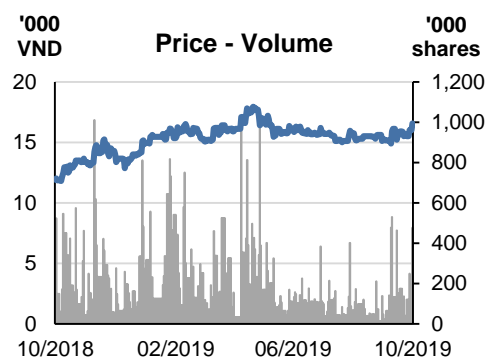


HT1 (HOSE) Positive results amid weak domestic market

Rating NEUTRAL

Building Material/Cement

Market price (VND)	16,500
1-Y target price (VND)	17,100
1-Y price return (%)	3.6%
1-Y dividend yield (%)	7.3%
1-Y total return (%)	10.9%



Higher output thanks to bulk cement demand and stronger export markets

In 3Q2019, HT1 recorded VND2,187bn revenue, up 8.6% YoY. Combined with the remarkable drop of 42.5% YoY of imported coal price and 15.6% YoY of interest expenses and the reuse of fabric scrap in heat generation, EAT almost doubled to VND215bn.

Sales volume of HT1 reached 1.8mn tons, up 10.5% YoY, as the company kept pushing bulk cement sales to 32% of total sales volume from the level of 25% in FY2018. Noticeably, growth was stable at around 10% YoY in all 1Q2019, 2Q2019 and 3Q2019. Nationwide, one factor contributing to increasing cement consumption is stronger export markets. In 3Q2019, domestic cement decreased by 1.7% YoY but exported cement soared by 33.2% YoY thanks to stronger Chinese market, making total cement consumption rise by 2.7% YoY. In aggregate in 9M2019, although domestic cement demand declined by 3% YoY, total cement consumption rose by 2.2% YoY.

Thanks to higher demand, price was also more favorable. The company shared that it has increased the selling price in some regions this year thanks to high consumption in the South. We estimate that cement price in Long An province increased by 4.8% - 5.5% QoQ in 3Q2019 after increasing 1.3% - 1.9% QoQ in 2Q2019 in Ho Chi Minh City.

But domestic market remains weak

Although the domestic cement market improved a little by decreasing only 1.7% YoY in 3Q2019 compared to 10.6% YoY of 2Q2019, we do not expect a further rebound due to our current dim outlook for construction sector in 2020. The short-term weak construction industry is fueling its long overcapacity situation.

In other sub-industry of building material, key players such as Hoa Phat (HOSE: HPG) of steel and Binh Minh (HOSE: MMP) of plastic pile also suffered from weaker domestic demand. Specifically, domestic long steel increased only 3.1% YoY in 3Q2019 after soaring 18.8% YoY in 1Q2019. Sales volume growth rate of Binh Minh Plastic also contracted to 5.8% YoY in 3Q2019 from the peak of 40% YoY in 1Q2019.

NEUTRAL recommendation

For FY2020, we estimate HT1 to record revenue and net profit at VND8,697bn and VND747bn, increasing 0.4% YoY and 2.1% YoY respectively. The ability to improve sales amid weak domestic market was a big plus for HT1 this year. However, without any new cement project, the growth for HT1 is limited in the foreseeable future.

Using the average EV/EBITDA of 4.5 and P/E of 9.5, we evaluate the HT1 share at **VND17,100** by the end of 2020. Including the VND1,200 cash dividend per share, total expected return is 10.9% at the current market price of VND16,500. Recommend **NEUTRAL**.

