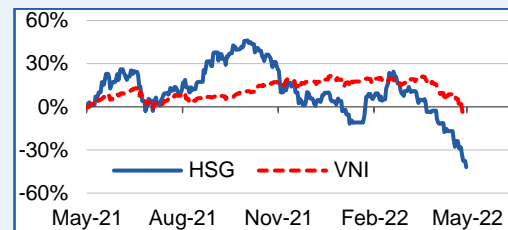




Hoa Sen Group (HSG) [OUTPERFORM +17.7%]

Update Report

Industry	Steel		FY21	FY22F	FY23F	FY24F
Report Date	May 23, 2022					
Current Price	VND21,500	Rev y/y	77.0%	6.1%	2.4%	2.4%
Current Target Price	VND25,300	EPS y/y	270.6%	-54.1%	7.6%	7.5%
Last Target Price	VND40,800	GPM	18.2%	13.4%	13.6%	13.8%
Upside to TP	+17.7%	NPM	8.9%	3.8%	4.0%	4.2%
Dividend Yield	0.0%	EV/EBITDA	2.8x	4.5x	4.3x	4.2x
TSR	+17.7%	P/B	1.0x	0.8x	0.8x	0.7x
		P/E	2.5x	5.5x	5.1x	4.7x



			HSG	Peers*	VNI
Market Cap	USD461.3mn	P/E (ttm)	3.1x	7.5x	12.8x
Foreign Room	USD193.2mn	P/B (curr)	0.9x	0.6x	2.0x
ADTV30D	USD9.5mn	Net D/E	0.6x	0.4x	N/A
State Ownership	0.0%	ROE	31.5%	11.1%	15.8%
Outstanding Shares	493.5 mn	ROA	14.4%	6.0%	2.6%
Fully Diluted Shares	493.5 mn				

Note: HSG's financial year (FY) end is September 30; * regional peers

Company Overview

Founded in 2001, HSG is a leading manufacturer of galvanized steel sheets (2.7-million-tonne capacity, H1 FY2022 market share of 32%) in Vietnam. Other products include steel pipes (990,000-tonne capacity) and plastic pipes. HSG also has its own retail distribution network with 536 branches.

Vy Nguyen
Manager

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High HRC prices weigh on FY2022 profit; stock oversold

- We upgrade HSG to OUTPERFORM from MARKET PERFORM despite cutting our target price by 38% to VND25,300/share. HSG's share price has plunged 50% over the last three months.
- The 38% downward revision in our target price is driven by 1) our 23% decrease of aggregate FY2022-2026F NPAT-MI as we forecast a lower spread between input hot rolled coil (HRC) prices and finished steel prices to weigh on margins, 2) a lower cash balance at end-H1 FY2022 compared to end-Q1 FY2022 and 3) lower target P/E.
- HSG reported weak H1 FY2022 NPAT-MI of VND872bn (USD37.9mn; -48% YoY) due to a lower-than-expected spread between HRC prices and finished galvanized steel selling prices.
- For FY2022, we cut our NPAT-MI forecast by 27% to VND2.0tn (USD86.1mn; -54% YoY) vs VND2.7tn (USD117.8mn; -37% YoY) as previously. We lower our total galvanized steel sheet and steel pipe sales volume growth forecast to 6% YoY from previously 11% YoY due to lower-than-expected H1 FY2022 results and our expectation that high input HRC prices will weigh on margins.
- HSG's share price has plunged 50% over the last three months as its weak Q2 FY2022 results and softening steel prices have dampened market sentiment toward steel stocks. The deep correction in its share price has rendered HSG's valuation attractive at a FY2022 P/E of 5.5x compared to regional peers' TTM P/E of 7.5x.
- Upside catalyst: Stronger-than-expected sales volume growth; higher-than-expected steel prices.
- Downside risk: Thinner margins due to higher input HRC costs may not be passed on to ASPs.

We continue to expect domestic sales volume to recover in FY2022F while export sales growth slides from a high base. HSG recorded modest galvanized steel sheet volume growth in H1 FY2022 of 4% YoY (equivalent to 861,500 tonnes) — lower than that of the industry (+16% YoY) and other producers NKG (38% YoY) and TDA (19% YoY). Meanwhile, HSG's steel pipe sales volume (195,900 tonnes) dropped 20% YoY in H1 FY2022. As HSG's H1 FY2022 sales volume was lower than we expected, we trim our FY2022F 1) steel sheet sales volume to 1.9 million tonnes (+7% YoY) from 2.0 million tonnes (+12 YoY) and 2) steel pipes sales volume to 398,300 tonnes (+3% YoY) from 492,500 tonnes (+7% YoY). We reiterate our view that galvanized export sales growth will decelerate in FY2022 while the domestic market will continue its recovery momentum on the back of the resumption of domestic construction activities. The total industry's galvanized steel sheet and steel pipe sales volume grew 12% YoY in H1 FY2022 — with exports jumping 24% YoY and accounting for 40% of the industry's total sales vs 43% in full-year FY2021.

We expect gross margin to pick up in H2 FY2022 thanks the HRC price swing in November 2021 – February 2022. We lower our FY2022F gross margin to 13.4% from 14.8% as the negative impact of HRC and galvanized steel sheet prices correcting from November 2021 – February 2022 was stronger than our expectation. However, the correction created an opportunity to accumulate HRC before the recovery in March 2022, which should support margins in March – June 2022. Therefore, our forecast implies H2 FY2022 gross margin of 15.2% compared to 12.0% in H1 FY2022.

