

Textile

Heading towards the target of USD48 billion in export turnover in 2025

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Positive change

Recommendations	
MSH	BUY
Price target	VND63,500

Export turnover strongly recovered in 2H24

Vietnam's textile export turnover in November 2024 reached USD3,825 million (+10.6% YoY). The sector witnessed impressive growth of over 10% YoY in the last six months of the year. The Vietnam Textile and Apparel Association (VITAS) believes that the target of exporting USD44 billion worth textiles and garments in 2024 is optimistic and aims to reach USD48 billion (+ 9% YoY) in 2025.

Business results of textile companies showed a recovery in 3Q24

In 9M24, the total NPAT of textile enterprises reached VND1,978 billion (+74.9% YoY) on revenue of VND55,536 billion (+ 8.9% YoY) thanks to the recovery in the number of orders. VITAS said most textile companies had received orders for 1Q25 and were negotiating orders for 2Q. GPM also increased again with the return of more FOB orders (a segment with high GPM) compared to 2023. However, GPM will find it difficult to improve further from 4Q24.

The number of orders is expected to continue to improve in 2025

KBSV expects that the number of textile orders in 2025 will continue to improve thanks to (1) consumer demand in Vietnam's key textile export markets recovering slightly; (2) inventories of major fashion retailers in the world at the end of 2024 being at a favorable level, which has room for new inventory; and (3) the long-term trend of production base relocation out of China.

Winning more orders from China to Vietnam

With President Donald Trump's new tax policy, KBSV believes that the Vietnamese textile industry will be affected in two ways. The positive impact is that Vietnam is likely to gain more orders from China due to its competitive advantage over other countries. The negative impact is that the export price of textiles and garments is likely to decrease due to the increase in export tax to the US.

The P/E valuation of many textile stocks is at a high level, partly reflecting the recovery of orders in 3Q24

The outlook for the textile sector in 2025 is positive, so investors can consider and wait for the time to buy stocks during corrections for the ones with a large export market share to the US and plans to expand capacity such as Song Hong Textile & Garment (MSH). For the remaining stocks, investors prioritize disbursing at deeper falls when the stocks reach attractive valuation zones.

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I. Business performance in 11M24

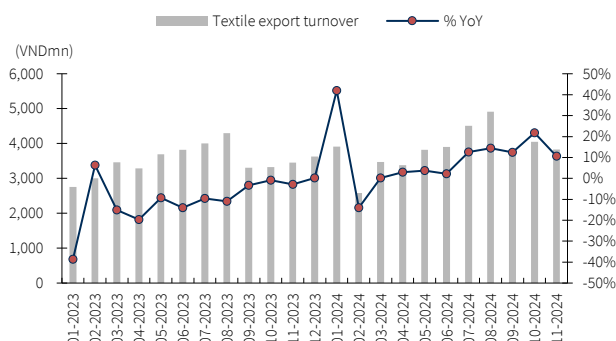
Textile export turnover in 2024 was positive

Vietnam's textile export turnover in November 2024 reached USD3,825 million, growing 10.6% YoY. In 11M24, textile export turnover maintained growth over the months compared to the low comparative figures in same period in 2023. In 2H24, the sector recorded impressive growth rate of over 10% YoY as (1) Vietnamese textile businesses are taking advantage of the shift of orders from other countries such as China, Myanmar, and Bangladesh. At the end of July, Bangladesh experienced many protests and riots, causing the number of textile and garment export orders to steeply fall by 25% – 40%. (2) Local companies have gained benefits from FTAs. In 2024, 17 out of 19 new-generation FTAs have come into force. (3) Consumer demand in key markets such as the US, EU and Japan has improved thanks to dovish monetary policies.

