

28 Jun 2023

# Hoa Binh Construction (HBC)

## AGM Briefing: Restructuring after loss

On Jun 27, Hoa Binh Construction (HBC) held the Annual General Meeting. The company presented to the investor the 2022 results as well as the 2023F business plan.

### 2023 target and long-term plans

- In 2022, the HBC announced a revenue of VND14.15tn (+24%yoy) and a net loss of VND2.5tn, according to the company's internal report. The Board of Director contributed this to a weak real-estate market, developers cash flow troubles and rising costs of material.
- In 2023, the company targets a VND12.5tn revenue (-11%yoy) and a NPAT of VND125bn.
- The company targets the total value of new contracts for 2023 to be VND17tn, of which VND9tn will come from civil construction and VND8tn will come from industrial construction.
- In the long term, the company planned to achieve Debt-to-Equity ratio of 1 and a positive operational income by 2024 with EBITDA of VND1.2tn by 2026.

### Restructuring strategies

BOD aims to resolve the operational issues with a financial and management overhaul:

- Issues an additional 247mn stocks, equivalent to VND2.7tn, to partners and also to subcontractors and service providers as debt payment.
- Transfers a subsidiary company (MATEC) to a partner for VND1.2tn, this will improve the company's liquidity.
- Re-evaluates ~VND187bn of real-estate assets to ~VND1,200bn, adding VND1tn to asset and increase the company credit limit.

	2018A	2019A	2020A	2021A	2022A
Sales (VND bn)	18,299	18,610	11,225	11,356	14,123
chg. (% YoY)	14.1	1.7	(39.7)	1.2	24.4
Operating profit (VND bn)	1,046	679	248	347	(721.5)
Net profit (VND bn)	630	417	86	103	(1,138.2)
EPS (VND)	3,029	1,992	371	429	(4,148.0)
chg. (% YoY)	(54.1)	(34.2)	(81.4)	15.6	NA
EBITDA (VND bn)	1,292	932	494	580	(495.1)
PE (x)	4.7	7.1	38.1	33.0	(3.4)
EV/EBITDA (x)	1.6	2.6	2.6	2.6	2.6
PB (x)	0.9	0.8	0.8	0.8	1.5
ROE (%)	23.0	11.8	2.1	2.4	(34.0)
Dividend yield (%)	4.1	2.3	2.6	0.5	2.3

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

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12M rating **Non-rated**

12M TP **NA**

Up/Downside **NA**

### Stock Data

VNIndex (27 Jun, pt)	1,134
Stock price (27 Jun, VND)	9,460
Market cap (USD mn)	110
Shares outstanding (mn)	274
52-Week high/low (VND)	20,599/6,750
6M avg. daily turnover (USD mn)	1.09
Free float / Foreign ownership (%)	83.1/14.6
Major shareholders (%)	
Le Viet Hai	17.14
Hyundai Elevator	10.25

### Performance

	1M	6M	12M
Absolute (%)	15.2	1.4	(43.3)
Relative to VNIndex (%p)	8.3	(11.2)	(38.1)

### Stock price trend



Source: Bloomberg

### Research Dept

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- Collects account receivable amounting to VND10.213tn, including taking in assets as payment.
- Restructures debts by extending short-term loans and issuing long-term bonds to bring Debt-to-Equity ratio to a manageable level.
- Improves revenue quality from reputable customers with high liquidity
- Focuses on the industrial, infrastructure, social housing sector and operation in foreign markets.
- Restructures Group management, from 30 departments down to 18 departments by eliminating low-performing departments and member companies.

### **Company overview & Glossary**

Hoa Binh Construction (HBC) is one of the leading construction contractor in the country. They provide construction service for the civil, industrial and infrastructure sectors.

