[FLASHNOTE]

Century Synthetic Fiber JSC.

04/05/2022

Shinhan Securities

Before you invest, ask us!

RATING	HOLD
Current price (VND)	59,000
Target price (VND)	68,500
Dividend yield	2.54%
Upside	18.25%

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COMPANY INFORMATION

Industry	Textiles
Ticker	STK
Stock Exchange	HOSE

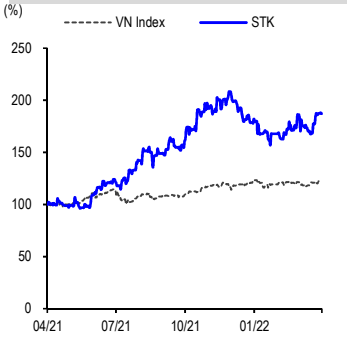
STOCK TRADING DATA

VN INDEX	1,524.7
Market Cap. (bn VND)	4,063.8
Outstanding Shares (1mn)	68.2
Free Floating Shares (1mn)	36.6
52-week High (VND)	70,600
52-week Low (VND)	31,100
Avg. Trading Volume (mn)	0.03
Avg. Reading T/O (bn VND)	1.6

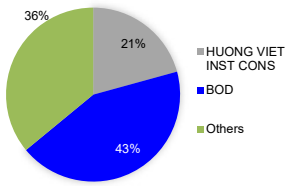
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	3.3	16.9	79.0
Percentage	3.1	4.3	55.6

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Business Position

- STK is Vietnam's leading yarn manufacturer with the main product being Polyester filament yarn owning a factory with capacity of 63,000 tons/year, focusing on mainly the middle and high-end customers.
- The company's major competitor is Formosa with a factory capacity of 72,000 tons/year. Nevertheless, the high-end product lines development orientation will help STK pioneer to dominate the high-end yarn market.

2. Investment Catalysts

- In 2021, STK recorded a positive growth in the context of complicated epidemic developments, with the revenue growth of 15.7% YoY and NOPLAT growth of 76%, respectively, thanks to the proportion of recycled yarn accounting for 54% of total revenue.
- High demand in the high-end segment is a solid basis for STK to continue its strategy of capacity expansion to hold the pioneering position in the recycled yarn, special yarn market.
- Accordingly, STK has approved the plan to build the Unitex factory with a total capacity of 60,000 tons/year, double the current capacity with 2 phases: Phase 1 with a capacity of 36,000 tons/year is expected to operate in 2023; Phase 2 with a capacity of 24,000 tons/year is planned to operate in 2025. According to the company's estimation, the proportions of the recycled yarn, the high-end yarn and the others are 60%, 20% and 20%, respectively. Total CAPEX is estimated at about 120 million dollars, of which phase 1 & 2 will be $75 mil and $45 mil, respectively.
- Anti-dumping Duty is expected to support the domestic yarn industry: In October 2021, the Ministry of Industry and Trade (MoIT) issued Decision No. 2302/QD-BCT on the preliminary anti-dumping tax rate for PFY imported from China, India, Indonesia and Malaysia, with the tax rate ranging from 17.5% -54.9%, valid for five years, are expected to support the competitiveness of domestic yarn products with the imported products.

3. Short-term risks

- For the purpose of financing the new factory in 2022, STK planned to sell 1.5 million treasury shares and privately issue 13.5 million shares for the professional investors, with 1-year transfer limit. The expected dilution rate is about 20%.

4. Recommendation

- We suppose that the yarn market will maintain positive growth in 2022 thanks to: 1) the trend of shifting production from China and the recovery of demand after the COVID-19 epidemic, assuming the social distancing scenario will not happen in 2022; 2) supply from China is interrupted due to the Government's zero-covid policy; 3) benefit from the anti-dumping tax policy under Decision No. 2302/QD-BCT. On that basis, we forecast that STK's business results in 2022 will continue to be positive with the estimated revenue and net profit of VND 2,678 billion (+31.1% YoY) and VND 336 billion (+18% YoY), respectively.
- In addition, in 2021, STK plans to pay the cash dividend amount of VND102.3 billion, equivalently a dividend yield of 2.54%. We recommend HOLD for STK with the target price of 68,500 VND/share, equivalent to an increase of 15.7% compared to the current price. The forward PER and PBR are 16.8x and 2.9x, respectively.