Export turnover should grow 7.8% in 2026–2030

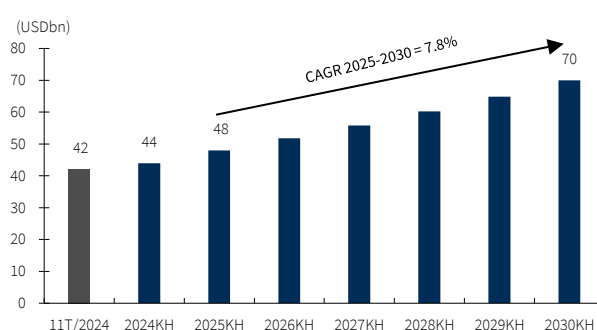
VITAS said the textile industry's export target of USD44 billion in 2024 is feasible because it had already reached USD42 billion in 11M24, equivalent to 95.6% of the plan, and the end of the year is the peak season for production orders for the Christmas and New Year holidays. Furthermore, the Chairman of VITAS also set a target of USD47–48 billion for export turnover in 2025 and implemented the Textile, garment and footwear industry development strategy. From now until 2030, the industry will gradually change from rapid development to sustainable development, striving for a localization rate of 51–55% in 2021–2025 and 56–60% in 2026–2030.

Fig 1. Vietnam – Textile monthly export turnover (USDmn)



Source: FiiiproX, KB Securities Vietnam

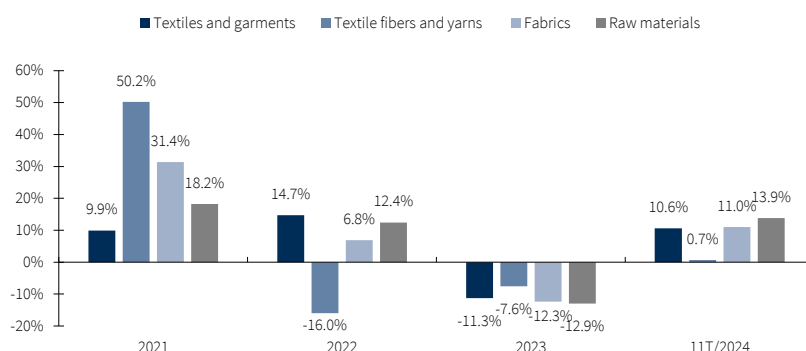
Fig 2. Vietnam – Textile export turnover set by VITAS (USDbn)



Source: KB Securities Vietnam

In 11M24, export turnover increased 9.6% YoY, equivalent to VND 42 billion, including the following items: Textile and garment exports with USD33.6 billion (+10.6% YoY); various textile fibers and yarns USD4 billion (+0.7% YoY); various fabrics USD2.4 billion (+11.0% YoY), and textile, garment, leather and footwear materials USD2 billion (+13.9% YoY).

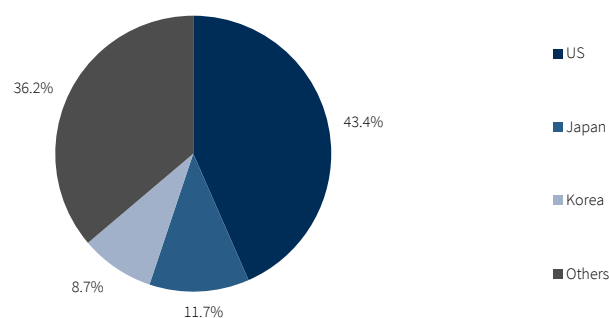
Fig 3. Vietnam – Textile export turnover growth by export item (%)



Source: FiinproX, KB Securities Vietnam

The US remains Vietnam's largest textile export market with USD14.6 billion (+10.9% YoY) or 43.4% of total export value in 11M24, followed by Japan with USD3.9 billion (+6.2% YoY, 11.7% of total export turnover) and Korea with USD2.8 billion (+3.4% YoY, 8.7% of total export turnover).

