Steel: Looking primed for strong growth in FY26

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- Vietnam is accelerating its development through massive public investment, focused on large complexes such as international airports/logistics hubs and a nationwide synchronized transport network. This push is driving demand for steel and other construction materials – likely largely offsetting global export headwinds.
- Stronger domestic trade protections in 2026 will provide a vital buffer for local producers. As large-scale competitive threats remain in the distance, established leaders are well-positioned to optimize their output and capture surging demand.
- 2026 stands as a definitive 'hinge year' for top pick HPG (Buy; TP VND36,300), in our view, marking the beginning of a high-yield profit cycle as new capabilities align with surging domestic needs.

FY25 review: A landmark year of record high steel sales vol.

According to the Vietnam Steel Association (VSA), the industry achieved record-breaking sales volume of 34.2mn tonnes in FY25, a 9.5% y/y increase. This milestone is particularly significant as a robust domestic performance effectively neutralized a contraction in the exports.

While exports fell 27.2% y/y (to 7.5mn tonnes), domestic demand surged by 27.6% y/y (to 26.7mn tonnes) in FY25. This internal growth provided a crucial offset, stabilizing the broader market. Of which, construction steel volume rose 11.6% y/y to a new peak of 13.3mn tonnes, surpassing the previous 2022 record. This growth was primarily fueled by a 28.8% y/y increase in public investment and resilient nationwide construction activity. For hot-rolled coil (HRC), sales volume reached a record 8.5mn tonnes (up 28.5% y/y), supported by proactive protective policies for local producers.

FY26 and beyond: Potential for a steel demand super-cycle in Vietnam

Vietnam is accelerating its development through a massive wave of public investment. This strategic shift focuses on high-impact infrastructure, including large-scale industrial complexes, international aviation/logistics hubs, and a fully synchronized nationwide transport network.

While strict credit controls for real estate developers remain a point of market caution, the sheer scale of the national infrastructure and more affordable commercial real estate segment push is more than compensating for any property-sector softness. This massive public spending is driving demand for construction materials, particularly steel, to historic highs – effectively insulating the domestic market from global export headwinds. Market leaders are further supported by enhanced protectionist measures slated for 2026. The potential extension protection range of anti-dumping (AD) duties on Chinese HRC provides a vital strategic buffer against low-priced imports, allowing local manufacturers to optimize their pricing power.

Backed by these converging factors, we forecast FY26 steel sales volume will grow by 13.6% y/y, reaching 38.8mn tonnes, helped by growth of 13.9% and 28.5% for construction steel and HRC, respectively.

HPG (Buy, TP of VND36,300 = 27% upside) remains our top pick

As these structural tailwinds take hold, HPG looks well positioned for strong growth; our new forecasts suggest a 3Y net profit CAGR of 27%.

		Price	Rating		TP (VND)		Up/(down)	P/E (x)		EV/EBITDA (x)		Div. yield (%)	
	Ticker	(VND)	New	Old	New	Chg (%)	side (%)	2026F	2027F	2026F	2027F	2026F	2027F
Hoa Phat Group	HPG	28,500	Buy	-	36,300	(1.36)	27.4	9.52	7.80	6.64	5.52	1.75	1.75
Hoa Sen Group	HSG	15,700	Reduce	-	14,500	(8.81)	(7.64)	16.1	14.6	9.34	8.04	3.18	3.18
Nam Kim Steel	NKG	15,600	Hold	-	15,300	(11.0)	(1.92)	19.8	16.4	10.7	9.91	0	0

Share prices as of 2 March 2026.
Source: Companies, FactSet, HSC Research

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Domestic demand continues to take the lead

Domestic steel consumption has become the main growth driver, effectively neutralizing the 2025 export slump. We expect this trend to persist through 2026 and beyond, underpinned by the nation's aggressive infrastructure push, a key pillar in the government's vision for a new era of national development. Enhanced domestic strength and favorable trade protectionism policies for local producers will further drive profitability across the sector. We reiterate HPG (Buy) as our top pick for 2026, offering the best exposure to this transformative domestic theme.

A look back at FY25

According to the VSA, the industry achieved a record-breaking sales volume of 34.2mn tonnes in FY25, representing a 9.5% y/y increase. This milestone is particularly significant as robust domestic performance effectively neutralized a contraction in the export sector.

Domestic resilience vs. export headwinds: While exports faced a challenging environment, declining 27.2% y/y to 7.5mn tonnes on the increased trade protectionism globally, domestic demand surged by 27.6% y/y, reaching 26.7mn tonnes. This internal growth provided a crucial offset, stabilizing the broader market.

Record-high construction steel: Sales volume in this segment rose 11.6% y/y to a new peak of 13.3mn tonnes, surpassing the previous FY22 record (12.3mn tonnes). This growth was primarily fueled by a 28.8% y/y increase in public investment and resilient nationwide construction activity. Within this segment, domestic sales volume surged sharply by 17.9% y/y in FY25 (to 11.8mn tonnes, surpassing previous FY22 record of 10.1mn tonnes) and fully offsetting the 21% y/y drop in exports (to 1.5mn tonnes).

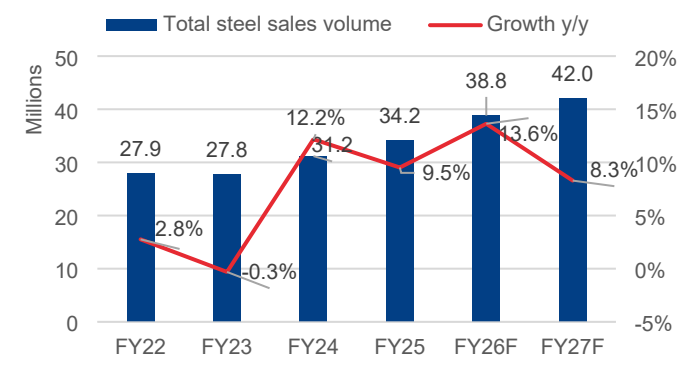
HRC market expansion: HRC volumes reached a record 8.5mn tonnes (up 28.5% y/y). This momentum was largely sustained by proactive protective policies against low-priced Chinese imports, effective since 8 Mar-25 as temporary protection for 120 days and became 5Y effective since Jul-25 till Jul-30. By market, Vietnamese HRC vol. sold

Steel pipe sales volume also improved 6.5% y/y in FY25 to 2.7mn tonnes, partly supported by resilient demand of construction activities for both public and residential segment in Vietnam, as majority of steel pipe demand came from domestic market.

Steel sheet was the most significantly impacted hurt segment, because of increased global trade protectionism policy. Accordingly, steel sheet sales volume dropped by 12.5% y/y in FY25 to just 4.7mn tonnes. Of which, export volume fell sharply 47.5% y/y to 1.6mn tonnes, offsetting the growth of 30.6% y/y in domestic sales volume to 3.2mn tonnes.

Figure 1: Steel sales vol. (mn tonnes), Vietnam

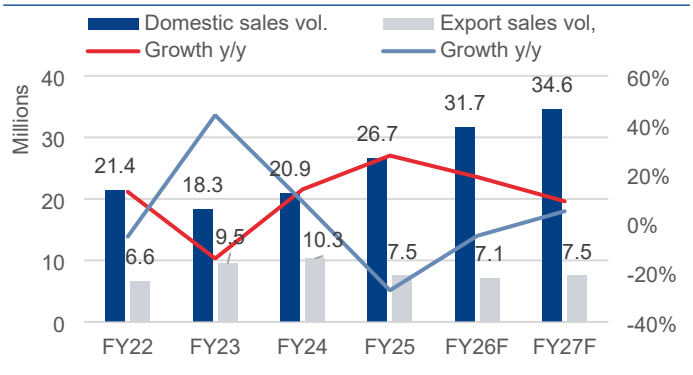
Grew 9.5% y/y to new record high of 34.2mn tonnes in FY25…



Source: VSA, HSC Research

Figure 2: Steel sales vol. by market (mn tonnes), Vietnam

… of which, domestic volume led



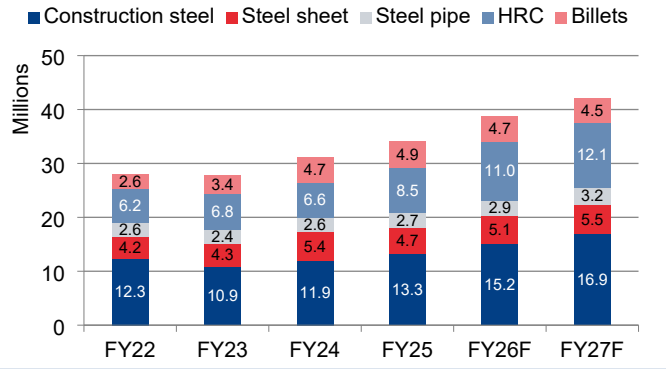
Source: VSA, HSC Research

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Figure 3: Steel sales vol. by segment (mn tonnes), Vietnam

