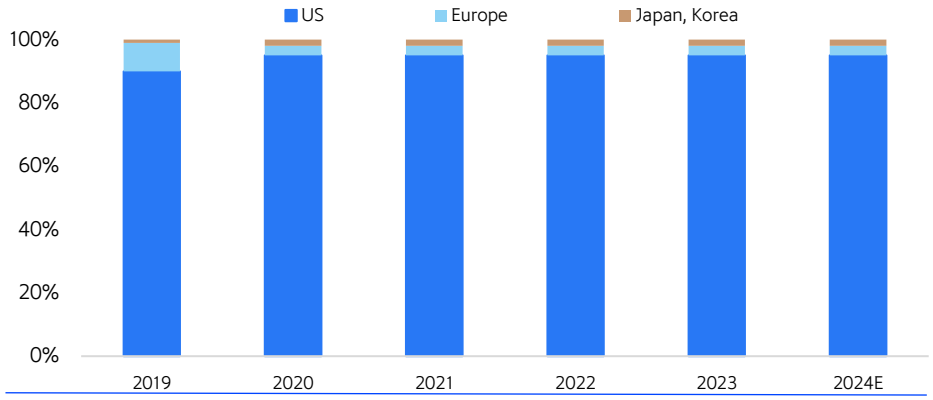
Company overview

1. History of Formation and Development of MSH

Song Hong Garment Joint Stock Company (HOSE: MSH) was established in 1988 and equitized in 2004 (with a charter capital of VND 12 billion). In 2018, MSH was officially listed on HOSE with a charter capital of up to VND 476.3 billion.

The company's main products are sportswear; men's, women's and children's fashion such as jackets, T-shirts, vests... In addition, Song Hong Garment also owns a domestic bedding brand, accounting for about 10% of its revenue structure.

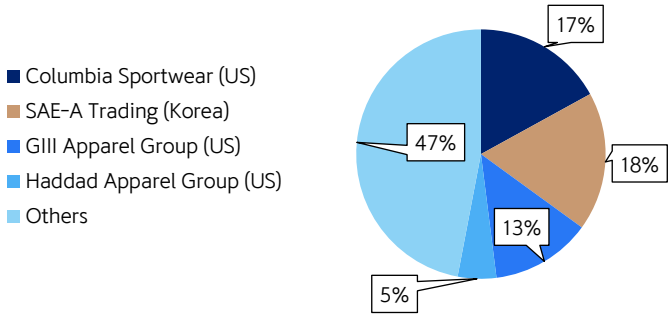
MSH's export markets (%)



Source: Vitas Textile Association, Shinhan Securities Vietnam

MSH is a leading high-quality garment exporter in Vietnam with an estimated export value of over 300 million USD/year. Regarding export markets, the United States is currently MSH's main market, accounting for about 90% of export revenue with main customers being major fashion brands such as Columbia Sportswear, Haddad Brands, G-III,... Japan and Korea are also important markets for the company with the largest partner being the leading Korean textile corporation SAE-A Trading.

Estimated customer breakdown of MSH in 2024 (%)

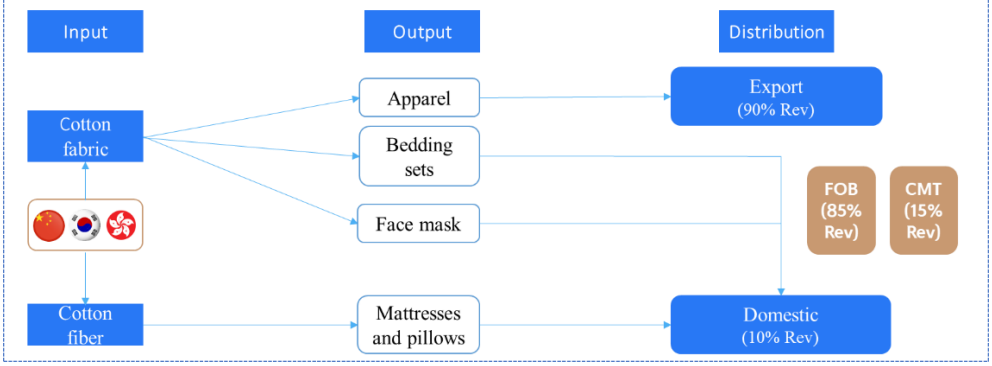


Source: MSH, General Department of Vietnam Customs, Shinhan Securities Vietnam estimates

Regarding production methods, Song Hong Garment includes two main methods: FOB* and CMT*, with the proportions reaching 84% and 16% of revenue in 2024, respectively. With the FOB (Free-on-Board)* method, the company proactively seeks suppliers of input materials, manufactures and delivers goods to the port designated by the customer. Meanwhile, CMT (Cut-Make-Trim)* is a traditional processing method, the enterprise imports raw materials from suppliers designated by the customer and performs the cutting, sewing and finishing stages of the product.

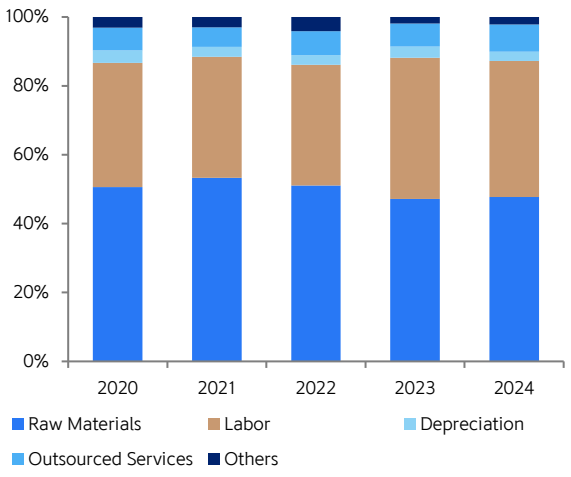
In addition, MSH is also completely autonomous in the bedding production process from design, fabric selection, cutting, sewing, finishing to product distribution. *(*See more in the Appendix on Garment Production Methods).*

MSH's value chain



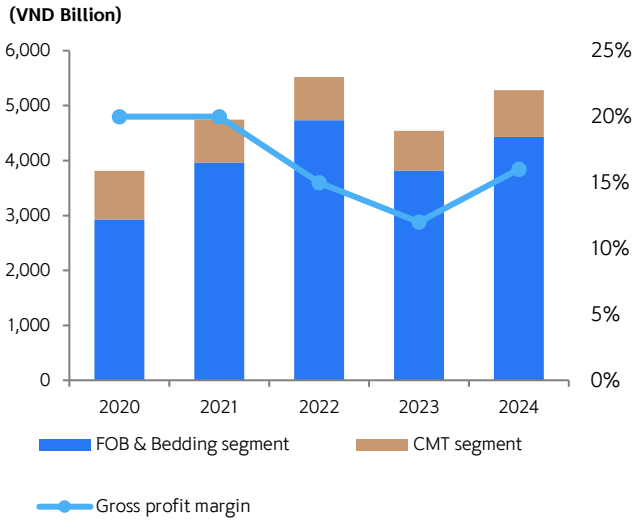
Sources: Shinhan Securities Vietnam synthesis

MSH's cost structure (%)



Source: Company report, Shinhan Securities Vietnam

MSH's revenue structure, gross profit margin (VND billion)

