

17 Mar 2022

Hoa Sen Group (HSG)

Feb 2022 – Operational updates

Vietnam Steel Association (VSA) released some worthy headlines on the February sales of the company. Here are some key issues worthy of note.

Strong domestic sales in Feb despite the long holiday

- Total Feb steel sales volume posted 157,399 tonnes, decreasing by 6.6% yoy, but increasing by 9.1% mom.
- Steel coat volume made up 71% of the Feb total sales volume at 112,247 tonnes, -20.7% yoy and -7.3% mom.
- The coated steel export volume (52,107 tonnes) was down 33.6% mom and 55.7% yoy.
- The domestic market has a significant comeback: Domestic volume of steel coat recorded 60,140 tonnes (+41.1% mom, +150.7% yoy) and steel pipes volume posted 43,588 tonnes (+97.7% mom and +88.7% yoy).

FY5M2022 performance still brisk

- HSG continued to witness the decline in export volume in first 2 months of 2022 while there was the improvement in domestic sales volume.
- The FY5M22 total sale volume came in at 897,760 tonnes, +1% yoy on the back of the steel coat volume growth of 8.4% yoy to 740,710 tonnes while the steel pipes growth of -23.4% yoy to 157,050 tonnes.
- The total FY5M22 export volume (accounted for 53.3% of total sales; 485,859 tonnes) grew +2.6% yoy while the local sales volume (411,901 tonnes) declined slightly by 0.7% yoy thanks to the recent stronger domestic sales.

12M rating **Non-rated**

12M TP **N.a**

Up/Downside **N.a**

Stock Data

VNIndex (Mar 16, pt)	1,459
Stock price (Mar 16, VND)	37,350
Market cap (USD mn)	806
Shares outstanding (mn)	493
52-Week high/low (VND)	49,850/24,637
6M avg. daily turnover (USD mn)	16.49
Free float / Foreign ownership (%)	68.9/7.0
Major shareholders (%)	
Le Phuoc Vu	16.7
Hoa Sen Holdings Group	3.6

Performance

	1M	6M	12M
Absolute (%)	2.5	(20.5)	44.7
Relative to VNIndex (%p)	4.6	(29.0)	20.2

Stock price trend



Source: Bloomberg

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY21A
Sales (VND bn)	26,149	34,441	28,035	27,539	48,727
chg. (% YoY)	46.1	31.71	(18.6)	(1.8)	76.9
Operating profit (VND bn)	4,418	3,977	3,199	4,626	5,047
Net profit (VND bn)	1,332	409	369	1,153	4,249
EPS (VND)	3,824	1,063	837	2,589	8,817
chg. (% YoY)	(49.9)	(72.2)	(17.9)	196.7	240
EBITDA (VND bn)	2,809	2,290	2,179	3,188	6,233
PE (x)	6.8	6.2	9.8	9.0	3.6
EV/EBITDA (x)	7.3	7.2	5.9	5.6	3.9
PB (x)	1.7	0.5	0.6	1.5	1.4
ROE (%)	27.4	7.6	6.9	19	48
Dividend yield (%)	3.4	0	0	0	0

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

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Feb-21	Feb-22	MoM (%)	YoY (%)	FY5M21	FY5M22	YoY (%)
Steel Pipes	27,004	45,152	94.5	67.2	205,044	157,050	(23.4)
Export	3,901	1,564	35.2	(59.9)	19,300	8,408	(56.4)
Domestic	23,103	43,588	97.7	88.7	185,744	148,642	(20.0)
Steel Coat	141,527	112,247	(7.3)	(20.7)	683,552	740,710	8.4
Export	117,535	52,107	(33.6)	(55.7)	454,335	477,451	5.1
Domestic	23,992	60,140	41.1	150.7	229,217	263,259	14.9
Total Steel Volume	168,531	157,399	9.1	(6.6)	888,596	897,760	1.0
Export	121,436	53,671	(32.6)	(55.8)	473,635	485,859	2.6
Domestic	47,095	103,728	60.4	120.3	414,961	411,901	(0.7)

Source: VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Feb-21	Feb-22	MoM (%)	YoY (%)	FY5M21	FY5M22	YoY (%)
Steel Pipes							
Production	17,707	27,415	41.7	54.8	159,426	121,046	(24.1)
Inventories	44,969	41,795	(17.6)	(7.1)			
Steel Coat							
Production	133,569	118,439	15.3	(11.3)	707,716	729,248	3.0
Inventories	56,002	77,874	9.8	39.1			
Steel Coil							
Production	144,370	120,554	29.1	(16.5)	795,096	685,490	(13.8)
Inventories	15,935	14,468	(32.8)	(9.2)			

Source: VSA, KIS

Company overview & Glossary

Founded in 2001, HSG is a leading manufacturer of galvanized steel sheets (capacity of 2.7mn tonnes per year capacity) in Vietnam. Other products include steel pipes (capacity 990,000 tonnes per year) and plastic pipes. HSG also has its own retail distribution network with 536 branches.

