

19 Apr 2023

Hoa Sen Group (HSG)

Sales volume slightly increased on m-o-m basis

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

Sales volume increased slightly m-o-m in Mar

- Total Mar steel sales volume posted 107,020 tonnes, dropping by 33.0% yoy but increasing 4.7% mom.
- Steel coat volume made up 80.8% of the Mar total sales volume at 86,505 tonnes, +2.7% mom but -28.4% yoy.
- The coated steel export volume (49,346 tonnes) was down by 20.7% yoy but increased by 6.0% mom.
- Domestic volume of steel coat recorded 37,159 tonnes (-1.3% mom, -36.5% yoy) and steel pipes volume posted 19,133 tonnes (+9.8% mom and -48.5% yoy).

FY6M23 performance down as FY2022 high base

- The FY6M23 (Oct 2023-Feb 2023) total sale decreased 40.0% yoy to 634,482 tonnes as steel pipes volume declined 27.6% yoy to 141,794 tonnes and steel coat fell 42.8% yoy to 492,688 tonnes.
- 1Q23 total sales volume decreased 13.4% qoq & 36.2 yoy to 294,511 tonnes.
- The total FY6M23 export volume (accounted for 42.0% of total sales: 266,575 tonnes) fell 51.5% yoy while the local sales volume (367,907 tonnes) also declined by 27.5% 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) | 5.9 | 1.9 | 429.0 | 23.0 | 11.1 |
| EV/EBITDA (x) | 4.6 | 2.3 | 7.7 | 5.8 | 4.2 |
| 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 **NA**

Up/Downside

Stock Data

| | |
|------------------------------------|--------------|
| VNIndex (18 Apr, pt) | 1,055 |
| Stock price (18 Apr, VND) | 15,700 |
| Market cap (USD mn) | 398 |
| Shares outstanding (mn) | 598 |
| 52-Week high/low (VND) | 25,250/7,350 |
| 6M avg. daily turnover (USD mn) | 8.92 |
| Free float / Foreign ownership (%) | 69.5/17.0 |
| Major shareholders (%) | |
| Le Phuoc Vu | 16.7 |

Performance

| | 1M | 6M | 12M |
|--------------------------|-------|------|--------|
| Absolute (%) | (3.1) | 17.7 | (38.0) |
| Relative to VNIndex (%p) | (4.2) | 17.4 | (14.4) |

Stock price trend



Source: Bloomberg

Research Department

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Table 1. Sales volume growth

(Tonnes)

| | Monthly | | | | Accumulated | | |
|---------------------------|----------------|----------------|-------------|---------------|------------------|----------------|---------------|
| | Mar-22 | Mar-23 | MoM (%) | YoY (%) | 6MFY22 | 6MFY23 | YoY (%) |
| Steel Pipes | 38,847 | 20,515 | 13.6 | (47.2) | 195,897 | 141,794 | (27.6) |
| Export | 1,728 | 1,382 | 118.7 | (20.0) | 10,136 | 4,806 | (52.6) |
| Domestic | 37,119 | 19,133 | 9.8 | (48.5) | 185,761 | 136,988 | (26.3) |
| Steel Coat | 120,804 | 86,505 | 2.7 | (28.4) | 861,514 | 492,688 | (42.8) |
| Export | 62,255 | 49,346 | 6.0 | (20.7) | 539,706 | 261,769 | (51.5) |
| Domestic | 58,549 | 37,159 | (1.3) | (36.5) | 321,808 | 230,919 | (28.2) |
| Total Steel Volume | 159,651 | 107,020 | 4.7 | (33.0) | 1,057,411 | 634,482 | (40.0) |
| Export | 63,983 | 50,728 | 7.5 | (20.7) | 549,842 | 266,575 | (51.5) |
| Domestic | 95,668 | 56,292 | 2.2 | (41.2) | 507,569 | 367,907 | (27.5) |

Source: VSA, KIS

Table 2. Production volume growth

(Tonnes)

| | Monthly | | | | Accumulated | | |
|--------------------|---------|---------|---------|---------|-------------|-----------|---------|
| | Mar-22 | Mar-23 | MoM (%) | YoY (%) | 6MFY22 | 6MFY23 | YoY (%) |
| Steel Pipes | | | | | | | |
| Production | 40,348 | 14,638 | (40.6) | (63.7) | 161,394 | 122,935 | (23.8) |
| Inventories | 48,286 | 36,719 | (2.3) | (24.0) | | | |
| Steel Coat | | | | | | | |
| Production | 159,819 | 86,310 | (19.5) | (46.0) | 889,067 | 553,279 | (37.8) |
| Inventories | 91,317 | 74,654 | 1.7 | (18.2) | | | |
| Steel Coil | | | | | | | |
| Production | NA | 96,260 | (10.1) | NA | 685,490 | 591,537 | (13.7) |
| Inventories | NA | 16,884 | 20.4 | NA | | | |
| Total | | | | | | | |
| Production | 200,167 | 197,208 | (17.5) | (1.5) | 1,735,951 | 1,267,751 | (27.0) |
| Inventories | 139,603 | 128,257 | 2.6 | (8.1) | | | |

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 | 5.9 | 1.9 | 429.0 | 23.0 | 11.1 |
| PB | 1.1 | 0.7 | 0.9 | 0.8 | 0.8 |
| EV/EBITDA | 4.6 | 2.3 | 7.7 | 5.8 | 4.2 |

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