



# Ha Do Group (HDG) [BUY +73.9%]

## Update Report

**Industry:** Real Estate & Power

**Report Date:** May 9, 2022

**Current Price:** VND47,450

**Target Price:** VND82,000

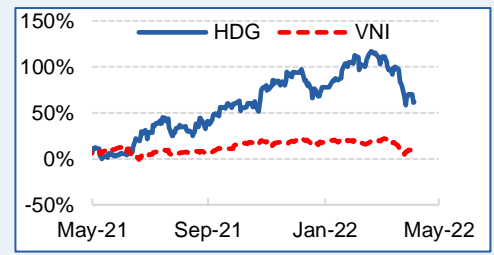
**Last Target Price:** VND80,000

**Upside to TP:** +72.8%

**Dividend Yield:** 1.1%

**TSR:** +73.9%

	2021	2022F	2023F	2024F
Rev Y/Y	-24.4%	6.5%	39.3%	103.0%
EPS Y/Y	11.9%	21.8%	37.3%	54.3%
NPAT-MI (VND bn)	1,096	1,335	1,833	2,828
EBITDA (VND bn)	2,296	2,941	3,828	5,209
EV/EBITDA	7.1x	5.9x	4.5x	2.8x
P/B	2.2x	1.7x	1.3x	1.0x
P/E	9.1x	7.5x	5.4x	3.5x



Market Cap:	USD450mn
Foreign Room:	USD171mn
ADTV30D:	USD3.1mn
State Ownership:	0%
Outstanding Shares:	203 mn
Fully Diluted Shares:	203 mn

	HDG	Peers	VNI
P/E (ttm)	10.3x	18.9x	13.8x
P/B (LQ)	2.3x	2.5x	2.2x
Net D/E	106.8%	28.5%	N/A
ROE	22.7%	16.9%	15.8%
ROA	6.4%	6.9%	2.6%

### 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 as of end-2021.

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## Awaiting Charm Villas' sales launch, substantial handovers

- We maintain our view that HDG is an attractive play on Vietnam's real estate and renewable energy sectors due to the potential of its land bank quadrupling to 450 ha and power capacity doubling to 1,000 MW in the next five years, which implies robust earnings growth beyond 2025F. We upgrade our rating from OUTPERFORM to BUY as HDG's share price has slid ~30% in the past three months.
- We raise our target price 2% due to higher profit from the energy segment over the forecast period.
- We lower 2022F NPAT-MI by 5% due to lower-than-expected earnings from the real estate segment, which outweighs an 18% upward revision in NPAT for the energy segment. We maintain our cumulative 2022F-2025F NPAT-MI forecast.
- We project NPAT-MI to jump ~22% YoY in 2022F mainly thanks to doubling profit recognition from the Charm Villas project and a full-year contribution from the three power plants installed in 2021.
- We find HDG's valuation compelling at a 2022F PER of 7.5x — a 60% discount vs our selected peer group's TTM PER. We argue for re-rating given our projected EPS CAGR of 29% in 2021-2025F.
- Downside risk: Slower-than-expected progress of future real estate projects.
- Upside risk: An Phong giant wind project (300 MW) to be included in Power Development Plan VIII.

**Energy segment to deliver fruitful results in 2022.** We estimate the energy segment will deliver revenue growth of 54% YoY with contributions from the Dakmi 2 and Song Tranh 4 hydropower plants (benefiting from strong competitive generation market prices) as well as the 7A wind farm. We raise the energy segment's NPAT 18% due to lower-than-expected interest expenses for the 7A wind farm and Dakmi hydropower plant. HDG's chairman has stated its hydropower plants have a payback period of 10 years out of their 50-year lifecycle, while its wind/solar plants have a payback period of seven to eight years out of their 20-30-year lifecycle given their controlled capex and low financing rates.

**HDG plans to launch sales of Phase 3 of 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. We expect 150 units to be handed over in 2022 (see page 13) compared to 80 units in 2021. HDG also plans to launch sales for the Hado Minh Long and Hado Greenlane projects in Q4 2022.

**HDG will announce its land bank acquisition after it is successful.** HDG is studying new projects in Hanoi (Thanh Oai District — ~20 km from city center), HCMC (Binh Chanh District) and Phuoc My 2 (Ninh Thuan Province). Previously, HDG stated that it was in negotiation to finish the acquisition of a 125-ha land bank in western Hanoi at a preliminary cost of ~VND1tn.

## Q1 2022 Recap: Energy segment shines while awaiting real estate handovers

Figure 1: Q1 2022 recap

VND bn	Q1 2021	Q1 2022	YoY	% of previous 2022F	Comments
<b>Revenue</b>	<b>1,354</b>	<b>684</b>	<b>-49.5%</b>	<b>16%</b>	Revenue plunged mainly due to temporarily low revenue contribution from the real estate segment that outweighed revenue doubling from the energy segment.
Real estate	932	126	-86.5%	7%	Small contribution from Charm Villas project vs last year's high base with the Hado Centosa Garden project.
Energy	241	477	97.6%	24%	Thanks to the contributions of two new hydropower plants (Dakmi 2 & Song Tranh 4, which benefited from strong competitive generation market prices) as well as the 7A wind farm Q1 2022 volume was 290 million kWh, accounting 21% of our 2022 forecast.
Office leasing & hotel	102	79	-22.7%	19%	Hotel revenue declined after the hotel stopped being a quarantine location for foreign experts entering Vietnam.
Construction & others	78	2	-97.4%	N.M.	
<b>Gross profit</b>	<b>631</b>	<b>465</b>	<b>-26.3%</b>	<b>18%</b>	
Real estate	408	100	-75.4%	8%	Gross margin hit a record high of 80% compared to 44% in Q1 2021 and 72% in Q4 2021.
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%	
<b>Operating profit</b>	<b>578</b>	<b>422</b>	<b>-27.0%</b>	<b>18%</b>	
Financial income	5	27	475.8%	133%	
Financial expenses	-89	-123	38.4%	21%	Interest expenses jumped mainly due to new power plants, but it was lower than our estimates.
In which, interest expense	-87	-119	36.7%	20%	
Other non-operating income	0	0	N.M.	N.M.	
<b>PBT</b>	<b>495</b>	<b>326</b>	<b>-34.1%</b>	<b>18%</b>	
- Income tax exp	-93	-30	-67.7%	11%	
<b>NPAT before MI</b>	<b>402</b>	<b>296</b>	<b>-26.3%</b>	<b>19%</b>	
- Minority interest	-79	-52	-34.5%	39%	
<b>NPAT-MI</b>	<b>322</b>	<b>244</b>	<b>-24.3%</b>	<b>17%</b>	The strong performance of the energy segment failed to offset the temporarily low profit contribution from the real estate segment. Despite the low completion rate of 17%, this is in line with our expectation as we believe revenue and profit from the real estate segment will accelerate in future quarters.

