

Textile & Garment

Shifting focus to improving core quality



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Textile & Garment – Shifting focus to improving core quality

1. Vietnam's Textile & Garment export performance in Q1/2026

In Q1/2026, Textile and garment exports in Q1/2026 are estimated at USD 8.8 billion (+1.9% YoY). Despite geopolitical fluctuations in the Middle East, the textile and garment industry recorded a slight increase thanks to the flexibility and proactive securing of orders early by businesses. Export values to key markets are divergent: The two largest markets, the US and the EU, maintain slight growth thanks to stable demand, while Japan and South Korea experience significant declines due to competitive pressure from China and India.

2. Outlook for 2H2026 and Opportunities

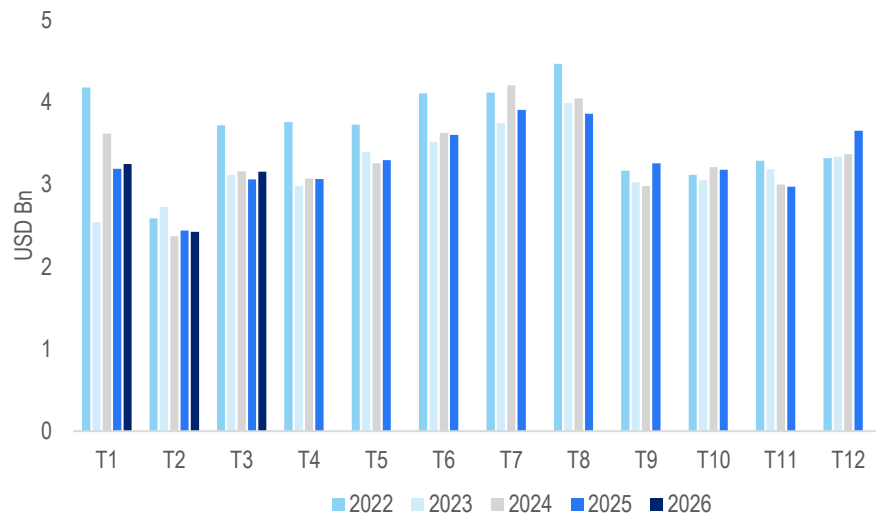
With global textile and garment demand projected to slow down to a rate of 2-3% per year, export growth for each country will depend primarily on its ability to compete and gain market share from rivals. We believe that the core strategy of Vietnam's textile and garment industry in the coming period is no longer to expand production scale, but to improve core quality through (1) Promoting the production of niche products with high added value; (2) Investing in the use of solar power in factories to meet ESG standards and minimize capital costs; (3) Applying AI in production to shorten lead-time to meet customer requirements, enhance reputation and competitiveness.

3. Investment Opportunities in Textile & Garment Stocks

TNG, MSH

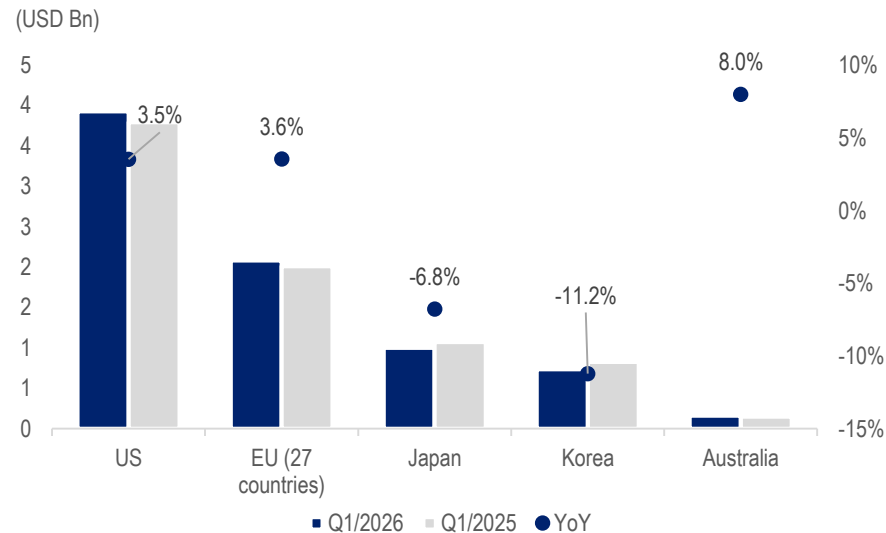
Textile exports showed divergence across major export markets