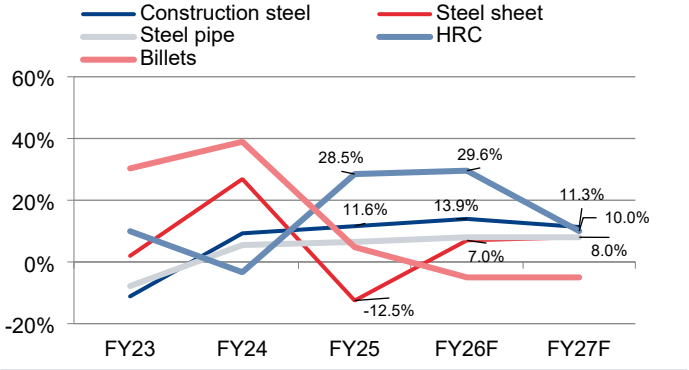
Construction steel/HRC both reached new record high in FY25



Source: VSA, HSC Research

Figure 4: Steel sales vol. growth by segment, Vietnam

HRC and construction steel continue to lead the growth in FY26



Source: VSA, HSC Research

Strategic outlook: Steel demand super-cycle in Vietnam

Vietnam's infrastructure-led transformation…

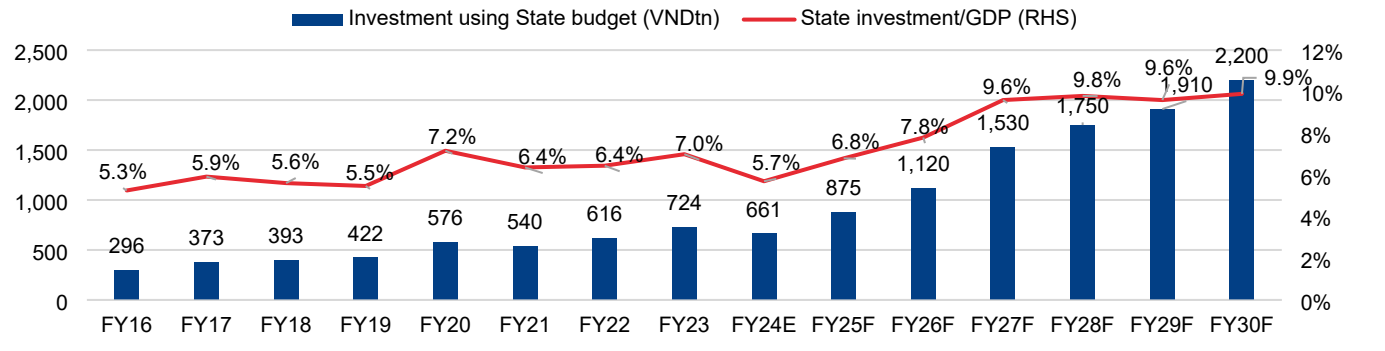
Vietnam has officially transitioned from strategic planning to a phase of aggressive implementation. Public investment has evolved beyond a simple fiscal tool to become the primary engine for the nation's 'National Transformation' goal. Unlike traditional short-term stimulus, the current focus on large-scale industrial complexes, international aviation hubs, and synchronized transport networks creates a permanent multiplier effect. By significantly reducing logistics costs, these projects are designed to attract a new wave of high-value FDI.

And indeed, the landscape of Vietnam's infrastructure is set for a historic shift, evidenced by the unprecedented ramp-up in state budget allocations:

- **Accelerated annual disbursement:** According to Ministry of Finance (MOF), there's a significant surge in annual public investment starting in FY25F at VND875tn (up 32% y/y), jumping to VND1,120tn (up 28% y/y) in FY26F. This trajectory continues upward, reaching VND2,200tn by FY30F. This said, the Government plans to allocate a staggering VND8,510tn for development investment during the FY26–30F period, implying a robust 5Y CAGR of 20.2% or 149% higher vs. total investment disbursed in the previous 5Y of FY21-25 period (Figures 5-6).
- **Record-high GDP contribution:** Based on the 5Y plan of the MOF, the State Investment-to-GDP ratio is set to reach new levels. From a historical average of 5–7%, this ratio will climb to 7.8% in FY26F and remain consistently above 9.5% from FY27F onwards, peaking at a record 9.9% by FY30F.

Figure 5: Investment using State budget, Vietnam

The Govt. plans to allocate VND8,510tn for development investment during FY26-30 period, or implying a 5Y CAGR of 20.2%



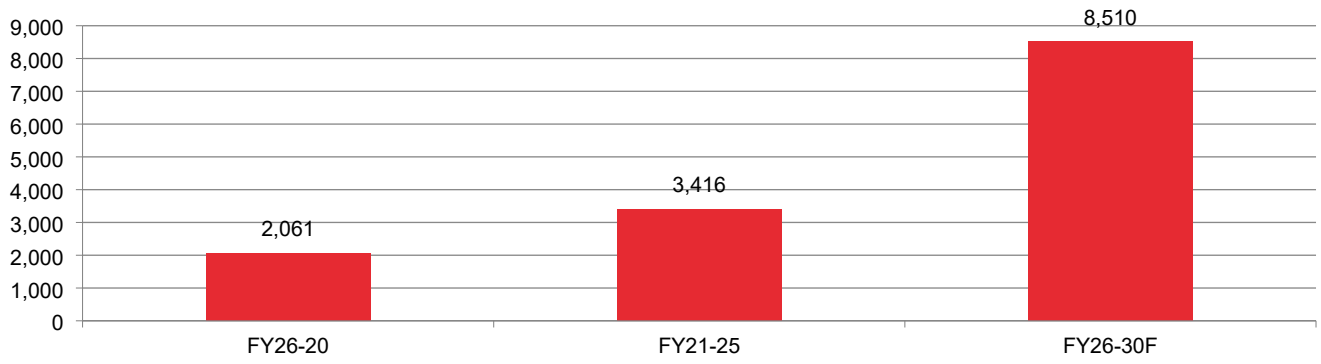
Source: MOF, HSC Research

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Figure 6: 5Y disbursement of Investment using State budget (VNDtn), Vietnam

Vietnam targets to disburse VND8,510tn in the next 5Y, a 149% higher vs. actual disbursement in the previous 5Y



Source: MOF, HSC Research

Figure 7: Major infrastructure projects in coming years, Vietnam

Expressway and ring road networks remain a key focus in the next five years

Public investment/PPP projects	Type of investment	Total investment (USDbn)	2026	2027	2028	2029	2030
A. Expressways and ring roads							
12 North-South Expressway Projects (Eastern section) (723.7 km)	Public investment	6.2					
Chau Doc-Can Tho-Soc Trang Expressway (188.2 km)	Public investment	1.7					
Bien Hoa-Vung Tau Expressway (54 km)	Public investment	0.7					
Khanh Hoa-Buon Ma Thuot Expressway (117.5 km)	Public investment	0.8					
HCMC Ring Road 3 (76.3km)	Public investment	3.2					
Hanoi Ring Road 4 (113.5km)	PPP	3.7					
North-South Expressway (Eastern, CT.01) - Can Tho 2 Bridge and approaches (15 km)	Public investment	1.1					
North-South Expressway (Western, CT.02): Phu Tho-Co Tiet-Hoa Lac-My An (123 km)	Public investment	2.3					
Hanoi-Hoa Binh-Son La-Dien Bien Expressway (CT.03) (302 km)	Public investment	2.5					
Tuyen Quang-Ha Giang Expressway Phase 2 (CT.15) (58.5 km)	Public investment	0.6					
Bac Kan-Cao Bang Expressway (CT.07) (87.3 km)	Public investment	1.1					
Noi Bai-Bac Ninh Expressway (CT.09) (30 km)	Public investment	0.1					
Dong Dang-Tra Linh Expressway Phase 2 (CT.10)	PPP	0.4					
Hanoi Ring Road 5 (CT.39) (331 km)	Public investment/PPP	6.5					
Phu Ly-Nam Dinh Expressway (CT.11) (25 km)	Public investment	0.4					
Ninh Binh-Hai Phong Expressway (CT.08) (29 km)	Public investment	0.5					
Vinh-Thanh Thuy Expressway (CT.17) (60 km)	Public investment	0.7					
Cam Lo-Lao Bao Expressway (CT.19) (56 km)	PPP	0.5					
Quy Nhon-Pleiku Expressway (CT.20) (125 km)	Public investment	1.6					
Quang Ngai-Kon Tum Expressway (CT.42) (144 km)	Public investment	1.7					
HCMC Ring Road 4 (CT.41) (199 km)	PPP	4.6					
Hong Ngu-Tra Vinh Expressway (CT.36) (68 km)	Public investment	0.8					
Go Dau-Xa Mat Expressway Phase 1 (CT.32) (65 km)	PPP	0.3					
Ha Tien-Rach Gia-Bac Lieu Expressway (CT.35) (100 km)	Public investment	2.1					
Ca Mau-Dat Mui Expressway (CT.43) (84 km)	Public investment	2.2					

Source: HSC Research complies

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Figure 8: Major infrastructure projects in coming years (continues), Vietnam

…alongside with further expansion into new scope of investment in rail/metro networks, airports, seaport and other projects

