

14 Mar 2023

Hoa Phat (HPG)

Feb 2023 – Weak demand

Vietnam Steel Association (VSA) released some worthy headlines on the Feb sales of the company. Here are some interesting highlights.

Demand was weak in Feb

- Total Feb steel sales volume posted 549,767 tonnes, decreasing by 30.6% yoy but increasing by 18.5% mom.
- Construction steel volume decreased to 282,832 tonnes, -36.8% yoy -7.0% mom. In which, domestic sales volume decreased by 37.3% yoy while its export dropped by 32.8% yoy.
- The coated steel sales volume (26,783 tonnes) went downward by 2.1% yoy, but increased by 27.5% mom while steel pipes sales volume (53,948 tonnes) decreased by 31.3% yoy, but +1.1% mom.
- The steel coil sales volume (HRC) was 186,204 tonnes (-22.0% yoy, +117.8% mom).
- The total Feb domestic sales volume rised by 18.8% mom to 482,908 tonnes.

2M23 sales volume dropped significantly

- The 2M23 total finished-product sale volume dropped significantly to 1,013,881 tonnes, -32.2% yoy. Of which, all products sale volume declined due to high base in 2022.
- The total 2M23 export volume (124,484 tonnes) went down by 50.3% yoy while the local sales volume (889,397 tonnes) decreased by 28.5% yoy.

Rating and recommendation: Maintain HOLD

- The industry obstacles are not clearly fading and hence, we maintain the HOLD rating.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

Stock Data

VNIndex (14 Mar, pt)	1,040
Stock price (14 Mar, VND)	20,300
Market cap (USD mn)	4,999
Shares outstanding (mn)	5,815
52-Week high/low (VND)	35,760/12,100
6M avg. daily turnover (USD mn)	23.14
Free float / Foreign ownership (%)	54.3/23.4
Major shareholders (%)	
Tran Dinh Long	26.1

Performance

	1M	6M	12M
Absolute (%)	(1.5)	(14.3)	(41.4)
Relative to VNIndex (%p)	(1.7)	1.2	(14.5)

Stock price trend



Source: Bloomberg

	2020A	2021A	2022F	2023F	2024F
Sales (VND bn)	90,119	149,680	137,438	109,274	141,177
chg. (% YoY)	41.6	66.1	(8.2)	(20.5)	29.2
Operating profit (VND bn)	17,123	37,664	16,828	17,651	23,995
Net profit (VND bn)	13,450	34,478	10,594	13,271	17,606
EPS (VND)	3,958	7,471	2,177	2,409	2,961
chg. (% YoY)	46.2	88.8	(70.9)	10.7	22.9
EBITDA (VND bn)	21,899	43,751	23,195	24,938	32,282
PE (x)	5.1	2.7	11.2	8.9	6.7
EV/EBITDA (x)	2.6	2.6	2.6	2.6	3.6
PB (x)	1.1	1.0	1.2	1.0	0.9
ROE (%)	25.2	46.0	11.0	12.3	14.6
Dividend yield (%)	2.1	1.9	0.0	0.0	3.8

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest
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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Feb-22	Feb-23	MoM (%)	YoY (%)	2M22	2M23	YoY (%)
Steel Pipes	78,538	53,948	1.1	(31.3)	129,007	107,295	(16.8)
Export	1,163	3,449	165.3	196.6	3,139	4,749	51.3
Domestic	77,375	50,499	(3.0)	(34.7)	125,868	102,546	(18.5)
Steel Coat	27,361	26,783	27.5	(2.1)	69,988	47,783	(31.7)
Export	6,993	4,177	(13.7)	(40.3)	37,955	9,017	(76.2)
Domestic	20,368	22,606	39.9	11.0	32,033	38,766	21.0
Constr' Steel	447,200	282,832	(7.0)	(36.8)	828,954	587,111	(29.2)
Export	57,179	38,407	(18.0)	(32.8)	173,864	85,233	(51.0)
Domestic	390,021	244,425	(5.1)	(37.3)	655,090	501,878	(23.4)
Steel Coil	238,577	186,204	117.8	(22.0)	466,695	271,692	(41.8)
Export	35,473	20,826	347.0	(41.3)	35,473	25,485	(28.2)
Domestic	203,104	165,378	104.6	(18.6)	431,222	246,207	(42.9)
Total Steel Volume	791,676	549,767	18.5	(30.6)	1,494,644	1,013,881	(32.2)
Export	100,808	66,859	16.0	(33.7)	250,431	124,484	(50.3)
Domestic	690,868	482,908	18.8	(30.1)	1,244,213	889,397	(28.5)

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Feb-22	Feb-23	MoM (%)	YoY (%)	2M22	2M23	YoY (%)
Steel Pipes							
Production	56,105	57,223	17.4	2.0	107,737	105,952	(1.7)
Inventories	0	0	NA	NA			
Steel Coat							
Production	34,277	25,050	NA	(26.9)	64,284	25,050	(61.0)
Inventories	0	0	NA	NA			
Constr' Steel							
Production	401,006	273,372	(16.3)	(31.8)	812,386	599,841	(26.2)
Inventories	316,617	332,258	(2.8)	4.9			
Steel Coil							
Production	216,832	189,695	35.2	(12.5)	450,975	329,951	(26.8)
Inventories	134,787	64,316	5.7	(52.3)			
Total							
Production	708,220	545,340	5.8	(23.0)	1,435,382	1,060,794	(26.1)
Inventories (Const, Coil)	451,404	396,574	(1.5)	(12.1)			

Source: Company, VSA, KIS

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.	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

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

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

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,958	7,471	2,177	2,409	2,961
BPS	17,873	20,296	17,420	19,698	21,950
DPS	428	381	0	0	769
Growth (%)					
Sales growth	41.6	66.1	(8.2)	(20.5)	29.2
OP growth	75.7	120.0	(55.3)	4.9	35.9
NP growth (Adj.)	75.4	154.8	(62.1)	10.7	22.9
EPS growth (Adj.)	46.2	88.8	(70.9)	10.7	22.9
EBITDA growth	77.5	99.8	(47.0)	7.5	29.4
Profitability (%)					
OP margin	19.0	25.2	12.2	16.2	17.0
NP margin (Adj.)	14.6	22.3	9.2	12.8	12.2
EBITDA margin	24.3	29.2	16.9	22.8	22.9
ROA	11.6	22.3	5.7	6.9	8.8
ROE	25.2	46.0	11.0	12.3	14.6
Dividend yield	2.1	1.9	0.0	0.0	3.8
Dividend payout ratio	10.8	5.0	0.0	0.0	25.6
Stability					
Net debt (VND bn)	32,319	16,505	32,216	32,321	44,364
Net debt/equity (%)	50.0	20.0	30.0	30.0	30.0
Valuation (x)					
PE	5.1	2.7	11.2	8.9	6.7
PB	1.1	1.0	1.2	1.0	0.9
EV/EBITDA	4.5	2.5	6.5	6.0	5.0

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