

Hoa Sen Group (HSG)

3Q FY25 results were beyond expectations

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8M FY25 profit beat the full-year target by 13%

In 8M FY25, Hoa Sen Group (HSG) posted VND25,099 billion in revenue and VND567 billion in NPAT, equal to 66%/113% of the full-year objectives. The profit grew beyond our expectations thanks to improved profit margin in 3QFY25, partly supported by the group's inventory optimization efforts (finished product and raw material inventories in 2QFY25 decreased 33% YoY).

Export output may create a low base in FY2025 with the main growth driver from domestic demand

HSG said its export orders to the US (accounting for 7% of total revenue) have been suspended since September 2024 due to importers' concerns about tariff uncertainties and tax reimbursement. We believe that the decline in export volume will create a low base in FY2025 and expect a gradual recovery in the future thanks to HSG's efforts to expand and diversify target markets. The main revenue growth force will come from the domestic market with housing construction recovering and the real estate market entering a new growth cycle in 2025-2027. Furthermore, the group also has a competitive advantage in the home market thanks to Hoa Sen Homes (HSH) system. KBSV forecasts HSG's sales volume will increase by 0%/7% in FY2025/FY2026.

Steel prices may remain flat in 2025, resulting in stable GPM

We maintain our forecast for steel average selling price (ASP), which will increase 1%/2% in 2025/2026 in the base case and estimate HSG's GPM at 12%.

Valuation: NEUTRAL rating – Target price VND36,500/share

KBSV expects HSG's NPAT will reach VND789/810 billion in FY2025/FY2026 and determined its fair value at VND18,000/share.

Neutral maintain

Target price VND18,000

Upside	6.5%
Current price (Jun 18, 2025)	VND16,900
Consensus target price	VND18,000
Market cap (VNDtn/USDbn)	1.1/0.4

Trading data

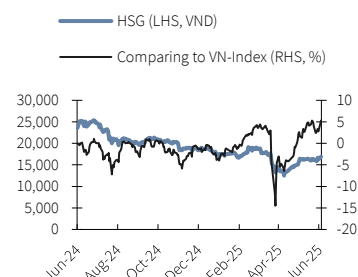
Free float	76.1%
3M avg trading value (VNDbn/USDmn)	114.1/4.4
Foreign ownership	8.4%
Major shareholder	Chairman Le Phuoc Vu (16.9%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	3	-10	-9	-33
Relative	-1	-11	-15	-39

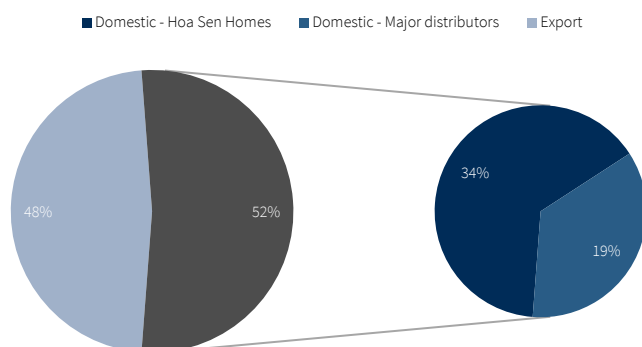
Forecast earnings & valuation

FY-end	FY2023	FY2024	FY2025	FY2026
Net revenue (VNDbn)	31,651	39,270	39,631	42,518
Operating income/loss (VNDbn)	74	499	899	981
NPAT-MI (VNDbn)	25	510	789	810
EPS (VND)	40	828	1,280	1,315
EPS growth (%)	-90	1,976	55	3
P/E (x)	439.0	21.0	13.2	12.9
P/B (x)	1.0	1.0	0.9	0.9
ROE (%)	0.2	4.7	7.1	7.0
Dividend yield (%)	0.0	2.9	3.0	3.0



Source: Bloomberg, KB Securities Vietnam

Sales contributors (FY2024)



Source: Hoa Sen Group, KB Securities Vietnam

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.

Investment Catalysts

Sales output should increase by 0%/7% YoY in FY2025/FY2026, fueled by higher domestic demand amid the recovery of construction activities and the new growth cycle of the real estate market in 2025–2027.

