

Hoa Sen Group (HSG)

Focusing on Hoa Sen Home

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HSG achieved 33% of its full-year plan in 1QFY2025

HSG recorded revenue of VND10,222 (+13% YoY) and NPAT-MI of VND166 billion (+60% YoY) in 1QFY2025, driven by (i) an 11% YoY increase in sales volume and (ii) a 132bps YoY improvement in gross margin, given an 8% YoY decline in HRC prices.

Sales volume is projected to grow by 2%/3% for FY2025/FY2026

We expect the domestic market to remain HSG's key growth driver, supported by: (i) its leading market share in galvanized steel (29% in 2024), (ii) over 400 Hoa Sen Home stores nationwide with higher-margin retail sales, and (iii) anticipated anti-dumping duties on Chinese and Korean coated steel in 1H2025. KBSV estimates HSG's revenue at VND40,645/42,518 billion (+3%/+5% YoY) in FY2025/FY2026.

Gross margin is expected to reach 11.4%/11.5% for FY2025/FY2026

anticipate a 1% YoY increase in average selling prices, driven by strong domestic demand. However, export prices may decline slightly to stay competitive amid protectionist measures. With Vietnam's anti-dumping investigation on HRC from India and China (AD20) approved, input costs will rise YoY. KBSV expects HSG to reverse VND122 billion in inventory provisions following the recovery of HRC prices since September 2024.

HSG plans to distribute a cash dividend in April 2025

HSG plans to pay a cash dividend with a payout ratio of 61% of the NPAT-MI in FY2024, translating to a dividend yield of ~3% based on the closing price on March 21, 2025.

KBSV downgrades HSG to NEUTRAL with a target price of VND18,600

KBSV downgrades HSG to NEUTRAL with a target price of VND18,600/share, 14.6% lower than the previous report but 5.6% above the March 21, 2025 closing price.

Neutral change

Target price VND18,600

Upside	5.6%
Current price (Mar 21, 2025)	VND17,700
Consensus target price	VND21,000
Market cap (VNDtn/USDbn)	11.0/0.4

Trading data

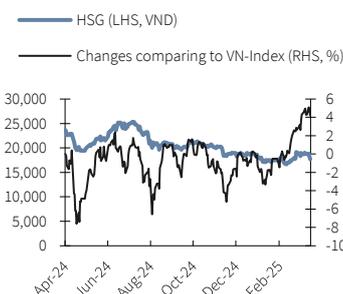
Free float	76.1%
3M avg trading value (VNDbn/USDmn)	99.3/3.9
Foreign ownership	8.4%
Major shareholder	Le Phuoc Vu (16.9%)

Share price performance

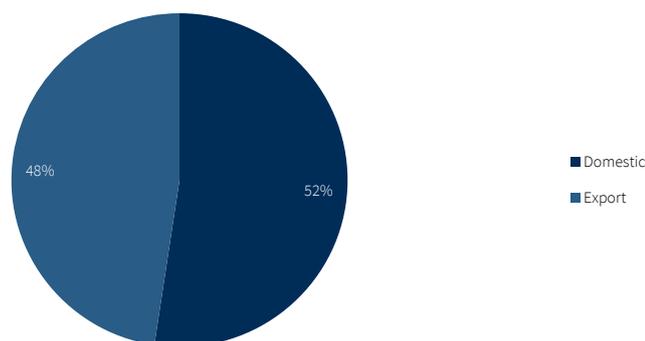
(%)	1M	3M	6M	12M
Absolute	4.1	-3.8	-11.5	-20.3
Relative	0.0	-8.8	-16.7	-26.9