Source: HDG, VCSC

## 2022F: Elevated growth from Charm Villas' handovers

Figure 2: 2022 forecast

VND bn	2021	2022F	YoY	New vs old 2022F	VCSC's comments on (1) YoY growth (2) Changes in 2022F forecast
<b>Revenue</b>	<b>3,777</b>	<b>4,021</b>	<b>6%</b>	<b>-4%</b>	(1) Mainly due to the three new power plants that came online in late 2021. (2) We lower real estate revenue mainly due to no revenue from Hado Centosa project as HDG finished booking all of this project's revenue and profit in 2021.
Real estate	1,975	1,635	-17%	-9%	
Energy	1,271	1,960	54%	0%	
Office leasing & hotel	385	426	11%	0%	
Construction	146	0	N/A		HDG exited the construction business.
<b>Gross profit</b>	<b>2,320</b>	<b>2,622</b>	<b>12%</b>	<b>-1%</b>	
Selling exp	-118	-85	-28%	0%	(1) To decline from a high base in 2021 when HDG booked most expenses related to its pre-sales events for the Charm Villas.
G&A	-221	-165	-26%	7%	(1) Mainly thanks to HDG's exit from the construction segment.
<b>Operating profit</b>	<b>1,981</b>	<b>2,372</b>	<b>18%</b>	<b>-1%</b>	
Financial income	79	22	-72%	10%	(1) To decline from a high base when HDG had a VND50bn FX translation gain.
Financial expenses	-408	-565	39%	-5%	
In which, interest expense	-386	-565	46%	-5%	
<b>PBT</b>	<b>1,644</b>	<b>1,829</b>	<b>7%</b>	<b>0%</b>	
- Income tax exp	-300	-294	-3%	3%	
<b>NPAT before MI</b>	<b>1,344</b>	<b>1,535</b>	<b>9%</b>	<b>-1%</b>	
- Minority interest	-248	-200	-19%	49%	
<b>NPAT-MI</b>	<b>1,096</b>	<b>1,335</b>	<b>22%</b>	<b>-5%</b>	(1) Due to higher profit from the Charm Villas with an estimated 150 units to be handed over compared to 80 units in 2021 and higher profit from the energy segment. (2) We revise down our earnings projection due to no more profit contribution from Hado Centosa, outweighing an 18% NPAT increase for the energy segment.
Real estate	714	938	31%	-7%	
Energy	500	526	5%	18%	(1) We expect higher revenue from Song Tranh 4/Dakmi 2 hydropower and 7A Thuan Nam wind farm to outweigh their depreciation and interest expenses. (2) Due to lower-than-expected interest expenses from 7A wind farm and Dakmi 4 hydropower plant.
Office leasing and hotel	63	63	-1%	1%	
Construction	9	0	-100%		
Holdco exp and financial income	-190	-190	0%	85%	

Source: HDG, VCSC

## 2022F-2025F forecast summary

**We forecast a 29% NPAT-MI CAGR in 2021-2025F that is driven by the following:**

- Real estate: Handovers of the Charm Villas in 2021-2023F, Hado Green Lane and Hado Minh Long in 2023-2025F, Phan Dinh Giot and Alila Bao Dai in 2024F-2025F, Dich Vong in 2024F-2026F and Nongtha in 2024F-2027F.
- Energy: Commercial operation of the Song Tranh 4 and Dakmi 2 hydropower plants and 7A Thuan Nam wind farm in 2021, as well as four wind power projects in early and mid-2023F.
- Hotel, office and commercial leasing: Commercial operation of the new CC3 building in late 2023F and the Alila Bao Dai Hotel in 2024F.
- Holdco expenses & interest income: To gradually recover to positive territory thanks to cash generated from the above projects.

**We nearly maintain our cumulative 2022F-2025F forecast as we:**

- Cut our 2022F NPAT-MI forecast by 5% as we lower real estate segment profit due to no more contribution from the Hado Centosa project.
- Raise our 2023-2025F NPAT-MI forecast by ~1% mainly due to lower-than-expected interest expenses for the 7A wind farm and Dakmi 2 hydropower plant.

