

HOA PHAT GROUP JSC - HPG

Add

The turning point would be in 3Q23F

Target price (12M)
VND24,400

STEEL | Update

Consensus*: Add:9 Hold:4 Reduce:0

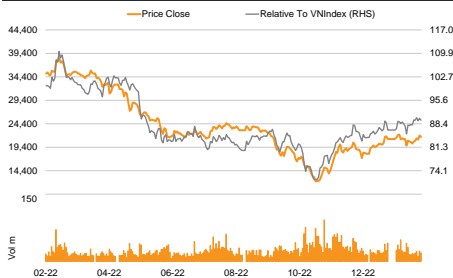
Target price / Consensus: 17.8%

Key changes in the report

➤ FY23/24F EPS decreased by 25.3%/11.5%

Previous rating	Add
Previous TP	VND20,900
Current price	VND20,350
52w high (VND)	38,674
52w low (VND)	12,100
3m Avg daily value (VNDmn)	542,458
Market cap (VNDbn)	118,331
Free float	55%
Dividend yield	0%
TTM P/E (x)	13.9
Current P/B (x)	1.2

Price performance



Source: VNDIRECT RESEARCH

Ownership

Tran Dinh Long	26.1%
Vu Thi Hien	7.3%
Others	66.6%

Source: VNDIRECT RESEARCH

Analyst(s):



Trung Tran Ba

trung.tranba@vndirect.com.vn

- 4Q22 net loss expanded to VND1,992bn following weak steel demand and squeezing gross margin (GM), making FY22 net profit slump 75.4% yoy.
- We believe HPG's NP growth could have a slow start for year but the turning point would be in 3Q23F following low base effect, widening gross margin and narrowing financial expense losses.
- Reiterate Add with a higher TP of VND24,400/share.

Output prices increasing slower than input prices amid global cost-driven commodity price rallies while domestic steel demand remains weak

Since mid-Dec 2022, HPG has adjusted its construction steel selling price 6 times, with a total increase of 9.1% (+VND1,360/kg). This was mainly driven by the rally of input materials and higher Chinese steel price, rather than demand improvement. Thus, steel selling price is increasing significantly slower than input material (iron ore, coking coal) prices since the beginning of the year. According to spot commodity prices movements, we estimate that HPG's EBITDA margin in 1Q23F is 1.8% pts lower than 4Q22.

Key takeaway from HPG's guidance: 5.7% NP decrease in FY23F

According to management's guidance, FY23F revenue and NP are expected to reach VND150,000bn (+6.1% yoy) and VND8,000bn (-5.7% yoy), respectively. We believe that this plan was made on the conservative view of HPG's management amid the current volatile input material prices and weak steel demand. A poor result in FY22 coupled with huge capex for the Dung Quat Steel Complex (DQSC) phase 2 in the FY23-24 period, implies that HPG will not pay any cash dividend for FY23F.

The turning point for net profit growth would be in 3Q23F

We expect that the company's bottom line will remain sluggish in 1H23F; then the growth will return to positive territory in 3Q23F thanks to (1) steel sales volume increase from a low base in 2H22; (2) widening gross margin when input material prices fall and lower inventory provision and (3) narrowing financial expense losses mainly on the sharp drop of forex losses. Thus, FY23-24F NP will increase 22.2%/41.9% yoy to VND10,366bn/VND14,711bn, according to our forecasts.

Reiterate Add with a higher TP of VND24,400/share

We revise up our TP by 17% to VND24,400/share, following a 30% upgrade P/B multiple thanks to market sentiment for the steel industry has improved amid rising steel prices. HPG now trades at 12.0x/8.7x P/E FY23-24F, not attractive for short-term investment – though this is not unexpected given where we are in the cycle. We believe HPG is in the worst period of cycle business and the most recent data suggests that the recovery speed could be a bit slower than expected. However, we still favor HPG for long-term investment thanks to its leading and expansion market share and solid management team.

