HANG XANH MOTORS SERVICE JSC (HSX: HAX)

MG development and land transaction are the key focus in H2-2025

Unit: VND bn	Q1-FY25	Q4-FY24	+/- qoq	Q1-FY24	+/- yoy
Net sales	1,180	1,118	5.5%	973	21.2%
NPAT-MI	9	59	-84.0%	49	-80.8%
EBIT	30	50	-38.9%	56	-46.2%
EBIT margin	2.6%	4.4%	-187bps	5.8%	-322bps

Source: HAX, RongViet Securities

Q1-FY25: Earnings came in significantly below expectations due to a decline in MBZ distribution market share and margin compression in the MG segment amid the launch of a large number of new MG dealerships.

- Net revenue reached VND 959 bn (-7.6% YoY), significantly below projections, entirely due to the sharp decline in the MBZ segment (-28.3% YoY) — a result of both the weakening market share of Mercedes-Benz in Vietnam and HAX's own distribution share. A bright spot came from strong MG growth (+27.4% YoY), driven by aggressive dealership expansion (5 out of 15 new dealerships opened this quarter), though not enough to offset the overall decline in MBZ.
- NPAT-MI reached only VND 5.0 bn (-76.9% YoY). HAX launched 5 out of its planned 15 MG dealerships nationwide in Q1-FY25, accompanied by aggressive demand-stimulating strategies such as price discounts (gross margin down 218bps YoY), increased advertising, and dealer incentives. However, sales have yet to meet expectations during the ramp-up phase. Additionally, rising fixed costs (depreciation, staff expenses) associated with network expansion have further pressured MG segment margin.

FY25 Outlook: Gradual QoQ recovery expected toward year-end as HAX gains better control over its rapidly expanded MG dealership network.

- We expect the "post-registration fee cut" sales trough (Sep–Nov 2024) to gradually fade from Q2-2025, similar to trends seen in 2022 and 2023, supporting stronger QoQ growth for both MBZ and MG segments.
- HAX will continue to focus heavily on developing the MG segment as a new growth pillar to replace the declining MBZ business. The company has already completed 5–7 new MG dealership openings out of a total of 17 planned in H1-2025, leading to short-term volatility in MG revenue and earnings. We expect HAX to improve MG revenue per dealership and optimize discounting and promotional spending from Q2-2025 onward.
- Accordingly, we forecast HAX's Q2-FY25 results with net revenue of VND 1,722 bn (+53.4% YoY) and NPAT-MI of VND 24 bn (+216.3% YoY). Key drivers include the auto market rebound after a weak Q1 and momentum from an expanded MG dealership network.
- The potential sale of the Vo Van Kiet land plot (at no less than VND 180 mn/m^2) could lead to upside in HAX's revenue and net profit forecasts, as the company has signaled plans to accelerate this activity in the remainder of 2025.
- We forecast HAX's 2025 net revenue at VND 6,295 bn (+14.2% YoY), with NPAT-MI and EPS reaching VND 94 bn (-24.8% YoY) and VND 875, respectively.

Outlook & Recommendation

Amid the post-COVID downturn in the auto sector and declining MBZ distribution share, HAX has found a growth catalyst in MG—its "guiding light" to recover momentum lost over the past five years. However, as initial incentives from MG taper off, HAX's net profit growth is expected to decelerate beyond 2025. The planned divestment of its 6-hectare land plot, with multiple signals of a near-term transaction at a price significantly above book value, is seen as a major earnings catalyst for 2025.