**Figure 3: 2021-2025F NPAT-MI forecast summary**

VND bn	2020	2021	2022F	2023F	2024F	2025F
<b>Real estate</b>	<b>854</b>	<b>714</b>	<b>938</b>	<b>1,262</b>	<b>2,001</b>	<b>2,142</b>
Centrosa Garden	852	144	0	0	0	0
Charm Villas	0	570	938	1,026	0	0
Hado Green Lane	0	0	0	0	427	593
Hado Minh Long	0	0	0	147	703	0
Phan Dinh Giot	0	0	0	0	235	602
Garden Villa	2	0	0	89	0	0
Noongtha complex	0	0	0	0	80	230
Dich Vong complex	0	0	0	0	343	663
Alila Bao Dai	0	0	0	0	212	53
<b>Energy</b>	<b>167</b>	<b>500</b>	<b>526</b>	<b>580</b>	<b>667</b>	<b>709</b>
Za Hung – Hydropower	47	54	46	46	46	46
Nam Pong – Hydropower	18	28	34	35	35	35
Nhan Hac – Hydropower	38	91	54	40	44	49
Song Tranh 4 – Hydropower	0	57	-11	-7	-3	0
Dakmi 2 – Hydropower	0	71	102	89	103	117
Hong Phong 4 – Solar power	72	75	85	79	82	84
Infra 1 – Solar Power	0	91	95	99	102	101
7A Thuan Nam – Wind power	0	26	121	130	140	142
Ea H'leo – Wind power	0	0	0	7	11	14
Huong Phung – Wind power	0	0	0	44	49	51
Phuoc Huu – Wind power	0	0	0	12	43	49
Soc Trang – Wind power	0	0	0	6	15	21
<b>Hotel, office &amp; commercial leasing</b>	<b>40</b>	<b>63</b>	<b>63</b>	<b>71</b>	<b>133</b>	<b>162</b>
<b>Construction</b>	<b>79</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Holdco exp &amp; interest income</b>	<b>-161</b>	<b>-190</b>	<b>-190</b>	<b>-75</b>	<b>27</b>	<b>91</b>
<b>NPAT-MI (new)</b>		<b>1,090</b>	<b>1,335</b>	<b>1,833</b>	<b>2,828</b>	<b>3,104</b>
<b>NPAT-MI (old)</b>		<b>1,096</b>	<b>1,408</b>	<b>1,809</b>	<b>2,815</b>	<b>3,088</b>
<i>Changes vs old forecasts</i>			<b>-5%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>

Source: HDG, VCSC

## Valuation

We value HDG using a sum-of-the-parts approach. We raise our TP by 2% from VND80,000/share to VND82,000/share mainly because of a 3% increase in our valuation for the energy segment (due to lower-than-expected interest expenses at the Dakmi 2 hydropower plant and 7A wind farm over the forecast period), as well as a lower net debt balance at the holdco level as of March 31, 2022. We also roll forward our target price to mid-2023.

We note that we maintain VND1.0tn of potential value from the first 125 ha out of 320 ha of new land bank that HDG plans to acquire. As HDG plans to spend VND1.0tn for the first 125 hectares in 2022, we assume 2.0x book value to estimate the potential value added (compared to the historical average 3.5x P/B of HDG's previous real estate projects that it developed). If we exclude potential value from new land bank, then our target price would decline by 5% to VND78,000/share.

- **Power generation:** We choose a discounted cash flow (DCF) approach to value power plants in the power generation segment as it is best suited to measure the cash generation capability of this business. We use a discount period that matches the remaining economic useful life of each power project to reflect their finite life and assume no scrap value at the end of the period.
- **Real estate:** We use a RNAV method for projects under construction and under development via discounting forecast free cash flow to the firm. For projects that have yet to be reflected into our earnings forecast, we use the total investment value that HDG already spent for the projects (book value) as our valuation.
- **Office & commercial leasing and hotel:** For HDG's existing portfolio (40,000 sqm), we apply a cap rate of 8.5% to our forecast net operating income (NOI) to come up with a valuation of VND1.4tn (USD60mn). For the CC3 Building and Alila Bao Dai Hotel, we use a RNAV approach with a 20-year discount period.
- **For simplicity, we use the same discount rate (9.9%) for all of our cash flow projections and apply a 10% conglomerate discount to HDG's total equity value to derive our TP.**

**Figure 4: VCSC's assumptions for WACC**

Item	Previous	Revised
Beta	1.0	1.0
Equity risk premium	7.0%	7.0%
Risk free rate	5.5%	5.5%
Cost of equity	12.5%	12.5%
Cost of debt	10.0%	10.0%
Debt ratio	58.1%	58.1%
Equity ratio	41.9%	41.9%
Effective tax rate	20.0%	20.0%
<b>WACC</b>	<b>9.9%</b>	<b>9.9%</b>

Source: VCSC

**Figure 5: HDG's sum-of-the-parts valuation**

VND bn	Method	Projected DCF/NAV	Ownership	Attributed value	2022F PER at TP	2023F PER at TP
<b>Power generation</b>		<b>11,318</b>		<b>9,343</b>	<b>17.8x</b>	<b>16.1x</b>
Za Hung – 30 MW	DCF	973	52%	506		
Nam Pong – 30 MW	DCF	864	52%	449		
Nhan Hac – 59 MW	DCF	1,178	52%	613		
Song Tranh 4 – 48 MW	DCF	719	60%	431		
Dakmi 2 – 147 MW	DCF	2,303	98%	2,257		
Hong Phong 4 – 48 MWp	DCF	1,152	83%	958		
Infra 1 – 50 MWp	DCF	1,252	100%	1,252		
7A Thuan Nam – 50 MW	DCF	1,950	100%	1,950		
Ea H'leo -20MW	DCF	33	100%	33		
Huong Phung -30 MW	DCF	404	100%	404		
Phuoc Huu -50 MW	DCF	397	100%	397		
Soc Trang - 40 MW	DCF	93	100%	93		
<b>Real estate</b>		<b>8,096</b>		<b>7,978</b>	<b>8.5x</b>	<b>6.3x</b>
Centrosa Garden, HCMC*	RNAV	0	89%	0		
Charm Villas, Hanoi	RNAV	2,186	100%	2,186		
Hado Greenlane, HCMC	RNAV	1,220	100%	1,220		
Hado Minh Long, HCMC	RNAV	1,176	100%	1,176		
Phan Dinh Giot, Hanoi	RNAV	872	100%	872		
Noongtha, Laos	RNAV	290	100%	290		
Dinh Vong Complex, Hanoi	RNAV	751	100%	751		
Alila Bao Dai - Villa sales	RNAV	400	71%	282		
New landbank-125 ha & others	2x book value	1,200	100%	1,200		
<b>Commercial real estate</b>		<b>1,814</b>		<b>1,971</b>	<b>31.5x</b>	<b>29.1x</b>
Existing portfolio	Cap rate	1,404	100%	1,404		
CC3 office	RNAV	410	100%	410		
Alila Bao Dai Hotel	RNAV	223	71%	157		
<b>Total project NAV</b>				<b>19,293</b>		
Net debts at holdco level**				-803		
<b>Fair value</b>				<b>18,490</b>		
Conglomerate discount				10%		
<b>Target valuation</b>				<b>16,641</b>		
Diluted share count (million)				203.8		
<b>Target price (VND)</b>				<b>82,000</b>	<b>12.8x</b>	<b>9.3x</b>
Market price (VND)				47,450		
Upside				72.8%		
Dividend yield				1.0%		
<b>TSR</b>				<b>73.9%</b>		