Forecast earnings & valuation

FY-end	FY2023	FY2024	FY2025	FY2026
Net revenue (VNDbn)	31,651	39,270	40,645	42,518
Operating income/loss (VNDbn)	74	499	694	762
NPAT-MI (VNDbn)	25	510	595	628
EPS (VND)	40	828	967	1,019
EPS growth (%)	-90%	1976%	17%	5%
P/E (x)	571.9	25.4	18.3	17.4
P/B (x)	1.3	1.2	1.0	0.9
ROE (%)	0%	5%	5%	5%
Dividend yield (%)	0%	2%	3%	0%



Revenue composition (FY2024)



Business operation

Hoa Sen Group (HSG) specializes in the production of galvanized steel, steel pipes, and plastic pipes, with an annual capacity of over 3.5 million tons. In 2023, HSG held the No. 1 position in the galvanized steel market and ranked No. 2 in the steel pipe market, with market shares of 29% and 12%, respectively.

Source: Hoa Sen Group, KB Securities Vietnam

Investment Catalysts

Sales volume is projected to grow by 2%/3% for FY2025/FY2026, driven by (i) the real estate market recovery, (ii) the approval of anti-dumping duties on imported coated steel (AD19) in 1H2025, and (iii) HSG's domestic coated steel market share exceeding 29% with over 400 Hoa Sen Home stores.

Gross margin is estimated at 11.3%/11.5% for FY2025/FY2026, given the expected reversal of VND122 billion in inventory provisions made in 4QFY2024. However, input costs will likely rise following the approval of Vietnam's anti-dumping investigation on HRC from India and China (AD20).

Cash dividend payment is scheduled for April 2025, with a 61% payout ratio of NPAT-MI in FY2024 and an estimated dividend yield of 3%.

Notes

Please find more details below

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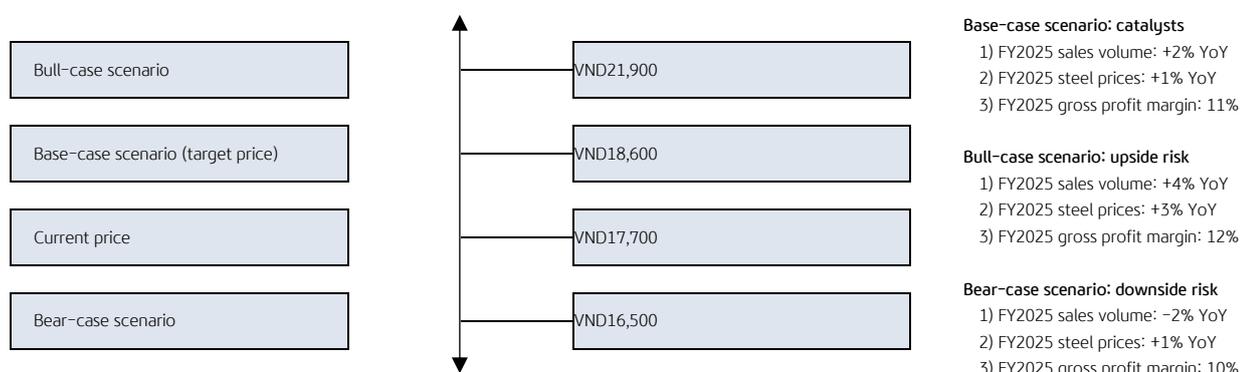
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Revised earnings estimates

(VNDbn)	KBSV estimates				Change vs previous estimates		Consensus*		Difference	
	FY2025F	FY2026F	FY2025F	FY2026F	FY2025F	FY2026F	2025E	2026E		
Revenue	40,645	42,518	-6.1%	-13.1%	43,105	47,039	-5.7%	-9.6%		
EBIT	707	896	-31.0%	-40.9%	883	991	-19.9%	-9.5%		
NP after MI	595	628	-38.2%	-43.3%	834	978	-28.6%	-35.8%		

