Shinhan Securities



Hoa Phat Group JSC

[Vietnam / Steel]

Bloomberg Code (HPG VN) | Reuters Code (HPG.HM)

BUY

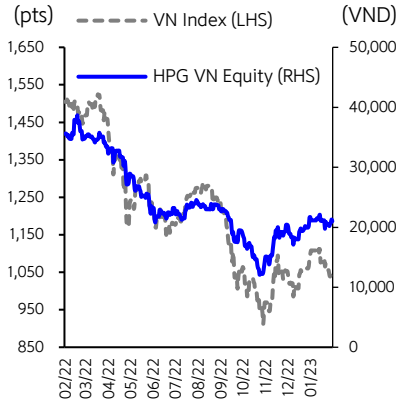
Initiation Coverage

Target price (12 months)	**26,100 VND**
Current price (23/02/23)	21,500 VND
Upside/downside (%)	24%

VNINDEX			1,053
HNXINDEX			209
Market Cap (bn VND)			122,110
Outstanding shares (mn)			5,815
Free-Floating (mn)			3,156
52-Wk High/Low (VND)			40,385/11,800
90-day avg. trading volume (mn)			34.04
90-day avg. turnover (bn VND)			614
Major shareholders (%)	Tran Dinh Long		26.08%
	Dragon Capital		7.65%

Performance	3T	6T	12T
Absolute (%)	47.4	-13.6	-41.3
Relative to VN-Index (%)	38.1	3.4	-11.5

Source: Bloomberg



Only The Hottest Fire Can Refine Steel

Initiate coverage with BUY call and target price of VND 26,100

Hoa Phat Group Joint Stock Company (HPG) is one of the leading steel enterprises in Vietnam. Hoa Phat holds the largest market share in construction steel and steel pipes with 35% for construction steel and 29% for steel pipes. In the context of the steel industry downturn, we assess that Hoa Phat will still maintain its leading position and begin to have markedly improved results in 2024. We offer an initial valuation of HPG at the price of 26.100 VND corresponding to a profitability of 24%. We use P/E and DCF valuation methods with weights of 50% and 50% respectively.

Public investment will bring light to the steel industry during the real estate downturn in 2023

With the negative outlook for real estate, the steel industry is expected to be negatively affected in 2023 due to falling demand. However, we assess the impact will not be large thanks to the strong public investment prospect. We assess Hoa Phat's revenue to only decrease slightly with a decrease of about 9% compared to 2022.

Net profit is expected to increase thanks to steel price recovery and coke price drop

China's reopening and efforts to revive the real estate industry will strengthen the demand for the steel industry, thereby significantly improving steel prices. World steel prices have increased by 26% after China's reopening plan was announced in November 2022. India's increase in coke coal production and the lifting of the ban on coke coal imports from Australia of China will make coke coal prices lower and more stable in 2023. The gross profit margin of HPG will improve leading to an increase in net profit in 2023

The leading position in the steel industry with the prospect of the Dung Quat 2 project

Although the negative situation in the steel industry, Hoa Phat's market share not only maintained but also improved in 2022. Construction steel market share increased from 33% to 35% with output increasing from 3.9 million tons to 4.3 million tons. The market share of the steel pipe segment also improved from 25% to 29% with output increasing from 675 thousand tons to 749 thousand tons. Dung Quat 2 project is expected to ensure Hoa Phat's position in the future, contributing to increasing capacity by 66% compared to the present.

Risks: (1) Risk of fluctuations in steel and coke prices; (2) Risk of unstable domestic real estate market; (3) Risk of the world economic situation downturn.

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**142,771**	**130,282**	**147,285**	**172,502**	**184,957**
OP (bn VND)	9,794	11,096	22,273	30,550	32,745
NP (bn VND)	**8,444**	**9,671**	**19,397**	**26,601**	**28,513**
EPS (VND)	1,636	1,671	3,351	4,596	4,926
BPS (VND)	18,539	17,813	20,778	24,988	29,527
OPM (%)	7%	9%	15%	18%	18%
NPM (%)	6%	7%	13%	15%	15%
ROE (%)	**9%**	**9%**	**16%**	**18%**	**17%**
PER (x)	11.00	12.33	6.15	4.48	4.18
PBR (x)	1.09	1.16	0.99	0.82	0.70
EV/EBITDA (x)	7.79	8.96	7.67	4.79	3.66

Source: Company data, Shinhan Securities Vietnam

[Analyst]

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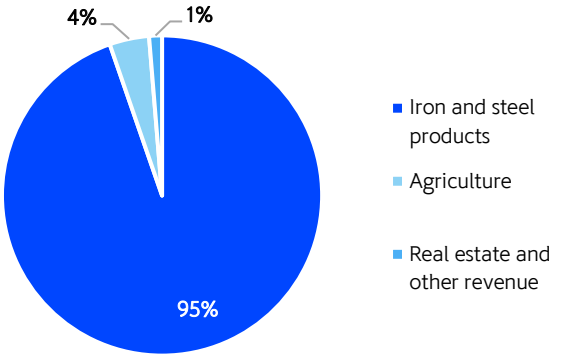
Company background

Company history

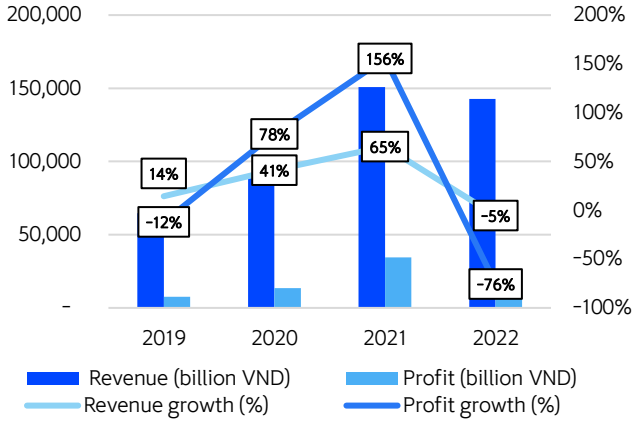
Hoa Phat was established in August 1992, beginning as a construction machine trading company, then expanded to other fields such as furniture, steel pipes, construction steel, refrigeration, real estate, and agriculture. On November 15, 2007, Hoa Phat officially listed shares on the Vietnam stock market with the stock ticker HPG.

Currently, the Hoa Phat operates in 05 fields: Iron and steel (construction steel, hot rolled coil), steel products (including steel pipes, galvanized steel, drawn steel, and prestressed steel), agriculture, real estate, and household appliances.

