



HHV Initiation report – BUY

October 25, 2024



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Initiation report

Recommendation

BUY

HSX: HHV

Infrastructure

Target price (VND)	16,000
Market price (VND)	11,650
Expected share price return	36.8%
Expected dividend yield	0.0%
Expected total return	36.8%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-20.1	-2.5	4.4	-10.3
Relative	-34.0	-2.8	0.7	-28.9

Source: Bloomberg



Ownership

B.O.T Hai Thach Investment
JSC 16.09%

Stock Statistics

23-Oct-24

Bloomberg code	HHV VN
52-week range (VND)	9,810 - 15,619
Shares O/S (m)	432
Mkt cap (VND bn)	5,079
Mkt cap (USD m)	203
Est. Foreign room left (%)	41.1
Est. free float (%)	74.9
3m avg daily vol (m)	4,488,679
VND/USD	25,030
Index: VNIIndex / HNX	1266.37/225.53

DEO CA TRAFFIC INFRASTRUCTURE INVESTMENT JSC (HHV VN)

HHV stands as a leading enterprise in Vietnam's infrastructure construction sector, specializing in Build-Operate-Transfer (BOT) projects and the maintenance of road tunnels. Given HHV's extensive experience in executing projects with a total accumulated investment exceeding VND 50 trn, we expect that the company will secure more contracts thanks to the government's public investment policies. Currently, HHV operates two primary business segments: BOT toll collection and construction. The profit's CAGR for 2024-2026 is estimated at 18.3%, driven by the following factors:

The BOT segment maintains revenue growth and generates stable cash flow. BOT toll collection contributes 59% of the company's revenue and 90% of its gross profit. HHV is operating 30km of tunnels and 410km of highways and national roads. We estimate a vehicle traffic growth rate of approximately 5% per annum and a toll fee increase of 15%-18% every three years at each toll station, leading to an 8% revenue growth rate in the BOT segment for the 2024-2026 period. Notably, the synchronization of infrastructure from the North-South Expressway Phase 2 projects and the opening of the Hanoi - Lang Son - Cao Bang route from 2026 will further boost traffic and expand HHV's BOT toll collection portfolio.

The construction segment: the peak activity projected for 2024-2026. The construction segment accounts for 39% of revenue and 8% of gross profit. Leveraging the government's public investment boost plan for 2021-2025, HHV has secured several substantial construction contracts. Currently, HHV's backlog exceeds VND 2,900 bn (about 3 times 2023 construction revenue). We anticipate that HHV will accelerate sales and profit recognition in 2024-2026, with a sales's CAGR of 16%, as these projects reach completion.

Charter capital increase plan. During the 2024-2025 period, HHV plans to raise over VND 1,490 bn from issuing more than 149 mil shares (~34.5% of outstanding shares), through rights issues to existing shareholders and a private placement. Continuous issuance will provide HHV with additional resources to develop projects, but it also poses a dilution risk for existing shareholders' EPS.

High debt ratio but low interest rate sensitivity. HHV's debt-to-equity ratio exceeds 2x (higher than the industry average of 1.2x), primarily due to a significant portion of its assets being BOT routes funded by long-term loans. Currently, BOT debt constitutes approximately 95% of total debt. However, financial risk is not significant as BOT loan interest expenses are allocated proportionally to toll revenue, rendering them insensitive to interest rate fluctuations. Additionally, HHV is not required to make periodic principal repayments on BOT loans, as these will be transferred to the State upon the completion of the toll collection period.

Rating and valuation. We recommend a BUY rating for HHV with a fair valuation of 16,000 VND per share using DCF method. This valuation is 37% higher than the current price, with a P/E ratio for 2024 of 18.6x and a P/B ratio of 0.8x.

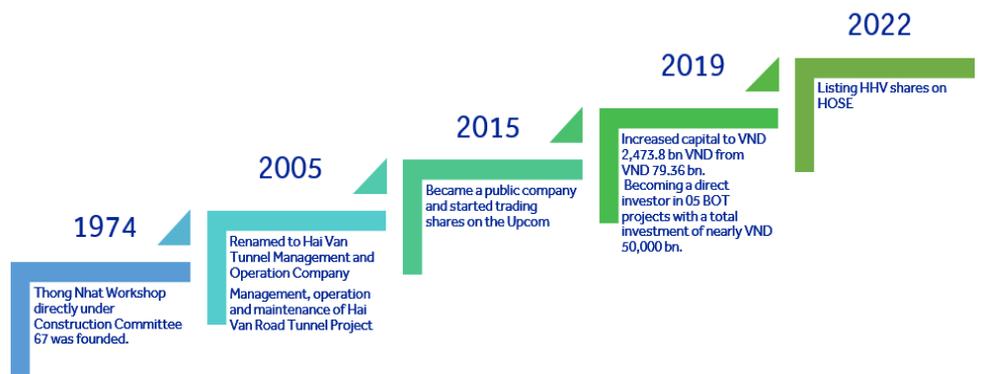
	2022	2023	2024F	2025F	2026F
Net Sales (VND bn)	2,095	2,686	3,419	3,792	4,187
Growth (%)	12.6%	28.2%	27.3%	10.9%	10.4%
EBITDA (VND bn)	1,277	1,411	1,580	1,697	1,899
Growth (%)	16.9%	10.5%	12.0%	7.4%	11.9%
Profit after tax	264	322	371	420	519
Growth (%)	-1.5%	22.0%	15.2%	13.1%	23.7%
EPS (bonus-adjusted, VND)	929	678	859	971	1,202
Growth (%)	75.2%	-27.0%	26.6%	13.1%	23.7%
ROE (%)	3.3%	3.8%	4.0%	4.1%	4.8%
ROA (%)	0.8%	0.9%	1.0%	1.0%	1.2%
Net debt/EBITDA (x)	15.9	14.2	11.6	9.6	8.1
EV/EBITDA (x)	19.9	17.9	14.9	12.7	10.9
P/E (x)	12.3	13.2	18.6	16.5	13.3
P/B (x)	0.6	0.9	0.8	0.8	0.7
DPS (VND)	0	0	0	0	0
Dividend yield (%)	0%	0%	0%	0%	0%

