

Deputy Head of Analysis

Ngo The Hien

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Recommendation: OW

Current Price (08/04/2025): 27,700 VND

 Target **34,300 VND**

% up/down: +23.8%

Company Data

Capitalization (Bil VND)	210.510
Outstanding shares	6.396.250.200
Number of listed shares	6.396.250.200
10 day - Avg daily vol	19.188.000
52W Low (VND)	24.750
52W High (VND)	29.950
Foreign ownership limit	21,47%
Free float	56,10%

Price Performance


Source: SHS Research, FiinProX

Billion VND	2022	2023	2024
Total Asset	170.336	187.783	224.439
Shareholder's Equity	98.113	102.836	114.647
Revenue	141.409	118.953	138.855
PAT	8.444	6.800	12.020
ROE	9,09%	6,88%	11,07%
ROA	4,87%	3,82%	5,83%
EPS (VND)	1.459	1.117	1.879
BVPS (VND)	16.511	17.674	17.878
P/B (x)	1,7	1,45	1,48
P/E (x)	19,19	22,87	14,1

CONSOLIDATE THE LEADING POSITION

We initiate coverage of HPG Corporation (HPG VN) with **Overweight** recommendation and a 12-month target price of VND 34,300 per share, implying an upside of 23.8%, using the Discounted Cash Flow (DCF) method. Key investment thesis include:

- Vietnam's anti-dumping tax on China imported HRC steel will help narrow the price gap between foreign and domestically produced goods, helping HPG to boost sales especially when phase 1 of the Dung Quat 2 project is expected to operate in Q2.2025.
- Domestic steel consumption demand continues to be driven by public investment policy to support growth and expectations of a recovery in the real estate market.
- Raw material prices are forecast to remain low, which will support HPG in maintaining its gross profit margins.
- Dung Quat 2 project, after being fully completed from 2026, will enhance competitiveness, bringing HPG into the Top 30 leading steel producers in the world.
- Financial situation is tightly managed with large cash, debt maintained at safe levels.
- Projected revenue in 2025 is VND 155,000 billion (+11.6% YoY) and VND 12,591 billion profit after tax (+4.8% YoY) corresponding to EPS of VND 1,969/share.

RISKS

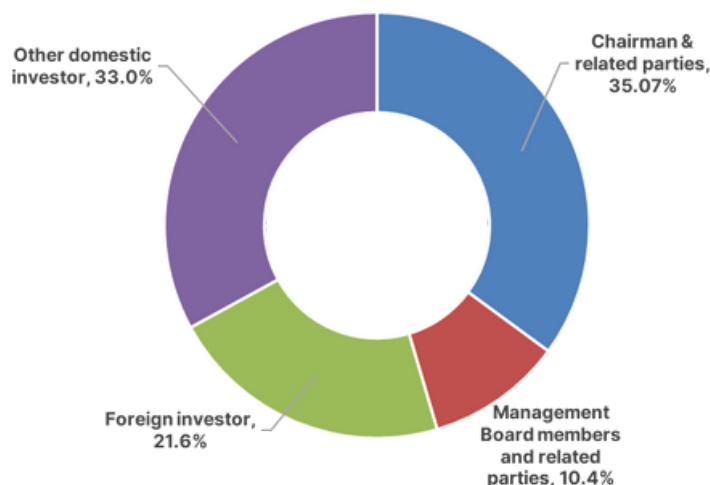
- Tighten global protectionist policy.
- Decarbonization trend risks for steel production.
- Slower-than-expected recovery of real estate market.

1. COMPANY OVERVIEW

1.1. History and Development

- 1992: Establishment of Hoa Phat Equipment Accessories Co., Ltd, now Hoa Phat Metal Producing Co., Ltd.
- 1996: Establishment of Hoa Phat Steel Pipe Co., Ltd.
- 2007: Reorganized as a group and listed on the Ho Chi Minh Stock Exchange (HOSE).
- 2009-2013: Hai Duong Iron and Steel Complex came into operation.
- 2019: 1st Phase of Dung Quat Iron and Steel Complex came into operation.

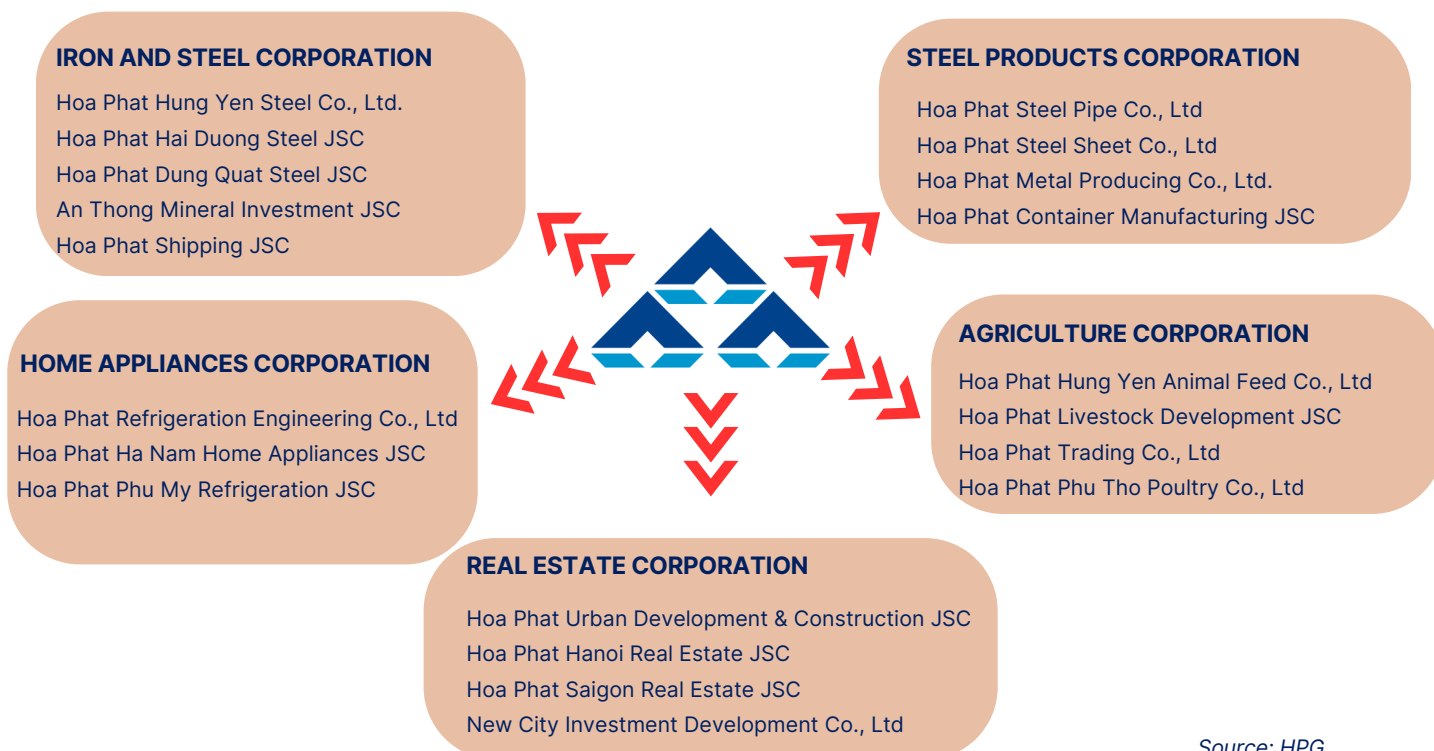
1.2. Shareholder Structure



Source: FiinProX, SHS Research

1.3. Organization Structure

- Currently HPG is organized as a Group with a parent company, 5 direct subsidiaries and 63 indirect subsidiaries.

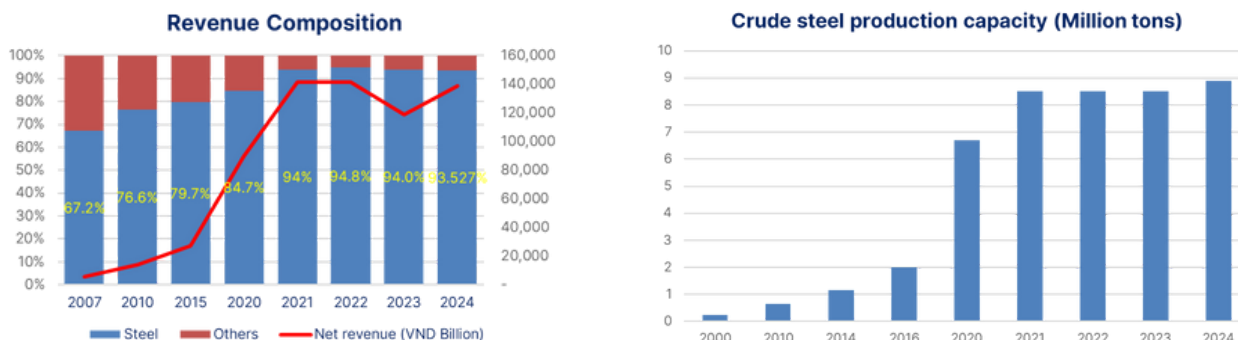


Source: HPG

2. BUSINESS OPERATION

2.1. Steel Sector - Leading manufacturer in Vietnam and Southeast Asia

Starting as a construction machinery and quarrying machinery supplier, HPG started its steel business in 1996 and steel production since 2000. Currently, steel is the main business, accounting for about 94% of HPG's annual revenue.



After 24 years, HPG's crude steel production capacity has increased more than 35 times compared to the initial capacity (250,000 tons) and is currently the largest in Vietnam and Southeast Asia with 8.9 million tons/year, accounting for nearly 33% of Vietnam's total capacity. This result is thanks to HPG's continuous investment and expansion of factories including Hung Yen Steel Rolling Complex (2004), Hai Duong Iron and Steel Complex (2010), Dung Quat Iron and Steel Complex (2020). HPG is the only Vietnamese enterprise capable of producing hot-rolled steel (HRC) with a capacity of 3.5 million tons/year. In addition, HPG is also the Vietnam's largest steel pipe manufacturer with a system of 6 factories (total capacity of 1 million tons/year). HPG's steel products include:

- Upstream steel: steel billets of size 130mm x 130mm and 150mm x 150mm, hot rolled coil steel (HRC) with thickness from 1.2mm - 19mm, construction steel (concrete reinforcement steel, steel bars, shaped steel, steel coils...), high-quality steel replacing imported goods such as wire drawing and pre-stressed concrete steel (PC Bar, PC Strand, PC Wire) used in large-scale projects requiring high technical, load-bearing capacity, and safety such as towers, viaducts, sea crossing bridges, high-rise buildings, cable cars...
- Downstream product lines use raw steel materials: Steel pipes (welded black steel pipes with diameters up to 325mm and thicknesses up to 12mm, hot-dip galvanized pipes, large pipes...), Steel sheets (rust-proof steel coils, galvanized steel coils, aluminum-zinc coated steel coils, color-coated galvanized steel coils).
- Since the end of 2023, HPG has started supplying the empty containers manufactured at a factory in Dung Quat Complex using grade SPA-H, a special weather-resistant steel. The factory has capacity of 500,000 TEU/year (Phase 1 has a capacity of 200,000 TEU/year).