Textile and garment export value in Q1/2026



Source: GSO, Shinhan Securities Vietnam

Export value of textiles and garments to key markets

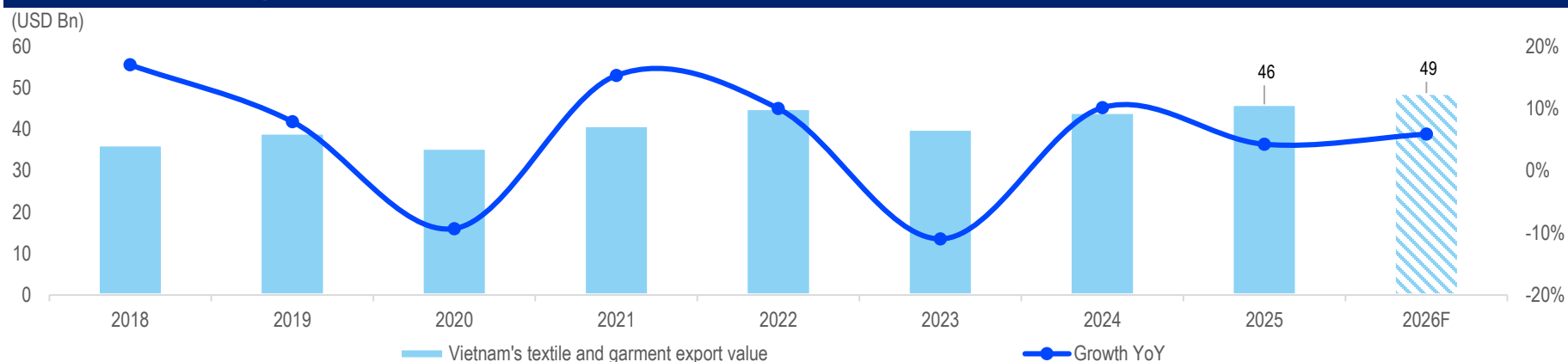


Source: GSO, Shinhan Securities Vietnam

- ❑ Textile and garment exports in Q1/2026 are estimated at USD 8.8 billion (+1.9% YoY). Despite geopolitical fluctuations in the Middle East, the textile and garment industry recorded a slight increase thanks to the flexibility and proactive securing of orders early by businesses.
- ❑ Export values to key markets showed divergence: The two largest markets, the US and the EU, maintained slight growth, thanks to stable consumer demand and continued benefits from the shift of orders away from China. Asian markets such as Japan and South Korea experienced significant declines due to increased competition from cheaper goods from China and India, along with weakening consumer demand in the region.
- ❑ CPTPP markets such as Australia and Mexico showed positive signs as Vietnamese businesses more effectively utilized the advantages of the Free Trade Agreement.

Textile and garment exports – Shifting focus to improving core quality.

