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Thien Long Group (TLG)

Updates on 2024 AGM

2023 business results

— Concluding 2023, TLG recorded net revenue of VND3,462 billion (-2% YoY) and consolidated post-tax profit of VND356 billion (-11% YoY), accomplishing 87% and 89% of the full-year objectives, respectively.

— Domestic sales achieved VND2,649 billion, down slightly 1% YoY due to weakened purchasing power and competition from cheap Chinese goods.

— Export sales touched VND813 billion, down slightly 2% YoY. In particular, TLG's owned brands saw strong growth in key Southeast Asian markets thanks to high product quality and intensified marketing and sales efforts. Meanwhile, OEM (original equipment manufacturer) exports declined due to dwindling demand and high inventory, leading to delays in customers' restocking.

2024 guidance

— In 2024, TLG sets a target for net revenue to reach VND3,800 billion (+10% YoY), with expected domestic sales of VND2,800 billion and export sales of VND1,000 billion. Post-tax profit is expected at VND380 billion (+7% YoY).

— Regarding dividend payment, the company plans to maintain the dividend payout ratio at 35% of par value as in 2023.

— To motivate employees, TLG also plans to issue an additional 1% of the outstanding shares under the Employee Stock Ownership Plan (ESOP) if the annual net revenue exceeds VND4,000 billion.

— Preliminary business results for 1Q2024 show a 12% YoY decrease in revenue (reaching VND800 billion) and a 12% YoY decrease in earnings. This is attributed to points of sale limiting restocking, with poor sales reported. Management expects improvement from May and June as purchasing power rebounds and distribution points boost inventories.

Discussions at the AGM

— Regarding industry trends, Chairman Co Gia Tho mentioned that the demand for writing instruments and office supplies in Vietnam and other Asian countries keeps growing. Consumers are becoming increasingly demanding, thus requiring intensified focus on improving product quality, which is TLG's strength due to its ownership of modern factories meeting international standards and an innovative R&D team.

— Concerning raw material costs and exchange rate pressures, CEO Tran Phuong Nga stated that the rising exchange rate poses challenges for the company, especially in importing plastics. However, she also noted that high export growth will partly offset the production cost increase resulting from the rising USD/VND exchange rate, thereby helping gross profit margins to remain high.

— Regarding the plan to open new Clever Box stores, Ms. Nga mentioned that the company is currently exploring new directions for new product categories, so the investment plan for new stores will be developed towards the end of the year. Clever Box stores aim towards customer experience and engagement rather than centering on generating revenue like other retail chains, so expansion will be sluggishly paced to manage costs.

— Regarding competition with low-cost Chinese products, Mr. Tho noted that many Chinese products with competitive prices have appeared on various channels following the COVID-19 pandemic. However, he emphasized that TLG continues to invest in R&D to develop products with unique designs and high quality from its modern, internationally standardized factories. Management also stated that with its resource advantages and high-quality products, the company will steadfastly maintain its market share, while others enduring losses for too long may resort to withdrawing from the market.

— Concerning setting revenue targets rather than profit targets for issuing ESOP shares, Mr. Tho revealed that the fierce competition in the market requires the company to pursue maintaining market share. Losing market share will eventually lead to loss of profit. Management unanimously agrees to prioritize maintaining market share this year for sustainable growth in the future rather than overly focusing on earnings growth. ESOP will be considered based on profit when difficulties are over.

— Regarding inventory at sales points, Ms. Nga mentioned that large inventories at overseas distribution points in 2023 significantly impacted business results. This situation has persisted into the first half of 2024. However, she anticipates a more optimistic outlook in the latter half of 2024, which will boost export revenue. In the local market, inventories have somewhat decreased in the early months of 2024, potentially boosting restocking from the end of the second quarter and thus improving domestic sales.

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

Buy:	Neutral:	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