

11 Oct 2022

Hoa Phat (HPG)

September 2022 – Domestic sales revived

Vietnam Steel Association (VSA) released some worthy headlines on the September sales of the company. Here are some interesting highlights.

Domestic sales volume revived in Sep

- Total Sep steel sales volume posted 643,670 tonnes, increasing by 7.6% yoy but sliding by 9.7% mom thanks to brisk domestic sale volume.
- Construction steel volume almost was flattish yoy to 317,430 tonnes, -2.9% yoy but -18.0% mom. In which, domestic sales volume grew significantly to 266,429 tonnes (+28.6% yoy, -8.9% mom).
- The coated steel sales volume (22,266 tonnes) went downward by 59.7% yoy, 22.2% mom while steel pipes sales volume (75,770 tonnes) skyrocketed by 94% yoy, 19% mom.
- The steel coil sales volume (HRC) was 228,204 tonnes (-2.3% mom, +29.2% yoy).
- The total Sep domestic sales volume increased by 37.0% yoy to 586,418 tonnes.

The export led the 9M22 growth

- The 9M22 total finished-product sale volume climbed to 6,229,296 tonnes, +13.1% yoy thanks to the rosy growth in construction steel of 23.9% yoy and steel pipes of 15.9% yoy.
- The total 9M22 export volume (1,141,380 tonnes) went up by 32.1% yoy while the local sales volume (5,087,916 tonnes) increased lower by 9.5% yoy.

Rating and recommendation: Maintain HOLD

- The recent bounce of HPG's market price is viewed as a result of a sharp plunge in the last 6 months, in terms of technical analysis. The industry obstacles are not clearly fading and hence, we maintain the HOLD rating.

	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)	4.4	2.3	2.4	2.6	2.3
EV/EBITDA (x)	2.6	2.6	2.6	2.6	3.6
PB (x)	1.0	0.9	0.7	0.5	0.4
ROE (%)	25.2	46.0	31.8	23.2	21.3
Dividend yield (%)	2.4	2.2	5.7	5.7	5.7

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest
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12M rating **HOLD (Maintain)**

12M TP

Up/Downside

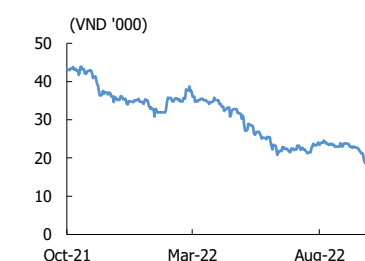
Stock Data

VNIndex (11 Oct, pt)	1,006
Stock price (11 Oct, VND)	17,500
Market cap (USD mn)	4,257
Shares outstanding (mn)	5,815
52-Week high/low (VND)	43,896/17,500
6M avg. daily turnover (USD mn)	26.69
Free float / Foreign ownership (%)	54.3/20.6
Major shareholders (%)	
Tran Dinh Long	26.1

Performance

	1M	6M	12M
Absolute (%)	(26.5)	(50.2)	(59.6)
Relative to VNIndex (%p)	(7.1)	(18.7)	(32.8)

Stock price trend



Source: Bloomberg

Hai Nguyen

hai.nt@kisvn.vn

Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Sep-21	Sep-22	MoM (%)	YoY (%)	9M21	9M22	YoY (%)
Steel Pipes	39,049	75,770	19.0	94.0	497,916	577,063	15.9
Export	2,786	1,110	(17.8)	(60.2)	24,586	17,031	(30.7)
Domestic	36,263	74,660	19.8	105.9	473,330	560,032	18.3
Steel Coat	55,248	22,266	(22.2)	(59.7)	273,075	237,925	(12.9)
Export	47,417	5,141	(66.6)	(89.2)	176,364	122,092	(30.8)
Domestic	7,831	17,125	29.7	118.7	96,711	115,833	19.8
Constr' Steel	327,012	317,430	(18.0)	(2.9)	2,797,579	3,377,668	20.7
Export	119,784	51,001	(46.0)	(57.4)	663,089	966,784	45.8
Domestic	207,228	266,429	(8.9)	28.6	2,134,490	2,410,884	12.9
Steel Coil	176,686	228,204	(2.3)	29.2	1,941,138	2,036,640	4.9
Export	0	0	N.A	N.A	0	35,473	N.A
Domestic	176,686	228,204	(2.3)	29.2	1,941,138	2,001,167	3.1
Total Steel Volume	597,995	643,670	(9.7)	7.6	5,509,708	6,229,296	13.1
Export	169,987	57,252	(48.5)	(66.3)	864,039	1,141,380	32.1
Domestic	428,008	586,418	(2.5)	37.0	4,645,669	5,087,916	9.5

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Sep-21	Sep-22	MoM (%)	YoY (%)	9M21	9M22	YoY (%)
Steel Pipes							
Production	44,350	72,996	21.0	64.6	503,389	556,918	10.6
Inventories	0	0	N.A	N.A			
Steel Coat							
Production	45,254	29,218	25.9	(35.4)	303,810	254,327	(16.3)
Inventories	0	0	N.A	N.A			
Constr' Steel							
Production	286,722	395,794	14.6	38.0	2,968,191	3,559,495	19.9
Inventories	281,700	436,454	21.9	54.9			
Steel Coil							
Production	204,944	212,275	22.3	3.6	1,893,251	1,808,263	(4.5)
Inventories	61,413	190,502	(7.7)	210.2			
Total							
Production	581,270	710,283	17.9	22.2	5,668,641	6,179,003	9.0
Inventories (Const, Coil)	343,113	626,956	11.1	82.7			

Source: Company, VSA, KIS

Company overview & Glossary

Hoia 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
Total assets	131,511	178,236	218,693	236,301	276,905
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
Total liabilities	72,292	87,456	99,135	90,602	101,632
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
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	2.4	2.2	5.7	5.7	5.7
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	4.4	2.3	2.4	2.6	2.3
PB	1.0	0.9	0.7	0.5	0.4
EV/EBITDA	4.1	2.2	2.6	2.4	1.9

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Prepared by: Hai Nguyen

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