Steel average selling price is expected to gain 1%/2% YoY in 2025/2026. KBSV estimates HSG's GPM to average 12% in FY2025/FY2026 (+127/–10 bps YoY).

Notes

Please see more details below

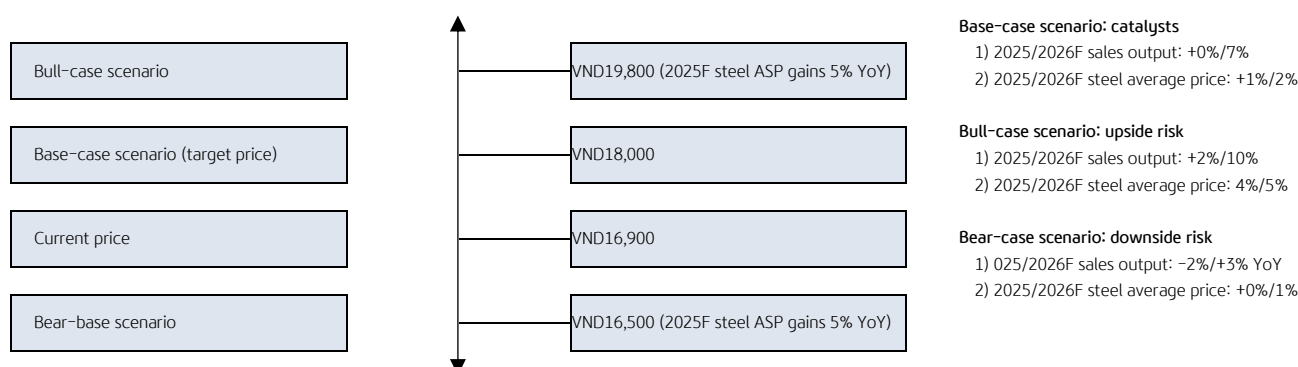
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	FY2025	FY2026	FY2025	FY2026	FY2025	FY2026	FY2025	FY2026
Revenue	39,631	42,518	–2%	0%	40,882	44,508	–3%	–4%
EBIT	904	1,105	28%	23%	912	1,009	–1%	10%
NP after MI	789	810	33%	29%	718	891	10%	–9%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business performance

Table 1. HSG – 1H FY25 business results

(VNDbn, %)	2Q FY24	2Q FY25	+/-%YoY	1H FY24	1H FY25	+/-%YoY	Notes
Revenue	9,248	8,452	-9%	18,321	18,674	2%	2Q FY25 sales output recorded a 12% YoY contraction due to a 38% YoY decrease in galvanized steel export volume.
Gross profit	1,117	1,076	-4%	2,067	2,281	10%	HSG reversed VND145 billion in inventory write-down provisions.
Gross profit margin	12.1%	12.7%	65bps	11.3%	12.2%	94bps	2Q FY25 steel ASP slipped 2% YoY but local HRC price dropped up to 13% YoY.
Financial income	139	120	-13%	182	164	-10%	
Financial expenses	-43	-68	60%	-92	-143	56%	Interest expenses soared 57% in 2Q FY25 due to HSG increasing debt to supplement working capital from 2Q FY24.
Shared profits from affiliates	0	0		0	0		
SG&A expenses	-913	-908	-1%	-1,752	-1,900	8%	Export costs saw a steep fall of 43% YoY.
Operating income/loss	300	220	-27%	74	499	571%	
Other income	13	8	-44%	24	14	-41%	
Profit before tax (PBT)	313	227	-27%	428	416	-3%	
Net profit after tax (NPAT)	319	205	-36%	422	371	-12%	
NPAT-MI	319	205	-36%	422	371	-12%	
NPAT-MI margin	3.4%	2.4%	-102bps	2.3%	2.0%	-32bps	