Public investment/PPP/Private investment projects	Type of investment	Total investment (USDbn)	2026	2027	2028	2029	2030
B. Rail and metros							
North-South High-Speed Railway (1,541 km)	TBA	67.3					
Lao Cai-Hanoi-Hai Phong (to China) Railway (390.9 km)	Public investment	8.4					
HCMC Metro Line 2: Ben Thanh- Tham Luong (11.3 km)	Public investment	2.1					
HCMC Metro Line 3, 4, 6	Public investment	19.0					
Binh Duong New City-Suoi Tien Metro Line (32.43 km)	Public investment	2.4					
Ben Thanh-Can Gio Metro Line	Private Investment (Vinspeed)	3.3					
Hanoi Metro Line 5: Van Cao-Ngoc Khanh-Hoa Lac (39 km)	Public investment	2.5					
Hanoi Metro Line 2: Nam Thang Long-Tran Hung Dao (11.5 km)	ODA JICA, public investment	1.4					
Hanoi-Gia Bình-Hạ Long Green Railway (120 km)	Private Investment (Vingroup)	6.0					
C. International airports							
Chu Lai International Airport	TBA	0.6					
Gia Binh International Airport (Phase 1)	Masterise, GEL, and MPS	5.4					
Long Thanh International Airport (Phase 1)	ACV	4.7					
Phu Quoc International Airport (Phase 2)	Private Investment (Sun Group)	0.9					
Long Thanh International Airport (Phase 2)	TBA	n/a					
D. Seaport systems							
Can Gio International Transshipment Port (seven phases)	Consortium: SGP, TIL	5.5					
Cai Mep Ha General Port (Phase 1)	Consortium: Geleximco Group, ITC Corp, and SCIC	0.5					
Lach Huyen Port - Terminals 7 & 8	Consortium: CMA CGM, France & SNP	0.5					
Nam Do Son Port (Phase 1)	TBA	1.1					
Lien Chieu Deep-Water Port	TBA	1.8					
E. Bridges and others							
Can Gio Bridge (6.3 km)	PPP	0.5					
Phu My 2 Bridge (14.8 km)	Public investment	1.0					
Cat Lai Bridge (HCM-Nhon Trach) (4.5 km)	Public investment	0.5					
Dong Nai 2 (Long Hung) Bridge (9.8 km)	Public investment	0.4					
Red River Landscape Boulevard Construction Investment project	PPP	4.0					
Thu Thiem 4 Bridge (2.2 km)	Public investment	0.2					
Hung Yen Stadium	Public investment (Ministry of Public Security)	1.1					
Trong Dong Olympic Stadium	PPP	37.0					
Rach Chiec National Sports Complex	PPP	5.4					

Source: HSC Research complies

…creating the foundation for a potential construction materials 'super cycle'

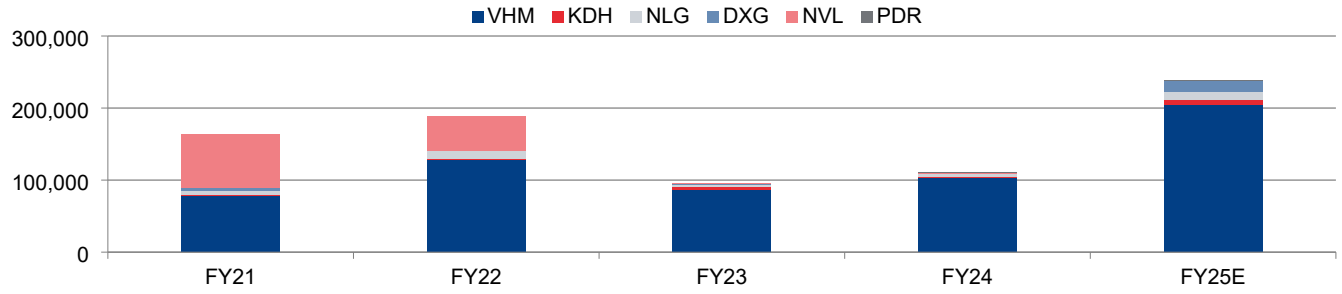
The current national transformation marks a fundamental shift as Vietnam moves toward an economy anchored by state-led infrastructure rather than the traditional real estate cycle. This massive and sustained capital injection provides a highly credible foundation for a long-term super-cycle in the construction materials sector, creating a more stable and predictable growth trajectory for industrial leaders. By significantly reducing logistics costs and attracting high-value FDI, this infrastructure-led model ensures that demand for steel, plastic pipes, stone, and cement will enter a sustained high-growth phase, providing a vital buffer for domestic manufacturers against global volatility.

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Figure 9: FY25 pre-sales (VNDbn), listed residential real estate developers in Vietnam

Surged 116% y/y to VND239tn in FY25 pre-sales of six covered residential RE companies



Source: Companies, HSC Real Estate Research complies

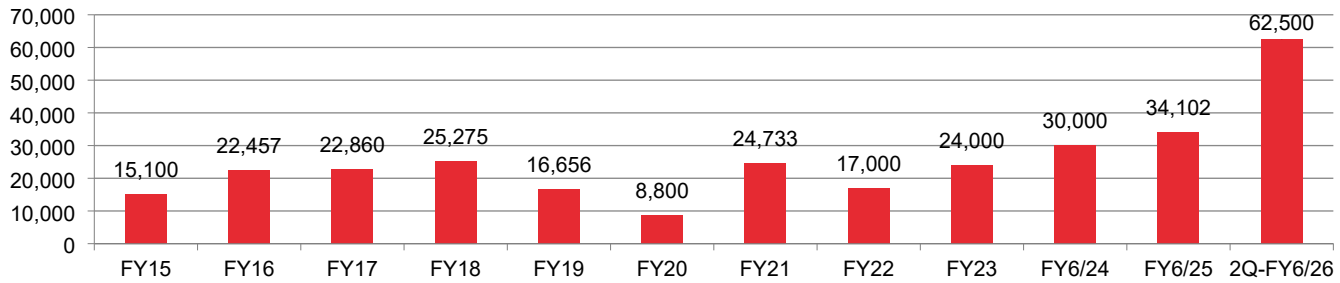
This macro thesis is strongly supported by leading indicators in the residential and industrial sectors. According to HSC Real Estate Research, **total presales** (Figure 9) for six residential real estate developers under our coverage are estimated to reach VND 239tn in FY25, more than doubling FY24 levels and signaling the start of a robust new development cycle. While this figure is heavily influenced by Vinhomes (VHM; Hold, TP VND123,300), which contributes approximately VND205tn or 86% of the total, it accurately reflects the aggressive expansion strategies currently employed by nationwide leaders like Vinhomes, Sun Group, Masterise, MIK (all private and unlisted companies), and diversified conglomerates such as THACO (private/unlisted) and HPG. Because strong presales typically translate into intensive groundbreaking and structural construction phases within 12 months, this volume provides a clear roadmap for surging material consumption starting in FY26.

Further confirming this multi-year outlook is the record-breaking performance of industry leader Coteccons (CTD; Buy, TP VND110,000), which serves as a highly reliable proxy for the broader construction market. While comprehensive data for the entire construction industry remains limited, we view CTD as a highly reliable indicator of broader market health. With a commanding market share estimated between 20% and 25% for major construction activities, CTD's trajectory serves as a credible benchmark for the sector's overall momentum. And CTD's backlog includes both infrastructure and residential workloads.

As of 2Q-FY6/26, **CTD's ending backlog** (Figure 10) has surged to an all-time high of VND62.5tn, an 83% increase compared to FY6/25 and nearly quadruple the levels seen during the industry's 2022 cyclical low. Given that this backlog is typically realized over a 24-30 month execution window, the current momentum is far more than a temporary peak; it represents a sustained expansion that will underpin revenue and material demand through FY28 and beyond. As these high-value projects transition into their intensive construction phases, the convergence of massive public investment, record backlogs, and resurgent presales establishes a compelling, long-term growth engine for the construction materials sector.

Figure 10: Ending backlog value (VNDbn), CTD

Surged sharply as of 2Q-FY6/26 (fiscal year end in June)



Source: CTD, HSC Research

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Strategic buffers: Trade defense measures continue in focus

To further strengthen the domestic industrial landscape, Vietnam maintains a comprehensive and proactive trade defense framework designed to support the long-term viability of the steel sector. These measures act as a strategic buffer, insulating local manufacturers from low-priced imports and allowing them to optimize their pricing power as the nation enters its next growth phase.

The current protectionist environment is characterized by targeted duties across key product segments to ensure a fair competitive landscape:

Robust HRC protection

Following the period of temporary measures establishing for 120 days since 8 Mar-25, the Ministry of Industry and Trade (MoIT) has implemented official Anti-Dumping (AD20) duties on Chinese HRC with a width below 1,880mm. These duties, ranging from 23.1% to 27.83%, are scheduled to remain in effect for five years until Jul-30. To further close potential loopholes, a new investigation into tax evasion for wider Chinese HRC (1,880mm to 2,300mm) was launched in Oct-25. We anticipate the findings of this probe within the next one to two months; a positive outcome would signal even stricter controls over low-priced imports, providing a clear path for Vietnamese manufacturers to capture additional market share.

