

19 Apr 2022

Hoa Sen Group (HSG)

Mar 2022 – Operational updates

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

Weaker sales volume on year-on-year basis in Mar

- Total Mar steel sales volume posted 159,651 tonnes, increasing by 1.4% mom but decreasing by 23.3% yoy.
- Steel coat volume made up 75.7% of the Mar total sales volume at 120,804 tonnes, +7.6% mom and -23.0% yoy.
- The coated steel export volume (62,255 tonnes) was up 19.5% mom but down 36.8% yoy.
- Domestic volume of steel coat recorded 58,549 tonnes (-2.6% mom, +0.3% yoy) and steel pipes volume posted 38,847 tonnes (-14.0% mom and -24.3% yoy).

FY6M2022 performance slightly declined

- HSG witnessed the slightly weaker performance in FY6M2022 on year-on-year basis caused by weak sales volume in first 3 months of 2022: 3M2022 total sales volume at 461,334 tonnes, -22.6% yoy.
- The FY6M22 total sale volume came in at 1,057,411 tonnes, -3.6% yoy due to a significant decline in steel pipes volume growth of -23.6% yoy to 195,897 tonnes while the steel coat growth of 2.5% yoy to 861,514 tonnes.
- The total FY6M22 export volume (accounted for 52% of total sales; 549,842 tonnes) fell -4.6% yoy while the local sales volume (507,569 tonnes) also declined by 2.5% yoy due to the fall in domestic volume of steel pipes (-30.1% yoy).
- In addition, 3M2022 export volume dropped significantly by 44.1% yoy to 197,256 tonnes, which is the main reason for weaker performance in FY6M2022 while 3M2022 domestic total sales volume increased 8.5% yoy to 264,075 tonnes.

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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12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (Mar 16, pt)	1,406
Stock price (Mar 16, VND)	30,300
Market cap (USD mn)	652
Shares outstanding (mn)	493
52-Week high/low (VND)	49,850/26,682
6M avg. daily turnover (USD mn)	14.64
Free float / Foreign ownership (%)	68.9/6.4
Major shareholders (%)	
Le Phuoc Vu	16.7
Hoa Sen Holdings Group	3.6

Performance

	1M	6M	12M
Absolute (%)	(19.9)	(38.5)	2.4
Relative to VNIndex (%p)	(15.7)	(39.8)	(10.5)

Stock price trend



Source: Bloomberg

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Mar-21	Mar-22	MoM (%)	YoY (%)	FY6M21	FY6M22	YoY (%)
Steel Pipes	51,333	38,847	(14.0)	(24.3)	256,377	195,897	(23.6)
Export	3,927	1,728	10.5	(56.0)	23,227	10,136	(56.4)
Domestic	47,406	37,119	(14.8)	(21.7)	233,150	185,761	(20.3)
Steel Coat	156,872	120,804	7.6	(23.0)	840,424	861,514	2.5
Export	98,521	62,255	19.5	(36.8)	552,856	539,706	(2.4)
Domestic	58,351	58,549	(2.6)	0.3	287,568	321,808	11.9
Total Steel Volume	208,205	159,651	1.4	(23.3)	1,096,801	1,057,411	(3.6)
Export	102,448	63,983	19.2	(37.5)	576,083	549,842	(4.6)
Domestic	105,757	95,668	(7.8)	(9.5)	520,718	507,569	(2.5)

Source: VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Mar-21	Mar-22	MoM (%)	YoY (%)	FY6M21	FY6M22	YoY (%)
Steel Pipes							
Production	45,271	40,348	47.2	(10.9)	204,697	161,394	(21.2)
Inventories	41,718	48,286	15.5	15.7			
Steel Coat							
Production	154,329	159,819	34.9	3.6	862,045	889,067	3.1
Inventories	57,470	91,317	17.3	58.9			
Steel Coil							
Production	144,370	N.A	N.A	N.A	N.A	N.A	N.A
Inventories	15,935	N.A	N.A	N.A			

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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