

05/09/2024

RECOMMENDATION	BUY
Fair price	28,200
Current price	25,250
Upside/downside	11.7%

**STOCK INFORMATION**

Outstanding shares (mil)	6,396.3
Free float (mil)	56%
Market cap. (billion VND)	161,505
3m avg. volume (shares)	20,442,578
Foreign ownership (%)	23.17%
First listing date	15/11/2007

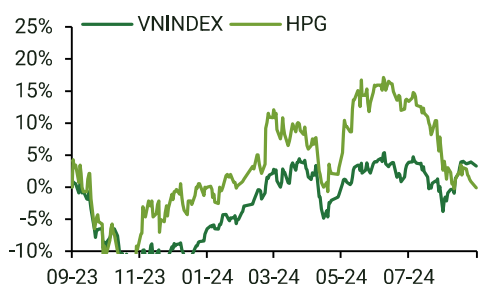
**SHAREHOLDER STRUCTURE**

Mr. Tran Dinh Long	25.8%
Ms. Vu Thi Hien	6.9%
Foreign shareholders	23.2%
Others	44.1%

**KEY ATTRIBUTES**

TTM EPS (VND)	1,746
BVPS (VND)	16,975
Debt/Equity (%)	67.16%
ROA (%)	5.83%
ROE (%)	10.82%
P/E	14.81
P/B	1.49
Dividend yield (%)	-

**PRICE PERFORMANCE**



**COMPANY PROFILE**

HPG is one of Vietnam's leading industrial conglomerates with diversified business operations. Originally established in August 1992 as a company specializing in trading construction machinery. HPG is the largest manufacturer of construction steel and steel pipes in Vietnam, holding market shares of 34.7% and 28.27%, in 2023. Additionally, HPG is the only Vietnamese enterprise capable of producing hot-rolled coil (HRC) steel.

**RESEACH DIVISION**

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**BRIGHT EXPECTATION FOR THE DOMESTIC MARKET**

- The primary driver of HPG's business recovery in 1H24 stemmed from construction steel. A key factor was the rapid decrease in input material costs, outpacing the decline in domestic steel prices, significantly boosting HPG's GPM from 8.7% in 1H23 to 13.4% in 1H24.
- We anticipate the construction steel segment will continue to recover as the real estate market is expected to rebound towards the end of 2024 to 2025. Furthermore, we are optimistic about the potential for large-scale national railway projects to be implemented in the future.
- We expected Vietnam will implement anti-dumping tax against certain HRC products originating from India and China by the end of 2025.
- We recommend BUY with a target price of VND 28,200/share, an upside potential of 11.7% compared to the closing price on Sep 4<sup>th</sup>, 24.

**1H24 Business result update**

- In 2Q24, HPG reported net revenue of VND 39,936 billion, marking an increase of VND 10,137 billion (+34.1% YoY), NPAT also saw a significant rise, reaching VND 3,320 billion (+VND 1,872 billion, +129.3% YoY).
- For 1H24, HPG recorded VND 71,028 billion in revenue (+25.3% YoY) and VND 6,189 billion in NPAT (+238.0% YoY), achieving 50.7% and 61.9% of its 2024 targets, respectively.
- The primary driver of HPG's business recovery in 1H24 was construction steel. The rapid decrease in input material costs outpaced the decline in domestic construction steel prices, significantly improving HPG's gross profit margin from 8.7% in 1H23 to 13.4% in 1H24.
- Overall, the steel segment remains the main contributor to HPG's operations, accounting for 95.7% of revenue and 91% of NPAT. The agriculture and real estate segments contributed only 4.3% and 9% to revenue and NPAT, respectively, with no significant improvements.

**Investment Thesis**

- The strong improvement in profit margins in 1H24, combined with the expectation that the decline in input material costs will slow in 2H24 (when China's steel manufacturers would finish reducing their inventories), is unlikely to have a significant impact on HPG's inventory write-downs.
- We anticipate the construction steel segment will continue to recover as the real estate market is expected to rebound towards the end of 2024 – 2025. We are optimistic about the potential for large-scale national railway projects to be implemented in the future.
- There is potential for Vietnam to implement anti-dumping tax against certain HRC products originating from India, China by the end of 2025.

**Valuation & Recommendation**

- We project HPG's 2024 revenue to reach VND 139.8 trillion (+17.6% YoY) with a net profit of VND 11.8 trillion (+73.3% YoY), an EPS of VND 1,841 per share.
- Applying the DCF valuation method and updating projections based on HPG's 1H24 business performance, we have determined the intrinsic value of HPG to be VND 28,200 per share, indicating an upside potential of 11.7%