**Balance sheet**

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021A	2022A
Current assets	13,523	14,423	13,608	14,877	15,190
Cash & cash equivalents	423	591	258	805	540
Accounts & other receivables	11,089	11,789	10,646	11,538	12,110
Inventory	1,841	1,909	2,498	2,392	2,366
Non-current assets	2,378	2,298	1,944	1,699	1,736
Fixed assets	1,420	1,348	1,161	964	959
Investment assets	455	415	287	243	245
Others	616	582	618	551	604
<b>Total assets</b>	<b>15,901</b>	<b>16,721</b>	<b>15,552</b>	<b>16,577</b>	<b>16,926</b>
Advances from customers	1,418	1,427	951	1,185	1,283
Unearned revenue	24	30	15	14	35
Trade payables	4,421	3,890	3,129	3,649	4,738
Others	2,773	2,454	2,192	2,574	2,095
ST debt & due bonds	4,078	4,742	4,972	4,699	5,101
LT debt & bonds	264	219	145	399	1,031
<b>Total liabilities</b>	<b>12,978</b>	<b>12,762</b>	<b>11,404</b>	<b>12,520</b>	<b>14,283</b>
Controlling interest	2,716	3,588	3,599	3,661	2,609
Capital stock	1,961	2,309	2,309	2,424	2,741
Capital surplus	31	347	347	347	459
Other reserves	97	97	97	97	97
Retained earnings	628	836	846	793	-689
Minority interest	207	372	549	396	34
Shareholders' equity	2,923	3,960	4,148	4,057	2,643

**Cash flow**

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021A	2022A
C/F from operations	(182.5)	(706.2)	(290.8)	563.5	(844.7)
Net profit	620.1	405.6	83.7	97.0	(1,140.6)
Dep'n & Amort'n	245.8	252.4	246.3	233.1	226.4
Net incr. in W/C	(1,048.4)	(1,364.2)	(620.8)	233.4	69.5
C/F from investing	325.6	(164.6)	(93.6)	(53.1)	(613.9)
Capex	(297.8)	(181.0)	(100.6)	(64.1)	(252.2)
Incr. in investment	623.4	16.4	7.0	11.0	(361.7)
C/F from financing	(323.5)	1,130.6	54.3	(20.1)	1,217.7
Incr. in equity	13.0	568.2	0	0	257.6
Incr. in debt	(271.7)	619.4	123.1	(20.0)	1,033.8
Dividends	(64.9)	(57.1)	(68.9)	(0.2)	(73.7)
C/F from others	0.1	0	(0.2)	0	0
Increase in cash	(180.4)	259.7	(330.1)	490.3	(240.9)

**Income statement**

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021A	2022A
Sales	18,299	18,610	11,225	11,356	14,123
COGS	16,612	17,364	10,488	10,553	13,865
Gross profit	1,687	1,246	736	803	258
SG&A expenses	641	567	489	456	979
Operating profit	1,046	679	248	347	(722)
Financial income	61	62	113	112	159
Interest income	96	35	25	5	4
Financial expenses	321	325	320	302	521
Interest expenses	306	322	317	299	521
Other non-operating profit	18	124	86	(3)	(25)
Gains (Losses) in associates, subsidiaries and JV	(9)	(13)	(12)	(5)	7
Earnings before tax	795	527	114	149	(1,103)
Income taxes	175	121	31	52	38
Net profit	620	406	84	97	(1,141)
Net profit of controlling interest	594	460	86	104	(1,137)
EBITDA	630	417	86	103	(1,138)

**Key financial data**

FY-ending Dec.	2018A	2019A	2020F	2021A	2022A
Per-share data (VND, adj.)					
EPS	3,029	1,992	371	429	(4,148)
BPS	14,905	17,149	17,965	16,735	9,643
DPS	584	321	372	71	331
Growth (%)					
Sales growth	14.1	1.7	(39.7)	1.2	24
OP growth	(9.4)	(35.1)	(63.5)	40.0	NA
NP growth (Adj)	(30.8)	(22.6)	(81.4)	21.4	NA
EPS growth (Adj)	(54.1)	(34.2)	(81.4)	15.6	NA
EBITDA growth	(5.4)	(27.9)	(47.0)	17.4	NA
Profitability (%)					
OP margin	5.7	3.6	2.2	3.1	(5.1)
NP margin (Adj)	3.2	2.5	0.8	0.9	(8.1)
EBITDA margin	7.1	5.0	4.4	5.1	(3.5)
ROA	4.1	2.5	0.5	0.6	(6.8)
ROE	23.0	11.8	2.1	2.4	(34.0)
Dividend yield	4.1	2.3	2.6	0.5	2.3
Dividend payout ratio	19.3	16.1	100.2	16.6	(8.0)
Stability					
Net debt (VND bn)	3,918	4,371	4,859	4,293	5,592
Net debt/equity (%)	130.0	110.0	120.0	110.0	210.0
Valuation (x)					
PE	4.7	7.1	38.1	33.0	(3.4)
PB	0.9	0.8	0.8	0.8	1.5
EV/EBITDA	5.1	8.2	17.1	13.7	(18.9)

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Prepared by: Research Dept

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