Revenue breakdown of Hoa Phat in 2022



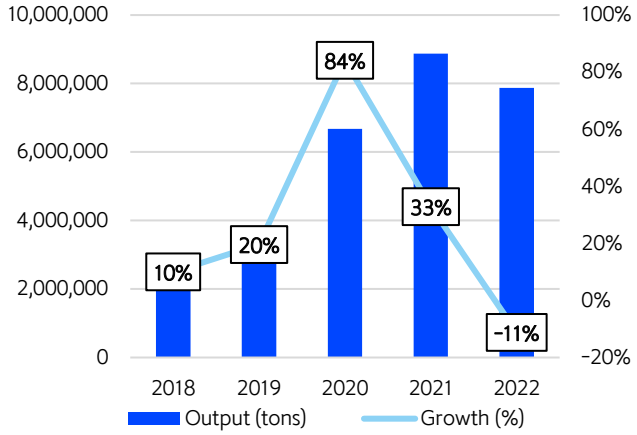
Revenue and profit of Hoa Phat 2018 - 2022



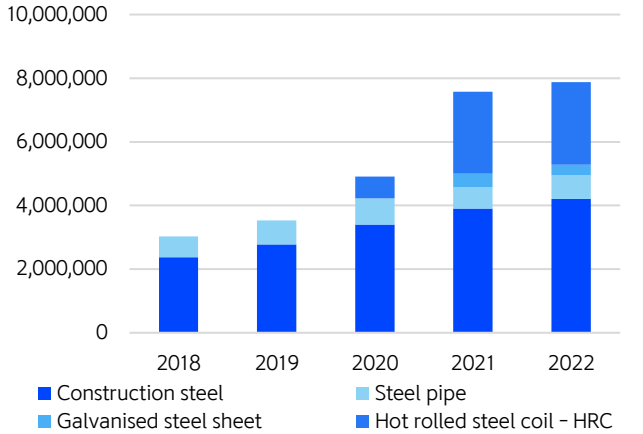
Source: Company Report, Shinhan Securities Vietnam

Hoa Phat's core business is iron and steel products, contributing over 90% of the group's revenue and profit. The average growth rate of revenue and profit from 2019 to 2022 is 29% and 37% respectively.

Hoa Phat sales volume 2018 – 2022 (tons)



Consumption volume by product structure (tons)



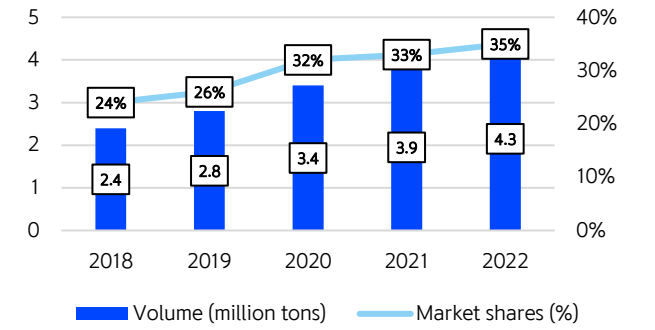
Source: Company Report, Shinhan Securities Vietnam

The sales volume of Hoa Phat steel also has significant growth, within only 5 years Hoa Phat's steel output has grown more than 2 times from 3 million tons in 2018 to more than 7 million tons in 2022.

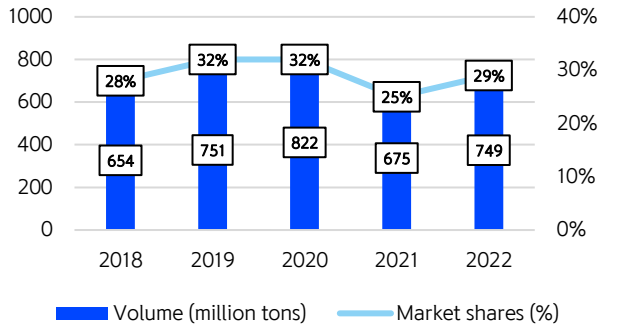
Hoa Phat's production capacity also has a remarkable growth, from a capacity of 2 million tons in 2016, within 5 years, Hoa Phat has increased more than 4 times to 8.5 million tons in 2021.

Hoa Phat's main steel products include construction steel, hot-rolled coil - HRC, billet, steel pipe, and galvanized sheet, of which construction steel currently contributes 59% of the total steel output.

Sales volume and market share of construction steel 2018 - 2022



Sales volume and market share of steel pipe 2018 - 2022



Source: Company Report, Shinhan Securities Vietnam

Hoa Phat holds the largest market share in both construction steel and steel pipes, and at the same time ranks 5th in the galvanized steel sheet segment.

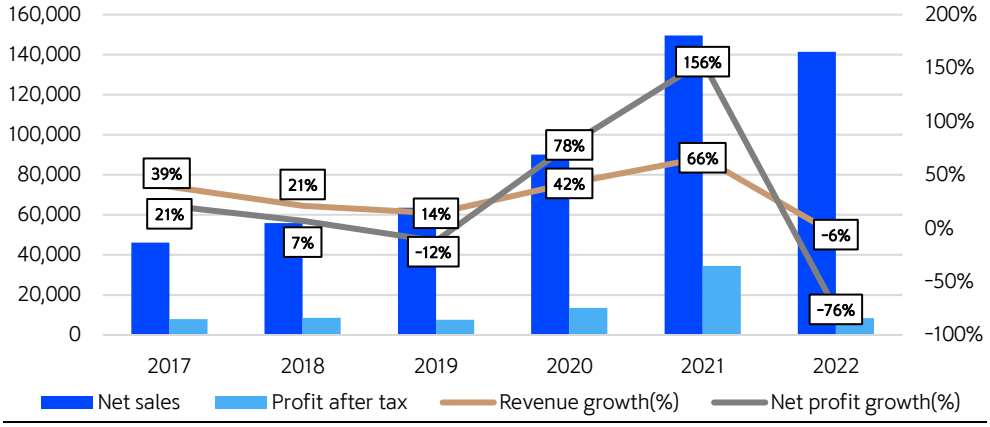
The market share and consumption volume of the construction steel segment have continuously expanded over the years. From 2018 to 2022, Hoa Phat's construction steel output has increased from 2.4 million tons to 4.3 million tons, and its market share has also expanded from 24% to 35%.

The steel pipe segment also remains stable with an average annual output of over 700 thousand tons with a market share of about 30%.

Update business results in 2022

Hoa Phat business results were greatly affected by the downward cycle of the steel industry in 2022

Hoa Phat revenue and profit 2017 – 2022 (billion VND)



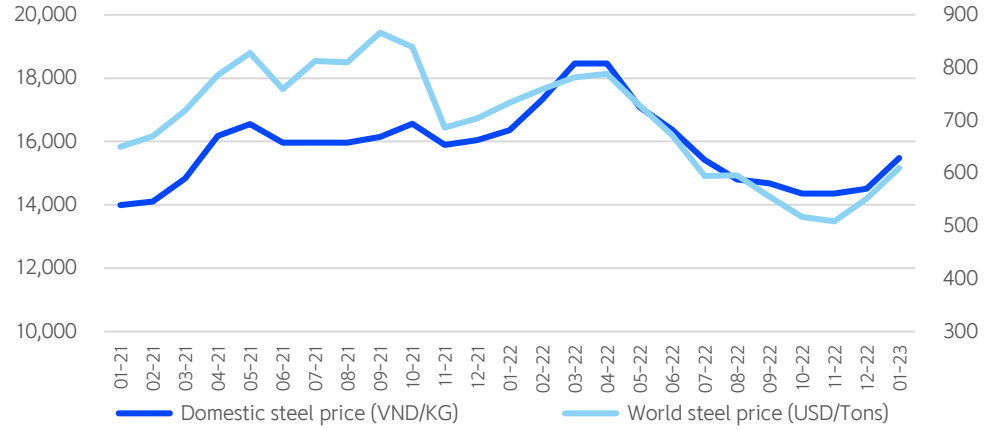
Source: Company Report, Shinhan Securities Vietnam

Hoa Phat achieved VND 141.409 billion in net revenue in 2022 (-6% YoY), and profit reached VND 8,444 billion (-76% YoY). In 2022, Hoa Phat's output reached 7.2 million tons of steel (-18% YoY), of which 4.2 million tons of construction steel and 2.6 million tons of hot rolled coil (HRC). The output of steel pipe and galvanized steel sheet reached 749 and 328 thousand tons, respectively.