Stock performance (%)

	YTD	1M	3M	12M
Absolute	21%	9%	4%	38%
Relative	8%	8%	4%	26%

Source: Bloomberg, compare to VNIndex

Stock Statistics 25-Oct-19

52-week range (VND)	11.8k-18.0k
Shares o/s (m)	382
Mkt cap (VND bn.)	6,295
Mkt cap (\$m)	271
% Foreign owned	6.1%
Est. free float (ml. shares)	381.0
3m avg. daily vol. (shares)	116,460
VND/USD	23,202
Index: VN-Index/HNX	994/105

Source: Bloomberg, KIS

Ownership 25-Oct-19

VICEM	79.7%
Mr. Nguyen Van Chuyen – BoD member	2.8%

Source: Bloomberg, KIS

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Earnings projection

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	2018	2019E	2020E
Sales	1,840	2,205	2,015	2,317	1,999	2,368	2,187	2,174	8,376	8,727	8,666
<i>Cement</i>	1,827	2,202	2,010	2,315	1,992	2,365	2,178	2,170	8,354	8,705	8,643
<i>Others</i>	13	2	5	2	7	3	9	4	23	23	23
Sales YoY Growth %	-3.0%	2.4%	4.2%	4.0%	8.6%	7.4%	8.6%	-6.2%	2.0%	4.2%	-0.7%
<i>Cement</i>	-3.2%	2.5%	4.1%	4.8%	9.0%	7.4%	8.4%	-6.3%	2.2%	4.2%	-0.7%
<i>Others</i>	43.1%	-23.2%	106.4%	-87.7%	-46.2%	22.2%	82.8%	79.0%	-30.1%	0.0%	0.0%
Gross profit	173	253	214	283	170	249	224	229	872	897	891
<i>Cement</i>	270	420	299	412	259	431	421	394	14	18	20
<i>Others</i>	4	-	-1	-1	6	-	6	-1	4	4	4
Gross margin (%)	22.7%	25.9%	24.2%	23.5%	27.2%	22.6%	21.9%	19.6%	22.9%	22.7%	22.4%
<i>Cement</i>	14.8%	19.1%	14.9%	17.8%	13.0%	18.2%	19.3%	18.2%	17.4%	20.4%	20.1%
<i>Others</i>	28.9%	-2.1%	-17.5%	-26.7%	77.9%	15.2%	70.8%	-13.5%	1.4%	1.4%	1.4%
Operating profit	205	338	217	320	185	337	335	315	610	633	625
<i>Growth (%)</i>	-12.6%	12.1%	-7.4%	24.4%	-9.7%	-0.2%	54.4%	-1.8%	7.3%	3.8%	-1.3%
<i>Margin (%)</i>	11.1%	15.3%	10.8%	13.8%	9.3%	14.2%	15.3%	14.5%	7.3%	7.3%	7.2%
NPAT	82	242	118	203	106	209	215	212	645	742	742
<i>Growth (%)</i>	-24.7%	109.8%	25.7%	20.8%	29.3%	-13.8%	82.4%	4.5%	32.7%	15.0%	0.0%
<i>Margin (%)</i>	4.4%	11.0%	5.9%	8.8%	5.3%	8.8%	9.8%	9.8%	7.7%	8.5%	8.6%