Steel billet



Hot Rolled Steel Coil



Steel bar



PC Steel Strand



Galvanized Steel



Black Steel Pipe



HPG's products are currently manufactured at the Hung Yen factory and two complexes located in Hai Duong and Dung Quat. In addition, the Company also has steel pipe factories located in the Central and Southern regions.

Also serving steel production activities, the company also has a number of other units including:

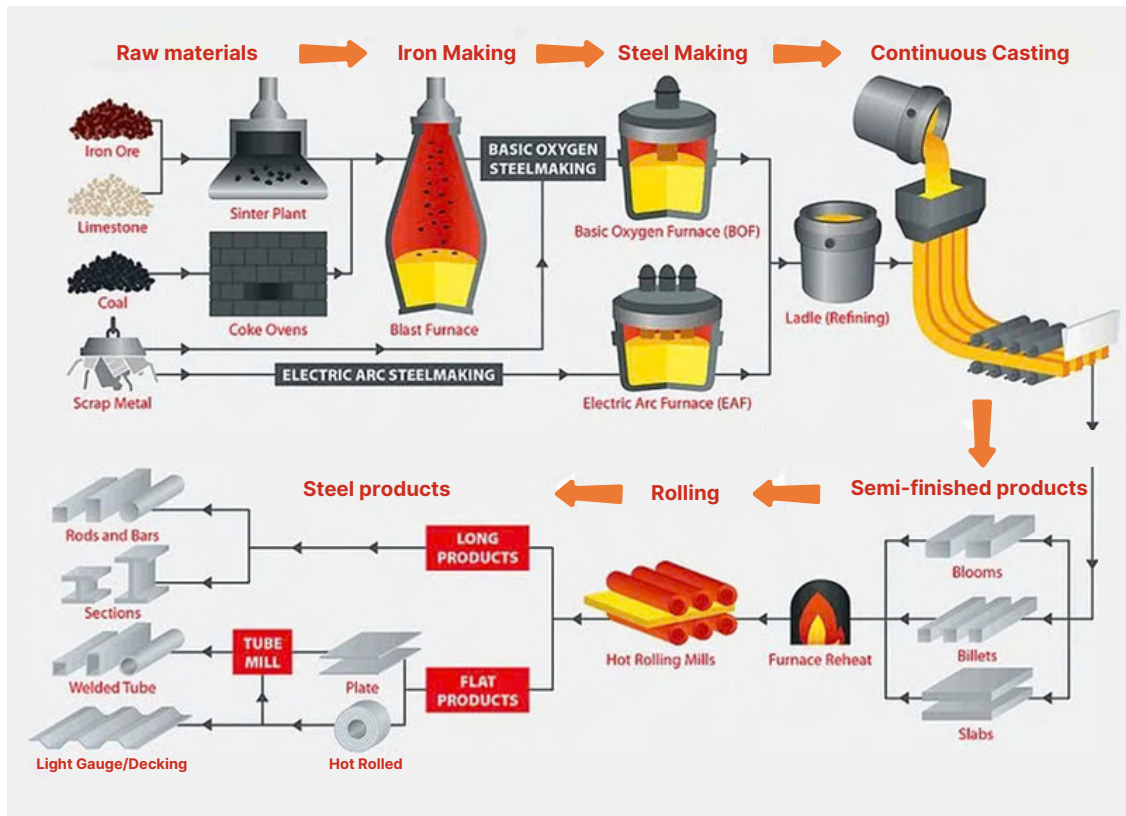
- An Thong Mineral Investment Joint Stock Company is currently exploiting iron ore mines in Ha Giang and Yen Bai, annually supplying 600,000 - 800,000 tons of ore for HPG's production needs.
- Hoa Phat Energy Joint Stock Company is responsible for operating the coke production line and utilizing the excess heat to generate electricity. HPG's current coke production capacity is 2.3 million tons.
- To serve the needs of transporting raw materials and exporting finished products, Hoa Phat Shipping Company currently owns 03 large Kamsarmax ships with a capacity of 80,000-90,000 tons and 2 ships with a capacity of 24,500 tons/ship.
- Hoa Phat Container Factory was built in 2022 with a designed capacity of 500,000 TEU/ year, phase 1 is 200,000 TEU/year. Since its operation, HPG has signed and delivered containers of all kinds to many domestic and foreign customers such as Hapaq-Lloyd, Seacube, VIMC, Hai An, Visico, Vinafco...

Hoa Phat Steel Plants Location



Source: HPG, SHS Research

Steel Production Process



Currently, HPG is applying two steel production technologies including medium frequency electric furnace (EAF) continuous casting technology at Hung Yen steel plant and blast furnace, BOF, continuous casting technology at Hai Duong complex and Dung Quat complex. BOF furnace technology allows the company to smelt steel from ore and has the advantage of saving energy used in the production process and being able to produce high quality products compared to EAF technology, which is also a commonly used technology, accounting for 70% of the number of steel plants worldwide.

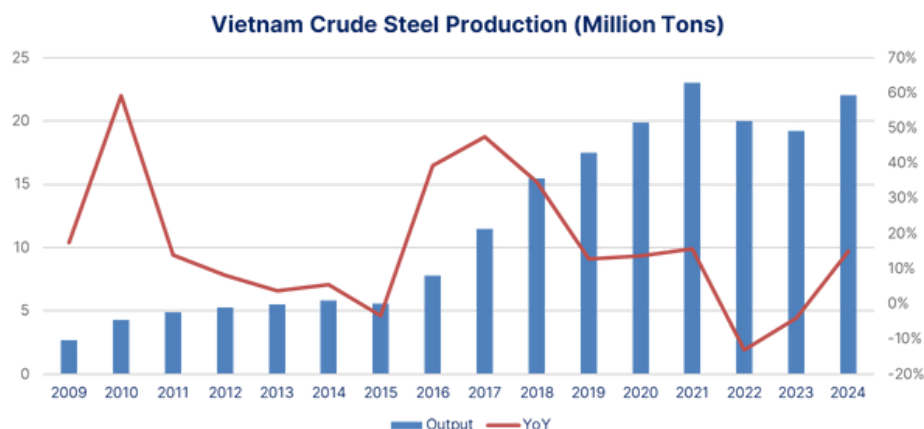
The process for BOF technology includes:

- Step 1: Iron ore is selected, synthetic ores with inappropriate grain size are transferred to the sinter plant to create suitable size and quality. Coal is heated in the absence of air (oxygen) to temperatures above 600 °C to remove volatile components of the raw coal, forming coke.
- Step 2: Ore, coke and additives such as lime, dolomite are added to form a mixture before being sent to the blast furnace. The cold wind is pressurized and heated through the hot air furnace then sent to the blast furnace to create metal reduction reactions in the ore to form liquid iron, the liquid iron is transported to the smelter by rail system.
- Step 3: The molten iron is fed into the BOF furnace to decarbonize and then into the refining furnace along with the necessary additives to form the required steel grades.
- Step 4: The molten iron is then transferred to the continuous casting plant to create steel billets.
- Step 5: The billet is preheated before being rolled at the rolling mill to form quality steel bars and coils.

In EAF technology, instead of iron ore, scrap steel is used before being fed into the electric arc furnace. A large amount of electricity is passed through 3 electrodes placed in the furnace, creating high heat (about 12,000°C) to melt the scrap steel. Then the liquid steel is fed into the furnace as in step 3 above before performing the next steps.

Vietnam Steel Industry

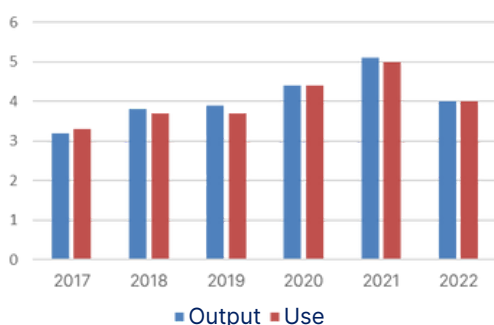
- Capacity building, export oriented.** According to the World Steel Association (WSO), crude steel production in Vietnam in the 2010-2024 period increased at an average rate (CAGR) of 12.4%, 6 times higher than the growth rate of global steel production (+2%). In the 2015-2021 period, crude steel production increased sharply from 5.6 million tons/year to 23 million tons, partly due to the expansion of enterprises in the industry such as HPG, HSG and the participation of FDI enterprises, typically Hung Nghiep Formosa Steel Company. Since then, steel production has tended to fluctuate around 20 million tons/year. Thanks to that, Vietnam has risen from 37th place in 2010 to 12th place in crude steel output worldwide, accounting for 1% market share in 2023. In 2024, crude steel output reached 22.07 million tons, up 15% compared to 2023, with market share increasing to 1.17%.



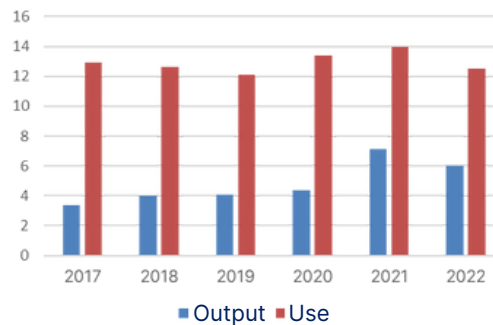
Source: World Steel Association

Currently, except for hot-rolled steel products, other steel products such as construction steel, cold rolled steel, galvanized steel, and steel pipes, domestic production activities have met domestic demand and are gradually shifting to export.

