

28 Apr 2023

Hoa Phat Group (HPG)

1Q23 Surprised the market

- High-cost inventory cleared out
- Maintain HOLD and earnings are under review

Facts: Performance turned around in 1Q23

HPG' revenue decreased 39.6% yoy to VND26,588bn in 1Q23 while the NPAT-MI posted VND397.4bn (-95%yoy) driven mainly by steel and real estate segments.

HPG made inventory provision reversal of about VND954bn in 1Q23. If excluded the reversal, we still see the positive gross profit. We suppose that the high-cost inventories from last quarters were cleared out. However, HPG will have the thin margin over next quarter due to lower selling prices in our view.

Besides, the selling and G&A expenses declined significantly by 33.4% and 18.1% respectively compared to previous quarter.

As the stable USDVND forex, HPG did not book any significant material forex revaluation in 1Q23 and will not book any significant one in 2Q23.

Pros & cons: Weak demand concerns in 2Q23F

Weak demand continues to be our main concern in 2Q23 due to global economic slow-down. As we believe all high-cost inventories were cleared out, we suppose HPG will made positive profit in 2Q23 amid weak demand and lower selling prices. However, the resumption of BF will be delayed due to weak demand in our view.

Action: Maintain HOLD

We maintain HOLD rating on HPG stock as we see the outlook for the industry is still dark. Earnings are under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

Stock data

VNIndex (Apr 28, pt)	1,049
Stock price (Apr 28, VND)	21,650
Market cap (USD mn)	5,365
Shares outstanding (mn)	5,815
52-Week high/low (VND)	32,771/12,100
6M avg. daily turnover (USD mn)	22.36
Free float / Foreign ownership (%)	54.3/24.0
Major shareholders (%)	
Tran Dinh Long	26.1

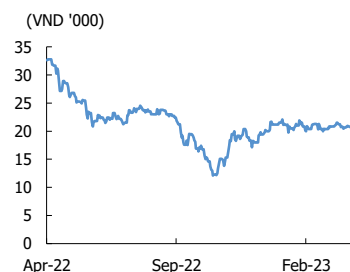
Valuation

	2020A	2021A	2022A
PE (x)	5.5	2.9	14.8
PB (x)	1.2	1.1	1.3
ROE (%)	25.2	46.0	9.0
DY (%)	2.0	1.8	1.8
EV/EBITDA (x)	4.8	2.6	7.5
EPS (VND)	3,958	7,471	1,910
BPS (VND)	17,873	20,296	16,529

Performance

	1M	6M	12M
Absolute (%)	4.6	38.3	(33.9)
Relative to VNIndex (%p)	5.0	35.6	(12.0)

Stock price



Source: Bloomberg

Research Dept

researchdept@kisvn.vn

Table 1. 1Q23 earnings

(VND bn, %, %p)

	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY	Consensus
Sales	44,058.1	37,422.1	34,103.3	25,825.7	26,588.7	3.0	(39.7)	N/A
OP	9,267.7	5,683.2	71.3	(1,944.1)	919.0	-	(90.1)	N/A
OP margin	21	15.2	0.2	-7.5	3.5	-	(17.5)	N/A
EBT	8,922.1	4,379.3	(1,300.0)	(2,078.5)	532.0	-	(94.0)	N/A
NP	8,206.3	4,022.6	(1,785.7)	(1,998.8)	383.2	-	(95.3)	N/A

Source: Company data, KIS

■ Company overview

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.

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Prepared by: Research Dept

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