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business performance

Table 1. HSG – 1QFY2024–1QFY2025 financial results

(VNDbn)	1QFY2024	1QFY2025	+/-%YoY	Notes
Revenue	9,073	10,222	13%	Sales volume expanded by 11% YoY.
Gross profit	950	1,205	27%	
Gross profit margin	10.5%	11.8%	152bps	Driven by lower HRC prices (-8% YoY)
Financial income	44	43	-1%	
Financial expenses	-50	-75	51%	Interest expenses surged 94% YoY as HSG raised short-term borrowings to expand inventory.
Shared profits from affiliates	0	0		
SG&A expenses	-839	-991	18%	Export costs increased by 26% YoY.
Operating income/loss	105	182	74%	
Other income	11	7	-37%	
Profit before tax (PBT)	115	189	64%	
Net profit after tax (NPAT)	103	166	60%	Completed 33% of Plan 2's target
NPAT-MI	103	166	60%	
NPAT-MI margin	1.1%	1.6%	48bps	

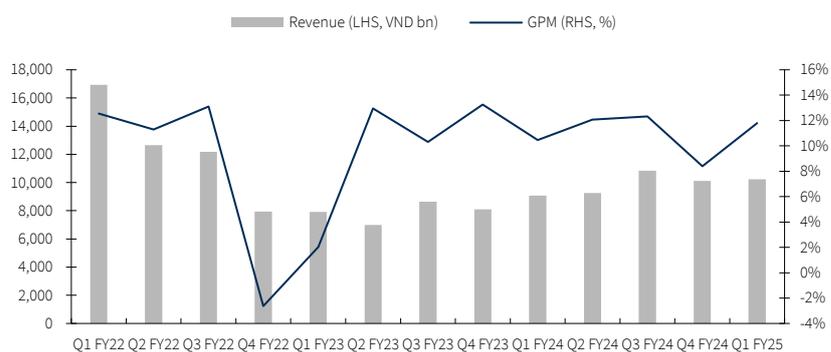
Source: Hoa Sen Group, KB Securities Vietnam

Table 2. HSG – 1QFY2024–1QFY2025 sales volume (tons)

(tons)	1QFY2024	1QFY2025	+/-%YoY	Notes
Galvanized steel	360,158	394,524	10%	Domestic sales volume picked up 16% YoY.
Steel pipes	88,922	105,040	18%	Domestic sales volume improved by 13% YoY.
Total	449,080	499,564	11%	

Source: Hoa Sen Group, KB Securities Vietnam

Fig 3. HSG – Revenue, gross profit margin (VNDbn, %)



Source: Hoa Sen Group, KB Securities Vietnam

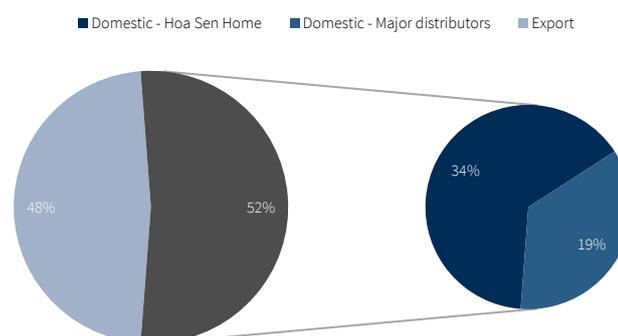
HSG will focus more on expanding Hoa Sen Home and boosting domestic sales

At the recent shareholder meeting, HSG's management shared their strategic focus on the domestic market, with Hoa Sen Home (HSH) as the key growth driver. In 2024, HSH generated VND13,300 billion (flat YoY) in revenue, accounting for 33% of HSG's total revenue. HSG aims to expand HSH's revenue to VND33,000 billion by 2030, targeting an estimated compound annual growth rate (CAGR) of 16%, with a planned VND6,000 billion CAPEX investment from 2025 to 2030. We anticipate the approval of anti-dumping duties (AD19) on imported coated steel from China and South Korea, which should support domestic manufacturers' sales volumes. KBSV expects domestic coated steel consumption to improve in 2025-2026, driven by (i) the recovery of the residential real estate market and (ii) continued industrial production growth.