Source: KIS estimates

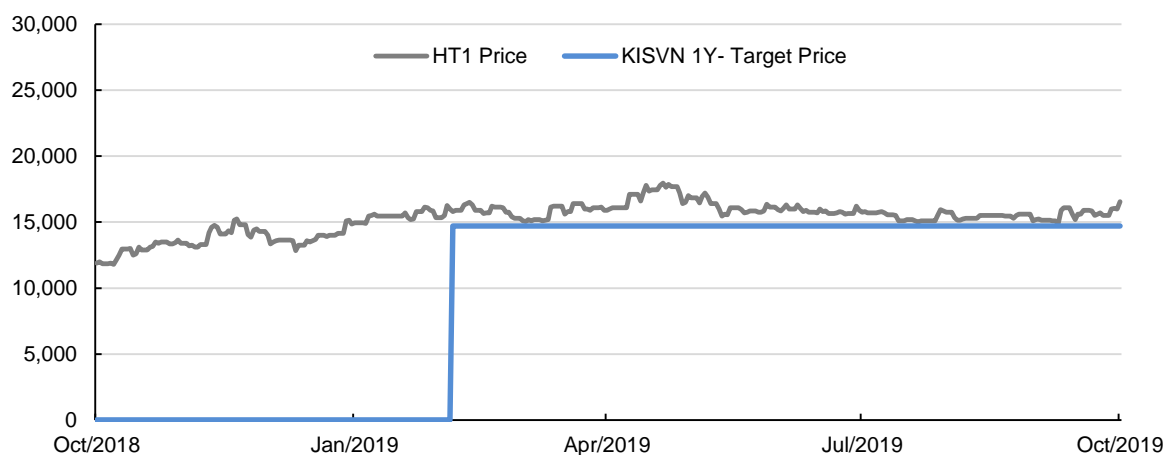
Valuation

VNDbn	2019E	2020E	Remarks
EV/EBITDA multiple (x)	4.5	4.5	Historical 1-Yaverage EV/EBITDA
Enterprise Value (A)	8,557	8,428	
Minorities Interests (B)	7	7	
Net debt (C)	2,491	1,554	
Equity Value D = A-B-C	4,790	5,126	
Common outstanding shares (mn. shares)	382	382	
Fair price (VND) (E)	15,900	18,000	2020
P/E multiple (x)	9.5	9.5	Historical 1-Y average P/E
Bonus-Adjusted EPS (VND)	1,657	1,692	
Fair price (VND) (F)	14,900	16,100	2020
Target Price (VND) G = 50%xE + 50%xF	15,400	17,100	2020
Annualized price return		3.6%	
Expected dividend yield		7.3%	
Total expected return		10.9%	2020

Changes to recommendation and price target

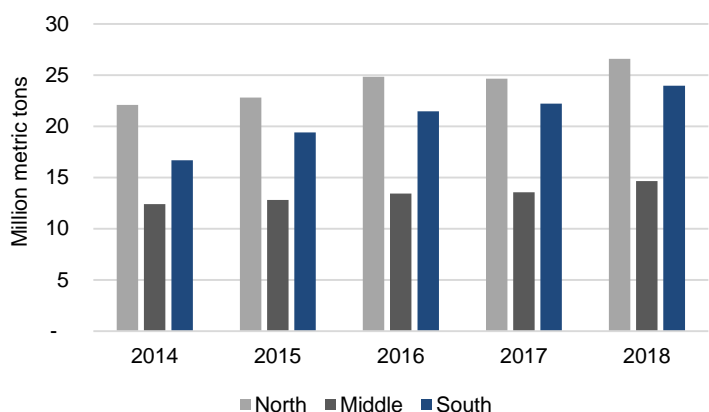
Company	Date	Recommendation	Price target (VND)	Consensus
HT1	28 Feb 2019	NEUTRAL	14,700	16,950