Vietnam's textile and garment export value

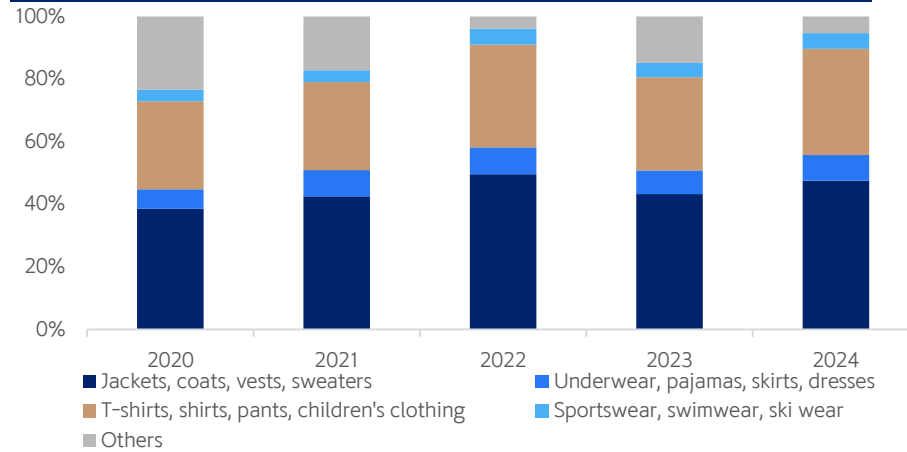


Source: General Statistics Office (GSO), Shinhan Securities Vietnam

- Export growth is driven by the potential for market share expansion:** According to the Vietnam Textile and Garment Association (VITAS), global textile and garment demand is projected to grow slowly at 2-3% per year in the coming years, reflecting a trend of consumers tightening spending on non-essential products such as clothing and fashion. As overall industry demand slows, export growth for each country will depend primarily on its ability to compete and gain market share from rivals, thus intensifying competition in the global textile and garment industry.
- In this context, differentiation becomes more apparent: Only businesses with competitive products, deeply involved in the value chain (FOB/ODM/OBM), effectively utilizing FTA networks, and producing high-tech products can increase market share and maintain growth. Businesses following a purely contract manufacturing (CMT) model will face significant competitive pressure, even experiencing declining growth..
- Therefore, we believe **that the core strategy of Vietnam's textile and garment industry in the coming period is no longer to expand production scale, but to improve core quality** through (1) Promoting the production of niche products with high added value; (2) Investing in the use of solar power in factories to meet ESG standards and minimize capital costs; (3) Applying AI in production to shorten lead-time to meet customer requirements, enhance reputation and competitiveness.

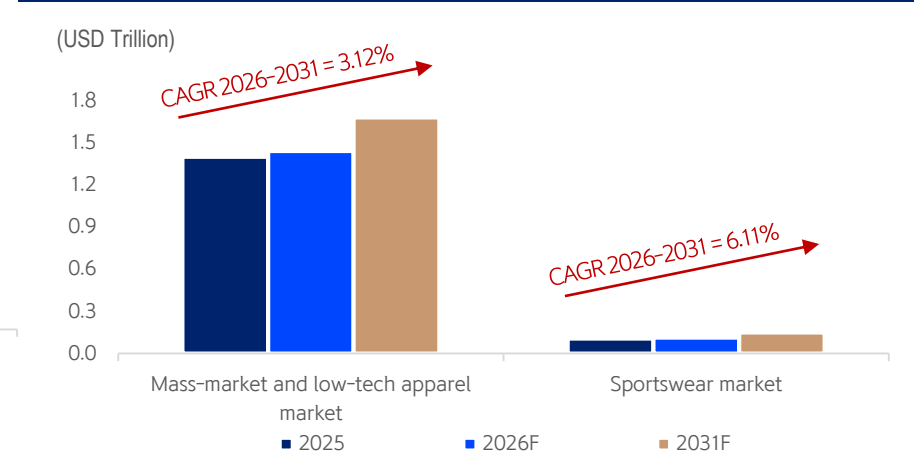
Textile and garment exports – Boosting the production of niche products with high added value

