

15 May 2023

# Hoa Phat (HPG)

## Apr 2023 – Weak sales volume in Apr

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

### Steel demand was weak in Apr

- Total Apr steel sales volume posted 535,640 tonnes, decreasing by 14.7% yoy and 5.6% mom.
- Construction steel volume decreased to 214,204 tonnes, -28.1% yoy -24.2% mom. In which, domestic sales volume decreased by 5.4% yoy while its export dropped by 77.7% yoy.
- The coated steel sales volume (32,818 tonnes) surprisingly upped by 6.6% yoy, 49.7% mom while steel pipes sales volume (49,209 tonnes) rose by 12.8% yoy but -6.7% mom.
- The steel coil sales volume (HRC) was 239,409 tonnes (-6.4% yoy +13.8% mom).
- The total Apr domestic sales volume diminished by 25.7% yoy and 22.2% mom to 378,769 tonnes.

### 4M23 sales volume dropped significantly

- The 4M23 total finished-product sale volume dropped significantly to 2,117,172 tonnes, -30.7% yoy. Of which, all products sale volume declined due to high base in 2022.
- The total 4M23 export volume (361,872 tonnes) went down by 38.4% yoy while the local sales volume (1,755,300 tonnes) decreased by 28.9% yoy.

### Rating and recommendation: Maintain HOLD

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

14M rating **HOLD (Maintain)**

14M TP

Up/Downside

#### Stock Data

|                                    |               |
|------------------------------------|---------------|
| VNIndex (15 May, pt)               | 1,066         |
| Stock price (15 May, VND)          | 22,100        |
| Market cap (USD mn)                | 5,478         |
| Shares outstanding (mn)            | 5,815         |
| 52-Week high/low (VND)             | 28,911/12,100 |
| 6M avg. daily turnover (USD mn)    | 21.41         |
| Free float / Foreign ownership (%) | 54.3/24.1     |
| Major shareholders (%)             |               |
| Tran Dinh Long                     | 26.1          |

#### Performance

|                          | 1M  | 6M   | 14M    |
|--------------------------|-----|------|--------|
| Absolute (%)             | 7.0 | 76.8 | (18.6) |
| Relative to VNIndex (%p) | 5.8 | 59.2 | (10.3) |

#### Stock price trend



Source: Bloomberg

#### Research Dept

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**Table 1. Sales volume growth**

(Tonnes)

|                           | Monthly        |                |               |               | Accumulated      |                  |               |
|---------------------------|----------------|----------------|---------------|---------------|------------------|------------------|---------------|
|                           | Apr-22         | Apr-23         | MoM (%)       | YoY (%)       | 4M22             | 4M23             | YoY (%)       |
| <b>Steel Pipes</b>        | <b>43,625</b>  | <b>49,209</b>  | <b>(6.7)</b>  | <b>12.8</b>   | <b>261,440</b>   | <b>209,262</b>   | <b>(20.0)</b> |
| Export                    | 3,209          | 1,835          | (17.6)        | (42.8)        | 8,468            | 8,811            | 4.1           |
| Domestic                  | 40,416         | 47,374         | (6.2)         | 17.2          | 252,972          | 200,451          | (20.8)        |
| <b>Steel Coat</b>         | <b>30,791</b>  | <b>32,818</b>  | <b>49.7</b>   | <b>6.6</b>    | <b>136,497</b>   | <b>102,520</b>   | <b>(24.9)</b> |
| Export                    | 21,648         | 20,395         | 227.0         | (5.8)         | 79,919           | 35,649           | (55.4)        |
| Domestic                  | 9,143          | 12,423         | (20.8)        | 35.9          | 56,578           | 66,871           | 18.2          |
| <b>Constr' Steel</b>      | <b>297,776</b> | <b>214,204</b> | <b>(24.2)</b> | <b>(28.1)</b> | <b>1,638,078</b> | <b>1,083,820</b> | <b>(33.8)</b> |
| Export                    | 93,366         | 20,866         | (50.2)        | (77.7)        | 463,309          | 148,033          | (68.0)        |
| Domestic                  | 204,410        | 193,338        | (19.6)        | (5.4)         | 1,174,769        | 935,787          | (20.3)        |
| <b>Steel Coil</b>         | <b>255,696</b> | <b>239,409</b> | <b>13.8</b>   | <b>(6.4)</b>  | <b>1,018,391</b> | <b>721,570</b>   | <b>(29.1)</b> |
| Export                    | 0              | 113,775        | 277.8         | n.a           | 35,473           | 169,379          | 377.5         |
| Domestic                  | 255,696        | 125,634        | (30.3)        | (50.9)        | 982,918          | 552,191          | (43.8)        |
| <b>Total Steel Volume</b> | <b>627,888</b> | <b>535,640</b> | <b>(5.6)</b>  | <b>(14.7)</b> | <b>3,054,406</b> | <b>2,117,172</b> | <b>(30.7)</b> |
| Export                    | 118,223        | 156,871        | 94.8          | 32.7          | 587,169          | 361,872          | (38.4)        |
| Domestic                  | 509,665        | 378,769        | (22.2)        | (25.7)        | 2,467,237        | 1,755,300        | (28.9)        |

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

|                           | Monthly |         |         |         | Accumulated |           |         |
|---------------------------|---------|---------|---------|---------|-------------|-----------|---------|
|                           | Apr-22  | Apr-23  | MoM (%) | YoY (%) | 4M22        | 4M23      | YoY (%) |
| <b>Steel Pipes</b>        |         |         |         |         |             |           |         |
| Production                | 59,384  | 43,224  | (17.7)  | (27.2)  | 251,736     | 201,690   | (19.9)  |
| Inventories               | 0       | 0       | NA      | NA      |             |           |         |
| <b>Steel Coat</b>         |         |         |         |         |             |           |         |
| Production                | 31,606  | 28,301  | (10.1)  | (10.5)  | 127,783     | NA        | NA      |
| Inventories               | 0       | 0       | NA      | NA      |             |           |         |
| <b>Constr' Steel</b>      |         |         |         |         |             |           |         |
| Production                | 401,069 | 214,572 | (22.2)  | (46.5)  | 1,686,247   | 1,090,292 | (35.3)  |
| Inventories               | 381,355 | 326,000 | 0.1     | (14.5)  |             |           |         |
| <b>Steel Coil</b>         |         |         |         |         |             |           |         |
| Production                | 252,551 | 269,778 | 24.7    | 6.8     | NA          | 816,070   | NA      |
| Inventories               | 104,014 | 125,054 | 78.2    | 20.2    |             |           |         |
| <b>Total</b>              |         |         |         |         |             |           |         |
| Production                | 744,610 | 555,875 | (3.5)   | (25.3)  | NA          | NA        | NA      |
| Inventories (Const, Coil) | 485,369 | 451,054 | 14.0    | (7.1)   |             |           |         |

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.

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