

HA DO JSC (HDG)

NPAT boosted by drop in interest expenses

12M rating **Non-rated**

NPAT rose strongly due to a decline in interest expense

- In 2Q24, HDG recorded revenue of VND560bn, slightly down by 8% yoy due to the impact of declining revenue in both the real estate and energy segments (Figure 1).
- Besides, gross profit decreased 9% yoy, reaching VND282bn, with a gross margin of 50.4% in 2Q24 (-0.8 %pt yoy). However, thanks to a sharp drop in interest expenses to VND86.4bn (-32% yoy, figure 2). As a result, NPAT recorded VND111bn, achieving a 46% yoy increase in 2Q24 (Figure 3), specifically:
 - o **Real Estate & Construction Segment:** Revenue and gross profit recorded VND88bn (-12% yoy) and VND32bn (+14% yoy) (Figure 1,4), of which VND83.4bn was recorded from phase 2 of the Hado Charm Villas project, impacted positively in 2Q24. However, due to construction revenue only reaching VND4.4bn (-98% yoy). This led to the segment's revenue declining yoy in 2Q24 (Figure 1).
 - o **Energy Segment:** Due to the strong El-Nino phase in 2Q24 (Figure 5, 6) and the 7A project entering a low-wind cycle. From there, the production at the hydropower plants and renewable recorded 123mn kWh (-24% yoy) and 67mn kWh (-0.01% yoy), respectively. As a result, revenue and gross profit reached VND348bn (-12% yoy) and VND239bn (-17% yoy) (Figure 1, 4), specifically:
 - o **Hydropower Group:** The water flow in the hydropower reservoir to fall close to the dead water level, with significant impacts from Dak Mi 2 and Za Hung hydropower plants, which recorded the output reaching 41mn kWh (-33% yoy) and 19mn kWh (-25% yoy) respectively. Consequently, revenue decrease to VND205bn (-21% yoy, figure 8). However, according to NOAA, the hydrological situation in August-24 improved, capacity factor (CF) rose 75% yoy. This support for HDG's hydropower plant in 3Q24F.

Stock Data

| | |
|------------------------------------|---------------|
| VNIndex (06 Sep, pt) | 1,274 |
| Stock price (06 Sep, VND) | 28,750 |
| Market cap (USD mn) | 393 |
| Shares outstanding (mn) | 336 |
| 52-Week high/low (VND) | 32,400/21,978 |
| 6M avg. daily turnover (USD mn) | 5.92 |
| Free float / Foreign ownership (%) | 48.7/15.1 |
| Major shareholders (%) | |
| Nguyen Trong Thong | 31.83 |
| Nguyen Van to | 8.12 |
| CTBC Vietnam Equity Fund | 7.17 |

Performance

| | 1M | 6M | 12M |
|--------------------------|------|------|-----|
| Absolute (%) | 10.8 | 14.0 | 5.4 |
| Relative to VNIndex (%p) | 5.5 | 12.1 | 1.4 |

Stock price trend



Source: Bloomberg

| | 2019A | 2020A | 2021A | 2022A | 2023A |
|---------------------------|----------|----------|----------|----------|----------|
| Sales (VND bn) | 4,342.52 | 4,998.58 | 3,777.44 | 3,581.19 | 2,889.38 |
| chg. (% YoY) | 35 | 15 | (24) | (5) | (19) |
| Operating profit (VND bn) | 1,397.24 | 1,545.28 | 1,650.87 | 1,614.65 | 961.34 |
| Net profit (VND bn) | 116.98 | 1253.8 | 1343.6 | 1361.9 | 866.2 |
| EPS (VND) | 7,852 | 6,158 | 4,627 | 3,605 | 2,175 |
| chg. (% YoY) | 43 | (22) | (25) | (22) | (40) |
| EBITDA (VND bn) | 1750.8 | 2104.4 | 2295.5 | 2577.1 | 2009.9 |
| PE (x) | 5.44 | 9.17 | 5.83 | 6.64 | 12.57 |
| EV/EBITDA (x) | 5.93 | 7.09 | 6.30 | 5.61 | 7.58 |
| PB (x) | 2.05 | 2.91 | 1.45 | 1.34 | 1.49 |
| ROE (%) | 43.7 | 36.0 | 29.8 | 22.7 | 11.8 |
| Dividend yield (%) | 2.4 | 1.7 | 3.1 | 0.0 | 0.0 |

