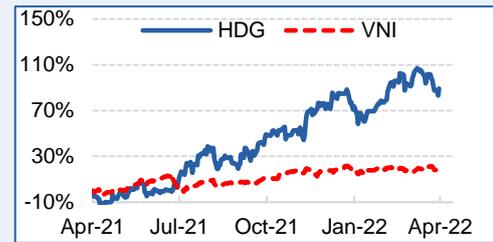


Industry:	Real Estate & Power		2021	2022F	2023F	2024F
Report Date:	April 25, 2022					
Current Price:	VND60,600	Rev Y/Y	-23.2%	8.9%	33.7%	103.2%
Target Price ⁽¹⁾ :	VND80,000	Basic EPS Y/Y	4.5%	24.7%	26.2%	55.6%
Upside to TP:	32.0%	Diluted EPS Y/Y	11.3%	29.3%	28.4%	55.6%
Dividend yield:	+1.7%	NPAT-MI (VND bn)	1,090	1,408	1,809	2,815
TSR	33.7%	EV/EBITDA	8.2x	6.1x	4.8x	3.6x
Rating ⁽¹⁾ :	OUTPERFORM	P/B	2.7x	2.2x	1.7x	1.3x
		Diluted P/E	11.6x	9.0x	7.0x	4.5x
Market Cap:	USD629mn		<u>HDG</u>	<u>Peers</u>	<u>VNI</u>	
Foreign Room:	USD112.5mn	P/E (ttm)	11.6x	19.2x	15.6x	
ADTV30D:	USD2.7mn	P/B (LQ)	2.7x	2.5x	N/A	
State Ownership:	0%	Net D/E	134.7%	21%	N/A	
Outstanding Shares:	203 mn	ROE	29.6%	15.1%	15.7%	
Fully Diluted Shares:	203 mn	ROA	6.8%	8.0%	2.6%	



Company Overview

Founded in 1990 as a construction company under the Ministry of Defense, HDG is now a reputable real estate developer in Hanoi and HCMC and a sizable investor in Vietnam's renewable energy space with 314 MW of hydropower, 82 MW of solar power and 50 MW of wind power capacity as of end-2021.

⁽¹⁾ Last updated on March 2, 2022

Duong Dinh
Senior Manager
duong.dinh@vcsc.com.vn
+84 28 3914 3588 ext. 140

Heading for strong growth period

- We attended HDG's AGM on April 23. Management addressed investor concerns regarding the handing over of the Charm Villas project and provided an explanation for its 2023-2025 business plan that targets 22%-27% growth p.a.
- HDG issued 2022 revenue guidance for VND3.7tn (nearly flat YoY) and NPAT before MI of VND1.3tn (flat YoY). The NPAT guidance accounts for 87% of our 2022 forecast. We see the potential for a slight downside risk to our 2022 NPAT after MI forecast (VND1.4tn; +29% YoY) due to lower-than-expected earnings from the real estate segment, which outweighs upside risk for the energy segment due to solid volume and strong competitive generation market prices potentially benefiting HDG's hydropower portfolio.
- HDG announced preliminary Q1 2022 NPAT before MI of VND210bn, completing 14% of our 2022 forecast as the revenue contribution from the real estate segment remained low during the quarter. Nevertheless, we expect earnings to accelerate moving forward.
- The AGM approved a cash dividend of VND1,000/share for 2021. In addition, the remaining 20% stock dividend will be paid this year.
- HDG proposed a 25% dividend for 2022. The company targets a VND500 cash dividend and 20% stock dividend as it desires to reserve cash for new projects. We currently forecast DPS of VND1,000 for 2022
- HDG is aggressively expanding its land bank and power portfolio. The company will raise equity when needed by conducting IPOs for its Hado Real Estate and Hado Energy subsidiaries.
- HDG is confident that its giant 300-MW An Phong wind power project will be included in Vietnam's Power Development Plan (PDP) VIII.

Strong profit growth guidance. HDG released a five-year business plan that guides for NPAT growth of 22%-27% p.a. in 2023-2025. This target is based on HDG's current land bank, eight existing power projects and four new wind power projects. The company targets to develop at least five real estate and energy projects in 2022, which should ensure earnings growth in future years.

The company's NPAT before MI guidance is ~20%-30% lower than our forecasts for 2024 and 2025. We attribute this divergence to HDG's more conservative selling price assumptions and/or some revenue recognition spreading into 2026 from future real estate projects. In 2017-2021, HDG beat its guidance by 6%-40%.

