

# 36TH IR BULLETIN Q1.2024



## I. VIETNAM & GLOBAL TEXTILE AND GARMENT INDUSTRY IN Q1.2024

### 1. An overview of Vietnam textile and garment industry in Q1.2024

Vietnam textile industry 2024 is projected to slowly recover following 2023. This is mainly attributed to declining demand and non-essential goods' slow recovery.

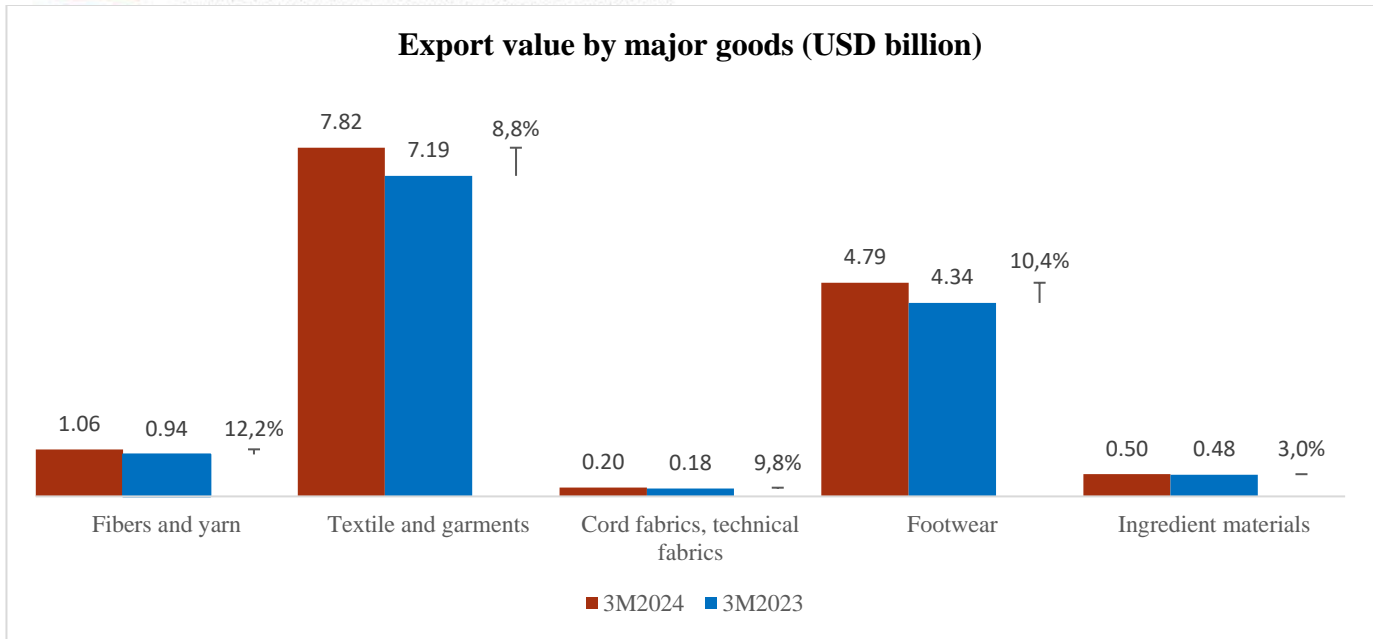
According to General Statistics Office of Vietnam, textile and garment export turnover in 3M2024 reached USD7.82 billion, increasing by 8.8% as compared to the same period last year. As for major export markets, textile and garment export improved in US, Japan, EU27 while remaining stable in Korea. In particular, export turnover to the US was estimated at USD3.29 billion, up 7.9%; that to Japan was estimated at USD0.96 billion, up 11.6%; EU27 reached USD0.79 billion, down 2.6%; while for Korea it stayed the same as last year at USD0.8 billion

In Q1.2024, fibers, yarn, garments, cord fabrics, technical fabrics, footwear, and ingredient materials all grew positively over the same period, in which fibers, yarns, footwear, and textiles and garments significantly recovered.