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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- *Wind & Solar Power Group:* The 7A wind power project recorded production of 17mn kWh (-5% yoy, figure 7) due to the project entering a low-wind cycle. On the other hand, solar power projects performed better, with total revenue reaching VND 115bn (+7%yoy), mainly driven by increased production (Figure 8).
- *Leasing & Hotel Services Segment:* This was the only segment with positive growth for HDG in 2Q24, with revenue reaching VND124bn, up 12% yoy (Figure 1). Thanks to the occupancy rate of IBIS hotels always maintained at a high level of ~70%. From there, gross profit recorded VND52bn (+23% yoy, figure 4).

The progress status of HDG's projects

- *Hydropower group:* In 1Q24, HDG completed the M&A of two hydropower projects, Son Linh and Son Nham, in which the Son Nham hydropower plant (9MW) officially commenced construction, with an expected average electricity output of 24.05mn kWh and anticipates running commercial in 4Q26F.
- *Wind group:* Additionally, the BOD revealed that HDG has 200MW of wind power, which was approved in Power Development Plan VIII. Of these, the Phuoc Huu project has received an investment approval decision, and Binh Gia wind power project has been signed a memorandum of understanding. These factors are expected to impact HDG's long-term prospects positively.
- *Hado Charm Villas project (phase 3):* According to the BOD, the legal procedures for the project have been completed. However, the project will not be launched for sale in 3Q24 as HDG is waiting for a better time to open for sale.

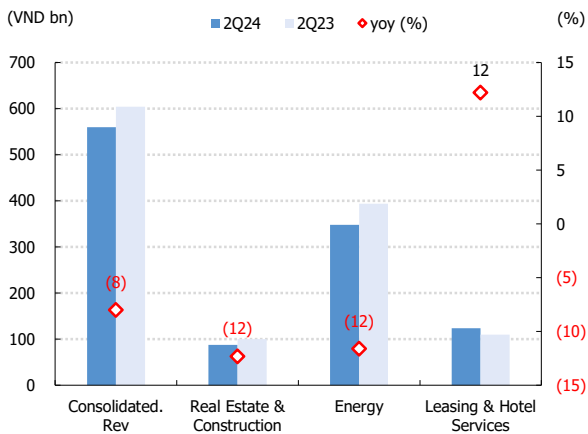
Table 2. List of new projects

| | Project | Capacity (MW) | Total investment (VND bn) | Progress |
|---|-----------------------------|---------------|---------------------------|-------------------|
| 1 | + Son Linh hydropower | 15 | N/A | COD 4Q26 |
| 2 | + Son Nham hydropower | 9 | 287 | COD 4Q26 |
| 3 | + Phuoc Huu wind power | 50 | 1730 | COD 4Q25 |
| 4 | + Binh Gia wind power | 80 | 3,000 | MOU awarded |
| 5 | + 7A wind power - extension | 21 | N/A | Approved QHĐ VIII |

Source: EVN, KISVN

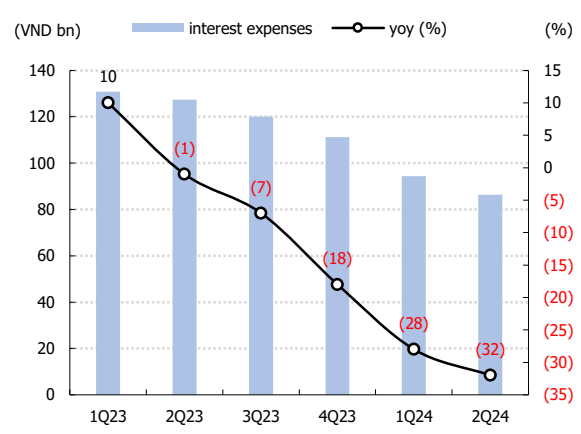
Notes: MOU: Project Investment Memorandum