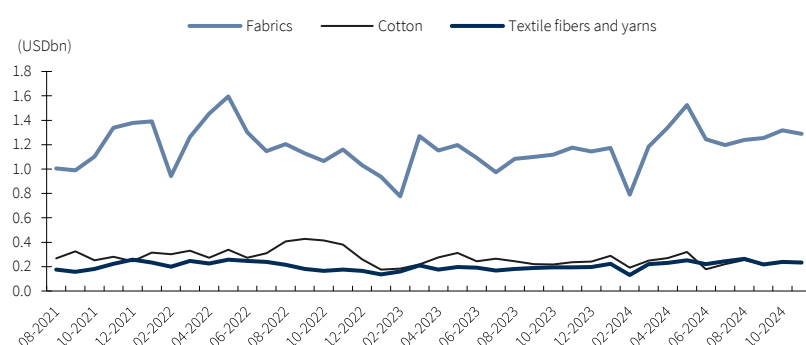
Fig 4. Vietnam – Export turnover by export market in 11M24 (%)



Source: FiinproX, KB Securities Vietnam

The recovery of textile manufacturing in 2H24 is also reflected in the surge in import turnover in May 2024. In May, cotton, fabric and yarn import turnover of enterprises increased by 22.9% YoY. Fabrics of all kinds are still the most imported item, earning USD13.5 billion (+14.1% YoY) in 11M24, equivalent to 72.5% of total textile import turnover. The main supplier is China (accounting for 67.2% of import turnover).

Fig 5. Vietnam – Monthly textile import turnover (USDbn)

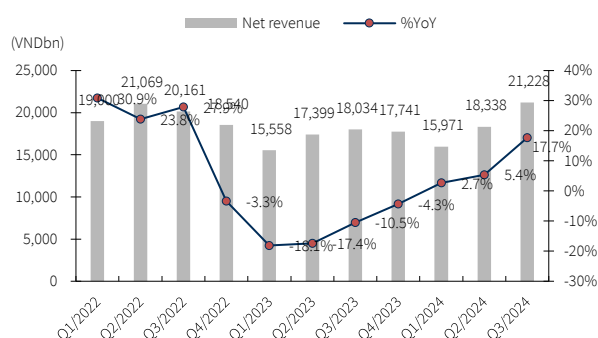


Source: FiinproX, KB Securities Vietnam

Textile companies received more orders again in 2H24

Textile and garment enterprises recorded remarkable growth in 3Q24, underpinned by recovering demand from major markets such as the US and Europe ahead of the peak season of the year. Net revenue of 27 textile companies listed on HSX, HNX, and Upcom hit VND21,228 billion, rising 17.7% YoY in 3Q24 (Figure 6) with VND951 billion in NPAT, skyrocketing 117% YoY (Figure 7). Some outperformers in revenue & NPAT are MSH (+45% YoY and +154% YoY), Det May 7 (DM7, +118% YoY and +103% YoY) and Nha Be Garment Corporation (MNB, 36% YoY and +1,620% YoY). In 9M24, the whole textile sector posted VND1,978 billion (+74.9% YoY) in NPAT on net revenue of VND55,536 billion (+8.9% YoY). According to VITAS, most textile and garment enterprises have orders for 1Q25 and are negotiating orders for 2Q.

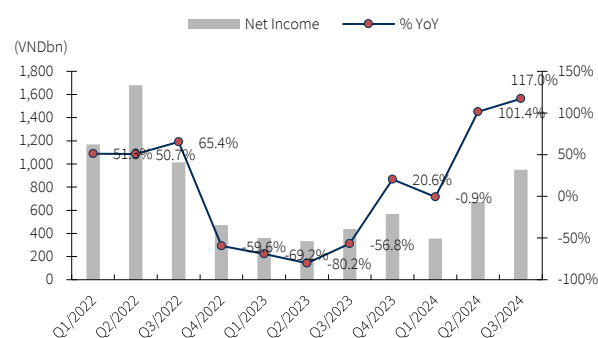
Fig 6. Vietnam – Net revenue of the textile industry (VNDbn)



