

19 Apr 2023

Hoa Phat (HPG)

Mar 2023 – HRC stole the spot light

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

Overall demand was weak in Mar

- Total Mar steel sales volume posted 567,651 tonnes, decreasing by 39.1% yoy but increasing by 3.3% mom.
- Construction steel volume decreased to 282,505 tonnes, -44.8% yoy -0.1% mom. In which, domestic sales volume decreased by 23.7% yoy while its export dropped by 78.6% yoy.
- The coated steel sales volume (21,919 tonnes) went downward by 38.6% yoy, 18.2% mom while steel pipes sales volume (52,758 tonnes) decreased by 40.6% yoy, 2.2% mom.
- The steel coil sales volume (HRC) was 210,469 tonnes (-28.9% yoy, +13.0% mom).
- The total Mar domestic sales volume rised by 0.9% mom to 487,134 tonnes.

3M23 sales volume dropped significantly

- The 3M23 total finished-product sale volume dropped significantly to 1,581,532 tonnes, -34.8% yoy. Of which, all products sale volume declined due to high base in 2022.
- The total 3M23 export volume (205,001 tonnes) went down by 56.3% yoy while the local sales volume (1,376,531 tonnes) decreased by 29.7% yoy.

Rating and recommendation: Maintain HOLD

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

13M rating **HOLD (Maintain)**

13M TP

Up/Downside

Stock Data

VNIndex (18 Apr, pt)	1,055
Stock price (18 Apr, VND)	20,950
Market cap (USD mn)	5,182
Shares outstanding (mn)	5,815
52-Week high/low (VND)	33,149/12,100
6M avg. daily turnover (USD mn)	22.69
Free float / Foreign ownership (%)	54.3/23.5
Major shareholders (%)	
Tran Dinh Long	26.1

Performance

	1M	6M	13M
Absolute (%)	2.7	13.9	(36.1)
Relative to VNIndex (%p)	1.6	13.5	(12.4)

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)	5.3	2.8	14.3	9.3	7.0
EV/EBITDA (x)	2.6	2.6	2.6	2.6	3.6
PB (x)	1.2	1.0	1.3	1.1	1.0
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		
	Mar-22	Mar-23	MoM (%)	YoY (%)	3M22	3M23	YoY (%)
Steel Pipes	88,808	52,758	(2.2)	(40.6)	217,815	160,053	(26.5)
Export	2,120	2,227	(35.4)	5.0	5,259	6,976	32.6
Domestic	86,688	50,531	0.1	(41.7)	212,556	153,077	(28.0)
Steel Coat	35,718	21,919	(18.2)	(38.6)	105,706	69,702	(34.1)
Export	20,316	6,237	49.3	(69.3)	58,271	15,254	(73.8)
Domestic	15,402	15,682	(30.6)	1.8	47,435	54,448	14.8
Constr' Steel	511,348	282,505	(0.1)	(44.8)	1,340,302	869,616	(35.1)
Export	196,079	41,934	9.2	(78.6)	369,943	127,167	(65.6)
Domestic	315,269	240,571	(1.6)	(23.7)	970,359	742,449	(23.5)
Steel Coil	296,000	210,469	13.0	(28.9)	762,695	482,161	(36.8)
Export	0	30,119	44.6	n.a	35,473	55,604	56.8
Domestic	296,000	180,350	9.1	(39.1)	727,222	426,557	(41.3)
Total Steel Volume	931,874	567,651	3.3	(39.1)	2,426,518	1,581,532	(34.8)
Export	218,515	80,517	20.4	(63.2)	468,946	205,001	(56.3)
Domestic	713,359	487,134	0.9	(31.7)	1,957,572	1,376,531	(29.7)

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Mar-22	Mar-23	MoM (%)	YoY (%)	3M22	3M23	YoY (%)
Steel Pipes							
Production	84,615	52,514	(8.2)	(37.9)	192,352	158,466	(17.6)
Inventories	0	0	NA	NA			
Steel Coat							
Production	31,893	31,487	25.7	(1.3)	96,177	56,537	(41.2)
Inventories	0	0	NA	NA			
Constr' Steel							
Production	472,792	275,879	0.9	(41.6)	1,285,178	875,720	(31.9)
Inventories	278,062	325,632	(2.0)	17.1			
Steel Coil							
Production	NA	216,341	14.0	NA	450,975	546,292	21.1
Inventories	NA	70,188	9.1	NA			
Total							
Production	NA	576,221	5.7	NA	NA	1,637,015	NA
Inventories (Const, Coil)	NA	395,820	(0.2)	NA			