HHV stands as one of the leading enterprises in road tunnel and expressway construction

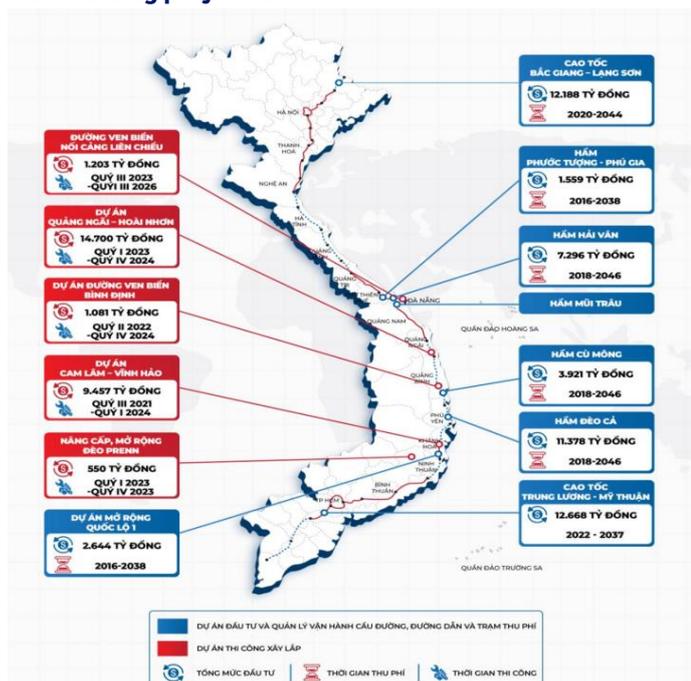
HHV is a leading entity in the investment and management of traffic infrastructure in Vietnam through the BOT model. HHV has implemented several major projects, including Deo Ca Tunnel (VND 11,378 bn), Cu Mong Tunnel (VND 4,627 bn), Hai Van 2 Tunnel (VND 7,296 bn), Bac Giang – Lang Son Expressway (VND 12,188 bn), and Trung Luong – My Thuan Expressway (VND 5,003 bn). In projects with a total investment exceeding VND 50 trn, HHV consistently ensures that timeliness are met and costs are managed closely in line with estimates.

Additionally, leveraging its experience in large and complex projects, HHV has been invited to take over and rectify underperforming projects. A prime example is the Bac Giang - Lang Son Expressway project, which commenced in 2015 but stalled due to the previous investor's limitations. HHV took over the project and successfully completed it in just two years.

HHV's development milestones:

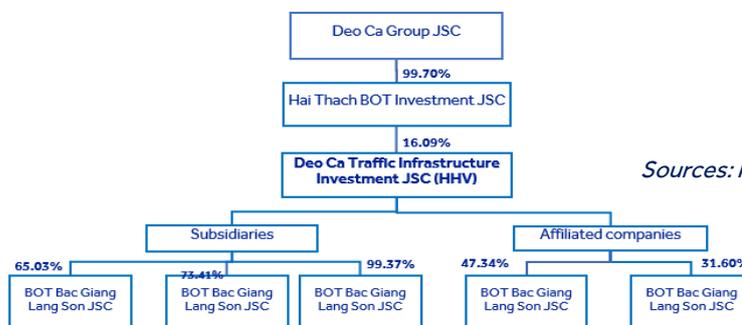


List of HHV's outstanding projects:



Sources: HHV, ACBS.

HHV currently owns 3 subsidiaries and 2 associated companies, primarily involved in BOT transportation projects. HHV manages the operation of 30 km of tunnels and 410 km of expressways and national highways.



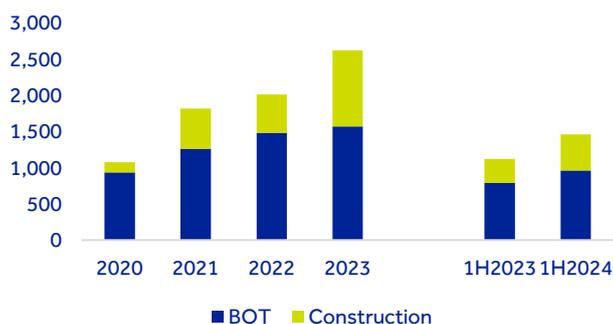
Sources: HHV, ACBS.

Two primary business segments: BOT toll collection and construction

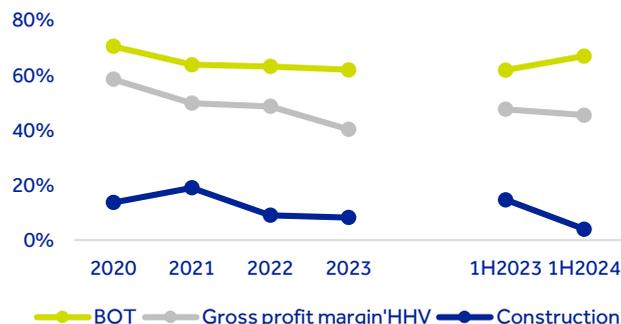
Currently, HHV primarily operates in two business segments: (1) BOT toll collection and (2) Construction. Additionally, the company has a tunnel maintenance segment, which mainly serves its subsidiaries and contributes minimally to the overall revenue.

