

Hoa Sen Group (HSG)

Nov 2022 – Sales volume slightly increased

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

Sales volume slightly increased in Nov

- Total Nov steel sales volume posted 113,543 tonnes, dropping by 40.4% yoy but slightly increasing by 4.4% mom.
- Steel coat volume made up 79.0% of the Nov total sales volume at 89,838 tonnes, +13.0% mom and -45.5% yoy.
- The coated steel export volume (50,011 tonnes) was down significantly by 56.8% yoy but up 23.6% mom, which showed a slight improvement in export sales.
- Domestic volume of steel coat recorded 39,827 tonnes (2.0% mom, -18.9% yoy) and steel pipes volume posted 23,705 tonnes (-19.0% mom and -7.0% yoy).

FY2M23 performance down as FY2022 high base

- The FY2M23 (Oct 2022 - Sept 2023) total sale decreased 44.5% yoy to 222,325 tonnes as steel pipes volume declined 12.0% yoy to 52,972 tonnes and steel coat fell 50.2% yoy to 169,353 tonnes.
- The total FY2M23 export volume (accounted for 41.5% of total sales; 92,274 tonnes) fell 60.7% yoy while the local sales volume (130,051 tonnes) also declined by 21.4% yoy.

Rating and recommendation

- We reaffirm HOLD rating in view of multiple sector bottlenecks on unfavorable selling prices, harsh competitiveness, and weak global demand as we examined [in the in-depth flat steel report](#). Earnings are under review.

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
Sales (VND bn)	27,540	48,727	49,711	32,198	36,621
chg. (% YoY)	(1.8)	76.9	2.0	(35.2)	13.7
Operating profit (VND bn)	1,959	5,047	565	545	1,067
Net profit (VND bn)	1,153	4,249	250	411	848
EPS (VND)	2,642	8,434	37	683	1,410
chg. (% YoY)	201.6	219.3	(99.6)	1,765.6	106.4
EBITDA (VND bn)	2,606	6,044	1,519	1,717	2,253
PE (x)	5.0	1.6	359.3	19.3	9.3
EV/EBITDA (x)	4.2	2.1	6.8	4.9	3.6
PB (x)	0.9	0.6	0.7	0.7	0.6
ROE (%)	19.1	48.8	2.3	3.7	7.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest.

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12M rating **HOLD (Maintain)**

12M TP

Up/Downside

Stock Data

VNIndex (21 Dec, pt)	1,019
Stock price (21 Dec, VND)	13,150
Market cap (USD mn)	332
Shares outstanding (mn)	598
52-Week high/low (VND)	35,375/7,350
6M avg. daily turnover (USD mn)	7.40
Free float / Foreign ownership (%)	74.6/7.4
Major shareholders (%)	
Le Phuoc Vu	16.7

Performance

	1M	6M	12M
Absolute (%)	36.8	4.5	(54.1)
Relative to VNIndex (%p)	30.6	15.8	(24.6)

Stock price trend



Source: Bloomberg

Research Department

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Nov-21	Nov-22	MoM (%)	YoY (%)	2MFY22	2MFY23	YoY (%)
Steel Pipes	25,491	23,705	(19.0)	(7.0)	60,184	52,972	(12.0)
Export	1,948	747	(28.9)	(61.7)	3,284	1,798	(45.2)
Domestic	23,543	22,958	(18.6)	(2.5)	56,900	51,174	(10.1)
Steel Coat	164,929	89,838	13.0	(45.5)	340,242	169,353	(50.2)
Export	115,842	50,011	23.6	(56.8)	231,696	90,476	(61.0)
Domestic	49,087	39,827	2.0	(18.9)	108,546	78,877	(27.3)
Total Steel Volume	190,420	113,543	4.4	(40.4)	400,426	222,325	(44.5)
Export	117,790	50,758	22.3	(56.9)	234,980	92,274	(60.7)
Domestic	72,630	62,785	(6.7)	(13.6)	165,446	130,051	(21.4)

Source: VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Nov-21	Nov-22	MoM (%)	YoY (%)	2MFY22	2MFY23	YoY (%)
Steel Pipes							
Production	27,766	23,040	8.1	(17.0)	53,394	44,353	(16.9)
Inventories	51,304	35,398	0.0	(31.0)			
Steel Coat							
Production	175,729	81,311	(19.9)	(53.7)	345,226	182,813	(47.0)
Inventories	78,347	65,087	0.0	(16.9)			
Steel Coil							
Production	157,822	86,031	(16.7)	(45.5)	328,128	189,318	(42.3)
Inventories	28,705	9,505	(32.3)	(66.9)			
Total							
Production	361,317	190,382	(15.8)	(47.3)	726,748	416,484	(42.7)
Inventories	158,356	109,990	(4.0)	(30.5)			