The efficacy of these measures is already reflected in recent trade data. Total HRC imports fell 25% y/y to 8.9mn tonnes (Figures 11-13), largely driven by a sharp decline in Chinese HRC, which dropped 42% y/y to approximately 5.0mn tonnes, a significant retreat from the record 8.6mn tonnes seen in FY24.

Figure 11: Imported HRC vol. by countries, Vietnam

China accounted 56% of total import HRC in FY25 from 73% in FY24

Tonnes	FY23	FY24	FY25
China	6,268,253	8,628,225	5,022,668
India	364,794	221,410	116,957
Others	2,302,492	3,034,632	3,769,139
Total import HRC vol.	**8,935,539**	**11,884,267**	**8,908,764**
Domestic production vol.	6,727,351	6,829,533	8,388,307
Import/Production	**133%**	**174%**	**106%**

Source: Vietnam Custom, VSA, HSC Research

Figure 12: Growth y/y of imported HRC vol., Vietnam

Imported HRC into Vietnam, dropping 25% y/y, largely on the protection installment since 8 Mar-25

	FY23	FY24	FY25
China	90.4%	37.6%	-41.8%
India	-65.0%	-39.3%	-47.2%
Others	-38.5%	31.8%	24.2%
Total imported HRC vol.	**10.6%**	**33.0%**	**-25.0%**

Source: Vietnam Custom, VSA, HSC Research

Figure 13: HRC consumption, Vietnam

Vietnam consumed 16.5mn tonnes in FY25, up 2% y/y

Tonnes	FY23	FY24	FY25
Production	6,727,351	6,829,533	8,388,307
Consumption = I + D	**12,338,213**	**16,210,541**	**16,476,361**
Import (I)	8,935,539	11,884,267	8,908,764
Export (E)	*3,405,663*	*2,254,744*	*886,949*
Domestic (D)	3,402,674	4,326,274	7,567,597
Import/Consumption	72.4%	73.3%	54.1%
Domestic/Consumption	27.6%	26.7%	45.9%

Source: Vietnam Custom, VSA, HSC Research

Figure 14: HRC capacity, Vietnam

Vietnam is still at undercapacity in FY26

Tonnes	end-FY24	end-FY25	end-FY26
FMS	5,000,000	5,000,000	5,000,000
HPG	3,000,000	9,000,000	9,000,000
Vietnam HRC capacity	8,000,000	14,000,000	14,000,000
Weighted avg. capacity	**8,000,000**	**11,000,000**	**14,000,000**
Vietnam HRC demand	**16,210,541**	**16,476,361**	**17,300,179**
Shortage	**8,210,541**	**5,476,361**	**3,300,179**
% of shortage	50.6%	33.2%	19.1%
% demand met	49.4%	66.8%	80.9%

Source: Vietnam Custom, VSA, HSC Research

Consequently, the domestic market share held by local producers, including HPG and Formosa (FMS), surged to 45.9% in FY25, up from 26.7% the previous year. This shift occurred against a backdrop of resilient demand; despite the high base in FY24, Vietnam's HRC consumption grew by 2% to 16.5mn tonnes in FY25, as strong domestic industrial activity effectively offset softer export demand for steel sheets.

While some concern has been expressed regarding a potential capacity surplus as HPG approaches full utilization, our analysis suggests that a domestic shortage remains likely through FY26, even if local producers dedicate 100% of their output to the home market. In addition, we expect that as stricter controls take full effect from 2Q26 onwards, the continued reduction in imports will allow local producers to establish a new market balance point. Supported by protective duties of up to 27.83%,

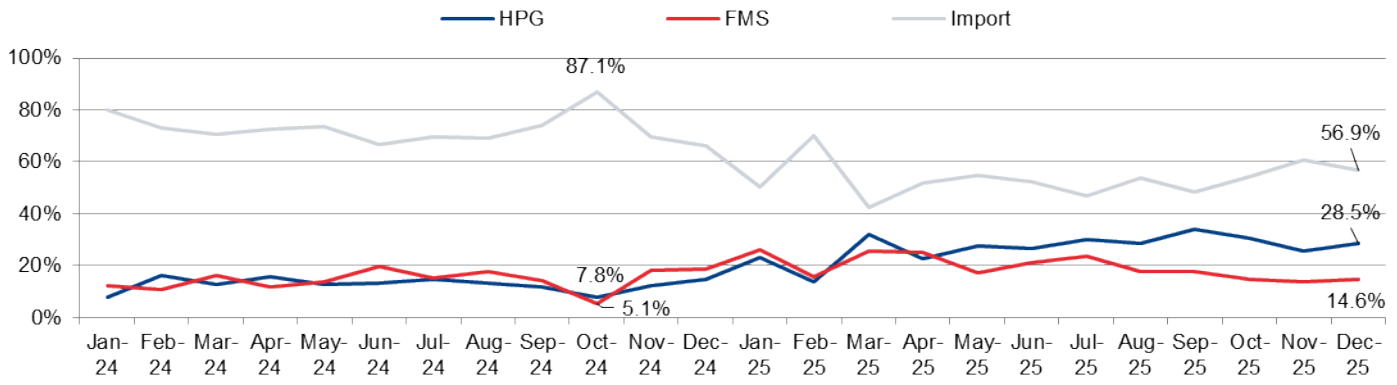
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this environment is set to significantly enhance the margins of domestic players, transforming their operational stability into a long-term competitive advantage.

Figure 15: HRC market, Vietnam

Vietnamese HRC producers have been taking market share from imports



Source: HSC Research

Figure 16: Current and prospective trade defense measures, Vietnam

VN maintains a comprehensive and proactive trade defense framework to support the long-term viability of its domestic steel sector

Item	Decision	Products	AD duties range	Start of effective period	End of effective day	Effective duration
Temporary AD duties	Decision No. 460/QĐ-BCT	Chinese HRC with wide width below 1,880mm	19.38% to 27.83%	8-Mar-25	5-Jul-25	120 days
Official AD duties (AD20)	Decision No. 1959/QĐ-BCT	Chinese HRC with wide width below 1,880mm	23.1% to 27.83%	7-Jul-25	6-Jul-30	5 years
Investigation on tax evasion	**Decision No. 3176/QĐ-BCT**	**Chinese HRC with wide width above 1,880mm to 2,300mm**	**N/A**	**27-Oct-25**	**Investigate in 9 months at max**	
Official AD duties (AD19)		Chinese and Korean Galvanized steel sheet	15.67% to 37.13%	16-Apr-25	13-Apr-30	5 years
Safeguard duty		Construction steel	6.10%		22-Mar-26	since Mar-16
Import tax		Finished products	15%		Permanent	

Source: MoIT, HSC Research

Protections for other steel products are still effective

The industry is further shielded by official AD duties (AD19) on Chinese and Korean galvanized steel sheets, with duties reaching up to 37.13% through Apr-30. Additionally, a 6.10% safeguard duty on construction steel remains in place until Mar-26, complementing a permanent 15% import tax on finished products.

These multi-layered defenses, particularly the long-term extension of HRC duties, provide the necessary market stability for industry leaders to focus on the massive project pipelines generated by the national infrastructure transformation.

FY26-27 steel forecasts

Volume is forecasted to grow at double digit growth in FY26F

Backed by these converging factors, we forecast FY26/27 steel sales volume to grow robustly by 13.6% y/y and 8.3% y/y, reaching 38.8mn/42.0mn tonnes. This momentum is expected to be led by:

- **Construction steel:** We forecast construction steel sales volume will increase 13.9% y/y in FY26 to 15.2mn tonnes. For FY27, we also project a growth of 11.3% y/y yo 16.9mn tonnes.
- **Local HRC sales volume:** We see growth of 29.6% y/y/10% y/y to 11mn/12mn tonnes respectively in FY26/27 vs. a growth of 28.5% seen in FY25 to 8.5mn tonnes.

Steel prices are projected to increase in FY26

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Global context

The global crude steel landscape is witnessing a moderate contraction, with total world output declining by 2.0% y/y to 1,849mn tonnes in FY25. This downturn is primarily driven by a 4.4% production cut in China, the world's dominant producer, which saw its output fall to 961mn tonnes. In contrast, the Rest of the World (excluding China) remained resilient, posting a marginal growth of 0.8%. This divergence suggests that while the largest global player is scaling back, other regions are maintaining their industrial momentum despite broader economic headwinds.

Amidst this global volatility, Vietnam has emerged as a significant outlier and a primary growth engine in the international steel arena. Currently ranked as the 11th largest producer globally, Vietnam achieved a remarkable 12.3% y/y growth, increasing its crude steel production to 25mn tonnes in FY25. This is the highest growth rate recorded among the top 15 global producers, contrasting sharply with significant contractions in other established manufacturing hubs like Germany (off 8.6%), Japan (down 3.9%), and South Korea (off 2.7%).