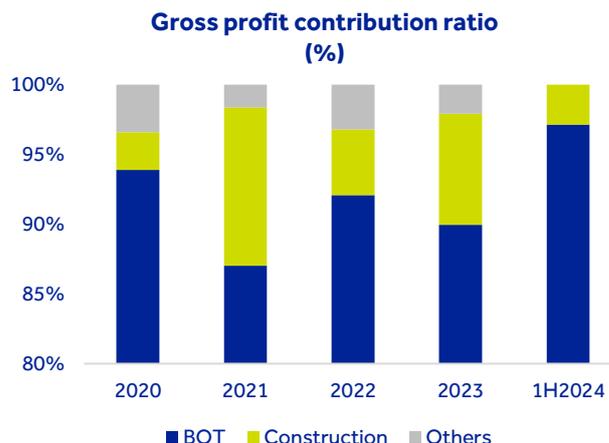
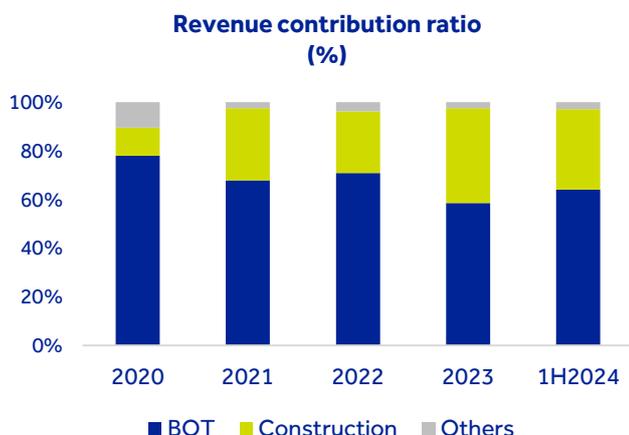
Between 2020 and 2023, HHV's revenue experienced a CAGR of over 31%, while net profit saw a CAGR of nearly 20%. The BOT segment contributed most of the net profit, whereas the construction segment, though modest, grew rapidly. The construction sector achieved a remarkable CAGR of 96%, increasing from VND 139 bn in 2020 to over VND 1,000 bn in 2023. As of 1H2024, the BOT business segment remains HHV's primary revenue source, accounting for 59% of total revenue with over VND 1,500 bn. The gross profit margin from toll collection activities remains stable at above 60%. The construction segment benefits from government policies promoting public investment, resulting in a significant workload for HHV. Notably, due to its capability to execute technically demanding projects, HHV records higher profit margins compared to other construction companies. In 1H2024, the construction segment contributed 39% of revenue with nearly VND 500 bn and achieved a gross profit margin of 4%.

BOT and construction revenue (VND bn)



Profitability (%)





Sources: HHV, ACBS.

BOT segment maintains revenue growth and creates stable cash flow

Currently, HHV is collecting tolls at 7 stations to recoup capital for 4 BOT projects: (1) Deo Ca Road Tunnel, (2) Phuoc Tuong-Phu Gia Tunnel, (3) Bac Giang-Lang Son Expressway combined with strengthening the National Highway 1 road surface, and (4) National Highway 1A expansion project through Khanh Hoa province.

List of HHV toll stations:

Projects	BOT	Ownership (%)	Total investment (VND bn)	Time of toll collection
Deo Ca - Cu Mong - Hai Van Tunnel	1. Deo Ca	73.41%	21,612	2018-2024
	2. An Dan			
	3. Cu Mong			
Phuoc Tuong - Phu Gia Tunnel	4. Bac Hai Van (*)	99.37%	1,559	2016-2035
Bac Giang - Lang Son Expressway	5. Bac Giang-Lang Son (BGLS)	65.03%	12,188	2020-2049
	6. National Highway 1(NH1)			
Expand National Highway 1	7. Ninh Loc	47.34%	2,644	2016-2038

(*) Bac Hai Van toll station (collects for both Hai Van tunnel and Phuoc Tuong-Phu Gia tunnel).

Sources: HHV, ACBS

Notably, we observe that BOT projects are receiving strategic support plans.

Deo Ca Road Tunnel: According to the financial plan, the project is authorized to operate the BOT stations including Deo Ca, Ninh Loc, An Dan, Cu Mong, Bac Hai Van, and La Son-Tuy Loan. However, the La Son-Tuy Loan station has not commenced toll collection as initially planned.

In May 2023, the Ministry of Transport proposed support for 8 BOT projects and allocated approximately VND 2,280 bn to acquire toll collection rights at the La Son - Tuy Loan station. Additionally, the project has yet to receive VND 1,180 bn out of the VND 5,048 bn in state funding, further increasing the debt burden on the enterprise. We anticipate that this funding may be disbursed by the end of 2024.

Phuoc Tuong-Phu Gia Tunnel: The Bac Hai Van toll station is currently operated to recover investment for both the Phuoc Tuong – Phu Gia tunnels and Hai Van 2

tunnel. The toll rates at this station are already at the maximum permissible level, making future rate increases as per the financial plan challenging.

