

# Hoa Phat (HPG)

## Nov 2022 – Construction volume bounced back

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

### Construction steel sales volume bounced back in Nov

- Total Nov steel sales volume posted 509,767 tonnes, decreasing by 13.7% yoy and 9.4% mom, which caused by weak domestic and global demand.
- Construction steel volume improved to 252,723 tonnes compared to Oct, +20.4% mom, -6.8% yoy. In which, domestic sales volume increased by 33.1% yoy, 31.0% mom while its export dropped by 71.9% yoy, 26% mom.
- The coated steel sales volume (22,757 tonnes) went downward by 63.4% yoy, 17% mom while steel pipes sales volume (53,471 tonnes) increased by 5.1% yoy, -7.2% mom.
- The steel coil sales volume (HRC) was 180,814 tonnes (-32.4% mom, -12.3% yoy).
- The total Nov domestic sales volume rised by 7.5% yoy to 463,186 tonnes.

### The sustained 11M22 growth amid weak global demand

- The 11M22 total finished-product sale volume climbed slightly to 7,301,538 tonnes, 6.0% yoy thanks to the growth in construction steel of 8.6% yoy and steel coil of 5.6% yoy.
- The total 11M22 export volume (1,270,680 tonnes) went up by 5.7% yoy while the local sales volume (6,030,858 tonnes) increased by 6.0% yoy.

### Rating and recommendation: Maintain HOLD

- The industry obstacles are not clearly fading and hence, we maintain the HOLD rating. However, as we see HPG has been stepping in extreme condition, like an arrow at full draw, any improvement in the situation will be more likely to push the company moves toward its new height.

	2020A	2021A	2022F	2023F	2024F
Sales (VND bn)	90,119	149,680	137,438	109,274	141,177
chg. (% YoY)	41.6	66.1	(8.2)	(20.5)	29.2
Operating profit (VND bn)	17,123	37,664	16,828	17,651	23,995
Net profit (VND bn)	13,450	34,478	10,594	13,271	17,606
EPS (VND)	3,958	7,471	2,177	2,409	2,961
chg. (% YoY)	46.2	88.8	(70.9)	10.7	22.9
EBITDA (VND bn)	21,899	43,751	23,195	24,938	32,282
PE (x)	4.8	2.5	10.4	8.3	6.3
EV/EBITDA (x)	2.6	2.6	2.6	2.6	3.6
PB (x)	1.1	0.9	1.1	1.0	0.9
ROE (%)	25.2	46.0	11.0	12.3	14.6
Dividend yield (%)	2.3	2.0	0.0	0.0	4.1

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 (21 Dec, pt)	1,019
Stock price (21 Dec, VND)	18,900
Market cap (USD mn)	4,687
Shares outstanding (mn)	5,815
52-Week high/low (VND)	38,674/12,100
6M avg. daily turnover (USD mn)	24.38
Free float / Foreign ownership (%)	54.3/21.4
Major shareholders (%)	
Tran Dinh Long	26.1

#### Performance

	1M	6M	12M
Absolute (%)	26.4	(11.2)	(44.0)
Relative to VNIndex (%p)	20.2	0.3	(14.5)

