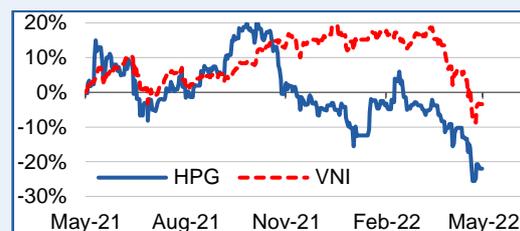


Industry	Steel		2021A	2022F	2023F	2024F
Report Date	May 24, 2022	Rev y/y	66.1%	3.0%	4.0%	21.2%
Current Price	VND36,750	EPS y/y	157.3%	-12.1%	0.1%	12.8%
Target Price*	VND63,000	GPM	27.5%	24.1%	24.0%	22.2%
Upside to TP	+71.4%	NPM	23.0%	19.4%	18.6%	17.3%
Dividend Yield	1.4%	EV/EBITDA	4.1x	4.3x	4.1x	3.4x
TSR	+72.8%	P/B	1.8x	1.4x	1.1x	1.0x
Rating*	BUY	P/E	5.0x	5.7x	5.7x	5.1x
Market Cap	USD7.1bn					
Foreign Room	USD2.0bn	P/E (ttm)		4.9x	6.1x	13.5x
ADTV30D	USD34.3mn	P/B (curr)		1.7x	0.7x	2.1x
State Ownership	0.0%	Net D/E		14.0%	59.0%	N/A
Outstanding Shares	3.3 bn	ROE		37.6%	14.2%	15.8%
Fully Diluted Shares	3.3 bn	ROA		19.6%	6.2%	2.6%

* TP and rating last updated February 8, 2021; ** regional peers



Company Overview

HPG is Vietnam's largest private steel producer. Its main products include construction steel (capacity of 5.2 million of tonnes/year; 2021 market share of 33%), HRC (capacity 2.8 of million tonnes/year; 2021E market share of 20%) and steel pipes (end-2021 capacity of 1.3 million tonnes/year; 2021 market share of 25%). Other businesses include agriculture, real estate development and household electrical appliances.

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2022 earnings guidance in line with our expectation

- We attended HPG's annual general meeting (AGM) in Hanoi on May 24.
- Shareholders approved management's guidance for 2022 revenue of VND160tn (USD7.0bn; +7% YoY) and profit-after-tax (NPAT) of VND25tn-30tn (USD1.1bn-1.3bn) vs 2021 actual NPAT-MI of VND34.5tn (USD1.5bn) and our 2022 forecast of VND29.9tn (USD1.3bn).
- The shareholder-approved FY2021 dividend plan consists of 5% cash (VND500/share — equivalent to a 1.4% dividend yield) and 30% stock to be executed in Q2-Q3 2022. In addition, the FY2022 dividend plan was approved at 25% of par value — either in cash and/or in shares.
- HPG shared that the Dung Quat Steel Complex 2 has completed all necessary contracts to start construction in May 2022, which will allow the project to launch commercial products by 2024. More details on the project and our current forecasts for HPG can be found in our [latest Update Report](#), dated February 2, 2022.

HPG's 2022 earnings guidance is in line with our expectation. HPG's management set 2022 guidance for revenue of VND160tn (USD7.0bn; +7% YoY) and NPAT of VND25tn-30tn (USD1.1bn-1.3bn) vs 2021 actual NPAT of VND34.5tn (USD1.5bn). HPG's revenue guidance is 4% higher than our current 2022F revenue forecast of VND154tn (USD6.7bn; +3% YoY); meanwhile, the company's earnings guidance is in line with our NPAT forecast of VND29.9tn (USD1.3bn; -13%YoY). We also note that HPG announced Q1 2022 NPAT-MI of VND8.2tn (USD357.3mn; +18% YoY and +11% QoQ), fulfilling 28% of our full-year forecast. Details on HPG's Q1 2022 results can be found in our [Earnings Flash](#), dated April 29, 2022.

Figure 1: HPG's actual and guidance for profit after tax

VND bn	2014	2015	2016	2017	2018	2019	2020	2021
Profit after tax guidance	1,200	3,250 *	3,200	6,000	8,000	6,700	9,000	18,000
Actual profit after tax	3,144	3,485	6,606	8,015	8,601	7,578	13,506	34,521
Actual as % of guidance	271%	108%	206%	134%	108%	113%	150%	192%

Source: HPG, VCSC compilation. Note: * HPG revised 2015 PAT guidance from VND2,200bn to VND3,250bn in July 2015 after H1 2015 completed 83% of the company's initial full-year earnings guidance.

HPG reported upbeat sales volume growth in 4M 2022 — in line with our forecast. Details for each product's 4M 2022 sales volume are as follows: 1.6 million tonnes of construction steel (+28% YoY — fulfilling 37% of our full-year forecast), 1.0 million tonnes of HRC (+16% YoY — fulfilling 38% of our full-year forecast), 250,000 tonnes of steel pipes (-8% YoY — fulfilling 34% of our full-year forecast) and 136,000 tonnes of galvanized steel sheets (+47% YoY — fulfilling 32% of our full-year forecast). More details on HPG's 4M 2022 sales volume are stated in **Figure 2**.

Figure 1: HPG's 4M 2022 and 2022F steel sales volume

(Thousand tonnes)	2020	2021	VCSC 2022F	4M 2021	4M 2022	% YoY growth	4M 2022 as of 2022F
Construction steel	3,400 (+23% YoY)	3,889 (+14% YoY)	4,279 (+10% YoY)	855	1,600	+28%	37%
HRC	N/A (new production in late 2020)	~2,600	2,600	665	1,000	+16%	38%
Steel pipes	822 (+10% YoY)	676 (-18% YoY)	729 (+8% YoY)	271	250	-8%	34%
Galvanized steel sheets	~150 (VCSC's estimate)	428 (+185% YoY)	430	74	136	47%	32%

Source: HPG, VCSC forecast

HPG maintains cash dividend for FY2021. The approved FY2021 dividend consists of 5% cash (VND500/share — equivalent to a 1.4% dividend yield) and 30% stock to be executed in Q2-Q3 2022. In addition, the FY2022 dividend plan was approved at 25% of par value — either in cash and/or in shares.

FY2021 and FY2022 fund allocation plan approved. Shareholders approved the below fund allocation scheme:

Figure 3: HPG's FY2021 and FY2022 fund allocation plan

Funds	Approved ratio for 2021	Actual ratio for 2021	Amount allocated for 2021 (based on 2021 actual result)	Approved ratio for 2022
Bonus and welfare fund	Maximum 5% of PAT	3.0% of PAT	VND1,036bn (USD45.0mn)	Maximum 5% of PAT
BOD's remuneration	Maximum 0.6% of PAT	0.5% of PAT	VND172bn (USD7.5mn)	Maximum 1% of PAT
BOD's bonus	Maximum 5% of the amount surpassing PAT guidance	3% of the amount surpassing PAT guidance	VND496bn (USD21.6mn)	Maximum 5% of the amount surpassing PAT guidance of VND25tn (USD1.1bn)

Source: HPG, VCSC compilation

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, 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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