

19 Jan 2023

Hoa Sen Group (HSG)

Sales volume continuingly fell

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

Sales volume decreased in Jan

- Total Jan steel sales volume posted 85,232 tonnes, dropping by 40.9% yoy and 27.6% mom amid long Tet holiday.
- Steel coat volume made up 72.3% of the Jan total sales volume at 61,628 tonnes, -32.3% mom and -49.1% yoy.
- The coated steel export volume (29,304 tonnes) was down significantly by 62.6% yoy and 36.4% mom.
- Domestic volume of steel coat recorded 32,324 tonnes (-28% mom, -24.2% yoy) and steel pipes volume posted 23,604 tonnes (-11.4% mom but +1.7% yoy).

FY4M23 performance down as FY2022 high base

- The FY4M23 (Oct 2023 - Jan2023) total sale decreased 42.6% yoy to 425,203 tonnes as steel pipes volume declined 7.8% yoy to 103,223 tonnes and steel coat fell 48.8% yoy to 321,980 tonnes.
- The total FY4M23 export volume (accounted for 39.7% of total sales: 168,678 tonnes) fell 61% yoy while the local sales volume (256,525 tonnes) also declined by 16.8% 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)	6.0	1.9	433.1	23.2	11.2
EV/EBITDA (x)	4.6	2.3	7.7	5.9	4.3
PB (x)	1.1	0.7	0.9	0.8	0.8
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

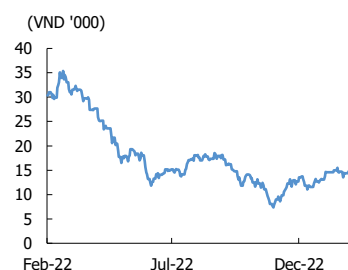
Stock Data

VNIndex (16 Feb, pt)	1,058
Stock price (16 Feb, VND)	15,850
Market cap (USD mn)	401
Shares outstanding (mn)	598
52-Week high/low (VND)	35,375/7,350
6M avg. daily turnover (USD mn)	7.92
Free float / Foreign ownership (%)	74.6/8.7
Major shareholders (%)	
Le Phuoc Vu	16.7

Performance

	1M	6M	12M
Absolute (%)	15.7	(12.6)	(47.8)
Relative to VNIndex (%p)	16.4	3.8	(19.9)

Stock price trend



Source: Bloomberg

Research Department

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Jan-22	Jan-23	MoM (%)	YoY (%)	4MFY22	4MFY23	YoY (%)
Steel Pipes	23,210	23,604	(11.4)	1.7	111,898	103,223	(7.8)
Export	1,157	451	(16.9)	(61.0)	6,844	2,792	(59.2)
Domestic	22,053	23,153	(11.3)	5.0	105,054	100,431	(4.4)
Steel Coat	121,074	61,628	(32.3)	(49.1)	628,463	321,980	(48.8)
Export	78,445	29,304	(36.4)	(62.6)	425,344	165,886	(61.0)
Domestic	42,629	32,324	(28.0)	(24.2)	203,119	156,094	(23.2)
Total Steel Volume	144,284	85,232	(27.6)	(40.9)	740,361	425,203	(42.6)
Export	79,602	29,755	(36.2)	(62.6)	432,188	168,678	(61.0)
Domestic	64,682	55,477	(21.9)	(14.2)	308,173	256,525	(16.8)

Source: VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Jan-22	Jan-23	MoM (%)	YoY (%)	4MFY22	4MFY23	YoY (%)
Steel Pipes							
Production	19,351	17,712	(18.0)	(8.5)	93,631	83,662	(10.6)
Inventories	50,695	30,876	(13.0)	(39.1)			
Steel Coat							
Production	102,702	73,139	(29.5)	(28.8)	610,809	359,747	(41.1)
Inventories	70,952	60,870	(5.5)	(14.2)			
Steel Coil							
Production	93,361	76,336	(37.7)	(18.2)	564,936	388,214	(31.3)
Inventories	21,544	16,545	(17.7)	(23.2)			
Total							
Production	215,414	167,187	(32.6)	(22.4)	1,269,376	831,623	(34.5)
Inventories	143,191	108,291	(9.8)	(24.4)			

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	6.0	1.9	433.1	23.2	11.2
PB	1.1	0.7	0.9	0.8	0.8
EV/EBITDA	4.6	2.3	7.7	5.9	4.3

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Prepared by: Research Department

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