

# Hoa Phat (HPG)

## Apr 2022 – Operational updates

Vietnam Steel Association (VSA) released some worthy headlines on the March sales of the company. Here are some key issues worthy of note.

### Weak demand in April

- Total Apr steel sales volume posted 627,888 tonnes, decreasing by 16.0% yoy, 32.6% mom.
- Construction steel volume dropped significantly to 297,776 tonnes, -41.8% mom and -30.5% yoy due to high steel price that dampened demand. Construction export volume was 93,366 tonnes (-52.4% mom but +28.1% yoy).
- The coated steel sales volume (30,791 tonnes) was up 60.8% yoy but down 13.8% mom while steel pipes sales volume (43,625 tonnes) was down 50.9% mom, 50.1% yoy.
- The steel coil sales volume (HRC) was firm at around 255,696 tonnes (-13.6% mom, +20.3% yoy).

### The export still the important driver for growth in 4M22

- The 4M22 performance witnessed the revival in domestic market, however, the high steel price has slowed down the revival pace in April.
- The 4M22 total finished-product sale volume came in at 3,054,406 tonnes, +20.9% yoy thanks to the strong growth for most products. In which, coated steel grew 46.9% yoy to 136,497 tonnes.
- The total 4M22 export volume (accounted for 19.2% of total sales; 587,169 tonnes) grew +121.0% yoy while the local sales volume (2,467,237 tonnes) increased by 9.2% yoy.

12M rating **HOLD**

12M TP

Up/Downside

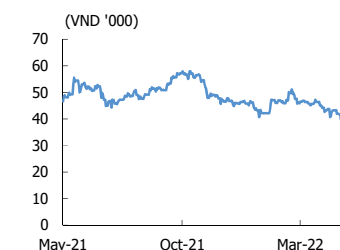
### Stock Data

VNIndex (19 Apr, pt)	1,241
Stock price (19 Apr, VND)	38,200
Market cap (USD mn)	7,387
Shares outstanding (mn)	4,473
52-Week high/low (VND)	58,000/35,900
6M avg. daily turnover (USD mn)	41.30
Free float / Foreign ownership (%)	54.3/21.6
Major shareholders (%)	
Tran Dinh Long	26.1

### Performance

	1M	6M	12M
Absolute (%)	(10.4)	(20.4)	(21.4)
Relative to VNIndex (%p)	2.9	(6.2)	(20.9)

### Stock price trend



Source: Bloomberg

	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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**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Apr-21	Apr-22	MoM (%)	YoY (%)	4M21	4M22	YoY (%)
<b>Steel Pipes</b>	<b>87,356</b>	<b>43,625</b>	<b>(50.9)</b>	<b>(50.1)</b>	<b>271,368</b>	<b>261,440</b>	<b>(3.7)</b>
Export	2,963	3,209	51.4	8.3	9,902	8,468	(14.5)
Domestic	84,393	40,416	(53.4)	(52.1)	261,466	252,972	(3.2)
<b>Steel Coat</b>	<b>19,150</b>	<b>30,791</b>	<b>(13.8)</b>	<b>60.8</b>	<b>92,898</b>	<b>136,497</b>	<b>46.9</b>
Export	2,518	21,648	6.6	759.7	35,503	79,919	125.1
Domestic	16,632	9,143	(40.6)	(45.0)	57,395	56,578	(1.4)
<b>Constr' Steel</b>	<b>428,541</b>	<b>297,776</b>	<b>(41.8)</b>	<b>(30.5)</b>	<b>1,283,587</b>	<b>1,638,078</b>	<b>27.6</b>
Export	72,883	93,366	(52.4)	28.1	220,286	463,309	110.3
Domestic	355,658	204,410	(35.2)	(42.5)	1,063,301	1,174,769	10.5
<b>Steel Coil</b>	<b>212,511</b>	<b>255,696</b>	<b>(13.6)</b>	<b>20.3</b>	<b>877,783</b>	<b>1,018,391</b>	<b>16.0</b>
Export	0	0	N.a	n.a	0	35,473	n.a
Domestic	212,511	255,696	(13.6)	20.3	877,783	982,918	12.0
<b>Total Steel Volume</b>	<b>747,558</b>	<b>627,888</b>	<b>(32.6)</b>	<b>(16.0)</b>	<b>2,525,636</b>	<b>3,054,406</b>	<b>20.9</b>
Export	78,364	118,223	(45.9)	50.9	265,691	587,169	121.0
Domestic	669,194	509,665	(28.6)	(23.8)	2,259,945	2,467,237	9.2

Source: Company, VSA, KIS

Note:

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Apr-21	Apr-22	MoM (%)	YoY (%)	3M21	3M22	YoY (%)
<b>Steel Pipes</b>							
Production	76,250	59,384	(29.8)	(22.1)	245,642	251,736	2.5
Inventories	N.A	N.A	N.A	N.A			
<b>Steel Coat</b>							
Production	35,447	31,606	(0.9)	(10.8)	108,253	127,783	18.0
Inventories	N.A	N.A	N.A	N.A			
<b>Constr' Steel</b>							
Production	380,670	401,069	(15.2)	5.4	1,353,829	1,686,247	24.6
Inventories	187,671	381,355	37.1	103.2			
<b>Steel Coil</b>							
Production	215,910	252,551	N.A	17.0	826,178	703,526	(14.8)
Inventories	57,694	104,014	N.A	80.3			

Source: Company, VSA, KIS

**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
<b>Increase in cash</b>	<b>9,146</b>	<b>8,792</b>	<b>(2,302)</b>	<b>6,887</b>	<b>22,107</b>

**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
Gross profit	18,904	41,108	41,174	39,376	44,720
SG&A expenses	1,781	3,444	3,585	3,434	4,265
Operating profit	17,123	37,664	37,589	35,943	40,455
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
Earnings before tax	15,357	37,057	35,855	34,110	38,489
Income taxes	1,851	2,536	2,438	3,343	4,272
Net profit	13,506	34,521	33,417	30,767	34,217
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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