These results were explained by unfavorable factors occurring in the steel industry such as the weakening of the domestic real estate market and the negative influence of the world economic situation. These factors lead to a decline in domestic and world steel prices. Besides, coal price movements highly fluctuated during the year due to factors such as war and high energy demand, which eroded the profits of companies in the steel industry.

Steel prices declined both in the country and in the world negatively affecting the steel industry

Domestic and world steel prices (USD/Ton)



Source: Bloomberg and Fiinpro

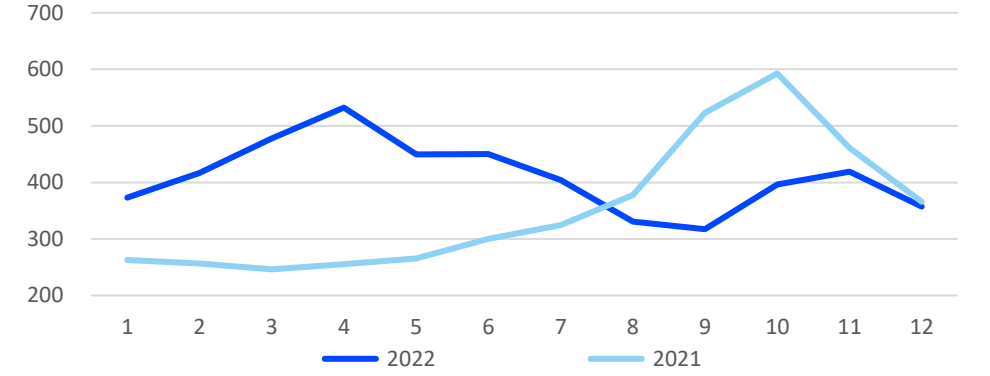
In the context of the weakening world economic situation after the prolonged Covid-19 epidemic, followed by the Russia-Ukraine war and China's strong measures in managing the real estate market. World steel prices dropped sharply from USD 800/ton to as low as USD 470 at the end of October/2022, negatively affecting world steel prices.

Along with the world trend, Vietnam's steel price also experienced 19 downward corrections after peaking at VND 18,400/kg. Unresolved difficulties in capital flow and problems related to corporate bonds have seriously affected the real estate market, therefore, reducing the domestic steel demand. The selling price of construction steel, one of Hoa Phat's key products with a proportion of domestic revenue of more than 70%, has been heavily affected. Steel consumption of the whole Vietnamese market in general and Hoa Phat in particular only reached the highest level in the first quarter and decreased in the following three quarters in 2022.

In general, the average domestic and world selling price decreased by 15% compared to 2021, which hurt Hoa Phat's profit margin in 2022.

The increase in the world coke coal price affected the production cost of the steel industry

Coke coal price by month in 2022 - 2021



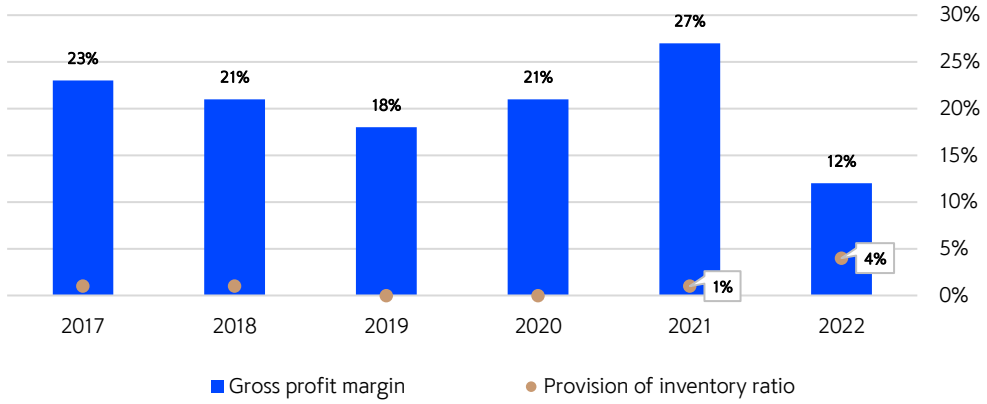
Source: Bloomberg

The China-Australia conflict and the Russia-Ukraine war have caused the price of coke in 2022 to increase and fluctuate significantly. The sanctions by Russia, the world's third largest coal exporter, by countries such as the EU have disrupted the world's coal supply. In addition, the conflict between China and Australia has forced China to find alternative coal sources thereby contributing to the increase in world coke coal prices.

Compared to 2021, the average coke coal price increased by about 16%. In 2021, coke's coal price remained below USD 300/ton in the first 6 months and above USD 400/ton in 3 months from September to 11. While in 2022, coke's coal price had increased from the beginning of the year and exceeded USD 400/ton from February to July. This forced businesses to import coke coal at high prices instead of using coal reserves and waiting until the price of coke coal dropped.

Profit margin drops sharply in 2022

Hoa Phat's profit margin and inventory provision ratio 2017 - 2022 (VND billion)

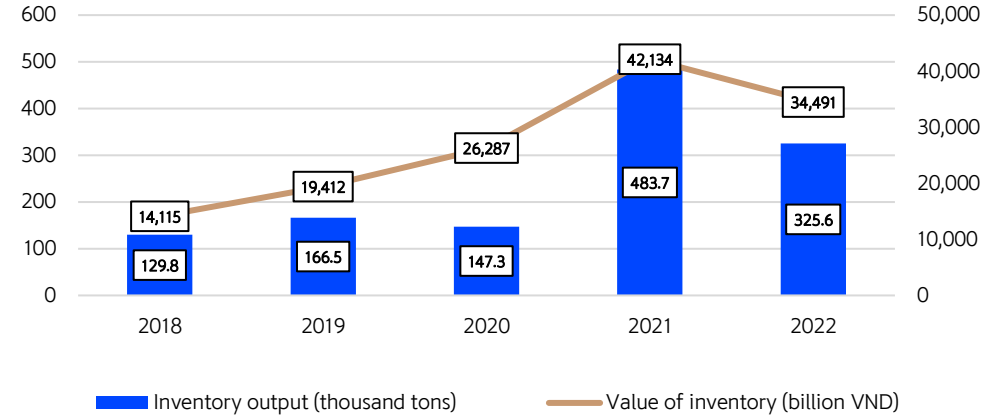


Source: Company Report, Shinhan Securities Vietnam

The gross profit margin in 2022 was hit hard by falling steel prices and rising coke coal prices. Hoa Phat had to increase the inventory provision ratio to 4% due to old inventories at a high cost, which contributed to the increase in COGS and further reduced profit margin. Besides, the closing of 4 blast furnaces made the depreciation expense per product increase, thereby increasing production costs and further eroding the gross profit margin.

