

30 Oct 2023

## Hoa Phat Group (HPG)

### 3Q23 NPAT improved thank to widen margin

- NPAT improved thank to widen margin
- Maintain HOLD and earnings are under review

#### Facts: Flat sales but gross margin expanded

HPG' revenue decreased 16.5% yoy to VND28,484bn in 3Q23 while only edged down 3.4% on the qoq basis, NPAT posted VND2,000.4bn (+38.2% qoq) an improvement over 3Q22 loss of VND1,785.7bn. Thanks to the lower COGS (-24.8%yoy, -5.4% qoq), the gross margin was raised to 12.6% in 3Q23 (+1.8%p qoq, +9.7%p yoy) despite lower ASP.

The domestic sales volume in 3Q23 was flat compare to 2Q23 at 1.2mn tonnes. Total sales volume saw an improvement form 1,78mn tonnes in 2Q23 to 1.91mn tonnes in 3Q23 (-2.2%yoy, +7.3% qoq), thanks to better export volume of 655,940 tonnes (+103% yoy, +15% qoq).

#### Pros & cons: Increased export volume

Domestic sale continues to be our main concern in 4Q23, with the end of the raining season, the demand from the construction industry will increase. However, the El-Nino could increase the number of dry days, which may slightly support sales volume in 4Q23. The return of construction activities in China is a good sight for export improvement. We expect a dismissed gross margin due lower ASP and costlier input material starting in October.

#### 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

Up/Downside

#### Stock data

VNIndex (27 Oct, pt)	1,061
Stock price (27 Oct, VND)	23,350
Market cap (USD mn)	5,527
Shares outstanding (mn)	5,815
52-Week high/low (VND)	29,000/12,100
6M avg. daily turnover (USD mn)	25.57
Free float / Foreign ownership (%)	54.3/24.8
Major shareholders (%)	
Tran Dinh Long	26.1

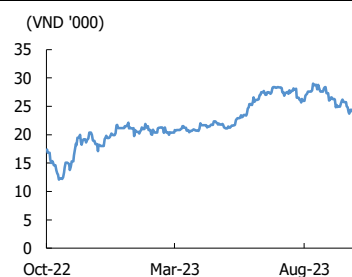
#### Valuation

	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 (%)	(11.9)	7.9	39.0
Relative to VNIndex (%p)	(3.9)	6.6	34.9

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 2Q23 earnings**

(VND bn, %, %p)

	3Q22	4Q22	1Q23	2Q23	3Q23	QoQ	YoY	Consensus
Sales	34,103.3	25,825.7	26,588.8	29,496.4	28,484.1	(3.4)	(16.5)	N/A
OP	71.3	(1,944.2)	919.0	2,323.6	2,716.0	16.9	3,708.0	N/A
OP margin	0.2	(7.5)	3.5	7.9	9.5	1.7	9.3	N/A
EBT	(1,300.0)	(2,078.5)	532.0	1,701.9	2,174.2	27.8	NM	N/A
NP	(1,785.7)	(1,998.8)	383.2	1,447.8	2,000.4	38.2	NM	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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