

10 May 2023

Cement

As expected

Earnings slumped in 1Q23

Based on our estimate, 1Q23 aggregated revenue of 15 listed cement producers declined by 13.0% yoy, while 1Q23 aggregated NPAT turned negative. The high-cost input pressure still affected companies' performance in 1Q23, especially the top ones. We expect to see improvement in margins in 2Q23 for most of industry players as results of the significant drop in input prices. Companies completed annual guidance at low level, especially profit's one, despite that companies already set the cautious profit guidance for 2023F.

Weak demand in 2Q23F

We expect to continue to see the weak demand in 2Q23F as construction activities are expected to be impacted by recent economic issues. As for export, we see the q-o-q improvement in the main export market – China, however, not significant. As for input materials, the recent significant drop in input price will benefit most cement producers. As for top producers, who was affected by remaining high-cost input, we expect the performance will improve in 2Q23F.

Neutral on 2023F outlook

We maintain our Neutral rating on Vietnam's cement sector due to a lack of significant growth in sales volume. Besides, the slower global economic growth and domestic issues related to bonds and property sector could further threaten the overall performance of the industry.

Neutral (Maintain)

Company	Rating	TP (VND)
HT1	HOLD	NA
BCC	HOLD	NA

Research Dept

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Table 1. Aggregated 15-company earnings

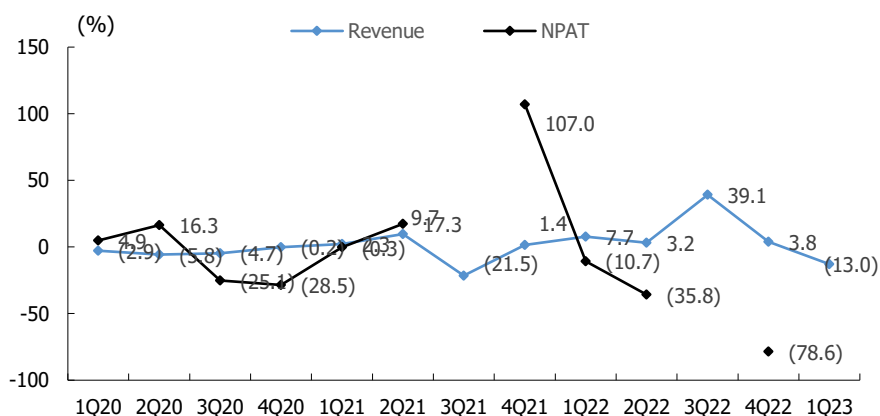
(VNDbn, %)

	1Q22	1Q23	QoQ	YoY
Revenue	5,752	5,006	(25.2)	(13.0)
NPAT	137	(121)	-	-

Source: Fiinpro, KIS

Based on our collection, 1Q23 aggregate earnings momentum of 15 listed steel companies on three bourses decelerated. NPAT fell into negative territory in 1Q23. Besides, the revenue growth pace in 1Q23 also declined by 13.0% yoy caused by weak demand from domestic and export markets. We see the negative aggregated net profit was mainly attributed by top cement producers, namely HT1, BCC, BTS. The high cost of coal inventory was supposed to be the main reason for 1Q23 bad performances.