We maintain our view that the domestic market will be the primary driver of HSG's mid-term revenue growth, underpinned by its leading market share in coated steel (29% in 2024) and a network of over 400 HSH stores. KBSV estimates HSG's revenue at VND40,645 billion/VND42,518 billion (+3% YoY/+5% YoY) in FY2025/FY2026.

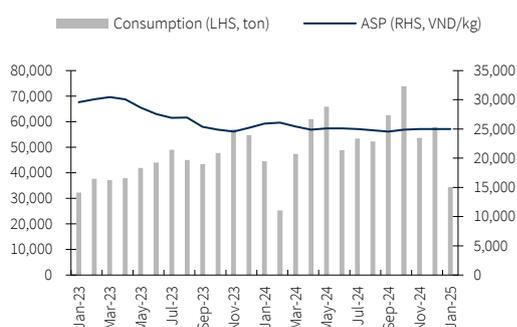
In FY2024, HSH accounted for 64% of HSG's domestic revenue, while the remainder came from major distributors sourcing an average of 5,000-15,000 tons per month. According to management, HSH's presence in the retail construction materials sector enables it to achieve an estimated gross margin of 15%-30%, compared to just 8%-12% for traditional manufacturers.

Fig 4. HSG - Revenue breakdown in FY2024



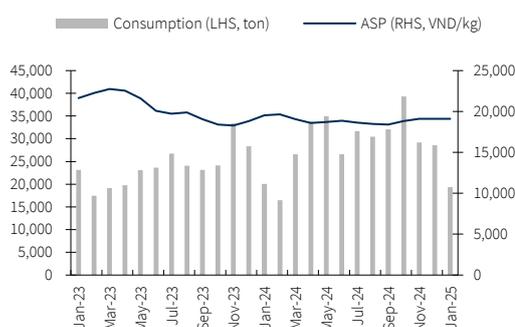
Source: Hoa Sen Group, KB Securities Vietnam

Fig 5. HSG - Galvanized steel sales volume & average selling price in the domestic market (tons, VND/kg)



Source: Hoa Sen Group, FiiProX, KB Securities Vietnam

Fig 6. HSG - Steel pipe sales volume & average selling price in the domestic market (tons, VND/kg)



Source: Hoa Sen Group, FiiProX, KB Securities Vietnam

HSG plans to distribute a cash dividend in April 2025

Recently, the Ministry of Industry and Trade approved and officially imposed a provisional anti-dumping tax on imported HRC from China (case AD20). KBSV estimates that over 40% of the HRC used by HSG in 2024 was sourced from China. Moving forward, we expect HSG to diversify its HRC supply from Malaysia and Indonesia to support exports to ASEAN countries. For shipments to the US, Mexico, and the EU, which collectively accounted for 30% of HSG's total revenue in 2024, HSG may rely on domestic or Japanese HRC. The shift away from Chinese HRC is expected to drive higher input costs in 2025, weighing on HSG's gross margin.

With Chinese HRC prices rebounding from their August 2024 low, we anticipate HSG to reverse its VND122 billion inventory provision in 2QFY2025. KBSV estimates HSG's gross margin at 11.4%/11.5% in FY2025/FY2026.

Table 7. Vietnam – Countervailing duties on CORE, galvanized steel export volume to total sales volume, revenue from US-Mexico to total revenue by listed companies (%)

	Countervailing duties on CORE	Galvanized steel export volume to total sales volume	Revenue from US-Mexico to total revenue
HPG	46.73%	2.7%	2.9%
HSG	0.13%	59.2%	18.6%
NKG	46.73%	61.3%	26.2%
GDA	0.00%	58.8%	31.9%