KIS 1Y-Target Price History



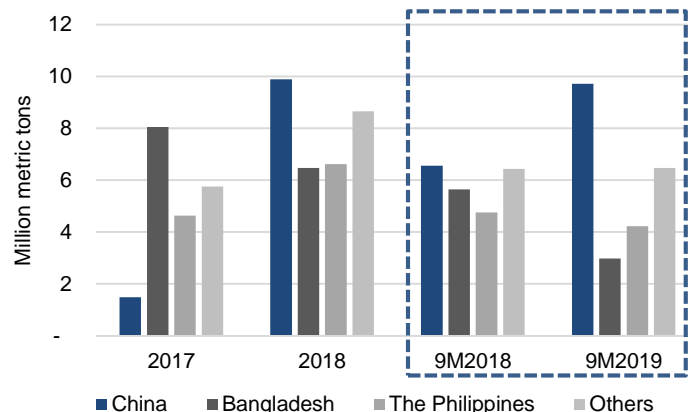
Source: Bloomberg, KIS

Fig 01. Vietnam cement consumption



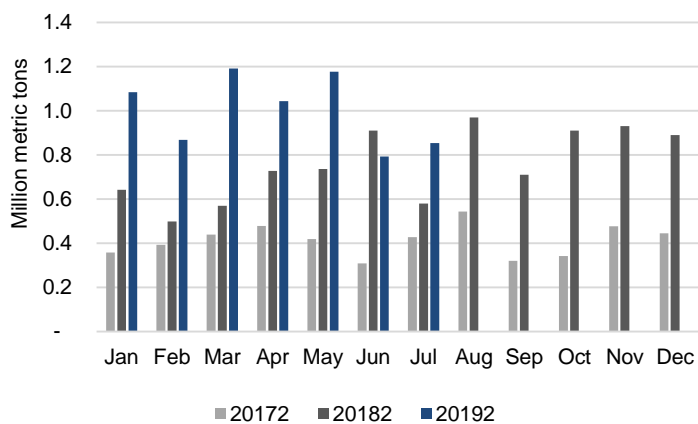
Source: VNCA, KIS

Fig 02. Main importers of Vietnam cement



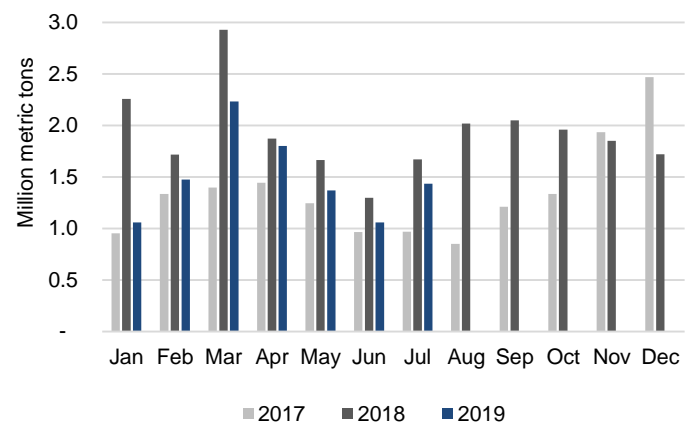
Source: VN Customs, KIS

Fig 03. Vietnam cement export



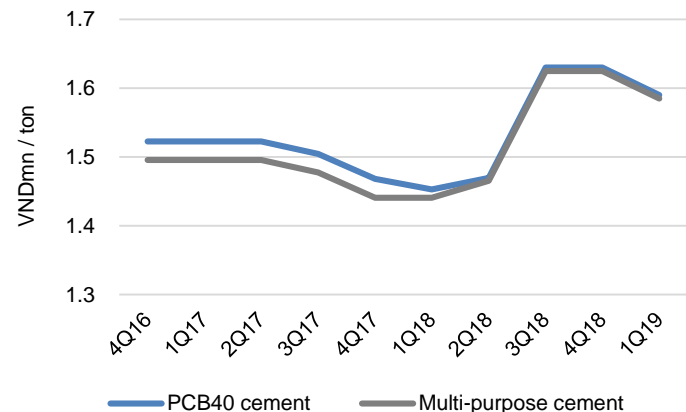
Source: VNCA, KIS

Fig 04. Vietnam clinker export



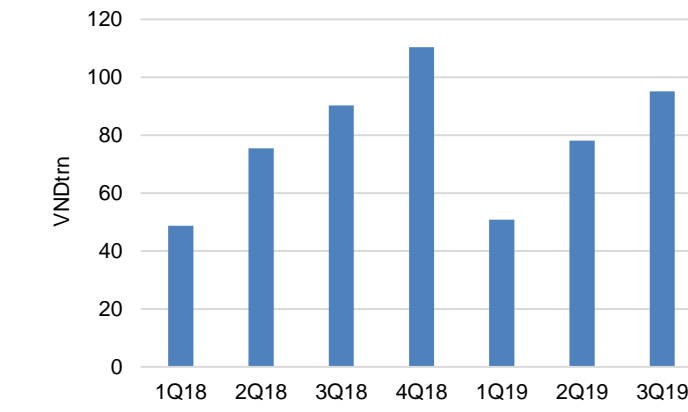
Source: VNCA, KIS

Fig 05. Bagged cement price fluctuation in HCMC



Source: HCMC Department of Construction, KIS

Fig 06. Investment disbursement from the State budget



Source: GSO, KIS

HT1 FINANCIAL MODEL						BS & CF ITEMS (VNDbn)					
Unit: VNDbn.	2016	2017	2018	2019E	2020E	2016	2017	2018	2019E	2020E	
Net Revenue	8,237	8,209	8,376	8,727	8,697	Increase in WC	354	274	-577	250	1
Sales growth (%)	8.3%	-0.3%	2.0%	4.2%	-0.4%	Capex	132	88	91	192	82
Cement	8,136	8,176	8,354	8,705	8,674	Other cash flow items	50	79	69	-	-
Others	100	32	23	23	23	Free cash flow	951	764	1,791	1,029	1,394
COGS	6,613	6,866	6,973	7,210	7,209	Share issues	-	-	-	-	-
Gross margin (%)	19.7%	16.4%	16.8%	17.4%	17.1%	Dividends paid	-	381	571	458	458
SG&A	350	315	323	345	344	Increase in net debt	-951	-383	-1,220	-572	-937
EBITDA	1,951	1,747	1,810	1,902	1,873	Net debt, end of year	4,655	4,272	3,052	2,481	1,544
EBITDA margin (%)	23.7%	21.3%	21.6%	21.8%	21.5%	Enterprise value	10,654	10,270	9,050	8,478	7,542
Depr'n & Amort'n	678	719	730	730	730	Total equity	5,189	5,214	5,200	5,383	5,571
Operating profit	1,273	1,028	1,080	1,172	1,143	Minority interests	8	7	7	7	7
Operating margin (%)	15.5%	12.5%	12.9%	13.4%	13.1%	Shareholder's equity	5,181	5,207	5,193	5,376	5,564