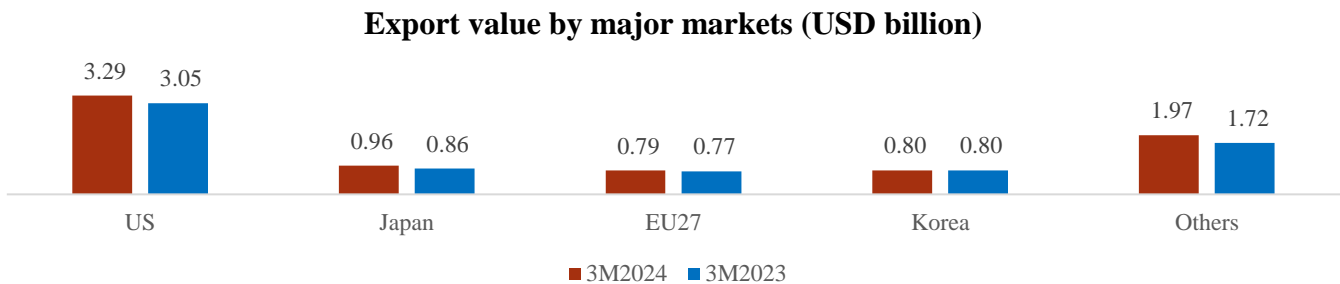
**Vietnam's textiles and garment export turnover Q1 over the years (USD billion)**



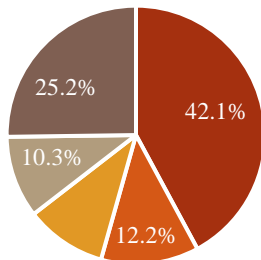
(Source: General Statistics Office of Vietnam)



As for textiles and garment products, US continues to be the leading export market, accounting for more than 40% of the market share by export value, while the EU27, Korea and Japan all shared approximately 10-12%.

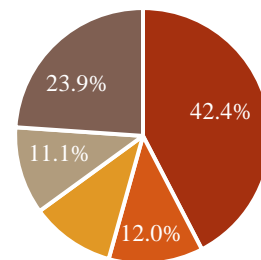


**Textiles and garments export value by market 3M2024**



■ US ■ Japan ■ EU27 ■ Korea ■ Others

**Textiles and garments export value by market 3M2023**



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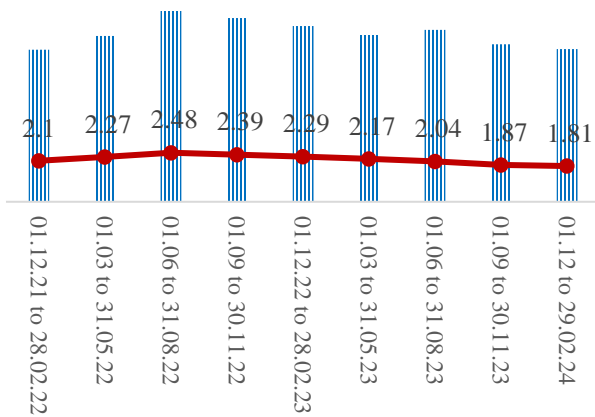
In Q1.2024, polyester filament yarn exported to the US and local exports increased sharply, reaching USD1.5 million and USD45.3 million, equivalent to an increase of 185% and 65.6% respectively over the same period.

The Korean and Japanese markets reached USD4.8 million and USD7.6 million, up 16.8% and 7.3% respectively over the same period. However, the Thai market recorded a less positive signal when the export value of polyester filament yarn only reached 2.6 million USD, down 26.1% over the same period.



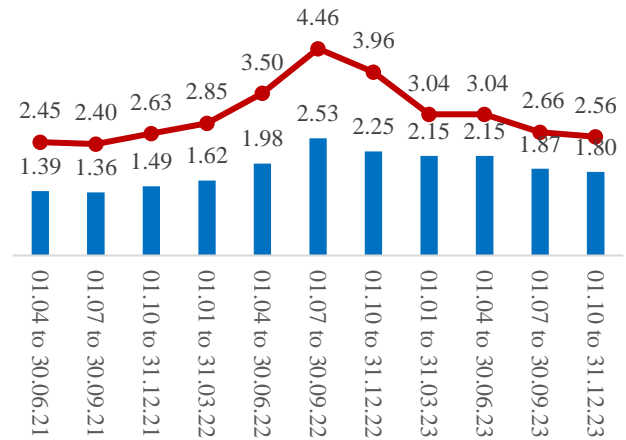
In general, since the end of 2023, brands' inventory levels have dropped compared to the peak period of Q3-Q4.2022. Garment demand in 2024 is expected to recover stronger from the second half of 2024.

