

STOCK PITCH REPORT

November 4, 2024

Ha Do Group (HDG)

Waiting for a strong rebound

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Buy

Target price	VND31,000
Support/Entry 1	27,300 – 25,600
Upside 1	17%
Support/Entry 2	23,450 – 22,500
Upside 2	35%

Note:

Investors need to combine the assessment of market trend, the attractiveness of investment catalysts and their risk appetite to manage the stock exposure in each price zone accordingly. Since the determination of each support/entry level is based on different time frames, we do not provide a fixed stop loss. In general, stop loss levels should be set tighter for near supports/entries (5-7%) and wider for far supports/entries (10-15%).

Business operation

Established in 1992 as a construction company under the Ministry of National Defense, Ha Do Group (HDG) was equitized in 2004 and listed on the HSX in 2010. Since 2019, HDG has gradually shifted to the renewable energy sector. As of February 2024, HDG is managing and operating five hydropower plants, two solar power plants, and one wind power plant with a total designed capacity of 460MW. In addition to developing residential and commercial real estate, HDG also manages a portfolio of offices and commercial floors for lease, mainly concentrated in Ho Chi Minh City and Hanoi.

Stock price relative comparison

HDG shares are currently trading below its five-year average P/B. We believe that the main drivers are the launch of Hado Chamr Villas Phase 3 and the recovery of hydropower. Accordingly, we expect HDG to be traded at a P/B of 1.8x (five-year average).

INVESTMENT CATALYSTS

Hydropower benefits from La Nina

We believe that the power output of Ha Do Group (HDG) will improve in the rest of the year and 2025 thanks to favorable water conditions.

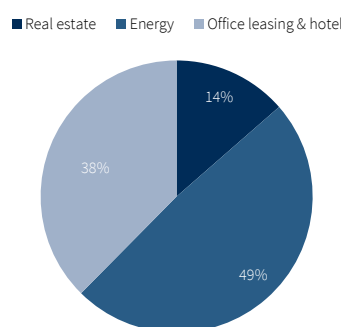
Renewable energy mobilization is at optimal level, and there is potential for additional capacity from new projects

HDG plans to double its capacity by 2030. The company is in the process of an M&A of two small hydropower plants, Son Linh and Son Nham (24MW). In addition, it is also pursuing wind power plant projects included in the National Power Development Plan 8 (NPDP8).

The real estate segment with Hado Charm Villa Phase 3 project creates the main short-term growth driver

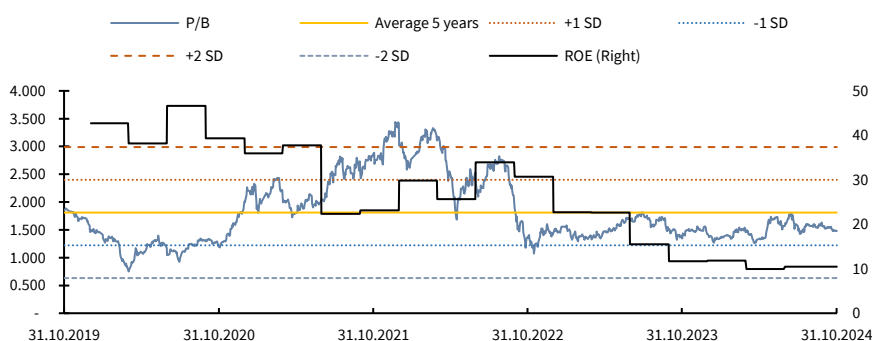
The Charm Villas project (phase 3) has now completed the exterior and landscape and is waiting to be launched and handed over. As the recent market situation has become more favorable, KBSV believes that HDG will soon launch the third sale for the remaining 108 units in 2025.

Revenue composition in 2023



Source: Ha Do Group, KB Securities Vietnam

P/B and ROE



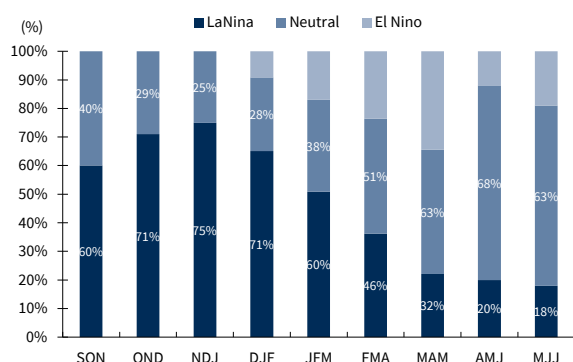
Source: Bloomberg, KB Securities Vietnam