Source: HDG, VCSC

(\*) All cash flows from Hado Centosa Garden received by the end of 2021.

(\*\*) Net debt excluding internal borrowings at the parent company.

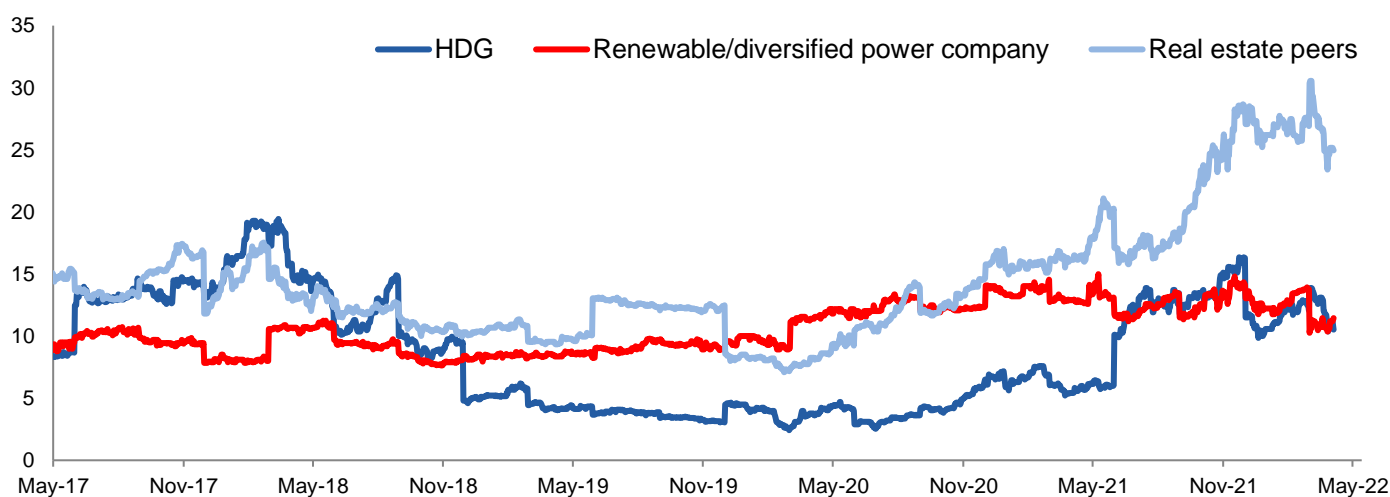


## Comparable peers

There is no perfect peer for HDG as it operates in two businesses: power generation and real estate. As HDG is increasing its exposure to the renewable power sector, we believe it is appropriate to also compare HDG to select domestic renewable/hydropower companies in addition to select real estate peers.

We see that HDG traded in line with peers in 2017- 2018 but remained at a steep 50%-70% discount vs peers in 2019-2020. We attribute this difference to HDG's skyrocketing profit growth in 2019-2020 (which quadrupled vs 2017 NPAT-MI) and the fact that investors were still questioning the sustainability of this growth. Given our projection for a bright profit outlook in 2022F-2025F, we are optimistic on potentially P/E multiple re-ratings for HDG in the next 12 months.

