

Tranquility ahead – Long-term potential

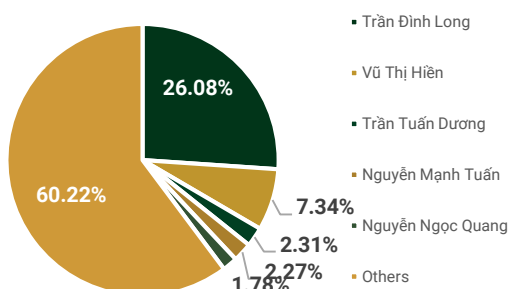
BUY [+64%]

Fair price 34,500 VND
Current price 21,050 VND

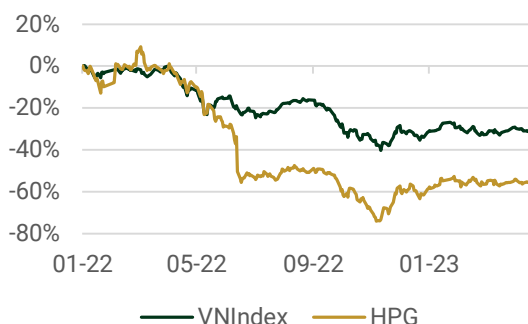
STOCK INFORMATION

Outstanding shares (mil) 5,814.786
Free float (mil) 3,198.132
Market cap. (billion VND) 120,947
3m avg. volume (shares) 22,144,951
Foreign ownership (%) 23.6%
First listing date 2007

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



VALUATION HISTORY



Updated: 25/04/23

Business Performance: HPG recorded a significant loss of VND 1,998.8 billion in Q4/2022 compared to a profit of VND 7,419.4 billion in the same period of 2021. The company attributes this setback to the steel price reaching a record low due to the rapid decline of the real estate market and high financial costs incurred from borrowing interest and exchange rate loss.

Projection: Based on our analysis, we expect HPG's revenue and after-tax profit for 2023 to reach VND 125,499.6 billion (-11.3% YoY) and VND 7,884.2 billion (-6.6% YoY), respectively. We anticipate a slow recovery for the domestic real estate market, which will affect the company's performance. However, we remain optimistic about 2024, with revenue and after-tax profit estimated to reach VND 142,229 billion (13.3% YoY) and VND 20,574 billion (95.7% YoY), respectively. We believe that the expected recovery of the real estate market due to the interest rate reduction cycle will help increase the company's output and optimize its capacity.

Investment highlights:

(1) The domestic steel industry may face challenges in 2023: Although steel ore price is recovering due to the expected rebound from the Chinese market, HPG's output mainly serves the domestic market, specifically civil works, which have yet to show signs of recovery in the short term. Moreover, the difficulty in optimizing capacity will put pressure on the difference between selling price and cost. However, we do not expect any issues related to exchange rate losses this year.

(2) Expectations for the Dung Quat 2 project: HPG's success in the past is largely due to the successful construction of Dung Quat during favorable steel cycles, which helped optimize capacity and enhance competitiveness for products. We anticipate the completion of Dung Quat 2 in 2025, which coincides with the expected issuance of the Land Law (amended), which will contribute to resolving the current situation. We believe that HPG will continue to expand its market share after the completion of Dung Quat 2.

(3) The current valuation is proving to be reasonable for long-term position.

Valuation & Recommendation: We estimate the fair value of HPG to be VND 34,500 per share using the P/B method, with a target P/B ratio of 1.7. Therefore, we recommend a BUY with a potential price increase of 64%. Our valuation reflects the estimated figures based on the baseline scenario for the next 5-year period.

Risks: (1) Raw material price risk (2) Risk related to the construction of Dung Quat 2 (3) Environmental compliance risk.

Financial indicators	2019A	2020A	2021A	2022A	2023F	2024F
Net revenue (billion VND)	63,658	90,119	149,680	141,409	125,500	142,229
Net Profit (billion VND)	7,578	13,506	34,521	8,444	7,884	15,426
EPS (VND)	2,726	2,728	7,166	1,452	1,356	2,653
EPS Growth (%)	-32%	0%	163%	-80%	-7%	96%
Book Value (VND)	17,307	17,873	20,296	16,529	17,816	20,334
P/E	8.96	10.53	6.21	12.40	15.49	13.00
P/B	1.36	2.32	2.29	1.09	1.2	1.7
Cash dividend (%)	5%	5%	30%	0%	0%	0%