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.	FY20A	FY21A	FY22F	FY23F	FY24F
Current assets	9,022	18,658	9,828	9,259	12,929
Cash & cash equivalents	575	516	339	2,001	4,399
Accounts & other receivables	2,024	4,535	1,460	1,484	1,989
Inventory	5,524	12,356	7,374	4,711	5,333
Non-current assets	8,734	7,963	7,196	6,451	5,787
Fixed assets	7,595	6,662	5,959	5,087	4,251
Investment assets	603	682	621	621	621
Others	1,251	1,689	1,110	1,563	1,759
Total assets	17,756	26,620	17,024	15,710	18,716
Advances from customers	209	268	208	193	220
Unearned revenue	0	0	0	0	0
Trade payables	1,455	4,294	1,040	942	1,067
Others	1,316	4,390	705	711	722
ST debt & due bonds	6,023	5,437	4,071	2,571	4,571
LT debt & bonds	2,163	1,399	117	0	0
Total liabilities	11,166	15,788	6,141	4,417	6,580
Controlling interest	6,584	10,815	10,867	11,276	12,120
Capital stock	4,446	4,935	5,981	5,981	5,981
Capital surplus	152	157	157	157	157
Other reserves	36	91	188	188	189
Retained earnings	1,954	5,633	4,542	4,950	5,793
Minority interest	7	17	16	16	16
Shareholders' equity	6,591	10,832	10,883	11,292	12,136

Cash flow

(VND bn)

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
C/F from operations	2,110	1,338	2,844	3,578	746
Net profit	1,152	4,249	250	411	848
Dep'n & Amort'n	1,230	1,186	1,160	1,172	1,186
Net incr. in W/C	(272)	(4,097)	1,434	1,995	(1,288)
C/F from investing	(311)	(130)	(408)	(308)	(365)
Capex	(398)	(319)	(454)	(300)	(350)
Incr. in investment	87	189	46	(8)	(15)
C/F from financing	(1,513.0)	(1,313.0)	(2,650.7)	(1,616.5)	2,000.0
Incr. in equity	(1)	39	49	0	0
Incr. in debt	(1,447)	(1,291)	(2,699)	(1,617)	2,000
Dividends	0	0	0	0	0
C/F from others	0	23	52	0	0
Increase in cash	286	(105)	(215)	1,654	2,380

Income statement

(VND bn)

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
Sales	27,540	48,727	49,711	32,198	36,621
COGS	22,913	39,910	44,794	28,659	32,441
Gross profit	4,626	8,817	4,918	3,539	4,180
SG&A expense	2,668	3,770	4,353	2,994	3,113
Operating profit	1,959	5,047	565	545	1,067
Financial income	77	367	373	386	440
Interest income	0	0	1	1	2
Financial expense	659	554	627	451	513
Interest expense	560	355	260	154	274
Other non-operating profit	(3)	(2)	46	3	4
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	1,374	4,858	357	483	998
Income taxes	221	609	106	73	150
Net profit	1,152	4,249	250	411	848
Net profit of controlling interest	1,153	4,249	250	411	848
EBITDA	2,606	6,044	1,519	1,717	2,253

Key financial data

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
per share data (VND)					
EPS	2,642	8,434	37	683	1,410
BPS	14,825	21,950	18,197	18,880	20,291
DPS	0	0	0	0	0
Growth (%)					
Sales growth	(1.8)	76.9	2.0	(35.2)	13.7
OP growth	98.5	157.6	(88.8)	(3.5)	96.0
NP growth	212.0	268.7	(94.1)	64.1	106.4
EPS growth	201.6	219.3	(99.6)	1,765.6	106.4
EBITDA growth	46.4	95.5	(72.3)	(0.4)	31.2
Profitability (%)					
OP margin	7.1	10.4	1.1	1.7	2.9
NP margin	4.2	8.7	0.5	1.3	2.3
EBITDA margin	11.6	12.8	3.5	5.3	6.2
ROA	6.6	19.2	1.1	2.5	4.9
ROE	19.1	48.8	2.3	3.7	7.2
Dividend yield	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0	0.0	0.0	0.0	0.0
Stability					
Net debt (VND bn)	7,611	6,320	3,848	570	172
Int.-bearing debt/equity (%)	120.0	60.0	40.0	10.0	0.0
Valuation (X)					
PE	5.0	1.6	359.3	19.3	9.3
PB	0.9	0.6	0.7	0.7	0.6
EV/EBITDA	4.2	2.1	6.8	4.9	3.6

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