

30 Mar 2023

Hoa Phat (HPG)

AGM Briefing: The worst is over

On Mar 30, Hoa Phat (HPG) held the Annual General Meeting. The company presented to us full-year 2022 results as well as the 2023F business plan.

2023 Guidance: No dividend for 2022

- The company targets a VND150,000bn revenue and a VND8,000bn NPAT amid weak demand.
- The company has been approved to not pay dividends in 2022. As HPG needs more capitals for investment and operation activities, company will not pay any cash/stock dividend.
- The company will suspend the investment in Australia as the company performance was not good as expected.
- According to the Chairman, the company still made a loss in first 2 months of 2023 (Mar results not yet available).
- HPG will resume the operation of the second BF in the early of April. The last two BFs will be resumed in 2Q23, depending on the market demand (latest in May).
- The Chairman also affirmed that Hoa Phat will strongly switch to high-quality steel production.

Rating and recommendation

- We reaffirm HOLD rating in view of weak global demand amid high borrowing rate and issues related to bond market and residential developers.

12M rating **HOLD**

12M TP

Up/Downside

Stock Data

VNIndex (29 Mar, pt)	1,056
Stock price (29 Mar, VND)	20,800
Market cap (USD mn)	5,176
Shares outstanding (mn)	5,815
52-Week high/low (VND)	36,347/12,100
6M avg. daily turnover (USD mn)	23.19
Free float / Foreign ownership (%)	54.3/23.4
Major shareholders (%)	
Tran Dinh Long	26.1

Performance

	1M	6M	12M
Absolute (%)	(0.5)	(1.7)	(39.4)
Relative to VNIndex (%p)	(2.1)	3.8	(11.9)

Stock price trend



Source: Bloomberg

	2021A	2022F	2023F	2024F	2025F
Sales (VND bn)	149,680	137,438	109,274	141,177	202,951
chg. (% YoY)	66.1	(8.2)	(20.5)	29.2	43.8
Operating profit (VND bn)	37,664	16,828	17,651	23,995	30,467
Net profit (VND bn)	34,478	10,594	13,271	17,606	23,610
EPS (VND)	7,471	2,177	2,409	2,961	3,956
chg. (% YoY)	88.8	(70.9)	10.7	22.9	33.6
EBITDA (VND bn)	43,751	23,195	24,938	32,282	39,754
PE (x)	2.7	11.5	9.2	6.9	5.2
EV/EBITDA (x)	2.6	2.6	2.6	3.6	4.6
PB (x)	1.0	1.2	1.1	0.9	0.8
ROE (%)	46.0	11.0	12.3	14.6	17.3
Dividend yield (%)	1.8	0.0	0.0	3.7	3.7

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

Research Dept

researchdept@kisvn.vn

Company overview & Glossary

Hoa 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.	2021A	2022F	2023F	2024F	2025F
Current assets	94,154	89,506	65,614	69,105	106,373
Cash & cash equivalents	40,708	33,796	20,892	11,848	25,847
Accounts & other receivables	7,662	8,774	8,121	10,811	11,482
Inventory	42,135	43,500	33,760	42,917	63,970
Non-current assets	84,082	105,490	123,713	140,985	137,313
Fixed assets	69,281	69,914	85,628	102,341	118,054
Investment assets	10,573	30,583	32,593	32,603	12,613
Others	7,069	7,538	7,354	8,494	10,535
Total assets	178,236	194,995	189,326	210,090	243,686
Advances from customers	788	1,374	1,093	1,412	2,030
Unearned revenue	26	26	26	26	26
Trade payables	23,729	20,430	14,469	18,659	27,653
Others	5,700	5,857	5,986	6,143	6,337
ST debt & due bonds	43,748	52,748	39,748	40,748	48,748
LT debt & bonds	13,465	13,265	13,465	15,465	12,165
Total liabilities	87,456	93,700	74,787	82,453	96,959
Controlling interest	90,625	101,167	114,371	127,416	146,434
Capital stock	44,729	58,148	58,148	58,148	58,148
Capital surplus	3,212	3,212	3,212	3,212	3,212
Other reserves	922	932	946	963	987
Retained earnings	41,763	38,875	52,066	65,093	84,088
Minority interest	155	128	168	221	292
Shareholders' equity	90,780	101,295	114,539	127,637	146,726