We have performed a valuation for HAX employing a 50:50 weighting of the long-term Discounted Cash Flow (DCF) method and the comparative Price-to-Earnings (P/E) approach. The target price for HAX over the next 12 months is set at VND 17,200 per share (including expected cash dividend of VND 800/share), corresponding to a forward P/E ratio of 18.7x for 2025. Based on the closing price as of July 09th, 2025, we recommend an ***ACCUMULATE*** *rating for HAX.*

ACCUMULATE

Market price (VND)	15,350
Target price (VND)	17,200

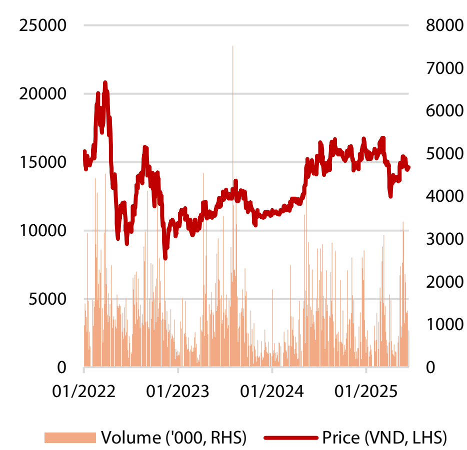
1-year expected cash dividend (VND/share): 800

Stock Info

Sector	Auto & Spare part
Market Cap (VND Bn)	1,553
Share O/S (Mn)	107
Average trading volume (20 sessions) ('000 shares)	921
Free Float (%)	56.7
52 weeks high	16,800
52 weeks low	12,500
Beta	1.0

	FY24	Current
EPS	1,053	1,004
EPS growth (%)	184.5	-15.9
P/E	15.8	15.0
P/B	1.5	1.3
EV/EBITDA	11.6	11.6
ROE (%)	10.0	9.2

Stock price movement



Major shareholders (%)

Couple of Mr. Dung, Do Tien	33.99
PYN Fund Management Oy	5.68
Other BOD members	4.23
AFC VF Limited	5.87
Others	50.23
Remaining Foreign Room (%)	28.44

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Q1-FY25 results came in well below expectations due to a decline in MBZ distribution market share and margin compression in the MG segment amid the rapid rollout of new showroom

Net revenue reached VND 959 bn (-47.3% QoQ, -7.6% YoY), 43.5% below our expectation, with the breakdown as follows:

+ **MBZ revenue** reached VND 467 bn (-49.4% QoQ, -28.3% YoY), a sharper decline than the overall MBZ vehicle sales in Vietnam (-17.7% YoY), likely due to HAX losing distribution market share faster than expected.

+ **MG revenue** reached VND 492 bn (-45.1% QoQ, +27.4% YoY), driven by overall MG market growth (+13.2% YoY) and HAX gaining distribution share this quarter. However, growth fell short of expectations, likely due to new showroom not yet ramping up as strongly as anticipated. (**)

(*) According to our data, MBZ's market share declined to 0.5% this quarter (-0.1% QoQ), while MG's share leveled off at 2.3% (-0.6% QoQ), facing strong competition from VinFast, which expanded its market share to 32.4% (+6.3% QoQ).

(**) We also note that launching a large number of showroom during a low-demand quarter—following the expiration of the registration fee incentive—posed a headwind for HAX, as short-term demand was front-loaded in the preceding quarter (Q4-2024).

NPAT-MI on this quarter reached VND 5 bn (-45.3% QoQ, -76.9% YoY), significantly below our forecast of VND 32 bn, entirely due to the underperformance of the MG segment. HAX launched 5 out of 15 planned MG dealerships nationwide in Q1-FY25, accompanied by various demand-stimulating measures such as price discounts (gross margin down 218bps YoY) and increased advertising and promotional expenses (+27.4% YoY). However, sales have yet to meet expectations during the ramp-up phase (+27.4% YoY). In addition, fixed operating costs from the expanded distribution network also rose sharply, putting pressure on MG margin — depreciation surged (+194.3% YoY) and staff expenses increased (+81.5% YoY).

Notably, HAX continued to record other income of approximately VND 16 bn from subsidiaries (mainly MG), primarily related to showroom construction support—serving as the only positive contributor this quarter.