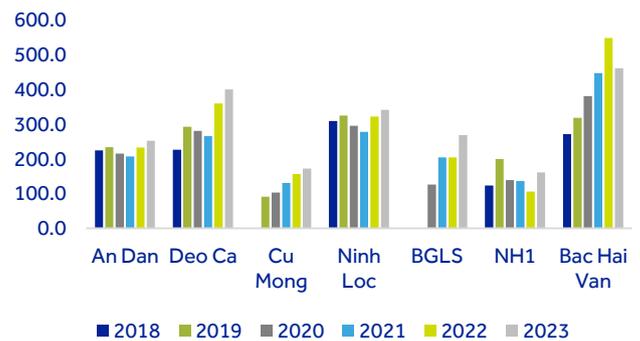
Bac Giang-Lang Son Expressway: This project is part of the planned expressway from Hanoi to Lang Son and was taken over by HHV. Currently, the project is reduced to one toll station at the Km93+160 upgrade segment on QL1, resulting in a revenue loss of approximately VND 5,600 bn. Additionally, revenue from the Bac Giang-Lang Son project has declined due to the incomplete connection of the entire route to the Huu Nghi border gate, impacting traffic flow through this project. The project's revenue has only reached about 32% of full capacity, prompting the Lang Son Provincial People's Committee to propose that the Prime Minister approve a support of approximately VND 5,600 bn from the central budget for this project.

The remaining toll stations, including Ninh Loc, An Dan, and Deo Ca, have been operated for longer periods (since 2016-2017). As a result, they continue to generate stable revenue for the company, approximately VND 600-750 bn per year.

Traffic (million vehicles)



Revenue at BOT (VND bn)



Sources: HHV, ACBS.

During its operations, HHV's toll collection activities occasionally face challenges from natural disasters, pandemics, and traffic diversions on expressways. However, we estimate that the average annual growth rate for personal vehicle demand is about 12%, ensuring that HHV's business structure remains largely unaffected. Toll revenue for HHV has also shown recovery and stable growth since the control of the pandemic. In 2023, toll revenue reached VND 1,573 bn (+4% YoY), corresponding to a CAGR of 18% per year for 2020-2023. Traffic volume through the toll stations in the year reached 24 mil vehicles, with a CAGR of 9.5% per year for 2020-2023.

Outlook: We prudently estimate a vehicle traffic growth rate of 5% per annum, as per the VITRANSS 3 report (conducted by the Ministry of Transport in collaboration with the Japan International Cooperation Agency). We anticipate a significant increase in traffic volumes when the Huu Nghi - Chi Lang and Dong Dang - Tra Linh expressway projects become operational in 2026, contributing an additional 20% in vehicle traffic at the Bac Giang - Lang Son toll station. Regarding toll fees, we estimate a periodic toll rate increase of 15-18% every three years per project, as outlined in the project's financial plan.

BOT business results in 2024F-2026F (VND bn)



Source: ACBS.

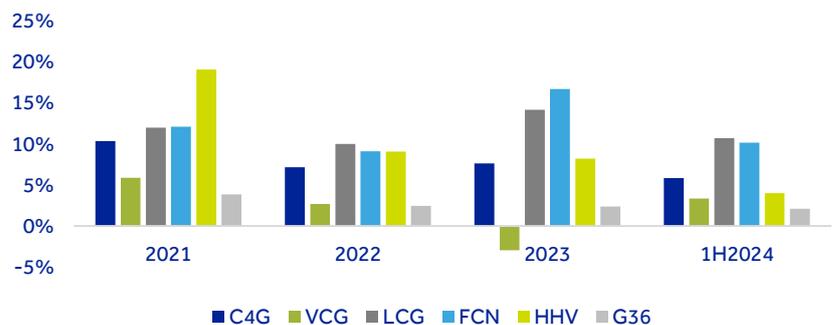
Construction segment is expected to have positive growth in 2024-2026

Thanks to the government's accelerated public investment plan for the 2021-2025 period, HHV's construction segment has witnessed robust growth since 2021. In 2024, the volume of construction work became particularly dynamic as HHV completed and put into operation the Cam Lam - Vinh Hao expressway project in late April 2024. This project, with a total investment of VND 8,900 bn, has been recorded in the company's business results.

Notably, the Dong Dang - Tra Linh expressway project, with a total investment exceeding VND 14,300 bn, commenced on January 1, 2024, and the Huu Nghi - Chi Lang expressway project, with a total investment of over VND 11,000 bn, commenced on April 21, 2024. As of now, HHV's backlog has reached over VND 2,900 bn, approximately three times the 2023 construction revenue, with North-South expressway projects contributing 76%. We expect HHV to accelerate revenue and profit recognition from 2024 onwards as these projects are reaching completion stages.

In 2023, the key project was the Cam Lam - Vinh Hao package, which had high profit margins due to its intricate tunnel construction. In 2024, the key project is the Quang Ngai - Hoai Nhon expressway, which has lower profit margins as it was appointed through direct contracting and involved simpler construction requirements.

Gross profit margin (%)



Source: ACBS.

List of HHV's ongoing projects:

Projects	Total investment (VND bn)	Time of execution	Contract value (VND bn)	Remaining value (VND bn)	Output Q2/2024 (VND bn)	Sales in Q2/2024 (VND bn)
Cam Lam-Vinh Hao Expressway	8,925	2021-2024	932	0	47	23
Quang Ngai - Hoai Nhon Expressway	20,47	2023-2024	1,648	922	251	259
Binh Dinh coastal road	1,081	2022-2024	590	279	14	9
Lien Chieu Port Connecting Road	1,203	2023-2025	148	126	9	9
Dong Dang - Tra Linh Expressway	14,331	2024-2026	1,735	1,735	New project	
Huu Nghi-Chi Lang Expressway	11,179	2024-2026	2,000	2,000	New project	
Tan Phu-Bao Loc Expressway	18,120	2024-2027	2,000	2,000	New project	

Sources: HHV, ACBS.