**Figure 6: HDG's TTM PER vs our selected peer groups**



Source: Bloomberg, VCSC

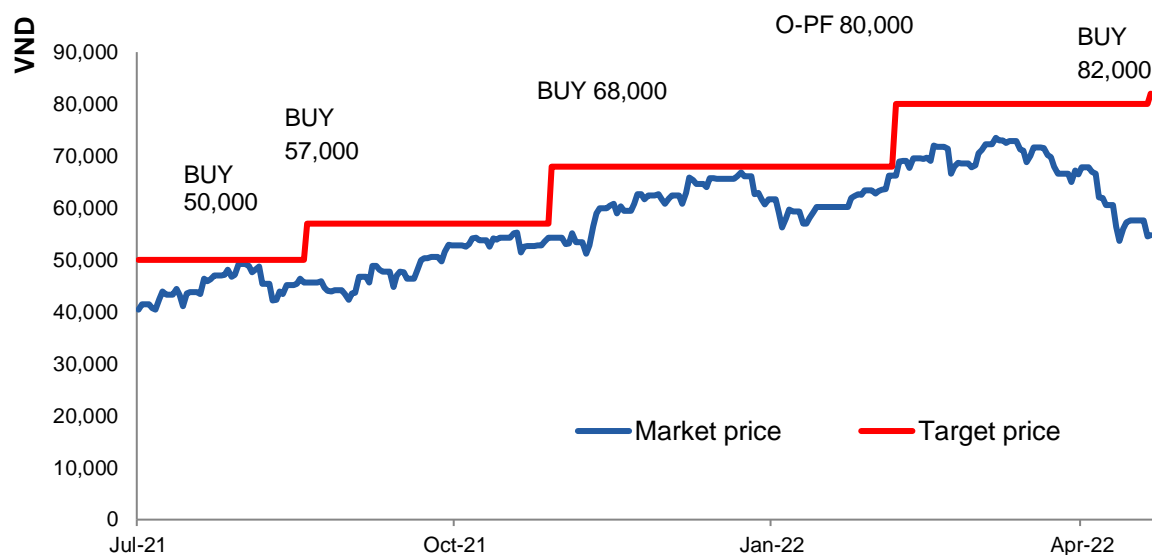
**Figure 7: Selected peer comparison**

Short Name	Name	Mkt Cap (USD mn)	TTM Net sales (USD mn)	YoY (%)	TTM NPAT (USD mn)	YoY (%)	NET D/E (%)	ROE (%)	ROA (%)	Div yield (%)	TTM P/E (x)	EV/ EBITDA (x)	PBR(x)
<b>RENEWABLE POWER / HYDROPOWER COMPANIES</b>													
PC1 VN Equity	PC1 Group	412	427	42.3	30	49.9	105.1	16.9	4.7	N/A	12.4	14.3	1.9
VSH VN Equity	Vinh Son - Song Hinh HP	340	97	350.6	17	137.1	124.1	16.9	6.9	1.2	11.3	9.5	1.7
CHP VN Equity	Central HP JSC	152	42	23.7	11	73.9	61.8	20.2	11.6	6.3	9.1	7.6	1.7
SHP VN Equity	Thac Mo HP JSC	183	36	64.9	16	91.6	-4.8	27.7	19.6	2.0	10.3	7.2	2.9
TMP VN Equity	Southern HP JSC	127	32	74.4	12	410.5	19.8	26.0	18.5	1.6	8.9	5.7	2.0
TBC VN Equity	Thac Ba HP JSC	87	22	-15.8	7	-25.4	4.9	18.5	10.8	6.3	11.6	6.3	1.9
GEG VN Equity	Gia Lai JSC	290	72	10.2	12	40.6	183.2	10.3	3.6	1.7	18.9	13.4	1.5
<b>Median</b>		<b>183</b>	<b>42</b>	<b>42.3</b>	<b>12</b>	<b>73.9</b>	<b>61.8</b>	<b>18.5</b>	<b>10.8</b>	<b>1.9</b>	<b>11.3</b>	<b>7.6</b>	<b>1.9</b>
<b>REAL ESTATE DEVELOPERS</b>													
NVL VN Equity	Nova Land Group	6,896	540	44.0	141	-8.9	103.1	11.1	2.0	N/A	37.5	99.6	4.3
PDR VN Equity	Phat Dat RE Corp	1,799	160	-5.4	81	44.2	35.7	30.0	9.7	N/A	22.1	20.1	6.3
KDH VN Equity	Khang Dien House JSC	1,291	133	-34.8	52	7.8	10.9	12.7	8.4	N/A	24.6	23.9	3.4
DXG VN Equity	Dat Xanh Group	926	390	70.3	50	N/A	10.9	11.3	3.3	N/A	23.3	9.7	2.7
NLG VN Equity	Nam Long Group	802	243	172.9	47	-35.2	-1.8	8.7	3.3	2.3	25.3	35.7	2.3
SCR VN Equity	Sacombank	257	89	144.6	8	18.3	28.5	4.4	2.0	6.2	28.2	60.6	1.6
<b>Median</b>		<b>1,109</b>	<b>202</b>	<b>57.1</b>	<b>51</b>	<b>7.8</b>	<b>19.7</b>	<b>11.2</b>	<b>3.3</b>	<b>4.3</b>	<b>24.9</b>	<b>29.8</b>	<b>3.0</b>
<b>Peer average</b>		<b>340</b>	<b>97</b>	<b>44.0</b>	<b>17</b>	<b>42.4</b>	<b>28.5</b>	<b>16.9</b>	<b>6.9</b>	<b>2.2</b>	<b>18.9</b>	<b>13.4</b>	<b>2.5</b>
<b>HDG</b>	<b>Hado Group</b>	<b>487</b>	<b>136</b>	<b>-41.0</b>	<b>48</b>	<b>-9.0</b>	<b>119.9</b>	<b>25.7</b>	<b>6.8</b>	<b>1.8</b>	<b>10.6</b>	<b>9.0</b>	<b>3.2</b>

Source: Bloomberg, VCSC , Data as of May 6

## Recommendation History

Figure 8: Historical recommendations and target prices (VND/share)



Source: Bloomberg, VCSC



## Financial Statements

P&L (VND bn)					B/S (VND bn)				
2021	2022F	2023F	2024F		2021	2022F	2023F	2024F	
<b>Revenue</b>	<b>3,777</b>	<b>4,021</b>	<b>5,602</b>	<b>11,372</b>	Cash & equivalents	230	867	1,768	3,199
COGS	-1,457	-1,399	-2,240	-6,280	ST investment	680	680	680	680
<b>Gross Profit</b>	<b>2,320</b>	<b>2,622</b>	<b>3,362</b>	<b>5,092</b>	Accounts receivables	1,403	915	989	1,043
Sales & Marketing exp	-118	-85	-88	-367	Inventories	1,364	3,115	5,364	2,946
General & Admin exp	-221	-165	-271	-463	Other current assets	439	439	439	439
<b>Operating Profit</b>	<b>1,981</b>	<b>2,372</b>	<b>3,002</b>	<b>4,262</b>	<b>Total Current assets</b>	<b>4,116</b>	<b>6,017</b>	<b>9,240</b>	<b>8,307</b>
Financial income	79	22	54	101	Fixed assets, gross	13,063	15,651	18,319	20,076
Financial expenses	-408	-565	-721	-710	- Depreciation	-1,460	-2,126	-2,951	-3,898
- o/w interest expense	-386	-565	-721	-710	Fixed assets, net	11,603	13,525	15,367	16,178
Associates	0	0	0	0	LT investment	3	3	3	3
Net other income/(loss)	-8	0	0	0	LT assets other	169	169	169	169
<b>Profit before Tax</b>	<b>1,644</b>	<b>1,829</b>	<b>2,335</b>	<b>3,653</b>	<b>Total LT assets</b>	<b>11,775</b>	<b>13,696</b>	<b>15,539</b>	<b>16,350</b>
Income Tax	-300	-294	-377	-600	<b>Total Assets</b>	<b>15,891</b>	<b>19,713</b>	<b>24,779</b>	<b>24,656</b>
<b>NPAT before MI</b>	<b>1,344</b>	<b>1,535</b>	<b>1,957</b>	<b>3,054</b>	AP & Advances	1,491	3,047	5,138	3,564
Minority Interest	-248	-200	-124	-225	Short-term debt	1,288	1,061	979	979
<b>NPAT less MI, reported</b>	<b>1,096</b>	<b>1,335</b>	<b>1,833</b>	<b>2,828</b>	Other ST liabilities	573	573	573	573
					<b>Total current liabilities</b>	<b>4,293</b>	<b>5,622</b>	<b>7,630</b>	<b>6,057</b>
EBITDA	2,296	2,941	3,828	5,209	Long term debt	6,086	7,180	8,466	7,055
EPS basic, VND	5,216	6,355	8,724	13,461	Other LT liabilities	121	121	121	121
EPS fully diluted, VND	5,216	6,355	8,724	13,461	<b>Total liabilities</b>	<b>10,500</b>	<b>12,923</b>	<b>16,217</b>	<b>13,233</b>
DPS, VND	1,000	500	500	500					
DPS/EPS (%)	19%	8%	6%	4%	Preferred Equity	0	0	0	0
					Paid in capital	1,963	2,038	2,038	2,038
					Share premium	197	197	229	388
<b>RATIOS</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	Retained earnings	1,933	2,996	4,643	7,278
<b>Growth</b>					Other equity	210	230	230	230
Revenue growth	-24.4%	6.5%	39.3%	103.0%	Minority interest	1,056	1,139	1,264	1,489
NPAT growth %	11.9%	21.8%	37.3%	54.3%	<b>Total equity</b>	<b>5,391</b>	<b>6,791</b>	<b>8,562</b>	<b>11,423</b>
EPS basic growth, %	-0.5%	21.8%	37.3%	54.3%	<b>Liabilities &amp; equity</b>	<b>15,891</b>	<b>19,713</b>	<b>24,779</b>	<b>24,656</b>
EPS fully diluted growth %	11.9%	21.8%	37.3%	54.3%					
					Y/E shares out, mn	196	203	203	203
<b>Profitability</b>					Treasury shares, mn	0.0	0.0	0.0	0.0
Gross Profit Margin	61.4%	65.2%	60.0%	44.8%	<b>CASH FLOW (VND bn)</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Op Profit, (EBIT) Margin	52.4%	59.0%	53.6%	37.5%	<b>Beginning Cash Balance</b>	<b>438</b>	<b>230</b>	<b>867</b>	<b>1,768</b>
EBITDA Margin	60.8%	73.1%	68.3%	45.8%	Net Income	1,344	1,535	1,957	3,054
NPAT-MI Margin, adj,	29.0%	33.2%	32.7%	24.9%	Dep, & amortization	315	569	825	946
ROE	29.8%	26.7%	28.3%	32.8%	Change in Working Cap	296	293	-232	792
ROA	7.4%	7.5%	8.2%	11.4%	Other adjustments	-899	0	0	0
					<b>Cash from Operations</b>	<b>1,056</b>	<b>2,397</b>	<b>2,550</b>	<b>4,792</b>
<b>Efficiency</b>					Capital Expenditures, net	-1,993	-2,588	-2,668	-1,757
Days Inventory On Hand	391	584	691	242	Investments, net	-80	0	0	0
Days Accts, Receivable	89	74	42	23	<b>Cash from Investments</b>	<b>-2,073</b>	<b>-2,588</b>	<b>-2,668</b>	<b>-1,757</b>
Days Accts, Payable	104	78	63	53	Div to HDG's shareholder	-154	-154	-77	-77
Cash Conversion Days	376	581	670	212	Div to minority shareholder	-218	-118	-108	-115
					Δ in Share Capital	309	234	0	0
<b>Liquidity</b>					Δ in ST debt	3,298	-227	-82	0
Current Ratio x	1.0	1.1	1.2	1.4	Δ in LT debt	-2,458	1,094	1,286	-1,411
Quick Ratio x	0.6	0.5	0.5	0.9	Other financing C/F	32	0	0	0
Cash Ratio x	0.1	0.2	0.2	0.5	<b>Cash from Financing</b>	<b>809</b>	<b>828</b>	<b>1,018</b>	<b>-1,603</b>
Debt / Assets	46.4%	41.8%	38.1%	32.6%	<b>Net Change in Cash</b>	<b>-208</b>	<b>637</b>	<b>900</b>	<b>1,431</b>
Debt / Capital	57.8%	54.8%	52.4%	41.3%	<b>Ending Cash Balance</b>	<b>230</b>	<b>867</b>	<b>1,768</b>	<b>3,199</b>
Net Debt / Equity	132.5%	108.6%	89.7%	42.3%					
Interest Coverage x	5.1	4.2	4.2	6.0					

Source: HDG, VCSC

## Appendix

### Hado Real Estate IPO

At its 2022 AGM, HDG submitted a proposal to establish the Hado Real Estate subsidiary and has a desire to conduct an IPO over the long term. HDG will hold at least a 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.