1. Hydropower benefits from La Nina

Hydropower segment should rebound with favorable water conditions

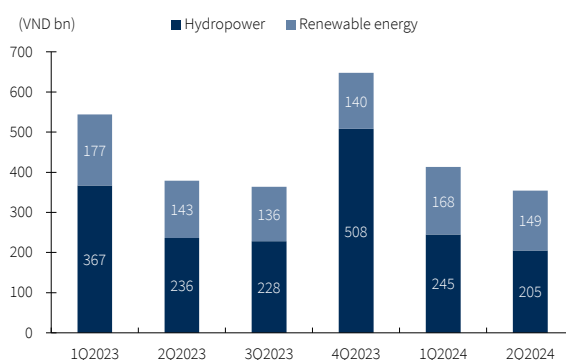
We believe that HDG's electricity output will improve from late 2024–2025 thanks to increased mobilization of hydropower. According to the forecast of the International Research Institute for Climate and Society (IRI), the probability of weather shifting to La Nina phase increases in the last months of the year (Figure 1). This means more rain and more abundant water for hydropower dams, facilitating power mobilization. Currently, HDG is operating five hydropower plants with a total capacity of about 314 MW (Table 3), accounting for about 70% of electricity revenue and bringing in more than VND1 trillion VND in revenue per year. In the second half of the year, hydropower is expected to be mobilized more thanks to (1) the weather entering the rainy season and entering the La Nina cycle; (2) lower cost of hydropower generation compared to other alternative power sources; and (3) higher electricity consumption in line with economic growth. We forecast that this segment's revenue could reach more than VND1,800 billion this year.

Fig 1. Global – Probability of weather phases by October (%)



Source: IRI, KB Securities Vietnam

Fig 2. HDG – Revenue composition of power business (VNDbn)



Source: Ha Do Group, KB Securities Vietnam

Table 3. HDG – List of power plants

Project	Generation type	COD	Ownership	Capacity	Total investment	Investment rate	Location
<i>Unit</i>			<i>%</i>	<i>MW</i>	<i>VNDbn</i>	<i>VNDbn/MW</i>	
Za Hung	Hydropower	2009	52%	30	503	17	Quang Nam
Nam Pong		2013	52%	30	796	27	Nghe An
Nhan Hac		2018	52%	59	1881	32	Nghe An
Song Tranh 4		2021	63%	48	1700	35	Quang Nam
Dak Mi 2		2021	98%	147	3454	23	Quang Nam
Hong Phong 4	Solar Power	2019	100%	48	1100	23	Binh Thuan
SP INFRA 1		2020	100%	50	1079	22	Ninh Thuan
7A	Wind power	2021	100%	50	1875	38	Ninh Thuan

Source: Ha Do Group, KB Securities Vietnam

2. Renewable energy mobilization is at optimal level, and there is potential for additional capacity from new projects

The completion of the 500kV line 3 will help renewable energy be mobilized more

The 500kV line 3, Quang Trach – Pho Noi, has been completed and put into operation since September 2024, which helps release excess electricity capacity from the Central region to the North. Accordingly, the mobilization of renewable energy projects in this area will be more stable, especially when electricity consumption demand continues to increase annually, and electricity supply in the North is in short. We expect the mobilization output of HDG's existing renewable energy projects to increase slightly by 5%.

HDG may gain more capacity from new renewable energy projects

HDG plans to double its capacity by 2030. The company is in the process of an M&A of two small hydropower plants, Son Linh and Son Nham (24MW). However, we have not included these two projects in our projection due to the lack of information. In addition, HDG is also pursuing wind power plant projects included in the NPDP8: 7A expansion (21MW), Phuoc Huu (50MW), Binh Gia (60MW), and Loc Binh 1 (50MW). These projects have not been implemented due to problems with the power price policy mechanism. We believe that if the new price mechanism for renewable energy is announced this year, it will help the group boost its investment in the projects in 2025.