Financial summary (VND)	12-21A	12-22A	12-23E	12-24E
Net revenue (bn)	149,680	141,409	136,850	152,743
Revenue growth	66.1%	(5.5%)	(3.2%)	11.6%
Gross margin	27.5%	11.9%	12.9%	15.3%
EBITDA margin	29.8%	13.8%	15.6%	17.8%
Net profit (bn)	34,478	8,484	10,366	14,711
Net profit growth	156.3%	(75.4%)	22.2%	41.9%
Recurring profit growth	156.3%	(75.4%)	22.2%	41.9%
Basic EPS	5,929	1,459	1,783	2,530
Adjusted EPS	5,734	1,264	1,693	2,339
BVPS	15,585	16,511	18,271	20,379
ROAE	46.1%	9.1%	10.3%	13.1%

Source: VNDIRECT RESEARCH

The turning point would be in 3Q23F

4Q22 recap: weakening demand, rising input cost

Figure 1: 4Q22 business results

VND bn	4Q22	4Q21	% yoy	2022	2021	yoy	vs full year forecast	Comment
Total revenue	25,826	38,674	-33.2%	141,409	149,680	-5.5%	98.5%	
Steel	23,738	42,598	-44.3%	134,011	140,394	-4.5%	99.3%	In line with our forecast.
Agriculture	1,690	1,781	-5.1%	6,757	7,965	-15.2%	97.2%	
Real estates	398	332	19.7%	641	1,320	-51.5%	41.0%	
Gross profit	(885)	9,587	NA	16,763	41,108	-59.2%	83.7%	
Gross margin	-3.4%	24.8%	-28.2% pts	11.9%	27.5%	-15.6% pts	-2.1% pts	HPG recorded a gross margin of -3.4% in 4Q22. This is the 2nd quarter in history, HPG delivered a negative gross margin since 4Q2008. This dismal business results are mainly due to (1) high cost of input material (including iron ore, coking coal) continued to impact, (2) HPG's provision for inventory outstanding was VND433bn in 4Q22 and (3) low utilisation rate of factories increased the depreciation cost per unit of production.
SG&A expense	1,059	1,220	-13.2%	3,685	3,444	7.0%	107.7%	
SG&A as % of revenue	4.1%	3.2%	0.9% pts	2.6%	2.3%	0.3% pts	0.2% pts	Higher than our forecast as HPG boosted construction steel exports with high transportation costs and lower steel revenue in 4Q22
EBITDA	(222)	9,930	NA	19,893	43,747	-54.5%	87.1%	
EBITDA margin	-0.9%	25.7%	-26.5% pts	14.1%	29.2%	-15.2% pts	-1.8% pts	
Interest expense	933	630	48.2%	3,084	2,526	22.1%	99.5%	In line with our forecast.
Pretax profit	(2,079)	8,038	NA	9,923	37,057	-73.2%	80.1%	
Net profit	(1,992)	7,427	NA	8,484	34,478	-75.4%	75.7%	Lower than our forecast.
Net margin	-7.7%	19.2%	-26.9% pts	6.0%	23.0%	-17.0% pts	-1.8% pts	
Sales volume (tonne)	1,746,486	2,529,437	-31.0%	8,263,151	8,843,134	-6.6%	101.6%	In line with our forecast.
Construction steel	820,740	1,092,104	-24.8%	4,269,314	3,889,683	9.8%	103.3%	
Steel billets	80,809	474,894	-83.0%	287,505	1,278,883	-77.5%	118.6%	
Steel pipe	172,234	177,448	-2.9%	749,297	675,364	10.9%	99.1%	
Galvanised steel	79,459	155,710	-49.0%	327,151	428,785	-23.7%	101.7%	
HRC	593,244	629,281	-5.7%	2,629,884	2,570,419	2.3%	98.2%	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Although HPG's FY22 sales volume and revenue are in line with our expectations, net profit only fulfills 75% of our full-year forecast. FY22 bottom line was surprisingly poor mainly due to (1) 7% higher-than-expected iron ore prices and (2) higher-than-expected input material provisions and SG&A expense.

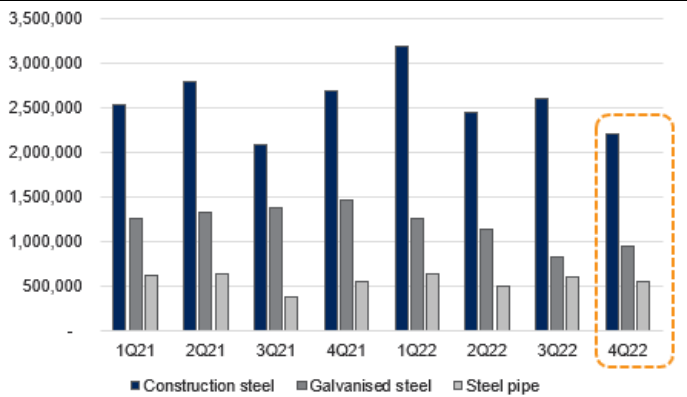
Industry outlook: accelerating public investment spending will partially offset sluggish residential steel demand in 2023F