**Nike (USD billion)**



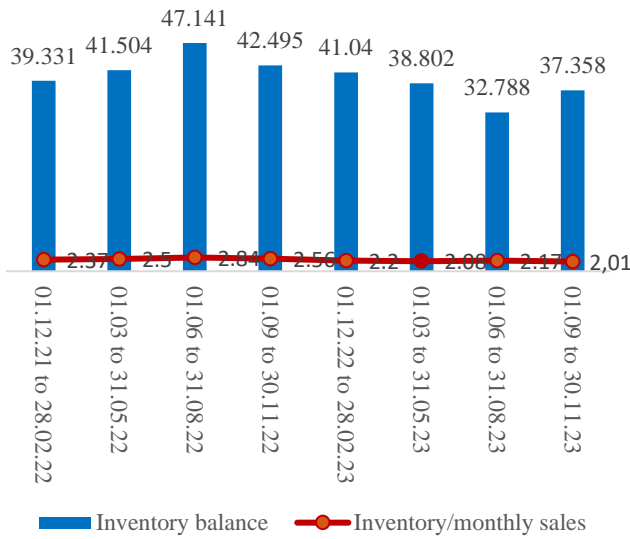
Inventory balance Inventory/monthly sales

**Puma (EUR billion)**

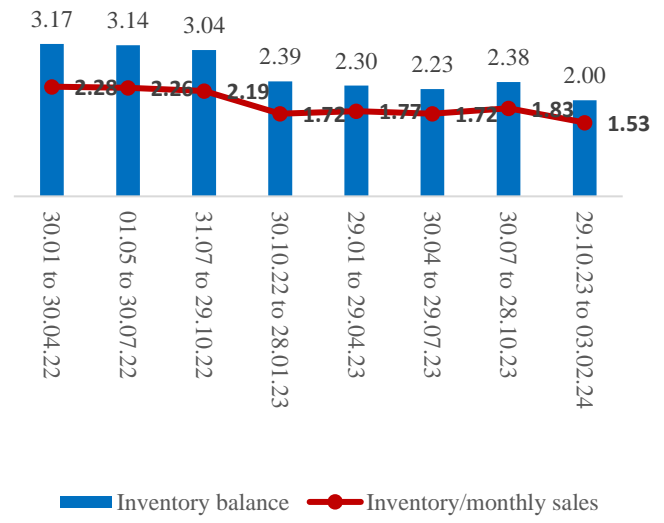


Inventory balance Inventory/monthly sales

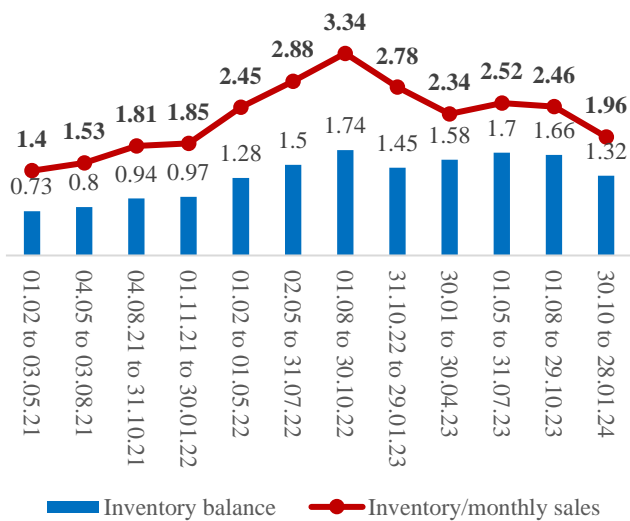
**H&M (SEK billion)**



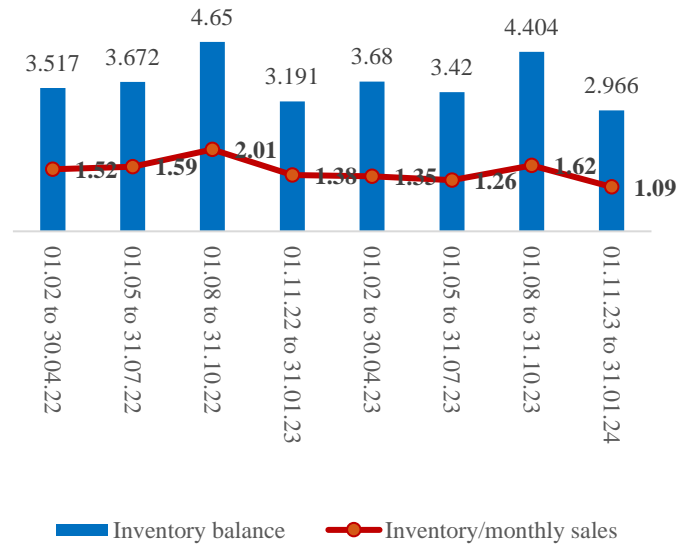
**GAP Inc. (USD billion)**



**Lululemon (USD billion)**



**Inditex (EUR billion)**



PUMA's 2024 sales growth is expected to reach 4-6%. (Source: Puma's earnings call). Meanwhile, Nike expects revenue and earnings to increase year over year, with operating margins expanding, excluding the impact of restructuring costs in FY2024. However, in the first half of 2024 Nike expects revenue to decrease by 1-3% over the same period. (Source: Nike's Q3.2024 Earnings call).

## 2. Development trends of the world fashion industry

In 2024, the sustainable development trend continues to be reinforced by the actions of governments. Up to 16 laws related to fashion and textiles were discussed at the end of 2023 in the EU alone and will come into effect

in 2024. These regulations cover the entire fashion value chain like products and marketing designs and will impact consumers and companies globally.

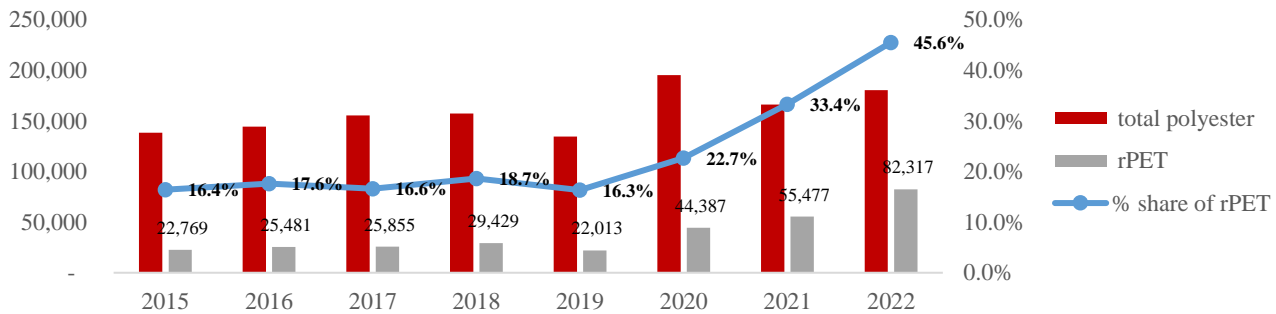
<p><b>The EU's voluntary regulations on sustainable development are replaced by mandatory regulations</b></p>	<p><b>EU's Strategies for Sustainable and Circular textiles is introduced in June 2023 to achieve climate neutral.</b></p>
	<p>Digital product passport that contains information about product to share to customers may be required.</p>
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	<p>EU's Green Claim Directive: To prevent greenwashing, sustainability related declaration and statement should be specific and backed by evidences, verified by independent bodies and communicated carefully.</p>
	<p>To raise the portion of recycled textile (which is currently 1%) and prevent landfill and incineration of textile products, under EU's amended Waste Framework Directive, Extended Producer Responsibility is imposed and companies are required to finance collection, sorting and recycling textile waste.</p>
<p>To ensure comparability of sustainable indicators by various brands, the Corporate Sustainability Reporting Directive ("CSRD") will require companies to make comprehensive public disclosure on ESG activities on standardized framework.</p>	

<p><b>US regulations</b></p>	<p>Under California SB 253 (already passed): business with &gt;USD41 billion of annual revenue operating in California state is to report scope 1 through scope 3 emission</p>
	<p>Under New York Sustainability and Social Accountability Act (being proposed), apparel companies with annual global revenue of USD100 million operating in New York are required to provide supply chain transparency, ESG disclosure, due diligence.</p>

