

Hoa Sen Group (HSG)

3Q FY25 results were beyond expectations

Senior Analyst Nguyen Duong Nguyen

10 2025	Senior Analyst Nguyen Duong Nguyen
June 18, 2025	(+84) 24-7303-5333 nguyennd1@kbsec.com.vn
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	Trading data		
i di get pilee	1112 10,000	Free float		76.1%
Jpside	6.5%	3M avg trading value (VNDbn/USDmn)	114.1/4.4
Current price (Jun 18, 2025)	VND16,900	Foreign ownership		8.4%
Consensus target price	VND18,000	Major shareholder	Chairma	an Le Phuoc Vu
Market cap (VNDtn/USDbn)	1.1/0.4			(16.9%)
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
Р/В (x)	1.0	1.0	0.9	0.9
ROE (%)	0.2	4.7	7.1	7.0
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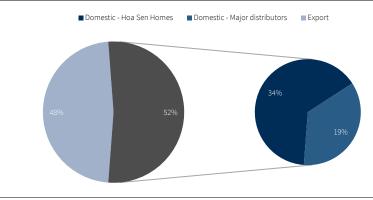
Share price performance						
(%)	1M	3M	6M	12M		
Absolute	3	-10	-9	-33		
Relative	-1	-11	-15	-39		



Source: Bloomberg, KB Securities Vietnam



Sales contributors (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

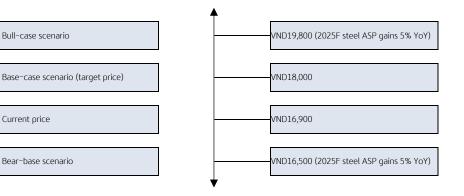
Investment Catalysts	Notes
Sales output should increase by 0%/7% YoY in FY2025/FY2026, fueled by higher domestic demand amid the recovery of construction activities and the new growth cycle of the real estate market in 2025–2027.	Please see more details below
Steel average selling price is expected to gain 1%/2% YoY in 2025/2026 . KBSV estimates HSG's GPM to average 12% in FY2025/FY2026 (+127/-10 bps YoY).	Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estima	ites	Change vs previo	us estimates	Consen	ISUS*	Differe	nce
	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



Base-case scenario: catalysts

2025/2026F sales output: +0%/7%
2025/2026F steel average price: +1%/2%

Bull-case scenario: upside risk

1) 2025/2026F sales output: +2%/10%

2) 2025/2026F steel average price: 4%/5%

Bear-case scenario: downside risk

1) 025/2026F sales output: -2%/+3% YoY

2) 2025/2026F steel average price: +0%/1%

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	

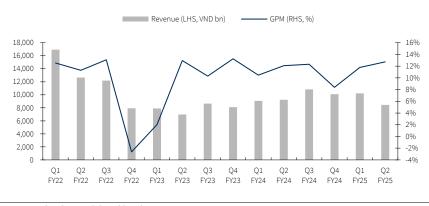
Source: Hoa Sen Group, KB Securities Vietnam

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

Fig 5. HSG - Material inventory (VNDbn)



Source: Hoa Sen Group, KB Securities Vietnam

Growth momentum comes from domestic demand

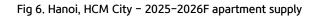
HSG's inventory was valued at more than VND8,000 billion at the end of 2Q FY25, lower

than the last three years' average.

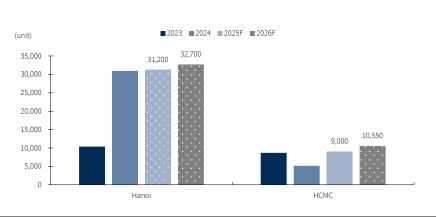
In 7M FY25, domestic consumption posted a 16% YoY growth, while export output fell 19% YoY as the galvanized steel industry faced protectionism from major markets such as the US and EU. According to HSG, export orders to the US market (contributing 7% to total revenue) have been suspended since September 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 <u>previous</u> <u>report</u> for more comments on HSH). KBSV forecasts FY2025 consumption output of HSG will flatline YoY before rebounding 7% YoY in FY2026.