We expect Vietnam's construction steel demand to drop 9% yoy in 2023F

Vietnam's residential property market has cooled down since 2Q22 following some tycoon arrests due to corporate bonds issuance violations, limited credit room for property and rising lending rates to dent the housing demand. Domestic steel industry is also been hit by other headwinds: (1) high input (including coking coal and steel scrap) prices and (2) persistent inflationary pressures had financial conditions tighten across a number of major economies, casting a shadow for global growth prospects. Besides, global steel demand also declined due a slowdown in economic growth prospects throughout 2022, causing difficulties for the export activities of Vietnamese steel companies. As a result, Vietnam's total steel sales volume (including construction steel, steel pipes and

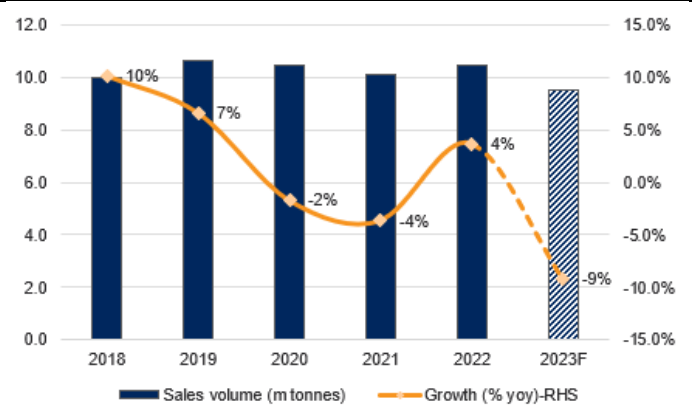
galvanised steel) dropped sharply to 3.7m tonnes in 4Q22 (-21% yoy; -8.3% qoq), according to Vietnam Steel Association (VSA).

Figure 2: Vietnam's steel sales volume dropped sharply to 3.7m tonnes in 4Q22 (tonnes)



Source: VNDIRECT RESEARCH, VSA

Figure 3: Vietnam's construction steel sales volume will continue to grow negative in 2023F



Source: VNDIRECT RESEARCH, VSA

We expect sluggish domestic construction activities in the private sector to have a prolonged impact on construction material demand in 2023F.

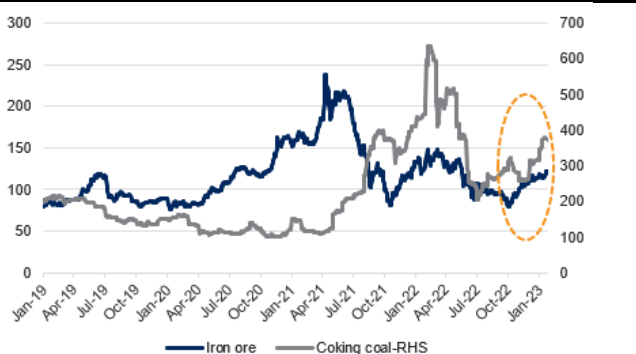
Therefore, although public investment disbursement is expected to accelerate in the coming quarters, we forecast total domestic steel demand to decline single digits in this year. In which, we expect Vietnam's construction steel sales volume to decrease by 9.2% yoy to 9.5m tonnes in 2023F.

The current upward momentum in steel prices is unsustainable as weak steel demand

Since mid-Dec 2022, HPG has adjusted its construction steel selling price 6 times, with a total increase of 9.1% (+VND1,360/kg). Regarding HRC prices, HPG's latest HRC price was US\$670/tonne (+22% ytd) for the Mar 2023 shipment. We believe that the increase in selling price of steel is mainly driven by rising input cost, as the price of iron ore/coking coke/steel scrap has increased by 10.2%/28.5%/10.0% ytd, respectively.

We believe the current upward momentum in steel prices in both Vietnam and China is unsustainable as weak steel demand is forecasted throughout the year. We forecast HPG's ASP of construction steel/HRC in 2023F will reach VND15,956/kg and US\$640/tonne, 2.4%-4.5% lower than spot price, respectively.