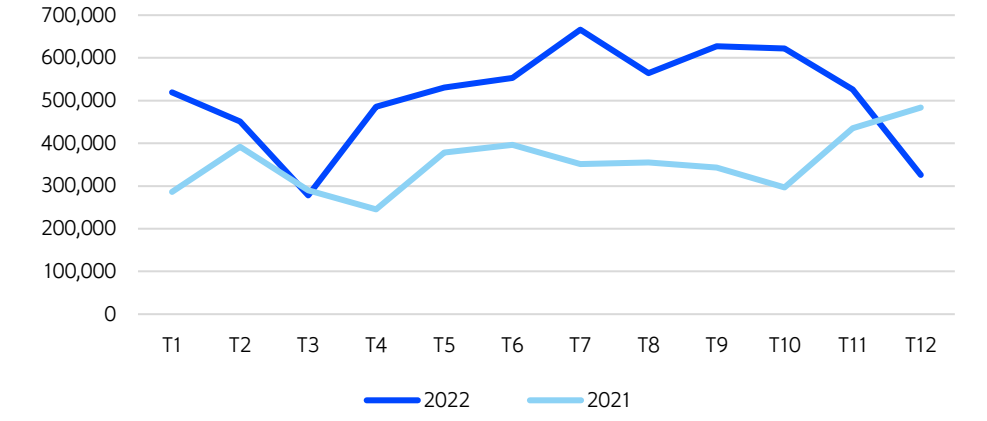
Inventory value and inventory volume decreased significantly

Inventory output and value of Hoa Phat 2018 - 2022



Source: Company Report, Shinhan Securities Vietnam

Inventory output by month in 2021 vs 2022 (tons)

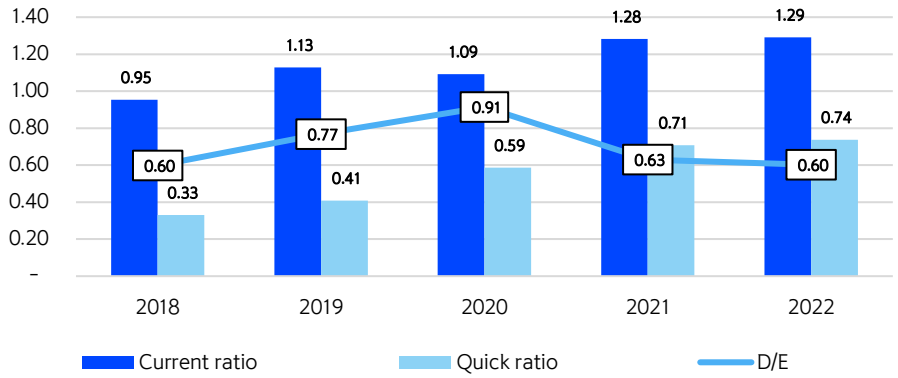


Source: Company Report, Shinhan Securities Vietnam

In the context of falling steel prices, HPG's inventory decreased continuously from the peak in October, which reduced the inventory cost of HPG and at the same time prevented the risk of recording future inventory provisions.

Liquidity ratios remained stable and leverage decreased

Hoa Phat's liquidity ratio and leverage ratio 2018 - 2022



Source: Company Report, Shinhan Securities Vietnam

Hoa Phat still maintained its liquidity ratios at a high level with the current ratio and quick ratio increasing slightly. Besides, the leverage ratio has decreased slightly from 0.63 to 0.6. This proves that the company is still safe despite the industry downturn.

Investment Catalysts & Theses

Profit margin is expected to improve thanks to rising steel prices and falling coal prices

Steel price recovers on the prospect of China reopening and the real estate recovery in China

China is the world's leading steel consumer with total consumption accounting for more than 50% of global consumption. The reopening of China's border on January 8, 2023, is estimated to help the country's economy recover, thereby increasing steel consumption demand. Since the information on China's reopening plan was announced, the world steel price has had an impressive recovery from USD 474 in November 2022 to USD 600 in January 2023, corresponding to an increase of 26%.

Besides, government measures to revive the real estate market will continue to be the driving force for steel price growth in 2023. China's real estate industry currently accounts for 40% of the steel consumption of the whole country. The Chinese government has announced a series of measures to "untie" the sector, including easing regulations to make it easier for property developers to raise capital and launching a refinancing support program with a total value of up to 24 billion USD for real estate companies.

The coke coal price is expected to decrease and remain stable in 2023

According to a report by Fitch Solutions, although steel production in India (the second largest importer) grew, imports of coking coal from Australia decreased as India boosted domestic coking coal production. Besides, Japan (Australia's largest importer of coking coal), steel production is expected to decline in 2023 due to the weakening economic situation. This contributes to an increase in supply and a decrease in demand for coke coal, therefore decreasing the coke coal price.

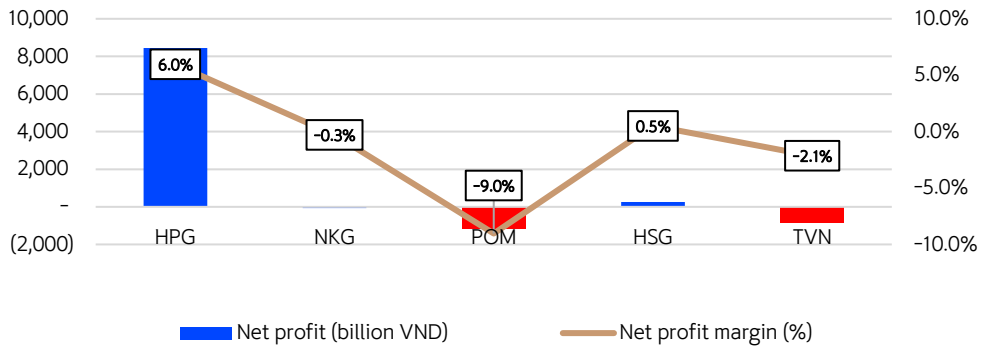
China's lifting of the ban on coal imports from Australia will reduce coal-dependent demand from Mongolia, which helps stabilize coal prices in 2023.

Coke coal price in the first months of 2023 has fallen below USD 400/ton. Coke price is predicted to trade around USD 350/ton in 2023, corresponding to a decrease of about 14% compared to 2022.

