

27 Jul 2022

Hoa Phat (HPG)

June 2022 – Operational updates

Vietnam Steel Association (VSA) released some worthy headlines on the May sales of the company. Here are some key issues worthy of note.

Agents re-stocked inventories in June

- Total June steel sales volume posted 631,100 tonnes, increasing by 17.4% yoy, 7.7% mom.
- Construction steel volume increased to 347,898 tonnes, +51.0% yoy, +10.6% mom. Construction export volume was 117,962 tonnes (+58.8% yoy).
- The coated steel sales volume (16,368 tonnes) was down 55.5% yoy while steel pipes sales volume (64,517 tonnes) was up 56.6% yoy, 26.5% yoy. Please note that data steel coat from VSA is significant different from company's data.
- The steel coil sales volume (HRC) was down to 202,317 tonnes (-1.0% mom, -11.7% yoy).
- The revival in June was supposed to be that agents re-stocked the inventories; however, the domestic demand is still weak.

The export still the important driver for growth in 6M22

- The 6M22 total finished-product sale volume came in at 4,271,727 tonnes, +15.3% yoy thanks to the strong growth in most products. In which, construction steel grew 25.2% yoy to 2,300,517 tonnes.
- The total 6M22 export volume (819,196 tonnes) grew +76.0% yoy while the local sales volume (3,452,531 tonnes) increased by 6.5% yoy.
- HPG is expected to continue to witness the weak demand from domestic market amid high inflation concerns and rainy season.

	2020A	2021A	2022F	2023F	2024F
Sales (VND bn)	90,119	149,680	179,232	171,671	203,104
chg. (% YoY)	41.6	66.1	19.7	(4.2)	18.3
Operating profit (VND bn)	17,123	37,664	37,589	35,943	40,455
Net profit (VND bn)	13,450	34,478	33,317	30,675	34,114
EPS (VND)	3,958	7,575	7,404	6,817	7,581
chg. (% YoY)	46.2	91.4	(2.3)	(7.9)	11.2
EBITDA (VND bn)	21,899	43,751	43,956	43,709	48,902
PE (x)	11.7	6.1	6.3	6.8	6.1
EV/EBITDA (x)	8.5	5.1	5.5	5.4	4.6
PB (x)	2.6	2.3	1.7	1.4	1.2
ROE (%)	25.2	46.0	31.8	23.2	21.3
Dividend yield (%)	0.9	0.8	2.2	2.2	2.2

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **HOLD**

12M TP

Up/Downside

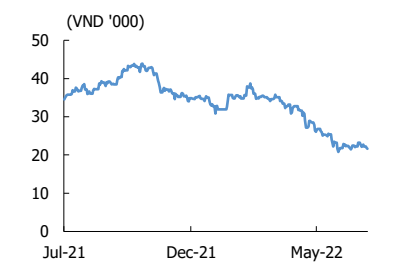
Stock Data

VNIndex (26 Jul, pt)	1,185
Stock price (26 Jul, VND)	21,650
Market cap (USD mn)	5,298
Shares outstanding (mn)	5,815
52-Week high/low (VND)	43,896/20,800
6M avg. daily turnover (USD mn)	34.83
Free float / Foreign ownership (%)	54.3/20.5
Major shareholders (%)	
Tran Dinh Long	26.1

Performance

	1M	6M	12M
Absolute (%)	(0.7)	(33.2)	(39.1)
Relative to VNIndex (%p)	(1.0)	(14.5)	(33.3)

Stock price trend



Source: Bloomberg

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	June-21	June-22	MoM (%)	YoY (%)	6M21	6M22	YoY (%)
Steel Pipes	41,193	64,517	26.5	56.6	375,249	376,971	0.5
Export	3,201	2,586	29.5	(19.2)	15,967	13,051	(18.3)
Domestic	37,992	61,931	26.3	63.0	359,282	363,920	1.3
Steel Coat	36,763	16,368	0.0	(55.5)	159,952	169,233	5.8
Export	28,815	8,058	0.0	(72.0)	84,088	96,035	14.2
Domestic	7,948	8,310	0.0	4.6	75,864	73,198	(3.5)
Constr' Steel	230,371	347,898	10.6	51.0	1,838,132	2,300,517	25.2
Export	74,260	117,962	26.3	58.8	365,413	674,637	84.6
Domestic	156,111	229,936	4.0	47.3	1,472,719	1,625,880	10.4
Steel Coil	229,189	202,317	(1.0)	(11.7)	1,332,844	1,425,006	6.9
Export	0	0	N.A	N.A	0	35,473	N.A
Domestic	229,189	202,317	(1.0)	(11.7)	1,332,844	1,389,533	4.3
Total Steel Volume	537,516	631,100	7.7	17.4	3,706,177	4,271,727	15.3
Export	106,276	128,606	24.4	21.0	465,468	819,196	76.0
Domestic	431,240	502,494	4.1	16.5	3,240,709	3,452,531	6.5

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	June-21	June-22	MoM (%)	YoY (%)	6M21	6M22	YoY (%)
Steel Pipes							
Production	43,878	58,233	12.5	32.7	362,522	361,753	(0.2)
Inventories	0	0	N.a	n.a			
Steel Coat							
Production	34,870	29,068	0.0	(16.6)	178,373	185,919	4.2
Inventories	0	0	N.a	n.a			
Constr' Steel							
Production	343,141	318,606	(20.7)	(7.2)	2,089,725	2,406,601	15.2
Inventories	362,682	360,711	(5.4)	(0.5)			
Steel Coil							
Production	208,542	245,177	(1.7)	17.6	1,257,412	1,198,138	(4.7)
Inventories	33,868	192,011	28.7	466.9			
Total							
Production	630,431	651,084	(11.1)	3.3	3,888,032	4,152,411	6.8
Inventories (Const, Coil)	396,550	552,722	4.2	39.4			

Source: Company, VSA, KIS

Company overview & Glossary

Hoia Phat (HPG) is a leading industrial manufacturing group in Vietnam operating in 5 key businesses: Iron & steel; steel sheet & steel pipe; real estate, agriculture and home appliances.

