

28 Apr 2023

## Hoa Sen Group (HSG)

### 2QFY23 Performance turned around

- . The impact of high-cost inventories from last quarters was over
- . Maintain HOLD and earnings are under review

#### Facts: 2QFY23 Performance turned around

HSG' revenue decreased significantly 44.8% yoy to VND6,980bn in 2QFY23 driven mainly by the weak global demand. In which, the total export volume in 2QFY23 dropped to 127,652 tonnes, -35.3% yoy, -8.1% qoq. The 2QFY23 NPAT-MI posted VND250.5bn.

HSG made a reversal of inventory provision of about VND530bn in 2QFY23. It seems that the impact of high-cost inventories from last quarters was over. Company would continue to have positive margins in 3QFY23.

Besides, selling expenses decreased significantly to VND535.6bn (-45.5% qoq, -42.2% yoy) while G&A expense also declined to VND99.8bn (-40.9% yoy, -25.8% qoq).

#### Pros & cons: Better export orders in 3QFY23

Like peers, weak demand continues to be our main concern due to the impact of global economic slow-down. In 3QFY23, export orders are up to June according to the BOD, however, domestic demand is still sluggish. The recent downtrend of HRC prices may have some negative impact on HSG's performance next quarters.

#### Action: Maintain HOLD rating

We maintain HOLD rating on HSG stock as we see the outlook for the industry is still darks. The earnings are under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

#### Stock data

VNIndex (Apr 28, pt)	1,049
Stock price (Apr 28, VND)	15,500
Market cap (USD mn)	395
Shares outstanding (mn)	598
52-Week high/low (VND)	23,584/7,350
6M avg. daily turnover (USD mn)	8.89
Free float / Foreign ownership (%)	69.5/16.9
Major shareholders (%)	
Le Phuoc Vu	16.7

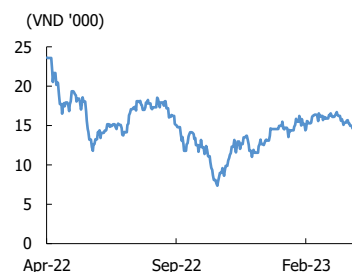
#### Valuation

	FY20A	FY21A	FY22A
PE (x)	5.9	1.8	423.5
PB (x)	1.0	0.7	0.9
ROE (%)	19.1	48.8	2.3
DY (%)	0.0	0.0	0.0
EV/EBITDA (x)	4.5	2.2	7.6
EPS (VND)	2,642	8,434	37
BPS (VND)	14,825	21,950	18,197

#### Performance

	1M	6M	12M
Absolute (%)	(4.6)	36.0	(34.3)
Relative to VNIndex (%p)	(4.2)	33.2	(12.3)

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 2QFY23 earnings**

(VND bn, %, %p)

	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	QoQ	YoY	Consensus
Sales	12,661.1	12,177.2	7,939.1	7,917.4	6,980.8	(11.8)	(44.9)	NA
OP	334.1	464.7	(996.6)	(607.9)	268.3	-	(19.7)	NA
OP margin	2.6	3.8	(12.6)	(7.7)	3.8	-	1.2	NA
EBT	291.0	313.0	(997.4)	(667.3)	297.5	-	2.2	NA
NP	234.1	265.0	(887.0)	(680.2)	250.6	-	7.0	NA

Source: Company data, KIS

### ■ Company overview

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.

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Prepared by: Research Dept

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