Shinhan Securities

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# Ha Tien 1 Cement JSC.

03/04/2021

| RATING | REDUCE |
|---|---|
| Current price (VND) | 17,400 |

Analyst: Sang Nguyen
Email: sang.nm@shinhan.com
Điện thoại: ☎ (84-28) 6299-8012

## COMPANY INFORMATION

| | |
|---|---|
| Industry | Construction & Materials L3 |
| Ticker | HT1 |
| Stock Exchange | HOSE |

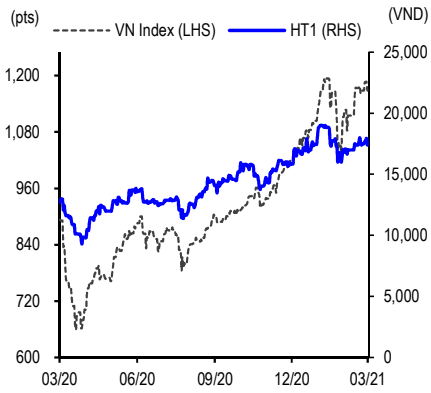
## STOCK TRADING DATA

| | |
|---|---|
| VN INDEX | 1,168.5 |
| Market Cap. (bn VND) | 6,638.8 |
| Outstanding Shares (1mn) | 381.5 |
| Free Floating Shares (1mn) | 370.0 |
| 52-week High (VND) | 19,400 |
| 52-week Low (VND) | 9,850 |
| Avg. Trading Volume (mn) | 1.20 |
| Avg. Reading T/O (bn VND) | 22.0 |

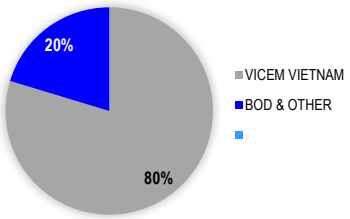
## STOCK PERFORMANCE

| (%) | 3M | 6M | 12M |
|---|---|---|---|
| Absolute | 9.8 | 14.9 | 23.4 |
| Percentage | (4.6) | (14.8) | (8.0) |

## STOCK PRICE PERFORMANCE




## SHAREHOLDER STRUCTURE




## INVESTMENT THESIS

**1. Core business**

- Producing and selling cement as well as clinker.
- 2 cement factories and 6 grinding stations located in Ho Chi Minh City and Binh Duong with a total capacity of more than 6.5 mn tons a year.

**2. Market position**

- Market share: accounting for more than 30% of market share from Khanh Hoa to Ca Mau province and 10% market share nationwide.
- Rivals: INSEE Vietnam, FICO Cement, Kien Giang Cement

**3. Investment opinion**

- Vicem Ha Tien, thanks to the current reputation and market share in the South, can take advantage of the decision to maintain public investments high with an expected increase of 1.4% YoY in 2021. The North-South highway or the Tan Son Nhat airport expansion project can help Ha Tien stay ahead of other competitors to run its cement plants and grinding stations in 2021 at full capacity.

Vicem Ha Tien is approved to exploit about 8 mn million tons of limestone a year and thereby having a decent control of the material which is the main ingredient for cement production. As a result, the company's profit margin is better than those of other players that use clinker as input. Furthermore, the government also limits limestone mining in the South at 22.5 million tons a year, making the sector entry barriers more difficult for rivals to increase their cement capacity.

**4. Risks**

- In 2020, the positive performance of Vichem Ha Tien in the COVID-19 epidemic situation originated from a sharp decrease in coal import prices from Australia and Indonesia. However, according to the Australian General Statistics Office, the price of imported coal FOB to Vietnam in November soared from $58.75/ton to $75.22/ton and was estimated to keep increasing in 2021 as the world demand would recover due to vaccines. Although it is possible to benefit from public investment, the profit margins from cement production businesses will face great pressure in the coming years.
- Currently, according to the Vietnam Cement Association, the domestic oversupply continues when total cement consumption only reaches 68% of the total production of the whole industry in 2019 and the rest is for export. Meanwhile, 96.4% of Vichem Ha Tien's cement is consumed domestically, making the outlook of cement businesses relatively dimmed. Furthermore, most of Ha Tien 1's grinding and plants have reached nearly 100% capacity, except for Hiep Phuoc grinding station. In 2022, Ha Tien 1 ended the lease of Hiep Phuoc grinding plant with Vichem Ha Long and thus reduced the grinding capacity of HT1 to about 1 mn tons.
- Vichem Ha Tien is currently having no plan to increase the capacity significantly, but the company is focusing on payback its long-term debt instead. Meanwhile, the An Phu plant and the FICO Tay Ninh 2 factory with a capacity of 2 mn tons and 1.26 mn tons a year respectively can directly compete with HT1 in the Southern market.

## FINANCIAL INFORMATION

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Sales (bn VND)** | **8,237** | **8,209** | **8,378** | **8,839** | **7,963** |
| OP (bn VND) | 1,273 | 1,028 | 1,075 | 1,186 | 1,005 |
| Pre-tax (bn VND) | 1,019 | 600 | 812 | 928 | 768 |
| **NP(1bn VND)** | **809** | **488** | **634** | **740** | **615** |
| EPS(VND) | 2,121 | 1,278 | 1,431 | 1,940 | 1,613 |
| BPS(VND) | 13,615 | 13,579 | 13,527 | 14,038 | 14,131 |
| PER(x) | 9.7 | 12.2 | 9.5 | 7.7 | 10.8 |
| EV/EBITDA(x) | 6.4 | 5.8 | 4.6 | 4.3 | 4.8 |
| PBR(x) | 1.5 | 1.1 | 1.0 | 1.1 | 1.2 |
| ROE(%) | 16.7 | 9.4 | 10.6 | 14.1 | 11.5 |

*(*) Database information provided by Bloomberg*

[FLASHNOTE]

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