Balance sheet

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	56,747	94,154	98,203	98,068	131,560
Cash & cash equivalents	21,823	40,708	29,288	31,615	51,899
Accounts & other receivables	6,125	7,662	9,968	10,159	12,965
Inventory	26,287	42,135	54,467	51,831	61,618
Non-current assets	74,764	84,082	120,490	138,233	145,345
Fixed assets	65,562	69,281	69,914	97,148	105,701
Investment assets	6,983	10,573	45,583	35,593	33,603
Others	4,427	7,069	8,583	8,976	10,042
Total assets	131,511	178,236	218,693	236,301	276,905
Advances from customers	1,257	788	1,792	1,717	2,031
Unearned revenue	51	26	26	26	26
Trade payables	10,916	23,729	27,233	23,559	26,036
Others	5,926	5,700	5,971	6,187	6,426
ST debt & due bonds	36,799	43,748	50,748	44,748	51,748
LT debt & bonds	17,343	13,465	13,365	14,365	15,365
Total liabilities	72,292	87,456	99,135	90,602	101,632
Controlling interest	59,071	90,625	119,303	145,352	174,822
Capital stock	33,133	44,729	44,729	44,729	44,729
Capital surplus	3,212	3,212	3,212	3,212	3,212
Other reserves	934	922	955	986	1,020
Retained earnings	21,792	41,763	70,407	96,425	125,862
Minority interest	149	155	255	347	450
Shareholders' equity	59,220	90,780	119,558	145,699	175,272

Income statement

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	90,119	149,680	179,232	171,671	203,104
COGS	71,215	108,571	138,058	132,295	158,384
Gross profit	18,904	41,108	41,174	39,376	44,720
SG&A expenses	1,781	3,444	3,585	3,434	4,265
Operating profit	17,123	37,664	37,589	35,943	40,455
Financial income	1,005	3,071	1,255	1,202	1,422
Interest income	519	0	274	182	109
Financial expenses	2,837	3,732	3,047	3,090	3,453
Interest expenses	2,192	2,526	2,565	2,660	3,356
Other non-operating profit	65	48	54	52	61
Gains (Losses) in associates, subsidiaries and JV	2	5	5	5	5
Earnings before tax	15,357	37,057	35,855	34,110	38,489
Income taxes	1,851	2,536	2,438	3,343	4,272
Net profit	13,506	34,521	33,417	30,767	34,217
Net profit of controlling interest	13,450	34,478	33,317	30,675	34,114
EBITDA	21,899	43,751	43,956	43,709	48,902

Cash flow

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	11,587	27,466	27,889	36,628	31,657
Net profit	13,506	34,521	33,417	30,767	34,217
Dep'n & Amort'n	4,776	6,087	6,367	7,767	8,447
Net incr. in W/C	(6,695)	(13,142)	(11,895)	(1,906)	(11,007)
C/F from investing	(18,495)	(20,404)	(32,618)	(20,269)	(13,077)
Capex	(11,916)	(12,116)	(42,010)	(25,010)	(15,010)
Incr. in investment	(6,579)	(8,288)	9,392	4,741	1,933
C/F from financing	16,053.7	1,729.4	2,427.1	(9,472.9)	3,527.1
Incr. in equity	3	11	0	0	0
Incr. in debt	17,471	3,423	6,900	(5,000)	8,000
Dividends	(1,420)	(1,704)	(4,473)	(4,473)	(4,473)
C/F from others	6	(16)	0	0	0
Increase in cash	9,146	8,792	(2,302)	6,887	22,107

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,958	7,575	7,404	6,817	7,581
BPS	17,873	20,296	26,729	32,574	39,185
DPS	428	381	1,000	1,000	1,000
Growth (%)					
Sales growth	41.6	66.1	19.7	(4.2)	18.3
OP growth	75.7	120.0	(0.2)	(4.4)	12.6
NP growth	78.7	156.3	(3.4)	(7.9)	11.2
EPS growth	46.2	91.4	(2.3)	(7.9)	11.2
EBITDA growth	77.5	99.8	0.5	(0.6)	11.9
Profitability (%)					
OP margin	19.0	25.2	21.0	20.9	19.9
NP margin	15.0	23.1	18.6	17.9	16.8
EBITDA margin	24.3	29.2	24.5	25.5	24.1
ROA	11.6	22.3	16.8	13.5	13.3
ROE	25.2	46.0	31.8	23.2	21.3
Dividend yield	0.9	0.8	2.2	2.2	2.2
Dividend payout ratio	10.8	5.0	13.5	14.7	13.2
Stability					
Net debt (VND bn)	32,319	16,505	34,825	27,497	15,214
Net debt/equity (%)	50.0	20.0	30.0	20.0	10.0
Valuation (x)					
PE	11.7	6.1	6.3	6.8	6.1
PB	2.6	2.3	1.7	1.4	1.2
EV/EBITDA	8.5	5.1	5.5	5.4	4.6

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