H1 FY2022 Recap: Gross margin compression weighs on profit growth

Figure 1: H1 FY2022 results

VND bn	H1 FY2021	H1 FY2022	% YoY Growth	FY2022F old	H1 as % of FY2022F old	VCSC comments
						<p>* <u>Steel sheets</u>: Sales volume grew 4% YoY (equivalent to 861,500 tonnes) in H1 FY2022. HSG's sales volume is lower than that of the industry (+16% YoY) and other producers NKG and TDA (the second and third largest domestic galvanized steel producer by market share, respectively) that grew 38% YoY (465,600 tonnes) and 19% YoY (421,500 tonnes) in the quarter, respectively.</p> <p>* <u>Steel pipes</u>: H1 FY2022 sales volume was 195,900 tonnes (-20% YoY).</p> <p>* On the industry level, we believe a recovery of domestic demand as COVID-19-related disruptions faded in 2022 and healthy export volume were the key drivers behind the sector's robust volume growth. The total industry's galvanized steel sheet and steel pipe sales volume grew 12% YoY in H1 FY2022 — with exports jumping 24% YoY and accounting for 40% of the industry's total sales vs 43% in full-year FY2021.</p> <p>* Despite slower sales growth compared to peers, HSG continued to maintain its leading position in H1 FY2022 with 25% market share in the combined galvanized steel sheet and steel pipe industry.</p>
Net revenue	19,946	29,595	48%	54,005	55%	
Gross profit	3,453	3,553	3%	7,983	45%	
SG&A expenses	-1,418	-2,457	73%	-4,463	55%	* SG&A increased in conjunction with sales growth.
Operating profit	2,035	1,096	-46%	3,520	31%	
Interest expenses	-169	-127	-25%	-271	47%	
FX gain/loss	6	54	834%	56	96%	
Other gains/losses	9	19	98%	0	N.M.	
PBT	1,881	1,041	-45%	3,305	31%	
NPAT-MI	1,671	872	-48%	2,710	32%	* Slow sale growth and gross margin compression weighed on H1 FY2022 earnings.
						<p>* HSG's gross margin shrank to 11.3% in Q2 FY2022 vs 18.0% in Q2 FY2021 and 12.5% in Q1 FY2022, which we attribute to a lower spread between input HRC prices and finished galvanized steel selling prices as prices both of these materials corrected in November 2021 – February 2022 (details in Figures 3 & 4)</p> <p>* The strong HRC price rally in FY2021 allowed HSG accumulate low-cost HRC inventory while benefiting from high finished product selling prices. However, our view is that the opportunities for steelmakers like HSG to earn abnormally high margins from accumulating low-cost input material inventory will cease to exist in 2022 compared to what happened in 2021, resulting in pressure from higher input material costs on margins.</p>
Gross margin	17.3%	12.0%		14.8%		
SG&A exp./Sales	7.1%	8.3%		8.3%		
Operating margin	10.2%	3.7%		6.5%		
Effective tax rate	11.2%	16.2%		18.0%		
NPAT margin	8.4%	2.9%		5.0%		

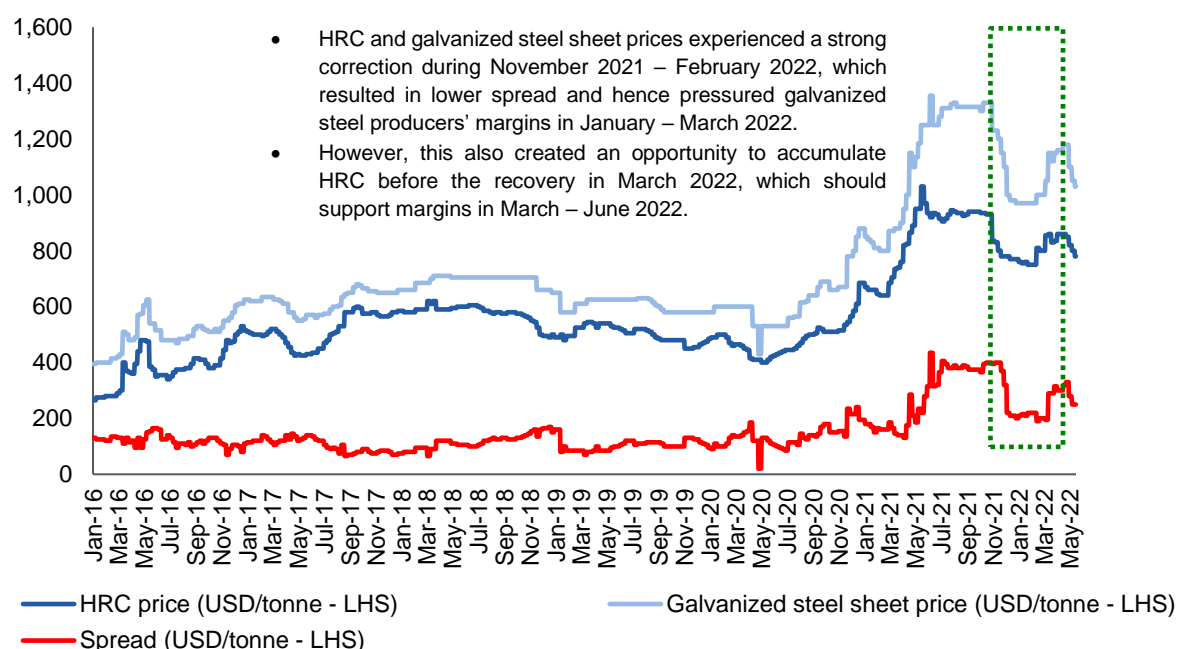
Source: HSG, VCSC forecast. Note: HSG's financial year (FY) end is September 30.