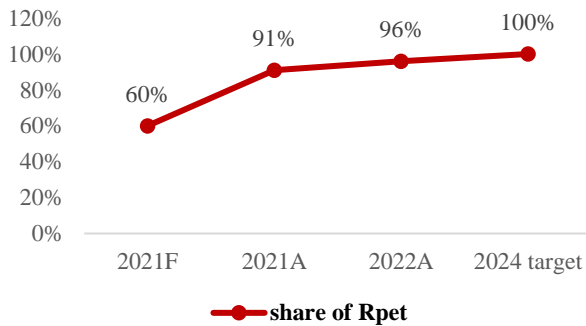
- (1) Greenwashing: is a concept that refers to the behavior of fashion brands using sustainable fashion as a form of marketing for their business but not fully committing to the strict standards of the EU. sustainable fashion.
- (2) Corporate Sustainability Reporting Directive
- (3) Environmental, social, and corporate governance

The absolute quantity and percentage growth of recycled polyester by brands in recent years:

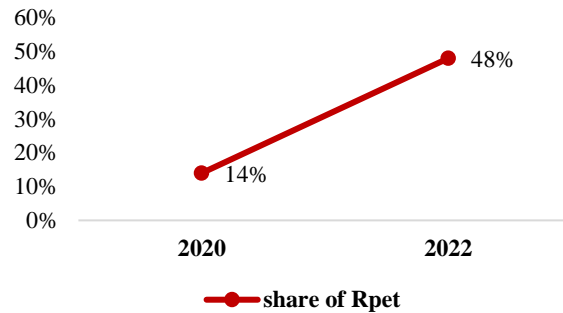
**Nike's total polyester consumption, recycled polyester fiber consumption (tons) and recycled fiber proportion**



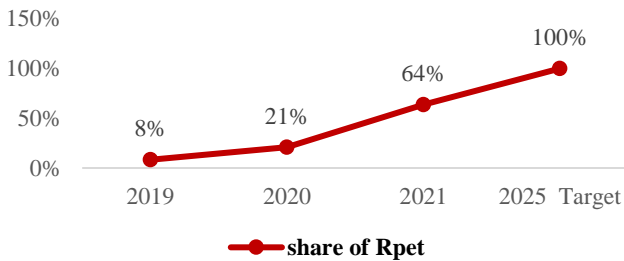
**Adidas recycled fiber proportion**



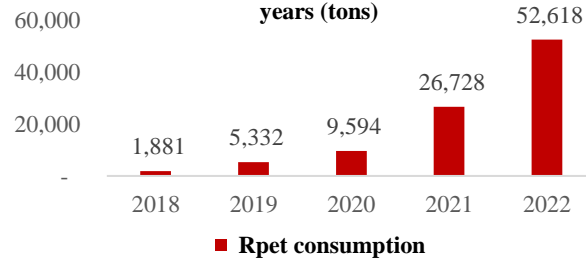
**Puma recycled fiber consumption proportion**



**H&M recycled fiber consumption proportion**



**Inditex's recycled fiber consumption over the years (tons)**



Source: Brands' annual reports

As for brands, as of February 22, 2023, 99 companies (signatories) including brands, suppliers and retailers have committed to the objectives of the Fashion Industry Charter Climate Action page. Signatories are increasingly publishing “operational emissions” data (operational emissions-Scope 1 & Scope 2) and third-party confirmation of the data they publish. In addition, over the years, the number of signatories who committed to publish their Category 1 emissions in Scope 3 increased about 20%. In 2022, 77% of signatories provided their Scope 3 estimates through CDP.

Efforts to "green" the fashion industry, increasing circularity and using recycled materials in the production process contributes to the demand for recycled and environmentally friendly fibers, dope dyed yarn, ... which are STK's strengths and focus.



### STOCK QUOTE (19/04/2024)

Price at 19/04/2024	28,700
Trailing EPS	913
P/E	31.4
P/B	1.7
Average trading volume/10 transactions	52,210
Market capitalization (VND billion)	2,730
Listed shares	96,636,924
Outstanding shares	95,136,924