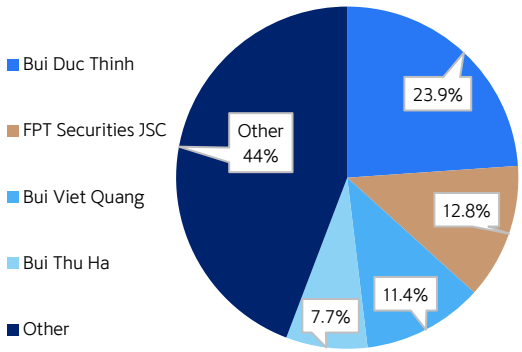


Source: Company report, Shinhan Securities Vietnam

2. Organizational structure

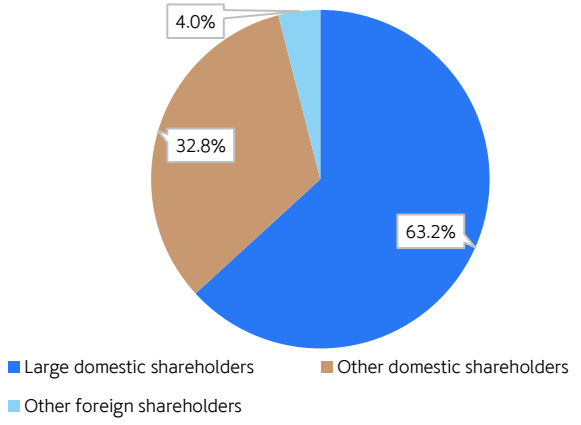
MSH has a concentrated shareholder structure, in which Mr. Bui Duc Thinh's family - Chairman of the Board of Directors holds nearly 43% of capital; FPTs is second with 12.8% ownership.

Ownership as of 04/03/2025



Source: Company report, Shinhan Securities Vietnam

Shareholder structure



Source: Company report, Shinhan Securities Vietnam

Investment thesis

1. MSH is one of the leading enterprises in the textile industry in terms of scale, production capacity and export turnover.

(i) MSH is one of the leading textile and garment enterprises in Vietnam in terms of scale and production capacity.

Song Hong Garment currently owns 7 factories concentrated in Nam Dinh province. With a design capacity among the top in the industry, reaching about 102 million products/year (not including the Xuan Truong II factory), MSH can meet large orders and attract many famous customers.

The information about the scale and production capacity of some Vietnamese textile and garment enterprises

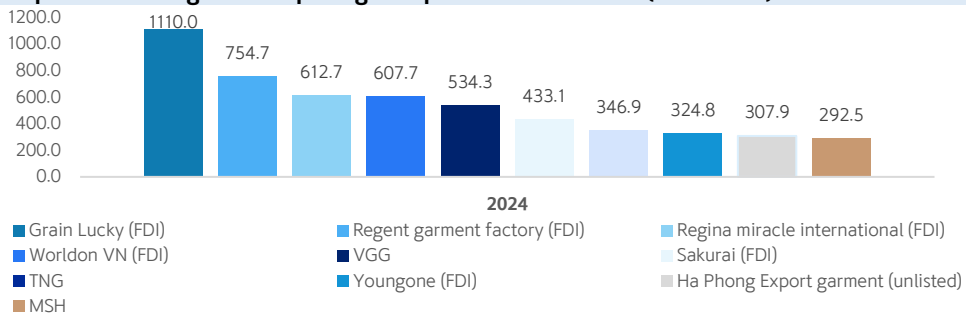
Company	Number of factories	Number of sewing lines	Number of employees	Design capacity (million units/year)
MSH	7	205	12,000	102
VGG	20	N/A	31,000	42
VGT	N/A	1,600	60,000	410
TCM	3	N/A	5,552	35
TNG	15	336	19,200	56

Source: Company report, Shinhan Securities Vietnam

(ii) In addition, MSH is also among the top listed textile and garment enterprises with the largest export turnover in Vietnam.

By 2024, with an export turnover of nearly 300 million USD/year, MSH is currently in the top 10 enterprises with the largest garment export value in Vietnam (including FDI companies).

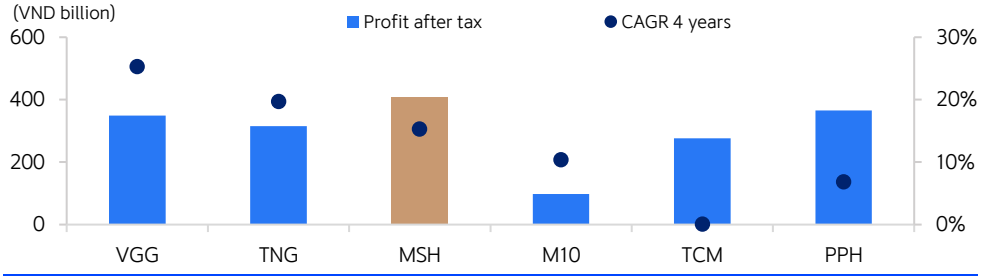
Top 10 textile and garment exporting enterprises in Vietnam 2024 (USD million)



Source: Vietnam Textile and Apparel Association (Vitas), Shinhan Securities Vietnam

With great potential in terms of scale and production capacity, MSH has been able to maintain its leading position in the industry, achieving sustainable growth over the past 4 years and in the future.

2024 profit after tax and 4-year CAGR of some listed textile and garment enterprises



Source: Company reports, Shinhan Securities Vietnam

2. Focusing on FOB orders helps improve competitiveness, create high added value and bring good profit margins.

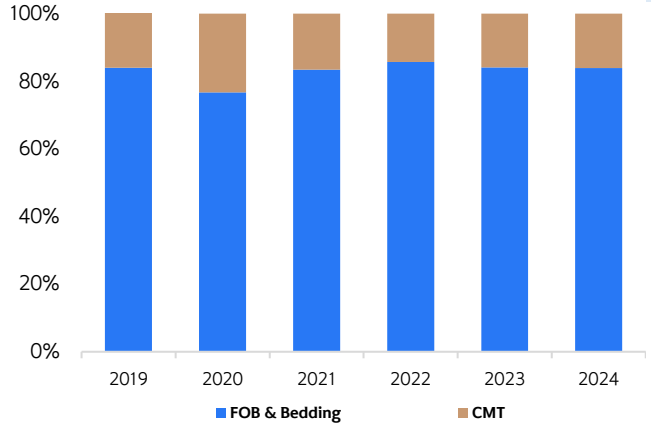
(i) The proportion of FOB production method is always kept high to help maintain profit efficiency.

The FOB (Free on Board) method is assessed to bring better profit efficiency than the traditional processing method CMT (Cut Make Trim) thanks to:

- Proactively sourcing raw materials helps reduce intermediate costs and optimize production costs;
- Increasing the ability to negotiate selling prices with customers due to pricing products based on actual costs, instead of receiving fixed prices from customers like CMT;
- A stricter production process (from importing raw materials to delivering goods to the port for customers) helps increase the ability to control product quality and shorten delivery time.