Table 4. HDG – Power project portfolio

Project	Generation type	Capacity	Location	Notes
<i>Unit</i>		<i>MW</i>		
Son Linh	Hydropower	15	Quang Ngai	Included in the NPDP8, expected to operate from 2026
Son Nham		9		
7A expansion	Wind power	21	Ninh Thuan	Included in the NPDP8
Phuoc Huu		50		Included in the NPDP8
V3		250		
An Phong		300		
Binh Gia		80	Lang Son	Included in the NPDP8 Received the MOU from the People's Committee of Lang Son Province
Loc Binh 1		50		Included in the NPDP8
Soc Trang 13		40	Soc Trang	
Hado Quang Tri		30	Quang Tri	

Source: Ha Do Group, KB Securities Vietnam

3. The real estate segment with Hado Charm Villa Phase 3 project creates the main short-term growth driver

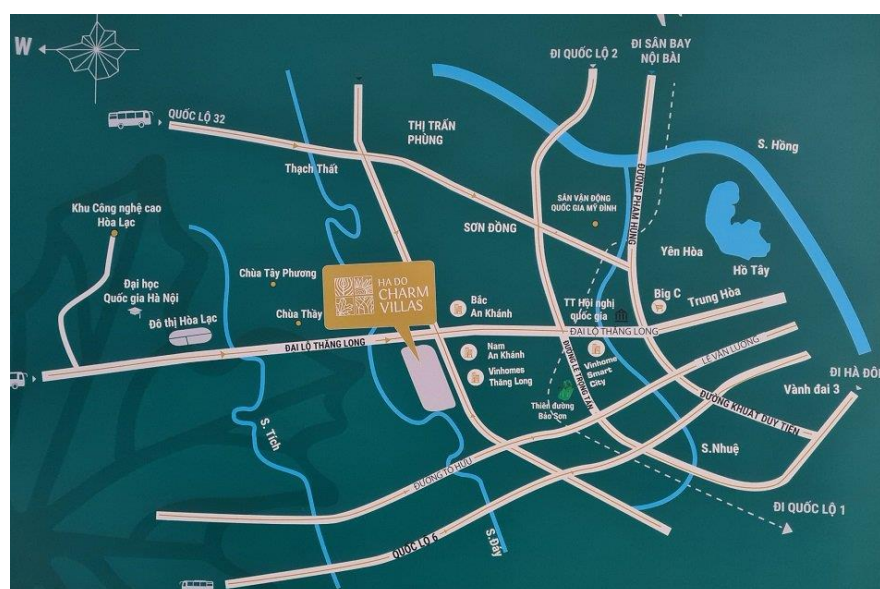
Hado Charm Villas is the key project contributing to the business results of HDG

The Charm Villas project (phase 3) has now completed the exterior and landscape and is waiting to be launched and handed over. This will be the main project contributing to the business results of the real estate segment in the coming time. The previous adverse developments of the real estate market have caused the plan of launching the third phase to be delayed. However, the market situation has become more favorable, so KBSV believes that HDG will soon launch the third sale for the remaining 108 units in 2025. With the advantage of cheap land due to previous accumulation and the positive price increase of the Hoai Duc area, this project is expected to bring high profits to HDG. The price average at the Hado Charm Villas project is relatively attractive, lower than the price of low-rise products in the area along Ring Road 3, so it still has a lot of potential for price increase when the urban radius expands, and the traffic infrastructure and utilities are improved. We forecast that the price offered by HDG will average VND110 million/m², lower than VND120 million/m² than expected.

As a result, Ha Do Charm Villas Phase 3 should bring in about VND3,000 billion in revenue to HDG. However, the absorption rate of the low-rise products of the high-end segment may be lower than other segments, and HDG will only record a part of the project's revenue in 2025.

Location: Km 11 Thang Long Avenue, An Thuong, Hoai Duc, Hanoi
 Project scale: 30ha
 Construction density: 18.1%
 Total floor area: Townhouse, villa (175,828 m²); commercial (9,757 m²); sports (1,246 m²)
 Products: 528 units including semi-detached villas (158 units), townhouses (239 units), and shophouses

Fig 5. HDG – Location of Hado Charm Villas



Source: Ha Do Group

Fig 6. HDG – Hado Charm Villas image



Source: Ha Do Group, KB Securities Vietnam

Fig 7. HDG – Hado Charm Villas image



Source: Ha Do Group, KB Securities Vietnam

RISKS

Slow sales progress of Hado Charm Villas Phase 3

The low absorption rate of high-end/near-high-end projects may partly slow down the project's sales progress. HDG is not under pressure on cash flow, so when market conditions are unfavorable, it is completely possible to continue to delay the opening of sales as in the previous phase.

Legal issues of renewable energy

The legal issue of Hong Phong 4 power plant related to its location in the national mineral reserve has not been resolved, affecting EVN's payments for this plant. In addition, policies related to the selling price of renewable energy are passed more slowly than expected, affecting the investment progress of HDG's projects in the future.

Exchange rate fluctuations

HDG currently has foreign currency loans to finance renewable energy projects, which is expected to further increase in the future when the company invests in new wind power projects. Therefore, financial costs are quite sensitive to exchange rate fluctuations.

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Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Neutral:	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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