Maintain industry-leading position despite difficulties

Hoa Phat is one of the companies in the industry that recorded positive profits

Net profit and net profit margin of steel companies in 2022

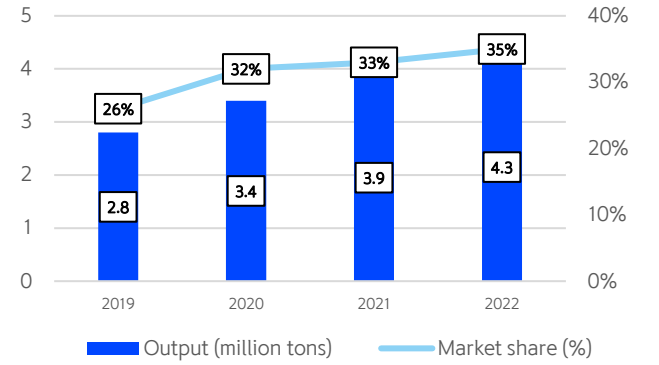


Source: Company Report, Shinhan Securities Vietnam

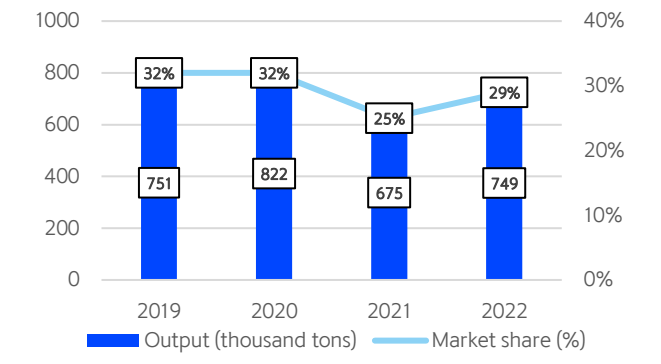
Despite being affected by the downturn in the steel industry, Hoa Phat still maintained a positive profit in 2022 while most other companies in the industry recorded a loss in 2022. Hoa Phat's net profit margin, which was 6%, was the highest when compared to other companies, with 6% in 2022.

Acquired more market share in construction steel and steel pipes

Hoa Phat construction steel output and market share 2019 - 2022



Hoa Phat steel pipe output and market share 2019 - 2022



Nguồn: Báo cáo công ty, Chứng khoán Shinhan Việt Nam

In 2022, Hoa Phat's construction steel production increased from 3.9 million tons to 4.3 million tons, and the construction steel market share also improved from 33% to 35%. Hoa Phat's steel pipe output also increased from 675 thousand tons to 749 thousand tons, market share also increased from 25% to 29%. This evidence affirmed the company's position despite the difficult market situation.

Long-term investment prospect with Dung Quat 2 project

Currently, Hoa Phat's production capacity is about 8.5 million tons. Dung Quat 2 project with a total investment of about VND 85 trillion, is expected to come into operation by the end of 2024, will help Hoa Phat reach the top 30 largest steel producers in the world with a capacity of 14.6 million tons, an increase of 66% compared to today.

Public investment is a bright light when the real estate market turns negative in 2023

The domestic real estate industry still faces difficulties

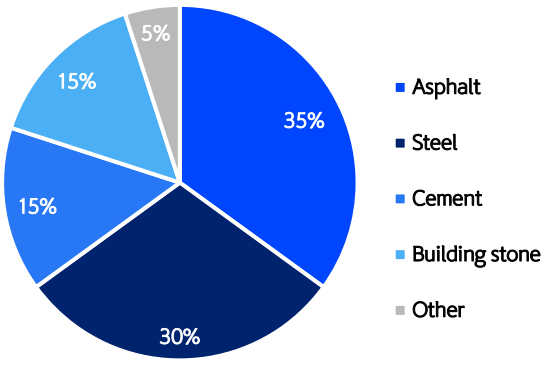
According to the Ministry of Construction, the number of newly licensed apartments for construction in the first three quarters of 2022 decreased by 41% YoY. With problems in real estate in 2022, the real estate industry is expected to face difficulties in 2023. The combined effects of the state continuing to maintain the strict management of the issuance of corporate bonds and real estate credits, while keeping interest rates at a high level to curb inflation, which will negatively affect the domestic real estate industry. The real estate sector is expected to improve in the middle of the year when the real estate market problems are resolved and interest rates cool down.

However, in the conference "Dismantling and promoting the development of the real estate market" with the Prime Minister, the Prime Minister said that there was a difference in supply and demand, where there is a surplus of real estate in the high-end segment and a lack of the middle and low-income segment. Thereby, the State Bank and 4 state-owned banks have agreed on a credit package of VND 120,000 billion, with a lower interest rate of 1.5-2% for social housing. This will help to improve the real estate market thereby boosting domestic steel consumption.

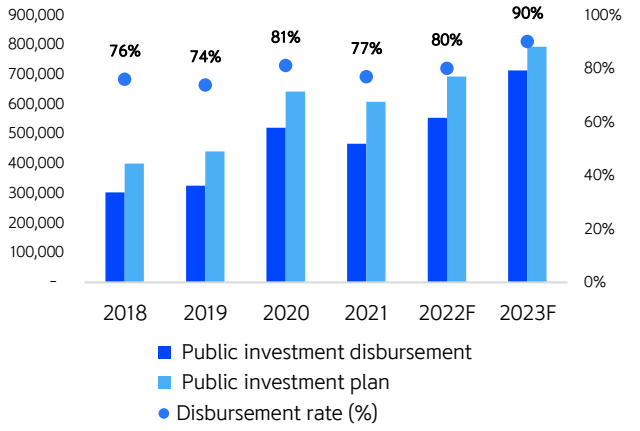
Public investment is expected to bring light to the steel industry

The National Assembly approved the 2023 public investment plan with a total capital of over VND 700,000 billion, an increase of about 25% (about VND 140,000 billion) compared to the 2022 plan. Moreover, the economic recovery package in 2022 – 2023, estimated at nearly VND 350,000 billion, will be the driving force for public investment to increase sharply in 2023. With the steel cost in the cost structure of the construction of road and bridge infrastructure being about 30%, public investment is expected to be the driving force for the steel industry in 2023.

Structure of materials for road and bridge construction (%)



Public investment disbursement 2018 – 2022 (billion VND)



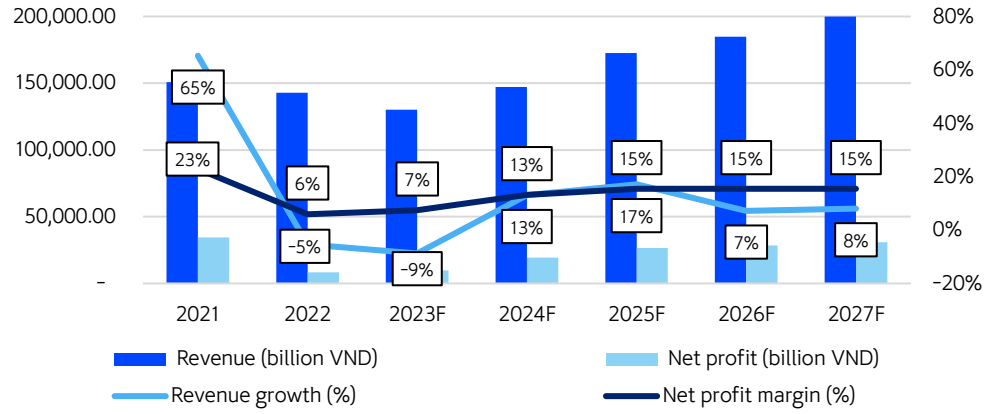
Source: Company Report, Shinhan Securities Vietnam