FINANCIAL INFORMATION

	2018	2019	2020	2021	2022F
Sales (tr VND)	**2,408**	**2,229**	**1,766**	**2,042**	**2,678**
OP (tr VND)	245	269	174	276	332
Pre-tax (tr VND)	199	253	164	286	336
NP(1mn VND)	**178**	**214**	**144**	**278**	**295**
EPS(VND)	2,680	3,163	2,091	3,931	3,506
BPS(VND)	13,660	15,314	15,880	18,464	20,174
PER(x)	5.3	5.5	10.0	13.9	16.8
EV/EBITDA(x)	3.9	4.1	5.1	9.9	9.8
PBR(x)	1.0	1.1	1.3	3.1	2.9
ROE(%)	21.1	21.5	13.3	23.8	17.8

(*) Database information provided by Bloomberg

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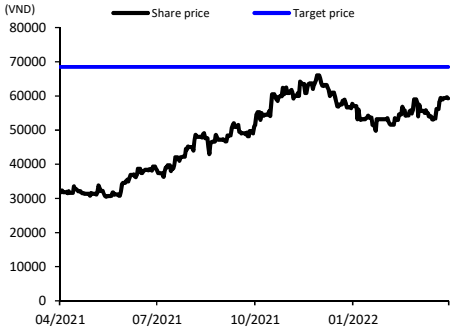
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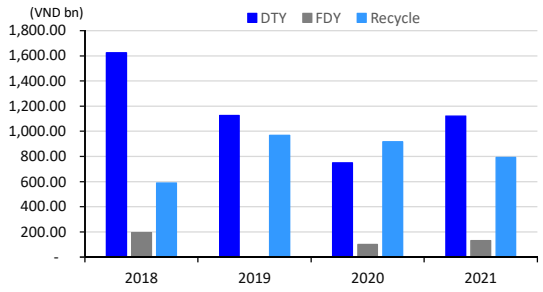
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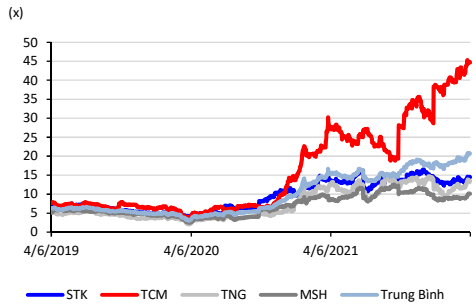
Recommendation History



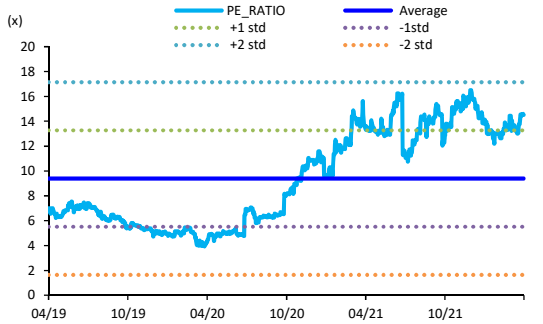
Revenue from core business (bnVND)



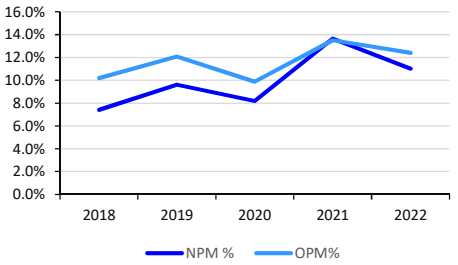
Relative valuation peers' PE



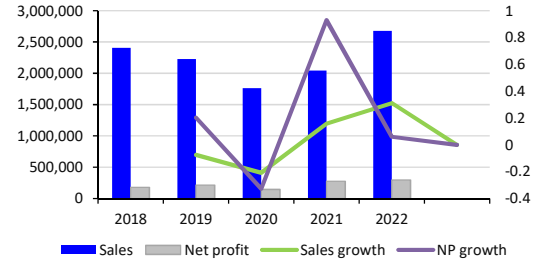
Average P/E 3 years of



Operating and net margin over the years



Revenue - profit over the years



(*) Database information provided by Bloomberg



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