

# Hoa Sen Group (HSG)

## August 2021 – Operational updates

On Sep 27, Hoa Sen Group released its August business updates and Vietnam Steel Association (VSA) released some worthy headlines on the August sales of the company. Here are some key issues worthy of note.

### August sales volume slowed down

- Total August sales volume posted 166,645 tonnes, decreased by 4.4% yoy, 11.3% mom.
- Steel coat volume dropped 4.5% mom to 150,781 tonnes but increased by 16% yoy. The coated steel export volume (123,080 tonnes) remained unchanged comparing on mom basis but increased by 46.8% yoy.
- Steel pipe volume was severely hit due to the southern lockdown and hence, dropped 64.3% yoy and 47.3% mom to 15,864 tonnes.

### 11M performance robust

- The total sale volume in 11 months (Oct20 – Aug21) came in at 2,086,316 tonnes, +45% yoy backed by the steel coat volume growth of 50.6% yoy to 1,636,793 tonnes and the steel pipes growth of 27.8% yoy to 449,491 tonnes.
- The total export volume of 1,140,472 tonnes grew 92.5% yoy and accounted for 54.6% total sales volume amid the management's strategy skewed in favor of the export market.

### Hedging on the commodity price rally

- Steel pipe inventory dropped 2.7% mom, but +18.4% yoy to 52,606 tonnes, which could be explained by the impact of COVID-19 resurgence on the production and consumption.
- Steel coat inventory, on the other side, increased by 27.6% mom, 84.7% yoy following the hedging demand.

	FY17A	FY18A	FY19A	FY20A	FY9M21A
Sales (VND bn)	26,149	34,441	28,035	27,539	32,929
chg. (% YoY)	46.1	31.71	(18.6)	(1.8)	-
Operating profit (VND bn)	4,418	3,977	3,199	4,626	6,343
Net profit (VND bn)	1,332	409	369	1,153	3,309
EPS (VND)	3,824	1,063	837	2,589	7,639*
chg. (% YoY)	(49.9)	(72.2)	(17.9)	196.7	-
EBITDA (VND bn)	2,809	2,290	2,179	3,188	4,851
PE (x)	6.8	6.2	9.8	9.0	5.2*
EV/EBITDA (x)	7.3	7.2	5.9	5.6	4.7*
PB (x)	1.7	0.5	0.6	1.5	1.9*
ROE (%)	27.4	7.6	6.9	19	46.6*
Dividend yield (%)	3.4	0	0	0	0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest. (\*) Trailing Twelve Month

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12M rating **Non-rated**

12M TP **N.a**

Up/Downside **N.a**

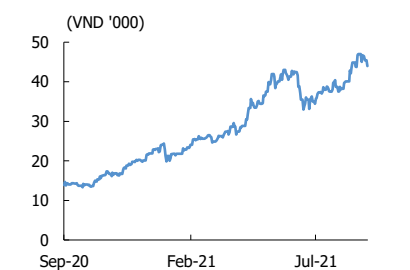
### Stock Data

VNIndex (Sep 27, pt)	1,325
Stock price (Sep 27, VND)	44,000
Market cap (USD mn)	954
Shares outstanding (mn)	<b>493</b>
52-Week high/low (VND)	47,000/13,319
6M avg. daily turnover (USD mn)	20.7
Free float / Foreign ownership (%)	67.8/11.8
Major shareholders (%)	
Le Phuoc Vu	16.7
Hoa Sen Holdings Group	3.6

### Performance

	1M	6M	12M
Absolute (%)	15.0	77.0	217.4
Relative to VNIndex (%p)	13.9	62.2	169.3

### Stock price trend



Source: Bloomberg

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## Robust earnings driven by stellar sales

- In August 2021, HSG recorded a VND320bn net profit, +47% yoy, +5.9% mom while revenue growth was 66% yoy but -4.4% mom to VND4,701bn.
- The operating results in 11 months were far exceeding with revenue and NPAT were VND42.5tn (+74% yoy) and VND3.9tn (+279% yoy), completing 129%/266% of the company's guidance.
- Comparing on mom basis, the net profit margin improved to 6.8% in August 2021 vs 6.1% in July 2021 but contracted by 0.9%p on yoy basis.

**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Aug-20	Aug-21	MoM (%)	YoY (%)	FY11M20	FY11M21	YoY (%)
<b>Steel Pipes</b>	<b>44,438</b>	<b>15,864</b>	<b>(47.3)</b>	<b>(64.3)</b>	<b>351,584</b>	<b>449,491</b>	<b>27.8</b>
Export	8,686	600	(81.5)	(93.1)	24,473	37,149	51.8
Domestic	35,752	15,264	(43.2)	(57.3)	327,111	412,342	26.1
<b>Steel Coat</b>	<b>129,949</b>	<b>150,781</b>	<b>(4.5)</b>	<b>16.0</b>	<b>1,086,793</b>	<b>1,636,825</b>	<b>50.6</b>
Export	83,857	123,080	0.0	46.8	568,040	1,103,323	94.2
Domestic	46,092	27,701	(20.3)	(39.9)	518,753	533,502	2.8
<b>Total Steel Volume</b>	<b>174,387</b>	<b>166,645</b>	<b>(11.3)</b>	<b>(4.4)</b>	<b>1,438,377</b>	<b>2,086,316</b>	<b>45.0</b>
Export	92,543	123,680	(2.1)	33.6	592,513	1,140,472	92.5
Domestic	81,844	42,965	(30.3)	(47.5)	845,864	945,844	11.8