Earnings estimates

The business situation is expected to recover after 2023

Revenue and profit are expected to decrease in 2023

Hoa Phat revenue and profit forecast in 2021 – 2027F

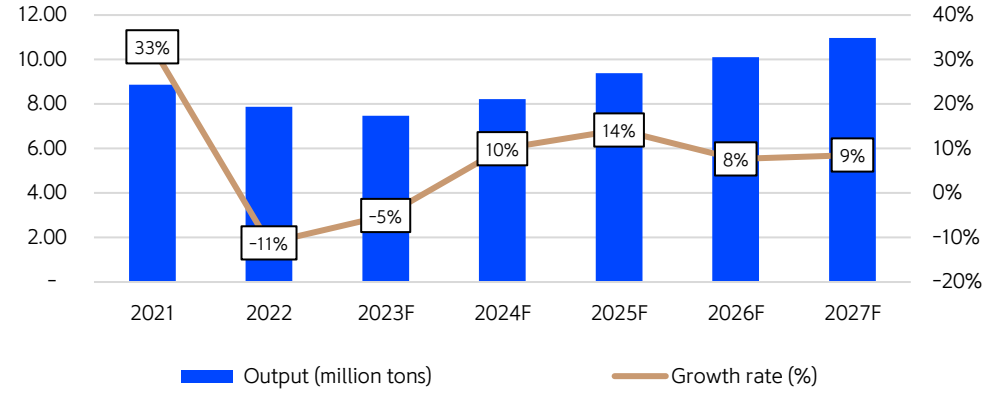


Source: Company Report, Shinhan Securities Vietnam

With uncertainties related to the steel industry in 2023, Hoa Phat's revenue is expected to decrease and recover in 2024 when real estate-related problems are resolved and the economic situation recovers. The real estate industry recovery will increase steel consumption. Profit margin in 2023 is expected to increase slightly again when Hoa Phat has sold all of its steel inventories at high prices combined with the prospect of an increase in future steel prices.

The output will increase in 2024

Total steel output forecast in 2021 – 2027F



Source: Company Report, Shinhan Securities Vietnam

Hoa Phat's output is expected to decrease compared to 2022 with a decrease of 5% in 2023. The output will recover in 2024 when consumption demand from the real estate industry increases again.

Valuation and Recommendation

Recommend with BUY at a target price of VND 26,100

We offer an initial valuation of Hoa Phat Group JSC (HPG) with a buy recommendation and a target price of VND 26,100 for an increase of 24%. For long-term investment vision, HPG can be considered with the following advantages:

1) Profit margin improved thanks to recovering steel price and falling coal price
2) Maintain the leading position in the steel industry
3) Prospects of Dung Quat 2 project to support long-term growth

Valuation method

We apply a combination of P/E and discounted cash flow (FCFF) valuation methods with the weights of 50% and 50% respectively to value Hoa Phat Group (HPG).

Method	Weight	Price
FCFF	50%	25,300
P/E	50%	26,800
Target price		**26,100**
Current price		21,500
Upside (%)		24%

Discounted Cash Flow (DCF) method – FCFF

Unit: Billion VND	2023F	2024F	2025F	2026F	2027F
EBIT*(1-Tax rate)	12,230	22,138	29,554	31,701	34,278
Depreciation	9,087	11,606	14,501	16,612	17,603
Minus: Changes in WC	10,302	-4,854	-5,929	-3,301	-4,066
Minus: CAPEX	-32,042	-32,060	-41,620	-12,168	-13,152
Cashflow (FCFF)	-424	-3,170	-3,495	32,844	34,663
Terminal growth rate (%)	0%	-	-	-	-
WACC (%)	14%	-	-	-	-
Terminal value	-	-	-	-	453,576
DCF	(369)	(2,396)	(2,297)	18,764	162,122
Firm value	205,088				
- Debt	67,537				
+ Cash and cash equivalent	9,710				
Equity value	147,262				
Target price (VND)	25,300				

Variable	Giá trị
D/E	48%
Beta	1.28
Risk-free rate	5%
Cost of equity	20%
Cost of debt	6%
WACC	15.02%

For WACC, we use the 10-year Vietnamese government bond yield at 5% as the risk-free rate. Beta is calculated based on the latest 5-year historical data of HPG and VNINDEX. Based on those assumptions, HPG's FCFF target price is valued at VND 25,300.

P/E method

Based on the P/E method, we collect data from domestic steel companies. Along with that, with the average 5-year historical P/E of HPG at 8.00, we estimate HPG's target P/E at 8.00. Combined with a 2022 forward EPS of VND 3,351, the target price of HPG is valued at VND 26,800.

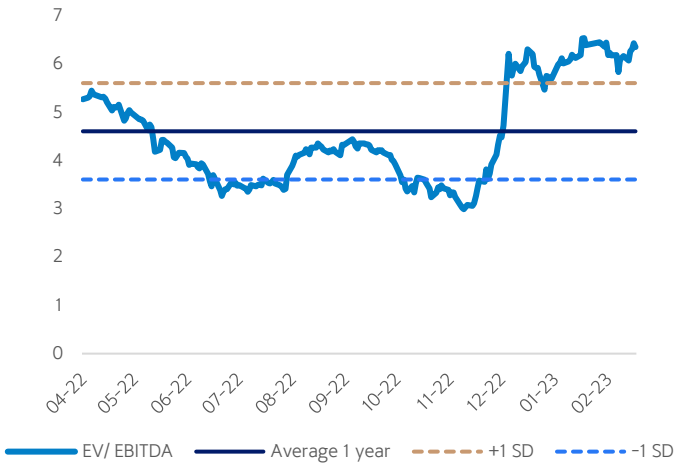
	2018	2019	2020	2021	2022
P/E	6.65	7.77	9.2	5.38	11
Average P/E			8.00		

Ticker	Company name	Mkt cap (bn VND)	P/E	Gross profit margin	ROE (%)	ROA (%)
HPG	HOA PHAT GROUP JSC	111,062	7.21	11.85	17.00	9.99
HSG	HOA SEN GROUP	7,416	28.27	9.93	2.32	1.15
NKG	NAM KIM STEEL JSC	3,330	4.48	6.68	13.48	4.69
Average			13.32			
Median			7.21			
P/E target			8.00			
HPG EPS Forward			3,351			
Target price (VND)			26,800			