Source: KB Securities Vietnam

* Note: Including 27 textile companies listed on the three stock exchanges

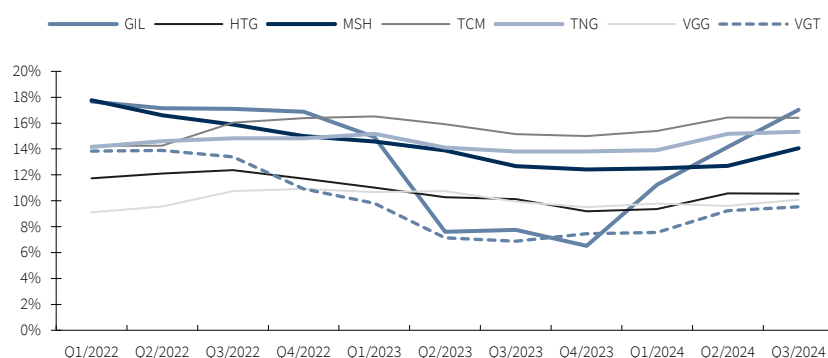
Fig 7. Vietnam – NPAT of the textile industry (VNDbn)



Source: KB Securities Vietnam

* Note: Including 27 textile companies listed on the three stock exchanges

Fig 8. Vietnam – GPM of some textile companies (%)



Source: Company reports, KB Securities Vietnam

GPM has rebounded compared to 2023. The GPM of textile and garment enterprises all recorded a significant improvement in 3Q24 thanks to larger number of orders, especially in the FOB segment (a segment with high gross margin). However, the GPM of these enterprises is unlikely to increase further in 4Q due to the 6% increase in minimum wage from July 2024. Labor costs at textile and garment enterprises often account for about 40% of total production costs, so the increase in wages will undermine the GPM growth.

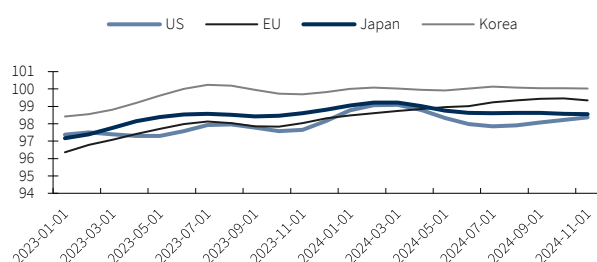
II. Business outlook for 2025

Consumer demand in key markets is expecting a slight recovery

In general, the consumer confidence index (CCI) of Vietnam's major textile and garment export markets is improving but is still below 100 points. Consumer confidence in the future economic situation has become less pessimistic and is expected to increase spending in the next 12 months. In particular, South Korea maintained its CCI around 100 points in 2024, indicating positive spending sentiment among its people.

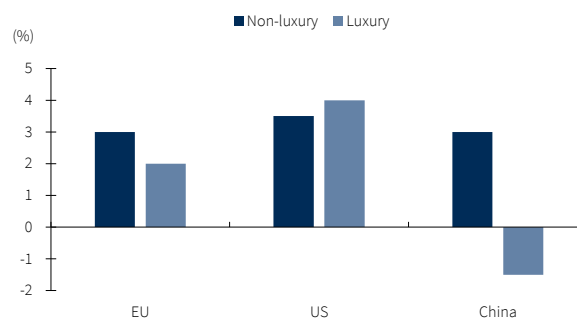
According to Mckinsey, luxury fashion retail growth in 2025 is forecast to reach 1 to 3% YoY in the EU market and 3% to 5% YoY in the US market. As for non-luxury fashion retail, the growth rate is 2% to 4% in the EU market and 3-4% in the US market.

