

Key Calls

Crystal International (2232 HK)

- We held an update call with Crystal International (Crystal). It has already achieved its 2H24 target of adding 4,000 workers (vs 70,000 workers as of Jun 24) in 3Q24 and continues to recruit workers in 4Q24, thanks to stronger-than-expected order growth from its key customers, especially Uniqlo and Lululemon. Crystal is Lululemon's strategic partner and is planning to set up a new factory for Lululemon in Vietnam in view of a solid order growth momentum and strong visibility in the next two years.
- Crystal targets a record-high revenue in 2024 (vs US\$2,491m in 2022) and turns more positive on its 2025 outlook despite a high base in 2024, driven by a solid order growth momentum into 2Q-3Q25 across five categories, growing demand for its cross-category product offerings and continued share gains from key customers such as Uniqlo.
- To mitigate the potential risks of US tariffs on products made in Vietnam, Crystal has accelerated the transfer of production to other Asian plants, including Sri Lanka, Bangladesh and Cambodia. It has seen order growth from all production plants and is confident in navigating potential risks from the upcoming US election.
- We maintain BUY and raise target price to HK\$5.12. We increase our 2024-26 revenue forecasts by 1%/1%/1% respectively to reflect a stronger order growth momentum, and raise our 2024-26 net profit forecasts by 2%/2%/2% respectively to factor in improved operating efficiency. Despite a 30% share price rally in the past two months, Crystal is still trading at attractive valuations of 6.8x one-year forward PE and 7.8%/8.8% dividend yields in 2024-25 respectively. Crystal remains our conviction BUY call.
- Catalyst: Key customers raising revenue guidance and stronger-than-expected order growth.
- Valuation: Trading at 6.8x one-year forward PE, which is about 0.3SD below its historical mean of 8.0x in 2018-24.

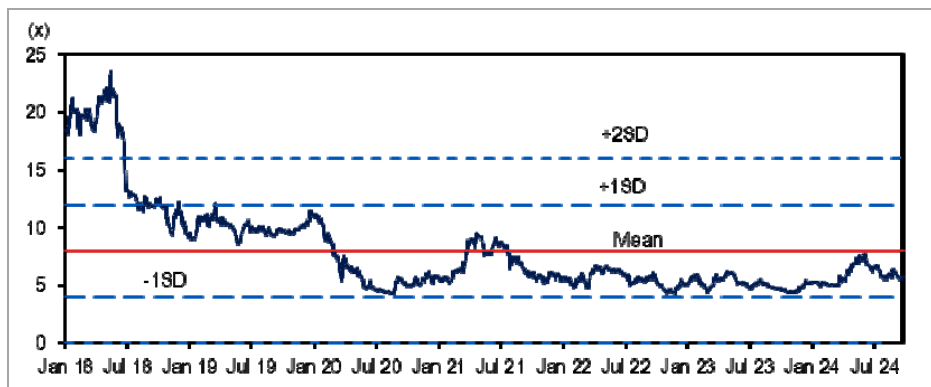
[Click here](#) for Blue Top dated 05 Nov 24

CHANGES TO EARNINGS FORECASTS

(US\$m)	New			Old		
	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	2,466	2,736	3,020	2,440	2,707	2,988
Revenue growth (%)	13.3	11.0	10.4	12.1	11.0	10.4
Gross margin (%)	19.7	19.8	20.0	19.6	19.7	19.9
Net profit	203	231	260	199	226	255
Net margin (%)	8.2	8.4	8.6	8.1	8.4	8.5
EPS growth (%)	23.9	13.9	12.6	21.5	14.0	12.6

Source: UOB Kay Hian

PE BAND



Source: Bloomberg, UOB Kay Hian

REVENUE FORECAST – NEW

(US\$m)	2024F	2025F	2026F
Revenue	2,466	2,736	3,020
Lifestyle Wear	684	752	827
Denim	530	583	641
Intimate	430	456	483
Sweater	249	269	291
Sportswear and Outdoor Apparel	573	676	778

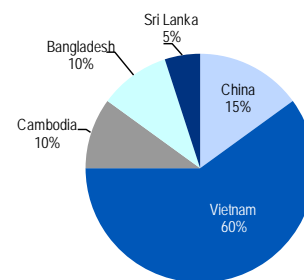
Source: UOB Kay Hian

REVENUE FORECAST – CHANGES (%)