P/E 1 year



EV/EBITDA 1 year

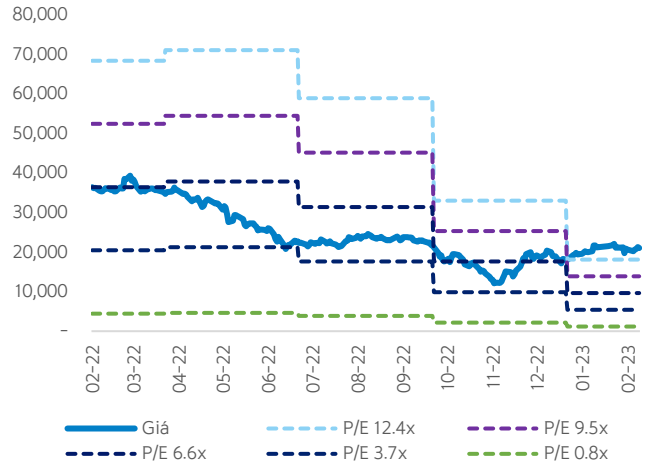


Source: Bloomberg data, Shinhan Securities Vietnam

P/B 1 year

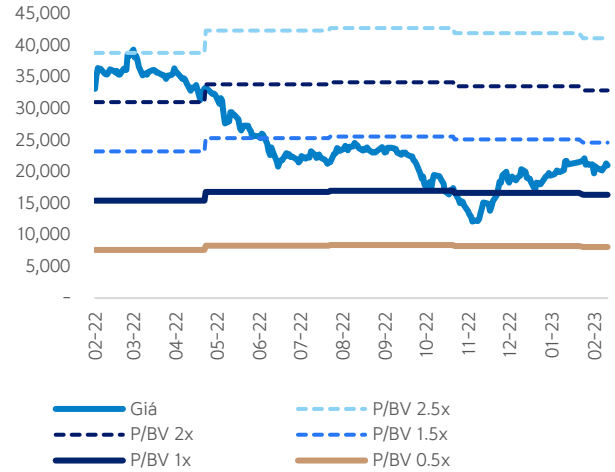


P/E band



Source: Bloomberg data, Shinhan Securities Vietnam

P/B band

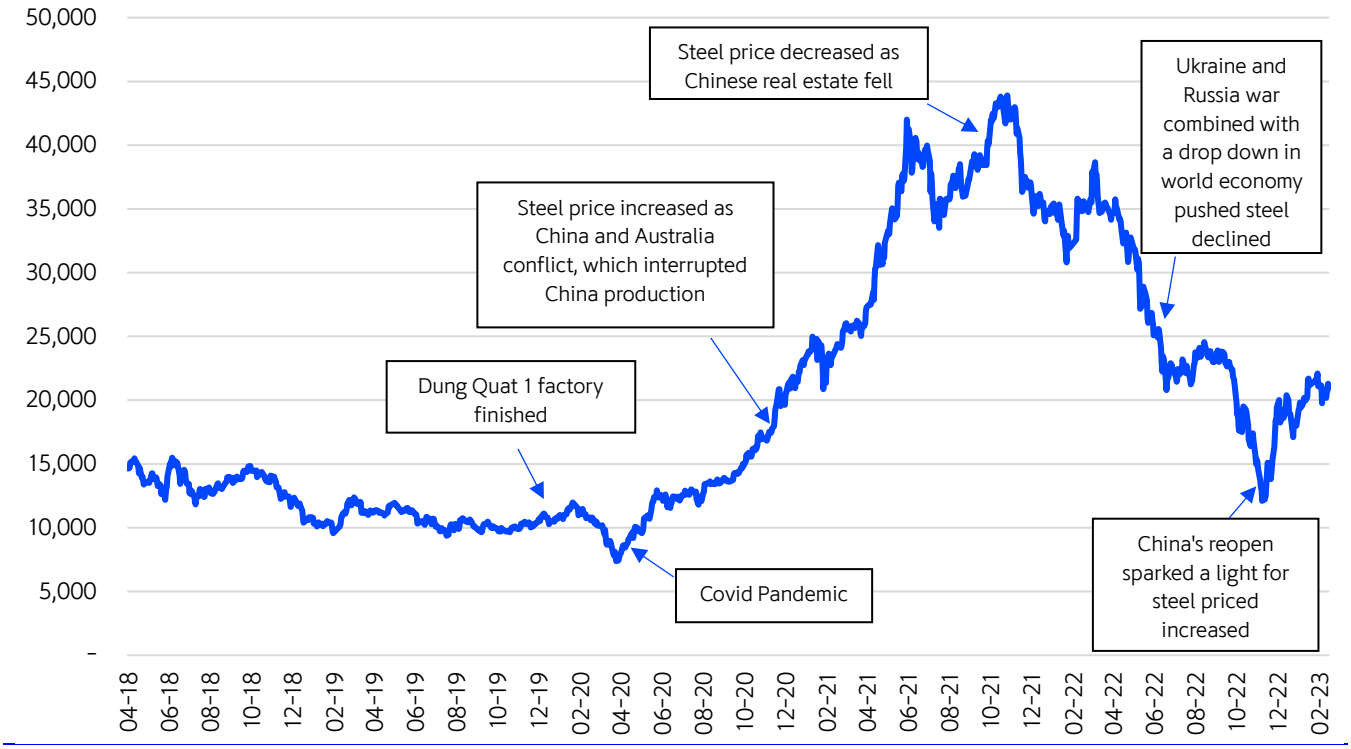


ROE and MA 1 year



Source: Bloomberg data, Shinhan Securities Vietnam

Key event chart of HPG



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Risk of fluctuations in steel and coke coal prices

Steel price fluctuations have a great impact on Hoa Phat's selling price. With the ratio of export revenue accounting for 20% - 30% of Hoa Phat's revenue, steel selling prices are influenced by changes in domestic and world steel prices. Coke coal price directly affects Hoa Phat's input costs, thereby directly affecting Hoa Phat's profit margin.

Risk of unstable domestic real estate market

The real estate market directly affects Hoa Phat's steel consumption. Steel consumption in the real estate sector accounts for more than 30% of domestic steel consumption. Unstable developments in the real estate situation will negatively affect the steel industry.

Risks of the world economic situation downturn

The world economic situation directly affects the steel consumption demand of countries around the world. World economic decline will directly affect investment and construction of countries, thereby negatively affecting steel consumption and world steel price. With the export proportion accounting for nearly 30% of Hoa Phat's revenue structure, the economic downturn will directly affect Hoa Phat's business results.

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Total assets	**170,336**	**187,153**	**209,890**	**242,235**	**275,989**
Current assets	80,515	74,444	76,550	81,707	119,766
Cash & equivalents	8,325	7,321	3,757	613	33,944
Short-term financial asset	26,268	26,268	26,268	26,268	26,268
Accounts receivable	11,431	8,829	10,321	12,422	14,089
Inventories	34,491	32,025	36,204	42,403	45,464
Non-current assets	89,821	112,710	133,340	160,529	156,223
Net fixed assets	70,833	93,788	114,242	141,362	136,918
Investment assets	88	88	88	88	88
Other long-term assets	18,900	18,834	19,010	19,079	19,218
Total liabilities	**74,223**	**83,572**	**89,069**	**96,937**	**104,293**
Current liabilities	62,385	70,358	74,270	80,267	85,583
Accounts payable	11,107	16,320	17,115	19,463	20,866
Short-term borrowings	46,749	49,487	52,583	56,209	60,097
Others	4,530	4,551	4,572	4,596	4,620
Non-current liabilities	11,837	13,214	14,799	16,670	18,711
Long-term borrowings	11,152	12,436	13,887	15,587	17,410
Other financial liabilities	686	779	912	1,082	1,300
Total shareholders' equity	**96,113**	**103,581**	**120,821**	**145,298**	**171,696**
Capital stock	58,148	58,148	58,148	58,148	58,148
Capital surplus	3,212	3,212	3,212	3,212	3,212
Other capital	33,834	41,302	58,542	83,019	109,417
Retained earnings	814	814	814	814	814
Non-controlling interest equity	106	106	106	106	106
*Total debt	57,900	61,923	66,470	71,797	77,507
*Net debt (cash)	49,576	54,601	62,713	71,183	43,563