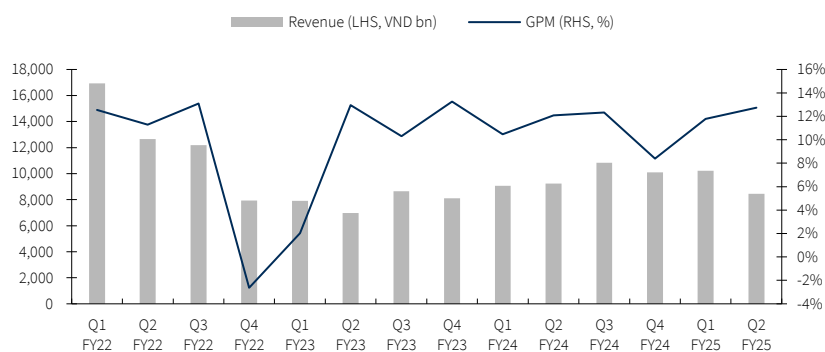
Source: Hoa Sen Group, KB Securities Vietnam

Table 2. HSG – 1H FY25 sales volume (tons)

(ton)	2Q FY24	2Q FY25	+/-%YoY	1H FY24	1H FY25	+/-%YoY	Notes
Galvanized steel	375,369	323,929	-14%	735,527	718,453	-2%	2Q FY25 domestic consumption sharply increased 41% YoY while export output dropped 38% YoY.
Steel pipes	70,716	70,716	0%	159,638	175,756	10%	
Total	446,085	394,645	-12%	895,165	894,209	0%	

Source: Hoa Sen Group, KB Securities Vietnam

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



Source: Hoa Sen Group, KB Securities Vietnam

Business results in April–May 2025 were better than expected

Consumption output and revenue of HSG in April–May 2025 respectively reached 64%/62% of our estimates. NPAT exceeded KBSV's expectations thanks to improved gross profit margin partly because HSG took drastic moves in inventory optimization (declining 33% YoY in 2Q FY25), helping to manage production costs more effectively. After 8M FY25, the steel manufacturer has exceeded the full-year objectives (equal to 113% of the plan according to the bull case).

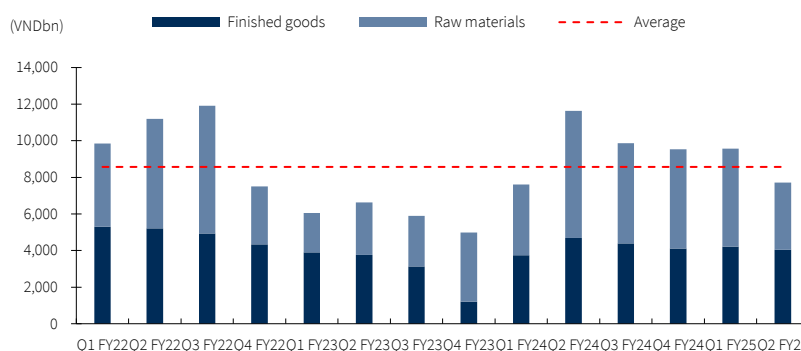
Table 4. HSG – Business results in April – May 2025

(VNDbn, %)	April – May 2025	8M FY25	Target
Output	318,826	1,265,474	65%
Revenue	6,427	25,099	66%
NPAT	193	567	113%

Source: Hoa Sen Group, KB Securities Vietnam

HSG's inventory was valued at more than VND8,000 billion at the end of 2Q FY25, lower than the last three years' average.

Fig 5. HSG – Material inventory (VNDbn)



Source: Hoa Sen Group, KB Securities Vietnam

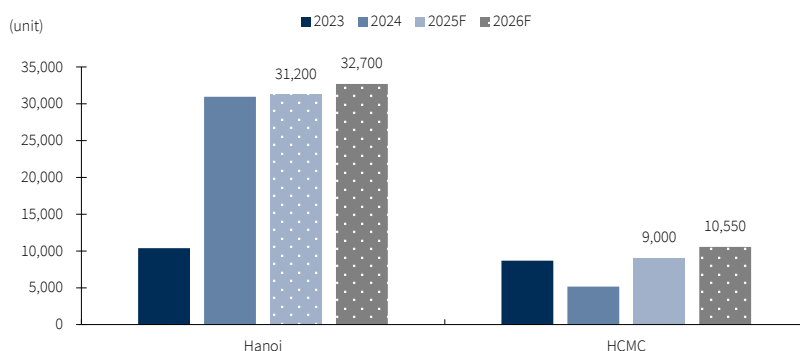
Growth momentum comes from domestic demand