(US\$m)	2024F	2025F	2026F
Revenue	1.1	1.1	1.1
Lifestyle Wear	0.5	0.5	0.5
Denim	0.0	0.0	0.0
Intimate	0.5	0.5	0.5
Sweater	4.7	4.7	4.7
Sportswear and Outdoor Apparel	1.7	1.7	1.7

Source: UOB Kay Hian

CAPACITY BY REGION



Source: Crystal International, UOB Kay Hian

KEY FINANCIALS

Year to 31 Dec (US\$m)	2022	2023	2024F	2025F	2026F
Net turnover	2,491	2,177	2,466	2,736	3,020
Gross Profit	463	418	486	543	604
EBITDA	292	257	313	355	397
Operating profit	200	173	222	253	284
Net profit (rep./act.)	173	163	203	231	260
EPS (cents)	6.1	5.7	7.1	8.1	9.1
P/E (x)	7.6	8.1	7.6	6.7	5.9
P/B (x)	1.0	0.9	1.0	0.9	0.9
EV/EBITDA (x)	2.7	3.1	3.5	3.1	2.7
DPS (cents)	2.1	2.3	4.3	4.9	5.5
Dividend yield (%)	4.7	5.0	8.0	9.0	10.1
Net margin (%)	6.9	7.5	8.2	8.4	8.6
Net debt/(cash) to equity (%)	(24.0)	(31.5)	(28.3)	(25.7)	(27.5)
ROE (%)	13.1	11.8	13.6	14.5	15.4
Consensus net profit	-	-	191	214	240
UOBKH/Consensus (x)	-	-	1.03	1.05	1.07

Source: Crystal International, Bloomberg, UOB Kay Hian

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Updates

VSTECS Holdings (856 HK/BUY/HK\$4.53/Target: HK\$5.47)

- VSTECS Holdings (VSTECS) is the largest IT distributor in Southeast Asian (SEA) countries (including Singapore, Malaysia and Thailand) and is the second-largest IT distributor in China. It serves more than 50,000 partners in APAC and has become the most trusted partner of global technology companies, thanks to its value-added services and comprehensive product portfolio covering 80% of global leading technology companies and unicorns.
- We expect VSTECS to benefit from the accelerating AI deployment, supported by: a) increasing sales of GPU servers, backed by the burgeoning data centre construction in SEA; b) the adoption of AI-PC; and c) the rollout of GenAI smartphone.
- VSTECS is Starlink's preferred partner when it entered Asia. It began to distribute Starlink's standard kits in Malaysia and Indonesia in early-24 and has received positive feedback on its market entry in the Philippines and Thailand. We believe VSTECS is poised for opportunities from the uptake of Starlink in other SEA countries, thanks to its first-mover advantage and established distribution network.
- Cloud computing revenue grew at a three-year CAGR of 22.4% in 2021-23 as VSTECS extended its cloud services to multi-cloud management platforms, computing power scheduling and AI management. We forecast VSTECS' cloud computing segment registering a three-year CAGR of 14.0% in 2024-26 as AI advancement continues to drive increasing demand for computing power and cloud services.
- Catalyst: Key consumer electronic product upgrades driving replacement demand and cooperation with leading cloud services providers.
- Valuation: Initiate coverage with BUY and a target price of HK\$5.47, based on 7.3x 2025F PE, pegged to its historical mean in 2019-24. The company is now trading at 6.1x one-year forward PE, which is 0.5SD below its historical mean in 2019-24.

Texwinca (321 HK/Not Rated/HK\$0.91)

- Texwinca manufactures yarns, knitted fabrics and garments. It also operates its casual wear retail business under the brand Baleno. We visited Texwinca's factory in Dongguan and its apparel showroom for Baleno.
- Texwinca's production plants in Vietnam and China account for 25%/75% of total capacity respectively. The utilisation rate for its textile production in Vietnam and China remains high at 80-90% in 2024. The company plans to increase its capacity in Vietnam by 47% to 220,000 lbs/day in FY25, representing an 11% total capacity increase to 720,000 lbs/day vs FY24.
- For its retail business, Baleno closed 381 non-performing direct operating stores in FY24. As of end-FY24, it had 674 stores in Mainland China, Hong Kong and Indonesia. Management targets to achieve breakeven (HK\$114m operating loss in FY24) by continuing to close offline stores in China and strengthening its online sales channel.
- The company will likely maintain a high level of dividend payout ratio (FY24: 73%) in view of its healthy operating cash flow and lower finance costs. Its trailing 12-month dividend yield was 7.7%.
- Catalyst: Faster-than-expected breakeven for its retail business.
- Risk: Lower margins due to the US imposing import tariffs.

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