Figure 1. Revenue consolidated recorded of VND560bn, decreased 8% yoy



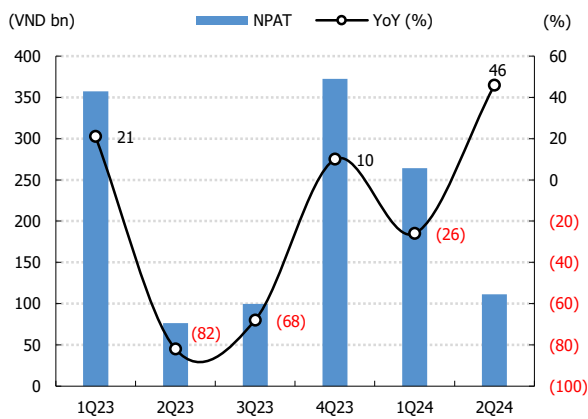
Source: Company data, KISVN

Figure 2. ... interest expenses drop strongly to VND86.4bn, decline 32% yoy



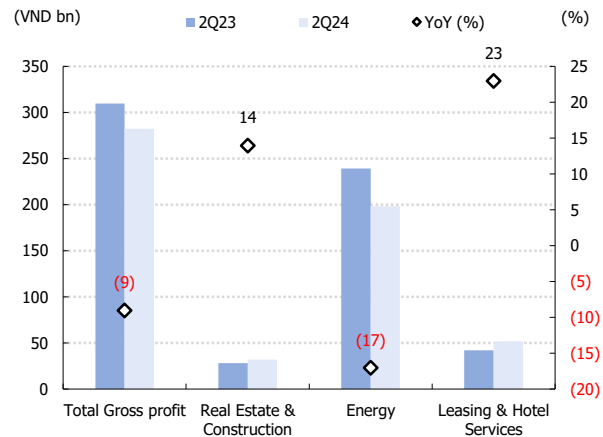
Source: Company data, KISVN

Figure 3. NPAT growth of 46% due to optimal interest expense in Q2 2024



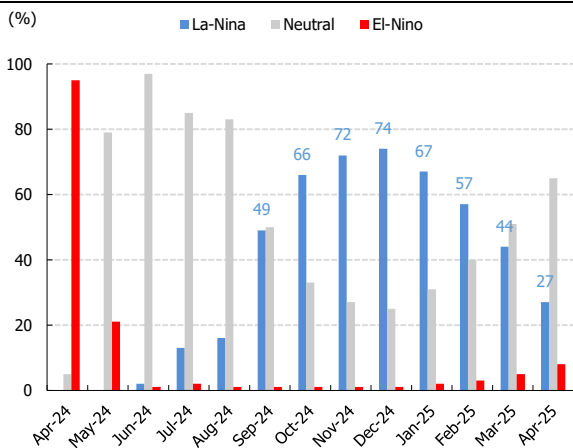
Source: Company data, KISVN

Figure 4. In Q2 2024 gross profit reached VND282bn, with a gross margin of 50.4% (-0.8 %pt yoy)



Source: Company data, KISVN

Figure 5. Neutral phase officially returned, expect output hydropower plants's HDG growth yoy



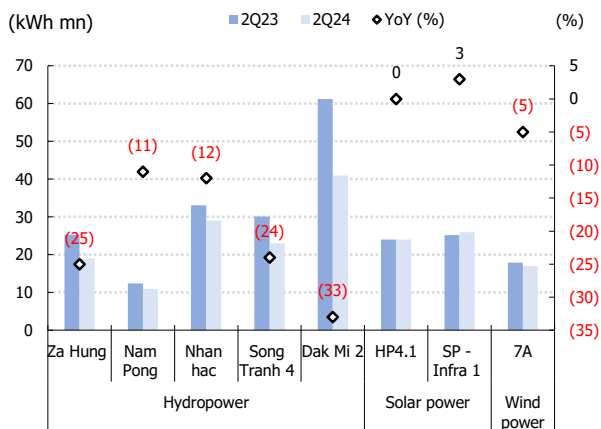
Source: EVN, KISVN

Figure 6. The hydrological situation improved significantly in August 24. This support for HDG's hydropower plants in 3Q24F