Figure 1. Net profit fell into negative territory

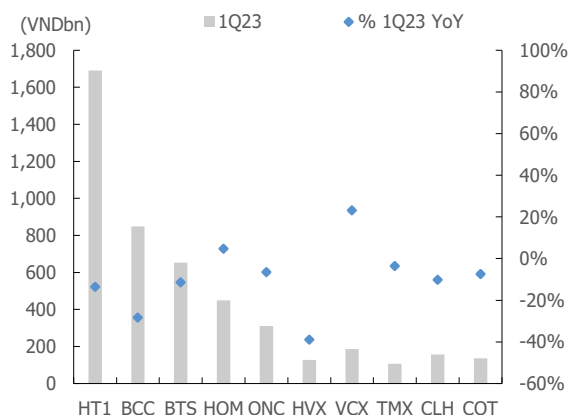


Source: VSA, Fiinpro

Topline growth was in negative territory in 1Q23

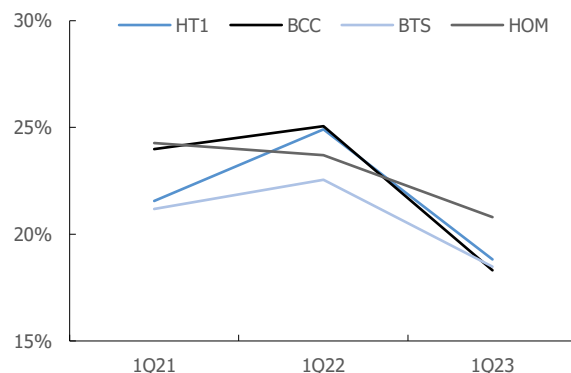
Breaking down aggregated revenue growth by a specific company, 9 out of 14 industry players got negative growth. HT1, top one revenue, was with negative revenue growth of 13.5% yoy in 1Q23. BCC's revenue growth was at -28.3% yoy while BTS's one witnessed the decline of 11.5% yoy in 1Q23. Among the industry players, VCX outperformed the best with its highest 1Q23 revenue growth of 23.1% yoy. The companies fulfilled around 15-23% of their 2023F revenue targets.

Figure 2. VCX revenue growth beats the industry



Source: Company data, Fiinpro

Figure 3. Low completion in 1Q23

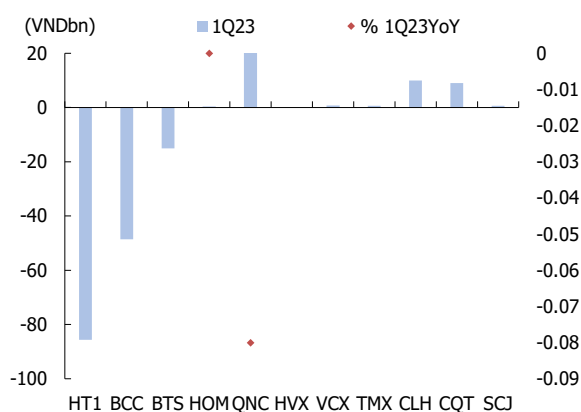


Source: Company data, Fiinpro

Net margin slumped in 1Q23

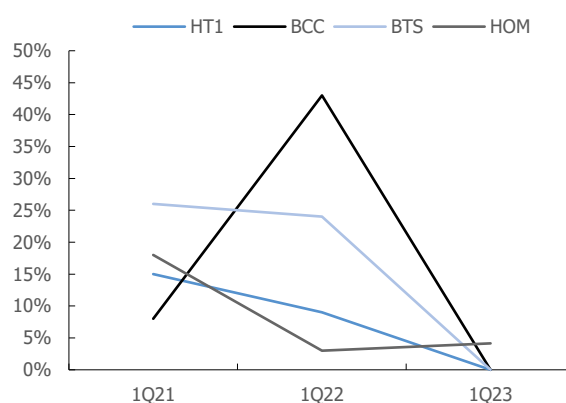
1Q23 witnessed the slump in net profit for top industry players, bringing the negative bottom-line for aggregated industry performance. Among 14 cement producers, HT1 made a biggest loss of VND85bn in 1Q23, followed by BCC with a loss of VND48.6bn and BTS with a loss of VND15.1bn. Companies fulfilled around 0-5% of their 2023F net profit guidance.

Figure 4. Biggest producers made a loss in 1Q23



Source: Company data, Fiinpro

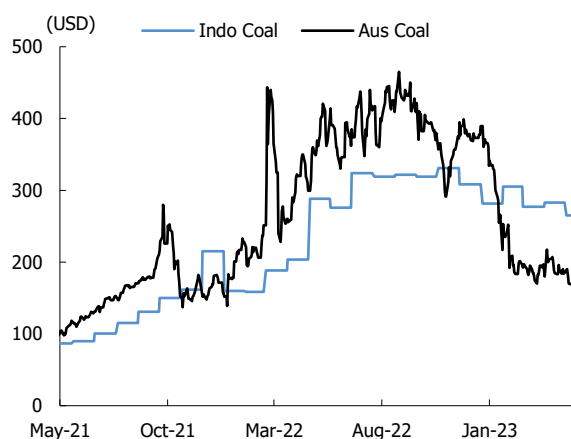
Figure 5. Low completion due to poor performance