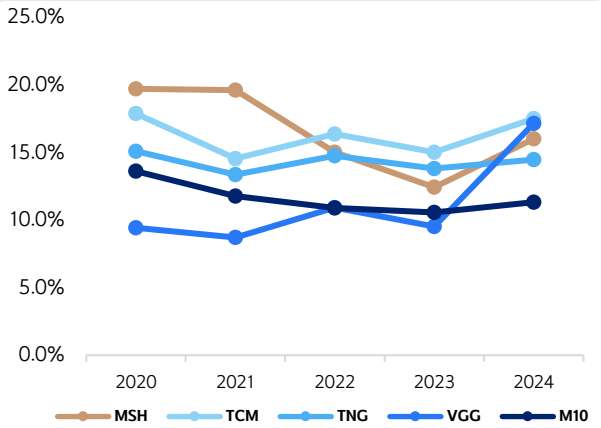
Therefore, focusing on developing and increasing the proportion of FOB method instead of CMT in production over the past time has helped Song Hong Garment's gross profit margin always maintain at around 15-20%, higher than the industry average (13.2%).

Production method proportion of MSH (%)



Source: Company report, Shinhan Securities Vietnam

Gross profit margin of textile and garment enterprises 2020-2024



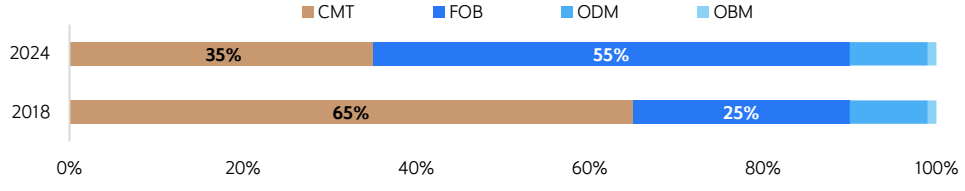
Source: Company report, Shinhan Securities Vietnam

(ii) We consider that focusing on the FOB method is completely appropriate in the medium and long term context because:

The global textile and apparel model is oriented towards a comprehensive supply chain.

Large fashion corporations in the world such as G-III, Columbia Sportswear, ... increasingly prioritize suppliers with comprehensive supply chain and strategic partnership roles, rather than traditional processing. Because this helps them reduce supply chain management costs and shorten the time to market.

Proportion of production methods used by Vietnamese textile and garment enterprises (%)



Source: Company report, Shinhan Securities Vietnam

In order to adapt to the trend, the Vietnamese textile and garment industry is also aiming to complete the supply chain and focusing on developing products according to the FOB (Active source of raw materials and production) and ODM (Design and manufacture) methods.
This is the lever that helps Song Hong Garment to promote investment in research, development and complete the production process, bringing high-quality products through a comprehensive supply chain.

Shorten delivery time and attract more new customers

Currently, fashion brands tend to order in large quantities, with fast delivery times (1-2 months) and strict requirements (meeting ESG standards - Sustainable Development Index and LEED - Energy and Environmental Design).

The FOB production method helps MSH shorten delivery time thanks to:

- Proactively sourcing raw materials, ensuring goods are available immediately when production is needed;
- Directly managing the transportation to the port for customers, helping to save working time between intermediaries.

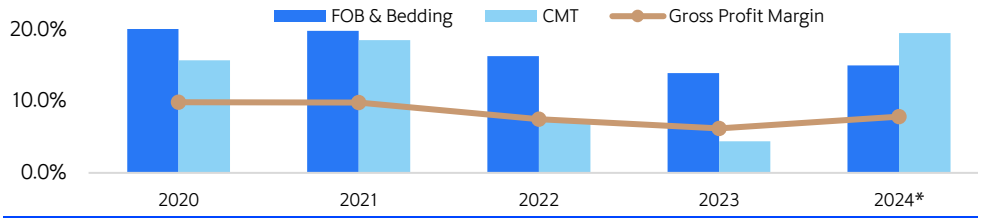
This gives MSH the ability to meet large orders with fast delivery times. Thereby attracting new customers, increasing high-value orders and improving competitiveness in the medium and long term.

Stable profit margin, maintained between 10%-30%

FOB production method is able to maintain a more stable profit margin than CMT thanks to the ability to negotiate better selling prices. Due to controlling many production stages, MSH can price products based on actual costs and negotiate output prices with customers flexibly. In addition, proactively finding raw material suppliers helps the company choose suppliers with preferential prices, optimally control input costs and maintain a stable profit margin.

In contrast, CMT's gross profit margin fluctuates quite a lot from time to time, depending on the order volume and price pressure from customers because it only performs the processing stage.

Gross profit margin by revenue structure of MSH 2020-2024 (%)



Source: Company report, Shinhan Securities Vietnam

*In 2024, FOB gross margin will remain stable while CMT will fluctuate more than previous years due to increased processing demand, helping businesses negotiate higher prices and significantly improving margins. However, we believe that this situation will only occur in the short term because CMT's gross margin fluctuates seasonally and cannot be maintained in the long term. At the same time, we expect that in 2025, FOB gross profit margin will improve more significantly thanks to: (1) An increase in demand for FOB orders as the global textile industry prioritizes a comprehensive supply chain, (2) Stable raw material costs (cotton) help businesses better control input costs.

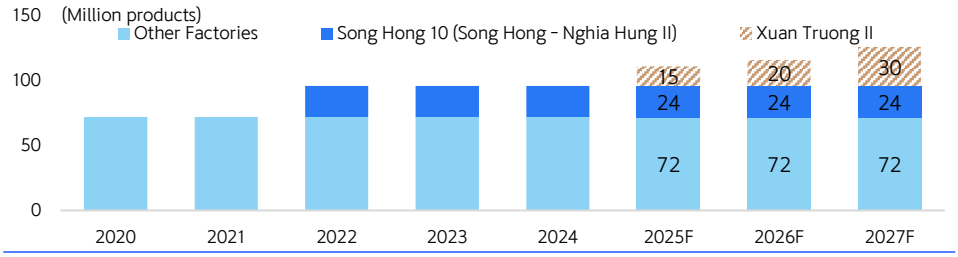
3. Xuan Truong II factory and the joint venture project in Egypt will be a key drivers of growth from 2025 onwards.

(i) Xuan Truong II Factory is expected to come into operation from 2025, reaching full capacity after 2 years. Thereby, it is expected to earn 1,500 billion VND in revenue (+30% revenue, +31% capacity compared to 2024).

Xuan Truong II Factory is a high-tech green factory located in Nam Dinh with a design capacity of 30 million standard jacket products/year. At Xuan Truong II, MSH focuses on investing in the production of high-quality export garments under the FOB method to meet the needs of major partners in the world.

The factory started construction in Q4/2023, is expected to come into operation in 2025 and operate at full capacity in 2027. When the project runs at full capacity, MSH expects to earn VND1,500 billion in revenue (+30% revenue, +31% capacity compared to 2024).

MSH's production capacity in the period 2020-2027F (Million products/year)



Source: Company report, Shinhan Securities Vietnam

Xuan Truong II Factory will be the growth driver of MSH from 2025 onwards thanks to:

(1) **Capacity expansion:** Increasing the total number of sewing lines to 255, equivalent to 126 million products/year when the factory operates at full capacity. We forecast MSH's capacity to reach 111 million units/year (+15.6% capacity vs 2024) in 2025; 116 million units/year in 2026 and 126 million units/year (+30% capacity in 2024) in 2027, respectively.

(2) **Meeting the standards of environmentally friendly production processes and stricter production chain management.** This brings a competitive advantage to MSH in the context of increasingly strict sustainable fashion laws.

(3) **Increasing high value-added orders** through promoting FOB production and developing products according to the ODM model.