Figure 2: Total sales volume of galvanized steel sheet and steel pipe products

		Market share	Total sales (tonnes)
Industry	H1 FY2021		3,729,650
	H1 FY2022		4,160,821
	Growth		12%
HSG	H1 FY2021	29%	1,075,094
	H1 FY2022	25%	1,057,411
	Growth		-2%
NKG	H1 FY2021	12%	436,346
	H1 FY2022	13%	551,449
	Growth		26%

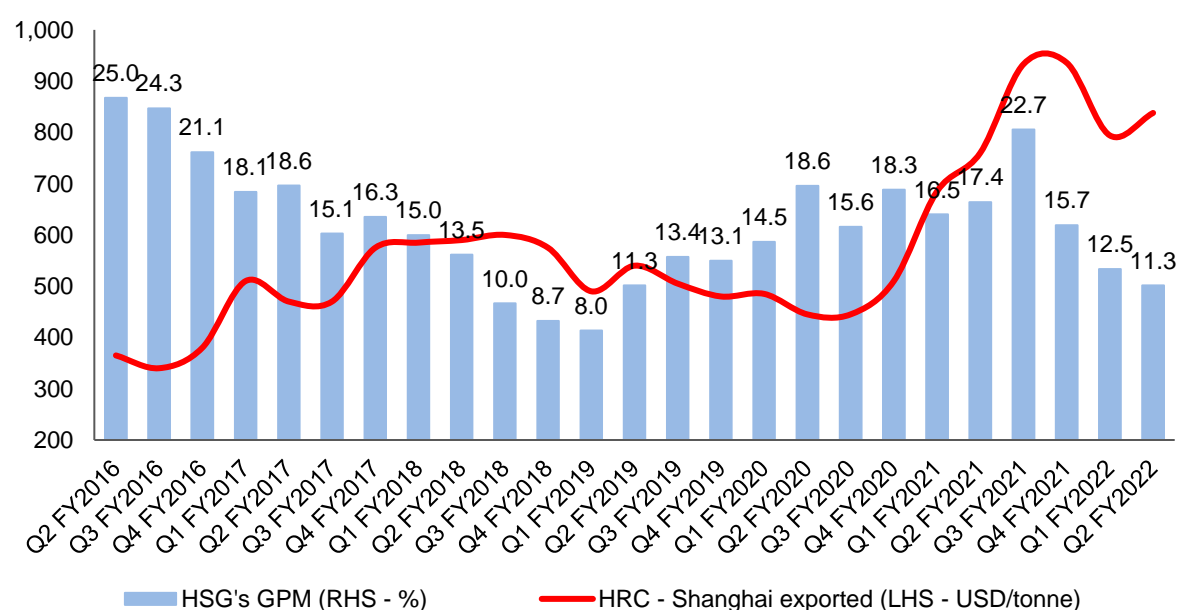
Source: Vietnam Steel Association (VSA), VCSC compilation. Note: FY shown is October 1 to September 30.

Figure 3: Shanghai exported HRC and imported galvanized steel sheet prices (USD/tonne)



Source: Bloomberg, VCSC compilation

Figure 4: HRC price trend in comparison with HSG's quarterly gross margin



Source: Bloomberg, VCSC compilation. Note: HSG's financial year (FY) end is September 30.

FY2022 Outlook: Lower margins to depress earnings in 2022F despite sales volume growth and high ASP continuing