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	89,506	65,614	69,105
Cash & cash equivalents	21,823	40,708	33,796	20,892	11,848
Accounts & other receivables	6,125	7,662	8,774	8,121	10,811
Inventory	26,287	42,135	43,500	33,760	42,917
Non-current assets	74,764	84,082	105,490	123,713	140,985
Fixed assets	65,562	69,281	69,914	85,628	102,341
Investment assets	6,983	10,573	30,583	32,593	32,603
Others	4,427	7,069	7,538	7,354	8,494
Total assets	131,511	178,236	194,995	189,326	210,090
Advances from customers	1,257	788	1,374	1,093	1,412
Unearned revenue	51	26	26	26	26
Trade payables	10,916	23,729	20,430	14,469	18,659
Others	5,926	5,700	5,857	5,986	6,143
ST debt & due bonds	36,799	43,748	52,748	39,748	40,748
LT debt & bonds	17,343	13,465	13,265	13,465	15,465
Total liabilities	72,292	87,456	93,700	74,787	82,453
Controlling interest	59,071	90,625	101,167	114,371	127,416
Capital stock	33,133	44,729	58,148	58,148	58,148
Capital surplus	3,212	3,212	3,212	3,212	3,212
Other reserves	934	922	932	946	963
Retained earnings	21,792	41,763	38,875	52,066	65,093
Minority interest	149	155	128	168	221
Shareholders' equity	59,220	90,780	101,295	114,539	127,637

Cash flow

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	11,587	27,466	10,642	24,293	17,133
Net profit	13,506	34,521	10,568	13,310	17,659
Dep'n & Amort'n	4,776	6,087	6,367	7,287	8,287
Net incr. in W/C	(6,695)	(13,142)	(6,293)	3,696	(8,813)
C/F from investing	(18,495)	(20,404)	(30,001)	(17,832)	(17,044)
Capex	(11,916)	(12,116)	(27,010)	(25,010)	(25,010)
Incr. in investment	(6,579)	(8,288)	(2,991)	7,178	7,966
C/F from financing	16,053.7	1,729.4	8,800.0	(12,800.0)	(1,472.9)
Incr. in equity	3	11	0	0	0
Incr. in debt	17,471	3,423	8,800	(12,800)	3,000
Dividends	(1,420)	(1,704)	0	0	(4,473)
C/F from others	6	(16)	0	0	0
Increase in cash	9,146	8,792	(10,559)	(6,339)	(1,385)

Income statement

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	90,119	149,680	137,438	109,274	141,177
COGS	71,215	108,571	117,201	88,017	113,511
Gross profit	18,904	41,108	20,237	21,257	27,666
SG&A expenses	1,781	3,444	3,408	3,606	3,671
Operating profit	17,123	37,664	16,828	17,651	23,995
Operating profit (Adj.)	17,123	37,664	16,828	17,651	23,995
Financial income	1,005	3,071	2,818	2,186	988
Interest income	519	1,194	657	613	306
Financial expenses	2,837	3,732	7,628	4,917	4,941
Interest expenses	2,192	2,526	3,961	3,459	3,092
Other non-operating profit	65	48	83	66	42
Gains (Losses) in associates, subsidiaries and JV	2	5	5	5	5
Earnings before tax	15,357	37,057	12,105	14,989	20,089
Income taxes	1,851	2,536	1,537	1,679	2,431
Net profit	13,506	34,521	10,568	13,310	17,659
Net profit (Adj.)	13,114	33,418	12,656	14,009	17,216
Net profit of controlling interest	13,450	34,478	10,594	13,271	17,606
Exceptional items					
FX Gain/(Loss)	-	-	1,725	817	(284)
Other adjustment	-	(466)	400	-	-
EBITDA	21,899	43,751	23,195	24,938	32,282

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	2.2	2.0	0.0	0.0	4.0
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	5.3	2.8	14.3	9.3	7.0
PB	1.2	1.0	1.3	1.1	1.0
EV/EBITDA	4.6	2.5	7.3	5.7	4.8

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