Structure of the value of Vietnam's export goods



Source: ITC Trade map, Shinhan Securities Vietnam estimates

Global market size and growth of sportswear and low-technical textiles

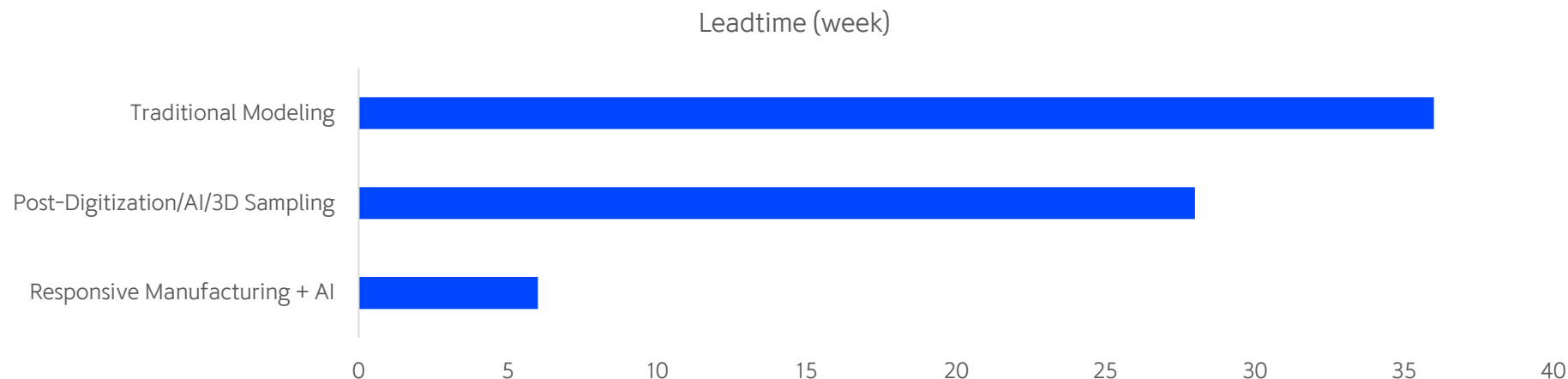


Source: Mordor Intelligence, Shinhan Securities Vietnam

- In the context of increasingly fierce competition in the low-tech product segment (T-shirts, shirts, children's clothing, etc.), we believe that targeting niche product segments with high added value, especially sportswear, will bring many competitive advantages and expand market share for Vietnamese businesses. Specifically:
 - **The global sportswear market is projected to grow at a CAGR of 6% from 2026–2031, driven by:** (1) Increasing awareness of health and fitness after the Covid-19 pandemic; (2) Consumers' willingness to pay higher prices for products with integrated features such as moisture control, breathability, and elasticity;...; (3) The strong spread of the “athleisure” trend – combining sportswear with everyday clothing – expanding the customer base beyond traditional sportswear users.
 - **There is still significant growth potential in Vietnam** that Vietnamese businesses can exploit, especially as major sports brands like Nike, Adidas, and Lululemon are actively diversifying their supply chains away from China.

Textile and garment exports – Applying AI in production creates a competitive advantage

Comparison of lead times before and after AI application (estimated)



Source: Compiled by McKinsey and Shinhan Securities Vietnam

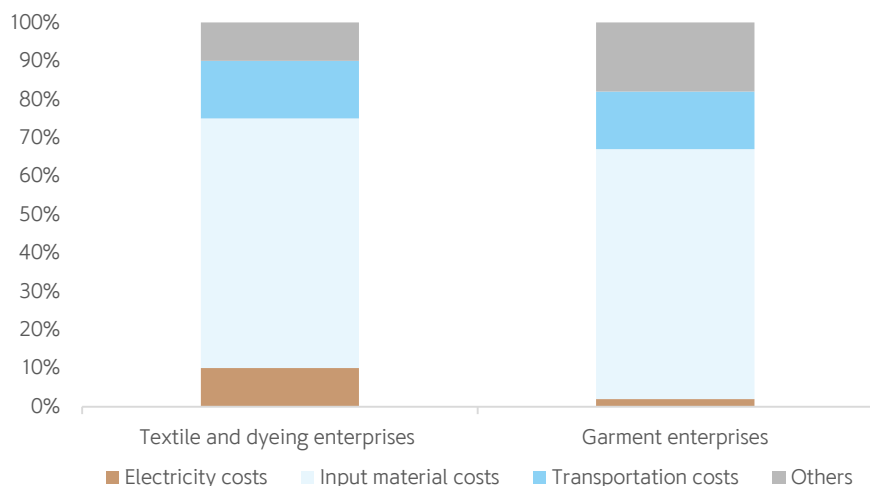
☐ In the context of increasing customer demand for shorter delivery times and a rise in small orders with diverse requirements, applying AI to production to improve productivity and quality control is essential for enhancing competitiveness in the market:

- **Increased Productivity:** According to research by the McKinsey Global Institute and the ILO, the application of automation and AI in textile production helps textile businesses increase labor productivity by 20-30%, reduce costs, minimize lead times, and deliver goods faster, meeting the customer's preference for short delivery times.
- **Better Quality Control:** Applying automated cutting and sewing robots and using artificial intelligence to monitor machinery helps reduce production time and technical errors, especially in fabric cutting and packaging, as well as monitoring the system and shortening order processing time.

Integrating artificial intelligence into manufacturing not only optimizes operations but also repositions businesses within the industry's value chain. The ability to fulfill small orders with shorter lead times and consistent quality helps businesses move beyond purely price competition, aiming for long-term strategic partnerships with international brands.

Textile and garment exports – Investing in solar power generation at factories to meet ESG standards and reduce capital costs

Production cost structure of Vietnamese textile and garment enterprises



Source: Vitas, Shinhan Securities Vietnam

EU sustainability standards in the textile industry

Standards	Core Requirements	Impact on businesses exporting to the EU
CBAM (Carbon border adjustment mechanism)	Carbon tax on imports with high emissions. Currently, textiles are not subject to this tax, but the EU has a roadmap for consideration after 2026.	<ul style="list-style-type: none"> Businesses with high emissions will lose their competitive advantage. Carbon footprint becomes a criterion for selecting textile suppliers.
ESPR (Ecodesign for sustainable products regulation)	Regulations on product durability and recyclability; transparency of environmental data, application of DPP (Digital Product Passport).	Businesses increase production of environmentally friendly, durable, and traceable raw material products, etc.

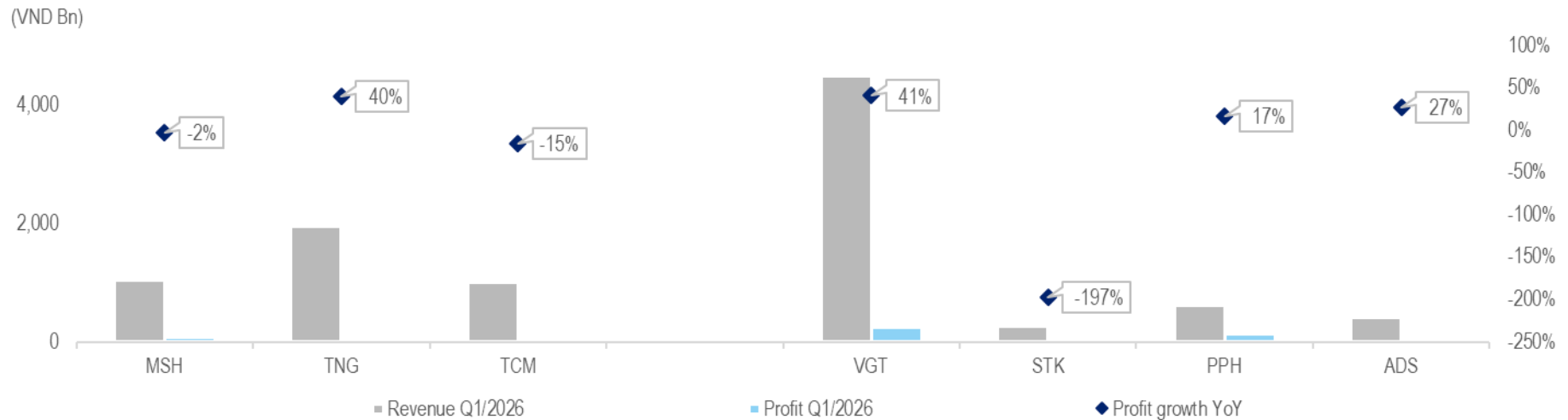
Source: Shinhan Securities Vietnam compilation