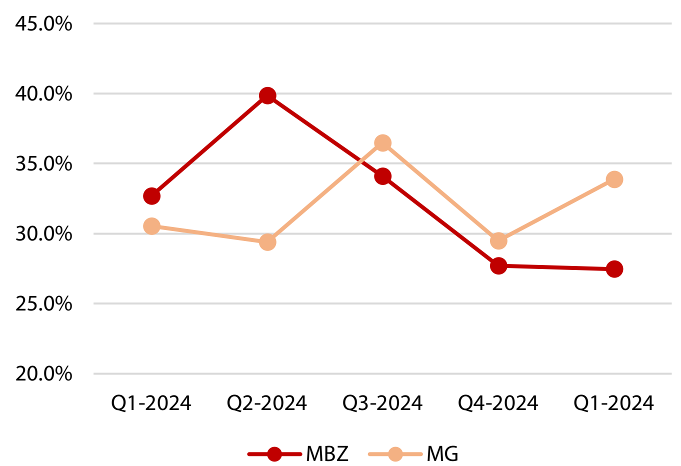
Table 1: HAX's Q1-2025 results (VND bn)

Unit: VND bn	Q1-2025	Q4-2024	+/- (qoq)	Q1-2024	+/- (yoy)
Net sales	**959**	**1.817**	**-47.3%**	**1,038**	**-7.6%**
Selling cars	829	1.662	-50.1%	902	-8.1%
Mercedes-Benz (MBZ)	373	802	-53.5%	539	-30.8%
MG and others	456	859	-46.9%	363	25.6%
Repairing & component part selling	124	150	-17.1%	129	-3.5%
Mercedes-Benz (MBZ)	92	116	-20.9%	111	-17.0%
MG and others	33	34	-3.9%	18	77.7%
Others	5	6	-5.9%	6	-17.5%
Mercedes-Benz (MBZ)	2	4	-40.7%	2	22.4%
MG and others	3	2	70.5%	5	-34.0%
Gross profit	**94**	**146**	**-35.9%**	**95**	**-1.9%**
Mercedes-Benz (MBZ)	32	33	-3.2%	39	-16.9%
MG and others	61	113	-45.6%	57	8.4%
SG&A expenses	**-84**	**-99**	**-14.5%**	**-59**	**43.9%**
Mercedes-Benz (MBZ)	-29	-30	-1.5%	-34	-14.0%
MG and others	-55	-69	-20.0%	-25	122.4%
Net finance income	**-5**	**-8**	**-27.6%**	**-5**	**10.3%**
Other profit	**19**	**36**	**-47.2%**	**9**	**108.7%**
Minority of interests (MI)	**11**	**26**	**-56.0%**	**10**	**19.4%**
NPAT-MI	**5**	**34**	**-84.7%**	**22**	**-76.9%**

	Q1-2025	Q4-2024	+/- (qoq)	Q1-2024	+/- (yoy)
Gross margin	*9.8%*	*8.0%*	+173bps	*9.2%*	+57bps
Mercedes-Benz (MBZ)	*6.9%*	*3.6%*	+331bps	*6.0%*	+95bps
MG and others	*12.5%*	*12.6%*	-13bps	*14.6%*	-218bps
SG&A exp/Net sales	*8.8%*	*5.4%*	+337bps	*5.7%*	+315bps
Mercedes-Benz (MBZ)	*6.2%*	*3.2%*	+302bps	*5.2%*	+104bps
MG and others	*11.3%*	*7.7%*	+353bps	*6.5%*	+481bps
EBIT margin	*1.0%*	*2.6%*	-165bps	*3.5%*	-259bps
Net margin	*0.5%*	*1.9%*	-132bps	*2.1%*	-161bps