Figure 17: Top 15 crude steel production by country, Global

Vietnam is ranked as top 11 biggest countries for crude steel production globally

No	Tonnes mn	FY24	FY25	Growth y/y
1	China	1,005	961	-4.4%
2	India	149	165	10.4%
3	US	80	82	3.1%
4	Japan	84	81	-3.9%
5	Russia	71	68	-4.1%
6	South Korea	64	62	-2.7%
7	Turkey	37	38	3.3%
8	Germany	37	34	-8.6%
9	Brazil	34	33	-1.2%
10	Iran	31	32	2.6%
11	Vietnam	22	25	12.3%
12	Italy	20	21	3.5%
13	Indonesia	19	19	2.2%
14	Taiwan	19	17	-10.9%
15	Mexico	14	14	-5.6%
	World steel output	**1,887**	**1,849**	**-2.0%**
	ROW (excl. China)	**882**	**889**	**0.8%**

Source: World Steel Association (WSA)

Chinese exports climbed to new record high in FY25

FY25 marked a historic turning point for the Chinese steel industry as crude steel production fell below the 1bn tonne threshold for the first time in years, dropping to 961mn tonnes. This 4.4% y/y contraction was not merely a market reaction, but a deliberate result of the ‘anti-involution’ campaign kicked off in Jul-25 and further strict environmental controls. These policies were designed to eliminate unfair competition, reduce the "race to the bottom" on pricing, and shift the industry toward higher-quality growth. Even with this production discipline, the Chinese domestic market continued to show prolonged weakness, forcing utilization rates to adjust as the industry sought a new equilibrium.

While domestic consumption remained soft, Chinese steel exports surged to a new record high of 119mn tonnes in FY25, a 7% y/y increase. This aggressive export push reflects the need to offload surplus inventory that the cooled-down domestic real estate and industrial sectors could no longer absorb. However, this record volume is being met with a tightening web of global trade defenses. While China’s exports currently serve as a vital exhaust valve for its internal supply-demand imbalance, the rising tide of international protectionism suggests that the peak of this export cycle may soon be challenged by structural barriers.

Chinese steel prices were trading in a narrow band over the past 1Y. It is trading at USD464/tonne (off 3.5% y/y and flat YTD) and USD471/tonne (flat y/y and YTD) for construction steel and HRC prices. While for coking coal and iron ore, they are trading

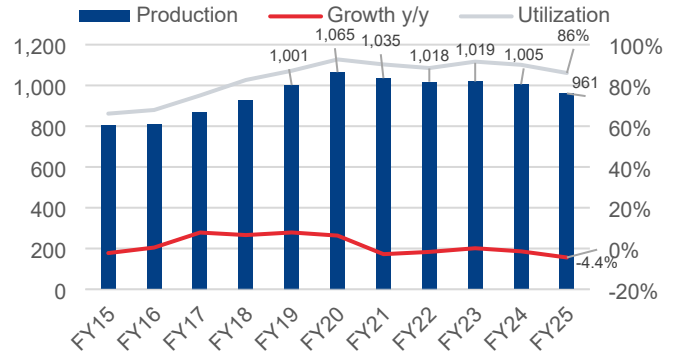
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in a mixed trend, whereas coking coal price was up 18% y/y and 3% to USD225/tonne while iron ore price dropped 10% y/y and 10% YTD to just USD96/tonne.

Figure 18: Crude steel production (mn tonnes), Global

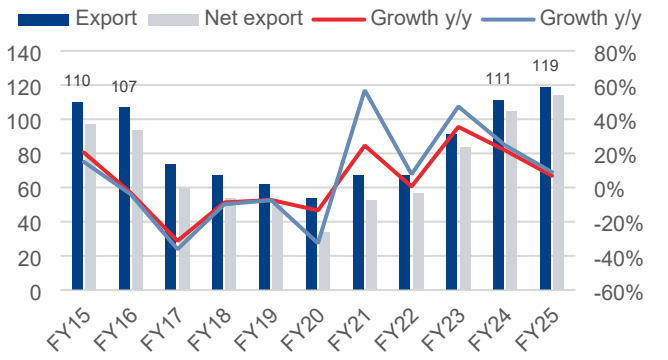
Chinese crude steel production vol. dropped 4.4% y/y to 961mn tonnes in FY25



Source: WSA, HSC Research

Figure 19: Export and net export (mn tonnes), China

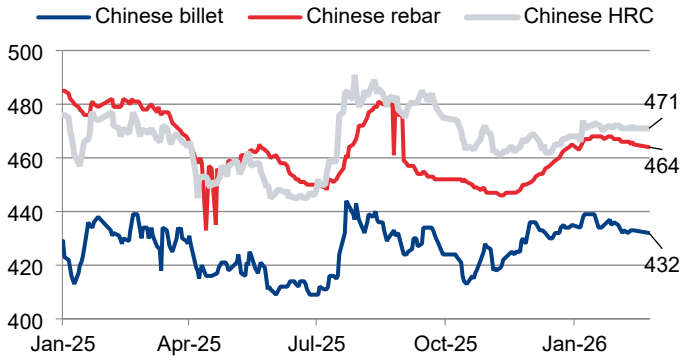
China reached new record high in exports, to 119mn tonnes, in FY25, up 7% y/y, on prolonged domestic weakness



Source: WSA, HSC Research

Figure 20: Steel prices (USD/tonne), China

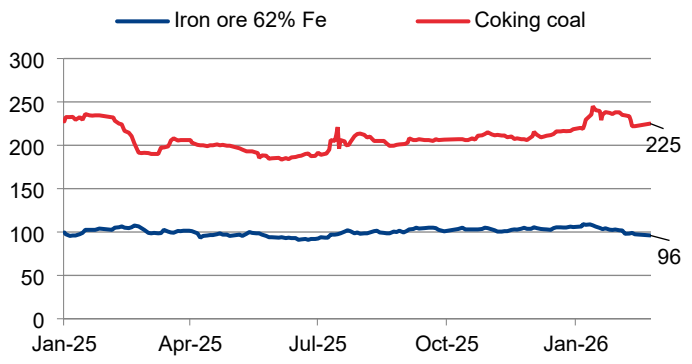
Chinese steel prices were trading on a narrow band in 1Y



Source: Bloomberg, HSC Research

Figure 21: Input material prices (USD/tonne), Global

Coking coal/iron ore are trading at USD225/USD96 per tonne



Source: Bloomberg, HSC Research

Geopolitical tension could impact on global exports

Iran remains a pivotal player in the global steel trade as a consistent net exporter, having shipped approximately 9mn tonnes in FY24. This performance positions Iran among the world's top five steel exporters, trailing only China, Japan, South Korea, and Russia. In terms of volume, Iran's crude steel production reached 32mn tonnes in FY25, representing a 2.6% y/y growth and securing its rank as the 10th largest producer globally. While finalized net export figures for FY25 are not yet available, the nation is expected to maintain its status as a key supplier to the international market via its continuous growth in exports while gradually cutting the imports in FY25. Key export market of Iran include Oman, Indonesia, UAE, Ghana, and Afghanistan.

The current geopolitical tensions involving the US, Israel, and Iran present a significant risk to this production stability. Should these conflicts persist or escalate, the resulting impact on Iranian industrial operations would likely tighten global export supply. Such a reduction in international availability would serve as a catalyst for upward pressure on steel prices, further supporting the broader recovery in the sector.

Vietnamese steel prices are forecasted to increase 5-8% y/y in FY26

Based on the convergence of record public investment, surging backlogs, and a fortified trade defense framework, we project that FY26 will mark a healthy rebound for steel prices in Vietnam. This recovery is underpinned by the extension of critical protectionist policies and a fundamental shift toward an infrastructure-led demand cycle. As the nationwide project pipeline transitions into an intensive implementation phase, we forecast a synchronized recovery across key product segments. Details:

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- **Construction steel:** We project the average price to reach VND14,200/kg, representing a 5% y/y increase, driven by the 'super cycle' of infrastructure and residential groundbreaking.
- **HRC:** We estimate HRC prices will average VND14,000/kg (up 8% y/y), as the domestic market finds a new balance point following the sharp reduction in low-priced Chinese imports.

This pricing trajectory provides high visibility for margin expansion among industry leaders, as they leverage both increased capacity utilization and a more stable, protected pricing environment.

HPG could 'command' the market before new entrants arrive in 2028

Recent announcements regarding the entry of Vinmetal (a Vingroup subsidiary) and Xuan Thien Group into the steel sector have drawn notable market attention, leading to some caution regarding the future competitive landscape. Together, these two players represent a combined potential capacity of approximately 15mn tonnes per annum, a significant figure equivalent to 60% of FY25 crude steel output. However, we believe HPG's market dominance remains firmly anchored, as these competitive threats are unlikely to materialize in a meaningful way until the late 2020s.

Specifically, while Xuan Thien's VND98tn Green Steel Complex is a landmark initiative, its first commercial output is not expected until late-2027. Furthermore, the global green steel industry continues to grapple with high production costs, suggesting that achieving economic efficiency will be a long-term challenge rather than an immediate disruption. Similarly, Vinmetal's VND80tn facility (adding 5mn tonnes per annum) in Vung Ang, which targets specialized sectors like EV manufacturing and high-speed infrastructure, is not anticipated to reach upstream production until early 2028 at the earliest. Any interim rolling capacity using external billets/slabs would likely remain limited in scale and intended primarily for system testing.

In conclusion, HPG possesses a critical strategic head start. Its optimized production and established supply chains allow the company to fully capitalize on the current surge in public investment and market recovery well before these new entrants achieve any significant market penetration.