Figure 5: FY2022 forecast

VND bn	FY2021	FY2022F old	FY2022F new	FY2022F vs FY2021	FY2022F new vs old	VCSC assumptions/forecasts for FY2022
						<p>* We continue to expect export sales growth to cool in FY2022 from a hot market in FY2021 while the domestic market recovers on the back of the resumption of domestic construction activities as COVID-19-related disruptions subside in Vietnam.</p> <p><u>Steel sheets</u>: As H1 FY2022 sales volume was lower than we expected, we trim our forecast for FY2022F steel sheet sales volume to 1.9 million tonnes (+7% YoY) vs 2.0 million tonnes (+12 YoY), which is comprised of:</p> <ul style="list-style-type: none"> - Domestic sales volume: +9% YoY - Export sales volume: +6% YoY <p><u>Steel pipes</u>: We revise down our FY2022F steel pipes sales volume to 398,300 tonnes (+3% YoY) from 492,500 tonnes (+7% YoY) as H1 FY2022 results were lower than expected.</p> <p>* We continue to expect selling prices across steel products to soften throughout FY2022 from a high base in late FY2021 (details in Figures 3 & 4). On average, we expect FY2022F ASPs to remain broadly flat vs FY2021 ASPs.</p>
Net revenue	48,727	54,005	51,702	6%	-4%	
Gross profit	8,881	7,983	6,909	-22%	-13%	* We lower our gross margin assumption due to lower-than-expected H1 FY2022 results.
SG&A expenses	-3,770	-4,463	-4,273	13%	-4%	
Operating profit	5,110	3,520	2,637	-48%	-25%	
Interest expenses	-355	-271	-276	-22%	2%	
FX gain/loss	53	56	55	3%	-2%	
Other gains/losses	114	0	0	-100%	N.M.	* We expect HSG to not have divestment in FY2022F.
PBT	4,922	3,305	2,415	-51%	-27%	
NPAT-MI	4,313	2,710	1,980	-54%	-27%	* Single-digit sales volume and flat ASPs while gross margin declines from FY2021's high base.
						<p>* We lower our 2022F gross margin as the negative impact of HRC and galvanized steel sheet prices correcting in November 2021 – February 2022 was stronger than our expectation.</p> <p>* However, the correction also created an opportunity to accumulate HRC before the recovery in March 2022, which should support margins in March – June 2022.</p> <p>* We again note our view that prices of both input materials and finished steel should stabilize in FY2022F. Hence, the benefit from input materials accumulated at lower costs vs spot prices in the rising price environment should subside in FY2022 vs FY2021.</p>
Gross margin	18.2%	14.8%	13.4%			
SG&A exp./Sales	7.7%	8.3%	8.3%			
Operating margin	10.5%	6.5%	5.1%			
Effective tax rate	12.4%	18.0%	18.0%			
NPAT margin	8.9%	5.0%	3.8%			

Source: HSG, VCSC forecast. Note: HSG's financial year-end is September 30.

Longer-term outlook

Figure 6: Summary of five-year forecasts for HSG

New forecast (VND bn)	FY20	FY21	FY22F	FY23F	FY24F	FY25F	FY26F	
Revenue	27,531	48,727	51,702	52,958	54,246	55,566	56,920	
Gross profit	4,627	8,881	6,909	7,210	7,498	7,781	8,056	
SG&A	-2,681	-3,770	-4,273	-4,408	-4,548	-4,692	-4,840	
EBIT	1,946	5,110	2,637	2,801	2,950	3,089	3,216	
Interest expense	-560	-355	-276	-194	-142	-93	-62	
Net other items	-10	166	55	55	55	55	55	
PBT	1,376	4,922	2,415	2,662	2,863	3,050	3,208	
NPAT-MI	1,153	4,313	1,980	2,130	2,291	2,440	2,567	
New forecast vs Old forecast			FY22F	FY23F	FY24F	FY25F	FY26F	VCSC's comment
Revenue			-4%	-4%	-4%	-4%	-4%	
Gross profit			-13%	-13%	-12%	-11%	-10%	
SG&A			-4%	-4%	-4%	-4%	-4%	
EBIT			-25%	-24%	-22%	-20%	-18%	Input HRC prices remain high, lower spread between HRC prices and finished galvanized steel sheets.
Interest expense			2%	15%	65%	66%	67%	Higher forecast short-term debt to fund working capital.
Net other items			-2%	-2%	-3%	-3%	-3%	
PBT			-27%	-25%	-23%	-21%	-19%	
NPAT-MI			-27%	-25%	-23%	-21%	-19%	

Source: Company data, VCSC forecasts

Valuation

We continue to use a combination of the DCF (70% weighting) and P/E (30% weighting) methodologies to derive a target price of VND25,300/share, which is 38% lower than our previous target price of VND40,800/share. We believe the target P/E methodology is useful to incorporate positive market sentiment toward the expected strong earnings of the galvanized steel industry on the back of sustained HRC prices.

1. Our DCF-derived fair price is 20% lower than our previous report due to 1) our 22% downward revision of aggregate FY2022-2026F NPAT-MI as we forecast a lower spread between HRC prices and finished steel prices to weigh on margins and 2) a lower cash balance of VND364bn (USD15.8mn) at end-H1 FY2022 compared to VND1.0tn (USD44.3mn) at end-Q1 FY2022. We also roll over our target price horizon to mid-2023.
2. Our P/E-derived fair price is 55% lower than in our previous report as we use lower average FY2022-2023F EPS of VND3,892/share compared to FY2022 forecast EPS of VND5,381/share as previously and 2) lower our target P/E to 5.1x from 7.9x.

Figure 7: Valuation summary

Valuation method	Fair value (VND/share)	Weight (%)	Contribution (VND/share)
Five-year DCF	27,600	70%	19,300
P/E multiple @ 5.1x targeted P/E	19,900	30%	5,600
Target price (TP)			25,300
FY2022 P/E @ TP			6.4x
FY2023 P/E @ TP			6.6x

Source: VCSC

Discounted cash flow (DCF)

Figure 8: Discounted cash flow

Assumptions	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F
EBIT (VND bn)	2,637	2,801	2,950	3,089	3,216
- Tax	-475	-560	-590	-618	-643
+ Depreciation	1,215	1,215	1,215	1,215	1,215
- Capex	-500	-500	-500	-500	-500
- Working cap increase	-1,263	117	-506	-787	-1,217
Free Cash Flow	1,615	3,073	2,569	2,400	2,071
Present value of FCF	1,530	2,617	1,966	1,649	1,279
Total PV of FCF	1,530	4,148	6,113	7,763	9,042

