

19 Jul 2023

## Hoa An (DHA)

### 2Q23 Strong performance thanks to high sales

- DHA sale volume and profit margin steadily increased
- Reversal of provision gives a significant boost to EBIT
- Maintain BUY

#### Facts: Reversal of provision boosted earning

- DHA's revenue increased by 5.4% yoy to VND100.79bn in 2Q23 while the NPAT posted VND35.30bn (1970% yoy) driven mainly by strong gross margin and by the reversal of the provision for the short-term investment made in 2022.
- While sales only improved by 5.4% yoy and sales volume increased by 20.644m<sup>3</sup> (~5% yoy), DHA's gross profit increased significantly by 39.5% yoy. This is credited to the 0x4 stone's improved margin. We attributed the rise in profit to the high demand from the infrastructure projects.
- Additionally, NPAT growth is also come from VND 21.5bn reversal of provision for the investment in HPG stock, in 2Q23 HPG price have increased approximately 52% compare to the end of 2022. With HPG price continue to increase by 27% in Jul-23, we expect DHA's net profit will continue to improve thanks to these reversal of provision.
- However, G&A expenses increased significantly by 213.2% yoy and by 300% qoq.

#### Pros & cons: Strong demand opportunity in 3Q23F

Strong demand for crushed stone primarily driven by infrastructure projects across the HCMC – Dong Nai – Binh Duong region, which will continue supporting DHA's future growth. According to our estimation the demand for crushed stone in the 2023-2025 period will be 14.7mn m<sup>3</sup>, equivalent to the annual consumption increase by 10% compared to 2022.

#### Action: Maintain BUY

We maintain BUY rating on DHA stock as we see the bright outlook for the industry is thank to public invesment.

Below	<b>In line</b>	Above
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vs. KIS forecast

12M rating **BUY (Maintain)**

12M TP **47,000**

Up/Downside **-1.7%**

#### Stock data

VNIndex (19 Jul, pt)	1,173
Stock price (19 Jul, VND)	47,800
Market cap (USD mn)	30
Shares outstanding (mn)	15
52-Week high/low (VND)	47,800/20,666
6M avg. daily turnover (USD mn)	0.07
Free float / Foreign ownership (%)	34.6/21.1
Major shareholders (%)	
Fico	25.5
C32	13.5

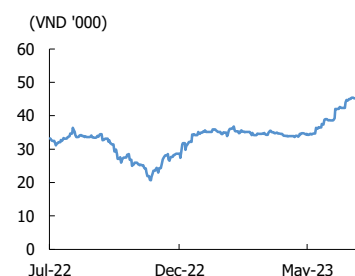
#### Valuation

	2021A	2022A	2023F
PE (x)	6.4	11.1	7.1
PB (x)	1.2	1.3	1.6
ROE (%)	15	8	6
DY (%)	9	14	14
EV/EBITDA (x)	4.7	5.2	5.7
EPS (VND)	5,592	3,373	4,879
BPS (VND)	30,991	29,257	29,137

#### Performance

	1M	6M	12M
Absolute (%)	23.2	35.9	42.9
Relative to VNIndex (%p)	17.0	29.2	41.9

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 1Q23 earnings**

(VND bn, %, %p)

	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY
Sales	95.67	92.82	115.99	75.24	100.79	33.9	5.4
OP	23.57	24.37	30.23	18.66	32.88	76.2	39.5
OP margin	25	26	26	25	33	32	32.0
EBT	2.29	23.67	14.94	19.22	44.17	129.9	1827
NP	1.71	19.11	11.93	15.44	35.30	128.6	1970

Source: Company data, KIS

### ■ Company overview

DHA is headquartered in Dong Nai province. It's one of the oldest stone mining enterprises in the South. The company's entire revenue comes from rock mining at Tan Cang 1, Thanh Phu 2 & Nui Gio mines. These are all high quality and highly-competitive geographical mines.