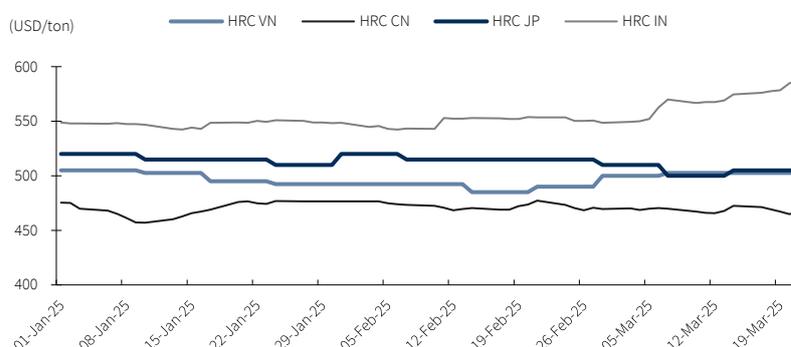
Source: KB Securities Vietnam

Table 8. EU, US – Anti-dumping duties on imported HRC

Nation	EU-imposed anti-dumping tariff on HRC	US-imposed anti-dumping tariff on HRC (*)
China	13.2% – 22.6%	18.1% – 35.9%
Japan	6.9% – 33%	3.8% – 5.6%
Vietnam	0% – 12.1%	0%
India	0%	0%

Source: KB Securities Vietnam

Fig 9. Vietnam, China, Japan – HRC prices (USD/ton)



Source: Bloomberg, KB Securities Vietnam

*Excluding countervailing duties and the additional 25% Section 232 tariffs

HSG plans to distribute a cash dividend in April 2025

HSG announced a 5% cash dividend payout, scheduled for April 28, 2025. We estimate the payout ratio at 61% of NPAT-MI for FY2024, implying a dividend yield of ~3% based on the closing price on March 21, 2025.

Forecast & Valuation

Table 10. HSG – FY2024A–FY2026F financials & forecasts

(VNDbn)	FY2024	FY2025	+/-%YoY	FY2026	+/-%YoY	Notes
Revenue	39,270	40,645	3%	42,518	5%	Sales volume and average selling price are expected to increase by 2% and 1% YoY, respectively.
Gross profit	4,252	4,652	9%	4,893	5%	HSG is expected to reverse VND122 billion in inventory provisions made in 4QFY2024 in 2QFY2025.
Gross profit margin	10.8%	11.4%	62bps	11.5%	6bps	
Interest income	2	2	4%	2	1%	
Interest expenses	-133	-148	11%	-136	-8%	
Foreign exchange gain/loss, others	218	70	-68%	0	-100%	VND is assumed to depreciate 2% against the USD in 2025.
Shared profits from affiliates	0	0		0		
SG&A expenses	-3,840	-3,882	1%	-3,997	3%	Export costs may decline, but selling expenses may rise due to a stronger focus on the domestic market.
Operating income/loss	499	694	39%	762	10%	
Other income	41	7	-84%	0		
PBT	540	701	30%	762	9%	
NPAT	510	595	17%	628	5%	
NPAT-MI	510	595	17%	628	5%	
NPAT margin	1.3%	1.5%	17bps	1.5%	1bps	