In 7M FY25, domestic consumption posted a 16% YoY growth, while export output fell 19% YoY as the galvanized steel industry faced protectionism from major markets such as the US and EU. According to HSG, export orders to the US market (contributing 7% to total revenue) have been suspended since September 2024 due to concerns about the risk of tariff reimbursement, which will dent HSG's export income and create a low base this year. However, the situation may turn the corner next year as HSG has exerted efforts in diversifying target markets.

We still believe that the local market will be the main growth force of HSG in the coming time thanks to the recovery of housing projects, along with the expectations of a new growth cycle for the real estate market in 2025–2027. For 2025, the steel group plans to open 20 new HSH stores and raise the number of new stores to 25 stores/year in 2026–2030 (please see the [previous report](#) for more comments on HSH). KBSV forecasts FY2025 consumption output of HSG will flatline YoY before rebounding 7% YoY in FY2026.

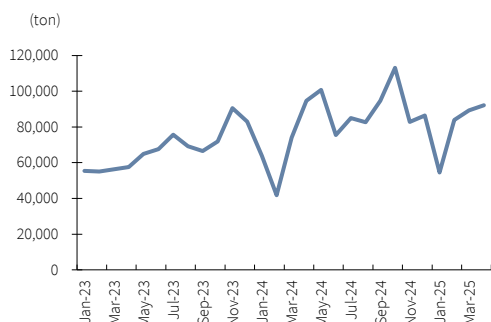
Fig 6. Hanoi, HCM City – 2025–2026F apartment supply

The supply of apartments in HCMC is extrapolated to increase 74%/17% in 2025/2026F



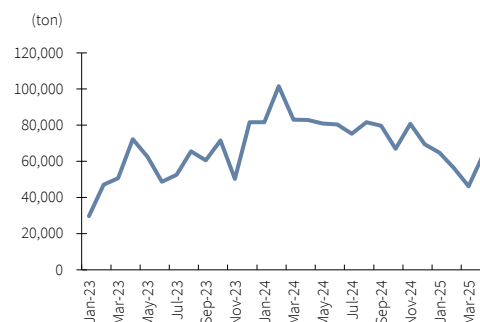
Source: CBRE, KB Securities Vietnam

Fig 7. HSG – Domestic steel consumption (ton)



Source: Vietnam Steel Association, KB Securities Vietnam

Fig 8. HSG – Exported steel output (ton)

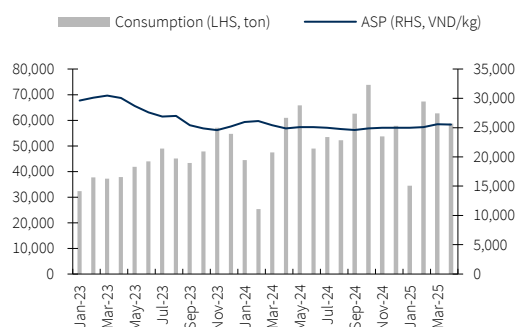


Source: Vietnam Steel Association, KB Securities Vietnam

Steel prices are unlikely to see sharp increases in the short term

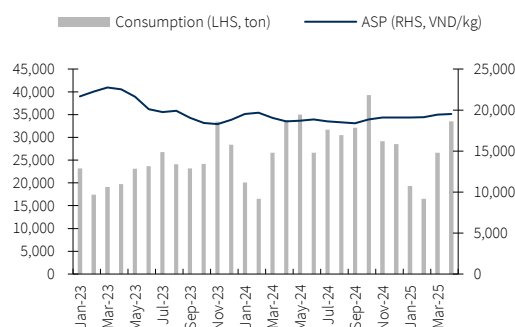
Since early 2025, domestic steel ASP have gained 2%, in line with our forecast. Although imported galvanized steel has been subject to temporary anti-dumping duties, the global steel industry protectionist trend has caused local producers to return to the home market to ensure consumption output, which also made domestic competition more intense. We maintain our forecast for HSG's ASP rising 1%/2% in FY2025/FY2026 with a stable GPM around 12%.