Cost of Capital	Previous report	Revised	DCF valuation	VND bn
Beta	1.2	1.2	PV of Free Cash Flow	9,042
Market Risk Premium %	7.0	7.0	PV of Terminal Val (1.5% growth)	11,271
Risk Free Rate %	5.5	5.5	PV of FCF and TV	20,313
Cost of Equity %	13.9	13.9	Plus: Cash	364
Cost of Debt %	9.0	9.0	Less: Debt	7,071
Corporate Tax Rate %	20.0	20.0	Value of Equity	13,606
WACC %	11.3	11.3	Current O/S (million)	493
Debt-to-capital ratio %	38.7	38.7	DCF value per share (VND)	27,571

Source: VCSC

Figure 9: Sensitivity analysis of our target price (VND/share) to assumptions for WACC and terminal growth rate in our DCF valuation, ceteris paribus

Terminal growth rate %	WACC						
	9.8%	10.3%	10.8%	11.3%	11.8%	12.3%	12.8%
0.0%	26,800	25,400	24,100	22,900	21,900	20,900	20,000
0.5%	27,800	26,300	24,900	23,600	22,500	21,500	20,500
1.0%	28,900	27,200	25,700	24,400	23,200	22,100	21,100
1.5%	30,200	28,300	26,700	25,300	23,900	22,800	21,700
2.0%	31,600	29,600	27,800	26,200	24,800	23,500	22,300
2.5%	33,200	31,000	29,000	27,200	25,700	24,300	23,100
3.0%	35,000	32,500	30,300	28,400	26,700	25,200	23,800

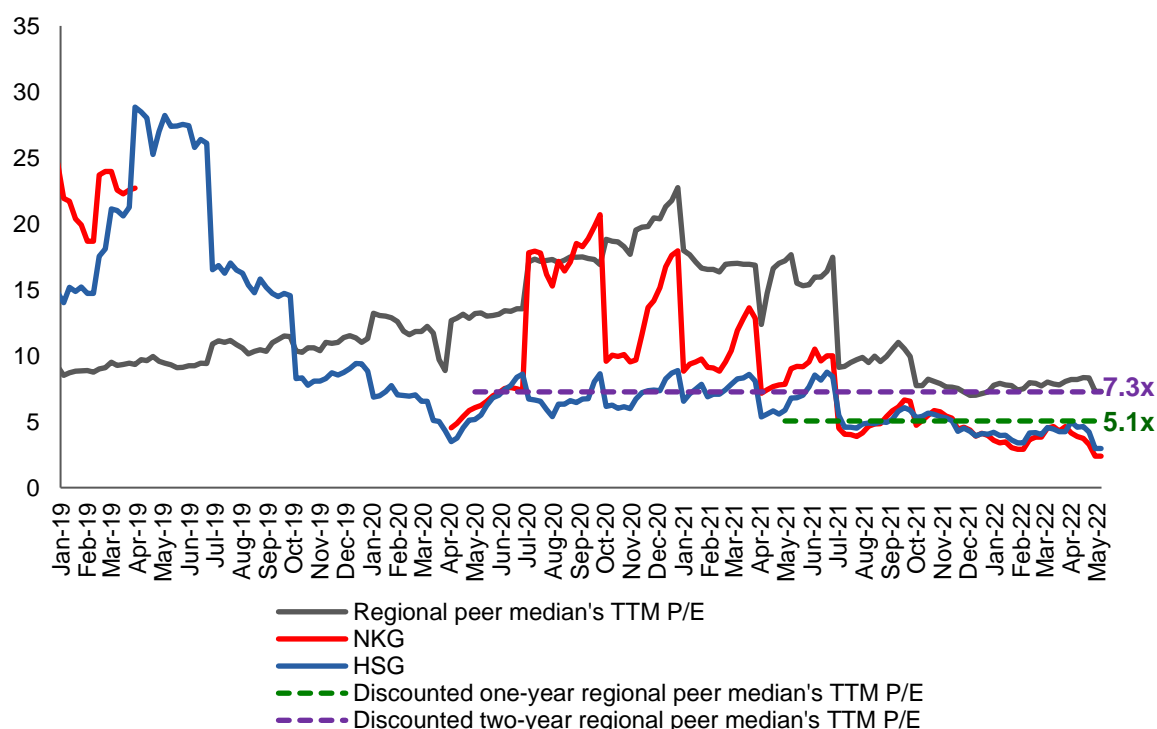
Source: VCSC

Peer P/E multiple

We select galvanized steel producers in Asian countries, including Japan, South Korea, China, Taiwan, Pakistan and Malaysia, to form a comparable universe for HSG. Vietnam's galvanized steel players (including HSG and NKG) traded at a ~50% discount to this regional peer group in 2018-2019. The P/E of the peer group fell beginning in January 2021 when Q4 2020 results of the peer group started to reflect the positive impact of high HRC prices. Throughout H1 2021 as both the global steel market and sentiment toward the share prices of steelmakers remained strong, the P/E of peers remained high. In the H2 2021, strong earnings reported by steel companies on the back of high steel prices helped to push down P/E ratios. In H1 2022, as steel prices have softened and investors have become more aware of a risk of margin compression from 2021's high base, the P/E of the peer group has continued to slide.