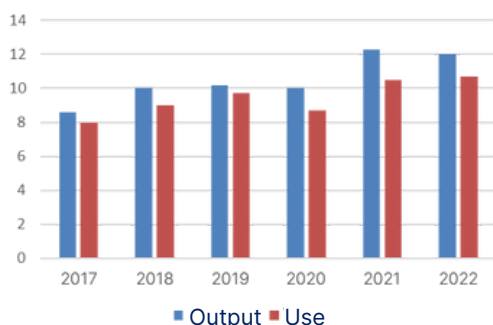
Cold Rolled Steel Supply and Demand



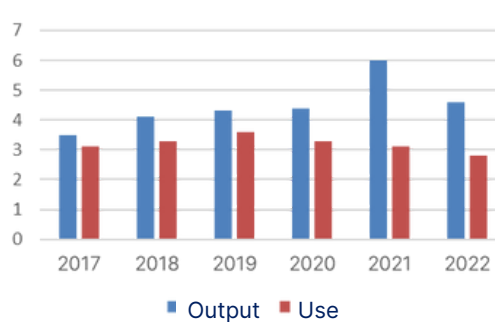
Hot Rolled Steel Supply and Demand



Construction Steel Supply and Demand



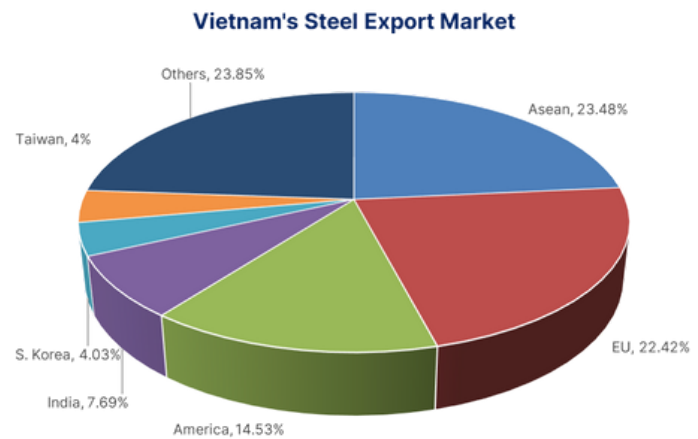
Galvanized Steel Supply and Demand



Unit: Million tons

Source: Draft Steel Industry Strategy - MOIT

Vietnam's steel export output and value also tend to increase rapidly over time. In 2024, Vietnam exported nearly 12.6 million tons of steel of all kinds worth over USD 9 billion, an increase of 11 times in volume and 4.9 times in value compared to 2010. In terms of export market structure, ASEAN is still Vietnam's largest export market although its proportion tends to decrease while the EU and the US have been increasing their proportion in recent years. In terms of goods, Vietnam mainly exports rolled steel (steel plates, galvanized steel, HRC) and shaped steel, accounting for about 80% of export output, while crude steel and raw materials account for a small proportion.



Source: VSA, VN Customs, SHS

- **Main raw materials for production must be imported and increasing competition from imported goods.**

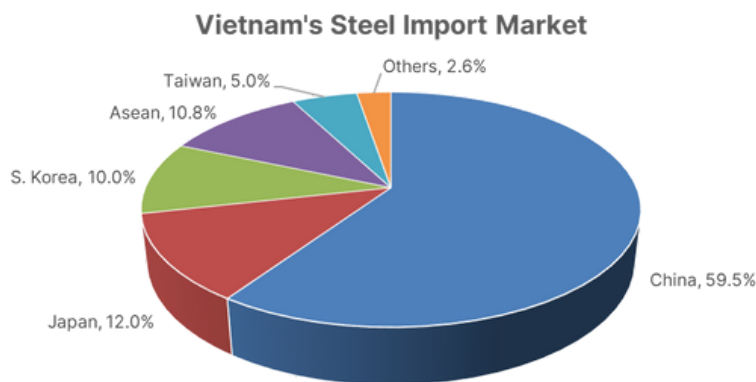
Most of the main raw materials used for steel production in Vietnam is currently imported, resulting in difficulties for businesses in the event of global price fluctuations..

Iron ore reserves, the raw materials accounting for 30% of BOF production costs, in Vietnam are estimated at 1.3 billion tons, of which are concentrated in Thach Khe mine (Ha Tinh) with reserves of 544 million tons and Quy Xa mine (Lao Cai) with reserves of 121 million tons, the rest is distributed in the northern mountainous provinces. Because the amount of ore exploited domestically is only about 8.3 million tons, meeting only 30% of demand, Vietnam has to import about 15 million tons of ore annually to produce steel, mainly from Australia and Brazil.

For coking coal, because Vietnam's total reserves of coking coal are only about 13.6 million tons and the quality is not high, the annual exploitation volume is only about 200 thousand tons compared to the demand of 10 - 11 million tons, so it must be imported mainly from China.

In addition to the two main raw materials mentioned above, Vietnam also has to regularly import 5 - 6 million tons of scrap steel to supply steel production enterprises using EAF electric furnace technology.

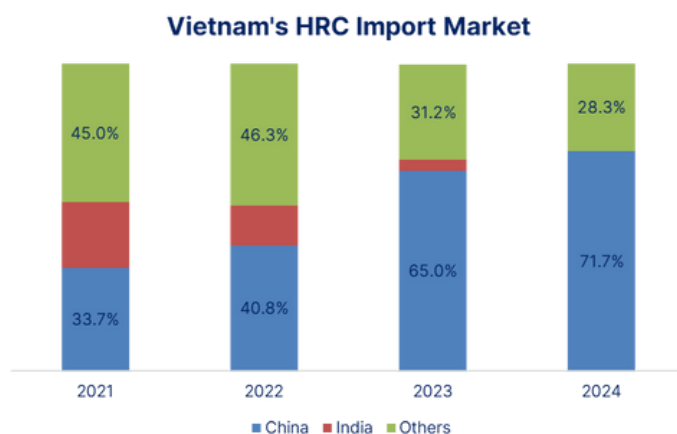
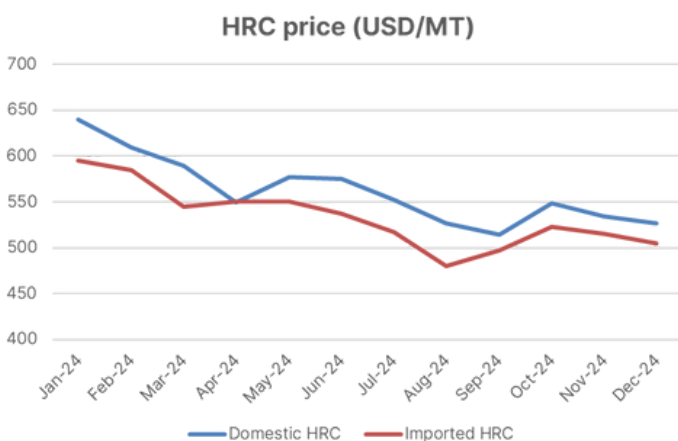
In addition, along with the integration process, the amount of steel imported from other countries is also increasing at an average rate (CAGR) of 5%/year in the period 2011-2023. In 2024, Vietnam's steel imports reached a record value of 12.58 billion USD, equivalent to 17.7 million tons of steel (excluding scrap steel). In terms of market, steel is mainly imported from Asian countries (97.36%), of which China alone - the world's leading steel producer - accounts for nearly 60%



Source: VSA, VN Customs, SHS Research

• **Anti-dumping tax on imported HRC**

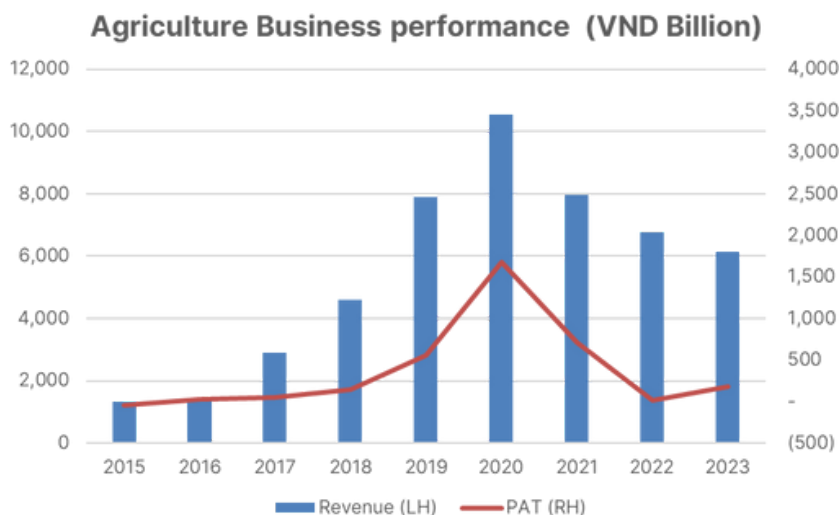
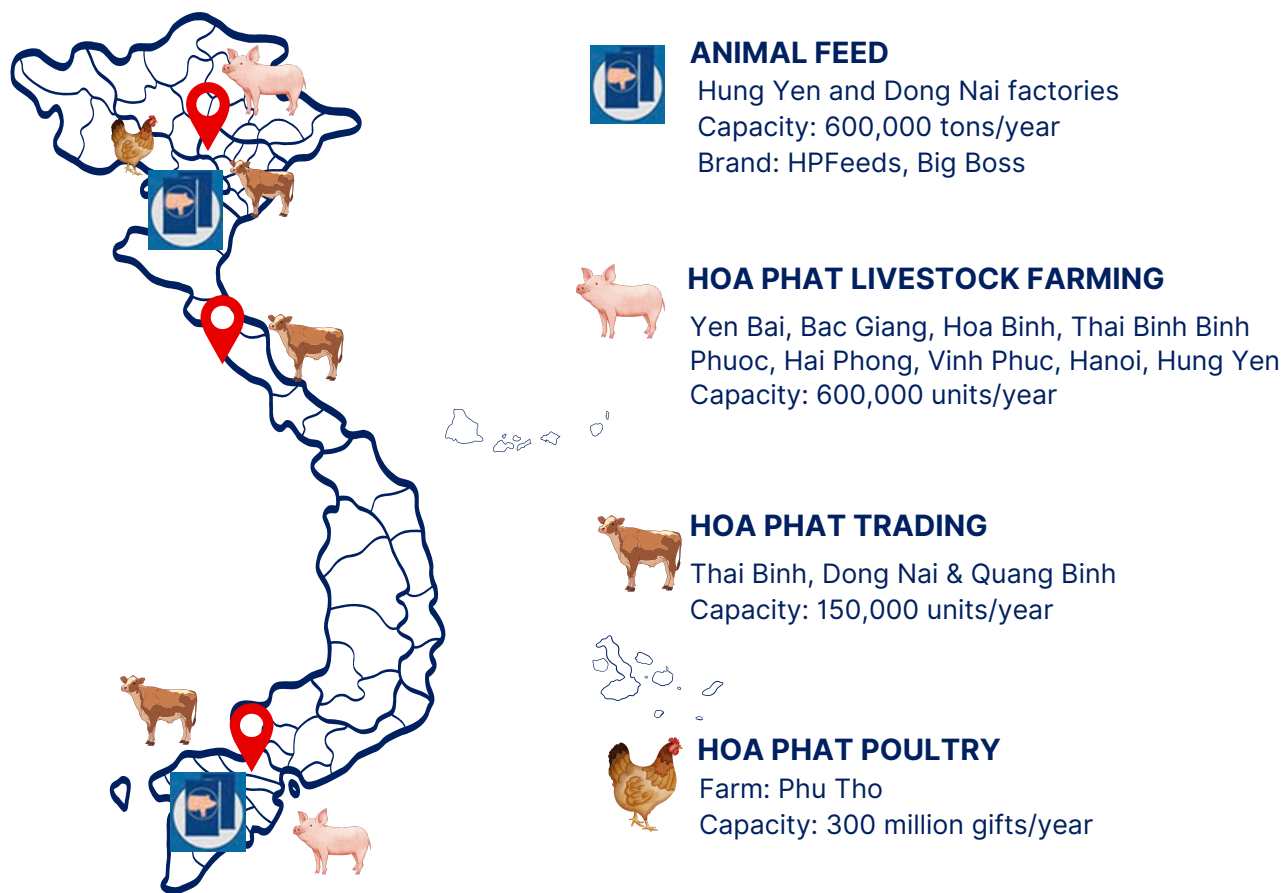
On February 21, 2025, the Ministry of Industry and Trade (MoIT) announced temporary anti-dumping tax on HRC steel imported from China after initiating an investigation in July 2024 at the request of HPG and Formosa. Accordingly, 27 Chinese companies and 96 related trading companies will be subject to tax from 19.38% - 27.83%, tax for other exporters is 27.83%, the decision will take effect within 120 days from the date of announcement. During this time, the investigation agency will continue to consult with the parties before making a final decision. We believe that this decision will help HPG increase its competitiveness against HRC imported from China, especially when the company is about to operate Dung Quat 2. Previously, the US announced that from March 12, 2025, it would impose a 25% import tax on imported steel and remove all previous exemptions. Vietnamese steel has been subject to a 25% tax when exported to the US since 2018. Therefore, the above decision will create a healthier competitive environment between Vietnamese steel, including HPG, and other countries that enjoy exceptions with lower tax rates such as Mexico, Canada, South Korea, Brazil, and the EU in this market.