Cash flow

(VND bn)

FY-ending Dec.	2021A	2022F	2023F	2024F	2025F
C/F from operations	27,466	10,642	24,293	17,133	18,291
Net profit	34,521	10,568	13,310	17,659	23,681
Dep'n & Amort'n	6,087	6,367	7,287	8,287	9,287
Net incr. in W/C	(13,142)	(6,293)	3,696	(8,813)	(14,677)
C/F from investing	(20,404)	(30,001)	(17,832)	(17,044)	(9,115)
Capex	(12,116)	(27,010)	(25,010)	(25,010)	(5,010)
Incr. in investment	(8,288)	(2,991)	7,178	7,966	(4,105)
C/F from financing	1,729.4	8,800.0	(12,800.0)	(1,472.9)	227.1
Incr. in equity	11	0	0	0	0
Incr. in debt	3,423	8,800	(12,800)	3,000	4,700
Dividends	(1,704)	0	0	(4,473)	(4,473)
C/F from others	(16)	0	0	0	0
Increase in cash	8,792	(10,559)	(6,339)	(1,385)	9,403

Income statement

(VND bn)

FY-ending Dec.	2021A	2022F	2023F	2024F	2025F
Sales	149,680	137,438	109,274	141,177	202,951
COGS	108,571	117,201	88,017	113,511	168,222
Gross profit	41,108	20,237	21,257	27,666	34,729
SG&A expenses	3,444	3,408	3,606	3,671	4,262
Operating profit	37,664	16,828	17,651	23,995	30,467
Financial income	3,071	2,818	2,186	988	1,421
Interest income	1,194	657	613	306	490
Financial expenses	3,732	7,628	4,917	4,941	5,074
Interest expenses	2,526	3,961	3,459	3,092	2,741
Other non-operating profit	48	83	66	42	61
Gains (Losses) in associates, subsidiaries and JV	5	5	5	5	5
Earnings before tax	37,057	12,105	14,989	20,089	26,879
Income taxes	2,536	1,537	1,679	2,431	3,199
Net profit	34,521	10,568	13,310	17,659	23,681
Net profit of controlling interest	34,478	10,594	13,271	17,606	23,610
EBITDA	43,751	23,195	24,938	32,282	39,754

Key financial data

FY-ending Dec.	2021A	2022F	2023F	2024F	2025F
Per-share data (VND, adj.)					
EPS	7,471	2,177	2,409	2,961	3,956
BPS	20,296	17,420	19,698	21,950	25,233
DPS	381	0	0	769	769
Growth (%)					
Sales growth	66.1	(8.2)	(20.5)	29.2	43.8
OP growth	120.0	(55.3)	4.9	35.9	27.0
NP growth (Adj)	154.8	(62.1)	10.7	22.9	33.6
EPS growth (Adj)	88.8	(70.9)	10.7	22.9	33.6
EBITDA growth	99.8	(47.0)	7.5	29.4	23.1
Profitability (%)					
OP margin	25.2	12.2	16.2	17.0	15.0
NP margin (Adj)	22.3	9.2	12.8	12.2	11.3
EBITDA margin	29.2	16.9	22.8	22.9	19.6
ROA	22.3	5.7	6.9	8.8	10.4
ROE	46.0	11.0	12.3	14.6	17.3
Dividend yield	1.8	0.0	0.0	3.7	3.7
Dividend payout ratio	5.0	0.0	0.0	25.6	19.1
Stability					
Net debt (VND bn)	16,505	32,216	32,321	44,364	35,066
Net debt/equity (%)	20.0	30.0	30.0	30.0	20.0
Valuation (x)					
PE	2.7	11.5	9.2	6.9	5.2
PB	1.0	1.2	1.1	0.9	0.8
EV/EBITDA	2.5	6.6	6.2	5.1	3.9

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 30 Mar 2023.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 30 Mar 2023. KIS Vietnam Securities Corp. has issued CW with underlying stocks of Hoa Phat (HPG) and is the liquidity provider.

Prepared by: Research Dept

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2023 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..