Outlook: Currently, HHV's backlog, valued at over VND 2,900 bn (~3 times the 2023 construction revenue), will ensure stable revenue from 2024 to 2026. Moreover, key projects such as the Huu Nghi - Chi Lang, Dong Dang – Tra Linh, and Tan Phu - Bao Loc expressways (scheduled to commence at the end of 2024) will help HHV increase revenue from 2025 and improve gross profit margins to 6-7% from 4% in 1H2024. This improvement is attributed to these projects being implemented under the PPP model, which offers higher profit margins compared to direct contracting given increased government funding and material price updates that reflect market rates.

Construction business results in 2024F-2026F (VND bn)



Source: ACBS.

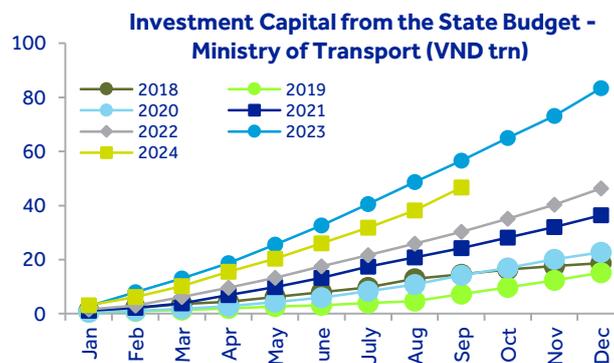
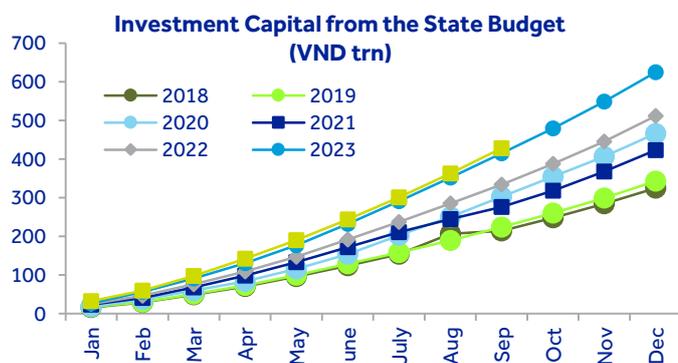
Long-term prospects are positive thanks to the government's push for public investment

Following the growth phase in 2023, public investment in 2024 is entering a quieter period. According to the Ministry of Finance, the estimated disbursement of public investment from the beginning of the year to September 2024 reached VND 320,566.5 bn, achieving 42.96% of the plan and 47.29% of the Prime Minister's assigned target. In comparison, during the same period in 2023, public investment disbursement reached 47.75% of the plan and 51.38% of the Prime Minister's assigned target.

According to various authorities and localities, the delays primarily stem from two main reasons: (1) Awaiting the decrees and circulars guiding the newly effective Bidding Law (2023), which affects the approval progress of contractor selection plans; and (2) Delays in local capital arrangements, primarily related to land clearance issues.

We anticipate that the government will focus on accelerating public investment in the last three months of 2024 to meet the disbursement progress set by the National

Assembly. This is crucial for fostering Vietnam's economic growth throughout the year, especially considering the significant impacts of the typhoon Yagi on the production, business activities, and infrastructure in northern provinces. We believe that the government will increase spending to restore infrastructure in the near future.



Sources: GSO, ACBS.

As of now, approximately 2,021 km of expressways have been put into operation nationwide, with about 1,542 km currently under investment. The government aims to have around 3,000 km of expressways by 2025 and approximately 5,000 km by 2030, with an estimated public investment and PPP value of VND 430 trn and VND 150 trn, respectively.

Alongside the government's investment plans, HHV and Deo Ca Group are researching investments in nearly 400 km of expressways for the 2025-2030 period. These projects include Tan Phu - Bao Loc (Lam Dong), Ho Chi Minh City - Chon Thanh, Ring Road 4 through Binh Duong province, Ho Chi Minh City - Trung Luong - My Thuan Expressway (Phase 2), with a total investment of nearly VND 100 trn. This is expected to generate a significant volume of work for HHV and ensure seamless traffic flow, increasing vehicle volumes at toll stations.

Project	Length (km)	Total investment (VND bn)	State capital (VND bn)	Status
Son La – Dien Bien Expressway	200	8,850		
Route connecting Quang Binh City – Phong Nha	24	2,400		
Tan Phu – Bao Loc Expressway	66	18,120	6,580	Pre-feasibility report approved
Dau Giay – Tan Phu Expressway	60	8,776	1,300	Pre-feasibility report approved
Ring Road 4 HCMC – Binh Duong	48	20,000		Pre-feasibility report approved
HCMC – Chon Thanh Expressway (P1)	52	18,000		
HCMC – Trung Luong – My Thuan Expressway (P2)	91	8,850		

Source: HHV, ACBS.