Previously, we applied a 45% discount to the two-year average peer P/E median to derive a target P/E, which is currently 7.3x. However, to reflect 1) the earnings normalization of galvanized steel producers in 2022-2023F from 2021's high base and 2) weaker market sentiment toward steel stocks amid expected this earnings normalization, we apply a one-year average peer P/E median to derive a target P/E, which is currently 5.1x.

Figure 10: Historical price-to-earnings ratio (PER) of HSG vs peers



* Note: NKG's TTM P/E is not meaningful from April 2019 to December 2019 due to negative TTM earnings.

Source: Bloomberg, VCSC compilation

Figure 11: Local peer

Company name	Ticker	Market cap (USD mn)	TTM Net Sales (USD mn)	Y-o-Y %	TTM NPAT (USD mn)	Y-o-Y %	Gross margin (%)	Net margin (%)	Net debt/ Equity (%)	ROE (%)	ROA (%)	TTM P/E	LQ P/B
Nam Kim Steel	NKG	283	1,325	118.3	105	321.4	15.2	7.9	71.1	40.4	15.2	2.8	1.0
Hoa Sen Group	HSG	461	2,538	66.2	153	44.0	15.4	6.0	58.3	31.5	14.4	3.1	0.9

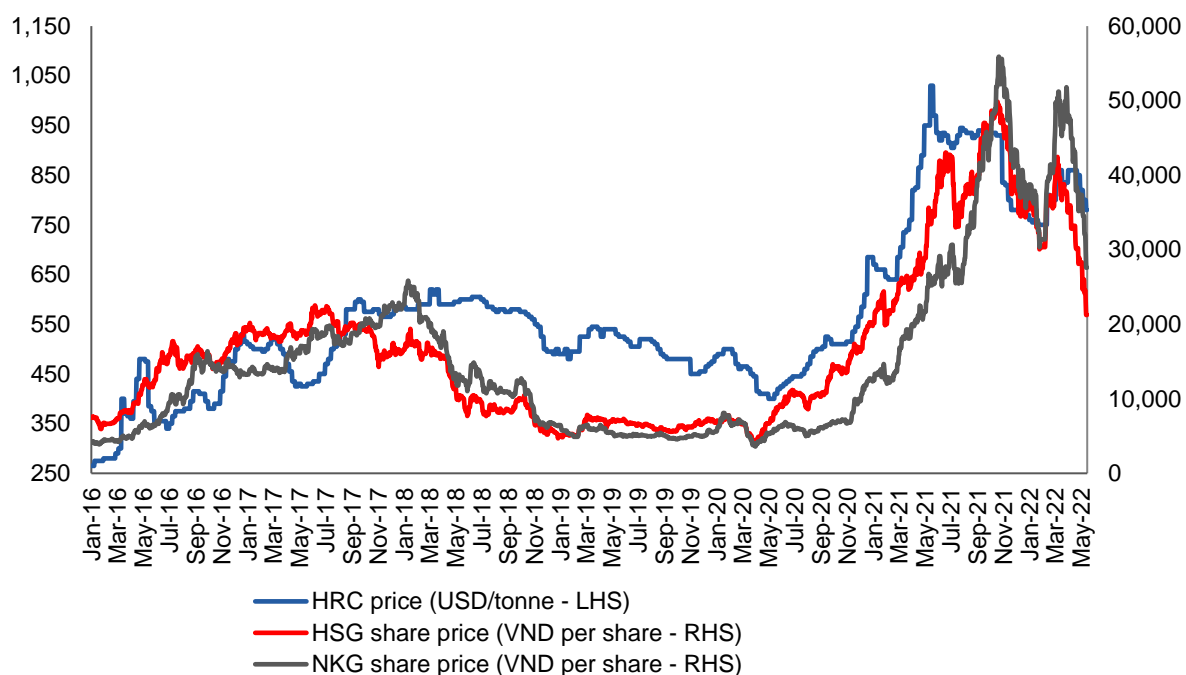
Source: Bloomberg, VCSC. Note: Data as of May 19, 2022.