Source: VSA, VN Customs, SHS Research

2.2. Agricultural sector

HPG commenced its involvement in the agriculture sector in 2015 with the establishment of a livestock feed mill. The company subsequently expanded into livestock and poultry farming—including pigs, cattle, and chickens—through a centralized, closed-loop model applying advanced technologies. At present, the Hoa Phat Dong Nai Feed Mill is certified to GlobalGAP standards, and 100% of its breeding pigs are directly imported from Denmark. The pig farms are also certified under VietGAP regulations. In the poultry segment, aside from imported high-yield laying hen breeds, HPG supplies over 300 million eggs annually to supermarkets, schools, industrial kitchens, industrial zones, restaurants, hotels, resort complexes, and also exports to Laos and Cambodia. The agricultural segment generates approximately VND 7 trillion in annual revenue on average, contributing around 5% to HPG’s total revenue.



Source: HPG, SHS Research

2.3. Real estate and other sectors

Although limited in number, HPG’s residential real estate projects have established a strong reputation for quality among customers, with all developments located in Hanoi—such as the 257 Giai Phong Apartment, Mandarin Garden 1 and 2, and 70 Nguyen Duc Canh Apartment. In addition, HPG is currently managing and developing IPs in Ha Nam and Hung Yen provinces, with a total area of 1,134 hectares and an average occupancy rate of 95%. The Company plans to develop three additional industrial parks and implement a worker housing project in Yen My II Industrial Park (Hung Yen), covering an area of 31 hectares with a total investment of VND 5,000 billion.

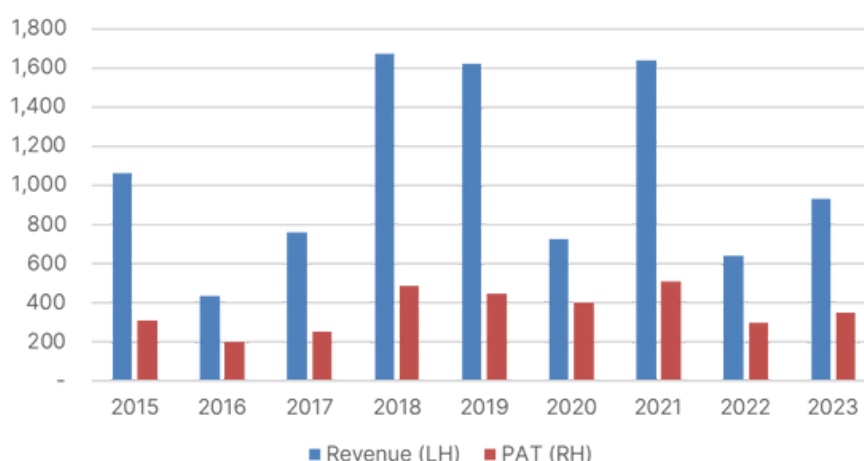
	IP Name	Location	Area (ha)	Occupancy rate
1	Pho Noi A	Hung Yên	688.94	90%
2	Hoa Mac	Ha Nam	131	100%
3	Yen My 2	Hung Yên	97.5	100%
4	Yen My 2 expansion	Hung Yên	216	50%



In addition to the above activities, HPG also provides electrical and household products under the Hoa Phat and Funiki brands, of which Funiki air conditioners and freezers are products that have built a brand with domestic consumers, in addition to household products (refrigerators, water purifiers, washing machines, range hoods...), kitchen appliances (induction cookers, range hoods, rice cookers...)

The above-mentioned business segments have quite volatile revenue depending on the time the company hands over and records commercial housing projects, accounting for an average of about 3% of revenue in recent years.

Real Estate and Other Business performance (VND Billion)

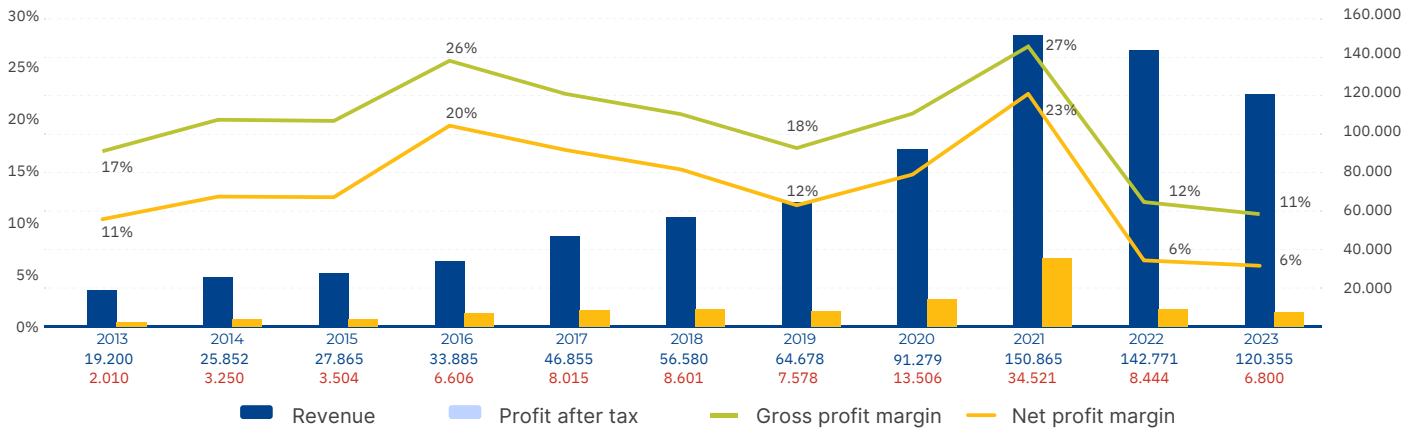


Source: HPG, SHS Research

3. FINANCIAL ANALYSIS

Business activities

HPG business results for the period 2013-2023



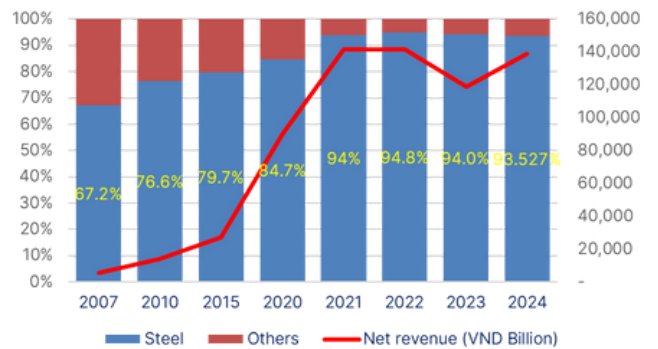
Source: HPG, SHS Research

HPG's business results over the past year have shown impressive growth. Revenue in the 2013-2020 period increased by an average of 25% per year (CAGR), profit increased by 31.3% per year, partly due to revenue from real estate projects, but mainly due to the Company expanding its production capacity and increasing its steel market share. The Company's construction steel output increased from 700,000 tons in 2013 to 3.4 million tons in 2020, and its market share of construction steel and steel pipes also increased from nearly 14% and 15% to 26.4% and 32%, respectively, leading the industry. The Company steel is not only sold domestically but also exported to other markets. HPG's business operations reached record-high levels during the 2020-2021 period, driven by a sharp increase in steel prices amid global disruptions caused by the COVID-19 pandemic. However, subsequent macroeconomic challenges—including high inflation, weakened demand, and a downturn in the real estate market triggered by a corporate bond crisis—have negatively impacted HPG's key business indicators.