The business results have been positive in 1H2024

For 1H2024, HHV recorded revenue of over VND 1,500 bn (+31% YoY) and PAT of near VND 240 bn (+24% YoY), completing of 48% and 59% of the company's annual business plan for revenue and profit after tax, respectively. In Q2/2024, HHV's revenue reached nearly VND 813 bn (+33% YoY). This growth was primarily driven by BOT toll revenue, which contributed 60% of total revenue, and construction revenue, which accounted for 37%. Specifically, revenue from BOT toll collection reached VND 485 bn (+20% YoY) driven by a rise in total traffic through toll stations by nearly 1.3 mil vehicles (an 18% increase from 7.0 mil to 8.3 mil vehicles). Construction revenue reached more than VND 300 bn (+58% YoY), mainly contributed by the Quang Ngai -

Hoai Nhon expressway project. After deducting expenses, HHV's net profit reached VND 125 bn (+24% YoY).

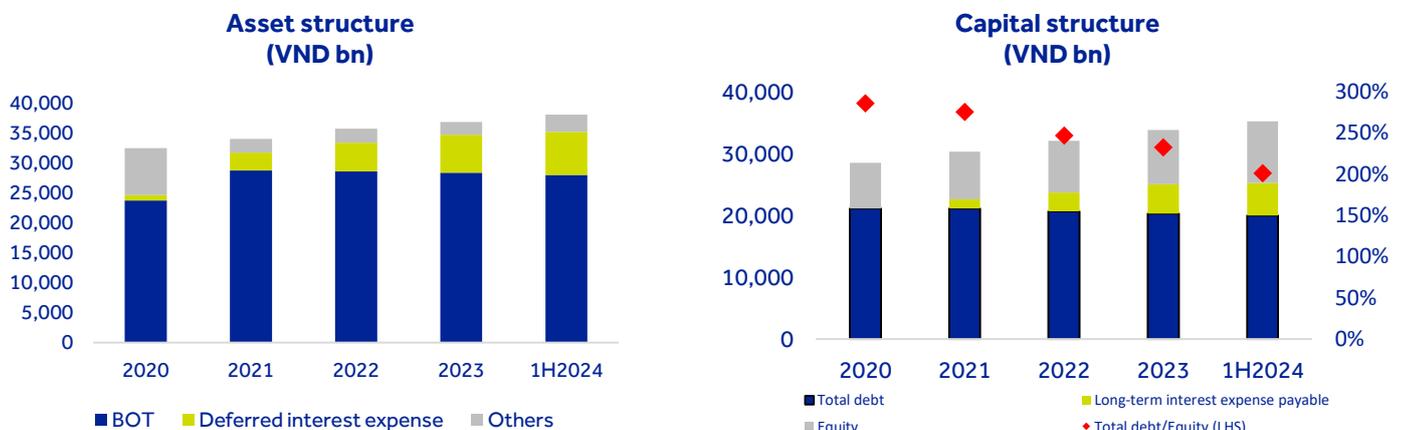
	Q2/2023	Q2/2024	YoY	1H2023	1H2024	YoY
Sales	612.3	813.7	32.9%	1,151.7	1,503.6	30.6%
+BOT	404.4	485.5	20.1%	792.1	962.2	21.5%
+ Construction	191.3	302.5	58.1%	328.2	498.7	52.0%
+Others	16	25.7	60.6%	31.3	42.7	36.4%
Gross profit margin	47.1%	42.1%		47.5%	45.0%	
EBT margin	20.6%	18.0%		19.2%	18.4%	
EAT margin	17.8%	15.4%		16.7%	15.9%	

Sources: HHV, ACBS.

Although HHV's debt ratio is high, the financial risk is not significant due to the proportional allocation of interest expenses to revenue

HHV's assets are primarily long-term, including road tunnels and expressways, where the company has the right to collect tolls from vehicles. At the end of the 1H2024, long-term assets from BOT projects accounted for 75% of total assets, reaching nearly VND 28,000 bn (-1.4% YTD). Additionally, due to the disparity between interest expenses and cash inflows, long-term interest expenses pending allocation will be distributed when cash inflows exceed interest expenses payable in that year. Currently, HHV's capitalized interest expenses stand at over VND 7,100 bn (+13% YTD).

Funding for projects mainly comes from loans, with a significant portion being long-term debts, which aligns with the capital structure of investment projects. Typically, the enterprise contributes only 10-20% of the total investment, with the remainder sourced from the state budget and loans. At the end of 1H2024, HHV's total debts reached over VND 19,970 bn (-2% YTD).



Sources: HHV, ACBS.

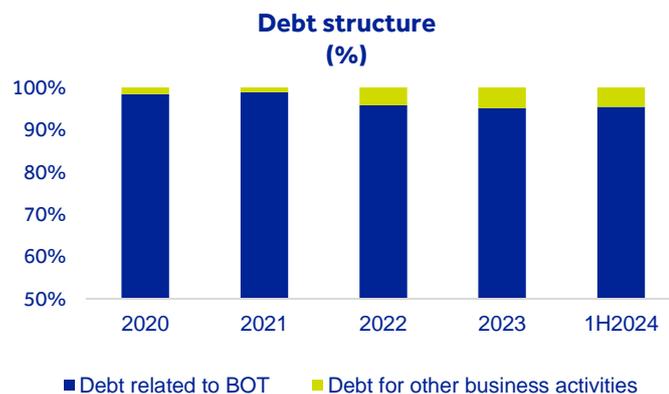
Due to the nature of BOT projects, which involve significant initial investments and unstable toll traffic volumes in the early stages, these projects often face cash flow challenges in the first few years of operation. Additionally, the lack of synchronization in road networks poses another challenge. However, cash flow is expected to gradually improve in the following years as these issues are resolved and projects stabilize.