Fig 9. Vietnam – CII in major export markets (point)



Source: OECD, KB Securities Vietnam

Fig 10. Global – Luxury and non-luxury fashion retail revenue growth by country in 2025 (% YoY)

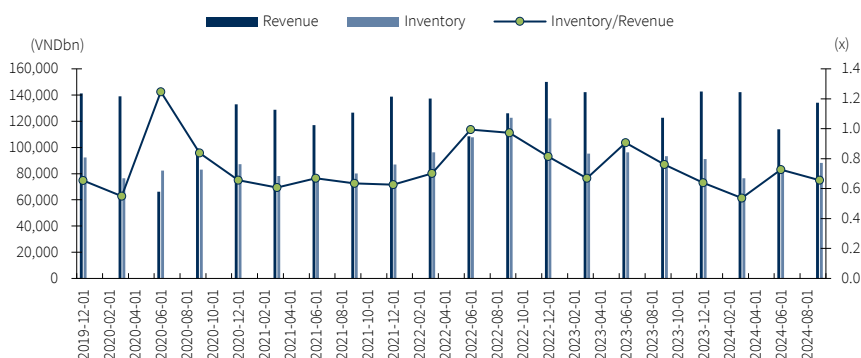


Source: Mckinsey, KB Securities Vietnam

Inventories of major fashion brands are at a favorable level to the textile industry

KBSV believes that major fashion brands in the world have streamlined their inventories to a reasonable level in 2024, and the inventory pressure from 2023 no longer exists, so there is still room to add new inventories in the future. The total inventory of major fashion retailers was USD19.5 billion, 5.8% lower than the average inventory of the last three years. In 3Q24, the inventories of major fashion brands are as follows: Nike USD8.3 billion (-5.1% YoY), Adidas USD5.0 billion (-1.7% YoY), GAP USD2.1 billion (-5.3% YoY), and H&M USD4.1 billion (+10.1% YoY). Most inventories are still lower than in the same period in 2023, but there is a slight increase over the quarters. 3Q24 revenue has not shown a clear recovery, there is still differentiation with growth of -10.4% YoY of Nike, +8.3% YoY of Adidas, +4.8% YoY of GAP and -1.3% YoY of H&M.

Fig 11. Global – Total revenue & inventories of fashion retail brands (USDbn)



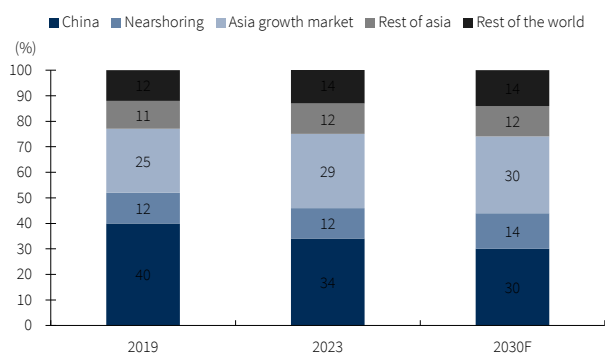
Source: Company reports, KB Securities Vietnam

* Note: Including Nike, Adidas, GAP, and H&M

Textile retailers tend to diversify supply sources to reduce dependence to China in the long term

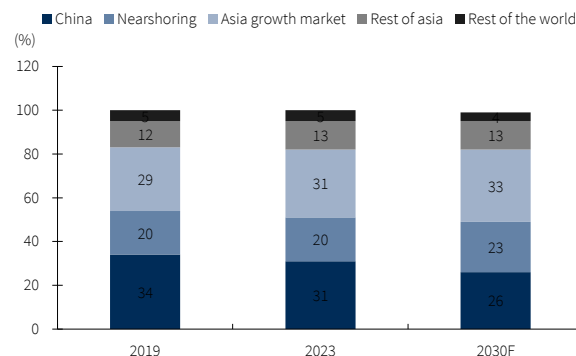
The long-term trend of textile retailers is moving towards diversifying supply sources, reducing dependence to China due to concerns about geopolitical risks, no longer cheap labor costs and high transportation costs. According to Mckinsey, textile imports from nearshore and developing countries in Asia increased by 2ppts and 1ppts in the US; 3ppts and 2ppts in the EU. Developing countries in Asia are expected to benefit, including India, Vietnam and Bangladesh.