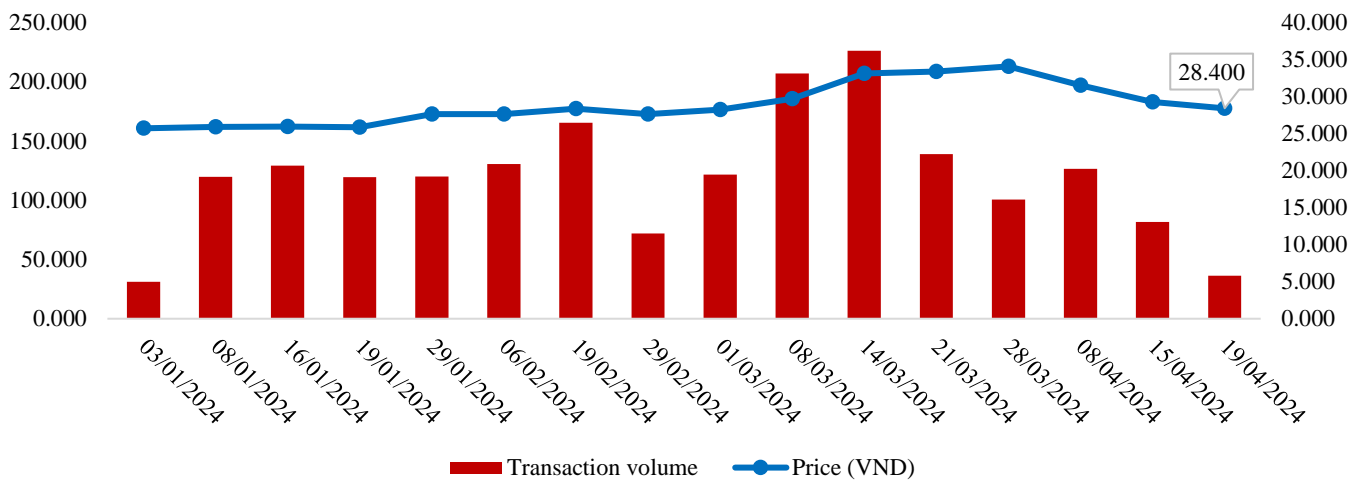
### STK'S IR ACTIVITIES

In Q1-2024, in order to provide information about the Company's operations, the IR team conducted online meetings with analysts and leaders of Securities Companies and Investment Funds such as Rong Viet, VCBF, ... Besides, the Company attended Vietnam Access Day 2023 with two group discussion and public presentation about STK on February 27, 2024 at The Reverie Saigon hotel.

The Company also coordinated with HSC to organize Earnings Call Q4.2023 on February 2, 2023 and organized its own Earnings Call on February 6, 2023.

On March 28, 2024, the Company successfully organized the Annual General Meeting of Shareholders at Equatorial Saigon Hotel.

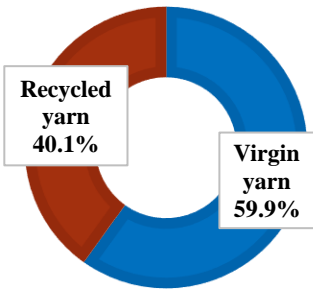
### STK'S STOCK PERFORMANCE 3M2024



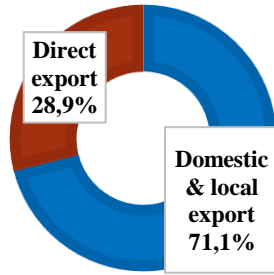
## II. Q1.2024 BUSINESS PERFORMANCE

	Actual Q1.2024	Actual Q1.2023	Actual Q1.2024 vs Actual Q1.2023
<b>SALES REVENUE</b>	VND265.7 billion	VND287.8 billion	-7.7%
<b>PROFIT AFTER TAX</b>	VND0.71 billion	VND1.62 billion	-56.3%