**Balance sheet**

(VND bn)

FY-ending Dec	2021A	2022A	2023F	2024F	2025F
Current assets	394	369	383	402	428
Cash & cash equivalents	134	61	86	123	146
Accounts & other receivables	260	308	297	279	282
Inventory	59	53	46	38	31
Non-current assets	0	0	0	0	0
Fixed assets	79	69	66	74	75
Investment assets	531	491	494	514	534
Others	3	2	2	2	2
Total assets	0	0	0	0	0
Advances from customers	10	12	11	13	14
Unearned revenue	44	29	35	41	43
Trade payables	0	0	0	0	0
Others	0	0	0	0	0
ST debt & due bonds	57	43	48	57	58
LT debt & bonds	469	442	441	451	469
Total liabilities	151	151	151	151	151
Controlling interest	58	58	58	58	58
Capital stock	87	87	87	87	87
Capital surplus	172	146	144	154	172
Other reserves	469	442	441	451	469
Retained earnings	394	369	383	402	428
Minority interest	134	61	86	123	146
Shareholders' equity	260	308	297	279	282

**Income statement**

(VND bn)

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Sales	337	388	362	427	438
COGS	242	285	265	304	304
Gross profit	95	103	97	123	134
SG&A expenses	16	17	15	18	19
Operating profit	79	86	81	105	115
Financial income	26	11	17	10	10
Interest income	8	9	8	8	9
Financial expenses	(5)	33	0	0	0
Interest expenses	0	0	0	0	0
Other non-operating profit	3	1	0	0	0
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	112	65	98	115	125
Income taxes	22	13	20	23	25
Net profit	90	52	79	92	100
Net profit of controlling interest	90	52	79	92	100
EBITDA	89	94	90	114	125

**Cash flow**

(VND bn)

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
C/F from operations	138	(0)	79	104	91
Net profit	112	65	98	115	125
Dep'n & Amort'n	9	8	9	9	10
Net incr. in W/C	88	95	90	114	125
C/F from investing	3	1	21	8	8
Capex	0	(2)	(1)	(2)	(2)
Incr. in investment	3	3	22	10	10
C/F from financing	(44)	(74)	(76)	(76)	(76)
Incr. in equity	0	0	0	0	0
Incr. in debt	0	0	0	0	0
Dividends	(44)	(74)	(76)	(76)	(76)
C/F from others	0	0	0	0	0
Increase in cash	97	(73)	25	37	23

**Key financial data**

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Per-share data (VND, adj.)					
EPS	5592.1	3372.9	4879.4	5681.7	6203.5
BPS	30991.1	29257.1	29136.9	29816.3	31015.5
DPS	5000.0	5000.0	4999.6	5000.0	5000.0
Growth (%)					
Sales growth	(0.1)	0.1	(0.1)	0.2	0.0
OP growth	(0.2)	0.1	(0.1)	0.3	0.1
NP growth	(0.1)	(0.4)	0.5	0.2	0.1
EPS growth	(0.1)	(0.4)	0.5	0.2	0.1
EBITDA growth	(0.2)	0.1	(0.1)	0.3	0.1
Profitability (%)					
OP margin	0.2	0.2	0.2	0.2	0.3
NP margin	0.3	0.1	0.2	0.2	0.2
EBITDA margin	0.3	0.2	0.2	0.3	0.3
ROA	0.2	0.1	0.2	0.2	0.2
ROE	0.2	0.1	0.2	0.2	0.2
Dividend yield	0.1	0.1	0.1	0.1	0.1
Dividend payout ratio	0.8	1.4	1.0	0.8	0.8
Stability					
Net debt (VND bn)	(133.6)	(60.9)	(85.8)	(122.7)	(146.1)
Net debt/equity (%)	(0.3)	(0.1)	(0.2)	(0.3)	(0.3)
Valuation (x)					
PE	6.4	11.1	7.1	6.1	5.6
PB	1.2	1.3	1.6	1.3	1.3
EV/EBITDA	4.7	5.2	5.7	4.5	4.1

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