Fig 12. US – Proportion of textile and apparel imports by country (%)



Source: Mckinsey, KB Securities Vietnam

Fig 13. EU – Proportion of textile and apparel imports by country (%)



Source: Mckinsey, KB Securities Vietnam

New tax policy under President Trump will hit Vietnam's textile industry in two ways

The policy of the new US President Donald Trump is to develop a strong, self-reliant and less dependent on the outside world. To achieve that goal, one of Trump's priorities is to raise import taxes. He said he would increase tariffs on Chinese goods to 60% and on other countries from 10% to 20%. Most recently, on November 25, 2024, he posted on Truth Social that he would impose an additional 10% tax on goods imported from China. We believe that Trump's policy will have a double impact on Vietnamese textile and garment exporters:

Vietnam is expecting more orders thanks to competitive advantages in processing speed and working environment risks

Positive impacts: Vietnamese textile and garment exporting enterprises will have a competitive advantage over other countries in winning more orders from China in case this country is subjected to higher tariffs from the US. According to a survey by the United States Fashion Industry Association (USFIA), Vietnam has a competitive advantage in terms of speed of supplying goods to the market as well as less environmental risks than the other three countries in the top five, including Bangladesh, Indonesia and India (Table 14). With the remaining criteria, all four countries are assessed at an average level with not much difference and currently the five countries exporting the most textile to the US market are all most favored nations (MFN) with the US, so they are subject to the same tax rate.

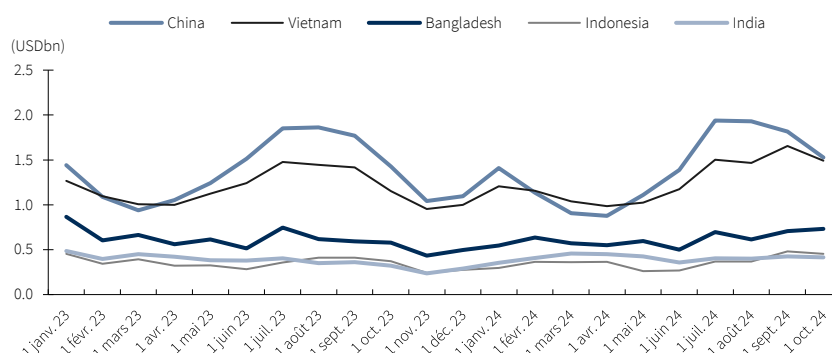
Table 14. US – Level of competition among countries exporting textiles and garments to the US in 2024