Balance sheet

(VND bn)

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY21A
Current assets	10,991	9,218	6,252	8,123	17,407
Cash & cash equivalent	292	492	365	575	516
Accounts & other receivables	1,828	2,119	1,339	2,024	4,535
Inventory	8,871	6,607	4,548	5,524	12,356
Non-current assets	8,186	9,737	9,235	8,197	7,344
Investment assets	1,425	1,612	593	602	682
Fixed assets	6,761	8,125	8,642	7,595	6,662
Others	2,263	2,300	1,738	1,436	1,869
Total assets	21,440	21,255	17,225	17,756	26,620
Accounts & other payables	4,413	1,758	2,060	2,969	8,938
ST debt & bond	9,015	10,880	6,707	6,023	5,437
LT debt & financial liabilities	2,841	3,466	2,990	2,174	1,414
Total liabilities	16,269	16,104	11,757	11,166	15,789
Controlling interest	5,134	5,116	5,461	6,584	10,816
Capital stock	3,500	3,850	4,235	4,446	4,935
Capital surplus	152	152	152	152	157
Others	35	59	53	32	91
Retained earnings	1,447	1,055	1,021	1,954	5,633
Minority interest	37	36	8	7	17
Shareholders' equity	5,171	5,152	5,469	6,591	10,833

Income statement

(VND bn)

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY21A
Sales	26,149	34,441	28,035	27,539	48,727
COGS	21,731	30,464	24,836	22,913	39,910
Gross profit	4,418	3,977	3,199	4,626	8,817
SG&A expense	2,314	2,712	2,212	2,668	3,770
Operating profit	2,104	1,265	987	1,958	5,047
Financial income	54	180	63	77	367
Interest income	0.4	1.7	1.3	2.8	
Financial expense	589	971	803	659	554
Interest expense	482	812	746	560	355
Other non-operating profit	74	54	223	(3)	(1)
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	1,643	529	470	1,374	4,858
Income taxes	311	120	101	221	609
Net profit	1,332	409	369	1,152	4,249
Net profit of controlling interest	1,332	409	369	1,153	4,249
EBITDA	2,809	2,290	2,179	3,188	6,233

Cash flow

(VND bn)

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY21A
C/F from operating	(2,173)	397	5,245	2,107	1,338
Net profit	1,332	409	369	1,152	4,249
Depreciation & Amortization	705	1,025	1,192	1,230	1,186
Net incr. in W/C	(4,116)	(764)	3,786	(334)	(4,031)
Others	(94)	(273)	(102)	59	(66)
C/F from investing	(3,994)	(2,339)	(803)	(310)	(131)
CAPEX	(3,967)	(2,512)	(782)	(390)	(318)
Net loan granted & purchases of debt instruments	3	1	(31)	66	1
Net purchases of investment in affiliates	(31)	166	4	9	183
Other	1	6	6	5	3
C/F from financing	5,889	2,143	(4,639)	(1,512)	(1,313)
Incr. in equity	35	(1)	(1)	(1)	39
Incr. in debts	6,197	2,535	(4,558)	(1,447)	(1,291)
Dividends	(196)	(350)	0	0	0
Others	(147)	(41)	(80)	(64)	(61)
C/F from others	(6)	(3)	8	0	23
Increase in cash	(279)	228	(212)	286	(105)

Key financial data

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY21A
per share data (VND)					
EPS	3,824	1,063	837	2,589	8,817
BPS	14,665	13,293	12,903	14,815	21,917
DPS	357.7	0	0	0	0
Growth (%)					
Sales growth	46.1	31.71	(18.6)	(1.8)	76.9
OP growth	(2.4)	(39.8)	(22.0)	97.6	157
NP growth	(11.4)	(69.2)	(11.7)	219	268
EPS growth	(49.9)	(72.2)	(17.9)	196.7	240
EBITDA growth	3.7	(18.4)	(4.8)	45.9	95.5
Profitability (%)					
OP margin	8.0	3.6	3.5	7.0	10.3
NP margin	5.0	1.1	1.3	4.1	8.7
EBITDA margin	10.7	6.6	7.7	11.5	12.8
ROA	7.4	1.7	2.0	6.7	18.9
ROE	27.4	7.6	6.9	19	48
Dividend yield	3.4	0	0	0	0
Dividend payout ratio	9.3	0	0	0	0
Stability					
Net debt (VND bn)	11,558	13,850	9,404	7,611	6,343
Int.-bearing debt/equity (%)	54.8	67.2	54.6	32.8	63.1
Valuation (X)					
PE	6.8	6.2	9.8	9.0	3.6
PB	1.7	0.5	0.6	1.5	1.4
EV/EBITDA	7.3	7.2	5.9	5.6	3.9

Fiscal Year starts on October

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