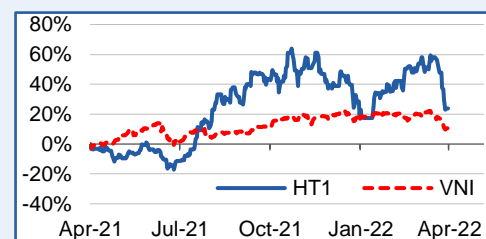




VICEM Ha Tien (HT1)

AGM Note

Industry	Cement		2021A	2022F	2023F	2024F
Report Date	April 26, 2022					
Current Price	VND18,600	Rev y/y	-11.3%	14.3%	0.9%	0.9%
Target Price*	VND19,500	EPS y/y	-39.1%	56.1%	20.2%	2.7%
Upside to TP	+4.8%	GPM	12.3%	14.7%	16.4%	16.3%
Dividend Yield	5.4%	NPM	5.2%	7.1%	8.5%	8.7%
TSR	+10.2%	EV/EBITDA	7.3x	5.9x	5.3x	5.2x
Rating*	MARKET PERFORM	P/B	1.4x	1.3x	1.3x	1.2x
		P/E	22.6x	14.5x	12.0x	11.7x



Market Cap	USD308.6mn		HT1	Peers**	VNI
Foreign Room	USD144.9mn	EV/EBITDA	7.3x	6.5x	N/A
ADTV30D	USD3.2mn	P/B (curr)	1.4x	1.2x	2.3x
State Ownership	79.7%	Net D/E	24.7%	26.0%	N/A
Outstanding Shares	381.5 mn	ROE	5.8%	13.2%	15.7%
Fully Diluted Shares	381.5 mn	ROA	3.4%	6.5%	2.6%

Note: * TP and rating last updated January 26, 2022; ** regional peers.

Company Overview

HT1 is one of the largest domestic cement companies in Vietnam. The company is the leader in the South with around 30% market share and has 10% market share throughout Vietnam. It is 80% owned by the State-owned Vietnam Cement Industry Corporation (VICEM).

Vy Nguyen

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Modest 2022 earnings growth guidance amid high coal prices

- We attended HT1's annual general meeting (AGM) in HCMC on April 26.
- Shareholders approved 2022 guidance for profit before tax (PBT) of VND502bn (USD21.8mn; +9% YoY), which trails our expectation as it is equivalent to 70% of our current forecast of VND722bn (USD31.3mn; +56% YoY) mainly due to high expected input material costs.
- A cash dividend of VND600/share for FY2021 was approved, which is lower than our current assumption of VND1,000/share. Shareholders also approved a FY2022 dividend plan for a minimum of 5% on par. We note that HT1 has historically only paid a cash dividend — except for a 20% stock dividend paid in 2016.

High input material prices prompt management's modest growth guidance for 2022. For full-year 2022, management targets cement sales volume of 6.41 million tonnes (+7% vs 2021 actual), which is equivalent to 96% of our forecast of 6.71 million tonnes (+12% vs 2021 actual). HT1 guides for 2022 revenue of VND7.9tn (USD341.6mn; +11% YoY) and PBT of VND502bn (USD21.8mn; +9% YoY), which are equivalent to 97% and 70% of our respective forecasts for revenue of VND8.1tn (USD351.1mn; +14% YoY) and PBT of VND722bn (USD25.1mn; +56% YoY). We attribute the discrepancy between HT1's guidance and our forecast for 2022 PBT to 1) higher-than-expected input coal prices and 2) the pace of recovery in domestic demand and tough competition. More details regarding our current forecast for HT1 can be found in our latest [Update Report](#), dated January 26, 2022.

Weak Q1 2022 earnings as high coal prices pressure margins. HT1's cement sales volume was 1.51 million tonnes (+3% YoY; -9% QoQ) in Q1 2022 as domestic construction activities gradually recovered following COVID-19-related disruptions in Q3 2021. HT1's Q1 2022 cement sales volume fulfilled 23% of our 2022 full-year forecast of 6.7 million tonnes. Despite the recovery in sales volume, HT1's gross margin in Q1 2022 shrank to 8.4% vs 13.8% in Q1 2021 mostly due to the surge of coal prices since late 2021, which led to NPAT-MI falling 74% YoY to VND25bn (USD1.1mn) in Q1 2022. Per management, HT1's average input coal cost increased 46% YoY (or 3% QoQ) in Q1 2022, but the company was only able to partially pass on these rising coal prices by increasing ASPs by 8% YoY (or 2% QoQ) in the quarter. More details regarding HT1's Q1 2022 results can be found in our latest [Earnings Flash](#), dated April 20, 2022.

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.
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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.

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