#### Stock price trend



Source: Bloomberg

#### Research Department

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**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Nov-21	Nov-22	MoM (%)	YoY (%)	11M21	11M22	YoY (%)
<b>Steel Pipes</b>	<b>50,877</b>	<b>53,473</b>	<b>(7.2)</b>	<b>5.1</b>	<b>620,987</b>	<b>688,127</b>	<b>10.8</b>
Export	1,265	1,098	23.5	(13.2)	28,342	19,018	(32.9)
Domestic	49,612	52,375	(7.6)	5.6	592,645	669,109	12.9
<b>Steel Coat</b>	<b>62,248</b>	<b>22,757</b>	<b>(17.0)</b>	<b>(63.4)</b>	<b>380,313</b>	<b>288,097</b>	<b>(24.2)</b>
Export	55,133	9,034	(41.6)	(83.6)	260,628	146,600	(43.8)
Domestic	7,115	13,723	14.9	92.9	119,685	141,497	18.2
<b>Constr' Steel</b>	<b>271,114</b>	<b>252,723</b>	<b>20.4</b>	<b>(6.8)</b>	<b>3,535,819</b>	<b>3,840,282</b>	<b>8.6</b>
Export	103,007	28,921	(26.0)	(71.9)	913,210	1,034,804	13.3
Domestic	168,107	223,802	31.0	33.1	2,622,609	2,805,478	7.0
<b>Steel Coil</b>	<b>206,181</b>	<b>180,814</b>	<b>(32.4)</b>	<b>(12.3)</b>	<b>2,353,124</b>	<b>2,485,032</b>	<b>5.6</b>
Export	0	7,528	(72.4)	N.A	0	70,258	N.A
Domestic	206,181	173,286	(27.9)	(16.0)	2,353,124	2,414,774	2.6
<b>Total Steel Volume</b>	<b>590,420</b>	<b>509,767</b>	<b>(9.4)</b>	<b>(13.7)</b>	<b>6,890,243</b>	<b>7,301,538</b>	<b>6.0</b>
Export	159,405	46,581	(43.7)	(70.8)	1,202,180	1,270,680	5.7
Domestic	431,015	463,186	(3.5)	7.5	5,688,063	6,030,858	6.0

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Nov-21	Nov-22	MoM (%)	YoY (%)	11M21	11M22	YoY (%)
<b>Steel Pipes</b>							
Production	61,822	50,283	(15.2)	(18.7)	630,501	666,523	5.7
Inventories	0	0	N.A	N.A			
<b>Steel Coat</b>							
Production	54,542	13,755	(51.6)	(74.8)	411,367	296,497	(27.9)
Inventories	0	0	N.A	N.A			
<b>Constr' Steel</b>							
Production	378,858	172,334	(24.7)	(54.5)	3,737,658	3,960,729	6.0
Inventories	312,527	375,074	(17.6)	20.0			
<b>Steel Coil</b>							
Production	237,536	165,193	(32.1)	(30.5)	2,366,847	2,216,784	(6.3)
Inventories	122,993	150,631	(9.4)	22.5			
<b>Total</b>							
Production	732,758	401,565	(28.3)	(45.2)	7,146,373	7,140,533	(0.1)
Inventories (Const, Coil)	435,520	525,705	(15.4)	20.7			

Source: Company, VSA, KIS

**Company overview & Glossary**

Hoá 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	89,506	65,614	69,105
Cash & cash equivalents	21,823	40,708	33,796	20,892	11,848
Accounts & other receivables	6,125	7,662	8,774	8,121	10,811
Inventory	26,287	42,135	43,500	33,760	42,917
Non-current assets	74,764	84,082	105,490	123,713	140,985
Fixed assets	65,562	69,281	69,914	85,628	102,341
Investment assets	6,983	10,573	30,583	32,593	32,603
Others	4,427	7,069	7,538	7,354	8,494
<b>Total assets</b>	<b>131,511</b>	<b>178,236</b>	<b>194,995</b>	<b>189,326</b>	<b>210,090</b>
Advances from customers	1,257	788	1,374	1,093	1,412
Unearned revenue	51	26	26	26	26
Trade payables	10,916	23,729	20,430	14,469	18,659
Others	5,926	5,700	5,857	5,986	6,143
ST debt & due bonds	36,799	43,748	52,748	39,748	40,748
LT debt & bonds	17,343	13,465	13,265	13,465	15,465
<b>Total liabilities</b>	<b>72,292</b>	<b>87,456</b>	<b>93,700</b>	<b>74,787</b>	<b>82,453</b>
Controlling interest	59,071	90,625	101,167	114,371	127,416
Capital stock	33,133	44,729	58,148	58,148	58,148
Capital surplus	3,212	3,212	3,212	3,212	3,212
Other reserves	934	922	932	946	963
Retained earnings	21,792	41,763	38,875	52,066	65,093
Minority interest	149	155	128	168	221
Shareholders' equity	59,220	90,780	101,295	114,539	127,637

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	11,587	27,466	10,642	24,293	17,133
Net profit	13,506	34,521	10,568	13,310	17,659
Dep'n & Amort'n	4,776	6,087	6,367	7,287	8,287
Net incr. in W/C	(6,695)	(13,142)	(6,293)	3,696	(8,813)
C/F from investing	(18,495)	(20,404)	(30,001)	(17,832)	(17,044)
Capex	(11,916)	(12,116)	(27,010)	(25,010)	(25,010)
Incr. in investment	(6,579)	(8,288)	(2,991)	7,178	7,966
C/F from financing	16,053.7	1,729.4	8,800.0	(12,800.0)	(1,472.9)
Incr. in equity	3	11	0	0	0
Incr. in debt	17,471	3,423	8,800	(12,800)	3,000
Dividends	(1,420)	(1,704)	0	0	(4,473)
C/F from others	6	(16)	0	0	0
Increase in cash	9,146	8,792	(10,559)	(6,339)	(1,385)

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	90,119	149,680	137,438	109,274	141,177
COGS	71,215	108,571	117,201	88,017	113,511
Gross profit	18,904	41,108	20,237	21,257	27,666
SG&A expenses	1,781	3,444	3,408	3,606	3,671
Operating profit	17,123	37,664	16,828	17,651	23,995
Operating profit (Adj.)	17,123	37,664	16,828	17,651	23,995
Financial income	1,005	3,071	2,818	2,186	988
Interest income	519	1,194	657	613	306
Financial expenses	2,837	3,732	7,628	4,917	4,941
Interest expenses	2,192	2,526	3,961	3,459	3,092
Other non-operating profit	65	48	83	66	42
Gains (Losses) in associates, subsidiaries and JV	2	5	5	5	5
Earnings before tax	15,357	37,057	12,105	14,989	20,089
Income taxes	1,851	2,536	1,537	1,679	2,431
Net profit	13,506	34,521	10,568	13,310	17,659
Net profit (Adj.)	13,114	33,418	12,656	14,009	17,216
Net profit of controlling interest	13,450	34,478	10,594	13,271	17,606
Exceptional items					
FX Gain/(Loss)	-	-	1,725	817	(284)
Other adjustment	-	(466)	400	-	-
EBITDA	21,899	43,751	23,195	24,938	32,282

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,958	7,471	2,177	2,409	2,961
BPS	17,873	20,296	17,420	19,698	21,950
DPS	428	381	0	0	769
Growth (%)					
Sales growth	41.6	66.1	(8.2)	(20.5)	29.2
OP growth	75.7	120.0	(55.3)	4.9	35.9
NP growth (Adj.)	75.4	154.8	(62.1)	10.7	22.9
EPS growth (Adj.)	46.2	88.8	(70.9)	10.7	22.9
EBITDA growth	77.5	99.8	(47.0)	7.5	29.4
Profitability (%)					
OP margin	19.0	25.2	12.2	16.2	17.0
NP margin (Adj.)	14.6	22.3	9.2	12.8	12.2
EBITDA margin	24.3	29.2	16.9	22.8	22.9
ROA	11.6	22.3	5.7	6.9	8.8
ROE	25.2	46.0	11.0	12.3	14.6
Dividend yield	2.3	2.0	0.0	0.0	4.1
Dividend payout ratio	10.8	5.0	0.0	0.0	25.6
Stability					
Net debt (VND bn)	32,319	16,505	32,216	32,321	44,364
Net debt/equity (%)	50.0	20.0	30.0	30.0	30.0
Valuation (x)					
PE	4.8	2.5	10.4	8.3	6.3
PB	1.1	0.9	1.1	1.0	0.9
EV/EBITDA	4.3	2.3	6.1	5.7	4.8

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