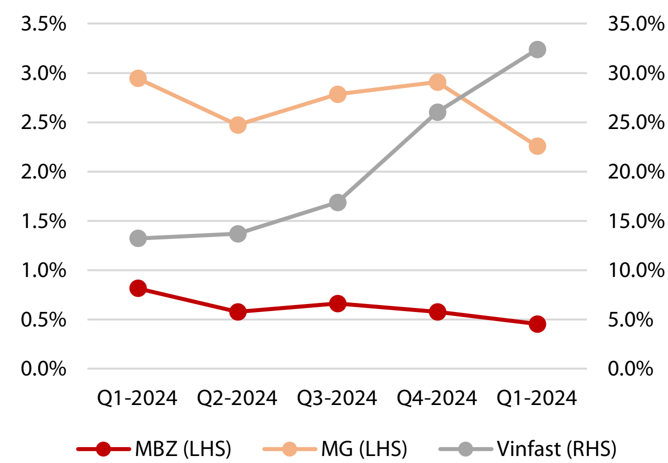
Source: HAX, RongViet Securities

Figure 1: HAX's distribution market share in two car segments (%)



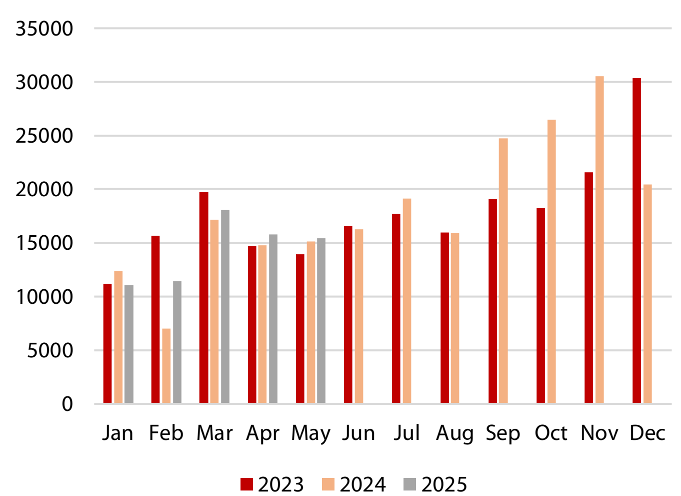
Sources: HAX, RongViet Securities

Figure 2: Market share of MBZ and MG car sales in Vietnam (%)



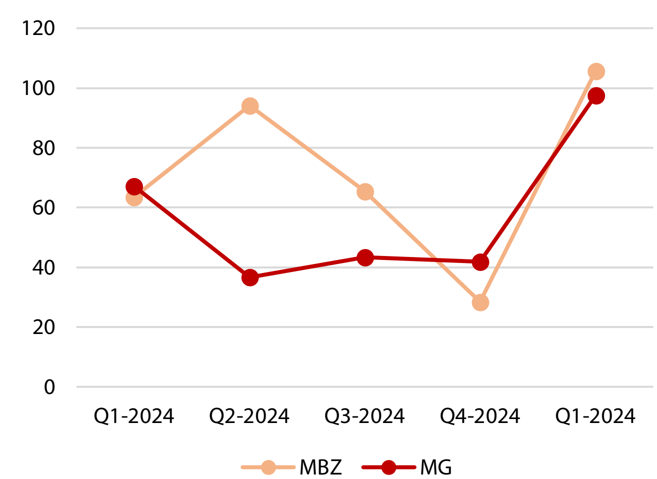
Sources: HAX, VAMA, Vinfast, RongViet Securities

Figure 3: Automobile sales by VAMA members in Vietnam (units)



Sources: VAMA, RongViet Securities. Note: Key VAMA members include Mitsubishi, Honda, Ford, Toyota, Kia, Mazda, and BMW.

Figure 4: Inventory days of HAX for MBZ and MG segments (days)



Source: HAX, RongViet Securities. Note: HAX faced high inventory levels in Q1-FY25 due to weak performance in the luxury MBZ segment, while the rapid expansion of the MG dealership network outpaced sales, resulting in slower inventory turnover.

