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Power & Steel Analyst  
Le Thanh Cong  
conglt@kbsec.com.vn

# Hoa Sen Group (HSG)

## April earnings continue blow out performance

### April monthly earnings continue to surge as profits hit 118% of full-year target

— April earnings reached VND90 billion or 45% of record 1Q results in the company's first release of monthly performance. Earnings added another month of strong performance as seven-month earnings (September year-end company) hit VND472 billion and already reached 118% of the full-year target. April sales were VND2,233 billion and totaled VND14,597 billion in the first seven months of the fiscal year or 52% of the business plan.

### Record 2Q earnings were four times higher than the same quarter last year

— Fiscal 2Q earnings (Jan-Mar) of VND201 billion were four times higher than the same period last year despite the 16% YoY drop in sales to VND5,786 billion due to the coronavirus. Consumption for steel pipe fell by 17% YoY to 72,256 tons and coated steel dropped by 8% YoY to 272,762 tons. With lower steel volumes for the entire industry, market shares remained stable at 16% for steel pipes and 30% for coated steel. The company managed to deliver strong earnings performance on expansion of the gross profit margin to 18.6% from the previous quarter's 14.5% and 11.3% in the quarter a year ago. Margin expansion was largely due to the sharp drop in hot-rolled steel input costs amid steady retail pricing. Moreover, performance also improved from a year ago due to the absence of losses from trading in hot-rolled coils that led to losses in these activities last year. Inventory turnover was stable at VND5,000 billion or about 65 days.

### Steel demand turned negative in 1Q and could worsen in 2Q

— The Vietnam Steel Association estimates that the nationwide lockdown and supply chain disruptions due to COVID-19 caused steel growth to turn negative in 1Q at -20% YoY for steel pipes and -5% YoY for coated steel. It also expects conditions to worsen in 2Q as the impact from lower demand is fully-reflected in the local steel market. Weak demand continues to pressure steel pricing and the Association warned that lower prices could hurt the recovery of local steel makers.

## KB SECURITIES VIETNAM RESEARCH

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**Head of Research – Nguyen Xuan Binh**

binhnx@kbsec.com.vn

### **Macro/Strategy**

**Head of Macro & Strategy – Tran Duc Anh**

anhtd@kbsec.com.vn

**Macro Analyst – Thai Thi Viet Trinh**

trinhhtt@kbsec.com.vn

**Market Strategist – Le Anh Tung**

tungla@kbsec.com.vn

### **Equity (Hanoi)**

**Head of Equity Research (Hanoi) – Duong Duc Hieu**

hieudd@kbsec.com.vn

**Information Technology & Logistics Analyst – Nguyen Anh Tung**

tungna@kbsec.com.vn

**Property Analyst – Pham Hoang Bao Nga**

ngaphb@kbsec.com.vn

**Power & Construction Material Analyst – Le Thanh Cong**

congltt@kbsec.com.vn

**Financials Analyst – Nguyen Thi Thu Huyen**

huyenntt@kbsec.com.vn

### **Equity (Ho Chi Minh)**

**Head of Equity Research (Ho Chi Minh) – Harrison Kim**

harrison.kim@kbfq.com

**Consumer & Retailing Analyst – Dao Phuc Phuong Dung**

dungdpp@kbsec.com.vn

**Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh**

danhnt@kbsec.com.vn

**Oil & Gas & Chemicals Analyst – Nguyen Vinh**

vinhn@kbsec.com.vn

### **Research Marketing**

**Korea Marketing Analyst – Seon Yeong Shin**

shin.sy@kbsec.com.vn

## KB SECURITIES VIETNAM (KBSV)

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### Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam  
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

### CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656  
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276  
Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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