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)

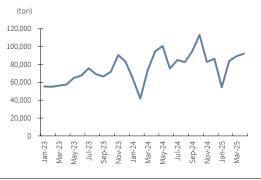
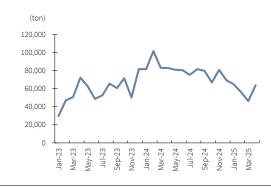


Fig 8. HSG - Exported steel output (ton)



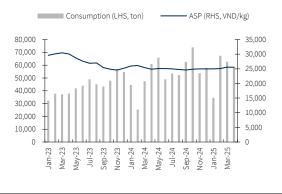
Source: Vietnam Steel Association, KB Securities Vietnam

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

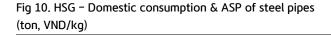
Source: Vietnam Steel Association, KB Securities Vietnam

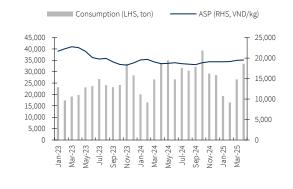
Since early 2025, domestic steel ASP have gained 2%, in line with our forecast. Although imported galvanized steel has been subject to temporary antidumping duties, the global steel industry protectionist trend has caused local producers to return to the home market to ensure consumption output, which 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, FiinProX, KB Securities Vietnam





Source: Vietnam Steel Association, FiinProX, 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.
Gross profit margin	10.8%	12,1%	127bps	12.0%	-10bps	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%	
NPAT margin	1.3%	2.0%	69bps	1.9%	-9bps	

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
ource: KB Securities Vietnam				

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



Source: Bloomberg, KB Securities Vietnam



HSG - 2023A-2026F summarized financials & forecasts

Income Statement (VND billion)				
(Standard report)	FY2023	FY2024	FY2025	FY2026
Net sales	31,651	39,270	39,631	42,518
Cost of sales	-28,620	-35,018	-34,836	-37,416
Gross Profit	3,031	4,252	4,795	5,102
Financial income	233	342	151	4
Financial expenses	-314	-254	-156	-128
of which: interest expenses	-195	-133	-156	-128
Gain/(loss) from joint ventures (from 2015)	0	0	0	0
Selling expenses	-2,477	-3,345	-3,388	-3,481
General and admin expenses	-399	-496	-502	-516
Operating profit/(loss)	74	499	899	981
Other incomes	71	48	14	0
Other expenses	-5	-7	0	0
Net other income/(expenses)	66	41	14	0
Income from investments in other entities	0	0	0	0
Net accounting profit/(loss) before tax	140	540	914	981
Corporate income tax expenses	-116	-30	-125	-172
Net profit/(loss) after tax	25	510	789	810
Minority interests	0	0	0	0
Attributable to parent company	25	510	789	810

Margin ratio	FY2023	FY2024	FY2025	FY2026
Gross profit margin	10%	11%	12%	12%
EBITDA margin	3%	3%	5%	5%
EBIT margin	0%	1%	2%	2%
Pre-tax profit margin	0%	1%	2%	2%
Operating profit margin	0%	1%	2%	2%
Net profit margin	0%	1%	2%	2%

(VND billion) (Standard report)	FY2023	FY2024	FY2025	FY2026
TOTAL ASSET	17,365	19,562	18,181	19,753
CURRENT ASSETS	11,275	14,165	13,013	14,869
Cash and cash equivalents	597	602	1,447	1,896
Short-term investments	26	31	57	57
Accounts receivable	2,322	2,986	2,404	2,783
Inventories	7,629	9,702	8,395	9,422
LONG-TERM ASSETS	6,090	5,397	5,167	4,883
Long-term trade receivables	143	215	210	210
Fixed assets	5,020	4,111	3,872	3,588
Long-term incomplete assets	530	664	664	664
Long-term investments	1	1	7	7
Good will (before 2015)	0	0	0	0
LIABILITIES	6,585	8,649	6,788	7,858
Current liabilities	6,569	8,633	6,771	7,841
Trade accounts payable	2,885	2,328	1,852	2,638
Short-term borrowings	2,936	5,364	4,115	4,305
Other short-term liabilities	747	940	803	897
Long-term liabilities	16	16	17	17
Long-term trade payables	0	0	0	0
Long-term borrowings	0	0	0	0
Other long-term liabilities	16	16	17	17
OWNER'S EQUITY	10,780	10,912	11,393	11,895
Paid-in capital	6,160	6,160	6,160	6,160
Share premium	157	157	157	157
Other funds	78	51	51	51
Undistributed earnings	4,369	4,528	5,009	5,511
State capital	0	0	0	0
Interest of non-controlling shareholders	16	16	16	16