Source: Hoa Sen Group, KB Securities Vietnam

KBSV downgrades HSG to NEUTRAL with a target price of VND18,600

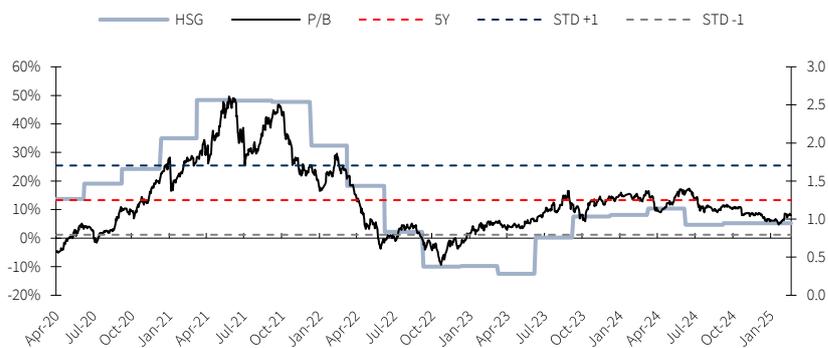
We lower our NPAT-MI forecasts for HSG by 38%/43% for FY2025/FY2026, reflecting adjusted gross margins of 11.4%/11.5% (vs. 11.8%/12.3%) following the approval and implementation of AD20. Amid challenges for downstream steel producers, we apply the PBR method using FY2025 BVPS with a target multiple of 1.05x, below the five-year average of 1.25x. As a result, we downgrade HSG to NEUTRAL, setting a target price of VND18,600 per share, implying FY2025 forward PER/EV/EBITDA of 19.3x/6.3x. We believe recent stock price movements have already factored in some of the risks from weaker earnings, driven by unfavorable steel price trends and the newly imposed anti-dumping duties on HRC.

Table 11. HSG - Valuation result

Valuation method	Target multiple	Derived price	Weighting	Target price
PBR	1.05	18,600	100%	18,600