Net interest expenses	334	300	263	230	204	BVPS (VND, bonus-adjusted)	13,580	13,649	13,609	14,089	14,582
As % of avg. net debt	6.5%	6.7%	7.2%	8.3%	10.1%	Net debt / equity (%)	90%	82%	59%	46%	28%
Interest cover (x)	3.8	3.4	4.1	5.1	5.6	Net debt / EBITDA (x)	2.4	2.4	1.7	1.3	0.8
Other profit/loss	80	-127	-11	-15	-5	Total assets	11,080	10,656	9,949	9,661	9,014
Tax	210	114	161	183	187	<i>Net debt = debts – cash & equivalent</i>					
Effective tax rate (%)	20.6%	19.1%	20.0%	20.0%	20.0%	Key ratios & Valuation	2016	2017	2018	2019E	2020E
Net profit	809	486	645	732	747	ROE (%) (excl minority interest)	15.6%	9.4%	12.4%	14.0%	13.7%
Net margin (%)	9.8%	5.9%	7.7%	8.4%	8.6%	ROA (%)	7.3%	4.6%	6.5%	7.7%	8.3%
Minorities	-	(2)	0	0	0	ROIC (%)	10.4%	7.5%	9.6%	11.5%	12.2%
Net attributable profit	809	488	645	732	747	WACC (%)	10.3%	10.7%	11.6%	12.4%	13.5%
Number of shares (m)	382	382	382	382	382	PER (x)	8.7	14.7	10.7	9.3	9.3
EPS (VND, bonus-adjusted)	1,807	1,066	1,461	1,657	1,692	PBR (x)	1.2	1.2	1.2	1.1	1.1
EPS growth (%)	10.2%	-41.0%	37.0%	13.4%	2.1%	PSR (x)	0.7	0.7	0.7	0.7	0.7
DPS (VND)	0	1,000	1,200	1,200	1,200	EV/EBITDA (x)	5.5	5.9	5.0	4.5	4.0
Payout ratio	0.0%	93.7%	82.2%	72.4%	70.9%	EV/Sales (x)	11.2	13.4	5.1	8.2	5.4
						Dividend yield (%) (bonus-adjusted)	0.0%	6.1%	7.3%	7.3%	7.3%

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss

Payout ratio = Dividend paid / Net attributable profit

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Recommendation System

OVERWEIGHT: where we believe prospective 12 months VND total return (including dividends) will be 15% or more.

NEUTRAL: where we believe it will be -5% to 15%.

UNDERWEIGHT: where we believe it will be -5% or less.

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