Q2-2025's projected results: A strong QoQ recovery is expected as HAX gradually gains better control over its expanded MG showroom network

Table 2: HAX's projected Q2-2025 results by VDS

	Q2-2025	+/-YoY	+/-QoQ	Assumption
Net sales	**1,722**	**53.4%**	**79.6%**	
Selling cars	1,547	57.8%	86.6%	We expect the "post-registration fee cut" sales trough (Sep–Nov 2024) to fade from Q2-2025, as seen in 2022 and 2023, supporting stronger QoQ growth for both MBZ and MG sales.
Mercedes-Benz (MBZ)	449	-25.2%	20.5%	MBZ is targeting flat YoY revenue this year while shifting more toward direct distribution, resulting in HAX's distribution market share remaining low—as seen in Q1-2025—and leading to notably weak YoY growth.
MG and others	1.097	189.3%	140.7%	This is driven by HAX's expanding MG distribution network, with 5 new dealerships opened between Dec-2024 and Mar-2025, and an additional 1–2 expected in Q2.
Repairing & component part selling	168	24.1%	35.0%	
Mercedes-Benz (MBZ)	92	-17.1%	0.6%	Impacted by the declining market share of MBZ vehicle sales in Vietnam. However, the existing MBZ car population still requires regular maintenance and repairs—providing the only support to limit the segment's decline, unlike vehicle sales, which generate one-off revenue.
MG and others	76	215.8%	131.7%	Revenue from this segment is positively correlated with the rising number of MG cars sold in Vietnam and HAX's continued rollout of more 3S-standard MG dealerships (which include service and maintenance areas).
Others	7	0.0%	34.8%	
Mercedes-Benz (MBZ)	2	0.0%	-20.1%	
MG and others	5	0.0%	76.7%	
Gross profit	**191**	**98.8%**	**104.3%**	
Mercedes-Benz (MBZ)	38	27.7%	17.6%	
MG và khác	153	130.7%	150.0%	
SG&A exp	**-135**	**87.9%**	**59.8%**	
Mercedes-Benz (MBZ)	-35	4.7%	19.8%	HAX is expected to offer deeper discounts to boost sales and reduce high inventory levels (potentially due to weak sell-through) by the end of Q1-2025. However, the effectiveness may be limited, as MBZ—being a luxury brand—is less aligned with current consumer sentiment and evolving market preferences.
MG and others	-100	159.6%	80.8%	Advertising and sales incentives for MG are expected to remain elevated, given HAX's opening of 5–7 dealerships over the past 7 months. However, as noted, stronger revenue growth should help bring the SG&A-to-revenue ratio down from the high levels seen in the weak Q1.
EBIT	**56**	**130.8%**	**512.7%**	
Income from affiliates	0			
Net finance income	-8			
Other profit	12			The addition of two new MG dealerships this quarter will allow HAX to recognize other income—dealership construction support from MG—similar to previous quarters.
EBT	**60**	**112.2%**	**165.3%**	
Corporate income tax	-12			
Minority of interest (MI)	25			
NPAT-MI	**24**	**216.3%**	**361.4%**	

Gross profit	**11.1%**	**+254bps**	**+134bps**
Mercedes-Benz (MBZ)	7.0%	+283bps	+7bps
MG and others	13.0%	-325bps	+54bps
SG&A exp/Net sales	**7.8%**	**+144bps**	**-97bps**
Mercedes-Benz (MBZ)	6.4%	+175bps	+18bps
MG and others	8.5%	-94bps	-277bps
EBIT margin	3.3%	+110bps	+231bps
Net margin	1.4%	+71bps	+84bps

Source: HAX, RongViet Securities

Valuation

We view the recent shifts in HAX's business landscape as having the following implications for the company's overall valuation:

+ MBZ Segment: The sharper-than-expected decline in both MBZ's market share in Vietnam and HAX's MBZ distribution share in Q1-FY25 appears to confirm a risk we previously highlighted in our report "HAX – Regaining Growth Momentum with MG". Specifically, HAX is likely to see continued erosion in its MBZ distribution share over the medium term, due to losing strategic privileges in developing the brand—especially as Mercedes-Benz established a new distribution entity (MBDV) in Oct-2024, which has yet to commence operations (*), may signal a gradual move by MBZ to reduce reliance on local distributors, implying a potential long-term risk of HAX losing its MBZ distribution partnership.