New earnings forecasts

Reflecting the existing market environment, we have revised our earnings forecasts for HPG/HSG and NKG, three steel-listed companies under our coverage. Of which,

- **For HPG**: We are largely unchanged FY26 net profit forecast, calling for a 49% y/y growth to VND23tn, including core net profit of VND21tn, up 35% y/y and non-core profit from selling real estate projects in Hung Yen. For FY27, we slightly cut our FY27 net profit by 1.4% to VND28.1tn, up 22% y/y, on a modest change in interest expense, followed by recent interest rate uplift. We also introduce our FY28 net profit forecast of VND31.6tn, up 13% y/y, implying a 3Y net profit CAGR of 27%.
- Contract to HPG, we trim our earnings forecasts for both HSG/NKG, reflecting the prolonged touch business environment, as a higher interest rate and intensive competition in global market.
    - Accordingly, **for HSG**, we now forecast FY9/26-27-28 net profit of VND606bn, off 18% y/y/VND670bn (up 11% y/y) and VND744bn (up 11% y/y), respectively. This implies a 3Y net profit CAGR of just 0.4%.
    - **For NKG**, we cut our FY26/27 net profit forecasts by 30% on avg., reflecting lower-than-expected sales volume on fierce competition, and increased interest expenses. Accordingly, we forecast FY26-27 net profit of VND352bn (up 78% y/y) and VND427bn (up 21% y/y), respectively; we also introduce our maiden FY28F net profit of VND661bn (up 55% y/y). Our new forecasts imply a 3Y net profit CAGR of 50%. A new factory, Phu My Steel, which is targeted to run commercially in 3Q26 would be the key earnings driver for NKG in FY27-28F period.

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Figure 22: Old and new earnings forecasts, HPG

Our FY26F net profit is largely unchanged, but we cut FY27F by 1.4% on slightly increased interest expenses

	Old forecasts		New forecasts			Revisions		Growth y/y		
VNDbn	FY26F	FY27F	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F	FY28F
Net sales	224,889	241,206	219,889	242,658	261,547	-2.2%	0.6%	40.8%	10.4%	7.8%
Net profit	22,968	28,456	22,972	28,052	31,574	0.0%	-1.4%	48.7%	22.1%	12.6%
'Core' profit	22,968	28,456	20,972	28,052	31,574	-8.7%	-1.4%	34.7%	33.8%	12.6%

Source: HSC Research

Figure 23: Old and new earnings forecasts, HSG

We trim our FY9/26-28 net profit forecasts by 17% on avg, reflecting lower sales volume and higher interest expenses

	Old forecasts			New forecasts			Revisions			Growth y/y		
VNDbn	FY9/26	FY9/27	FY9/28	FY9/26	FY9/27	FY9/28	FY9/26	FY9/27	FY9/28	FY9/26	FY9/27	FY9/28
Net sales	40,562	44,953	49,628	38,505	41,950	45,508	-5.1%	-6.7%	-8.3%	5.4%	8.9%	8.5%
Net profit	730	843	879	606	670	744	-17.0%	-20.5%	-15.3%	-17.5%	10.5%	11.1%
Core profit	730	843	879	606	670	744	-17.0%	-20.5%	-15.3%	70.8%	10.5%	11.1%

Source: HSC Research

Figure 24: Old and new earnings forecasts, NKG

We trim our FY26-28 net profit forecasts by 30% on avg. after weaker-than-expected FY25 results and underlying trends

	Old forecasts		New forecasts			Revisions		Growth y/y		
VNDbn	FY26F	FY27F	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F	FY28F
Net sales	19,691	23,287	18,073	21,573	25,349	-8.2%	-7.4%	22.0%	19.4%	17.5%
Net profit	461	685	352	427	661	-23.8%	-37.7%	78.4%	21.3%	55.0%
Core profit	461	685	352	427	661	-23.8%	-37.7%	301.8%	21.3%	55.0%

Source: HSC Research

HPG remains our top pick

We believe HPG is perfectly positioned to capitalize on the ongoing expansion of public investment, consistent improvement in national construction activities and further trade protection for local producers. Furthermore, its strategic capacity growth is well-timed to meet the strong market demand. We maintain our Buy rating with a revised target price of VND36,300, representing a promising 27% upside potential.

Figure 25: Ratings on listed steel companies, Vietnam

HPG remains our top pick

Company	Old rating	New rating	Market price	Old TP	New TP	Upside	1-yr rolling fwd P/E	3Y avg. P/E	FY26 P/B
HPG	**Buy**	**Buy**	**28,500**	**36,800**	**36,300**	**27.4%**	**9.7**	**13.0**	**1.5**
HSG	Reduce	Reduce	15,700	15,900	14,500	-7.6%	16.6	23.8	0.9
NKG	Hold	Hold	15,600	17,200	15,300	-1.9%	20.1	25.7	0.9

Source: HSC Research

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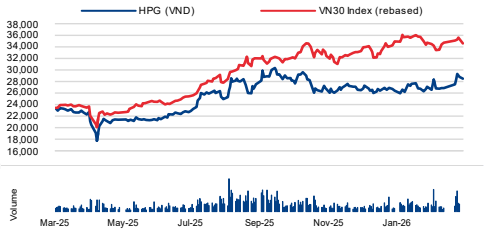
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Buy *(unchanged)*
Target price: VND36,300 *(from VND36,800)*
Up/downside: 27.4%

Share price (VND) (as of 2 Mar 2026)	28,500
Bloomberg code	HPG VN
52-week range (VND)	17,749-30,350
Trading value (5D) (VNDmn)	1,688,676
Market cap. (VNDbn)	218,751
Market cap. (USDmn)	8,360
Shares outstanding (mn)	7,675
Total FOL share room (mn)	3,761
Current FOL share room (mn)	2,030
Foreign ownership limit	49.0%
Foreign owned ratio	22.6%
Free float	54.1%
Major shareholder	Mr. Tran Dinh Long (26.1%)

Source: Company, HSC Research estimates

Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	7.34	7.55	22.1
Relative to index	7.00	4.30	(17.6)
Relative to sector	-	-	-

Source: Company, FactSet

HSC vs. consensus

EPS adj. (VND)	HSC	Cons	% diff
2026F	2,843	2,570	10.6
2027F	3,472	3,116	11.4
2028F	3,908	3,798	2.9

Source: Bloomberg, HSC Research estimates

Company description

HPG is a leading industrial manufacturing group in Vietnam operating in four key businesses: Iron & steel; steel sheet & steel pipe; real estate, and agriculture.

Analysts

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Leader with improving fundamentals + cheap val'n

- We maintain our Buy rating on HPG with a largely unchanged TP of VND36,300, following our slight cut in FY27 net profit forecasts.
- Our FY26F net profit is unchanged at VND23.0tn (up 49% y/y), including VND21.0tn from the core business (up 35% y/y). We cut our FY27F net profit by 1.4% to VND28.1tn (up 22% y/y net/up 34% y/y core), while our maiden FY28F calls for VND31.6tn (up 13% y/y) (3Y CAGR: 27%).
- Up 7% in the past 1M, its valuation remains highly attractive, at a 1-yr rolling fwd P/E of 9.7x, well below its 3Y avg. of 13.0x. HPG still offers a compelling entry point, supported by favorable structural trends.

Event: In-depth FY25 earnings review

HPG reported an FY25 net profit of VND15.5tn, growth of 29% y/y. While this figure was 7% below our initial estimates, the variance was primarily due to the earlier-than-anticipated commissioning of the second blast furnace (BF) at Dung Quat Steel Complex (DQSC) Phase 2. This led to an increase-than-expected in depreciation and non-capitalized interest expenses for 4Q25. We would like to emphasize that this is a technical timing difference in accounting and does not impact on our earnings outlook for FY26-27F, which remains fully intact.

Impact: Largely maintaining FY26-27 forecasts

We maintain unchanged our FY26F net profit, calling for 49% growth to VND23.0tn, including core profit to VND21.0tn (up 25% y/y) and contributions from the divestment in Pho Noi Residential project in Hung Yen.

For FY27F, we trim our net profit by 1.4% to VND28.1tn, reflecting higher interest rate/interest expense; our new forecast suggests growth of 22% in net profit and 34% in core profit. Our maiden FY28F net profit of VND32.6tn, up 13% y/y, leads to forecast a 3Y net profit CAGR of 26.9%. Our earnings forecasts are 11% higher than street for FY26/27 period and 3% for FY28.

Valuation and recommendation

Up 7% in 1M, HPG now trades on 1-yr rolling fwd P/E of 9.7x, very attractive vs. its 3Y avg. of 13.0x. As structural tailwinds begin to take effect, we believe HPG is ideally positioned to achieve robust growth and stand as a primary beneficiary of the ongoing infrastructure push and the strengthening of trade protection measures, which are perfectly synchronized with HPG's timely capacity expansion. While new entrant's threat remains in distant, we see no impact on HPG's position. Maintain Buy with TP of VND36,300 (upside 27%).