Source: KB Securities Vietnam

Fig 12. HSG - PBR, ROE in 2020-2025



Source: KB Securities Vietnam

HSG – FY2023A–FY2026F summarized financials & forecasts

Income Statement (VND billion) (Standard report)					Balance Sheet (VND billion) (Standard report)				
	FY2023	FY2024	FY2025	FY2026		FY2023	FY2024	FY2025	FY2026
Net sales	31,651	39,270	40,645	42,518	TOTAL ASSET	17,365	19,562	18,446	19,520
Cost of sales	-28,620	-35,018	-35,993	-37,625	CURRENT ASSETS	11,275	14,165	13,365	14,793
Gross Profit	3,031	4,252	4,652	4,893	Cash and cash equivalents	597	602	962	1,481
Financial income	2	2	2	2	Short-term investments	26	31	31	31
Financial expenses	113	218	70	0	Accounts receivable	2,322	2,986	2,542	2,815
of which: interest expenses	-195	-133	-148	-136	Inventories	7,629	9,702	8,995	9,631
Gain/(loss) from joint ventures (from 2015)	0	0	0	0	LONG-TERM ASSETS	6,090	5,397	5,082	4,727
Selling expenses	-2,477	-3,345	-3,381	-3,481	Long-term trade receivables	143	215	213	213
General and admin expenses	-399	-496	-501	-516	Fixed assets	5,020	4,111	3,779	3,425
Operating profit/(loss)	74	499	694	762	Long-term incomplete assets	530	664	664	664
Other incomes	71	48	7	0	Long-term investments	1	1	0	0
Other expenses	-5	-7	0	0	Good will (before 2015)	0	0	0	0
Net other income/(expenses)	66	41	7	0	LIABILITIES	6,585	8,649	7,246	7,693
Income from investments in other entities	0	0	0	0	Current liabilities	6,569	8,633	7,230	7,676
Net accounting profit/(loss) before tax	140	540	701	762	Trade accounts payable	2,885	2,328	1,991	2,223
Corporate income tax expenses	-116	-30	-105	-134	Short-term borrowings	2,936	5,364	4,391	4,600
Net profit/(loss) after tax	25	510	595	628	Other short-term liabilities	747	940	848	853
Minority interests	0	0	0	0	Long-term liabilities	16	16	16	16
Attributable to parent company	25	510	595	628	Long-term trade payables	0	0	0	0
					Long-term borrowings	0	0	0	0
					Other long-term liabilities	16	16	16	16
Margin ratio	FY2023	FY2024	FY2025	FY2026	OWNER'S EQUITY	10,780	10,912	11,200	11,828
Gross profit margin	10%	11%	11%	12%	Paid-in capital	6,160	6,160	6,160	6,160
EBITDA margin	3%	3%	4%	4%	Share premium	157	157	157	157
EBIT margin	0%	1%	2%	2%	Other funds	78	51	51	51
Pre-tax profit margin	0%	1%	2%	2%	Undistributed earnings	4,369	4,528	4,816	5,443
Operating profit margin	0%	1%	2%	2%	State capital	0	0	0	0
Net profit margin	0%	1%	1%	1%	Interest of non-controlling shareholders	16	16	16	16
Cash Flow Statement (VND billion)	FY2023	FY2024	FY2025	FY2026	Key ratios (x, %, VND)	FY2023	FY2024	FY2025	FY2026
Net profit/(loss) before tax	140	540	701	762	Multiple				
Depreciation and amortisation	1,131	990	1,059	1,116	P/E	571.9	25.4	18.3	17.4
Profit/loss from investing activities	-10	-23	0	0	P/E diluted	571.9	25.4	18.3	17.4
Interest expense	195	133	148	136	P/B	1.3	1.2	1.0	0.9
Operating profit/(loss) before changes in Working Capital	811	1,863	1,908	2,015	P/S	0.4	0.3	0.3	0.3
(Increase)/decrease in receivables	-1,019	-334	446	-274	P/Tangible Book	2.9	3.3	3.0	3.4
(Increase)/decrease in inventories	360	-2,302	707	-635	P/Cash Flow	8.0	-9.1	4.6	10.2
Increase/(decrease) in payables	2,019	-294	-338	233	EV/EBITDA	12.1	12.3	7.8	7.0
(Increase)/decrease in prepaid expenses	19	49	0	0	EV/EBIT	74.2	39.2	18.4	15.6
Operating cash flow	1,746	-1,418	2,386	1,072	Operating performance				
Purchases of fixed assets and other long term assets	-295	-770	-746	-761	ROE	0%	5%	5%	5%
Proceeds from disposal of fixed assets	19	52	0	0	ROA	0%	3%	3%	3%
Loans granted, purchases of debt instruments	-20	-6	0	0	ROIC	0%	3%	4%	4%
Collection of loans, proceeds from sales of debts instruments	19	6	0	0	Financial structure				
Investments in other entities	0	0	0	0	Cash Ratio	0.1	0.1	0.1	0.2
Proceeds from divestment in other entities	0	0	0	0	Quick Ratio	0.4	0.4	0.5	0.6
Dividends and interest received	3	2	0	0	Current Ratio	1.7	1.6	1.8	1.9
Investing cash flow	-274	-716	-746	-761	LT Debt/Equity	0.0	0.0	0.0	0.0
Proceeds from issue of shares	0	22	0	0	LT Debt/Total Assets	0.0	0.0	0.0	0.0
Payments for share returns and repurchases	0	0	0	0	Debt/Equity	0.3	0.5	0.4	0.4
Proceeds from borrowings	21,880	31,980	0	209	Debt/Total Assets	0.2	0.3	0.2	0.2
Repayment of borrowings	-23,131	-29,553	-973	0	ST Liabilities/Equity	0.3	0.3	0.3	0.3
Finance lease principal payments	0	0	0	0	ST Liabilities/Total Assets	0.2	0.2	0.2	0.2
Dividends paid	0	-308	-308	0	Total Liabilities/Equity	0.3	0.3	0.3	0.3
Interests, dividends, profits received	0	0	0	0	Total Liabilities/Total Assets	0.2	0.2	0.2	0.2
Financing cash flow	-1,251	2,142	-1,281	209	Activity ratios				
Net increase in cash and cash equivalents	222	8	359	520	Account Receivable Turnover	16.8	14.8	14.7	15.9
Cash and cash equivalents - beginning	330	597	602	962	Inventory Turnover	3.8	4.0	3.9	4.0
Cash and cash equivalents - ending	597	602	962	1,481	Account Payable Turnover	17.8	13.8	16.7	17.9

Source: Company report, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Neutral:	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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