To address these issues, borrowing costs for BOT projects during the operational phase will be allocated based on the ratio of toll revenue generated within the year to the revenue as per the project's financial plan. This is regulated in Official Letter No. 2310/TCDN-VP dated November 8, 2021, from the Ministry of Finance, applicable from the 2020 fiscal year. We estimate this ratio to range from 40% to 45%. The difference between the incurred borrowing costs and the allocated borrowing costs to the year's operating results will be recorded as prepaid expenses and amortized in subsequent periods. At the end of 1H2024, HHV's pending interest expenses for allocation was VND 7,179 bn.

Interest expenses related to loans to BOT projects during the period are calculated based on the below formula:

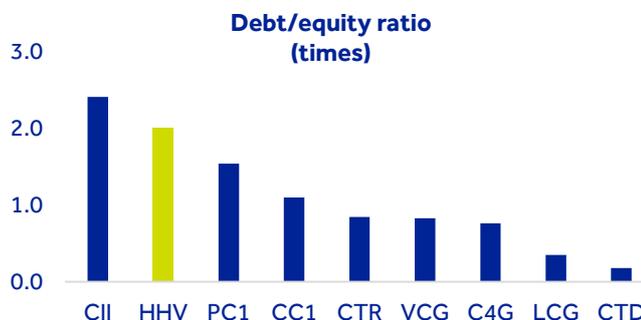
$$\text{Interest expense for the period} = \frac{\text{Total interest expense by financial plan}}{\text{Total revenue by financial plan}} \times \text{Revenue in the period}$$

Based on our estimates, 95% of HHV's total debts are loans financing for BOT projects. Consequently, interest expenses for the period will be calculated using the above formula. The remaining portion, approximately VND 1,000 bn (accounted for 5% of the total debts), will be subject to fluctuations in market interest rates.



Sources: HHV, ACBS.

Due to the substantial portion of assets being BOT routes funded by long-term loans, HHV's debt-to-equity ratio exceeds 2x, significantly higher than the industry average of 1.2x.



Sources: HHV, ACBS.

Charter capital increase plan

During the 2024-2025 period, HHV plans to raise VND 1,490 bn through rights issues to existing shareholders and a private placement to fund the Huu Nghi - Chi Lang, Dong Dang - Tra Linh projects, and other PPP initiatives. The Dong Dang - Tra Linh and Huu Nghi - Chi Lang expressway projects are expected to operate by 2026, further expanding HHV's BOT portfolio and contributing to revenue growth. Additionally, HHV announced that this capital will be used to enhance training and technology development. Continuous issuance will provide HHV with additional resources for project development but also pose a dilution risk for existing shareholders.

Charter capital increase plan

Unit: Mil shares	Private placement	Issue to existing shareholders
Expected number of shares before issuance	432.26	505.74
Maximum number of additional shares issued	73.48	75.86
Expected number of shares after issuance	505.74	581.60

Sources: HHV, ACBS.

Projection and valuation

Based on these assumptions, we forecast HHV's business results for 2024 to achieve VND 3,419 bn in revenue (+27% YoY) and VND 371 bn in net profit (+15% YoY). Specifically, the BOT toll collection segment is expected to reach VND 1,840 bn (+17% YoY), driven by toll rate increases at the 3 Deo Ca Road toll stations from early 2024 and increased traffic as tunnels are connected with Phase 1 of the North-South expressways. The construction segment is estimated to achieve VND 1,338 bn (+28% YoY), primarily contributed by the Quang Ngai – Hoai Nhon project.

We recommend a BUY rating for HHV with a fair valuation of 16,000 VND per share at YE2025 using DCF method. In adherence to prudence, our valuation model does not yet include the value of the Dong Dang – Tra Linh and Huu Nghi - Chi Lang expressway projects, as these projects are still under construction and may extend beyond the initial timeline. Additionally, actual traffic volumes upon operation may

differ from initial financial plan forecasts. We will add the valuation of these two projects once further detailed information provided.

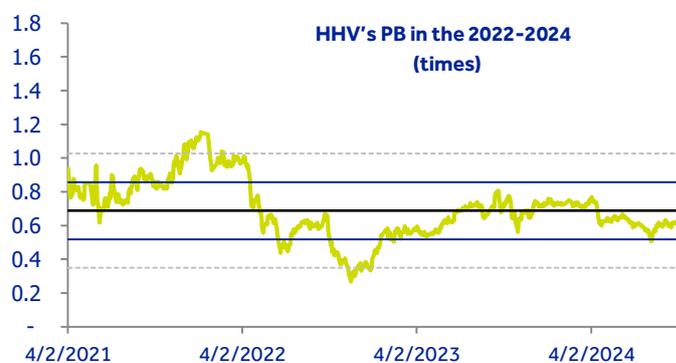
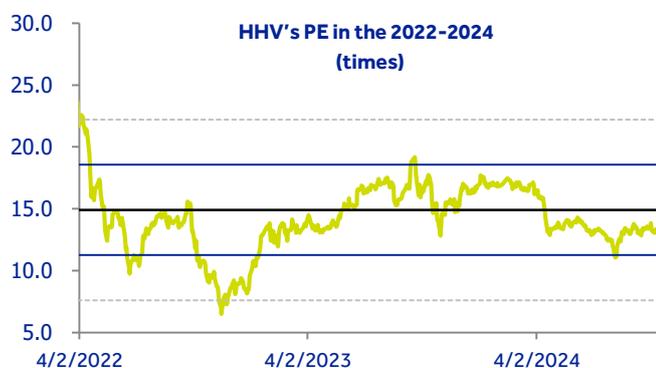
	2024F	2025F	2026F	2027F
Net sales	3,419	3,792	4,187	4,602
Sales growth	27.3%	10.9%	10.4%	9.9%
Gross profit	1,247	1,364	1,557	1,873
Gross profit margin	36.5%	36.0%	37.2%	40.7%
EBIT	1,254	1,368	1,566	1,878
EBITDA	1,580	1,697	1,899	2,214
Operating Profit	484	548	677	809
Growth	14.0%	13.1%	23.7%	19.5%
EAT	371	420	519	620
Growth	15.2%	13.1%	23.7%	19.5%
Net profit margin	10.9%	11.1%	12.4%	13.5%