Figure 1: HDG's five-year guidance

Year	2021A	2022	2023	2024	2025
HDG's NPAT before MI guidance (VND bn)	1,344	1,344	1,713	2,092	2,552
Growth %		0%	27%	22%	22%
VCSC's NPAT before MI forecast (VND bn)	1,344	1,543	1,929	3,038	3,255
<i>HDG's guidance vs VCSC's forecast</i>		87%	89%	69%	78%

Source: HDG, VCSC

HDG will announce its land bank acquisition when its successful. The company will M&A with a real estate company that has a clean land bank or participate in an auction to acquire land bank. HDG is studying new projects in Hanoi (Thanh Oai District), HCMC (Binh Chanh District) and Phuoc My 2 (Ninh Thuan Province). These projects could help to quadruple HDG's land bank to 450 ha over the next five years. Previously, HDG shared that it is in negotiation to finish the acquisition of a 125-ha land bank in western Hanoi in at a preliminary cost of ~VND1tn and expected minimum net margin of 18%-20%.

HDG has submitted a proposal to establish the Hado Real Estate subsidiary and has the desire to conduct an IPO over the long term. HDG will hold at least 90% stake in this subsidiary. The remaining 10% stake will belong to HDG's chairman and some BOD members. This subsidiary will inherit all of HDG's real estate assets. According to management, the reason for establishing this subsidiary is to restructure HDG into a holding company and enhance its capital management capability as well as to increase the specializations, professionalism and profitability of HDG's subsidiaries.

Phase 3 of Charm Villas is ready to launch sales. HDG explained that it finished paying land-use rights fees for this project and that Charm Villas has met four conditions to recognize revenue in 2022 and 2023. The company is conducting additional research about the market prices of nearby projects to ensure the best price for Phase 3. HDG has sold 240 units in Phases 1 & 2 and targets to sell 130 units in Phase 3.

HDG is waiting for the approval of Power Development Plan VIII to proceed with the plan of doubling its power capacity. After PDP VIII is approved, HDG expects to develop two wind power projects — Phuoc Huu (50 MW) and Ea H'leo (20 MW). The company is waiting for an auction mechanism (which will be used to choose an investor based on the lowest offer price) . HDG expects a new price for wind power of 7.5 US cents — 12% lower than the previous tariff of 8.5 US cents and higher than our assumption of 7.0 US cents. Furthermore, the company has a targeted IRR of ~12% for the new project. Capex spending for the energy segment is set at VND1tn. HDG is also confident that its giant 300-MW An Phong wind power project will be included in PDP VIII.

Power portfolio delivered strong results in Q1 2022 and has a bright outlook as northern Vietnam faces an electricity shortage. HDG's power volume was 290 million kWh in Q1 2022, surpassing its target for the quarter by 20%. The new Dak Mi 2 hydropower plant's monthly volume surpassed HDG's target by 20%-50%. Additionally, wind and solar power does not face any curtailment risk due to the electricity shortage in northern Vietnam. HDG's chairman is confident that the hydropower plants has payback period of 10 years out of their 50-year lifecycle, while its wind/solar plant has payback period of seven to eight years out of its 20-30-year lifecycle.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED; COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

Disclaimer

Analyst Certification of Independence

I, Duong Dinh, hereby certify that the views expressed in this report accurately reflect **my** personal views about the subject securities or issuers. I also certify that no part of **my** compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 15th Floor
2 Hai Trieu Street, District 1, HCMC
+84 28 3914 3588

Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor
10 Nguyen Hue Street, District 1, HCMC
+84 28 3914 3588 (417)

Transaction Office Dong Da

9 Nguyen Ngoc Doan,
Dong Da District, Hanoi
+84 24 6262 6999

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588 (400)

Transaction Office ABS

Sailing Tower, 8th Floor,
111A Pasteur Street, District 1, HCMC
+84 28 3914 3588 (403)

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Alastair Macdonald, Head of Research, ext 105
alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Consumer

Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196

Real Estate and Infrastructure

Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

Materials and Industrials

Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Brokerage and Institutional Sales & Trading

Tuan Nhan

Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107
tuan.nhan@vcsc.com.vn

Quynh Chau

Managing Director Brokerage

+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn

Dung Nguyen

Director Institutional Sales & Trading

+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn