

24 May 2022

# Hoa Phat (HPG)

## AGM Briefing: 2022 - A challenging year

On May 24, Hoa Phat (HPG) held the Annual General Meeting. The company presented to us full-year FY2021 results as well as the FY2022F business plan

### 2022 Guidance: more conservative due to the uncertainty

- The company targets a VND160,000bn revenue (+6.0%yoy) and a VND25,000bn-30,000 NPAT (-27.5/-13.0% yoy) amid input volatility. In 1Q22, the company's revenue was VND44,404bn (+44% yoy) and NPAT was VND8,206bn (+17.1% yoy), fulfilling 27.7%/27.3-32.8% of annual guidance, respectively.
- The company has been approved to pay dividends in 2021 with a total of 35% (5% in cash and 30% in shares). As HPG needs more capitals for investment and operation activities, company will not raise the cash dividend. A 25% cash/share dividend at par will be paid in 2022.
- The BOD supposed that industry impact caused by the geopolitical tension and Zero-COVID policy will be shown on company's performance in 2Q22 and 3Q22.

### Steel Segment

- HPG almost runs at full capacity and the output can only increase about 3%.
- Export portion is expected to be at 10-15% due to the instability of export market.
- HPG is applying construction permit for steel-pipe factory in Long An. Groundbreaking is expected to be in 3Q22.
- The first shipment from iron ore mine in Australia is expected to be at the end of 2022.
- HPG is looking for other coking coal suppliers to replace Russian source due to the sanction impact.

	2020A	2021A	2022F	2023F	2024F
Sales (VND bn)	90,119	149,680	179,232	171,671	203,104
chg. (% YoY)	41.6	66.1	19.7	(4.2)	18.3
Operating profit (VND bn)	17,123	37,664	37,589	35,943	40,455
Net profit (VND bn)	13,450	34,478	33,317	30,675	34,114
EPS (VND)	3,958	7,575	7,404	6,817	7,581
chg. (% YoY)	46.2	91.4	(2.3)	(7.9)	11.2
EBITDA (VND bn)	21,899	43,751	43,956	43,709	48,902
PE (x)	11.7	6.1	6.3	6.8	6.1
EV/EBITDA (x)	2.6	2.6	2.6	2.6	3.6
PB (x)	2.6	2.3	1.7	1.4	1.2
ROE (%)	25.2	46.0	31.8	23.2	21.3
Dividend yield (%)	0.9	0.8	2.2	2.2	2.2

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

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12M rating **HOLD**

12M TP

Up/Downside

### Stock Data

VNIndex (24 May, pt)	1,233
Stock price (24 May, VND)	34,900
Market cap (USD mn)	6,732
Shares outstanding (mn)	4,473
52-Week high/low (VND)	58,000/34,900
6M avg. daily turnover (USD mn)	39.74
Free float / Foreign ownership (%)	54.3/21.5
Major shareholders (%)	
Tran Dinh Long	26.1

### Performance

	1M	6M	12M
Absolute (%)	(20.3)	(28.3)	(27.5)
Relative to VNIndex (%p)	(9.8)	(11.5)	(23.6)

### Stock price trend



Source: Bloomberg

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### Real Estate

- HPG's target is to enter the top 3 real estate companies. In order to achieve the target, company will follow the general trend of purchasing land and projects.
- Hung Yen residential project is not to be handed over yet due to the uncompletedness of legal procedures.

### Container Manufacturing

- The BOD announced that the container factory will be in test run phase at the end of 3Q22 or early of 4Q22. The first commercial products will be in November 2022.

### 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.

**Balance sheet**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	56,747	94,154	98,203	98,068	131,560
Cash & cash equivalents	21,823	40,708	29,288	31,615	51,899
Accounts & other receivables	6,125	7,662	9,968	10,159	12,965
Inventory	26,287	42,135	54,467	51,831	61,618
Non-current assets	74,764	84,082	120,490	138,233	145,345
Fixed assets	65,562	69,281	69,914	97,148	105,701
Investment assets	6,983	10,573	45,583	35,593	33,603
Others	4,427	7,069	8,583	8,976	10,042
<b>Total assets</b>	<b>131,511</b>	<b>178,236</b>	<b>218,693</b>	<b>236,301</b>	<b>276,905</b>
Advances from customers	1,257	788	1,792	1,717	2,031
Unearned revenue	51	26	26	26	26
Trade payables	10,916	23,729	27,233	23,559	26,036
Others	5,926	5,700	5,971	6,187	6,426
ST debt & due bonds	36,799	43,748	50,748	44,748	51,748
LT debt & bonds	17,343	13,465	13,365	14,365	15,365
<b>Total liabilities</b>	<b>72,292</b>	<b>87,456</b>	<b>99,135</b>	<b>90,602</b>	<b>101,632</b>
Controlling interest	59,071	90,625	119,303	145,352	174,822
Capital stock	33,133	44,729	44,729	44,729	44,729
Capital surplus	3,212	3,212	3,212	3,212	3,212
Other reserves	934	922	955	986	1,020
Retained earnings	21,792	41,763	70,407	96,425	125,862
Minority interest	149	155	255	347	450
Shareholders' equity	59,220	90,780	119,558	145,699	175,272