(*) "The establishment of this new legal entity is a strategic move to ensure business continuity in the Vietnamese market and to mitigate potential risks" – shared by MBZ representative.

+ Vo Van Kiet land plot: On May 12th, 2025, HAX approved the proposal to seek shareholder approval for the divestment of its investment property—6,282.6 m^2 of land on Vo Van Kiet Boulevard—from May 2025, at a minimum price of VND 180 mn/m^2, equivalent to a total transaction value of no less than VND 1,131 bn.

We previously valuated the land based on its book value of VND 542 bn, or VND 86.2 mn/m^2, implying potential upside to HAX's valuation if the final transaction is executed as planned. Additionally, HAX would record a sizable gain of at least VND 471 billion (post-tax) in 2025. Accordingly, we revise down our valuation for HAX's core auto sales segment and raise our valuation for the land divestment (assuming a sale price of VND 150 mn/m^2, 20% below HAX's expected price). Our blended valuation—50:50 between long-term DCF and short-term P/E comparison—yields a new target price of VND 16,400 per share.

Table 3: HAX's valuation summary

Segment	Method	Target price (VND/share)
LONG-TERM VALUATION		
Segment	**Method**	**Target price (VND/share)**
Cor segments – selling cars	DCF (5 year, WACC 12.0%, Exit EVEBITDA 6x)	10,704
Vo Van Kiet land	Market price (VND 150 mn/m2)	8,349
Target price (VND/share)		**19,053**
SHORT-TERM VALUATION		
Segment	**Method**	**Target price (VND/share)**
Cor segments – selling cars	PE (12.4x, EPS 2025F)	10,814
Vo Van Kiet land	Land capital gains (selling price: VND 150 mn/m2)	2,982
Target price (VND/share)		**13,796**
HAX'S VALUATION SUMMARY (VND/SHARE)		
Method	**Contribution**	**Target price (VND/share)**
Short-term	50%	19,053
Long-term	50%	13,796
Total HAX		**16,400**
Expected cash dividend next year (VND/share)		*800*
2025F targeted PE		*18.7*

Source: HAX, RongViet Securities.

Note: In the P/E-based valuation, the Vo Van Kiet land plot contributes to HAX's total valuation purely through the profit from the transaction, calculated as: total land sale proceeds (sale price/m² × total land area) minus HAX's original purchase cost (VND 542 bn). In contrast, under the long-term DCF approach, the land plot's contribution is reflected as the full cash inflow (total land sale proceeds) received by HAX.

Table 4: Sensitivity analysis of HAX's core auto distribution equity value based on EV/EBITDA in the DCF Valuation (VND/share)

		Exit EVEBITDA						
		3.0	4.0	5.0	6.0x	7.0	8.0	9.0
WACC	9.1%	5,796	8,262	10,728	13,194	15,661	18,127	20,593
	10.1%	5,252	7,608	9,964	12,320	14,676	17,032	19,389
	11.1%	4,735	6,987	9,239	11,491	13,743	15,995	18,247
	12.1%	4,244	6,398	8,551	10,704	12,858	15,011	17,165
	13.1%	3,778	5,838	7,898	9,958	12,018	14,078	16,138
	14.1%	3,335	5,307	7,278	9,249	11,220	13,191	15,163
	15.1%	2,914	4,801	6,689	8,576	10,463	12,350	14,237

Source: RongViet Securities

Table 5: Sensitivity Analysis of HAX's Core Auto Distribution Equity Value Based on P/E in the Comparable Valuation Method (VND/share)

			P/E				
EPS (đồng)			10.4	11.4	12.4	13.4	14.4
	2025F	875	9,064	9,939	10,814	11,688	12,563
	2026F	928	9,612	10,539	11,467	12,395	13,322

Source: RongViet Securities

Table 6: Sensitivity analysis of Vo Van Kiet land plot contribution to HAX's overall valuation under both methods (VND/share)