☐ In the context of rising energy costs and increasingly stringent green development and emission reduction requirements from international markets, we believe that investing in rooftop solar power will be an effective solution for textile and garment businesses:

- **Optimizing electricity costs and improving profit margins:** Electricity costs currently account for about 9–12% of production costs for textile and dyeing businesses and about 2% for garment manufacturing (according to Vitas). Although this proportion is small, it is trending upwards as electricity prices continue to rise. Implementing a solar power system capable of self-supplying 20–40% of electricity needs from rooftop systems will help businesses reduce electricity costs by about 10–20%, equivalent to 1–2% of production costs. This percentage is low but still significant in the context of thin profit margins.
- **Meeting ESG standards and strengthening export capacity:** Utilizing solar energy helps businesses reduce emission intensity per unit of product, thereby improving their ability to meet standards such as CBAM (EU Carbon Border Adjustment Mechanism) or requirements from international partners. This is an increasingly important factor in maintaining orders and expanding export markets, especially in the EU, Japan, and other markets.

Textile and Garment Industry Results Q1/2026 – Garment industry falters after front-loading while yarn industry shows positive signs from the Chinese market

Q1/2026 business results of some major enterprises in the textile and garment industry



Source: Finpro, Shinhan Securities Vietnam

- ❑ **Garment Businesses:** Amidst cooling demand for textiles and garments following a period of inventory accumulation, the profits of textile and garment businesses generally weakened. MSH recorded a slight decrease in profit due to cautious ordering sentiment in the US market, while TCM faced pressure from declining orders in the South Korean market due to weak consumer demand and fierce competition from China. A bright spot during the period was TNG with impressive growth, supported by stable orders from its strategic partner Decathlon.
- ❑ **Yarn Businesses:** Contrary to the less positive picture of the garment industry, the yarn industry generally recorded more favorable developments, with most businesses achieving profit growth, driven by the recovery in yarn consumption demand in China. VGT experienced strong growth thanks to a robust recovery in yarn prices and effectively capitalized on demand from the Chinese market as the domestic yarn industry lost its cost advantage. PPH and ADS also benefited significantly from the upward trend in yarn prices, contributing to good profit growth. However, STK recorded a sharp decline of 197% due to significant pressure from the operating costs of the Unitex Phase 1 plant and increased interest expenses, while revenue decreased.

Textile and Garment | Investment Opportunities in Textile and Garment Stocks

Summary table of listed import-export companies with medium and large market capitalization															
General Information				Stock Price			Financial Indicators			Business Results				Valuation 26F	
No.	Ticker	Sector	Mkt.Cap (VND Bn)	CP (VND)	TP (*) (VND)	Upside (%)	NPM 2026F (%)	ROA 2026F (%)	ROE 2026F (%)	NPAT Q12026 (VND Bn)	NPAT Growth 2026 (% YoY)	Net profit 2026F (VND Bn)	Net profit Growth 2026F (% YoY)	P/E (x)	P/B (x)
1	MSH	Textile & Garment	3,904	34,000	42,600	25.2	12.7	14.6	30.3	81	-3.3	686	2.2	7.0	2.3
2	TCM	Textile & Garment	2,566	20,700	24,700	19.3	7.0	6.0	10.3	66	-16.0	346	13.0	10.4	1.3
3	TNG	Textile & Garment	2,446	18,900	27,600	46.0	4.6	6.0	21.3	60	39.2	433	10.2	7.8	1.8
4	STK	Textile & Garment	1,822	11,200	13,200	16.7	8.9	4.8	10.7	-34	-196.7	76	49.6	7.9	1.5
Total										173	-29.2	1,541	10.8		

