

22 Aug 2022

Hoa Sen Group (HSG)

July 2022 – Operational updates

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

Weak sales volume in in both domestic and export markets

- Total July steel sales volume posted 94,255 tonnes, decreasing by 21.7% mom and 49.9% yoy.
- Steel coat volume made up 76.3% of the July total sales volume at 71,938 tonnes, -27.1% mom and -54.4% yoy.
- The coated steel export volume (31,623 tonnes) was down significantly by 41.4% mom and 74.3% yoy, which showed the weak global demand.
- Domestic volume of steel coat recorded 40,315 tonnes (-9.9% mom, +16.0% yoy) and steel pipes volume posted 19,981 tonnes (+1.4% mom and -25.6% yoy).

FY10M2022 performance slumped

- HSG witnessed the weak performance in FY10M2022 on year-on-year basis caused by weak sales volume in first 7 months of 2022: 7M2022 total sales volume at 972,427 tonnes, -29.7% yoy.
- The FY10M22 total sale volume decreased 18.3% yoy to 1,568,504 tonnes as steel pipes volume declined 35.6% yoy to 279,454 tonnes and steel coat fell 13.3% yoy to 1,289,050 tonnes.
- The total FY10M22 export volume (accounted for 51.8% of total sales; 814,031 tonnes) fell 19.9% yoy while the local sales volume (754,473 tonnes) also declined by 16.4% yoy due to the fall in domestic volume of steel pipes (-34.5% yoy).

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)	5.8	19.5	23.3	7.7	2.4
EV/EBITDA (x)	6.6	9.4	8.2	5.2	2.6
PB (x)	1.4	1.5	1.6	1.4	0.9
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 (19 Aug, pt)	1,269
Stock price (19 Aug, VND)	20,400
Market cap (USD mn)	435
Shares outstanding (mn)	498
52-Week high/low (VND)	49,850/14,150
6M avg. daily turnover (USD mn)	10.93
Free float / Foreign ownership (%)	74.5/6.6
Major shareholders (%)	
Le Phuoc Vu	16.7

Performance

	1M	6M	12M
Absolute (%)	16.9	(43.0)	(47.4)
Relative to VNIndex (%p)	9.1	(28.2)	(44.3)

Stock price trend



Source: Bloomberg

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	July-21	July-22	MoM (%)	YoY (%)	FY10M21	FY10M22	YoY (%)
Steel Pipes	30,109	22,317	3.2	(25.9)	433,627	279,454	(35.6)
Export	3,244	2,336	20.5	(28.0)	36,549	19,309	(47.2)
Domestic	26,865	19,981	1.4	(25.6)	397,078	260,145	(34.5)
Steel Coat	157,845	71,938	(27.1)	(54.4)	1,486,044	1,289,050	(13.3)
Export	123,088	31,623	(41.4)	(74.3)	980,243	794,722	(18.9)
Domestic	34,757	40,315	(9.9)	16.0	505,801	494,328	(2.3)
Total Steel Volume	187,954	94,255	(21.7)	(49.9)	1,919,671	1,568,504	(18.3)
Export	126,332	33,959	(39.3)	(73.1)	1,016,792	814,031	(19.9)
Domestic	61,622	60,296	(6.4)	(2.2)	902,879	754,473	(16.4)

Source: VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	July-21	July-22	MoM (%)	YoY (%)	FY10M21	FY10M22	YoY (%)
Steel Pipes							
Production	21,947	18,716	12.6	(14.7)	353,994	234,463	(33.8)
Inventories	54,090	42,235	(4.5)	(21.9)			
Steel Coat							
Production	177,601	59,253	(28.5)	(66.6)	1,525,626	1,275,679	(16.4)
Inventories	118,566	66,498	(14.8)	(43.9)			
Steel Coil							
Production*	171,931	58,949	(26.6)	(65.7)	1,689,438	1,109,345	(34.3)
Inventories	30,206	15,849	(17.8)	(47.5)			
Total							
Production	371,479	136,918	(23.8)	(63.1)	3,569,058	2,619,487	(26.6)
Inventories	202,862	124,582	(12.0)	(38.6)			

Source: VSA, KIS,

Note: Steel Coil Production excluded March Data.

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	5.8	19.5	23.3	7.7	2.4
PB	1.4	1.5	1.6	1.4	0.9
EV/EBITDA	6.6	9.4	8.2	5.2	2.6

Fiscal Year starts on October

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