Market price (VND mn/m2)	90	110	130	150	170	190	210
Contribution to HAX's long-term valuation (VND/share)	4,841	6,010	7,180	8,349	9,519	10,689	11,858
Contribution to HAX's short-term valuation (VND/share)	175	1,110	2,046	2,982	3,917	4,853	5,789

Source: RongViet Securities

Appendix

Table 7: HAX's Q1-2025 results

Unit: VND bn	Q1-2025	Q4-2024	+/-QoQ	Q1-2024	+/-YoY	% as of HAX's 2025F plan	% as of VDS's 2025F forecast
Net sales	**959**	**1,817**	**-47.3%**	**1,038**	**-7.6%**		**15.2%**
Mercedes-Benz (MBZ)	467	922	-49.4%	714	-34.6%		20.1%
MG and others	492	895	-45.1%	409	20.3%		12.4%
Gross profit	**94**	**146**	**-35.9%**	**95**	**-1.9%**		
SG&A expenses	**-84**	**-99**	**-14.5%**	**-59**	**43.9%**		
EBIT	**9**	**47**	**-80.6%**	**37**	**-75.0%**		
Income from affiliates	0	0		0			
Net finance income	-5	-8	-27.6%	-5	10.3%		
Other profit	19	36	-47.2%	9	108.7%		
EBT	**23**	**76**	**-70.0%**	**41**	**-44.5%**	8.7%	10.1%
Corporate income tax	-6	-16	-61.7%	-9	-32.1%		
Minority of interest (MI)	11	26	-56.0%	10	19.4%		
NPAT-MI	**5**	**34**	**-84.7%**	**22**	**-76.9%**		**5.5%**

Sources: HAX, RongViet Securities

Table 8: HAX's Q1-2025 Business analysis

Criteria	Q1-2025	Q4-2024	+/-QoQ	Q1-2024	+/-YoY
Profitability ratio					
Gross margin	9.8%	8.0%	+173bps	9.2%	+57bps
EBITDA/Net sales	1.0%	2.6%	-165bps	3.5%	-259bps
EBIT/Net sales	0.5%	1.9%	-132bps	2.1%	-161bps
Net margin					
- **Efficiency ratio (days)**	102	56		66	
- Days AR on hand	22	15		23	
- Day Inventory on hand	15	9		10	
Day AP					
Solvency ratio	78%	63%		70%	

Source: RongViet Securities

VND bn

INCOME STATEMENT	2023A	2024A	2025F	2026F
Net revenue	3,705	5,001	5,622	6,329
COGS	**277**	**512**	**673**	**782**
Gross profit	221	312	478	532
SG&A expense	1	1	0	0
Finance income	37	23	33	33
Finance expense	28	80	63	30
Other profit	**47**	**258**	**225**	**246**
EBT	11	55	45	49
Corporate income tax	2	79	86	97
Minority of interest	**34**	**125**	**94**	**100**
NPAT-MI	56	200	195	249
EBIT	3,705	5,001	5,622	6,329

FINANCIAL RATIOS	2023A	2024A	2025F	2026F
YoY growth (%)				
Net sales	-41.2	38.5	14.2	13.0
EBIT	-79.0	259.7	-2.4	27.6
NPAT-MI	-85.9	269.9	-24.8	6.0
Total assets	-22.2	20.1	18.2	6.7
Total equity	20.9	7.9	-1.1	1.6
Profitability ratios (%)				
Gross margin	7.0	9.3	10.7	11.0
EBIT margin	1.4	3.6	3.1	3.5
Net margin	0.8	2.3	1.5	1.4
ROA	1.7	5.2	3.3	3.3
ROE	3.0	10.4	7.9	8.2
Efficiency ratios (days)				
Days AR on hands	12	13	13	12
Day Invenroty on hands	69	48	74	75
Day AP	4	7	8	9
Liquidity ratios (x)				
Current	1.3	1.4	1.4	1.4
Quick	0.4	0.7	0.4	0.4
Solvency ratios (%)				
Total liabilities/total equity	72.4	61.6	82.1	80.8
Total debt/Total equity	60.1	44.9	62.9	60.1
Short-term debt/Total equity	60.1	44.9	62.9	60.1