Source: Company data, Fiinpro

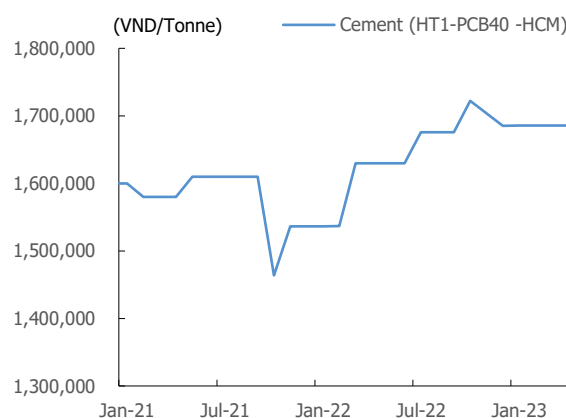
We had seen the decline in gross margin in most producers in 1Q23 due to the impact of remaining high-input-cost (thermal coal). Besides, the increase of SG&A/Revenue ratio from 6.1% to 7.0% and of financial expense from 2.3% to 2.8% are also attributed to the overall performance of the industry in 1Q23.

Figure 6. Input prices declined significantly



Source: Company data, Fiinpro

Figure 7. Cement price was flat in 1Q23



Source: Bloomberg

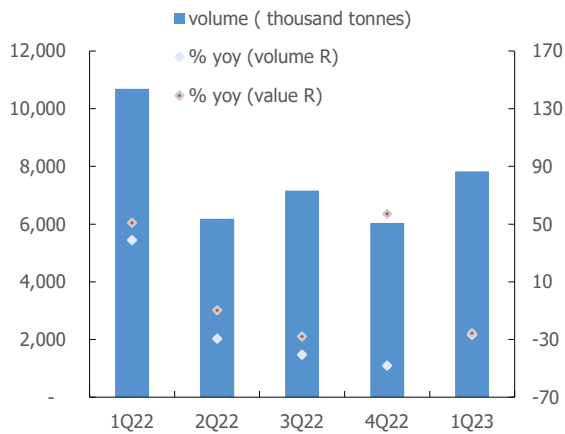
Challenges still ahead

We expect to continue to see the weak demand in 2Q23F as construction activities are expected to be impacted by recent economic issues. As for input materials, the recent significant drop in input price will benefit most cement producers. As for top producers, who was affected by remaining high-cost input, companies expect the performance will improve in 2Q23F.

As for export channel, 1Q23 witnessed the decline in both volume and value with 7.8mn tonnes (26.8% yoy) and USD336mn (25.7% yoy), which was worse

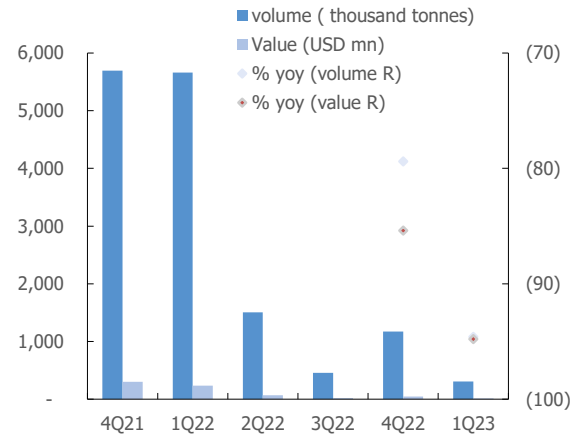
than market's expectation about China Reopening catalyst. In particular, export to China market showed a significant drop of 94.6% yoy in volume to 0.3mn tonnes and of 94.8% yoy in value to USD12mn due to vanished demand in first 2 month of 2023. In 2Q23, we expect to see the improvement on quarterly basis, however, the total export volume to this main market is still expected to be low.

Figure 8. Export volume and turnover were at low level



Source: VSA

Figure 9. China market seem to be vanished in 1Q23



Source: GSO

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