

25 Jun 2020

Hoa Phat Group (HPG)

12M rating **HOLD (Maintain)**

Flying over obstacles

2020 ambitious plan

- On 25 June, Hoa Phat held the 2020 AGM. Key issues covered were its plan in 2020 and Dung Quat update.
- Hoa Phat plans to sell 3.6mn tonnes of long steel, up 29.7% YoY, 120k tonnes of galvanized steel sheet, up 20% YoY, 800k of pipe steel, up 7.0% YoY, 800k tonnes of billet, 500k of HRC and record VND86,000bn of revenue, up 35.1% YoY, and VND9,000bn of net profit, up 19.6% YoY.
- Shareholders approved 2019 cash dividend of 5% and stock dividend of 20%. For 2020, the company expects cash dividend of 5-10%.

Dung Quat update

- The 2nd phase of Dung Quat is in pilot run and will go online from Sep 2020.
- Dung Quat expansion is seeking the approval from the authority and expect the legal formalities would take 2 years to complete. Therefore, the company expect to break ground in 2024-2025. Total capex for this project is VND60tn. Based on EBITDA of VND15-20tn per year and debt funding of 50%, the company expect no stock dilution.

Rosy 2Q20 results

- In April and May, Hoa Phat sold 528k tonnes of long steel, up 14.1% YoY, 246k tonnes of billet and 131k tonnes of pipe steel, up 9.2% YoY.
- For 2Q20, the company estimates long steel volume of 788k tonnes, up 21.5% YoY and NPAT of VND2,700bn, up 31.7% YoY, of which agriculture NPAT will likely be VND480bn up 2,800% YoY and reversal of exchange loss will likely be VND90bn.

	2017A	2018A	2019A	2020F	2021F
Sales (VND bn)	46,162	55,836	63,658	79,522	92,794
chg. (% YoY)	38.7	21.0	14.0	24.9	16.7
Operating profit (VND bn)	9,622	10,550	9,743	13,715	18,141
Net profit (VND bn)	8,015	8,601	7,578	9,581	13,853
EPS (VND)	2,689	2,965	2,571	3,257	4,720
chg. (% YoY)	49.5	10.3	(13.3)	26.7	44.9
EBITDA (VND bn)	11,626	12,810	12,381	18,354	23,692
PE (x)	10.0	9.1	10.5	8.3	5.7
EV/EBITDA (x)	4.8	5.9	7.1	4.4	2.9
PB (x)	1.0	1.1	1.6	1.3	1.1
ROE (%)	30.8	23.6	17.0	18.4	22.7
Dividend yield (%)	-	-	-	1.9	3.7

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

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Stock Data

VNIndex (Jun 25, pt)	855
Stock price (Jun 25, VND)	27,300
Market cap (USD mn)	3,248
Shares outstanding (mn)	2,761
52-Week high/low (VND)	28,400/16,200
6M avg. daily turnover (USD mn)	9.08
Free float / Foreign ownership (%)	52.9/35.9
Major shareholders (%)	
Chairman and affiliates	34.2
Dragon Capital	5.0
Vinacapital	5.0

Performance

	1M	6M	12M
Absolute (%)	0.0	17.9	18.2
Relative to VNIndex (%p)	0.5	28.5	27.8

Stock price trend



Source: Bloomberg

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