VND bn

BALANCE SHEET	2023A	2024A	2025F	2026F
Cash & Equivalents	120	262	262	262
Short-term investment	0	3	3	3
Receivables	213	340	298	314
Inventories	696	661	1,143	1,300
Other current assets	43	50	50	50
Tangible fixed assets	841	993	991	1,009
Intangible fixed assets	11	11	11	11
Long-term investment	0	0	0	0
Other non-current assets	78	83	83	83
Total assets	**2,006**	**2,409**	**2,847**	**3,037**
Trade payables	45	99	130	156
Short-term debt	700	670	983	1,009
Short-term debt	0	0	0	0
Other liabilities	98	149	170	192
Bonus & welfare funds	0	0	0	0
Science and technology fund	0	0	0	0
Total liabilities	**842**	**918**	**1284**	**1,358**
Paid-in capital	934	1,074	1,074	1,074
Treasury shares	0	0	0	0
Retained earnings	150	129	115	134
Other funds	0	0	0	0
Investment & development funds	0	0	0	0
Total equity	**1,164**	**1,491**	**1,564**	**1,680**
Minority of interest	49	287	374	471

VALUATION RATIOS	2023A	2024A	2025F	2026F
EPS (VND)	315	1,163	875	928
P/E (x)	35.2	13.6	18.7	17.7
BV (VND)	10,834	13,875	14,552	15,633
P/B (x)	1.0	1.1	1.1	1.0
DPS (VND)	500	300	1,000	800
Dividend yield (%)	3.2	2.1	5.6	5.4

VALUATION MODEL	Price	Contribution	Average
DCF	19,035	50%	9,518
PE	13,796	50%	6,898
Target price (VND/share)		**100%**	**16,400**

VALUATION HISTORY	PRICE	RECOMMENDATION	TIME
Jul-2025	17,200	ACCUMULATE	1 year

RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report. we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information. investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

In some cases, we do not provide specific buy/sell recommendations but instead offer a few reference valuations to give investors additional insights, categorized under the recommendation of **OBSERVE**

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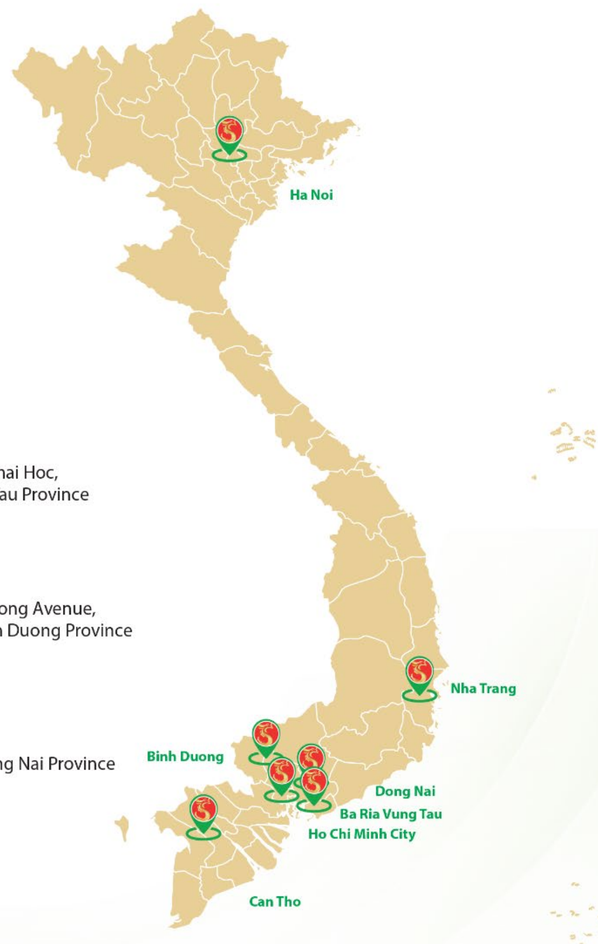

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