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	11,587	27,466	27,889	36,628	31,657
Net profit	13,506	34,521	33,417	30,767	34,217
Dep'n & Amort'n	4,776	6,087	6,367	7,767	8,447
Net incr. in W/C	(6,695)	(13,142)	(11,895)	(1,906)	(11,007)
C/F from investing	(18,495)	(20,404)	(32,618)	(20,269)	(13,077)
Capex	(11,916)	(12,116)	(42,010)	(25,010)	(15,010)
Incr. in investment	(6,579)	(8,288)	9,392	4,741	1,933
C/F from financing	16,053.7	1,729.4	2,427.1	(9,472.9)	3,527.1
Incr. in equity	3	11	0	0	0
Incr. in debt	17,471	3,423	6,900	(5,000)	8,000
Dividends	(1,420)	(1,704)	(4,473)	(4,473)	(4,473)
C/F from others	6	(16)	0	0	0
Increase in cash	9,146	8,792	(2,302)	6,887	22,107

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	90,119	149,680	179,232	171,671	203,104
COGS	71,215	108,571	138,058	132,295	158,384
<b>Gross profit</b>	<b>18,904</b>	<b>41,108</b>	<b>41,174</b>	<b>39,376</b>	<b>44,720</b>
SG&A expenses	1,781	3,444	3,585	3,434	4,265
<b>Operating profit</b>	<b>17,123</b>	<b>37,664</b>	<b>37,589</b>	<b>35,943</b>	<b>40,455</b>
Financial income	1,005	3,071	1,255	1,202	1,422
Interest income	519	0	274	182	109
Financial expenses	2,837	3,732	3,047	3,090	3,453
Interest expenses	2,192	2,526	2,565	2,660	3,356
Other non-operating profit	65	48	54	52	61
Gains (Losses) in associates, subsidiaries and JV	2	5	5	5	5
<b>Earnings before tax</b>	<b>15,357</b>	<b>37,057</b>	<b>35,855</b>	<b>34,110</b>	<b>38,489</b>
Income taxes	1,851	2,536	2,438	3,343	4,272
<b>Net profit</b>	<b>13,506</b>	<b>34,521</b>	<b>33,417</b>	<b>30,767</b>	<b>34,217</b>
Net profit of controlling interest	13,450	34,478	33,317	30,675	34,114
EBITDA	21,899	43,751	43,956	43,709	48,902

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,958	7,575	7,404	6,817	7,581
BPS	17,873	20,296	26,729	32,574	39,185
DPS	428	381	1,000	1,000	1,000
Growth (%)					
Sales growth	41.6	66.1	19.7	(4.2)	18.3
OP growth	75.7	120.0	(0.2)	(4.4)	12.6
NP growth	78.7	156.3	(3.4)	(7.9)	11.2
EPS growth	46.2	91.4	(2.3)	(7.9)	11.2
EBITDA growth	77.5	99.8	0.5	(0.6)	11.9
Profitability (%)					
OP margin	19.0	25.2	21.0	20.9	19.9
NP margin	15.0	23.1	18.6	17.9	16.8
EBITDA margin	24.3	29.2	24.5	25.5	24.1
ROA	11.6	22.3	16.8	13.5	13.3
ROE	25.2	46.0	31.8	23.2	21.3
Dividend yield	0.9	0.8	2.2	2.2	2.2
Dividend payout ratio	10.8	5.0	13.5	14.7	13.2
Stability					
Net debt (VND bn)	32,319	16,505	34,825	27,497	15,214
Net debt/equity (%)	50.0	20.0	30.0	20.0	10.0
Valuation (x)					
PE	11.7	6.1	6.3	6.8	6.1
PB	2.6	2.3	1.7	1.4	1.2
EV/EBITDA	8.5	5.1	5.5	5.4	4.6

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