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Aug-20	Aug-21	MoM (%)	YoY (%)	FY11M20	FY11M21	YoY (%)
<b>Steel Pipes</b>							
Production	44,235	11,442	(47.9)	(74.1)	354,262	365,436	3.2
Inventories	44,438	52,606	(2.7)	18.4			
<b>Steel Coat</b>							
Production	160,653	173,928	(2.1)	8.3	1,108,427	1,699,554	53.3
Inventories	81,878	151,262	27.6	84.7			
<b>Roll Steel Coil</b>							
Production	177,635	154,733	(10.0)	(12.9)	1,351,668	1,844,171	36.4
Inventories	24,711	27,755	(8.1)	12.3			

Source: Company, 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, making up 37% market share as of end-FY20) 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	FY9M21A
Current assets	10,991	9,218	6,252	8,123	15,942
Cash & cash equivalent	292	492	365	575	529
Accounts & other receivables	1,828	2,119	1,339	2,024	3,766
Inventory	8,871	6,607	4,548	5,524	11,647
Non-current assets	8,186	9,737	9,235	8,197	7,463
Investment assets	1,425	1,612	593	602	558
Fixed assets	6,761	8,125	8,642	7,595	6,905
Others	2,263	2,300	1,738	1,436	1,757
<b>Total assets</b>	<b>21,440</b>	<b>21,255</b>	<b>17,225</b>	<b>17,756</b>	<b>25,162</b>
Accounts & other payables	4,413	1,758	2,060	2,969	8,214
ST debt & bond	9,015	10,880	6,707	6,023	5,452
LT debt & financial liabilities	2,841	3,466	2,990	2,174	1,639
<b>Total liabilities</b>	<b>16,269</b>	<b>16,104</b>	<b>11,757</b>	<b>11,166</b>	<b>15,305</b>
Controlling interest	5,134	5,116	5,461	6,584	9,839
Capital stock	3,500	3,850	4,235	4,446	4,446
Capital surplus	152	152	152	152	157
Others	35	59	53	32	99
Retained earnings	1,447	1,055	1,021	1,954	5,137
Minority interest	37	36	8	7	17
Shareholders' equity	5,171	5,152	5,469	6,591	9,856

**Income statement**

(VND bn)

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY9M21A
Sales	26,149	34,441	28,035	27,539	32,929
COGS	21,731	30,464	24,836	22,913	26,587
Gross profit	4,418	3,977	3,199	4,626	6,343
SG&A expense	2,314	2,712	2,212	2,668	2,383
Operating profit	2,104	1,265	987	1,958	3,960
Financial income	54	180	63	77	234
Interest income	0.4	1.7	1.3	2.8	N/a
Financial expense	589	971	803	659	393
Interest expense	482	812	746	560	248
Other non-operating profit	74	54	223	(3)	9
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	1,643	529	470	1,374	3,809
Income taxes	311	120	101	221	500
Net profit	1,332	409	369	1,152	3,309
Net profit of controlling interest	1,332	409	369	1,153	3,309
EBITDA	2,809	2,290	2,179	3,188	4,851

**Cash flow**

(VND bn)

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY9M21A
C/F from operating	(2,173)	397	5,245	2,107	963
Net profit	1,332	409	369	1,152	3,309
Depreciation & Amortization	705	1,025	1,192	1,230	891
Net incr. in W/C	(4,116)	(764)	3,786	(334)	(3,250)
Others	(94)	(273)	(102)	59	13
C/F from investing	(3,994)	(2,339)	(803)	(310)	8
CAPEX	(3,967)	(2,512)	(782)	(390)	(165)
Net loan granted & purchases of debt instruments	3	1	(31)	66	(18)
Net purchases of investment in affiliates	(31)	166	4	9	188
Other	1	6	6	5	3
C/F from financing	5,889	2,143	(4,639)	(1,512)	(1,102)
Incr. in equity	35	(1)	(1)	(1)	9
Incr. in debts	6,197	2,535	(4,558)	(1,447)	(1,051)
Dividends	(196)	(350)	0	0	0
Others	(147)	(41)	(80)	(64)	(60)
C/F from others	(6)	(3)	8	0	17
Increase in cash	(279)	228	(212)	286	(69)

**Key financial data**

FY-ending Sep.	FY17A	FY18A	FY19A	FY20A	FY9M21A
per share data (VND)					
EPS	3,824	1,063	837	2,589	7,639*
BPS	14,665	13,293	12,903	14,815	20,118*
DPS	357.7	0	0	0	0*
Growth (%)					
Sales growth	46.1	31.71	(18.6)	(1.8)	-
OP growth	(2.4)	(39.8)	(22.0)	97.6	-
NP growth	(11.4)	(69.2)	(11.7)	219	-
EPS growth	(49.9)	(72.2)	(17.9)	196.7	-
EBITDA growth	3.7	(18.4)	(4.8)	45.9	-
Profitability (%)					
OP margin	8.0	3.6	3.5	7.0	11.9
NP margin	5.0	1.1	1.3	4.1	10.0
EBITDA margin	10.7	6.6	7.7	11.5	14.8
ROA	7.4	1.7	2.0	6.7	18.3*
ROE	27.4	7.6	6.9	19	46.6*
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	6,928
Int.-bearing debt/equity (%)	54.8	67.2	54.6	32.8	27.9
Valuation (X)					
PE	6.8	6.2	9.8	9.0	5.2*
PB	1.7	0.5	0.6	1.5	1.9*
EV/EBITDA	7.3	7.2	5.9	5.6	4.7*

(\*): Trailing Twelve Month  
Fiscal Year starts on October

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