| | Hydropower | Coal fired | Gas fired | Solar | Wind |
|--------|------------|------------|-----------|-------|------|
| Aug-24 | 77% | 51% | 26% | 23% | 18% |
| Jul-24 | 73% | 49% | 27% | 31% | 30% |
| Jun-24 | 59% | 62% | 35% | 35% | 21% |
| May-24 | 26% | 79% | 44% | 36% | 13% |
| Apr-24 | 22% | 81% | 46% | 41% | 9% |
| Mar-24 | 16% | 74% | 44% | 36% | 34% |
| Feb-24 | 18% | 58% | 36% | 33% | 30% |
| Jan-24 | 27% | 64% | 34% | 31% | 44% |
| Aug-23 | 63% | 42% | 22% | 42% | 33% |
| Jul-23 | 37% | 67% | 45% | 27% | 19% |
| Jun-23 | 28% | 70% | 48% | 35% | 17% |
| May-23 | 27% | 70% | 77% | 39% | 20% |
| Apr-23 | 32% | 63% | 53% | 38% | 15% |
| Mar-23 | 28% | 60% | 51% | 39% | 28% |
| Feb-23 | 33% | 51% | 49% | 36% | 35% |
| Jan-23 | 32% | 39% | 34% | 26% | 32% |

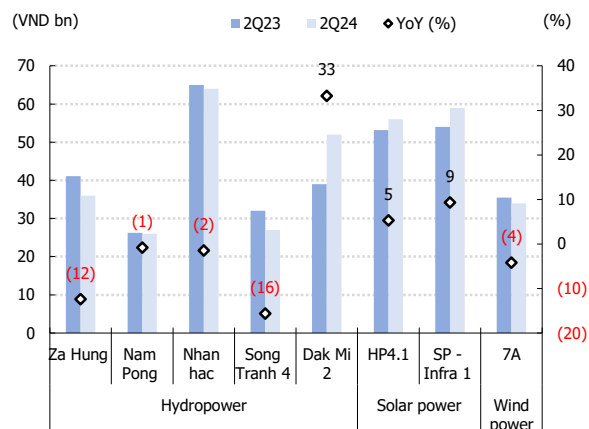
Source: NOAA, KISVN

Figure 7. Hydropower plant output all recorded negative growth due to El-Nino in 2Q24



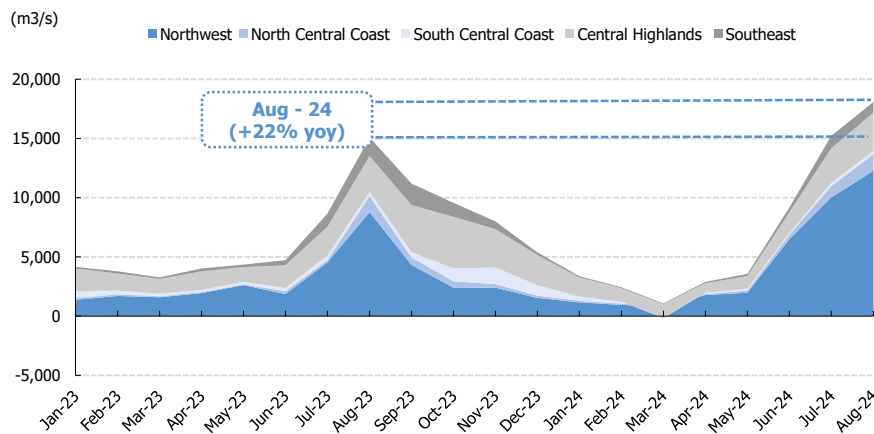
Source: EVN, KISVN

Figure 8. Revenue from solar power rase slightly yoy



Source: NOAA, KISVN

Figure 9. The water flow at hydropower reservoirs has improved as of August, showing a 22% yoy growth.



Source: EVN, KISVN

Company overview

Electrical Engineering Corporation (REE), formerly known as Refrigeration Electrical Engineering State-owned Enterprise, was established in 1977. In 1993, the Enterprise was equitized and transformed into Refrigeration Electrical Engineering Corporation.

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