Regions	Supply	Speed to market	Costs	Flexibility and agility	Minimum order quantity	Supply chain	Social labor risks	Environmental risks	Geopolitical risks
Western Hemisphere	US	● 4.0	◆ 1.5	▲ 3.0	● 4.0	◆ 2.5	● 4.0	● 4.0	● 4.0
	Mexico	● 4.0	▲ 3.0	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0
	CAFTA-DR	● 4.0	▲ 3.5	▲ 3.0	◆ 2.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.5
	Colombia	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.5	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.5
Asia	China	▲ 3.5	● 4.0	● 4.0	▲ 3.5	● 4.5	◆ 2.0	◆ 2.0	◆ 1.5
	Vietnam	▲ 3.0	▲ 3.5	▲ 3.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0
	Bangladesh	◆ 2.0	● 4.0	▲ 3.0	◆ 2.5	▲ 3.0	◆ 2.5	◆ 2.5	▲ 3.0
	Indonesia	◆ 2.5	▲ 3.5	▲ 3.5	▲ 3.0	◆ 2.5	▲ 3.0	◆ 2.5	▲ 3.5
	India	◆ 2.5	▲ 3.5	▲ 3.5	▲ 3.0	● 4.0	◆ 2.5	◆ 2.5	▲ 3.5
	Sri Lanka	◆ 2.0	▲ 3.5	▲ 3.5	▲ 3.0	◆ 2.5	▲ 3.0	▲ 3.0	▲ 3.5
	Laos	◆ 2.5	▲ 3.5	▲ 3.0	◆ 2.5	◆ 2.5	◆ 2.5	◆ 2.5	▲ 3.0
Others	Europe	▲ 3.5	◆ 2.0	▲ 3.0	▲ 3.5	▲ 3.0	● 4.0	● 4.0	● 4.0
	Turkey	▲ 3.0	▲ 3.0	▲ 3.5	▲ 3.0	● 4.0	▲ 3.0	▲ 3.0	▲ 3.0
	AGOA	◆ 1.5	● 4.0	◆ 2.5	◆ 2.5	◆ 1.5	▲ 3.0	◆ 2.5	▲ 3.0
	Egypt	▲ 3.0	● 4.0	▲ 3.0	◆ 2.5	▲ 3.0	▲ 3.0	▲ 3.0	▲ 3.0

Source: KB Securities Vietnam

Fig 25. US – Top five textile exporting countries

In 10M24, the value of Vietnam's textile and garment exports to the US reached USD12.7 billion (+3.9% YoY), making Vietnam the second country with the largest export value to the US, after China. Notably, in 2024, there were periods when textile and garment exports surpassed China in February, March and April.



Source: OTEXA, KB Securities Vietnam

Textile product prices may be lowered due to higher tariffs to the US

Negative impacts: Vietnam textile exporting businesses will likely be forced to lower their order prices more than before due to the high import taxes to the US. Currently, most of Vietnam's textile products exported to the US have the HS code 61091000 with a tariff of 16.5% (Figure 16). For the remaining products, the import tax rate to the US ranges from 5% to 32%. However, KBSV believes that if the tariff rate increases to 20% as stated by Donald Trump, textile companies may not necessarily lower their unit prices too much as the tariff rate is relatively high at the present. The average unit price of Vietnam's textile and garment exports to the US in the first 11 months of 2024 reached USD3.6/m², the second highest among the top five countries with largest textile export turnover to the US, only 16.6% lower than Indonesia (Figure 17).

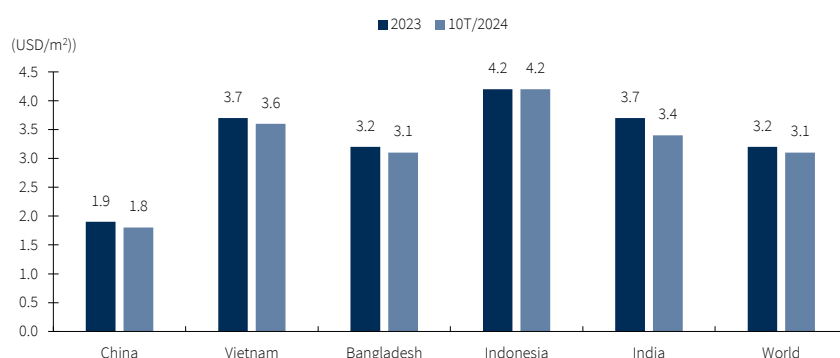
Table 16. Vietnam – Export tariffs to the US for some high-value textile and garment products