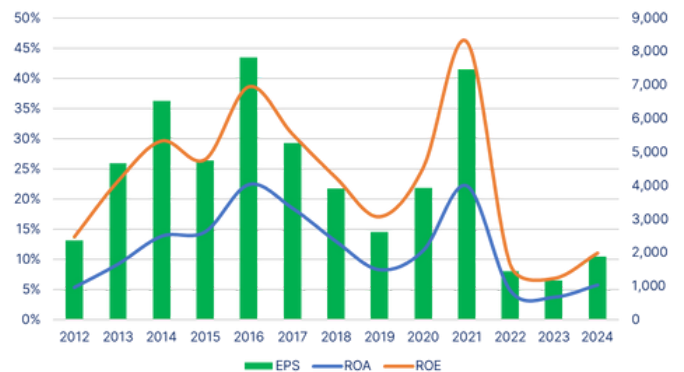
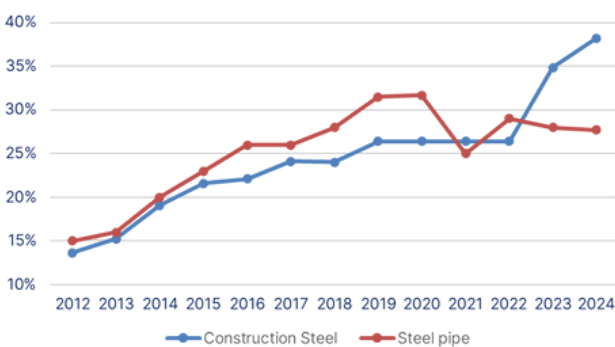
Steel Business



Revenue Composition



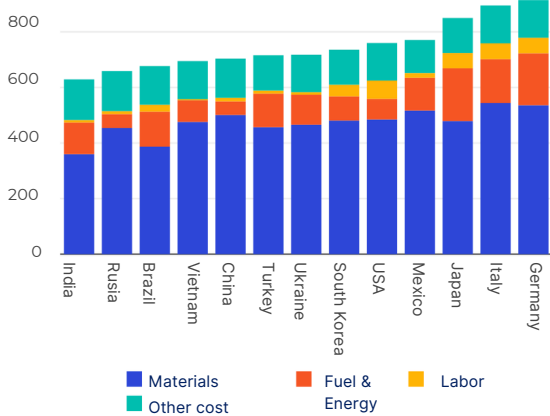
Hoa Phat Market Share



Source: HPG, SHS Research

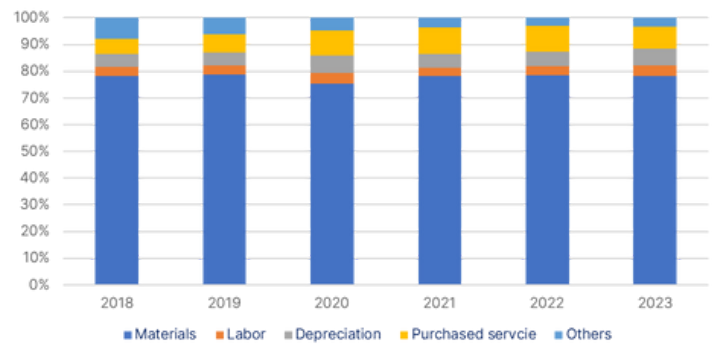
Despite periods of unfavorable fluctuations in raw material prices, HPG has consistently remained profitable and expanded its market share—largely thanks to its large-scale, closed-loop production model and stringent cost management. While raw material costs account for the highest proportion—averaging 77% of total production costs—HPG has managed to keep this ratio relatively stable, equivalent to approximately 66% of revenue on average. Currently, iron ore for steel production is supplied partly from mining in Ha Giang and Yen Bai. In addition, by applying dry stamping technology in the rolling production process and continuously improving systems to recover waste heat and hot gases from the sintering and steelmaking stages, HPG is able to generate a significant portion of the electricity required for its integrated production complexes. In 2024, thermal power plants in Hai Duong and Dung Quat produced 3.18 billion kWh, meeting 90% of electricity demand and saving HPG about 5,400 billion VND. According to a 2022 study by Transition Zero, Vietnam's steel production costs are competitive with China's, with only the energy cost component (electricity and fuel) being higher. Therefore, HPG's good cost management has helped improve its operational efficiency and increase competitiveness both domestically and internationally.

Steel Production cost component BF-BOF (\$/MT crude)

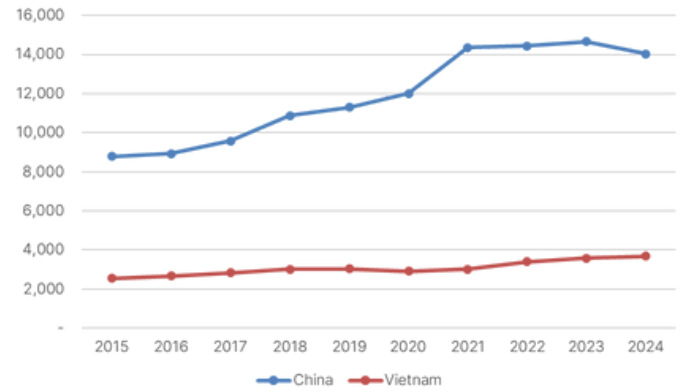


Source: Study by TransitionZero & GEI

Production cost component



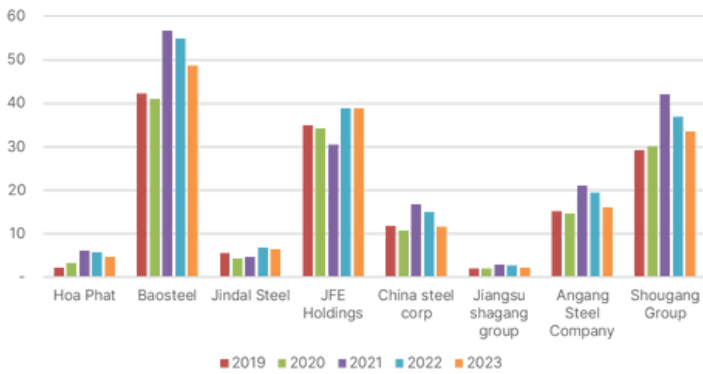
Average salary (USD/year)



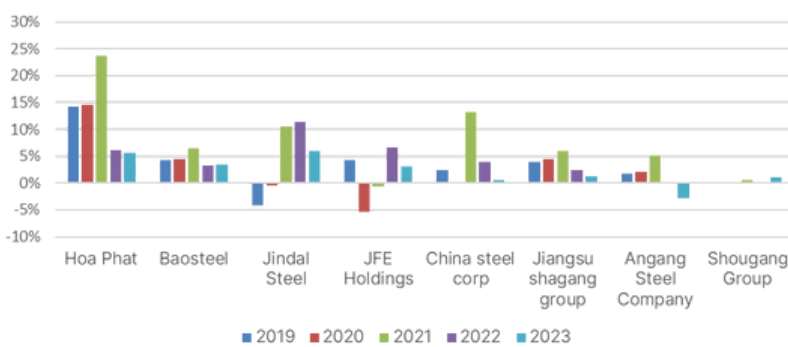
Source: Tradingeconomics

HPG in comparison with large steel manufacturers

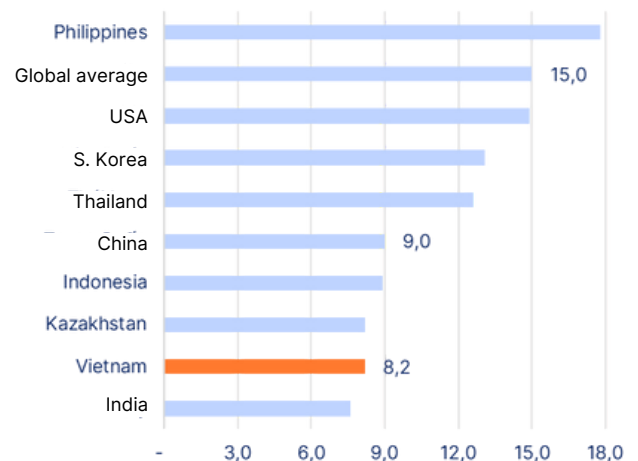
Revenue (USD Billion)



Net profit margin



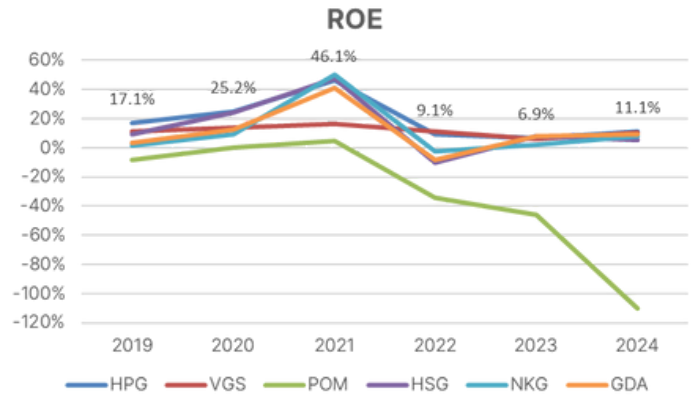
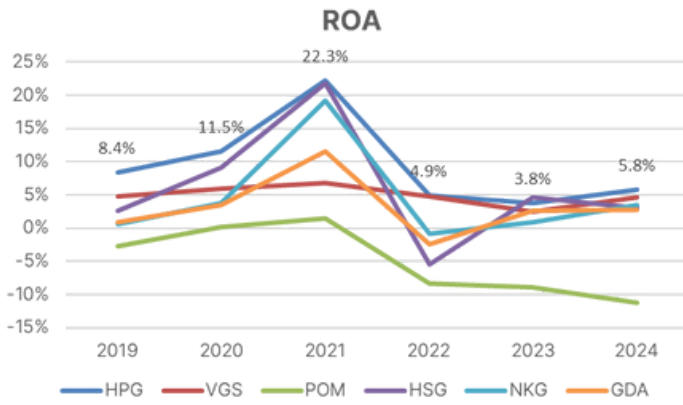
Electricity price (US cent/kWh)