(*) Target price (fair value) in the next 12 months

Source: Fiinpro, Shinhan Securities Vietnam

Data as of 06/04/2026

Song Hong Garment Joint Stock Company (HOSE: MSH)



Target Price (12 Months) 42,600 VND

Current Price (04/06/2026) 34,000VND

Return (%) 25.2%

VNINDEX 1,832

HNXINDEX 305

Market Cap (bn VND) 3,826

Outstanding shares (mn) 113

Free-Floating (mn) 55

52-Wk High/Low (VND) 41,500/31,200

90-day avg. trading volume (mn) 0.47

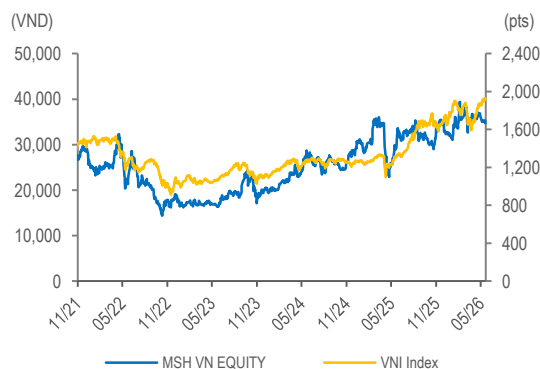
90-day avg. turnover (bn VND) 11

Major shareholders (%)	Bui Duc Thinh	23.91
	FPT Securities JSC	10.66

Performance 3M 6M 12M

Absolute (%) -13.4 0.4 -5.6

Relative to VN-Index (%) -14.1 -5.0 -41.7



Maintain solid growth

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. The US is currently MSH's main export market, accounting for about 80% of export revenue with main customers being major fashion brands such as Columbia Sportswear, Haddad Brands, G-III, .. In addition, MSH also possesses great potential in production capacity with 102 million products/year (excluding Xuan Truong II factory).

Investment thesis & Catalyst

- In the second half of 2026, we believe that MSH's export activities to the US market will still be maintained, despite weak demand in this market. The driving force comes from: (1) Long-term strategic partnerships with US retailers help maintain order volume; (2) Expectations of expanding market share in the US in the complex technical product segment due to the only competitor, China, gradually losing its position due to high tariffs and other competitors such as India and Bangladesh not having sufficient production capacity to compete in this segment.
- Expanding exports of bedding products to the US and Japan: We expect the export of bedding products to the US and Japan to flourish in the context of the strong growth of the bedding market in the US and the large customer Columbia Sportswear doing business in this segment, creating favorable conditions for MSH to access more orders through the previously established relationship channel.

Outlook for 2H2026:

In summary, in Q1/2026, MSH recorded net revenue of VND 1,041 billion (+0.4% YoY), NPAT-Mi of VND 82 billion (-2% YoY). Revenue tended to remain flat in Q1 due to cautious customer sentiment amidst weak US demand following the front-loading period. However, the gross profit margin reached 20.3% (+10 percentage points YoY) despite pressure on selling prices, demonstrating the company's effective control of production costs.

We project MSH's 2026 revenue to reach VND 5,406 billion (-3% YoY). However, we believe net profit will move in the opposite direction to revenue, reaching VND 686 billion, a 3% YoY increase, thanks to: (1) Effective control of production costs; (2) Flexibility to adjust the proportion of CMT and FOB production methods to optimize capacity and improve profit margins.

Risks (1) Risk of declining US consumer demand for textiles and garments; (2) Risk of fluctuations in input material prices; (3) Risk of price decrease, (4) Risk of exchange rate increase and (5) Risk of customer bankruptcy.