Figure 4: Coking coal and iron ore prices surged after China announced the reopening of its economy (US\$/tonne)



Source: VNDIRECT RESEARCH, BLOOMBERG

Figure 5: Rising steel price has a positive impact on sentiment of HPG's stock price



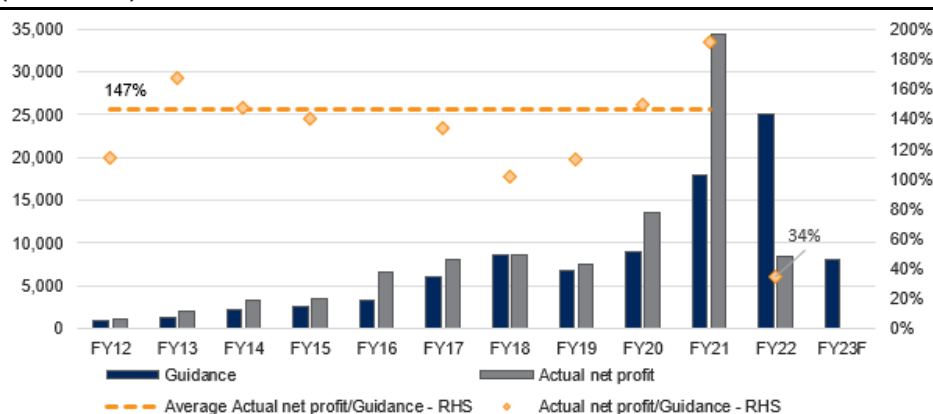
Source: VNDIRECT RESEARCH, COMPANY REPORTS

HPG FY23-24F outlook

Management guidance: Aiming a 5.7% yoy drop in FY23F net profit

According to management's guidance, FY23F revenue and net profit are expected to reach VND150,000bn (+6.1% yoy) and VND8,000bn (-5.7% yoy), respectively, 42.3% lower than our previous forecast. We also note that FY22 is the first year after 10 years that HPG has not completed the business plan approved by the AGM. During FY12-21 period, HPG often beats its annual net profit target by 47% on average. Thus, we believe that this plan was made on the conservative view of HPG's management amid the current volatile input material prices and weak steel demand. A poor result in FY22 coupled with huge capex for the DQSC phase 2 in the FY23-24 period, implies that HPG will not pay any cash dividend this year.

Figure 6: HPG's actual net profit exceeded its guidance by 47% on average during FY12-21 (unit: VNDbn)



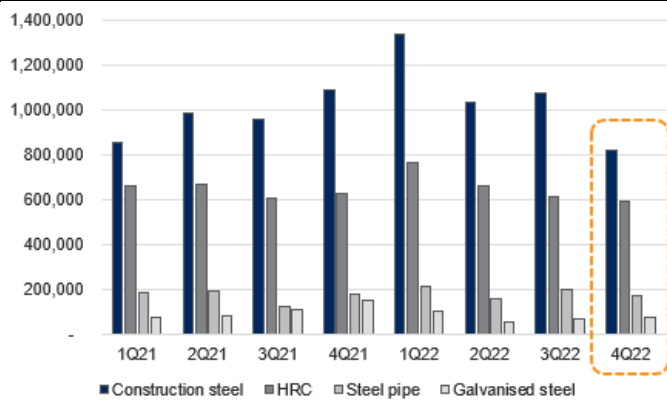
Source: VNDIRECT RESEARCH, COMPANY REPORTS

We expect HPG's sales volume will decrease 8% yoy in 2023F before recovering 15% yoy in 2024F, in our view

Following the trend of Vietnam's steel industry, HPG steel sales volume dropped by 31% yoy and 12% qoq to just 1.75m tonnes in 4Q22, on the sharp drop in all types of products from construction steel (-24.9% yoy), HRC (-5.9% yoy), galvanised steel (-49% yoy) and steel pipe (-2.9% yoy).

