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# Song Hong Garment (MSH)

## Conservative business plan in 2022

### 1Q22 NPAT was down 11% YoY

— MSH announced 1Q22 financial statements with NPAT of VND81.9 billion (-11.0% YoY) and revenue of VND1,291.5 billion (+36.7% YoY). The gains in revenue were attributable to the operation of the Nghia Hung factory (owned by Song Hong – Nghia Hung Garment JSC, MSH’s subsidiary). However, gross profit reached only VND190.2 billion (-12% YoY) as sales of goods fell short of expectations, causing gross profit margin to drop to 14.7% against 22.8% in the same period last year. The sharp increase in raw material prices combined with surging freight rates were the main factors affecting the company's profit margin.

### MSH set conservative business plan in 2022

— In 2022, MSH targets PBT of VND500 billion (-8% YoY) and revenue of VND4,900 billion (+3% YoY). However, excluding the reversal of provision, PBT may decrease by -4.3% YoY. In particular, MSH reversed the provision of VND20 billion in 2021 as the company sold the accounts receivable of New York & Company and wrote off this amount. The BOD shared that revenue may exceed 15% of the plan, assuming reduced risks. Besides, the company plans to pay dividends in 2022 at 15%–30%.

### Covid-related lockdowns in many Chinese cities affect the production of MSH

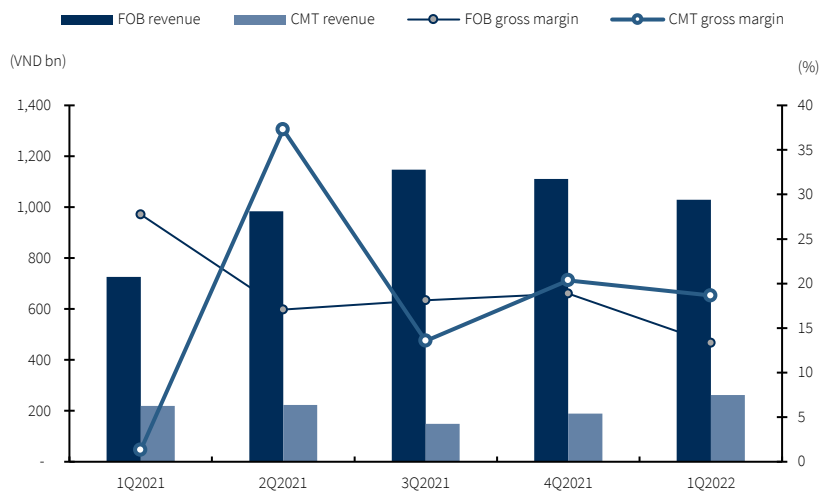
— The BOD said that China's lockdowns in many cities, especially in Shanghai, following the zero-Covid strategy have negatively affected the supply of raw materials of MSH since the company imports most of the raw materials from China.

### Increased capacity would leave room for long-term growth

— MSH has put the Nghia Phong factory (8ha) into operation for two months. It currently has 1,800 workers, and this figure may rise to 2,800 over the next few months. The new one, the Xuan Truong factory (10 ha) (51% of the capital owned by Song Hong – Xuan Truong Garment JSC), with construction expected in early 2023, may come into operation from 4Q23 with 2,800 workers. Accordingly, when these two factories go into stable operation, the total number of workers of MSH may rise to 15,000 workers.



Fig 1. MSH – 2021A–2022E business performance



Source: Song Hong Garment

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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