

HPG – AGM note

HPG held its AGM on May 24th 2022 with following highlights:

The company set 2022 targets at: 160,000 bil.VND of revenue (+6.7% YoY) and net profit in a range of 25,000 to 30,000 bil.VND (-13% to -27.5% YoY). The planned net profit of HPG was inline with our expectation for the company in our last report, as 2022 could be a hard year for HPG.

HPG 2022 target

	2022 target	YoY growth	Vs. our forecasts
Revenue (VND bn)	160,000	+16.7%	105%
Net profit (VND bn)	25,000 – 30,000	-13% to -27.5%	101%

Source: Company data, ACBS

The chairman explained the expected reduction in net profit is partially due to the pessimism for the remainder of the year for the Chinese market as the long lockdowns in China could affect the export activity of the company, China is the main export market of Hoa Phat steel.

The company also plans for a 5% of par value cash dividend and 30% stock dividend for 2021 with the execution date in quarter 2 or 3. Most of the cash would be retained in the company as the Dung Quat phase 2 needs a large amount of capital.

Hoa Phat almost reached its maximum capacity and can only increase the production for about 3% before finish the Dung Quat phase 2, the project is expected to run at early 2024.

The company also expects that the push in public investment can help the increase the consumption of construction materials in general and steel in specific.

The plans for the container factory are running at slower pace the expected, the first machine can only be set up after June 1st and trial production can come out in early November. The container project can reach its maximum capacity in 2023, could be 2-3 months later than initial plan.

Regarding real estate investment: the company is not going to invest in new project as Hoa Phat hasn't found any attractive opportunities yet. The chairman also stated that the company only invest in a real estate project while if it is very attractive, the company now still stick to its main activities in steel.

Analyst Comment: We think that shortterm conditions are not favorable for Hoa Phat, as the long lockdowns in China are having a negative effect on global steel prices. The Russia – Ukraine war has also pushed coal prices, which could increase input costs, therefore, reduce the gross margin for steel product. The company has almost reached its limit for capacity, which will hinder growth until the Dung Quat phase 2 comes online. However, we believe Hoa Phat has a high potential in the long term as the company has lowest production cost among Vietnamese steel companies thanks to the large scale, the Dung Quat phase 2 which runs in 2024 could add 5 millions tons of production to the company.

Huy Huynh

huyha@acbs.com.vn

DISCLAIMER

Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.