Note: HPG's ratio is for steel sector only

Source: Bloomberg, SHS Research

Nguồn: Global Petrol Prices, SHS Research



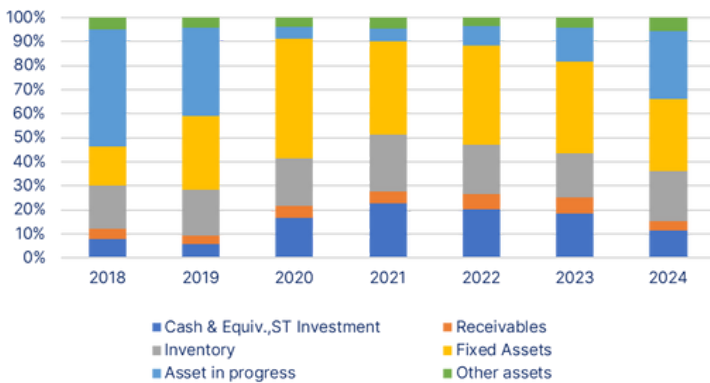
Source: Fiingroup, SHS Research

Capital Structure

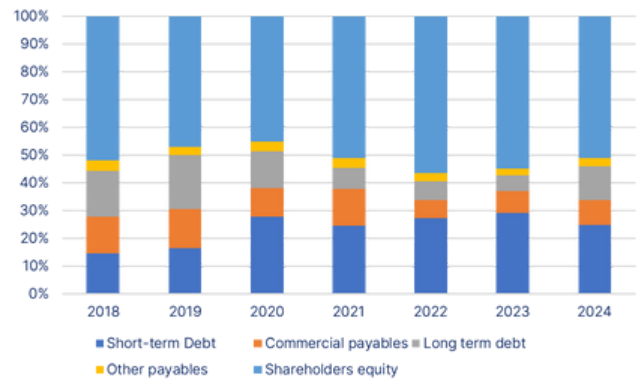
HPG's asset size increases rapidly along with the company's development. Total assets in the period 2010 - 2024 increased by an average of 21.3%/year, reaching VND 224,489 billion by the end of 2024, an increase of 15 times compared to 2010. The asset structure is quite balanced and in recent years, long-term assets have accounted for a larger proportion because HPG is focusing on investing in Dung Quat 1 & 2 complex. The value of fixed assets and ongoing projects at the end of 2024 is VND 131,178 billion, accounting for 58% of total assets. Current assets mainly focus on receivables and inventories, cash (including short-term investments) at the end of 2024 is VND 25,862 billion, accounting for 11.5% of total assets, down from 22.8% in 2021.

HPG uses medium financial leverage thanks to its large equity capital. The average debt-to-capital ratio is 49% in the period 2010-2024 and has been decreasing in recent years. Loans account for an average of 77% of total liabilities, of which short-term debts are mainly used to finance receivables, inventories, and long-term debts are used to finance project investment needs. As a leading company in the industry, HPG can access capital from banks with favorable conditions (according to the audited 6-month financial statements, the company's short-term VND loan interest rate is 2.2% - 4.3%/year, long-term loans are 2.48% - 7.5%/year).

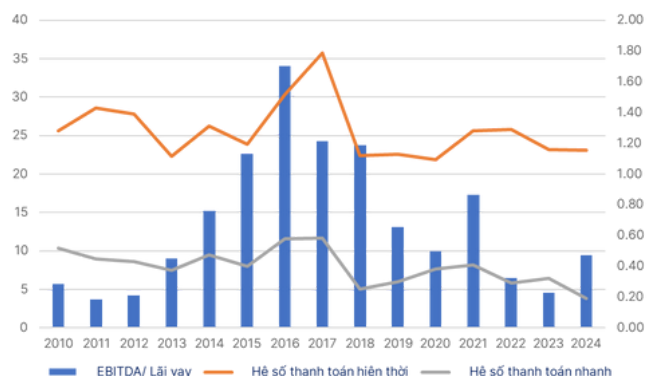
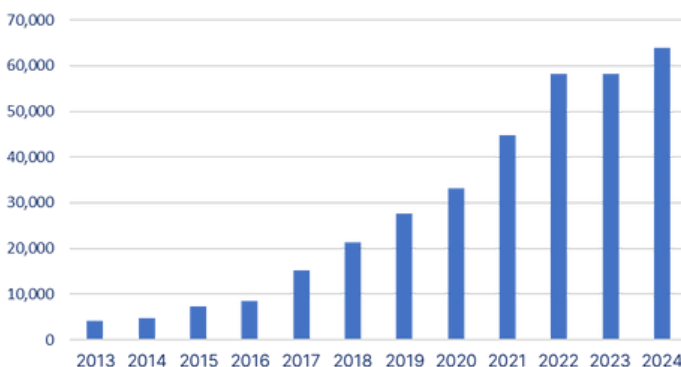
Asset Structure



Equity Structure



Registered Capital (VND Billion)

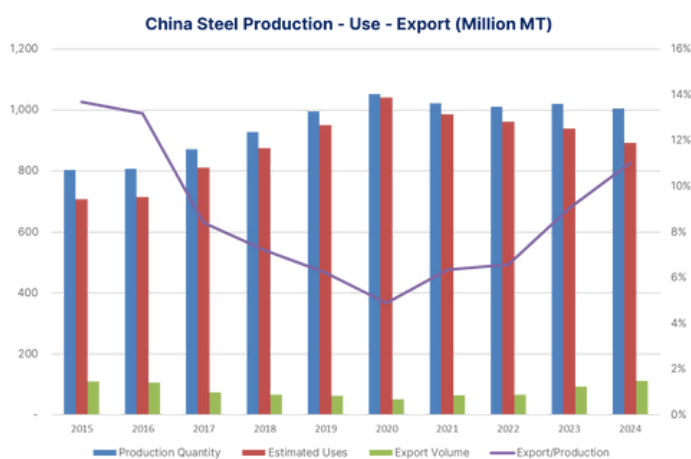


Source: Fiingroup, SHS Research

4. INVESTMENT THESIS

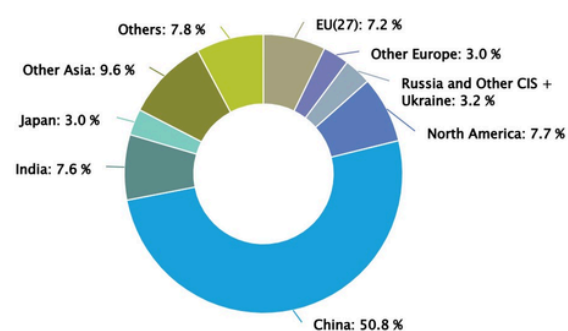
• World steel demand and material prices forecasted to remain low

Global steel demand in 2025 is forecast to remain low, mainly due to demand from China, the world's largest steel producer and consumer, which will continue to decline due to the impact of US tax policies on exports while the housing market has not shown positive signs. According to published data, the residential floor area in this country will decrease by 23% in 2024 to the low level of 2006. This factor will also put pressure on the price of raw materials in 2025, according to the World Bank, Australian coal prices will continue to fall by 12% while iron ore prices will remain flat next year.

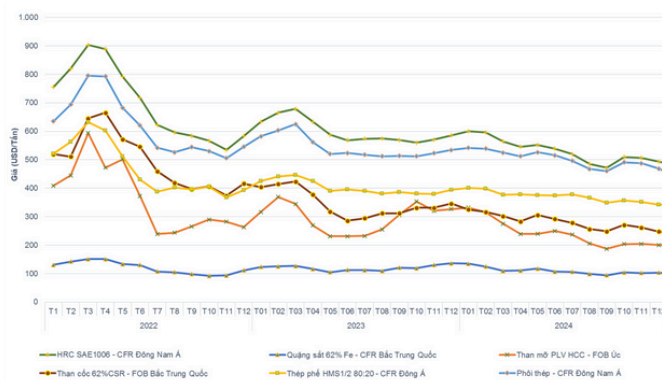


Apparent steel use (finished steel products)

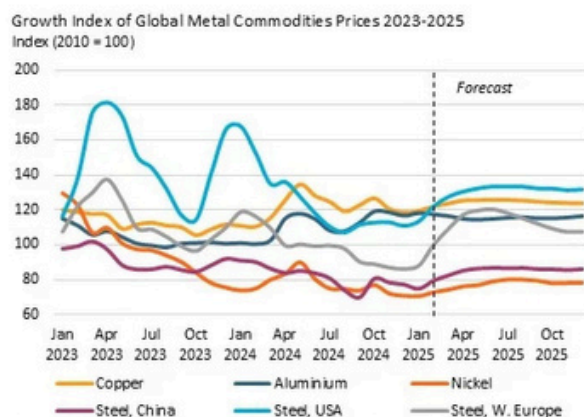
World total: 1 763 million tonnes



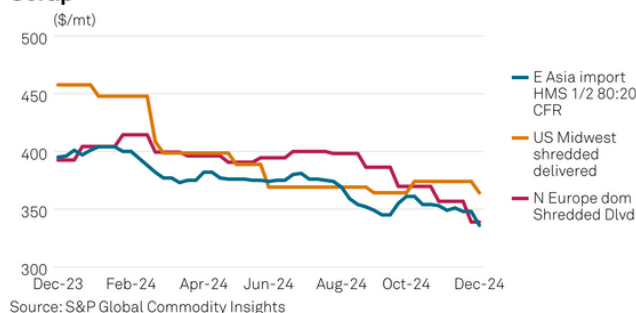
Price of Main materials for steel production



Chinese demand and US trade policy will be the main drivers of metals prices in 2025



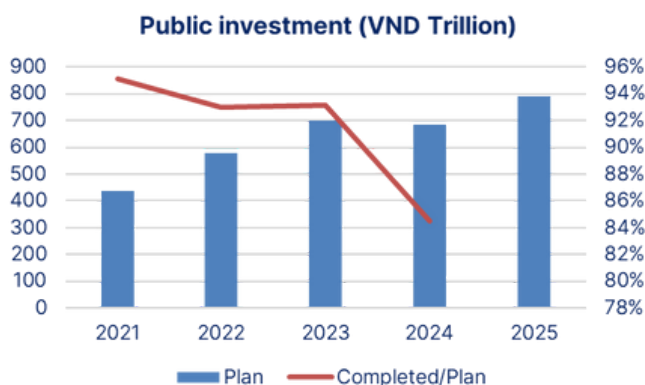
Scrap



Source: Euromonitor, International Trade Association, S&P Global, Goldman Sachs, SHS Research

(Source: Platts December 2024)

- Domestic steel demand continues to be positive thanks to public investment projects and a thriving real estate market.



