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# Hoa Phat Corporation (HPG)

## Record 1Q despite COVID-19

### Record 1Q earnings up 27% YoY on higher steel output volumes and market share gains

— 1Q earnings hit a new record at VND2,305 billion or up 27% YoY on VND19,451 billion in revenue that was up 28% YoY. Higher steel output volumes and market share gains allowed the company to book the highest quarterly profit on record despite the impact from COVID-19. Consumption of construction steel reached 732,000 tons for the quarter or up 5.1% YoY as the company increased market share to 32% compared to 26% during the same period last year. Steel billet consumption also by rose the 350,000 tons from zero last year and were mainly sold as exports. Steel pipe consumption fell by 15.6% YoY to 145,000 tons but the company maintained its 31% market share.

### Fallout from COVID-19 will likely delay Phase 2 of the *Dung Quat* project

— Travel restrictions from COVID-19 prevented technicians from entering Vietnam to complete equipment installation. This will likely push back the startup of Phase 2 of the *Dung Quat* project to 2021E from 3Q 2020.

### Steel demand turned negative in 1Q and could worsen in 2Q

— Vietnam mainly consumes steel for construction, infrastructure, automobiles and motorcycles. The Vietnam Steel Association estimates that the nationwide lockdown and supply chain disruptions due to COVID-19 caused 1Q steel production and consumption to turn negative at -6% YoY and -12% YoY, respectively. It also expects conditions to worsen in 2Q as the impact from lower demand is fully-reflected in the local steel market. Moreover, lower demand has led to sharply lower steel pricing that may also cause damage to local steel makers.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

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

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

### Investment Ratings for Sectors

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

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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