(ii) Joint venture project to build a textile factory in Egypt is expected to export the first order to the US from April 2025.

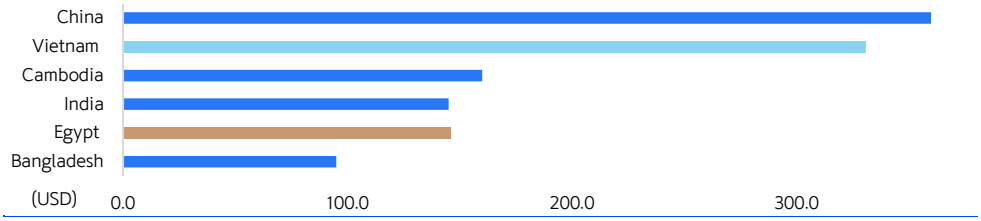
In Q2/2024, Song Hong Garment entered into a joint venture with Giza For Upper Egypt Development to establish a textile company and build a factory in Egypt. Currently, the factory has completed construction and is expected to start producing export orders to the US from April 2025.

The company has not announced the specific production capacity of the factory, so we have not included this project in the 2025 forecast. However, we consider this a potential project thanks to taking advantage of Egypt such as:

(1) Low labor costs

Egypt is a country with an average salary of production workers significantly lower than other countries in the world. In 2024, the salary in Egypt is near 1/2 of Vietnam and 2/5 of China.

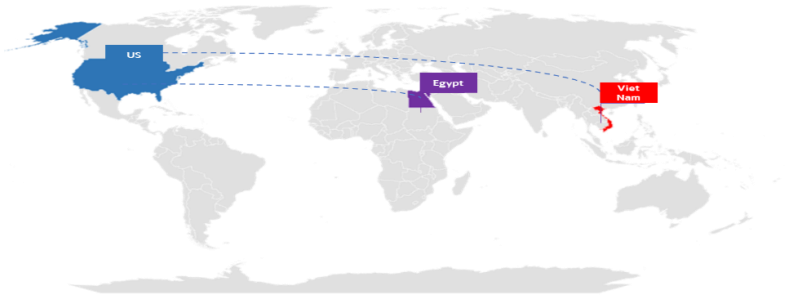
Labor costs in manufacturing industry of some countries (USD/person/month) in 2024



Source: Trading Economics, Shinhan Securities Vietnam

We believe that with low labor costs in Egypt, MSH will save on production costs and increase its price competitiveness in the international market.

(2) Convenient geographical distance helps shorten the time to reach the main US market



Source: Shinhan Securities Vietnam

Thanks to its location near the Suez Canal and major shipping routes, the distance from Egypt to the US is shorter than the distance from Vietnam to the US. The average shipping time from Egypt to the US East Coast to be only about 12-14 days, half the shipping time from Vietnam to the US. We expect that the convenient geographical distance will help MSH shorten delivery times, save on shipping costs and increase flexibility in production and distribution.

(3) Opportunity to enjoy a 0% tax rate when exporting textiles from Egypt to the US.

In 2004, the Egypt-Israel Free Trade Agreement was signed within the framework of the US-Israel Free Trade Agreement (ILFTA) (1985). This is an agreement that represents the cooperation of the three countries of Egypt, the US and Israel. This agreement allows products manufactured in Qualified Industrial Zones (QIZs) in Egypt to **be exempted from 100% import duties** when exported to the US, if the products meet certain criteria.

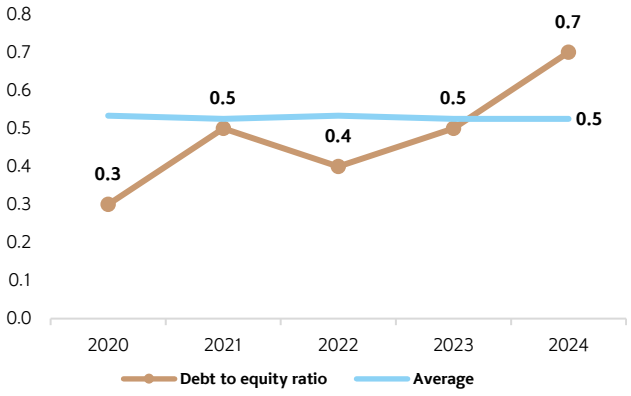
The agreement has no fixed term and will continue to be effective as long as the trade cooperation between the parties is maintained. As of 2025, the agreement is still in effect.

We expect that the Egypt-Israel-US Free Trade Agreement will facilitate MSH to take advantage of the 0% tax rate when exporting textiles and garments to the US. Thereby expanding market share and increasing the number of export orders to this key market.

4. Healthy financial structure and stable policy dividends

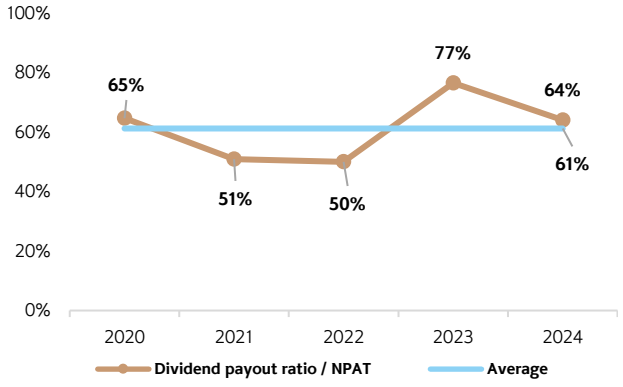
MSH is one of the leading enterprises in the Textile and Garment industry with a history of paying regular dividends at high levels.

Debt to equity ratio below 1



Source: Company report, Shinhan Securities Vietnam

Dividend payout ratio / NPAT maintained at a high level above 50%



Source: Company report, Shinhan Securities Vietnam

MSH has a healthy financial structure with a debt-to-equity ratio maintained below 1 and a dividend payout ratio that has always remained high (an average of about 61% of net profit allocated to parent company shareholders) over the past 5 years. We expect the company to continue to maintain a high dividend level in 2025 thanks to (1) a healthy financial structure and (2) a regular dividend policy.

Update Q4/2024 and Forecast 2025F

1. Update Q4/2024

Items (VND billion)	Q4/2023	Q4/2024	2023	2024	Notes
Net revenue	**1,156**	**1,428**	**4,542**	**5,280**	Net revenue in 2024 increased thanks to a rise in orders, many high-value orders and SH10 factory operating at full capacity.
Growth (%YoY)		23		16	
Gross profit	**160**	**286**	**564**	**830**	Gross profit in 2024 increased thanks to stable labor costs and input material prices.
Growth (%YoY)		78		47	
Gross profit margin	**14**	**20**	**12**	**16**	
Profit before tax	**101**	**208**	**307**	**541**	NPAT-Mi in 2024 increased by 80% YoY thanks to a rise in orders and stable production costs.
Growth (%YoY)					
NPAT - Mi		106		76	
Growth (%YoY)	**81**	**170**	**245**	**440**	
		109		80	