**SALES MIX BY PRODUCT Q1.2024**

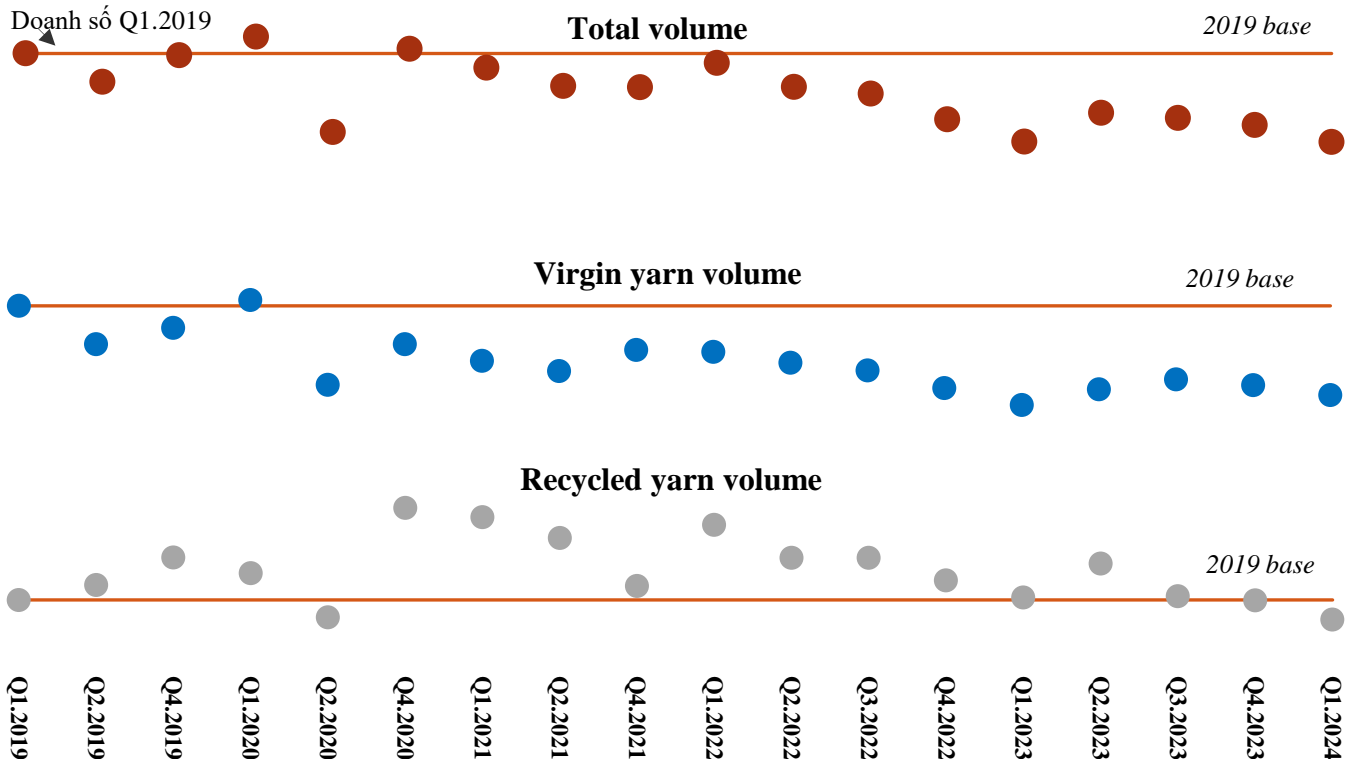


**SALES MIX BY MARKET Q1.2024**



■ Virgin yarn  
■ Recycled yarn

■ Domestic & local export



## FINANCIAL RATIOS

Ratio	Unit	As at 31.03.2024	As at 31.03.2023
<b>Asset structure</b>			
Current assets/Total assets	%	31.0%	46.9%
Non-current assets/Total assets	%	69.0%	53.1%
<b>Capital structure</b>			
Debt/Capital	Times	0.527	0.452
Debt/Equity	Times	0.898	0.625
<b>Liquidity ratios</b>			
Current ratio	Times	1.09	1.49
Quick ratio	Times	0.52	0.83
<b>Profitability</b>			
Gross profit margin	%	12.17%	6.22%
ROS	%	0.27%	0.57%
ROA	%	0.02%	0.05%
ROE	%	0.04%	0.10%



In Q1.2024, the market situation showed signs of slow recovery and the Company's sales volume still remained low. To offset the lack of orders, the Company has strived to attract high-value-added orders which are current in high-demand such as Recycled yarn for Japanese customers orders. Despite the small volume, these orders come with better selling prices and margins. As a result, the Company acquired 8 new customers and reached sales revenue of VND265.7 billion in Q1.2024, fulfilling 39.3% of the quarterly plan, decreasing 7.7% compared to the same period in 2023. The Company completed 9.8% of revenue target in 2024. For the recycled yarn segment, in 3M2024, the proportion of recycled yarn reached 40.1% of the total revenue as compared to the target figure of 48.3% in the full-year plan.

