

28 Jul 2023

Hoa Phat Group (HPG)

2Q23 Margins improved thanks to lower costs

- Margins improved thanks to lower input costs
- Maintain HOLD and earnings are under review

Facts: Better bottom-line thanks to lower input costs

HPG' revenue decreased 21.2% yoy to VND29,496bn in 2Q23 while the NPAT posted VND1447.8bn (64%yoy). Thanks to the lower input costs, the gross margin improved from 6.3% in 1Q23 to 10.8% in 2Q23 amid lower ASP (construction steel ASP decreased by 4.5% compared to 1Q23).

The domestic sales volume in 2Q23 was even worse than that of 1Q23 (1.2mn tonnes vs 1.3mn tonnes), however, total sales volume in 2Q23 was still better than 1Q23 thanks to good export volume (566,000 tonnes vs 205,000 tonnes).

Besides, thanks to a more stable forex exchange, Hoa Phat did not have to book any significant forex revaluation loss in 2Q23.

Pros & cons: Off-peak season in 3Q23

Weak demand continues to be our main concern in 3Q23 due to rainy season in Vietnam. However, the El-Nino somehow may increase the number of dry days, which may slightly support sales volume in 3Q23. Lower ASP could be another concern in 3Q23. However, we still expect positive bottom-line thanks to low input costs in 3Q23.

Action: Maintain HOLD

We maintain HOLD rating on HPG stock as we see the outlook for the industry is still dark. Earnings are under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

Stock data

VNIndex (Jul 28, pt)	1,208
Stock price (Jul 28, VND)	28,300
Market cap (USD mn)	6,945
Shares outstanding (mn)	5,815
52-Week high/low (VND)	28,400/12,100
6M avg. daily turnover (USD mn)	20.27
Free float / Foreign ownership (%)	54.3/26.3
Major shareholders (%)	
Tran Dinh Long	26.1

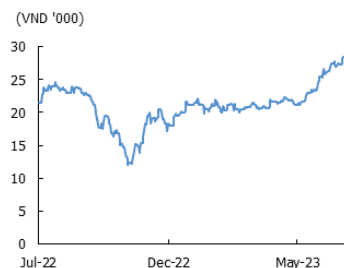
Valuation

	2020A	2021A	2022A
PE (x)	5.5	2.9	14.8
PB (x)	1.2	1.1	1.3
ROE (%)	25.2	46.0	9.0
DY (%)	2.0	1.8	1.8
EV/EBITDA (x)	4.8	2.6	7.5
EPS (VND)	3,958	7,471	1,910
BPS (VND)	17,873	20,296	16,529

Performance

	1M	6M	12M
Absolute (%)	6.4	31.6	32.2
Relative to VNIndex (%p)	0.2	22.7	30.9

Stock price



Source: Bloomberg

Research Dept

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Table 1. 2Q23 earnings

(VND bn, %, %p)

	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	Consensus
Sales	37,422.1	34,103.3	25,825.7	26,588.8	29,496.3	10.9	(21.2)	N/A
OP	5,683.2	71.3	(1,944.1)	918.9	2,323.5	152.9	(59.1)	N/A
OP margin	15.2	0.2	(7.5)	3.5	7.9	4.4	(7.3)	N/A
EBT	4,379.3	(1,300.0)	(2,078.5)	532.0	1,701.9	219.9	(61.1)	N/A
NP	4,022.6	(1,785.7)	(1,998.8)	383.2	1,447.8	277.8	(64.0)	N/A

Source: Company data, KIS

■ Company overview

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.

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Prepared by: Research Dept

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