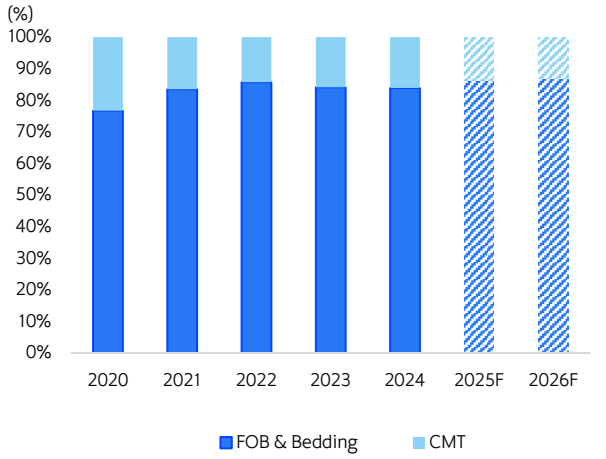
2. Forecast 2025F

MSH's revenue and profit outlook (2023-2025F)

	2023	2024	2025F	Chú thích
Net revenue (VND billion)	**4,542**	**5,280**	**6,200**	We expect net revenue in 2025 to maintain its growth momentum thanks to the increase in high-value orders and the expected operation of Xuan Truong II factory at 50% capacity.
Growth (%YoY)	-18	16	17	
FOB & Bedding segment (VND billion)	3,820	4,430	5,315	We forecast FOB & Bedding revenue to grow 20% YoY thanks to increased exports of FOB products and increased domestic demand for bedding products.
Growth (%YoY)	-19	16	20	
CMT segment (VND billion)	722	851	885	We forecast CMT revenue to increase slightly by 4% YoY due to major customers preferring suppliers that produce by FOB method and fierce competition from India and Cambodia due to cheaper production costs.
Growth (%YoY)	-9	18	4	
Gross profit (VND billion)	564	830	1,106	We expect MSH's gross profit margin to reach 18% thanks to stable input material prices and the application of high technology in the production process to optimize costs and improve efficiency.
Gross profit margin (%)	**12**	**16**	**18**	
FOB & Bedding segment (%)	14	15	19	
CMT segment (%)	4	20	12	
Profit before tax (VND billion)	307	541	780	
NPAT - Mi (VND billion)	**245**	**440**	**679**	
Growth (%YoY)		79	54	

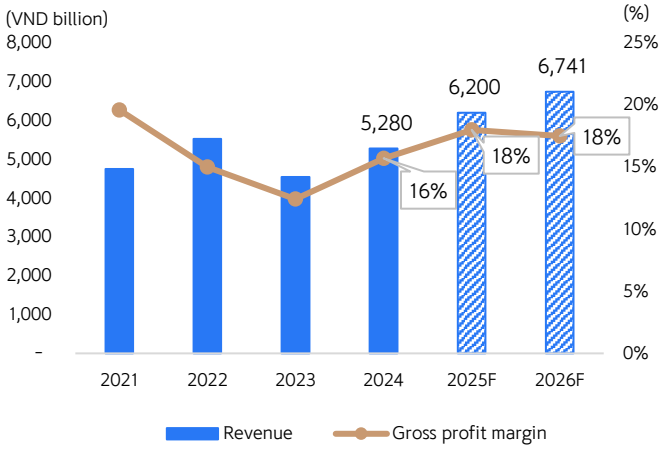
Source: Company report, Shinhan Securities Vietnam

Proportion of FOB & Bedding and CMT segments to total revenue (%)



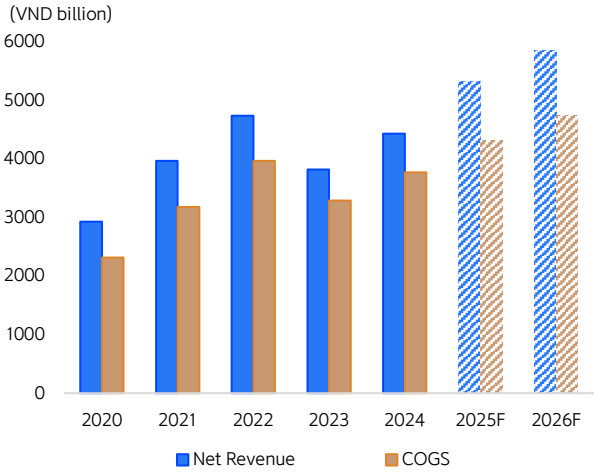
Source: Company report, Shinhan Securities Vietnam

Forecast revenue and gross profit margin over the years



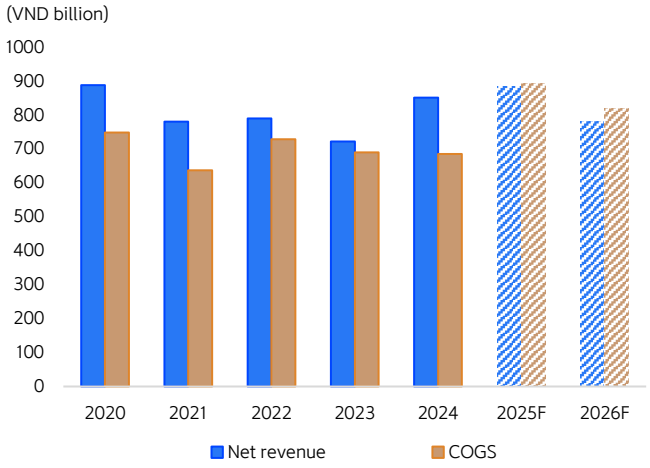
Source: Company report, Shinhan Securities Vietnam

Forecast net revenue & COGS of FOB & Bedding segment



Source: Company report, Shinhan Securities Vietnam

Forecast net revenue & COGS of CMT segment



Source: Company report, Shinhan Securities Vietnam

Recommendation and Valuation

Initiate coverage with BUY and Target Price of VND 76,400

We initiate coverage on Song Hong Garment JSC (MSH) with a BUY recommendation and a target price of 76,400 VND, representing a 30% upside. From a long-term perspective, MSH is an investment worth considering for the following reasons:

1. MSH is one of the leading enterprises in terms of scale, production capacity and export turnover.
2. Focusing on FOB orders helps improve competitiveness, create high added value and bring good profit margins.
3. Xuan Truong II factory and the joint venture project in Egypt will be a key drivers of growth from 2025 onwards.
4. Healthy financial structure and stable policy dividends.

Valuation method

We apply a combination of P/E and Discounted Cash Flow (DCF) valuation methods with 50% and 50% weights to value MSH.

Method	Weight	Price (VND)
P/E	50%	75,773
FCFF	50%	77,026
Target Price		76,400
Current price		58,600
Upside (%)		**30%**

Discounted Cash Flow method (DCF) – FCFF

Variable	Value
D/E	0.36
Beta	0.9
Risk - free rate	3.1%
Cost of equity	11%
Cost of debt	8%
WACC	9%

MSH's FCFF valuation model (Not including the contribution of Egyptian joint venture)					
Unit: billion VND	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
Net profit	678.7	702.3	798.6	852.5	879.0
+ Interest after tax	68.0	59.0	51.0	49.0	42.0
+ Depreciation	195.0	201.0	203.0	205.0	210.0
- Change in working capital	82.0	413.8	569.2	536.8	405.8
- - Investment capital	489.0	76.0	59.0	122.5	126.8
Free Cash Flow (FCF)	**370.7**	**472.5**	**424.4**	**447.2**	**598.4**
PV of FCF	1,900.0				
Growth rate	2%				
Present value of free cash flow	4,375.9				
Enterprise value	**6,275.9**				
- In debt	1,420.2				
+ Cash and cash equivalents	922.3				
Value of equity	**5,778.1**				
Number of outstanding shares (million units)	0.075				
Target price (VND/share)	**77,026**				