Fig 9. HSG – Domestic consumption & ASP of galvanized steel (ton, VND/kg)



Source: Vietnam Steel Association, FiiProX, KB Securities Vietnam

Fig 10. HSG – Domestic consumption & ASP of steel pipes (ton, VND/kg)



Source: Vietnam Steel Association, FiiProX, KB Securities Vietnam

Forecast & valuation

Table 10. HSG – FY2024A–FY2026F financials & forecasts

(VNDbn)	FY2024	FY2025	+/-%YoY	FY2026	+/-%YoY	Assumptions
Revenue	39,270	39,631	1%	42,518	7%	Consumption volume increases 0%/7% YoY in FY2025/FY2026.
Gross profit	4,252	4,795	13%	5,102	6%	HSG reverses inventory write-down provision in FY2025.
<i>Gross profit margin</i>	<i>10.8%</i>	<i>12.1%</i>	<i>127bps</i>	<i>12.0%</i>	<i>-10bps</i>	Steel ASP gains 1%/2% YoY in FY2025/FY2026.
Interest income	2	3	94%	4	30%	
Interest expenses	-133	-156	17%	-128	-18%	Interest expenses decline 18% in FY2026 thanks to reduction in short-term debt after optimizing working capital.
Foreign exchange gain/loss, others	218	149	-32%	0	-100%	
Shared profits from affiliates	0	0		0		
SG&A expenses	-3,840	-3,890	1%	-3,997	3%	
Operating income/loss	499	899	80%	981	9%	
Other income	41	14	-65%	0		
PBT	540	914	69%	981	7%	
NPAT	510	789	55%	810	3%	
NPAT-MI	510	789	55%	810	3%	
<i>NPAT margin</i>	<i>1.3%</i>	<i>2.0%</i>	<i>69bps</i>	<i>1.9%</i>	<i>-9bps</i>	

Source: Hoa Sen Group, KB Securities Vietnam

KBSV holds NEUTRAL rating for HSG with a target price of VND18,000

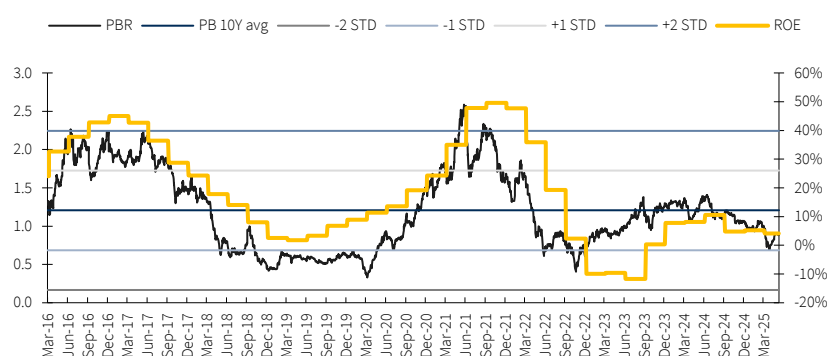
We revise our FY2025/FY2026 NPAT forecast to VND789/800 billion (+33%/29% YoY) thanks to better-than-expected 3Q FY25 results and raise FY2026 GPM estimate to 12% (+50bps vs. the previous forecast). We conclude the fair value for HSG should be VND18,000/share (-3% YoY) after using the book value method with FY2026 BVPS and target multiple of 0.95x.

Table 11. HSG – Valuation results

Valuation method	Target multiple	FY 25 BVPS	Weighting	Target price
PBR	0.95	19,000	100%	18,000

Source: KB Securities Vietnam

Fig 12. HSG – PBR, ROE in the last 10 years (x, %)



Source: Bloomberg, KB Securities Vietnam

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Investment Ratings for Stocks

(Based on the expectation of 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 the assessment of sector prospects over the next 6 months)

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

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