Year end: December	12-24A	12-25A	12-26F	12-27F	12-28F
EBITDA adj. (VNDbn)	21,543	28,896	41,522	46,392	49,808
Reported net profit (VNDbn)	12,021	15,450	22,972	28,052	31,574
EPS adj. (VND)	1,488	1,912	2,843	3,472	3,908
DPS (VND)	0	500	500 ▼	500 ▼	500
BVPS (VND)	17,879	16,830	19,182	22,164	25,582
EV/EBITDA adj. (x)	11.1	9.87	6.64	5.52	4.68
P/E adj. (x)	19.2	14.9	10.0	8.21	7.29
Dividend yield (%)	0	1.75	1.75	1.75	1.75
P/B (x)	1.59	1.69	1.49	1.29	1.11
EPS adj. growth (%)	75.9	28.5	48.7	22.1	12.6
Ret. on avg. equity (%)	11.1	12.7	16.6	17.7	17.2

Note: Use of ▲ ▼ indicates that the item has changed by at least 5%.
Source: Bloomberg, HSC Research estimates

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High-growth momentum at an attractive entry level

As structural tailwinds gain momentum, we believe HPG is ideally positioned to deliver robust growth. The company stands as a primary beneficiary of Vietnam's ongoing infrastructure push and the strengthening of trade protection measures, which are perfectly synchronized with HPG's timely capacity expansion. While new market entrants have recently emerged, we view these competitive threats as distant, with no impact on HPG's dominant leadership in the foreseeable future. We maintain our Buy rating with a target price of VND36,300, offering a compelling 27% upside potential.

FY25 – a look back

HPG has released its 4Q25/FY25 financial statements, which reflect the full capitalization of DQSC Phase 2 facilities in 4Q25. Following the operational start of the 1st BF in 3Q25, the 2nd BF was recognized as a fixed asset in 4Q25; one quarter earlier than our expectations.

Accordingly, HPG posted FY25 net sales of VND156tn, up 12% y/y and net profit of VND15.5tn, up 29% y/y. HPG's FY25 net profit missed us by 7%, largely on the earlier-than-expected recognition of the 2nd BF of DQSC P2 as a fixed asset in 4Q25. The accelerated recognition of 2nd BF led to around VND1,100bn in incremental costs during 4Q25, primarily driven by higher depreciation and the cessation of interest capitalization (now recorded as interest expense). These factors largely account for the variance between the reported net profit and our FY25 estimates. Detailed breakdowns are provided below (Figure 26).

Broken down by segment, for FY25, steel accounted for 94% of HPG sales (VND146.5tn, up 13% y/y) and 82% of HPG's NPAT (VND12.7tn, up 25% y/y). Followed by agriculture, which accounted for 5% of HPG sales (VND8.1tn, up 18% y/y) and 10% of HPG's NPAT (VND1.6tn, up 55% y/y). Lastly, real estate accounted for 1% of revenue (VND1.7tn, off 19% y/y) and 8% for the bottom line (VND1.2tn, up 45% y/y), respectively.

Figure 26: FY25 results, HPG

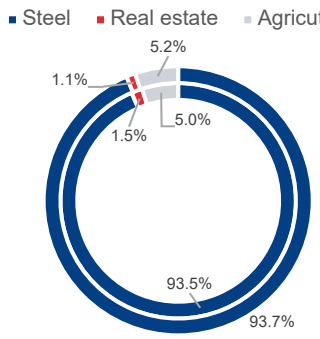
HPG missed us by 7% on one-quarter earlier-than-expected recognized of 2nd BF of DQSC Phase 2 into fixed asset

VNDbn	FY25F	FY25A	Growth y/y	% difference
Net profit	16,602	15,450	28.5%	-6.9%
Variance		**1,152**		
Incremental depreciation exp. as a result of earlier recognition of 2nd BF		*711*		
Incremental non-capitalized interest exp. as a result of earlier recognition of 2nd BF		*424*		

Source: HPG, HSC Research

Figure 27: Revenue breakdown by segment, HPG

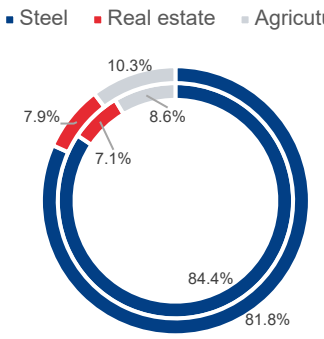
Steel accounted for 94% of HPG's consolidated sales in FY25



Note: inner circle: FY24 data
Outer circle: FY25 data
Source: HPG, HSC Research

Figure 28: NPAT breakdown by segment, HPG

Steel accounted for 82% of HPG's NPAT in FY25



Note: inner circle: FY24 data
Outer circle: FY25 data
Source: HPG, HSC Research

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In FY25, HPG's steel sales volume growth of 28% y/y to 11.8mn tonnes, was the key top line driver, despite an ASP drop of 4% y/y and 13% y/y respectively for construction steel and HRC products. For the bottom line, net margin expanded to 9.9% vs. 8.7% in FY24, on an improved utilization rate and better cost management.

Capacity expansion drives the top line growth

HPG is set to further expand its both crude steel and rolling capacity through FY26–27 to meet rising market demand. As illustrated in Figures 29 and 30, HPG's crude steel capacity is projected to reach 15.4 and 16.5mn tonnes in FY26/27 respectively, up from 14.9mn tonnes in FY25. By continuously optimizing production efficiency alongside these incremental capacity boosts, HPG can capture market growth without requiring excessive new capex.

On a product basis, we forecast sales of 5.7mn (+17% y/y) /6.3mn (+11% y/y) tonnes of construction steel and 7.1mn (+40% y/y)/8.5mn (+20% y/y) tonnes of HRC for FY26/27 respectively. This corresponds to high utilization rates of 97%/91% for construction steel and 75%/90% for HRC in FY26/27, respectively. As these rates continue to improve, we expect the company's overall operational efficiency and margins to strengthen further.

Figure 29: Capacity expansion plan, HPG

HPG continues to expand its capacity to meet improved demand in the market

Tonnes/annum	FY24	FY25	FY26F	FY27F	FY28F
Hung Yen (Long An)	400,000	400,000	400,000	1,000,000	1,000,000
Hai Duong	2,500,000	2,500,000	2,500,000	3,000,000	3,000,000
DQSC P1	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
DQSC P2 (*)	0	6,000,000	6,500,000	6,500,000	6,500,000
Crude steel capacity	**8,900,000**	**14,900,000**	**15,400,000**	**16,500,000**	**16,500,000**

Source: HPG, HSC Research

Figure 30: Capacity and sales volume dynamic, HPG

We forecast HPG will soon reach its limit for construction steel in FY26 while HRC's utilization rate to be reach at full in FY28

Tonnes/annum	FY24	FY25	FY26F	FY27F	FY28F
Construction steel					
Capacity	5,900,000	5,900,000	5,900,000	7,000,000	7,000,000
Sales volume	4,482,719	4,853,291	5,707,302	6,336,711	7,009,991
Utilization rate	76.0%	82.3%	96.7%	90.5%	100.1%
HRC					
Capacity	3,000,000	6,750,000	9,500,000	9,500,000	9,500,000
Sales volume	2,925,137	5,076,446	7,107,024	8,528,429	8,954,851
Utilization rate	97.5%	75.2%	74.8%	89.8%	94.3%

Source: HPG, HSC Research

HPG proposes acquisition of Quy Xa Iron Ore mine

HPG has formally petitioned the Government and relevant ministries to secure exploration and mining rights for the Quy Xa Iron Ore Mine in Lao Cai. This move is part of HPG's broader strategy to enhance raw material self-sufficiency.

Key proposal highlights:

- **Securing raw materials**: To support an annual crude steel production capacity of 16.5mn tonnes, HPG requires approximately 22mn+ tonnes of iron ore per year. Currently, HPG relies on imports majority of this demand, costing roughly USD3bn annually and placing significant pressure on foreign exchange reserves.
- **Background on Quy Xa mine** - The Quy Xa mine holds a substantial reserve of 120mn tonnes (averaging 54-55% Fe) and has a production capacity of 3mn tonnes per year or potentially meet up to 13% of HPG's annual iron ore demand. The previous operator, Viet Trung Mining (VTM), has been inactive since its license expired in 2022, leaving behind approximately VND6.5tn in debt to the state, banks, suppliers and employees.

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- **Debt resolution & Social impact**: HPG has proposed to buy out the VND6.5tn debt of VTM to exchange to right of exploration for this mind. This acquisition would not only resolve the outstanding liabilities but also ensure stable employment for over 2,000 workers and contribute steady revenue to the provincial budget.
- **Operational efficiency**: At an estimated annual output of 3mn tonnes, this mine could cover roughly 70% of the iron ore requirements for HPG's Hai Duong factory. While the Dung Quat Complex will continue to rely primarily on high-grade imports, utilizing domestic sources like Quy Xa would reduce import dependence and potentially offer more competitive pricing.
- **Technical considerations**: We also would note that refining Quy Xa's 55% Fe ore to a 62% Fe benchmark will involve additional processing costs. The ultimate benefit will depend on whether these refining costs remain competitive compared to current global market prices.
- **Investment view:** If approved, we view this as a positive catalyst for HPG. Beyond the potential for cost optimization and supply chain security, the proposal aligns with national interests by recovering non-performing loans (NPLs) and fostering local economic stability.

