



#### TRADING GRAPH



#### INVESTMENT RECOMMENDATION

Investment View	Buy
Expected Price	68 - 84
Market Price (26/02/2013)	51,000
Cut Losses Price	46,000
Prospect 1M	Decrease
Prospect 3M	Increase
Prospect 12M	Increase

#### EXCHANGE INFORMATION

Outstanding (mil shares)	419.05
Market Cap (bil VND)	16971.63
BVPS	21,790
Foreign Ownership (%)	45.57%
Market Price (đ/share)	51,000
Avg 10 days (shares)	502,641
Lowest Price 52 Wk (VND)	21,500
Highest Price 52 Wk (VND)	51,000
+/- 7 days	7.22%
+/- 1 Month	12.07%

#### IN THE YEAR 2014, HPG AIMS FOR SUSTAINABLE GROWTH AND INCREASING MARKET SHARE OF CONSTRUCTION STEEL UP TO 16%

- ❖ **The notable events of HPG in 2013:** (1) August 2013, Hoa Phat Energy JSC completed the phase two of investment, increasing coke capacity to 700,000 tons/year, heat recovered from the coking process is used for thermal power plant of 37MW/year. (2) October 2013, the phase 2 blast furnace in Hoa Phat Steel Complex was put into operation, bringing the total construction steel capacity up to 1.15 million tons/year; in addition, factory of iron ore pellet production in Ha Giang also went into operation in this month, with the capacity of 300 thousand tons/year ensuring adequate supply of iron ore pellets for phase 2 blast furnace.
- ❖ **In the year 2013, total net revenue of HPG reached VND18,934 billion, up 12.52%yoy; net income reached VND2,010 billion, up 95.1%yoy, and over 68% of the full year guidance.** The reasons for the strong growth in revenue and net income were due to: (1) *The company had better cost management plans: cost of goods sold accounted for 82.7% of net revenue, decreased significantly compared with the 85.23% of 2012, selling expenses in 2013 decreased 7.44% and administration expenses reduced 29.37% compared with 2012.* (2) *The lower borrowing rates and stable exchange rates made financial expenses to decrease 11.05%yoy, in which interest expense decreased 31.14%yoy.* (3) *In Q1.2013, Hoa Phat Mining JSC liquidated equity in Duc Tien Co., Ltd. and noted liquidation profit of the level 2 subsidiary with the amount of VND142.73 billion; furthermore in Q3.2013, the company received VND264 billion from failing transfer shares of Hoa Phat Steel and reversal of provision for doubtful debts VND164 billion.*
- ❖ **For production and steel business,** total revenue in 2013 reached VND15,108 billion, net income reached 1,667 billion. In 2014, the company aims for sustainable growth, increasing market share of construction steel up to 16%, up 0.8% compared with 2013 market share (15.2%). Estimated construction steel output will reach 1 million tons, of which 800 thousand tons of steel will be finished product, and 200 thousand tons of billets will be sold to other domestic enterprises and for export. Currently, the amount of coke produced by HPG is not only enough to serve the phase 2 blast furnace but also provide for some domestic enterprises. In addition, HPG has been assigned some mines in the Central and is conducting exploration.
- ❖ **For Real Estate activities,** revenue in 2013 reached VND1,433 billion, net income reached VND45 billion. The project Mandarin Garden has 100/999 unsold apartments, the sold apartments are in the handover process, the Company will continue to record most of their revenues and profits of the remaining in 2014. We estimate that sales of the remaining will be recognized in 2014 at about VND3,000 billion (with average price per apartment of 5 billion).

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**Investment recommendation:** With the prospect of steel demand recovery in 2014, we estimate EPS of HPG could reach VND6,000 to VND7,000. Thus, with a P/E FW for HPG of 12 (below market), the expected price will be about 68,000 to 84,000 VND/share for 2014. HPG is also the preferred shares and foreign investors bought the most in 2013. We maintain our buy recommendation in medium and long term with HPG. In short-term, HPG can be sold by the ETF during the Review period, due to room for foreign investors is very low, so investors can expect good buying opportunity in the second and third week of March 2014.



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