

29 Oct 2021

Hoa Sen Group (HSG)

September 2021 – Operational updates

On October 29, Hoa Sen Group released its September business updates and Vietnam Steel Association (VSA) released some worthy headlines on the September sales of the company. Here are some key issues worthy of note.

September domestic sales volume revived

- Total September sales volume posted 200,545 tonnes, increasing by 20.3% mom, 9.3% yoy.
- Steel coat volume made up most of the Sept total sales volume (89%) at 178,150 tonnes, +18.2% mom and +26.2% yoy.
- The coated steel export volume (136,845 tonnes) rose by 11.2% mom and 42.1% yoy
- Steel pipe volume recorded at 22,395 tonnes (-47.2% yoy but +41.2% mom from the low base in Aug)

FY2021 performance brisk

- 4QFY21 performance saw some headwinds from the lockdown policy in southern cities. Steel pipe sale volume in 4QFY21 which was domestically consumed was severely hit and dropped 53.5% qoq and 43.6% yoy.
- However, thanks to coated steel export (383,013 tonnes, +25.9% qoq +49.5% yoy), the total sale volume in 4QFY21 still went up 8.1% yoy.
- The total sale volume for FY2021 (Oct20 – Sep21) came in at 2,286,861 tonnes, +41% yoy backed by the steel coat volume growth of 47.8% yoy to 1,814,975 tonnes and the steel pipes growth of 19.8% yoy to 471,886 tonnes.
- The total export volume of 1,279,234 tonnes expanded by 84.2% yoy and accounted for 55.9% total sales volume amid the management's strategy skewed in favor of the export market.

	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**

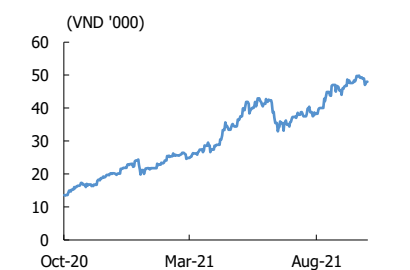
Stock Data

VNIndex (Oct 28, pt)	1,438
Stock price (Oct 28, VND)	48,000
Market cap (USD mn)	1,027
Shares outstanding (mn)	493
52-Week high/low (VND)	49,850/13,455
6M avg. daily turnover (USD mn)	22.12
Free float / Foreign ownership (%)	68.9/12.0
Major shareholders (%)	
Le Phuoc Vu	16.7
Hoa Sen Holdings Group	3.6

Performance

	1M	6M	12M
Absolute (%)	4.3	64.0	247.2
Relative to VNIndex (%p)	(3.1)	47.1	189.7

Stock price trend



Source: Bloomberg

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Robust earnings driven by stellar sales

- In September 2021, HSG recorded at VND318bn net profit, +220% yoy, -0.6% mom while revenue growth was 105% yoy, 31.3% mom to VND6,175bn.
- 4QFY21 revenue was at VND15,797bn +89% yoy, +21.6% mom while net profit was at VND940bn, +109% yoy but -44.7% qoq. The increasing logistic cost may be one of the reasons for the decline in net profit growth compared to prior quarter.
- The operating results for FY2021 were far exceeding AGM guidance, with revenue and NPAT were VND48.7tn (+77% yoy) and VND4.3tn (+274% yoy), completing 148%/288% of the company's estimate.
- The significance growth of the FY21 net profit can be explained by export promotion with better selling price and the growth of volume that leads to production efficiency and then reduces costs.

Table 1. Sales volume growth

(Tonnes)

	Monthly				Quarterly				Accumulated		
	Sept-20	Sept-21	MoM (%)	YoY (%)	4QFY20	4QFY21	QoQ (%)	YoY (%)	FY2020	FY2021	YoY (%)
Steel Pipes	42,397	22,395	41.2	(47.2)	121,301	68,368	(53.5)	(43.6)	393,981	471,886	19.8
Export	5,477	1,917	219.5	(65.0)	19,473	5,761	(42.8)	(70.4)	29,950	39,066	30.4
Domestic	36,920	20,478	34.2	(44.5)	101,828	62,607	(54.3)	(38.5)	364,031	432,820	18.9
Steel Coat	141,136	178,150	18.2	26.2	392,217	486,776	(0.2)	24.1	1,227,929	1,814,975	47.8
Export	96,323	136,845	11.2	42.1	256,195	383,013	25.9	49.5	664,363	1,240,168	86.7
Domestic	44,813	41,305	49.1	(7.8)	136,022	103,763	(43.4)	(23.7)	563,566	574,807	2.0
Total Steel Volume	183,533	200,545	20.3	9.3	513,518	555,144	(12.6)	8.1	1,621,910	2,286,861	41.0
Export	101,800	138,762	12.2	36.3	275,668	388,774	23.7	41.0	694,313	1,279,234	84.2
Domestic	81,733	61,783	43.8	(24.4)	237,850	166,370	(48.1)	(30.1)	927,597	1,007,627	8.6

Source: Company, VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Quarterly				Accumulated		
	Sept-20	Sept-21	MoM (%)	YoY (%)	4QFY20	4QFY21	QoQ (%)	YoY (%)	FY2020	FY2021	YoY (%)
Steel Pipes											
Production	38,857	17,410	52.2	(55.2)	117,026	50,799	(60.1)	(56.6)	393,119	382,846	(2.6)
Inventories	42,397	51,238	(2.6)	20.9							
Steel Coat											
Production	137,404	157,111	(9.7)	14.3	406,174	508,640	4.7	25.2	1,245,831	1,856,665	49.0
Inventories	66,507	93,530	(38.2)	40.6							
Roll Steel Coil											
Production	161,641	163,219	5.5	1.0	477,406	489,883	(8.8)	2.6	1,513,309	2,007,390	32.6
Inventories	14,418	23,933	(13.8)	66.0							

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
Total assets	21,440	21,255	17,225	17,756	25,162
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
Total liabilities	16,269	16,104	11,757	11,166	15,305
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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