

# Steel output of Hoa Phat Group in November

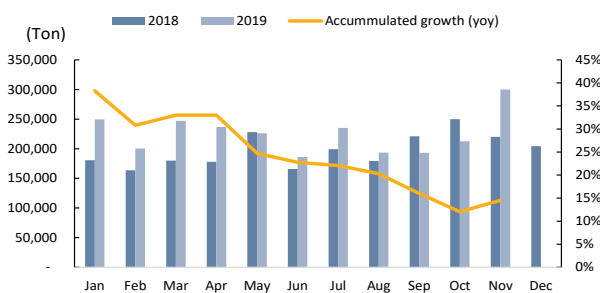
## Construction steel consumption reached 1-month highs

Construction steel consumption of Hoa Phat Group (HPG) was 300,000 tons in November 2019, and 2.48 million tons in the first 11 months of 2019.

- In November 2019, HPG consumed 300,000 tons of construction steel, increasing 41% MoM and 36% YoY. In the 11 months 2019, total consumed output hit 2.48 million tons of construction steel (+15% YoY), in which there was over 220,000 tons exported to Japan, Cambodia, and Korea, etc. This is a record high level of consumed construction steel production in 1 month of HPG for over 20 years since its foundation. This result also ended the 2-month period of negative growth.
- According to HPG's Board of Directors, the above result was achieved given the demand of construction increased in year-end period in the whole country, especially in the South region. On the other hand, market prices of construction steel increased recently also stimulated agents to import more goods to serve customers and perform speculative activities.
- In October 2019, construction steel bar prices on China market strongly rebounded to CNY4,235/ton at the end of November from CNY 3,729/ton – the lowest price within 1 year. The prices of iron ore 62% only inched up from USD 80/ton to USD88.5/ton. This result was supported by rising demand for steel, serving China's infrastructure construction, while supply stalled due to the policy of output cut for steel mills in the winter of Chinese Government. With positive price movements in the world's No. 1 steel market, China, we expect similar developments for Vietnam's steel market, helping to increase Hoa Phat's profit margin.

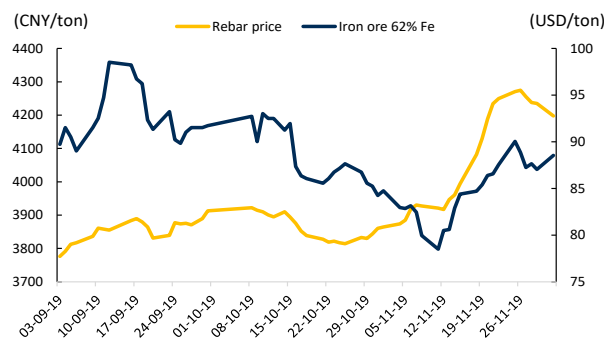
After 2 straight months of construction steel consumption of Hoa Phat decreasing against the same period in 2018, HPG steel consumption in November 2019 increased sharply again. We forecast that Hoa Phat's construction steel output in 2019 will reach over 2.7 million tons, helping the company to exceed the business targets set in the 2019 Annual General Meeting.

Figure 1. Consumed construction steel of HPG



Source: HPG, KBSV Research

Figure 2. Prices of steel and iron ore in China



Source: HPG, KBSV Research

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(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

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