	2024F	2025F	2026F	2027F
CFO	902	1,981	848	1,062
Minus: Capex	-50	-50	-50	-50
Plus: I*(1-tax)	657	699	758	911
FCFF	1,509	2,630	1,556	1,924

Risk free	4.5%
Risk premium	9.0%
Beta	1.3
Cost of equity	16.3%
Equity weight	20%
Cost of debt	10.5%
Debt weight	80%
Terminal growth rate	2%
WACC	10.4%

Total PV of FCFF	12,886
Terminal Value	37,508
PV of terminal Value	15,027
Enterprise Value	27,913
Plus: Excess cash and ST investments	404
Minus: Net debt	19,969
Minus: Minorities interest	1,435
Equity Value	6,913
Number of share outstanding (mil shares)	432
Target price (VND/shares)	15,992

HHV's PE and PB valuation in the period: 2022-2024



— HHV VN Equity — 3y Avg
- - - - - -2SD — -1SD
— +1SD - - - - - +2SD

— HHV VN Equity — 3y Avg.
- - - - - -2SD — -1SD
— +1SD - - - - - +2SD

Source: Bloomberg, ACBS.

HHV FINANCIAL MODEL	Current price: VND	11,650	Target price: VND	16,000	Market Cap: VND bn	5,208
(VND bn except where stated)		2022	2023	2024F	2025F	2026F
Net sales (VND bn)		2,095	2,686	3,419	3,792	4,187
<i>Growth (%)</i>		12.6%	28.2%	27.3%	10.9%	10.4%
COGS		-1,078	-1,605	-2,172	-2,429	-2,629
Gross profit		1,017	1,080	1,247	1,364	1,557
<i>Gross profit margin</i>		49%	40%	36%	36%	37%
SG&A		-73	-61	-77	-86	-95
<i>SG&A margin</i>		-3%	-2%	-2%	-2%	-2%
Profit/(loss) in associates, joint venture		53	49	52	64	67
EBITDA		1,277	1,411	1,580	1,697	1,899
<i>EBITDA margin</i>		61.0%	52.5%	46.2%	44.8%	45.4%
Net operating profit		944	1,017	1,170	1,278	1,462
<i>Operating profit margin</i>		45.1%	37.9%	34.2%	33.7%	34.9%
Financial income		5	26	33	26	37
Financial expenses		-648	-667	-770	-820	-889
Other income		0	1	2	3	4
Profit before tax		354	425	484	548	677
Profit after tax		297	364	420	475	588
<i>Non-controlling interest</i>		-33	-42	-49	-55	-68
NPATMI		264	322	371	420	519
<i>Net profit margin</i>		12.6%	12.0%	10.9%	11.1%	12.4%
Cash, cash equivalents & short-term investments		382	296	712	1,737	1,769
Share outstanding (mn)		307	329	432	432	432
EPS (VND)		982	1,010	859	971	1,202
Adjusted EPS (VND)		929	678	859	971	1,202
<i>EPS growth (%)</i>		84.7%	-27.0%	26.7%	13.0%	23.8%

KEY CASHFLOW AND BS ITEMS	2022	2023	2024F	2025F	2026F
Increase in working capital	6	327	150	1,171	-29
Capex	-58	-59	-50	-50	-50
Other cash flow items	137	242	520	2,105	-183
Free cash flows	178	-27	466	1,075	82
Dividends paid	0	0	0	0	0
Increase in net debt	-574	-283	-1,725	-1,986	-866
Net debt, end of year	20,271	19,988	18,263	16,278	15,412
Shareholder's equity	9,978	10,456	11,046	11,751	12,492
BVPS (VND)	23,320	22,760	20,109	21,087	22,295
<i>Net debt / Equity</i>	203%	191%	165%	139%	123%
<i>Net debt / EBITDA</i>	15.9	14.2	11.6	9.6	8.1
Total assets	35,656	36,780	39,125	41,397	42,603

KEY RETURN AND VALUATION RATIOS	2022	2023	2024F	2025F	2026F
<i>ROE</i>	3.3%	3.8%	4.0%	4.1%	4.8%
<i>ROA</i>	0.8%	0.9%	1.0%	1.0%	1.2%
<i>ROIC</i>	3.5%	3.7%	4.3%	4.8%	5.5%
<i>WACC</i>	10.4%	10.4%	10.4%	10.4%	10.4%
<i>EVA</i>	-7.0%	-6.7%	-6.1%	-5.7%	-4.9%
<i>P/E (x)</i>	12.3	13.2	18.6	16.5	13.3
<i>EV/EBITDA (x)</i>	19.9	17.9	14.9	12.7	10.9
<i>EV/FCF (x)</i>	143.2	-928.3	50.4	20.0	250.1
<i>P/B (x)</i>	0.6	0.9	0.8	0.8	0.7
<i>P/S (x)</i>	2.3	1.5	2.0	1.8	1.7
<i>EV/sales (x)</i>	12.5	9.3	6.9	5.7	4.9
<i>Dividend yield</i>	0%	0%	0%	0%	0%

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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