



**VIETNAM FORTRESS TOOLS
1H2019
AUGUST 15 2019**

IR NEWSLETTER

MARKET OUTLOOK

Vietnam macroeconomics

Vietnam's economic growth expansion was among the strongest in the region with GDP growth at 6.8%. Manufacturing rose by double-digits and the service sector gained momentum on stronger retail trade. Vietnam signed a trade deal with the EU in June which will eliminate 99% of tariffs. The Vietnamese government expects the deal to boost GDP by 2.2 to 3.3% from 2019 to 2023. However, growth may be reduced by weaker global momentum.

FDI inflows are expected to remain strong at 7.5 – 8.0% of GDP as Vietnam benefits from businesses diversifying their supply chains out of China. Many Taiwanese investors with strong expertise in hi-tech and mechanical manufacturing are looking for opportunities to expand to Vietnam to meet the country's growing demands in line with Industry 4.0.

CORPORATE NEWS

New product line: wire shelving, cages, other storage

Due to the ongoing US China trade war, we will scale up our production of steel wire storage goods. This product category as a whole is larger than the garden tools category, but initially we will work with a select few nationally recognizable brands to kick off our entry into the US market. This category has more frequent turnover throughout the year, so we will see a reduction in inventory days – thereby putting less strain on our working capital.



Expanding garden tools business

We will increase our line of OEM products with the leading garden tool brands in the world by market share, primarily for their long and short handle digging tools.



Meeting with investors

In March 2019, Fortress attended the Vietnam Access Day event hosted by Viet Capital Securities (Vietcap) in Ho Chi Minh City. We presented to investors about the Company's background and our new growth prospects from the trade war.



In May, Fortress assisted Vietcap with their first roadshow in Taipei, Taiwan. Among in attendance were Taiwan's leading banks and funds. Vietcap presented why Vietnam is an attractive investment destination and covered topics including macroeconomics, real estate, market mechanics, and how to invest in Vietnam.

Ministry of Finance to release FDI listing policy

In regards to the delay on listing, Fortress submitted a dispatch to the Office of the Government and other agencies urging them to issue guidance on listing of FDI enterprises. According to Vietnam Investment Review, "the Ministry of Finance soon release a policy to put foreign direct investment (FDI) firms on the stock market." We received Dispatch No. 6189/VPCP-ĐMDN stating that the Ministry of Finance should respond to Fortress, the Office of the Government, and other agencies.



Ủy ban
Chứng khoán
Nhà nước



HOSE



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Interview with VTV

On 1st August 2019, Mr. Hsu Ting Hsin had an interview with the reporter of Vietnam National Television at the head office of the Company. Mr. Hsu Ting Hsin explained the Company's current listing situation and about how listing can help the Company develop. He also expanded upon the obstacles and challenges faced by FDI enterprises when listing on Vietnam's stock market.

Investors can refer to the interview that was broadcasted August 12th at the link below:

<https://vtv.vn/video/tai-chinh-kinh-doanh-sang-12-8-2019-384712.htm>



BUSINESS RESULTS UPDATES

Financial results

Fortress released its financial results for the first 6 months of 2019. Revenue is VND 414 billion, down by 14% compared to the first half of 2018. Revenue is comparatively lower mainly due to shipments in 2017 being pushed back to 2018. However, gross profit margin increased from 19% to 21%. Assets grew in line with expanding business activities, with 25% in short term assets (receivables, inventory) and 7% in long term assets, of which fixed assets increased by 50%.

Although we only achieved 39% of 2019 sales target of \$45 million in the first 6 months, we are still on track as we have secured orders for the new product categories. These will start shipping in Q4 during the peak season for our traditional products of garden tools, and will drive our sales in the second half of 2019.

Credit lines secured

To ensure sufficient funding for working capital from our expanding orders, we have secured an additional \$20 million credit line for accounts receivable and letter of credit from 4 lenders in Vietnam.

Unit: VND Billion

Items	1H2019	1H2018	1H2017
Revenue	414	482	313
Gross profit	86	94	47
Profit before tax	48	56	22
Profit after tax	39	51	20
EPS (VND)	1446	1917	1385

Items	30.6.2019	31.12.2018	31.12.2017
Total assets	1647	1679	1193
Total equity	710	671	549

The 2019 H1 financial reports can be found here:

VN version:

https://file.hstatic.net/1000223142/file/cbtt_-_bao_cao_tai_chinh_da_kiem_toan_6_thang_dau_ce903ee57c2c4d5a9bf84ec7281fbf3b.pdf

EN version:

https://file.hstatic.net/1000223142/file/efs_fortress_-_30_june_2019_f6a1c004b69d423b9abc23b40f9c63f5.pdf



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