Figure 12: Regional peers

Company name	Country	Market cap (USD mn)	TTM Net Sales (USD mn)	Y-o-Y %	TTM NPAT (USD mn)	Y-o-Y %	Gross margin (%)	Net margin (%)	Net debt/ Equity (%)	ROE (%)	ROA (%)	TTM P/E	LQ P/B
Baoshan Iron & Steel	China	20,351	57,319	20.5	3,429	33.2	12.2	6.0	22.8	11.4	5.7	6.2	0.7
China Steel Corporation	Taiwan	17,532	17,402	45.1	2,286	424.3	19.8	13.1	38.7	19.1	9.4	8.0	1.4
Hyundai Steel	South Korea	4,168	21,346	36.2	1,481	N/A	15.4	6.9	49.4	8.5	4.1	3.1	0.3
Hesteel	China	3,641	23,018	26.1	392	29.3	11.0	1.7	175.0	5.3	1.1	9.6	0.5
Jiangsu Azure	China	2,960	1,100	40.4	111	66.2	19.7	10.1	81.2	20.7	7.9	28.3	5.3
YC INOX	Taiwan	455	662	49.6	53	210.6	17.6	8.0	59.4	16.4	9.4	9.1	1.4
Kyoei Steel	Japan	426	2,607	29.3	56	-28.1	8.8	2.2	24.0	4.0	2.1	8.4	0.3
Chun Yuan Steel Industry	Taiwan	413	974	32.3	41	60.7	8.2	4.2	55.9	10.7	5.3	10.7	1.1
KISCO Holdings	South Korea	218	1,508	63.8	108	271.0	16.8	7.2	-63.2	12.7	7.0	1.9	0.3
Kumkang Kind	South Korea	214	524	21.9	23	N/A	16.9	4.4	65.8	6.7	2.4	9.1	0.8
Dongkuk Industries	South Korea	144	668	31.2	14	134.4	13.5	2.1	-1.9	5.0	2.5	10.9	0.4
CSC Steel Holdings	Malaysia	137	356	36.5	21	132.7	9.0	5.8	-18.0	9.9	8.7	7.0	0.7
International Steels	Pakistan	130	535	47.8	46	53.7	15.6	8.6	62.1	41.6	17.7	3.3	1.2
Itec	Japan	102	753	24.8	38	269.3	17.3	5.1	32.2	13.2	6.2	2.8	0.3
YooSung T&S	South Korea	78	243	0.4	25	-43.7	4.1	10.5	29.9	11.9	6.7	3.3	0.3
Xiwang Special Steel	China	75	3,088	105.4	73	N/A	5.2	2.4	58.5	8.5	3.1	1.1	0.1
Average		3,190	8,256	38.2	512	5,689.2	13.2	6.1	42.0	12.9	6.2	7.7	1.0
Median		315	1,037	34.3	55	99.4	14.5	5.9	44.1	11.1	6.0	7.5	0.6
Hoa Sen Group	Vietnam	461	2,538	66.2	153	44.0	15.4	6.0	58.3	31.5	14.4	3.1	0.9

Source: Bloomberg, VCSC. Note: Data as of May 19, 2022.

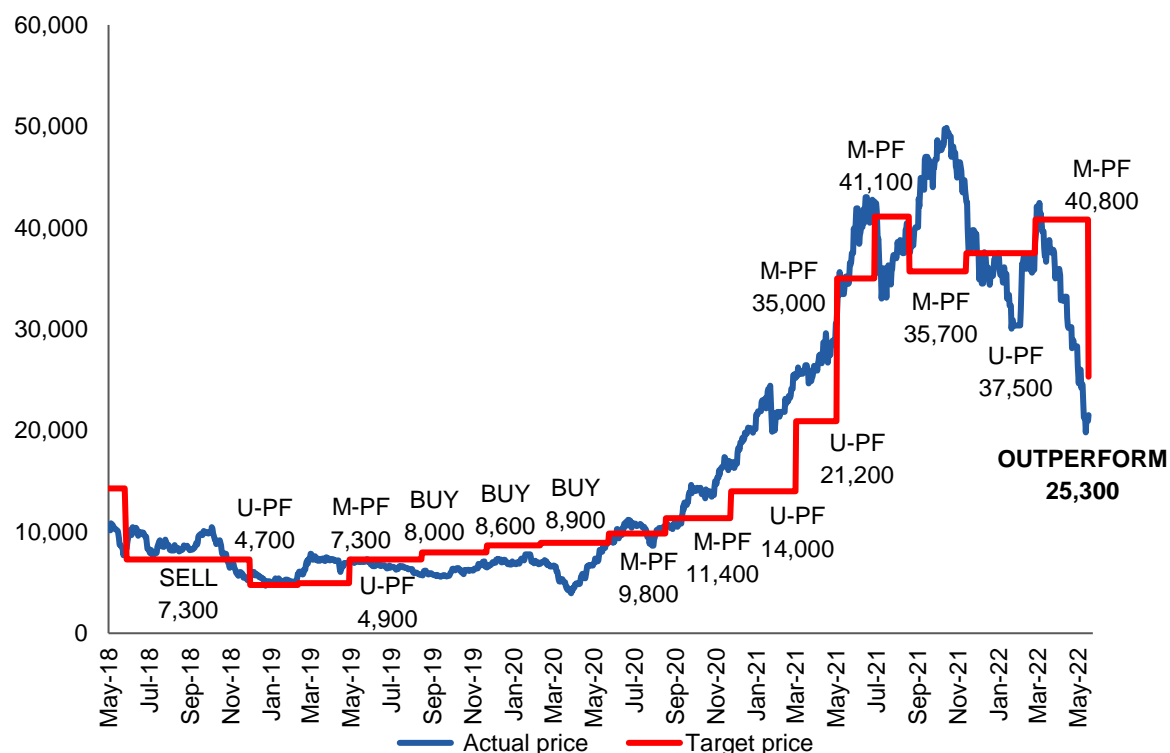
Figure 13: HRC prices and share prices of domestic galvanized steel sheet manufacturers (HSG and NKG)



Source: Bloomberg, VCSC compilation

Recommendation History

Figure 14: Historical VCSC target price vs share price (VND/share)



Source: Bloomberg, VCSC. Note: Historical target prices adjusted for changes in shares outstanding

