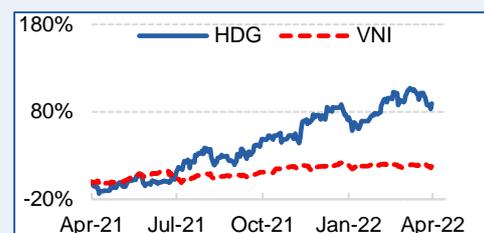


Industry:	RE & Power		2021	Q1-22	2022
Report Date:	May 4, 2022	Rev Y/Y	-23.2%	-49.5%	8.9%
Current Price:	VND57,600	Basic EPS Y/Y	4.5%	-24.3%	24.7%
Target Price ¹ :	VND80,000	Diluted EPS Y/Y	11.3%	-24.3%	29.3%
Upside to TP:	+38.9%	NPAT-MI (VND bn)	1,090	244	1,408
Dividend Yield:	1.7%	EV/EBITDA	7.9x	N/A	6.0x
TSR:	+40.6%	P/B	2.6x	N/A	2.1x
Rating ¹ :	OUTPERFORM	Diluted P/E	11.0x	N/A	8.5x



			HDG	Peers	VNI
Market Cap:	USD511mn	Diluted P/E (ttm)	11.6x	19.2x	15.0x
Foreign Room:	USD194.2mn	P/B (ttm)	2.6x	2.5x	2.3x
ADTV30D:	USD3.5mn	Net D/E	106.8%	21%	N/A
State Ownership:	0%	ROE	22.7%	15.1%	15.8%
Outstanding Shares:	203 mn	ROA	6.4%	8.0%	2.7%
Fully Diluted Shares:	203 mn				

Company Overview

Founded in 1990 as a construction company under the Ministry of Defense, HDG is now a 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 (at end-2021F).

(1) Last updated March 2, 2022

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Energy segment to shine; awaiting real estate handovers

- HDG released Q1 2022 results with NPAT before MI of VND296bn — 40% higher than the preliminary number announced at the company's AGM.
- Q1 2022 NPAT after MI was VND244bn (-24% YoY), completing 17% of our 2022F forecast. The strong performance of the energy segment failed to offset both temporarily low revenue and profit contributions from the real estate segment — in line with our expectation as we expect handovers of the Charm Villas project to peak in Q2 and Q4 2022.
- Nevertheless, we see the potential for a slight downside risk to our 2022 NPAT after MI forecast of VND1.4tn (+29% YoY) due to lower-than-expected earnings from the real estate segment, which outweighs upside risk for the energy segment, pending a fuller review.
- The potential downside risk to our 2022 real estate earnings forecast is partly due to no contribution from the Hado Centosa Garden project as HDG finished booking all of this project's revenue and profit in 2021. In Q1 2022, the real estate segment contributed ~20% to HDG's total revenue vs approximately 70% in Q1 2021. However, gross margin hit a record high of 80% compared to 44% in Q1 2021 and 72% in Q4 2021.
- HDG should launch sales of Phase 3 of the Charm Villas project in Q2 2022. The company is conducting additional research about the market prices of nearby projects to ensure the best price for Phase 3. HDG sold 240 units in Phases 1 & 2 and targets to sell 130 units in Phase 3. Construction progress is tracking in line with our expectation as HDG has completed the foundation for the whole project.
- The energy segment's revenue and gross profit jumped 98% YoY and 82% YoY, respectively, thanks to the contributions of two new hydropower plants (Dakmi 2 & Song Tranh 4 that benefited from strong competitive generation market prices) as well as the 7A wind farm. This segment's gross profit completed 28% of our 2022F forecast; in addition, interest expenses (which are mainly from the energy segment) were lower than expected as they accounted for 21% of our 2022F forecast. Therefore, we see potential upside risk for the energy segment.

Figure 1: HDG's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	% of 2022F
Revenue	1,354	684	-49.5%	16%
Real estate	932	126	-86.5%	7%
Energy	241	477	97.6%	24%
Office leasing & hotel	102	79	-22.7%	19%
Construction & others	78	2	-97.4%	N/M
Gross profit	631	465	-26.3%	18%
Real estate	408	100	-75.4%	8%
Energy	179	326	82.3%	28%
Office leasing & hotel	54	39	-28.2%	24%
Construction & others	-9	1	N/M	N/M
Selling exp	-8	-7	-15.4%	8%
G&A	-45	-36	-19.0%	23%
Operating profit	578	422	-27.0%	18%
Financial income	5	27	475.8%	133%
Financial expenses	-89	-123	38.4%	21%
In which, interest expense	-87	-119	36.7%	20%
Other non-operating income	0	0	N/M	N/M
PBT	495	326	-34.1%	18%
- Income tax exp	-93	-30	-67.7%	11%
NPAT before MI	402	296	-26.3%	19%
- Minority interest	-79	-52	-34.5%	39%
NPAT-MI	322	244	-24.3%	17%

Source: HDG, VCSC

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
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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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