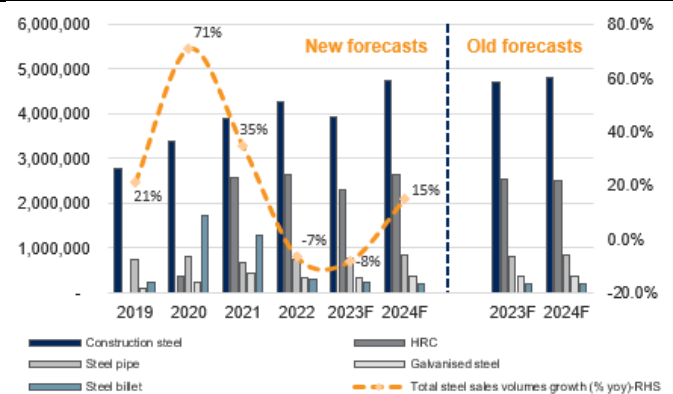
Despite HPG's 2022 construction steel sales volume outperforming the industry in both the domestic and export markets — which was in line with our expectation, we still revised down forecast HPG's construction steel sales volume in 2023F to down 8.3% yoy to 3.9m tonnes, equivalent 16.8% lower than the previous forecast.

Figure 7: HPG's steel sales volume dropped sharply in 4Q22 across all products (tonnes)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 8: We revise down by 11.3%/5.4% of HPG's total steel sales volume forecast in 2023-24F, respectively (tonnes)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Blast furnaces are expected to be resumed in 2Q23F

HPG just resumed one (in Hai Duong) out of four blast furnaces shut down on Dec 27, 2022. Despite the resumption of one blast furnace for a month, production volume remains low. Crude steel production volume decreased slightly by 0.3% mom to 392,000 tonnes (-44.6% yoy) in Jan 2023.

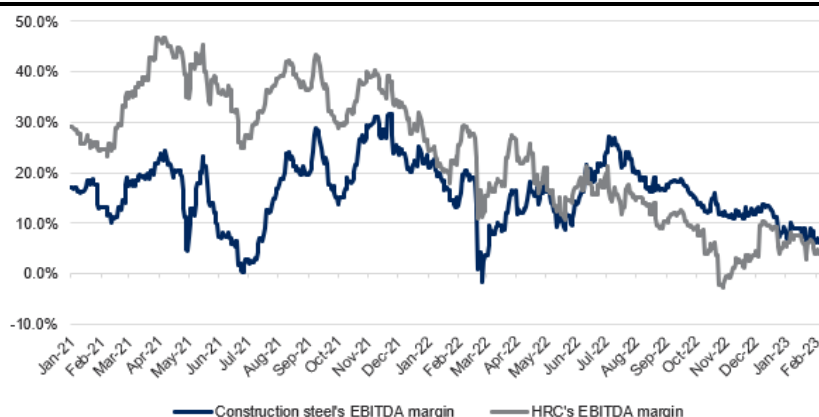
Now, the company still has three closed blast furnaces with unclear timelines for resumption. This means that expected demand in the short run from HPG is still low. We expect three blast furnaces to start operating again from May 2023 and gradually increase operating efficiency to 90% from Sep 2023. As a result, HPG's crude steel production output in 2023 will reach 7.16m tonnes (-5% yoy), based on our estimates.

We expect the turning point for NP growth would be in 3Q23F

As 4Q22 earnings were disappointing, partly due to the high cost of input materials. We are now more concerned about short-term earnings prospects in 1Q23F, from previous forecast of a turnaround. We expect that the company's bottom line will remain sluggish in 1H23F; then growth will return to positive territory in 3Q23 thanks to (1) steel sales volume increase from a low base in 2H22; (2) widening gross margin when input material prices fall and lower inventory provision and (3) narrowing financial expense losses mainly on the sharp drop of forex losses.

According to spot price (steel, iron ore, coking coal and steel scrap) movements, we estimate that the EBITDA margin of HPG steel segment in 1Q23F is 1.8% pts lower than the previous quarter. With the weakness from demand side, we are concerning about the possibility to transfer input material hike to the end-user. Furthermore, the low utilisation rate of facilities in 1H23F would also impact on the profitability of the company. Thus, we forecast the company's net profit will remain negative in 1Q23F.

