

HOA SEN GROUP (HOSE: HSG)

2025 AGM: SEEKING NEW GROWTH DRIVERS FROM BUILDING MATERIALS RETAIL AMID CHALLENGES IN THE GALVANIZED STEEL INDUSTRY

Assessing persistent challenges in steel sheet business, HSG sets a lower guidance for 2025 compared to 2024 earnings

At the AGM on March 18, 2025, the Chairman of HSG stated that the steel sheet industry continues to face significant challenges, including trade protection measures in export markets and intense competition in the domestic market. Details are as follows:

In the U.S. market, Vietnamese coated steel products are currently under anti-dumping (AD) and countervailing duty (CVD) investigations. Regarding the CVD investigation, the preliminary results does not have a negative effect on HSG, as the company is subject to a 0% tariff. The final results is expected to be announced in mid-June 2025. Meanwhile, the preliminary findings of the anti-dumping investigation are set for release by early April 2025. Facing these challenges, HSG has ceased exports to the U.S. since 1Q of its 2025 fiscal year (October 2024). If market conditions improve, the company expects to resume US exports by October 2025. It is worth noting that in previous years, HSG exported 15,000–20,000 tons of galvanized steel sheet per month to the U.S, accounting for 10–20% of its total export volume.

In the EU market, HSG will be hit by [the newly announced safeguard quota allocation caps](#), which takes effect on April 1, 2025. Notably, in past years, HSG exported 20,000–30,000 tons of galvanized steel sheet to the EU each month, representing 25–35% of the company's total export volume.

In the ASEAN market, Malaysia initiated an anti-dumping investigation on February 6, 2025, targeting galvanized steel products originating from or imported from China, South Korea, and Vietnam.

In the domestic market, demand is challenged by the over-supply situation, with capacity 3x larger than domestic demand, according to HSG's chairman.

Given the industry's continued headwinds in 2025, HSG has outlined two revenue and profit scenarios, both projecting a decline in revenue and profit compared to 2024.

VNDbn	2024	2025 (Scenario 1)	2025 (Scenario 2)	VPBankS 2025F
Total sales volume (tonnes)	1.909.653	1.800.000	1.950.000	1.927.552
Net revenue	39.272	35.000	38.000	41.527
Net profit	515	400	500	613
YoY Growth (%)				
Total sales volume (tonnes)	36,5%	-5,7%	2,1%	1,0%
Net revenue	24,1%	-10,9%	-3,2%	5,7%
Net profit	1.615,0%	-22,3%	-2,8%	19,0%

At the AGM, HSG's chairman also stated that the company's net profit for 2Q.FY2025 is expected to be around VND 100 billion (-69% YoY). As a result, in the first half of the 2025 fiscal year, HSG recorded a net profit of VND 265 billion (-37% YoY). With this performance, the company has achieved 53% of its profit target under scenario 2 and fulfilled 43% of VPBankS's profit forecast.

Focusing on developing Hoa Sen Home to seek new growth drivers

Starting from 2025, HSG will prioritize the expansion of its Hoa Sen Home (HSH) chain, with the goal of transforming it into Vietnam's largest building materials and home interior supermarket system. HSH's business model will be similar to major global building materials retail chains such as Thaiwatsadu (Thailand), HomePro (Thailand), Depo Bangunan (Indonesia), and Home Depot (U.S.). HSH's product offerings will include:

- HSG's traditional products (Steel sheet, Steel pipes, and Plastic Pipes) with a gross margin of 8%–12%.
- Products from other reputable construction materials/furniture brands
- HSH-Branded Products (HSG will collaborate with manufacturers from China and India to produce private-label HSH-branded products that meet HSG's specific requirements). These products are expected to generate a gross margin of 15%–30%.

HSH will operate through both B2B and B2C distribution channels. Store sizes will range from 1,200 m² to 5,000 m², while larger stores—integrating warehouses for heavy materials such as steel along with retail supermarket areas for other building materials—will span 10,000–20,000 m². Currently, HSG operates 120 HSH stores and 290 traditional showrooms across Vietnam. The company plans to expand the HSH store network to 300 locations by 2030.

HSH's revenue is projected to achieve a compound annual growth rate (CAGR) of 16.3% between 2024 and 2030, increasing from VND 13.3 trillion in 2024 to VND 33 trillion in 2030. The primary growth driver will be non-traditional product lines.

In 2025, HSG plans to invest VND 1,060 billion in the HSH system, allocated as follows: VND 400 billion for store network expansion, VND 500 billion for warehouse infrastructure, VND 60 billion for technology investment, VND 100 billion for marketing activities. For the 2025–2030 period, the total investment in the HSH system is expected to reach VND 6,000 billion.

HSG will establish Hoa Sen Home JSC between 2025 and 2026 and plans to gradually transfer all distribution-related assets to HSH. Initially, HSG will hold a 99% stake in Hoa Sen Home JSC and intends to list the company once it achieves sustainable profitability and favorable market conditions.

Others:

Proposal for Private Placement of Hoa Sen Plastic JSC Shares to Strategic Investors: To focus on investments in the HSH system, HSG plans to conduct a private placement of 35 million shares of Hoa Sen Plastic JSC to strategic investors. Following the issuance, HSG's ownership in Hoa Sen Plastic will decrease from 99% to below 50%, resulting in Hoa Sen Plastic becoming an associate company instead of a subsidiary.

Share buyback proposal: HSG proposes for a share buyback plan of 50-100mn shares (8-16% of current outstanding shares). The ratio could increase to 30%, as permitted by Vietnamese Corporate Law.

Dividend in 2024: HSG has announced a cash dividend payment of VND 500 per share.

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