Year to Dec.	2023	2024	2025	2026F	2027F
Net revenue (bn VND)	4,542	5,280	5,538	5,406	5,764
OP (bn VND)	187	441	702	715	765
NP (bn VND)	245	440	671	686	720
EPS (VND)	3,260	5,465	5,436	6,098	6,403
OPM (%)	4.1	8.4	12.7	13.2	13.3
NPM (%)	5.4	8.3	12.1	12.7	12.5
ROE (%)	13.9	22.7	31.4	30.3	29.9
PER (x)	11.1	9.5	5.0	7.0	6.7

Source: Company data, Bloomberg, Shinhan Securities Vietnam

TNG Investment and Trading JSC (HOSE: TNG)

TNG

Target Price (12 Months) 27,600VND

Current Price (04/06/2026) 18,900VND

Return (%) 46.0%

VNINDEX	1,832
HNINDEX	305
Market Cap (bn VND)	2,433
Outstanding shares (mn)	129
Free-Floating (mn)	75
52-Wk High/Low (VND)	28,000/17,400
90-day avg. trading volume (mn)	1.91
90-day avg. turnover (bn VND)	39

Major shareholders (%)	Nguyen Van Thoi	18.32
	Nguyen Duc Manh	11.49

Performance	3M	6M	12M
Absolute (%)	-29.5	-2.6	-1.6
Relative to VN-Index (%)	-30.2	-8.0	-37.7

Strong Position, Reaching Further

TNG Investment and Trading Joint Stock Company (HOSE: TNG) is one of Vietnam's leading textile and garment export businesses, primarily operating in the industrial garment export sector, and also expanding into the real estate sector with the Son Cam Industrial Park. TNG specializes in supplying garments to strategic partners such as Decathlon, Columbia, Nike, etc., and also exports cotton to serve as raw material for the production of jackets for partner customers in India, Indonesia, etc. Currently, TNG is the only Vietnamese textile and garment enterprise that fully meets the 17 criteria of the United Nations on ESG, which has helped TNG receive more production contracts from major brands.

Investment thesis & Catalyst:

- Stable orders from strategic customer Decathlon: With the advantage of being one of the top 3 largest suppliers in the world to the world's leading fashion group - Decathlon, TNG's orders are expected to remain stable in the long term. This is a significant advantage in the context of weakening global textile demand and competitors struggling to maintain orders.
- Prospects for expanding the customer base: The addition of new customers such as H&M, LIDL, and The North Face is a positive sign for increasing TNG's orders in the future. With superior production capacity and full compliance with ESG standards, we believe TNG has the capacity and scale to meet the various standards of fashion brands, thereby increasing revenue and profits in the future.
- Son Cam 1 Industrial Cluster can bring long-term profitability if existing obstacles are resolved.

Outlook for 2H2026:

In Q1/2026, TNG recorded net revenue of VND 1,952 billion (+30% YoY), and NPAT-Mi reached VND 60 billion (+40% YoY). Positive revenue and profit growth is due to (1) Increased exploitation of complex product lines in the US and EU markets; (2) Optimization of production costs; (3) Positive order situation with the addition of new customers and stable orders from long-term customers.

We project TNG's 2026 revenue to reach VND 9,382 billion (+8% YoY), NPAT-Mi's to reach VND 433 billion (+11% YoY), driven by: (1) Positive order situation from existing and new customers in the EU and US; (2) Continued expansion of capacity and improved production capacity with the recruitment of additional workers.

Risks: (1) Payment risk and interest expense eroding profits due to high debt ratio; (2) Risk of rising exchange rates; (3) Risk of declining demand for garments in the US market.



Year to Dec.	2023	2024	2025	2026F	2027F
Net revenue (bn VND)	7,098	7,656	8,699	9,382	9,849
OP (bn VND)	292	401	507	553	596
NP (bn VND)	222	316	392	433	454
EPS (VND)	2,019	2,693	3,175	3,536	3,701
OPM (%)	4.1	5.2	5.8	5.9	6.1
NPM (%)	3.1	4.1	4.5	4.6	4.6
ROE (%)	12.7	16.9	20.1	21.3	20.4
PER (x)	9.9	9.3	5.7	7.8	7.5

Important Disclosure

Stock

-  **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

Sector

-  **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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