Figure 9: Our estimate of HPG's EBITDA margin is based on commodity spot prices



Source: VNDIRECT RESEARCH, BLOOMBERG

Changes to our FY23-24F forecasts

Figure 10: Earnings revision for FY23-24F (VNDbn)

VND bn	Old forecasts		New forecasts		The difference between new and old forecasts		Comments
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	
Total revenue	145,880	160,144	136,850	152,743	-6.2%	-4.6%	
Steel	136,817	148,757	128,067	141,688	-6.4%	-4.8%	We revised up the average selling price of construction steel in FY23-24F to VND15.9m-14.8m/tonnes, up 12% vs. our previous forecasts, respectively, on the recent rebound in steel price, following the trend of Chinese steel prices. However, our FY23-24F steel revenue forecasts still fell 6.4%/4.8% due to steel sales volume down 11.3%/5.4% vs. our previous forecasts.
Agriculture	7,764	9,399	7,764	9,399	0.0%	0.0%	
Real estate	1,299	1,988	1,019	1,657	-21.6%	-16.7%	We revise down our FY23-24F real estate revenue forecasts due to Yen My 2 expansion industrial park will record revenue from the late-2024, slower than our previous forecast of late 2023.
Gross profit	21,331	25,287	17,588	23,371	-17.5%	-7.6%	
Gross margin	14.6%	15.8%	12.9%	15.3%	-1.8% pts	-0.5% pts	We revise down our FY23-24F gross margin forecasts by 1.8%/0.5% pts due to (1) 26%/18% higher-than-expected iron ore prices vs. our previous forecasts; (2) with the weakness from demand side, we are concerning about the possibility to transfer input material hike to the end-user and (3) low facility utilisation rate in 1H23 will increase depreciation cost per unit of production
SG&A expense	3,333	3,659	3,284	3,666	-1.5%	0.2%	
SG&A as % of revenue	2.3%	2.3%	2.4%	2.4%	0.1% pts	0.1% pts	
EBITDA	24,320	29,911	21,131	27,632	-13.1%	-7.6%	
EBITDA margin	15.4%	17.1%	15.4%	18.1%	0.1% pts	1.0% pts	
Interest expense	3,192	3,115	3,037	2,993	-4.8%	-3.9%	
Pretax profit	15,260	18,353	11,469	16,245	-24.8%	-11.5%	
Net profit	13,869	16,619	10,366	14,711	-25.3%	-11.5%	
Net margin	9.5%	10.4%	7.6%	9.6%	-1.9% pts	-0.7% pts	
Sale volume ('000 tonne)	8,563	9,437	7,600	8,928	-11.3%	-5.4%	
Construction steel	4,704	4,821	3,913	4,732	-16.8%	-1.8%	We revised down our construction steel sales volume forecast due to weak domestic property demand.
Steel billet	189	198	241	207	27.5%	4.6%	We revised up our steel billet sales volume forecast. HPG's key market for billet is China - a country that has just reopened to the economy.
Steel pipe	794	834	787	826	-0.9%	-0.9%	
Galvanised steel	354	361	344	350	-2.9%	-2.9%	
HRC	2,522	3,223	2,315	2,813	-8.2%	-12.7%	

Source: VNDIRECT RESEARCH

We lift the TP to VND24,400/share and reiterate Add rating

We increase the 1-year TP to VND24,400/share

Our valuation is based on an equal weighting combination of 10-year DCF valuation and P/B multiple. In P/B valuation, we apply a target P/B of 1.3x on FY23F book value, 30% higher than previous assumption thanks to market sentiment for the steel industry has improved amid rising steel prices. This target multiple is equivalent to the P/B level of regional peers with corresponding profitability.

Figure 11: DCF model - key assumptions & input, based on our estimates

General assumptions	
Risk free rate (10-year VGB yield)	4.0%
Equity risk premium	11.0%
Beta (source: BB, 1-y adj. beta)	1.2
Cost of equity	17.2%
Long-term growth rate	1.0%
Cost of Debt	6.0%
WACC	13.4%
(in VND bn, otherwise noted)	
PV of DCF (10 years)	93,725
PV of Terminal value	75,103
Enterprise value	168,828
Less: Total Debt	57,900
Plus: Cash and Cash equiv.	34,593
Less: Minority Interest	155
Implied EV	145,366
No. of o/s shares (mn shares)	5,815
Implied value per share (VND)	24,999

Source: VNDIRECT RESEARCH

Figure 12: P/B method assumptions

Book value 2023	18,271
Industry median multiple	1.3
Premium	0.0%
Target multiple	1.3
Implied value per share (VND)	23,753

Source: VNDIRECT RESEARCH, BLOOMBERG

Figure 13: Blended target price, based on our estimates

Method	Implied value per share (VND)	Weight (%)	Weighted price (VND)
DCF	24,999	50%	12,500
P/B	23,753	50%	11,876
Target price (VND, rounded)			24,400