Public Investment Project	Length (km)	Capital (VND Bill.)	Year
1 12 projects of the North-South Expressway, Eastern region	729	146,990	2023-2025
2 Tan Son Nhat Terminal T3		11,000	2023-2025
3 Long Thanh Airport		109,111	2021-2026
4 Rach Mieu 2 Bridge	17.6	6,810	2022-2025
5 Bien Hoa - Vung Tau Expressway	54	22,093	2023-2026
7 Cam Lo - La Son expansion	98.3	6,488	2025-2026
8 La Son - Hoa Lien	65	3,000	2025-2026
9 Dau Giay - Tan Phu	60	8,981	2025-2026
10 My An - Cao Lanh	26.6	6,127	2025-2026
11 Cho moi - Bac Kan	28.8	5,750	2025-2027
12 Ninh Binh - Haiphong	86.2	26,650	2025-2028
13 Ring Road 4, HCM City, Phase 1	159.3	122,774	2025-2028
14 Tran Hung Dao Bridge	5.6	15,967	2025-2027
15 Tu Lien Bridge	5.15	20,171	2025-2027
16 Ngoc Hoi Bridge	7.5	11,844	2025-2027
17 Lao Cai - Hanoi - Hai Phong Railway	418.8	203,231	2026-2030
18 North-South high-speed railway	1,541	USD 67 Bill.	2027-2037

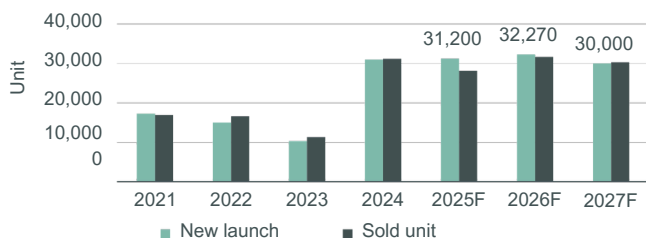
Source: SHS Research

In recent years, the steel industry has been supported by the policy of increasing public spending on infrastructure construction such as bridges and roads. In 2025, with a growth target of 8%, credit growth of 16%, the planned public investment capital will reach a record high of over 790,000 billion VND, an increase of 18% compared to 2024, in which many projects such as 1,000km of highways will have to be completed, and many new projects will be started. In the medium term, the Lao Cai - Hanoi - Hai Phong railway projects and the North-South highspeed railway, the inner-city railway in Hanoi and Ho Chi Minh City will create great demand for steel.

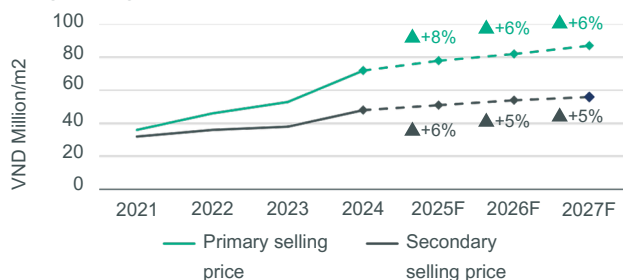
The real estate market in 2024 shows positive signs, according to CBRE, the number of apartments opened for sale in Hanoi in 2024 increased the highest in 5 years but was still absorbed 100%. In 2025, the supply, especially in Ho Chi Minh City, will improve and the selling price in both markets is forecast to increase, the absorption rate is also forecast to be positive thanks to low interest rates, many policies to support social housing of the Government and the system of documents guiding the new Laws is completed

HA NOI

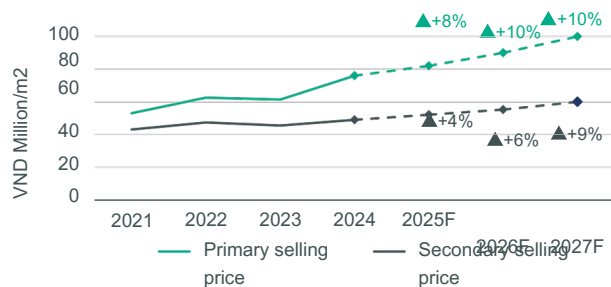
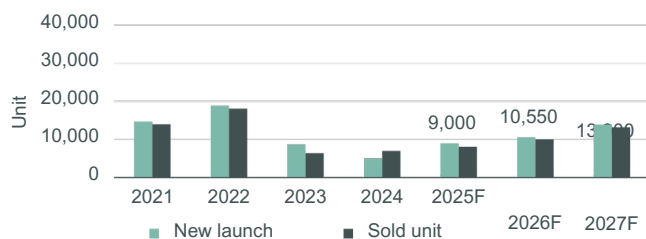
Annual new launch and sold unit, 2021 –2027F



Average selling price, 2021 –2027F



HO CHI MINH CITY



Source: CBRE, SHS Research

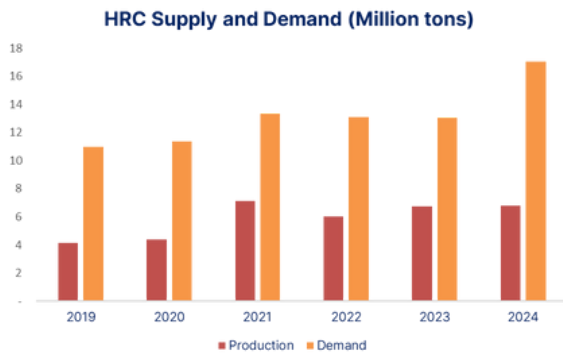
• **Dung Quat 2 project, upgrading the complex to a new level**



The total area of Hoa Phat Complex in Dung Quat (Quang Ngai) is 700 hectares. In 2017, HPG built Dung Quat Complex 1 (DQ1) and officially operated since 2021 with a capacity of 3 million tons of construction steel and 3 million tons of HRC steel and high-quality steel. In addition, at Dung Quat Complex 1, the Company also invested in building a deep-water port with 11 berths, allowing the reception of ships with a capacity of 200,000 tons to facilitate both the import of raw materials and the export of finished products.

From 2022, HPG will start investing in Dung Quat 2 (DQ2) on an area of 280 hectares adjacent to DQ1, with an investment capital of VND 85,000 billion. DQ2 has a scale of 5.6 million tons of steel, including 4.6 million tons of HRC steel and 1 million tons of high-quality steel. It is expected to start commercial operation in phase 1 (1.5 million tons) from Q2/2025 and the whole from 2026. After completion, DQ2 will increase HPG's crude steel production capacity to 14.5 million tons (8.6 million tons of HRC) and bring HPG into the Top 30 steel producing companies in the world. In addition, the costs of raw materials and labor at DQ2 will be reduced because the blast furnace volume is twice as large as DQ1 and HPG applies many automation technologies, thereby increasing the competitiveness of HRC products, expanding domestic market share and increasing HPG's ability to produce high-quality products in the future.

	Dung Quat 1	Dung Quat 2
	4 x 1.200m3	2 x 2.500m3
	376ha	280ha
	6.000.000 MT	5.600.000 MT
	86.000 tỷ VND	85.000 tỷ VND



Crude steel production capacity 2021-2027



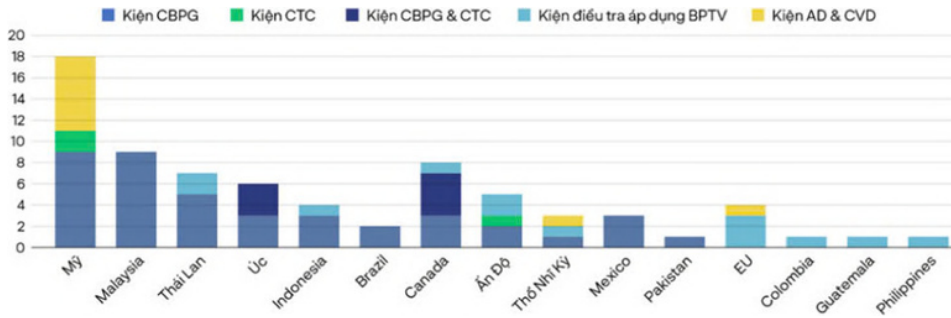
Source: HPG, SHS Research

5. RISK

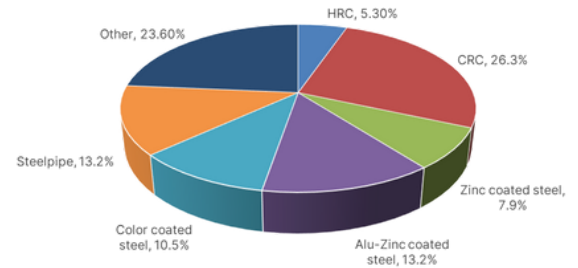
• **Risks from increased protectionism**

The statistics shown that up to mid-2024, out of a total of 252 foreign trade defense investigations with Vietnam, about 30% of the cases are related to steel products. In the context that many other countries are affected by the recent US tax policy on steel, the risk of increasing tariff and non-tariff barriers on imported steel globally may affect HPG's steel export activities.

Vietnamese steel is being investigated for dumping in key markets.



Categories of Vietnamese Steel Subject to Trade Defense Investigations



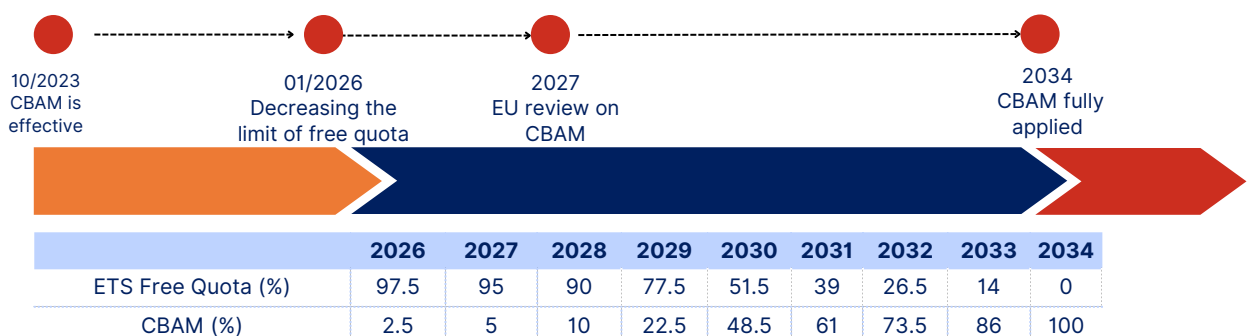
	Nation	Item	Related countries	Note
1	India	Alloy Flat Rolled Steel and non-alloy	China, Korea, Japan, ASEAN	Under investigation
2	S Korea	Cold rolled stainless steel	Vietnam	Preliminary tax from 3,66%-11,37%
3	EU	HRC	Vietnam, India, Egypt, Japan	Under investigation, import quota 550,000 tons/year, 25% tax on excess quota
4	India	HRC	Vietnam	Under investigation
5	Malaysia	Galvanized Steel	China, Korea, Vietnam	

Source: VSA, SHS Research

• **The trend of decarbonization in the world**

According to WSA, the steel industry is one of the industries that contribute to the greenhouse effect that causes global warming when each ton of steel produced generates an average of 1.92 tons of CO2 and accounts for 7%-9% of the total CO2 emitted globally. Of which, the amount of CO2 emitted into the environment by factories using BF-BOF technology (accounting for about 70% of steel factories worldwide) is 2.32 tons, 3.3 times the amount generated by EAF technology (0.7 tons). According to the Paris Agreement, many countries such as the EU, China, and India have set out a roadmap to reduce emissions to 0. To implement this commitment, the EU - one of the key markets of the steel industry - has implemented the carbon border adjustment mechanism (CBAM). CBAM will impose a carbon tax on all imported goods into the EU market based on the intensity of greenhouse gas emissions in the production process in the host country, initially applied to cement, iron and steel, aluminum, fertilizer, electricity and hydrogen. Thus, steel manufacturers using BF-BOF technology exporting to the EU will have to pay more to buy CBAM certificates according to the weekly emission credit price of the EU ETS system, reducing their competitiveness with EAF made products.