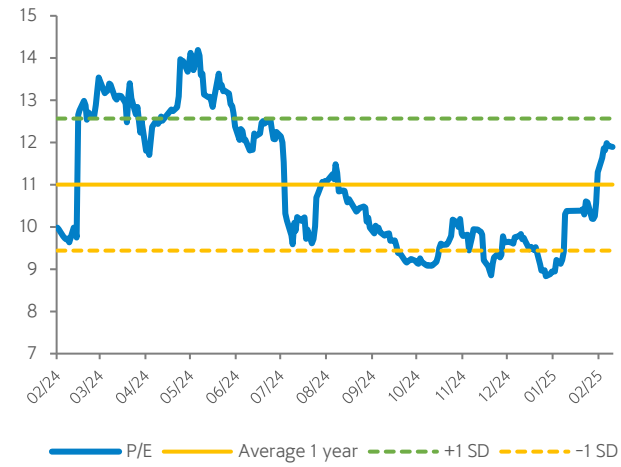
Source: Company data, Shinhan Securities Vietnam

P/E method

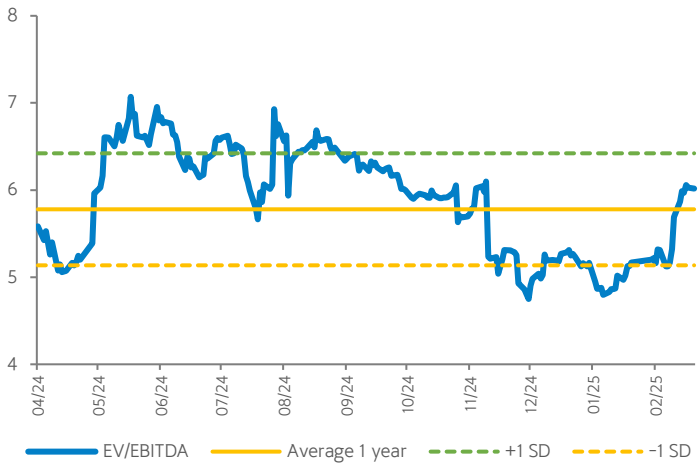
Based on the P/E method, we collect data from the past 5 years of MSH. We calculate the average 5-year P/E combined with the 2025 forecast EPS estimate at VND 8,648. From there, MSH's target price is valued at VND 75,773.

Year	P/E Mean
2020	8.6
2021	8.9
2022	5.7
2023	11.1
2024	9.5
Target P/E	8.8
Target price (VND)	**75,773**

