

9 May 2023

HCM House Dev. (HDB)

1Q23 profit growth stays resilient

AM briefing

- We tuned in to HDB's analyst meeting on May 9 which featured the strategical visibility on the group and shed some light on its 1Q23 operational updates.

1Q23 Net profit rose on higher credit growth

- HDB's 1Q23 slightly increased to VND2,194 (+8.6% YoY).
- Despite consolidated credit provision increase of 43% yoy, the net profit growth was solid, assisted by rosy net interest income (+20% YoY) and squeezed CIR (from 38% in 1Q22 to 35% in 1Q23).

Credit growth was driven by commercial loan

- 1Q23 total credit growth climbed to 9% YTD, higher/lower than 1Q22 (2.06% YTD), industry figures as announced by SBV on March 20, 2023
- Cross loan growth of Commercial segment led the growth at 14.1% YTD, offset by negative growth of Consumer finance (-7.8% YTD). Retail loan growth stayed resilient at +5.9% YTD.
- The management aims a diversified loan portfolio strategy with high-yield & low-risk clients including Retail & SME segment
- Clearly, Consumer finance loan is hit by the economic slowdown. Loan book of motorbike, consumer durables (CD), and Cash declined -7.6% YTD, -3.8% YTD and -10.1% YTD.

NPL loan is still under control

- 1Q23 Consolidated NPL slightly edged up to 1.8% (1Q22: 1.6% and 4Q22: 1.7%). However, the NPL was still below the 2023 target of 2%.
- The management view that the Circular 02 (reschedule principal/interest payments within next 2 years) will support HDB to reduce the burden bad debts

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	9,440	11,388	13,779	16,758	21,967
chg. (% YoY)	25.8	20.6	21.0	21.6	31.1
PPE (VND bn)	4,999	6,307	7,607	10,375	13,336
Net profit (VND bn)	2,842	3,605	4,249	6,054	7,750
EPS (VND, adj.)	2,897	3,675	2,667	2,403	3,081
chg. (% YoY)	18.0	19.4	18.8	21.8	22.2
PB (x)	1.20	0.98	1.33	1.32	1.30
PE (x)	6.59	5.20	7.23	6.33	6.23
P/PPE (x)	3.7	3.0	4.0	3.7	3.6
NIM (%)	4.0	4.7	4.8	4.4	5.1
ROE (%)	20.3	21.6	20.6	23.3	23.5
ROA (%)	1.6	1.8	1.7	1.9	2.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
CAR (%)	12.1	11.2	12.1	14.4	13.4

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

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12M rating **Non-rated**

12M TP

Up/Downside

Stock Data

VNIndex (May 09, pt)	1,054
Stock price (May 09, VND)	19,050
Market cap (USD mn)	2,042
Shares outstanding (mn)	2,515
52-Week high/low (VND)	21,440/14,000
6M avg. daily turnover (USD mn)	1.80
Free float / Foreign ownership (%)	70.2/19.5
Major shareholders (%)	
Sovico	14.48
Pyn Elite Fund	1.85

Performance

	1M	6M	12M
Absolute (%)	0.0	0.3	0.0
Relative to VNIndex (%p)	0.0	0.2	0.2

Stock price trend



Source: Bloomberg

Research Dep

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NIM remains stable amid rising funding cost

- 1Q23 consolidated NIM was 5.1%, lower than 4Q22's 5.2% but higher than 1Q22's 4.8%.
- Funding cost: TTM 1Q23 funding cost was 5.05%, higher than 1Q22's 3.92% and 4Q22's 4.39%.
- Earning yield: TTM 1Q23 earning yield was 9.91%, higher than 1Q22's 9.39% and 4Q22's 8.35%.

Table 1: HDB's 2023 guidance

	2022 1Q23	2023 guidance	(%)	
			2021-2025F Guidance	
Credit growth	25.6%	9.0%	25.0	CAGR of 25
NIM	5.2%	5.1%	5.2	4.50
Funding cost	4.4%	6.4%	4.800	4.5%-4.6%
CIR	39.3%	34.6%	<40	< 40%
NPL	1.7%	1.8%	remain healthy	< 2%
Credit cost	1.3%	1.4%	Stay flat	1%-2%
TOI growth (YoY)	31.1%	10.4%	25	CAGR of 25%
PBT growth (YoY)	27.2%	8.5%	Up 28.5	by 2025: PBT to exceed VND20tn
ROAE	23.5%	22.0%	Exceed 23	21%-22.4%
ROAA	2.1%	2.0%	Above 2	1.6%-1.7%

Source: Company report

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