

28 Jul 2023

Hoa Sen Group (HSG)

3QFY23 Bottom-line was actually positive

- “Real” margins improved
- Maintain HOLD and earnings are under review

Facts: 3QFY23 Bottom-line was actually positive

HSG’ revenue decreased significantly 29.0% yoy to VND8,645bn in 3QFY23 driven mainly by the weak global and domestic demand. In which, the total export volume in 3QFY23 dropped to 183,665 tonnes, -20.2% yoy, but +43.9% qoq. The 3QFY23 NPAT posted VND14.2bn (-94.6% yoy).

Besides, SG&A increased significantly to VND836bn (+31.5% qoq), which also reduced the company profit in 3QFY23.

The gross margin decreased from 12.9% in 2QFY23 to 10.6% in 3QFY23. However, if excluding the inventories provision and reversal items, we actually see the improvement in gross margin from 6.2% in 2QFY23 to 10.6% in 3QFY23. The improvement was, in our opinion, caused by the divergence in regional selling prices.

Pros & cons: Off-peak season in 4QFY23

Weak demand continues to be our main concern in 3Q23 (4QFY23) due to the rainy season in Vietnam. However, the El-Nino somehow may increase the number of dry days, which may slightly support sales volume in 3Q23. Besides, the positive signals from China market would support HRC price in 2H23.

Action: Maintain HOLD rating

We maintain HOLD rating on HSG stock as we see the outlook for the industry is still darks. The earnings are under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

Stock data

VNIndex (Jul 28, pt)	1,208
Stock price (Jul 28, VND)	19,300
Market cap (USD mn)	502
Shares outstanding (mn)	616
52-Week high/low (VND)	19,300/7,136
6M avg. daily turnover (USD mn)	10.64
Free float / Foreign ownership (%)	68.0/18.1
Major shareholders (%)	
Le Phuoc Vu	16.7

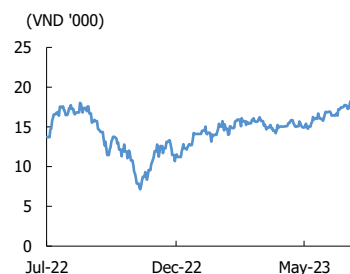
Valuation

	FY20A	FY21A	FY22A
PE (x)	5.9	1.8	423.5
PB (x)	1.0	0.7	0.9
ROE (%)	19.1	48.8	2.3
DY (%)	0.0	0.0	0.0
EV/EBITDA (x)	4.5	2.2	7.6
EPS (VND)	2,642	8,434	37
BPS (VND)	14,825	21,950	18,197

Performance

	1M	6M	12M
Absolute (%)	14.9	33.0	40.3
Relative to VNIndex (%p)	8.7	24.0	39.0

Stock price



Source: Bloomberg

Research Dept

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Table 1. 2QFY23 earnings

(VND bn, %, %p)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	QoQ	YoY	Consensus
Sales	12,177.2	7,939.1	7,917.4	6,980.8	8,645.7	23.8	(29.0)	NA
OP	464.7	(996.6)	(607.9)	268.3	56.1	(79.1)	(87.9)	NA
OP margin	3.8	(12.6)	(7.7)	3.8	0.6	(3.2)	(3.2)	NA
EBT	313.0	(997.4)	(667.3)	297.5	12.2	(95.9)	(96.1)	NA
NP	265.0	(887.0)	(680.2)	250.6	14.2	(94.3)	(94.6)	NA

Source: Company data, KIS

■ Company overview

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.

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Prepared by: Research Dept

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