Source: VNDIRECT RESEARCH

Figure 14: Peer comparison

Company	Ticker	Price	Mkt cap	P/E (x)		3-year EPS	P/B (x)		EV/EBITDA (x)		ROE (%)	
		LC\$	US\$ m	FY23F	FY24F	CAGR (%)	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Regional listed steel producers												
Tata Steel	TATA IN	107	15,955	12.0	9.4	147.8	1.1	1.0	6.5	6.1	9.8	11.0
Nippon Steel Corp	5401 JP	361	11,430	9.1	8.5	63.9	1.1	0.9	6.1	5.7	12.0	11.3
Hindalco Industries	HNDL IN	589	7,331	12.5	10.0	na	1.5	1.3	6.7	5.9	12.6	13.7
JFE Holding Inc	5411 JP	113	4,056	6.9	6.2	36.3	1.5	1.4	4.4	4.1	20.0	23.6
<i>Average</i>			9,894	10.2	8.7	82.7	1.3	1.2	6.0	5.5	13.8	14.9
<i>Median</i>			9,489	10.8	9.3	63.9	1.3	1.2	6.5	5.9	12.3	12.6
Hoa Phat Group	HPG VN	20,350	4,987	12.7	9.2	48.2	1.2	1.1	10.1	9.0	10.3	13.1

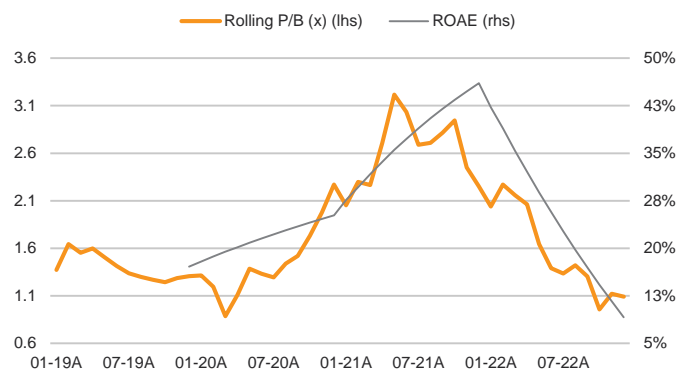
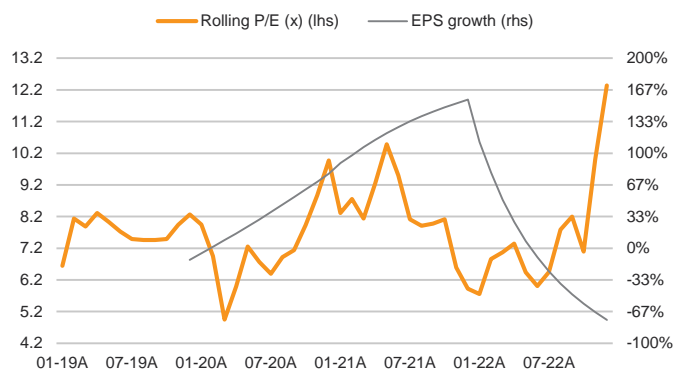
Source: VNDIRECT RESEARCH, BLOOMBERG, DATA AS OF 03 Mar 2023

HPG's stock price has surged 67% in the past 4 months, outperformed VNINDEX (+12.4%) as steel selling prices rebound and China reopens its economy. HPG now trades at 12.0x/8.7x P/E FY23-24F, not attractive for short-term investment – though this is not unexpected given where we are in the cycle. We believe HPG is in the downcycle business and the most recent data suggests that the recovery speed could be a bit slower than expected.

However, we still favor HPG for long-term investment thanks to (1) the leading position in the Southeast Asian steel industry will help HPG to ride on the surge of domestic demand for both civil and transport infrastructure construction; (2) the company's healthy balance sheet with cash-rich will help HPG to grab more market share during the industry downcycle; and (3) DQSC 2 to bring the HPG's crude steel production capacity by 66% from now to 14.6m tonnes per annum from 2025F onwards. Besides, hot rolled coil (HRC) - the main output product of DQSC 2, is still facing a shortage of supply in the domestic market and depends on exports, thus not putting pressure on HPG's steel oversupply in 2025-30F, in our view.

Upside catalyst includes new business plans (aluminum, real estate and home appliance projects) to upgrade value chain. Downside risks include (1) tight monetary policy in Vietnam makes interest rates higher than expected and (2) US\$ appreciates stronger than expected.