No.	HS code	Description	Tariff
1	61091000	T-shirts, tank tops, and similar garments, knitted or crocheted, of man-made fibers	16.5%
2	61112000	Baby garments and clothing accessories, knitted or crocheted	8.1% – 19.7%
3	61102000	T-shirts, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted cotton	5% – 16.5%
4	61159500	Pants, tights, and stockings	10% – 13.5%
5	61046300	Suits, ensembles, jackets, blazers, dresses, skirts	14.9% – 28.2%
6	61091000	Trousers, bib and brace overalls, breeches and shorts	10.3% – 14.9%
7	61112000	Suits, ensembles, jackets, blazers, dresses	14.9% – 16%
8	61102000	Trousers, bib and brace overalls, breeches and shorts, of cotton	10.3% – 16.1%
9	61159500	Fitted shirts, pullovers, button-down shirts, waistcoats and similar articles, of man-made fibers, knitted or crocheted	6% – 32%
10	61046300	T-shirts, tank tops, and similar articles, knitted or crocheted, of man-made fibers	16.5%

Source: KB Securities Vietnam

In 10M24, Vietnam's average export price to the US reached USD3.6/m² (-2.7% YoY), higher than the average price of 16.1%. China's average price remained low due to the US-China trade war in 2018, forcing Chinese textile manufacturers to reduce their prices to attract orders and compete with other peers.

Fig 37. US – Average unit price of textile exports by country (USD/m²)



Source: OTEXA, KB Securities Vietnam

Companies

Song Hong Garment
(MSH)

Song Hong Garment (MSH)

More orders and higher production capacity

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December 30, 2024

3Q24 revenue surged 45% YoY to VND1,748 billion thanks to the recovery of year-end orders

At the end of 3Q24, Song Hong Garment JSC (MSH) achieved VND1,748 billion in net revenue (+45% YoY), of which FOB and domestic revenue reached VND1,540 billion (+54% YoY), and CMT revenue inched up 1% YoY to VND209 billion. GPM was 15.2% (+4.47bps YoY) as MSH received large orders from partners such as Columbia Sportswear, G-III Apparel, and GAP, helping to optimize costs. MSH's NPAT in 3Q hit VND266 billion (+105% YoY), completing 73% of the full-year plan.

Vietnam's textile and garment export orders recovered slightly in 3Q

The export value of textile and garment products in 9M24 reached USD27.3 billion (+8.9% YoY). Major export markets include the US with USD12.0 billion (+9.1% YoY), the EU USD3.1 billion (+8.1% YoY), and Japan USD3.1 billion (+6.4% YoY). Better performance in export turnover was attributable to the improving economic situation in key markets and the reduction in inventories of some major brands.

MSH expands investment in both domestical and international markets

MSH raised its domestic capacity with the Xuan Truong II project, including 50 lines with a capacity of 3,000,000 units/month, expected to come into operation by the end of 2024. In January 2024, it announced a plan to establish a joint venture in Egypt contributing 50% of the charter capital or VND40.7 billion. The company establishment procedures should be completed by the end of this year.

Valuation: BUY rating – Target price VND63,500 for 2025

KBSV gave a BUY recommendation for MSH with a target price of VND63,500/share for 2025, corresponding to a return of 22.1% compared to the closing price on December 23, 2024.

Buy change

Target price	VND63,500
Upside	22.1%
Current price (Dec 23, 2024)	VND53,100
Consensus target price	VND46,900
Market cap (VNDtn/USDbn)	3.8/0.1

Trading data	
Free float	48.4%
3M avg trading value (VNDbn/USDmn)	6.0/0.2
Foreign ownership	3.9%
Major shareholder	Chairman Bui Duc Thinh (23.9%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	9.0	2.8	-0.7	28.6
Relative	10.0	-1.4	-1.5	15.4

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	5,523	4,542	5,025	5,754
Operating income/loss (VNDbn)	359	187	312	420
NPAT-MI (VNDbn)	375	245	303	376
EPS (VND)	4,998	3,260	3,714	4,602
EPS growth (%)	-43.5	-34.8	13.9	23.9
P/E (x)	13.0	20.0	17.5	14.2
P/B (x)	2.9	2.7	2.7	2.4
ROE (%)	19.6	13.6	16.6	18.6
Dividend yield (%)	4.7	4.7	6.6	3.8

Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

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

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