

27 Oct 2023

Hoa Sen Group (HSG)

FY23 Year-end turnaround

- . 4QFY23 saw significant NPAT improvement
- . Maintain HOLD and earnings are under review

Facts: COGS ease improved gross margin

HSG' revenue edged up by 2.1% yoy to VND8,1tn in 4QFY23 with strong coated steel export. In which, the total export volume rose to 178,791 tonnes, +89.2% yoy, and -2.7% qoq. The 4QFY23 NPAT posted VND438.4bn (+2,987% qoq), a significant improvement compares to previous year loss (-VND887bn). Overall, in FY23, HSG earned a total VND31.6tn (-36%yoy) in revenue and VND28.3bn (-90.8% yoy) in NPAT, fulfilling 87%/9.4% of the company annual guidance.

In 4QFY23 the gross margin inched up to 13%(+0.1%p qoq) compared to last year loss (-2.6%), thanks to reduced COGS of VND7.03tn (-13%yoy). SG&A expenses returned to VND627.3bn (-18%yoy, -24% qoq), expanding the company operating profit margins to 5.4%(+4.8%p qoq) compared to last year loss (-12.6%) in 4QFY23.

HSG saw it short term debt significantly reduced in 4QFY23 down to VND2.9tn down from 4.4tn in 3QFY23 (-27% yoy and -32% qoq). This lessened the company interest cost, which only accounted for VND35.9bn (-51%yoy and -34% qoq).

Pros & cons: Stronger performance in 4QFY23

With the end of the raining season in Vietnam, we could see an uptick of domestic steel consumption in the construction industry. Besides, the positive signals from China market would support HRC price and volume in 1H24.

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

Up/Downside

Stock data

VNIndex (27 Oct, pt)	1,061
Stock price (27 Oct, VND)	17,650
Market cap (USD mn)	442
Shares outstanding (mn)	616
52-Week high/low (VND)	23,150/7,136
6M avg. daily turnover (USD mn)	10.53
Free float / Foreign ownership (%)	79.7/20.9
Major shareholders (%)	
Le Phuoc Vu	16.7

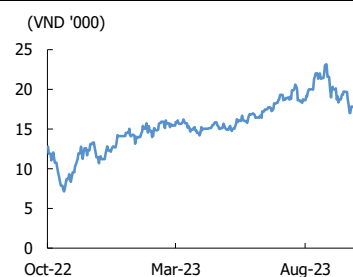
Valuation

	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 (%)	(11.8)	18.8	38.2
Relative to VNIndex (%p)	(3.7)	15.8	33.3

Stock price



Source: Bloomberg

Research Dept

researchdept@kisvn.vn

Table 1. 4QFY23 earnings

(VND bn, %, %p)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	QoQ	YoY	Consensus
Sales	7,939.1	7,917.4	6,980.8	8,645.7	8,106.6	(6.2)	2.1	NA
OP	(996.6)	(607.9)	268.3	56.1	444.6	692.5	NM	NA
OP margin	(12.6)	(7.7)	3.8	0.6	5.4	4.8	NM	NA
EBT	(997.4)	(667.3)	297.5	12.2	503.7	4,028.7	NM	NA
NP	(887.0)	(680.2)	250.6	14.2	438.4	2,987.3	NM	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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