CBAM Roadmap



Source: SHS Research

6. BUSINESS PERFORMANCE 2024

Bảng 3: HPG Business performance in 2024

Unit: VND Billion	2023	2024	%YoY	Explanation
Net revenue	118,953	138,855	+16.7%	Complete 99,2% yearly revenue plan
Steel business	111,868.7	129,866.3	+16%	Steel revenue increased by 16% compared to 2023, of which domestic consumption increased by 12.8% and export increased by 26.9%. Steel production output increased by 29.8%, sales output increased by 19.8%, of which construction steel increased by 18.5%, HRC increased by 6.3%, steel billets increased by 4.4 times, steel pipes increased slightly by 3.8%, galvanized steel increased 36.5%. Construction steel market share continues to increase from 34.9% to 38.2%, steel pipe market share slightly decreased to 28%, galvanized steel market share increased from 7.7% to 8.2%.
Agriculture	6,151.5	6,906	+12.2%	Agricultural revenue increased mainly due to the booming market helped increase cattle production. The supply of pigs in 9 months increased by 34% and the price of pigs at the end of 2024 increased by 33% compared to the beginning of the year.
Real estate and others	932.7	2,082.5	+123.7%	Real estate revenue increased sharply thanks to renting additional land area at Pho Noi A IP.
Gross profit	12,937.8	18,497.5	+42.9%	Gross profit margin improved. Gross profit in 2024 reached VND 18,497.5 billion (+42.9% YoY), Prices of most steel production materials decreased during the year, specifically iron ore price decreased by 8.7%, coking coal price decreased by 18.7%, scrap steel price decreased by 8%, helping to improve steel segment profit margin. Gross profit margin of the whole company reached 13.3% (+2.43% YoY).
Gross profit margin	10.87%	13.3%	+2.43%	Financial income decreased by 17,5% YoY due to lower average deposit and interest rate compared with 2023.
Financial income	3,173	2,619	-17.5%	Financial expenses in the period decreased by 23.6% mainly due to a 36.2% decrease in interest expenses despite the increase in total loan size but being capitalized. Exchange rate loss expenses in the period also increased by 23% due to the depreciation of VND against USD.
Financial expense	5,192	3,967	-23.6%	Selling and administrative expenses are stable when fluctuations increase in line with revenue.
SG&A	3,269	3,883	+18.7%	
After tax profit	6,800	12,020	+76.8%	Profit after tax completed 120% of the year plan, reached VND 12,020 billion (+76.8% YoY); corresponding to net profit margin reaching 8.6% (+2.9% YoY) and EPS reaching VND 1,879/share (+60.7% YoY)
Net profit margin	5.7%	8.6%	+2.9%	
EPS (VND/CP)	1,169	1,879	+60.7%	

7. BUSINESS FORECAST AND STOCK VALUATION

7.1. Forecast

In 2025, we forecast that the company can reach VND 155,000 billion in revenue (+11.6% YoY) and VND 12,591 billion in profit after tax (+4.8% YoY) corresponding to EPS of VND 1,969/share based on the following assumptions:

- Steel consumption output increased by +17% YoY mainly due to HPG consuming all HRC steel output of phase 1 of Dung Quat 2 project (1.5 million tons). Unmet domestic demand and the decision to impose import tax on HRC will boost the Company's sales.
- Real estate revenue decreased to VND1,040 billion due to no longer having extraordinary revenue from leasing industrial park land. The agricultural segment recorded revenue +5% YoY to VND7,290 billion.
- With raw material prices remaining low, we believe HPG will maintain its gross profit margin as in 2024 to support sales amid rising depreciation costs, expected to reach 13.3%.
- Financial expenses +22.4% YoY due to no longer interest being capitalized.
- The company is expected to pay a 5% cash dividend (on March 14, 2025, the company will finalize the list of shareholders to attend the annual general meeting of shareholders. Currently, HPG has not published any documents).

In 2026, we forecast revenue of VND 170,000 billion (+9.7% YoY) and VND 14,600 billion profit after tax (+16% YoY)

7.2. Valuation

To determine the fair value of HPG shares, SHS uses the FCFF cash flow discount method. Accordingly, the fair value of HPG shares is VND 34,300/share, +21.8% compared to the closing price of VND 28,150/share on March 11, 2025.

Assumptions

	Yield
Risk-free rate of return	4,6%
Beta	1,17
Market risk premium	8,3%
Cost of Equity	14,3%
Cost of Debt	5%
WACC	11,1%
Perpetuity growth	4,5%

Valuation result

	Amount
Total PV of cash flow (VND Billion)	277.057
- Short and Long term Debt (VND Billion)	82.963
+ Cash, cash equivalent and short term investment (VND Billion)	25.862
- Minority interest (VND Billion)	292,8
Equity value (VND Billion)	219.663
Number of share outstanding	6.396.250.200
Share price (VND)	34.340

APPENDIX 1

Balance sheet				
(VND Billion)	2022A	2023A	2024A	2025F
Short-term assets	82,716	87,079	83,547	106,458
Cash/cash equivalents	12,267	6,888	2,702	18,108
Short-term investment	22,162	18,975	21,168	23,228
Accounts receivable	10,702	7,622	11,220	12,312
Inventory	34,504	46,521	42,507	46,279
Other assets	3,081	7,073	5,951	6,530
Long-term assets	105,066	137,411	158,746	152,352
Fixed assets	72,014	67,428	106,040	141,688
Long-term investment	40	137	137	137
Construction in progress	26,083	63,749	46,195	3,641
Other assets	6,929	6,097	6,374	6,886
Total assets	187,783	224,490	242,293	258,810
Current Liabilities	71,513	75,503	79,314	87,037
Accounts payable	12,387	14,110	15,936	17,487
Advances from Customer	742	739	895	982
Short-term debt	54,982	55,883	57,606	63,214
Other liabilities	3,402	4,772	4,877	5,353
Non-current Liabilities	13,433	34,339	38,939	36,317
Long-term debt	10,399	27,080	35,619	32,676
Other noncurrent liabilities	3,034	7,258	3,320	3,641
Total Liabilities	84,946	109,842	118,253	123,354
Equity	102,771	114,355	123,747	135,162
Contributed capital	58,148	63,963	63,963	70,359
Capital surplus	3,212	0	0	0
Retained profits	40,593	49,576	58,969	63,988
Other capital	818	816	816	816
Minority interests	66	293	292	292
Total Liabilities and Equity	187,783	224,490	242,293	258,810

Cash flow statement				
(VND Billion)	2022A	2023A	2024A	2025F
Net cash flow from operating activities	8,643	7,027	23,563	26,500
Net cash flow from investing activities	-11,995	-30,144	-34,812	-10,561
Net cash flow from financing activities	7,276	17,752	7,064	-533
Net cash flow during the period	3,923	-5,365	-4,186	15,406
Cash/cash equivalents at the beginning of the period	8,325	12,252	6,888	2,702
Cash/cash equivalents at the end of the period	12,248	6,888	2,702	18,108

Profit and Loss				
(VND Billion)	2022A	2023A	2024A	2025F
Revenue	118,953	138,855	154,904	169,983
Cost of goods sold	106,015	120,358	134,268	146,185
Gross profit	12,938	18,498	20,635	23,798
Operating expenses	3,269	3,269	3,883	4,294
Operating profit	9,669	14,615	16,341	19,086
Financial Incomes	3,173	2,619	2,559	2,703
Financial expense	5,192	3,967	4,854	5,456
Other profits	772	1,160	1,294	1,420
Profit/(loss) from joint venture	0.0	0.0	0.0	0.0
Profit before tax	7,793	13,693	14,523	16,856
Corporate income tax	992	1,673	1,932	2,242
NPAT	6,800	12,020	12,591	14,614
Minority interests	-35	0	0	0
NPATMI	6,766	12,020	12,591	14,613
% NPAT margin	5.7%	8.7%	8.1%	8.6%
EPS (VND)	1,169	1,879	1,969	2,077

Financial Ratios				
(VND Billion)	2022A	2023A	2024A	2025F
Valuation ratios				
Outstanding shares (million shares)	5,815	6,396	6,396	7,036
EPS (VND)	1,169	1,879	1,969	2,077
Profitability ratios				
Gross profit margin	10.9%	13.3%	13.3%	14%
Net profit margin	5.7%	8.7%	8.1%	8.6%
ROE	6.9%	11.1%	10.55%	11.3%
ROA	3.8%	5.8%	5.4%	5.8%

Liquidity and Solvency ratios				
Interest Coverage Ratio	2.7	6.39	5.69	5.08
Debt / Total assets	34.8%	37%	38.5%	37.1%
Debt / Equity	63.6%	72.4%	75.2%	70.8%
Current Ratio	1.16	1.15	1.05	1.22
Quick ratio	0.32	0.19	0.52	0.69

RECOMMENDATION SYSTEM

- OW: Expected price increase of 20% or more within a 12-month period.
- Positive: Expected price increase between 10% and 20% within a 12-month period.
- Hold: Expected price increase up to 10% within a 12-month period.
- Negative: Expected price decline up to 20% within a 12-month period.
- UW: Expected price decline of 20% or more within a 12-month period.
- Attention Required: Stocks with unusual or significant developments or trading activities that may have a material impact on the business (informational purposes for investors).
- No Recommendation: The research team is currently analyzing or will analyze the stock but does not provide an investment recommendation or target price due to subjective reasons or in compliance with laws and/or company policies. This typically applies in cases where SHS is providing strategic consulting, handling an IPO, etc., to avoid conflicts of interest.
- Not Yet Rated: No investment recommendation or target price is provided due to a lack of sufficient information to make an investment judgment. Any previous recommendations or target prices, if any, are no longer valid for this stock.

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