P/E

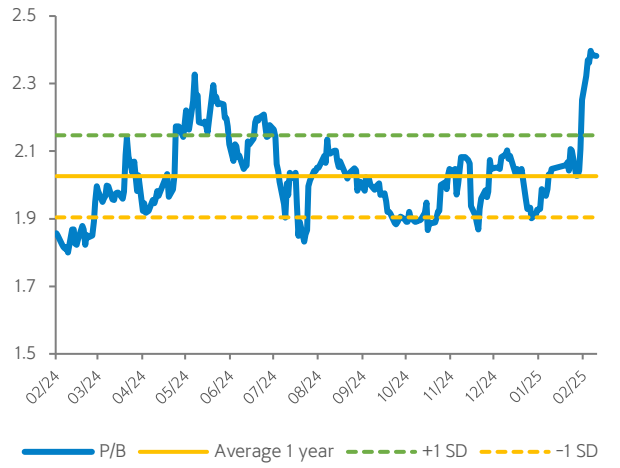


EV/EBITDA

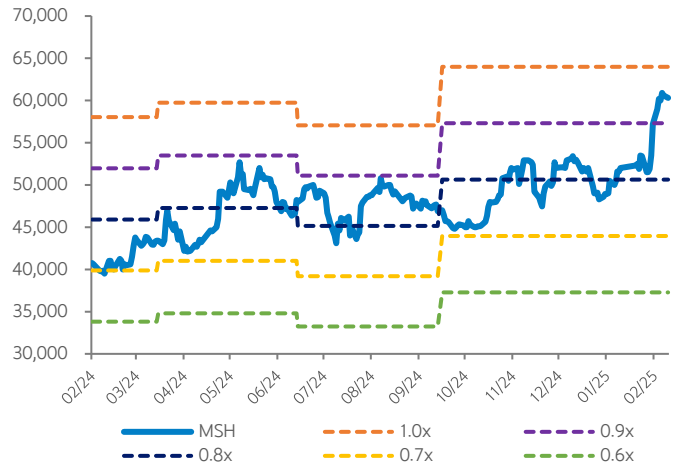


Source: Bloomberg, Company data, Shinhan Securities Vietnam

P/B

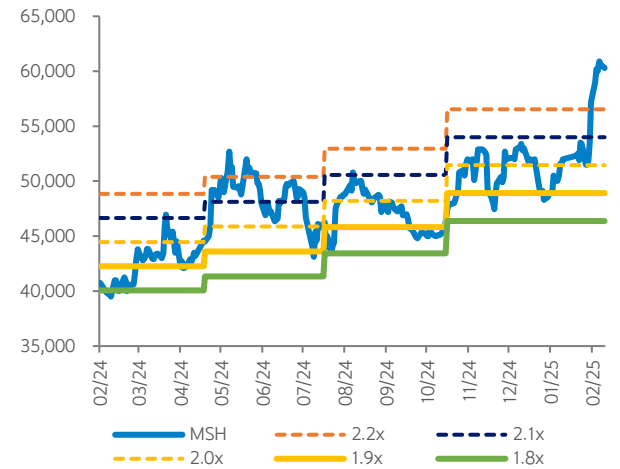


P/S band

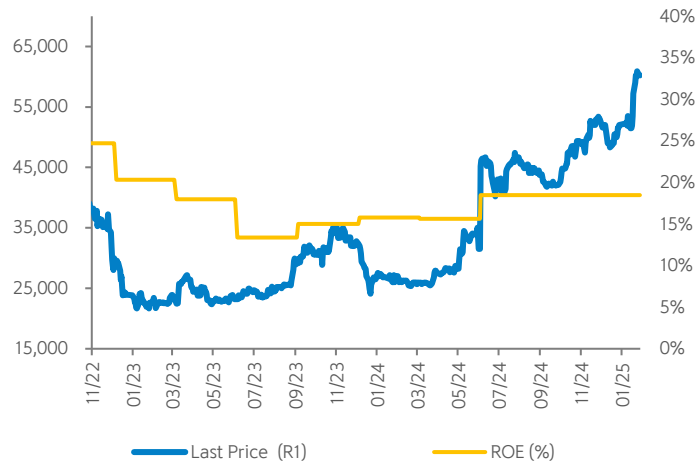


Source: Bloomberg, Company data, Shinhan Securities Vietnam

P/B band

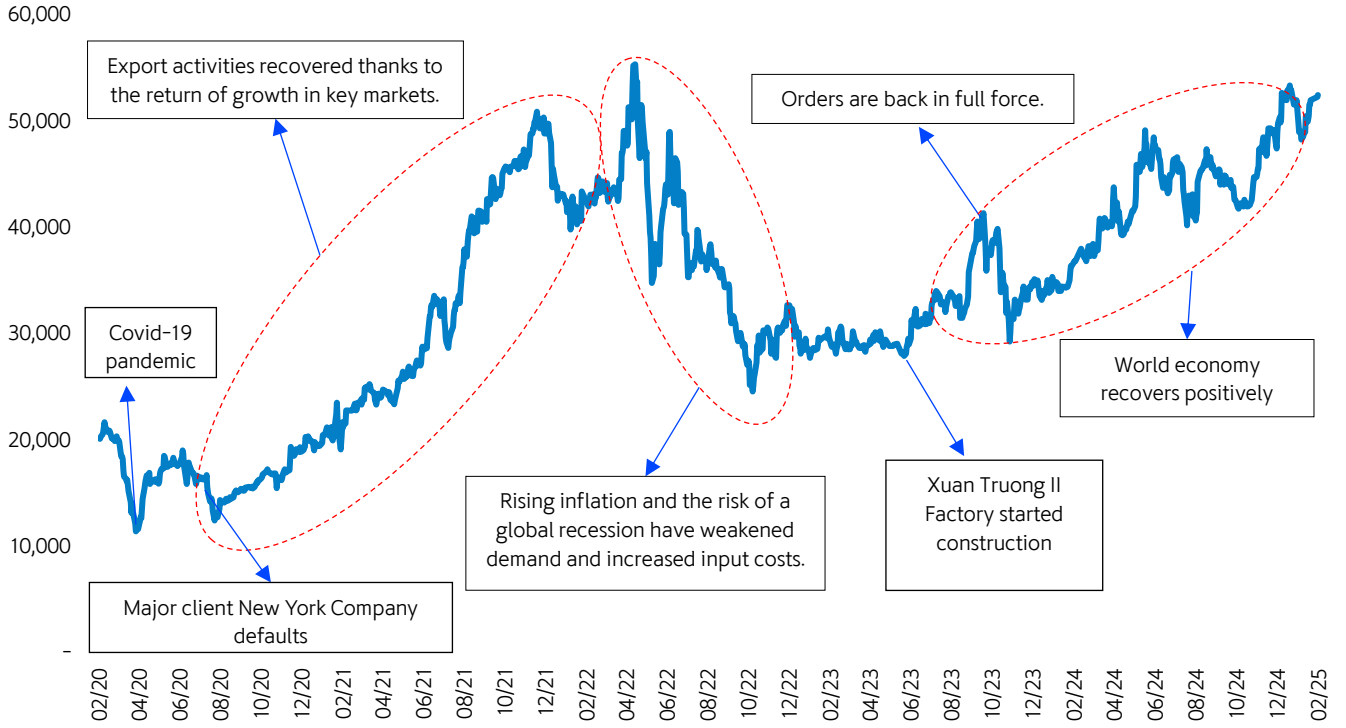


The correlation of MSH'price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key events chart of MSH



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Risk of slow recovery demand

Currently, the US - MSH's main export market - is experiencing unpredictable fluctuations during President Trump's 2.0 term. The continuous introduction of policies to impose tariffs on imported goods into the US from partner countries has significantly affected the US economy.
In the event of fluctuations in the US economy, the demand for importing non-essential goods such as textiles and garments may decrease and not recover as expected. This will greatly affect MSH's export orders.

Risk of additional EU sustainable fashion legislation being published and adopted from March 2025 onwards.

The EU market is becoming more stringent since the ESPR (Ecodesign for Sustainable Products Regulation) comes into effect in June-July 2024. Additional legislation under the ESPR will be published and adopted from March 2025 onwards. This poses a challenge for Vietnamese textile and garment enterprises to ensure that their factories comply with sustainability regulations, which is expected to add 10% to factory construction costs.

Risk of exchange rate increase

Currently, MSH has a loan in USD to build Xuan Truong II factory. Therefore, the possibility of an increase in the USD/VND exchange rate in the short term will cause MSH to pay more debt, affecting the company's after-tax profit.

Risk of the US imposing tariffs on Vietnamese textile and garment products to rebalance the trade balance

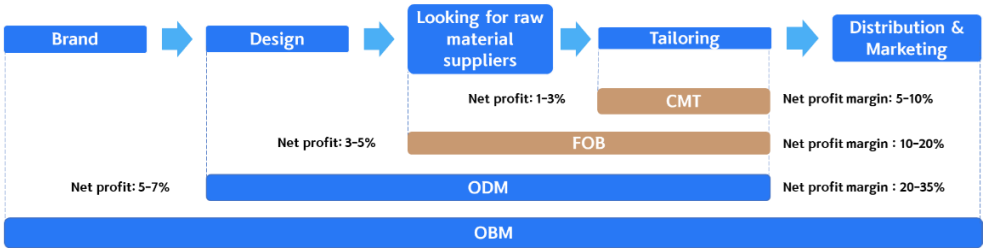
The US market has a huge impact on MSH's revenue and profit because 90% of the company's export revenue comes from this market. In the scenario where the US imposes tariffs on Vietnamese textile and garment products when exporting to this country, MSH could be greatly affected if US partners cut orders and seek supplies from countries with more preferential tax rates. At the same time, the company's gross profit margin may be narrowed if it cannot pass on this increased cost to customers to retain partners.

Risk of major customer insolvency

In the event of a major customer bankruptcy or insolvency, MSH will face potential risks such as loss of capital, reduction cash flow and direct impact on the company's operating profit. In the past, MSH has faced this situation once when in July 2020, the fashion brand New York Company (which accounted for 13% of MSH's total revenue in 2019) became insolvent due to the bankruptcy of its parent company. This caused the provision for doubtful receivables to increase and affected Song Hong Garment's after-tax profit at that time.

Appendix

Garment production methods



	Characteristics	Profit after tax margin	Net profit margin
CMT (Cut – Make – Trim)	The enterprise only performs cutting, sewing and finishing the product.. ➔ The simplest production method	1-3%	5-10%
FOB/OEM (Free on Board/ Original Equipment Manufacturing)	The enterprise proactively adds the step of preparing raw materials, carrying out production of orders and delivering to the port designated by the customer. - FOB level 1: Raw material suppliers are designated by the customer - FOB level 2: The enterprise searches for raw material suppliers itself. ➔ Higher production method than CMT	3-5%	10-20%
ODM (Original Design Manufacturing)	The enterprise designs the product model itself, searches for raw material suppliers, produces and delivers the order to the customer. ➔ The method of expressing the enterprise's creativity through self-designed samples.	5-7%	20-35%
OBM (Original Brand Manufacturing)	Enterprises design their own branded products, find suppliers of raw materials, produce orders and distribute products. ➔ Methods that bear the enterprise's own mark	>7%	>35%