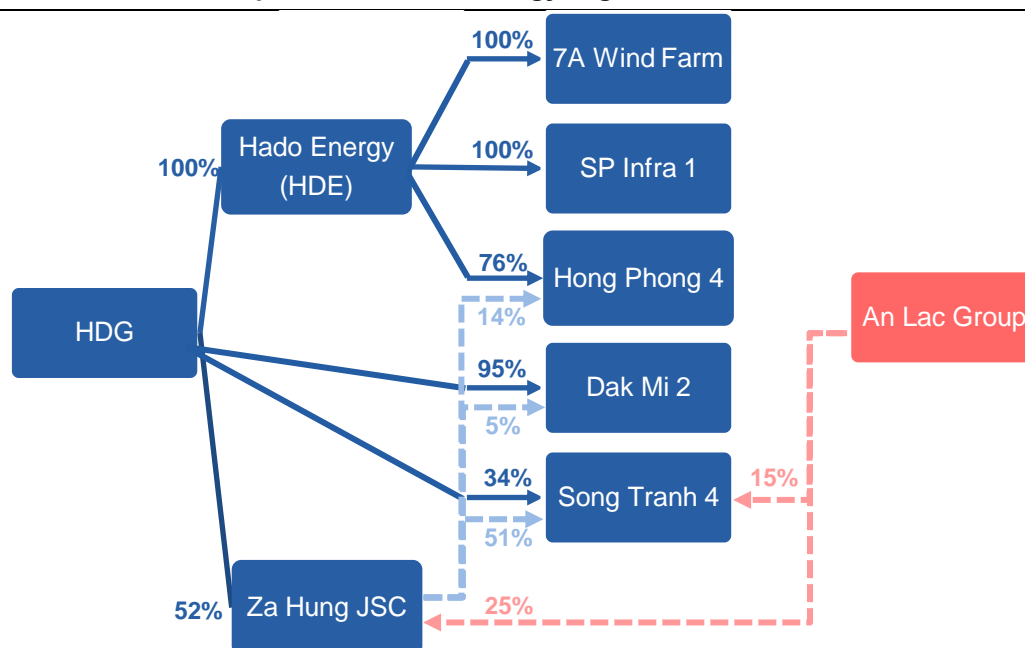
### HDG established Hado Energy — a wholly-owned subsidiary focused on renewable energy — in July 2021 and has plans to conduct an IPO in 2023-2024

**Hado Energy is pure play on renewable energy.** Established in July 2021, Hado Energy (HDE) will inherit HDG's direct stakes in its renewable energy projects, including a 100% stake in the 7A wind farm (50 MW), 100% stake in the Infra 1 solar farm (50 MW), 76% stake in the Hong Phong 4 solar farm (48 MW) and all potential new investments in wind power post-2021 (140 MW). HDE has share capital of VND1.2tn and potential capacity of 300-600 MW. HDG targets to maintain a controlling stake after the IPO.

Per HDG, combining these investments under one subsidiary will be able to streamline the negotiation process for machinery purchases, future power purchase agreements, debt raising and finding potential strategic investors.

We value HDE at VND5.3tn using the components of our valuation for HDG.

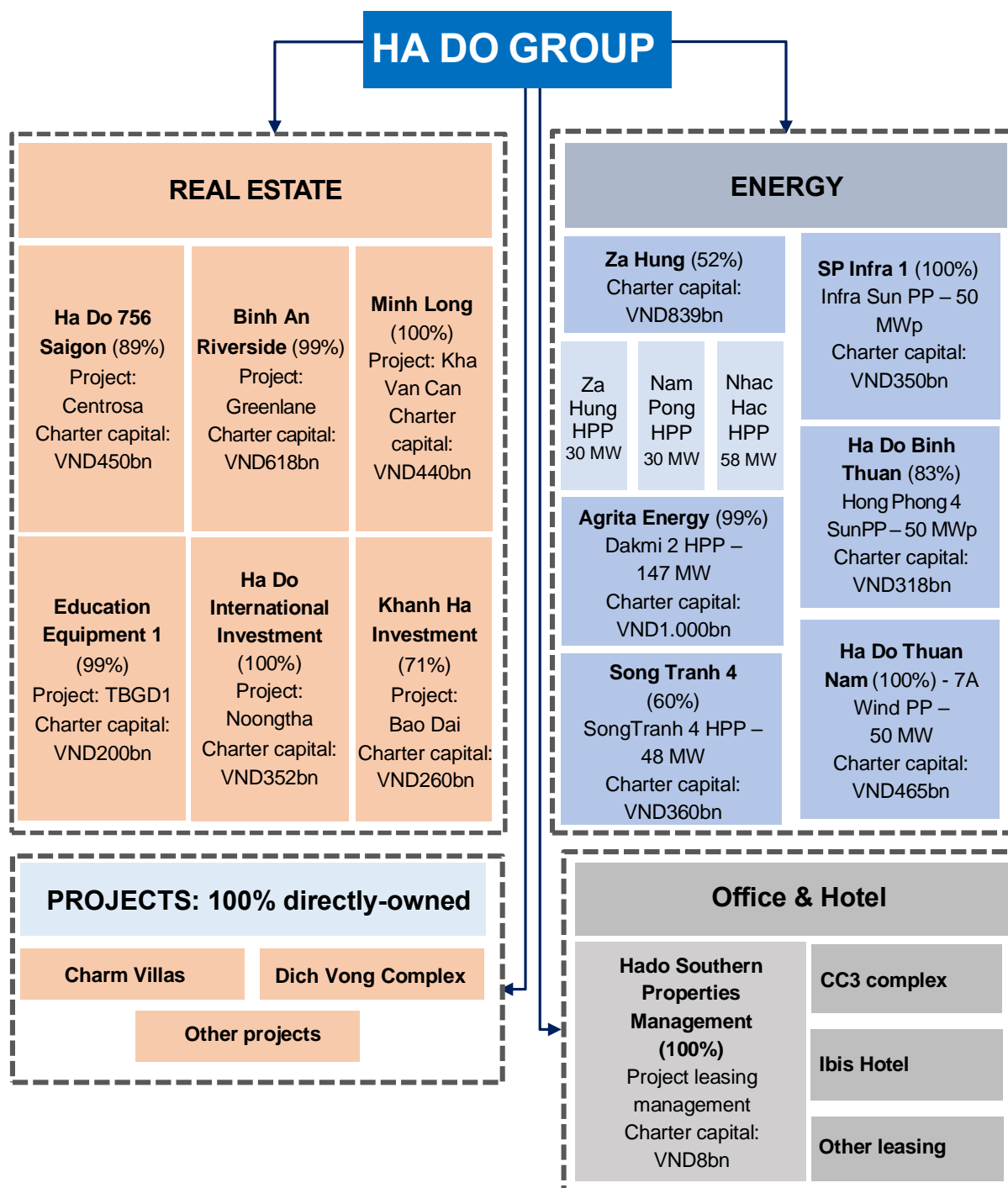
**Figure 9: HDG's ownership structure of its energy segment**