Under the context of the continuing economic recession, STK still strives to optimize production and business activities, focusing on maintaining the customer network, promoting inventory sales, and being flexible in sales policy and maintain a stable price gap. In Q1.2024, the Company's gross profit value reached 32.33VND billion, up 80.6% compared to Q1.2023 and the gross profit margin of the entire Company in Q1-2024 was recorded at 12.17%. In Q1-2024, the Company reached an after-tax profit of 0.71VND billion, down 56.3% compared to Q1.2023.

It is forecasted that the number of orders in Q2.2024 will improve about 10-20% compared to Q1.2024 due to the fact that the inventory levels of brands is decreasing and market demand is recovering towards the year end.

### **III. RESEARCH AND DEVELOPMENT ON NEW PRODUCTS AND MARKETS**

In Q1.2024, the Company maintain the production of high-quality AAA products, special fibers such as Recycle, CD Mix, Full Dull, Dope dye, and High CR, serving the needs of customers in both domestic and export markets (Thailand, Japan, and the US). In addition, the products including Quick Dry, Full Dull, Dope Dye (newly-developed dope dye FDY), Recycle, CD Mix, Soft package, and High CR are currently being developed by the Company to diversify samples for new customers as well as to add other specifications for existing customers. Also, the Company has upgraded our manufacturing procedures and machines by applying auto-packing, auto-inspection to products and production line for flexibility of recycled plus functional products.

For overseas export, STK's developing new market in Europe, USA, Mexico. At the same time, the Company is pushing local export sales to customers which make fabrics for garment exported to USA, Canada, Europe, Japan to catch the garment orders relocated from China to Vietnam.

Besides, STK also focuses on R&D activities related to technology and energy as follows:

#### **Smart factory**

The company is implementing a Smart Factory for the Trang Bang 3 factory. When applying this project, the factory controls the flow of goods in real-time, from monitoring carts to controlling errors that arise. Artificial intelligence (AI) will analyze and learn the error type. Through this learning, AI will know the error type without needing a human to do it, thereby predicting upcoming error trends to help the factory intervene in these errors promptly. This will reduce the number of defective goods and indirectly save raw materials and energy.

#### **Energy control system:**

We are researching and implementing an energy monitoring project to monitor power consumption levels. We expect to save 3-5% of electricity consumption each year.

### **Automatic packaging and quality control system.**

Applying an automatic packaging and quality control system helps shorten packaging time compared to conventional packaging, significantly reducing the workforce required for packaging. It also helps avoid the situation of dirty yarn, scratches, and human errors.

### **POC**

Our existing factories are equipped with machines from Oerlikon Barmag, Germany. The production quality in terms of tension and yarn breakage is monitored by Unitens and actual output is controlled by the Plant Operations Center (“POC”). The POC and Unitens systems are the premise to upgrade our existing factories into smart factories, helping the production department to achieve higher production efficiency by eliminating errors right in the production process.

The collection of production data over time from Unitens and POC will be integrated and gradually transferred to the AI function as the "Smart factory", the system will learn from production experiences based on which it could know exactly what kind of manufacturing defect and how to fix it without direct technical experts onsite, furthermore, Smart factory with AI function could greatly help Company in ensuring product quality by remembering data production over time, it is possible to know exactly which production settings are best for which production products, helping the Company to maintain a consistently high quality in products.

### **IV. THE COMPANY ACTIVITIES IN Q1.2024**

- ✓ Unitex project: The company is in the early stages of importing the machinery and equipment of POY and DTY. The plan is being implemented on schedule to complete the machinery import by Q1.2024 and construction by the end of Q1.2024. Unitex factory phase 1 (36,000 tons/year) is expected to start operating in July 2024.
- ✓ The company has resubmitted the application for permission to issue 13.5 million shares of private placement according to the resolution of the 2022 General Meeting of Shareholders in early April 2024.
- ✓ Plan to issue shares to employees 2023 (ESOP 2023): The State Securities Commission has approved the company to issue shares to employees and has submitted the results report to the State Securities Commission. The number of shares issued is 1,041,650.
- ✓ Plan to sell 1.5 million treasury shares: The State Securities Commission has approved the company's plan to sell treasury shares. The expected transaction date is May 2, 2024, to May 31, 2024.
- ✓ The Company's Q1.2024 Earnings call plan: May 03, 2024.

**CENTURY SYNTHETIC FIBER CORPORATION**  
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