Financial Statements

P&L (VND bn)	FY2021	FY2022F	FY2023F	FY2024F
Revenue	48,727	51,702	52,958	54,246
COGS	-39,846	-44,793	-45,749	-46,748
Gross Profit	8,881	6,909	7,210	7,498
Sales & Marketing exp	-3,344	-3,600	-3,720	-3,843
General & Admin exp	-426	-672	-688	-705
Operating Profit	5,110	2,637	2,801	2,950
Financial income	365	378	384	390
Financial expenses	-552	-484	-408	-362
- o/w interest expense	-355	-276	-194	-142
Associates	0	0	0	0
Net other income/(loss)	-1	0	0	0
Profit before Tax	4,922	2,415	2,662	2,863
Income Tax	-609	-435	-532	-573
NPAT before MI	4,313	1,980	2,130	2,291
Minority Interest	0	0	0	0
NPAT less MI, reported	4,313	1,980	2,130	2,291
NPAT less MI, adjusted	4,313	1,980	2,130	2,291

EBITDA	6,296	3,852	4,017	4,165
EPS reported, VND	8,565	3,933	4,230	4,549
EPS adjusted, VND	8,565	3,933	4,230	4,549
EPS fully diluted, VND	8,565	3,933	4,230	4,549
DPS, VND	0	0	2,500	3,000
DPS/EPS (%)	0%	0%	59%	66%

RATIOS	FY2021	FY2022F	FY2023F	FY2024F
Growth				
Revenue growth	77.0%	6.1%	2.4%	2.4%
Op profit (EBIT) growth	162.6%	-48.4%	6.3%	5.3%
PBT growth	257.8%	-50.9%	10.2%	7.5%
EPS growth, adjusted	270.6%	-54.1%	7.6%	7.5%

Profitability				
Gross Profit Margin	18.2%	13.4%	13.6%	13.8%
Op Profit, (EBIT) Margin	10.5%	5.1%	5.3%	5.4%
EBITDA Margin	12.9%	7.4%	7.6%	7.7%
NPAT-MI Margin, adj,	8.9%	3.8%	4.0%	4.2%
ROE	49.5%	16.8%	16.1%	16.4%
ROA	19.4%	7.8%	8.9%	9.8%

Efficiency				
Days Inventory On Hand	81.9	97.6	90.8	88.1
Days Accts, Receivable	22.9	27.4	24.7	25.9
Days Accts, Payable	26.3	34.0	32.2	31.2
Cash Conversion Days	78.4	91.0	83.3	82.8

Liquidity				
Current Ratio x	1.3	1.6	1.9	2.1
Quick Ratio x	0.4	0.5	0.6	0.7
Cash Ratio x	0.0	0.0	0.0	0.1
Debt / Assets	25.7%	21.8%	15.7%	11.7%
Debt / Capital	38.7%	29.2%	21.3%	15.9%
Net Debt / Equity	58.6%	38.6%	23.8%	15.7%
Interest Coverage x	14.9	9.8	14.7	21.2

B/S (VND bn)	FY2021	FY2022F	FY2023F	FY2024F
Cash & equivalents	493	351	447	453
ST investment	24	0	0	0
Accounts receivables	4,324	3,439	3,728	3,965
Inventories	12,356	11,594	11,163	11,404
Other current assets	1,461	1,551	1,588	1,627
Total Current assets	18,658	16,935	16,926	17,449
Fix assets, gross	14,627	15,127	15,627	16,127
- Depreciation	-7,304	-8,520	-9,735	-10,950
Fix assets, net	7,322	6,607	5,892	5,177
LT investment	21	21	21	21
LT assets other	619	619	619	619
Total LT assets	7,963	7,247	6,532	5,817
Total Assets	26,620	24,183	23,458	23,265

Accounts payable	4,294	4,050	4,011	3,970
Short-term debt	5,437	4,238	2,975	2,296
Other ST liabilities	4,644	2,068	2,118	2,170
Total current liabilities	14,374	10,355	9,104	8,436
Long term debt	1,399	1,040	712	424
Other LT liabilities	15	15	15	15
Total Liabilities	15,788	11,410	9,831	8,874

Preferred Equity	0	0	0	0
Paid in capital	4,935	4,935	4,935	4,935
Share premium	157	157	157	157
Retained earnings	5,633	7,573	8,427	9,192
Other equity	91	91	91	91
Minority interest	17	17	17	17
Total equity	10,832	12,773	13,627	14,391
Liabilities & equity	26,620	24,183	23,458	23,265

Y/E shares out, mn	493	493	493	493
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CASH FLOW (VND bn)	FY2021	FY2022F	FY2023F	FY2024F
Beginning Cash Balance	575	493	351	447
Net Income	4,313	1,980	2,130	2,291
Dep, & amortization	1,186	1,215	1,215	1,215
Chge in Working Cap	-3,725	-1,263	117	-506
Other adjustments	-409	-40	-43	-46
Cash from Operations	1,364	1,894	3,420	2,954

Capital Expenditures, net	-345	-500	-500	-500
Investments, net	175	24	0	0
Cash from Investments	-170	-476	-500	-500

Dividends Paid	0	0	-1,234	-1,480
Δ in Share Capital	53	0	0	0
Δ in ST debt	-587	-1,199	-1,263	-679
Δ in LT debt	-764	-360	-327	-289
Other financing C/F	10	0	0	0
Cash from Financing	-1,276	-1,559	-2,823	-2,448

Net Change in Cash	-82	-142	96	6
Ending Cash Balance	493	351	447	453

Source: Company's financial statements, VCSC forecasts. Note: HSG's financial year (FY) end is September 30.

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Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

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