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Revenue	**142,771**	**130,282**	**147,285**	**172,502**	**184,957**
Growth (%)	-5%	-9%	13%	17%	7%
COGS	**124,646**	**116,788**	**122,475**	**139,278**	**149,319**
Gross profit	**16,763**	**13,494**	**24,810**	**33,224**	**35,638**
GPM (%)	12%	10%	17%	19%	19%
SG&A	**3,685**	**2,873**	**3,248**	**3,804**	**4,079**
Operating profit	**13,078**	**10,621**	**21,562**	**29,420**	**31,560**
Growth (%)	-65%	-19%	103%	36%	7%
OPM (%)	9%	8%	15%	17%	17%
Non-operating profit	**(3,155)**	**495**	**734**	**1,156**	**1,214**
Financial income	3,744	3,416	3,862	4,523	4,850
Financial expense	(7,027)	(2,940)	(3,150)	(3,392)	(3,663)
In which: interest expenses	(3,084)	(2,940)	(3,150)	(3,392)	(3,663)
Net other non-operating profit	128	19	22	25	27
Pre-tax profit	**9,923**	**11,116**	**22,295**	**30,576**	**32,774**
Income tax	(1,479)	(1,445)	(2,898)	(3,975)	(4,261)
Net profit	**8,444**	**9,671**	**19,397**	**26,601**	**28,513**
Growth (%)	-76%	15%	101%	37%	7%
NPM (%)	6%	7%	13%	15%	15%
Controlling interest	8,484	9,716	19,487	26,725	28,645
Non-controlling interest	(39)	(45)	(90)	(123)	(132)
EBIT	**13,007**	**14,056**	**25,445**	**33,969**	**36,437**
Growth (%)	-67%	8%	81%	33%	7%
EBIT Margin (%)	9%	11%	17%	20%	20%
EBITDA	**19,821**	**23,143**	**37,051**	**48,469**	**53,049**
Growth (%)	-57%	17%	60%	31%	9%
EBITDA margin (%)	14%	18%	25%	28%	29%

Statement of cash flow

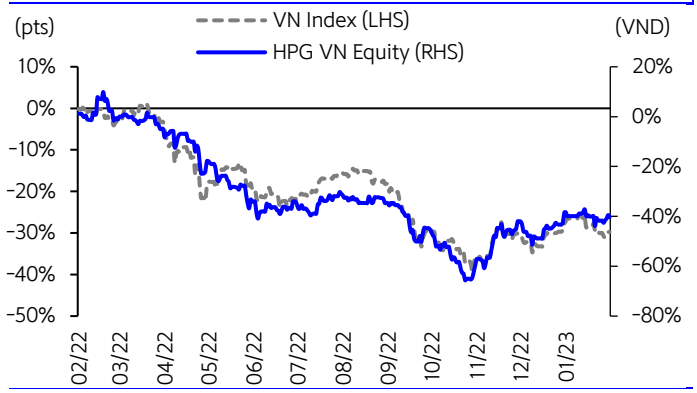
Year to Dec. (bn VND)	2022	2023F	2024F	2025F	2026F
Cash flow from operations	**12,192**	**29,264**	**26,195**	**35,398**	**42,036**
Net profit	9,923	11,116	22,295	30,576	32,774
Depreciation expense	6,814	9,087	11,606	14,501	16,612
(Gain) from investing activities	(1,822)	-	-	-	-
Interest expense/ income	49	-	-	-	-
Change in working capital	(1,954)	10,767	(4,219)	(5,087)	(2,188)
Others	(819)	(1,751)	(3,576)	(4,716)	(5,294)
Cash flow from investments	**(24,712)**	**(32,042)**	**(32,060)**	**(41,620)**	**(12,168)**
Change in fixed assets	(17,966)	(32,042)	(32,060)	(41,620)	(12,168)
Change in investment assets	14	-	-	-	-
Others	(6,759)	-	-	-	-
Cash flow from financing	**(1,617)**	**1,775**	**2,300**	**3,079**	**3,463**
Change in equity	4	-	-	-	-
Net borrowing	626	4,023	4,548	5,326	5,711
Dividends	(2,247)	(2,247)	(2,247)	(2,247)	(2,247)
Change in total cash	**(14,137)**	**(1,003)**	**(3,564)**	**(3,144)**	**33,331**
Beginning cash	22,471	8,325	7,321	3,757	613
Change in FX rates	(10)	-	-	-	-
Ending cash	8,325	7,321	3,757	613	33,944

Key ratios

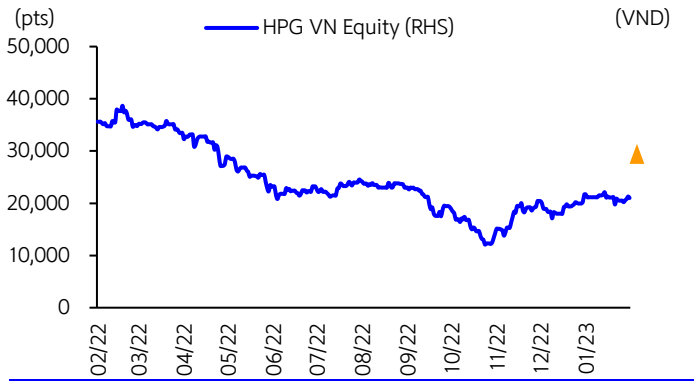
Year to Dec.	2022	2023F	2024F	2025F	2026F
EPS (VND)	1,636	1,671	3,351	4,596	4,926
BPS (VND)	18,539	17,813	20,778	24,988	29,527
DPS (VND)	433	386	386	386	386
PER (x)	5.38	12.33	6.15	4.48	4.18
PBR (x)	2.29	1.16	0.99	0.82	0.70
EV/EBITDA (x)	5.31	8.96	7.67	4.79	3.66
Dividend payout ratio (%)	2%	2%	2%	2%	1%
Dividend yield (%)	5%	2%	2%	2%	2%
Profitability					
EBITDA margin (%)	14%	18%	25%	28%	29%
OPM (%)	9%	8%	15%	17%	17%
NPM (%)	6%	7%	13%	15%	15%
ROA (%)	5%	5%	10%	12%	11%
ROE (%)	9%	10%	17%	20%	18%
Stability					
Debt to equity ratio (%)	60%	60%	55%	49%	45%
Net debt ratio (%)	250%	236%	169%	147%	82%
Cash ratio (%)	13%	10%	5%	1%	40%
Interest coverage ratio (x)	4.22	4.78	8.08	10.01	9.95
Activity (%)					
Working capital turnover (times)	97.95	93.18	84.54	83.16	86.70
Inventory turnover (days)	22.44	23.43	18.03	17.74	18.49
Receivable turnover (days)	51.01	42.86	49.82	47.93	49.29

Hoa Phat Group JSC (HPG)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
23/02/2023 (Initiate)	BUY	26,100	0.03	-35/121

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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