Source: HDG, VCSC compilation (Za Hung JSC holds 100% of the Za Hung, Nam Phong and Nhan Hac hydropower plants)

## Detailed ownership structure

Figure 10: HDG's corporate structure



Source: HDG, VCSC

## HDG is preparing to break ground on new wind power projects

**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 per kWh— 12% lower than the previous tariff of 8.5 US cents per kWh and higher than our assumption of 7.0 US cents per kWh. Furthermore, the company has a targeted IRR of ~12% for the new project. Capex spending for the energy segment is set at VND1tn in 2022. HDG is also confident that its giant 300-MW An Phong wind power project will be included in PDP VIII.

**Figure 11: HDG's post-2021 wind power projects and VCSC's estimated IRR**

Plants	COD	Economic life (years)	Feed-in tariff (US cents/kWh)	Wind speed (m/s)	Capacity (MW)	Capex/MW (VND bn)	Load factor	Equity IRR
Ea H'leo – onshore – 20 MW	Late-2022	20	7.02	6.1	20	43.1	32%	10.9%
Huong Phung – onshore – 30 MW	Late-2022	20	7.02	6.6	30	31.0	35%	18.9%
Phuoc Huu – onshore – 50 MW	Mid-2023	20	6.81	6.6	50	29.3	31%	15.5%
Soc Trang – onshore – 40 MW	Mid-2023	20	6.81	6.6	40	36.3	31%	11.3%

Source: HDG, VCSC forecast (COD = commercial operation date)

**HDG is in the process of site preparation and surveying for its four post-2022 wind farms**, which include the Ea H'leo wind farm (20 MW) in Dak Lak, Huong Phung (30 MW) wind farm in Quang Tri, Phuoc Huu wind farm (50 MW) in Ninh Thuan, and a wind farm (40 MW) in Soc Trang. Per HDG's preliminary calculations, most of these locations have fairly good wind speeds of around 6.6 m/s that should help to produce a load factor of 31%-35%, which is in the top-end of developable land area in Vietnam, according to the Wind Energy Potential Vietnam Report by the Netherland's Ministry of Foreign Affairs.

**Figure 12: Provincial onshore wind power development plans**

Average speed at 80 m height (m/s)	Estimated developable land (sq. km)	Percentage of developable land	Approximate MW potential
<4	95,916	45.7%	959,161
4-5	70,868	33.6%	708,678
5-6	40,473	19.3%	404,732
6-7	2,435	1.2%	24,351
7-8	220	0.1%	2,202
8-9	20	0.0%	200
>9	1	0.0%	10

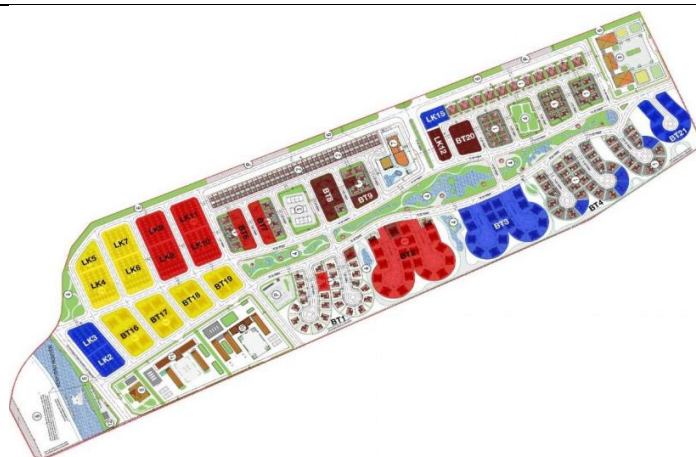
Source: Wind Energy Potential Vietnam Report by the Netherland's Ministry of Foreign Affairs, VCSC compilation

**We estimate that only the Huong Phung and Phuoc Huu wind farms will positively contribute to HDG's valuation.** Due to lower feed-in tariffs (FiTs), we estimate that the Ea H'leo and Soc Trang wind farms will likely post a lower equity IRR than the 2021-installed 7A Thuan Nam farm as well as the Huong Hung and Phuoc Huu wind farms.



## Charm Villas project ready to launch third phase

Figure 13: Hado Charm Villas overview



	Units	Saleable area (sqm)
Phase 1	90	20,329
Phase 2	156	20,995
Phase 3	130	21,838
<b>Total*</b>	<b>376</b>	<b>63,162</b>
Forecast revenue		VND4.5n
Forecast NPAT		VND2.5tn

Source: HDG, VCSC compilation. (\*) Does not include 152 units already bulk-sold in 2018.

Figure 14: Charm Villas units ready for handover



Source: HDG, VCSC compilation

Figure 155: Ready outbound infrastructure for Charm Villas Phase 3



Source: HDG, VCSC compilation

### HDG is preparing to acquire new land bank

HDG has targeted to acquire another 320 ha of residential land bank (vs its current land bank of 121 ha) with planned ownership at 100%. HDG is in negotiation to finish the acquisition of a 125-ha land bank in western Hanoi at a preliminary cost of ~VND1tn and expected minimum net margin of 18%-20%.

**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 — ~20 km from city center), 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 was 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%.



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MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
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