Cash Flow Statement

(VND billion)	FY2023	FY2024	FY2025	FY2026
Net profit/(loss) before tax	140	540	914	981
Depreciation and amortisation	1,131	990	1,066	1,130
Profit/loss from investing activities	-10	-23	0	(
Interest expense	195	133	156	128
Operating profit/(loss) before changes in Working Capital	811	1,863	2,136	2,239
(Increase)/decrease in receivables	-1,019	-334	587	-379
(Increase)/decrease in inventories	360	-2,302	1,308	-1,02
Increase/(decrease) in payables	2,019	-294	-477	78
(Increase)/decrease in prepaid expenses	19	49	0	
Operating cash flow	1,746	-1,418	3,270	1,41
Purchases of fixed assets and other long term assets	-295	-770	-836	-84
Proceeds from disposal of fixed assets	19	52	0	
Loans granted, purchases of debt instruments	-20	-6	-32	
Collection of loans, proceeds from sales of debts instruments	19	6	0	
Investments in other entities	0	0	0	
Proceeds from divestment in other entities	0	0	0	
Dividends and interest received	3	2	0	
nvesting cash flow	-274	-716	-868	-84
Proceeds from issue of shares	0	22	0	
Payments for share returns and repurchases	0	0	0	
Proceeds from borrowings	21,880	31,980	0	19
Repayment of borrowings	-23,131	-29,553	-1,249	
Finance lease principal payments	0	0	0	
Dividends paid	0	-308	-308	-30
Interests, dividends, profits received	0	0	0	
Financing cash flow	-1,251	2,142	-1,557	-11
Net increase in cash and cash equivalents	222	8	845	44
Cash and cash equivalents - beginning	330	597	602	1,44
Cash and cash equivalents - ending	597	602	1,447	1,89

x, %, VND)	FY2023	FY2024	FY2025	FY2026
fultiple				
P/E	439.0	21.0	13.2	12.9
P/E diluted	439.0	21.0	13.2	12.9
P/B	1.0	1.0	0.9	0.9
P/S	0.3	0.3	0.3	0.2
P/Tangible Book	2.2	2.7	2.8	3.3
P/Cash Flow	6.2	-7.6	3.2	7.4
EV/EBITDA	9.7	10.7	6.6	5.7
EV/EBIT	59.4	34.2	14.2	11.6
Operating performance				
ROE	0%	5%	7%	7%
ROA	0%	3%	4%	4%
ROIC	0%	3%	5%	5%
Financial structure				
Cash Ratio	0.1	0.1	0.2	0.2
Quick Ratio	0.4	0.4	0.6	0.6
Current Ratio	1.7	1.6	1.9	1.9
LT Debt/Equity	0.0	0.0	0.0	0.0
LT Debt/Total Assets	0.0	0.0	0.0	0.0
Debt/Equity	0.3	0.5	0.4	0.4
Debt/Total Assets	0.2	0.3	0.2	0.2
ST Liabilities/Equity	0.3	0.3	0.2	0.3
ST Liabilities/Total Assets	0.2	0.2	0.1	0.2
Total Liabilities/Equity	0.3	0.3	0.2	0.3
Total Liabilities/Total Assets	0.2	0.2	0.1	0.2
Activity ratios				
Account Receivable Turnover	16.8	14.8	14.7	16.4
Inventory Turnover	3.8	4.0	3.9	4.2
Account Payable Turnover	17.8	13.4	16.7	16.7



KB SECURITIES VIETNAM RESEARCH

Research Division research@kbsec.com.vn

Financials

Nguyen Anh Tung – Manager tungna@kbsec.com.vn

Pham Phuong Linh – Analyst linhpp@kbsec.com.vn

Real Estate

Pham Hoang Bao Nga – Manager ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst trangnt6@kbsec.com.vn

Macro & Strategy

Tran Duc Anh - Head of macro & strategy anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst thuannd@kbsec.com.vn

Support Team

Nguyen Cam Tho - Assistant thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant huongnt3@kbsec.com.vn Nguyen Xuan Binh – Head of research binhnx@kbsec.com.vn

Consumer

Nguyen Duc Quan – Analyst quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst anhnhd@kbsec.com.vn

Industrials & Materials

Nguyen Duong Nguyen – Senior analyst nguyennd1@kbsec.com.vn

Nguyen Thi Ngoc Anh – Analyst anhntn@kbsec.com.vn

Energy, Utilities & IT

Nguyen Viet Anh – Analyst anhnv3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam Tel: (+84) 24 7303 5333 - Fax: (+84) 24 3776 5928

Hanoi Branch:

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

Ho Chi Minh Branch:

Level 21, Vietinbank Tower, 93–95 Ham Nghi 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 Street, District 1, HCMC, Vietnam Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Hotline: 1900 1711 Email: info@kbsec.com.vn Website: www.kbsec.com.vn

Investment ratings & definitions

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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