Source: Shinhan Securities Vietnam

Appendix: Financial Statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024	2025F	2026F
Total assets	**3,294**	**3,453**	**4,521**	**4,960**	**5,170**
Current assets	2,342	2,553	3,250	3,632	3,643
Cash and cash equivalents	424	455	887	918	981
Short-term financial	956	971	653	992	1,011
Accounts receivable	341	598	992	1,014	1,036
Inventories	603	507	645	693	605
Other assets	18	22	73	15	10
Long-term assets	931	900	1,271	1,328	1,527
Fixed assets	842	774	700	1220	1423
Construction in progress	22	59	473	50	45
Long-term financial	-	-	32	32	32
Other assets	68	-	26	26	26
Total liabilities	**1,575**	**1,643**	**2,468**	**2,379**	**2,420**
Current liabilities	1,269	1,335	1,860	1,561	1,593
Accounts payable	871	790	1026	927	936
Advance payments from	15	14	15	16	16
Loans and finance leases	376	527	813	612	636
Others	6	5	6	6	6
Long-term liabilities	306	308	608	818	827
Loans and finance leases	306	308	608	818	827
Others	-	-	-	-	-
Owner's equity	**1,719**	**1,810**	**2,053**	**2,581**	**2,750**
Owner's capital contribution	750	750	750	750	750
Capital surplus	-	-	-	-	-
Retained earnings	673	710	850	1,358	1,480
Others	186	186	193	193	193
Non-Controlling Interests	110	163	259	279	326
*Total Debt	682	835	1,420	1,430	1,463
*Net Debt (Cash)	258	379	534	512	482

Source: Company data, Shinhan Securities Company

Statement of cash flow

Year to Dec. (bn VND)	2022	2023	2024	2025F	2026F
Cash flow from operations	**890**	**(8)**	**164**	**258**	**275**
Net profit	338	245	440	679	702
D&A expenses	134	135	127	195	201
(Gain)/loss from investing activities	(73)	(119)	(108)	(100)	(109)
Change in working capital	339	(357)	(456)	(82)	(414)
Others	153	88	162	(433)	(105)
Cash flow from investments	**(674)**	**(82)**	**(145)**	**(125)**	**(87)**
Change in fixed assets	(415)	106	394	543	208
Change in investment assets	(259)	(187)	(539)	(668)	(295)
Others	-	-	-	-	-
Cash flow from financing	**(166)**	**121**	**412**	**(101)**	**(126)**
Change in equity	74	49	66	-	-
Net borrowings	(52)	259	609	162	137
Dividends	(187)	(187)	(263)	(263)	(263)
Change in total cash	**50**	**31**	**432**	**33**	**63**
Beginning cash	379	424	455	887	918
Change in FX rates	(5)	-	-	(2)	(1)
Ending cash	424	455	887	918	981

Source: Company data, Shinhan Securities Company

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Net revenue	**5,521**	**4,542**	**5,280**	**6,200**	**6,741**
Growth (%)	16.3	(17.7)	16.3	17.4	8.7
COGS	(4,692)	(3,978)	(4,451)	(5,094)	(5,564)
Gross profit	**829**	**564**	**830**	**1,106**	**1,176**
GPM (%)	15.0	12.4	15.7	17.8	17.5
SG&A	(470)	(377)	(389)	(454)	(521)
Operating profit	**359**	**187**	**441**	**652**	**655**
Growth (%)	(100.0)	(48.0)	136.4	47.9	0.5
OPM (%)	6.5	4.1	8.4	10.5	9.7
Non-operating profit	**81**	**120**	**110**	**128**	**149**
Financial income (FI)	152	191	211	220	223
Financial expense (FE)	(65)	(73)	(85)	(85)	(67)
In which: interest expenses	(34)	(45)	(53)	(68)	(59)
Net other non-operating profit	(7)	1	(16)	(7)	(6)
Pre-tax profit	**439**	**307**	**541**	**780**	**804**
Income tax	(101)	(61)	(101)	(101)	(102)
Net profit	**338**	**245**	**440**	**679**	**702**
Growth (%)	(23.7)	(27.4)	79.4	54.3	3.5
NPM (%)	6.1	5.4	8.3	10.9	10.4
Controlling interest	375	244	410	649	672
Non-controlling interest	(37)	1	30	30	30
EBIT	**405**	**262**	**488**	**712**	**745**
Growth (%)	(63.0)	(35.3)	86.2	46.0	4.7
EBIT Margin (%)	7.3	(5.8)	9.2	11.5	11.1
EBITDA	**539**	**397**	**615**	**907**	**946**
Growth (%)	(19.1)	(26.4)	55.0	47.6	4.3
EBITDA margin (%)	9.8	8.7	11.6	14.6	14.0

Source: Company data, Shinhan Securities Company

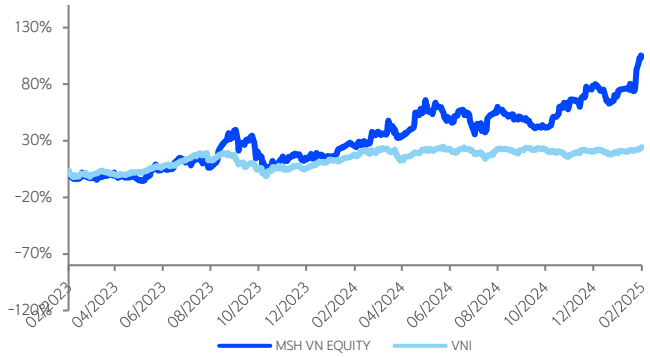
Key ratios

Year to Dec.	2022	2023	2024	2025F	2026F
EPS (đồng)	4,998	3,260	5,465	8,648	8,963
BPS (đồng)	21,452	21,948	23,908	30,591	36,605
DPS (đồng)	2,500	2,500	3,500	3,500	3,500
PER (x)	5.7	11.1	9.5	7.0	6.8
PBR (x)	1.4	1.5	1.9	2.0	1.7
EV/EBITDA (x)	4.7	6.7	6.5	6.9	6.6
Dividend payout ratio (%)	25.0	25.0	35.0	35.0	35.0
Dividend yield (%)	3.3	3.3	4.6	4.6	4.6
Profitability					
EBITDA margin (%)	9.8	8.7	11.6	14.6	14.0
OPM (%)	6.5	4.1	8.4	10.5	9.7
NPM (%)	6.1	5.4	8.3	10.9	10.4
ROA (%)	10.3	7.1	9.7	13.7	13.6
ROE (%)	19.6	13.6	21.4	26.3	25.5
Stability					
Debt to equity ratio (x)	39.7	46.1	69.2	55.4	53.2
Cash ratio	33.4	34.1	47.6	58.9	61.6
Interest coverage ratio (x)	11.9	5.9	9.1	10.5	12.6
Activity (%)					
Payable turnover (days)	75	72	89	94	87
Inventory turnover (days)	60	51	47	48	43
Receivable turnover (days)	33	38	55	59	56

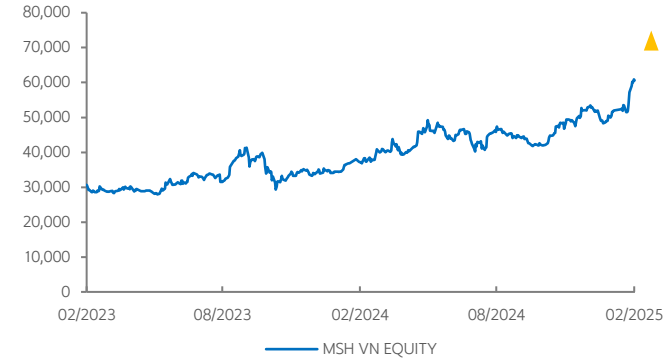
Source: Company data, Shinhan Securities Company

Song Hong Garment JSC (MSH VN)

Stock price



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/ Min
03/25/2025 (Initial report)	BUY	76,400	93.9	21.7/87.7

Note: Calculation of target price gap based on past 12 months

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Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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