Valuation



Income statement

(VNDbn)	12-22A	12-23E	12-24E
Net revenue	141,409	136,850	152,743
Cost of sales	(124,646)	(119,263)	(129,373)
Gen & admin expenses	(2,666)	(2,190)	(2,444)
Selling expenses	(1,019)	(1,095)	(1,222)
Operating profit	13,078	14,303	19,705
Operating EBITDA	19,573	21,102	27,603
Depreciation and amortisation	(6,495)	(6,798)	(7,898)
Operating EBIT	13,078	14,303	19,705
Interest income	3,744	1,914	1,912
Financial expense	(7,770)	(5,501)	(6,848)
Net other income	872	753	1,478
Income from associates & JVs	(1)	(1)	(1)
Pre-tax profit	9,923	11,469	16,245
Tax expense	(1,479)	(1,052)	(1,480)
Minority interest	39	(50)	(55)
Net profit	8,484	10,366	14,711
Adj. net profit to ordinary	8,484	10,366	14,711
Ordinary dividends	(2,247)	0	(2,907)
Retained earnings	6,236	10,366	11,803

Balance sheet

(VNDbn)	12-22A	12-23E	12-24E
Cash and equivalents	8,325	5,474	7,551
Short term investments	26,268	26,268	26,268
Accounts receivables	9,893	10,498	10,074
Inventories	34,491	36,596	38,989
Other current assets	1,538	1,488	1,661
Total current assets	80,515	80,324	84,544
Fixed assets	84,825	108,543	147,035
Total investments	1	1	1
Other long-term assets	4,995	4,834	5,395
Total assets	170,336	193,702	236,975
Short-term debt	46,749	41,475	55,909
Accounts payable	11,107	11,436	11,342
Other current liabilities	4,530	5,500	6,089
Total current liabilities	62,385	58,410	73,341
Total long-term debt	11,152	28,228	44,183
Other liabilities	686	663	740
Share capital	58,148	58,148	58,148
Retained earnings reserve	33,834	44,200	56,004
Shareholders' equity	96,007	106,244	118,500
Minority interest	106	155	210
Total liabilities & equity	170,336	193,702	236,975

Cash flow statement

(VNDbn)	12-22A	12-23E	12-24E
Pretax profit	9,923	11,469	16,245
Depreciation & amortisation	6,524	6,828	7,928
Tax paid	(1,479)	(1,052)	(1,480)
Other adjustments	(946)	(1,072)	(1,211)
Change in working capital	7,597	1,489	(3,723)
Cash flow from operations	21,621	17,661	17,759
Capex	(11,615)	(30,000)	(45,000)
Proceeds from assets sales	0	0	0
Others	(8,032)	0	0
Other non-current assets changes	6	0	0
Cash flow from investing activities	(19,641)	(30,000)	(45,000)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	(13,879)	9,488	32,225
Other financing cash flow			
Dividends paid	(2,247)	0	(2,907)
Cash flow from financing activities	(16,126)	9,488	29,318
Cash and equivalents at beginning of period	22,471	8,325	5,474
Total cash generated	(14,147)	(2,851)	2,077
Cash and equivalents at the end of period	8,325	5,474	7,551

Key ratios

	12-22A	12-23E	12-24E
Dupont			
Net profit margin	6.0%	7.6%	9.6%
Asset turnover	0.81	0.75	0.71
ROAA	4.9%	5.7%	6.8%
Avg assets/avg equity	1.87	1.80	1.92
ROAE	9.1%	10.3%	13.1%
Efficiency			
Days account receivable	25.5	28.0	24.1
Days inventory	101.0	112.0	110.3
Days creditor	32.5	35.0	32.1
Fixed asset turnover	1.72	1.42	1.20
ROIC	5.5%	5.9%	6.7%
Liquidity			
Current ratio	1.3	1.4	1.2
Quick ratio	0.7	0.7	0.6
Cash ratio	0.6	0.5	0.5
Cash cycle	94.0	105.0	102.4
Growth rate (yoy)			
Revenue growth	(5.5%)	(3.2%)	11.6%
Operating profit growth	(65.3%)	9.4%	37.8%
Net profit growth	(75.4%)	22.2%	41.9%
EPS growth	(75.4%)	22.2%	41.9%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Hien Tran Khanh – Head of Research

Email: hien.trankhanh@vndirect.com.vn

Trung Tran Ba – Senior Analyst

Email: trung.tranba@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>