We haven't reflected this into our earnings model given the lack of final approval. We expect to have further information in the coming months.

Real estate – strategic expansion into residential segment

Over the next five years, we anticipate that HPG will embark on a significant expansion into the residential real estate sector. Currently, as noted above, this segment contributes only 1% of revenue and 8% of NPAT, primarily driven by industrial park operations. We view a broader move into residential housing as a highly strategic and timely step for several key reasons:

- **Robust financial capacity:** HPG generates exceptional free cash flow, supported by an annual net profit of VND20-30tn in the next 3Y and recurring annual depreciation recovery of VND12tn+. In the near term, the company faces no major capex requirements for steel plant expansion (excluding the Phu Yen project (if any), which is slated for FY28 onwards).
- **Social impact & market alignment:** By collaborating with government initiatives, HPG aims to develop affordably priced commercial housing. This entry is expected to help stabilize average apartment prices in Vietnam, aligning with the actual housing needs of the general population.
- **Capital advantage amid credit tightening:** In an environment of tightened credit for traditional developers, HPG's massive internal cash flow and its ability to tap diverse funding channels, such as corporate bonds, foreign loans, and customer prepayments, provide a distinct competitive edge.

There are two projects that HPG will participate in as follows:

Red River Landscape boulevard construction project

HPG is set to take a 20-25% stake in a high-profile consortium (alongside Dai Quang Minh, Thaco, and T&T Group – all private and non-listed companies) to develop the VND855tn Red River Landscape Boulevard. This massive PPP project spans 11,000 hectares in Hanoi, stretching 80km from Hong Ha to Me So Bridge. The development features 3,300ha of landscaped parks and 2,100ha dedicated to urban reconstruction. Targeted for completion by 2030, this iconic project marks a significant milestone in HPG's expansion, positioning the group as a key player in shaping Hanoi's future sustainable and modern urban landscape. We understand that, within VND855tn capex, equity source would account for 15%, or equivalent to VND128tn. With an expected 20-25% stake held by HPG, HPG will make an contribution of VND26-32tn in the coming time for this project, which is suited for their cash flow at this stage.

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Hanoi multi-purpose urban project

HPG is also partnering with Dai Quang Minh to develop a VND100tn multi-purpose urban complex in Hanoi (2026–2029), with HPG an expected holding a 20% stake or so. This landmark project serves as a pilot for sustainable urban governance and affordable commercial housing. It aims to stabilize market prices, align with citizens' actual income, and alleviate population pressure in Hanoi's core urban areas.

The complex integrates smart infrastructure with social welfare and commercial services, connecting the capital's northern economic-tech corridors. Sales are expected to launch in late 2026/early 2027, with handovers beginning from late 2027. The project benefits from expedited land allocation and legal support. To ensure social stability, profit is capped at 15%, and buyers must commit to a 5-year re-sale restriction.

In our view, although the profit margin is regulated, we highly value HPG's role in this government-led initiative to stabilize the housing market. It reinforces HPG's long-term ESG commitment and social standing.

Consequently, we believe this expansion will provide a meaningful income boost alongside HPG's core steel operations. However, due to the limited availability of specific project details at this stage, we have not yet factored these potential developments into our current valuation model.

New earnings forecasts

Despite 7% earnings miss in FY25, we would like to emphasize that this is a technical timing difference in accounting and does not impact on our earnings outlook for FY26-27F, which remains fully intact. Accordingly, we maintain unchanged our FY26 net profit forecast, calling for 49% y/y growth to VND23.0tn, of which, core profit is projected at VND21.0tn (+35% y/y) and VND2.0tn net profit came from the divestment in Pho Noi residential project.

For FY27, we slightly trim our net profit forecast by 1.4% to VND28.1tn, (+22% y/y, while core profit will increase by 34% y/y) on a modest adjustment in interest expense, which is projected to increase slightly for interest rate.

We also introduce our FY28 net profit of VND31.6tn, up 13% y/y, implying a 3Y net profit CAGR of 26.9%.

Our FY26/27/28 net profit forecasts are 11%/11%/3% above street.

Key assumptions are as follows:

Figure 31: Old and new earnings forecasts, HPG

We are largely unchanged our FY26-27 earnings forecasts, while introduce FY28F, implying a 3Y net profit CAGR of 27%

VNDbn	Old forecasts		New forecasts			% revision		Growth y/y		
Item	FY26F	FY27F	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F	FY28F
Net sales	224,889	241,206	219,889	242,658	261,547	-2.2%	0.6%	40.8%	10.4%	7.8%
Net profit	22,968	28,456	22,972	28,052	31,574	0.0%	-1.4%	48.7%	22.1%	12.6%
Core profit	22,968	28,456	20,972	28,052	31,574	-8.7%	-1.4%	34.7%	33.8%	12.6%

Source: HSC Research

Figure 32: Sales volume assumption, HPG

Construction steel and HRC continue to lead the growth…

(tonnes)	FY25	FY26F	FY27F	FY28F
Const'n steel	4,853,291	5,707,302	6,336,711	7,009,991
Billet	655,311	982,967	300,000	0
HRC	5,076,446	7,107,024	8,528,429	8,954,851
Steel pipe	840,538	924,592	1,017,051	1,118,756
Steel sheet	423,486	444,660	466,893	490,238

Source: HSC Research

Figure 33: Sales volume growth, HPG

…on the resilient domestic demand

Growth y/y	FY25	FY26F	FY27F	FY28F
Construction steel	8.3%	17.6%	11.0%	10.6%
Billet	-7.3%	50.0%	-69.5%	-100.0%
HRC	73.5%	40.0%	20.0%	5.0%
Steel pipe	18.9%	10.0%	10.0%	10.0%
Steel sheet	-5.1%	5.0%	5.0%	5.0%

Source: HSC Research

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Figure 34: ASP assumptions, HPG

We forecast a steel price rebound in FY26…

ASP (VNDmn/tonne)	FY25	FY26F	FY27F	FY28F
Construction steel	13.5	14.2	14.5	14.7
HRC	13.0	14.0	14.3	14.6

Source: HSC Research

Figure 35: ASP growth y/y, HPG

…by 5% for construction steel and 8% for HRC respectively

ASP growth	FY25	FY26F	FY27F	FY28F
Construction steel	-4.3%	5.0%	2.0%	2.0%
HRC	-12.8%	8.0%	2.0%	2.0%

Source: HSC Research

Figure 36: Margin assumptions, HPG

We forecast further margin expansion in FY26-28F period, on improved utilization rate

Margins (%)	FY25	FY26F	FY27F	FY28F
GPM	15.7%	16.0%	16.3%	16.6%
SG&A as a % of net sales	2.6%	2.7%	2.7%	2.7%
Pre-tax margin	11.6%	11.6%	12.5%	13.0%
Net margin	9.9%	10.4%	11.6%	12.1%

Source: HSC Research

Valuation and recommendation

We are largely unchanged our TP on HPG at VND36,300 (previous of VND36,800), offering an upside of 27% as we maintain our unchanged earnings forecasts. Our key assumptions are as follows:

- Risk-free rate of 4% (unchanged), equity risk premium of 8.75% (unchanged)
- Beta increased to 1.3x vs. 1.2x (for 5Y horizon, updated by Bloomberg)
- COD is increased to 6.5% vs. 6.1% on an adjustment of interest rate
- WACC is lifted to 12.4% vs. 11.7% previously
- Terminal growth rate is unchanged at 2%

Figure 37: FCFF calculation, HPG

We forecast a strong improvement in FCFF, on reduced capex disbursement in FY26-28F period

VNDbn	FY25	FY26F	FY27F	FY28F
Net income	15,450	22,972	28,052	31,574
+ Interest expense * (1 - Tax rate)	2,679	4,266	3,663	3,508
+ Depreciation and amortization	8,468	12,364	13,379	13,524
- Changes in working capital	(4,914)	(8,974)	(1,749)	(13,189)
- Capex	(21,312)	(7,366)	(13,277)	(2,294)
Free cash flow to the firm (FCFF)	**371**	**23,261**	**30,068**	**33,123**

Source: HSC Research

Figure 38: COE and COD calculation, HPG

We increase COE/COD to 14.9%/6.5% from 14.5%/6.1%

	%
Risk free	4.0%
Equity risk premium	8.75%
Beta	1.3
Cost of equity	**14.9%**
Cost of debt calculation	
Cost of debt	7.5%
Tax rate	13.0%
Cost of debt after tax	**6.5%**

Source: HSC Research

Figure 39: WACC calculation, HPG

WACC is lifted to 12.4% vs. 11.7% previously

Capital structure	
Equity/Total capital	69.8%
Debt/Total capital	30.2%
WACC	**12.4%**

Source: HSC Research

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Figure 40: DCF valuation, HPG

Our TP is largely unchanged at VND36,300 (upside 27%)

VNDbn	FY26F	FY27F	FY28F
FCFF	23,261	30,068	33,123
Terminal growth rate (g) (%)			2%
Terminal value			324,874
Future cash flow	23,261	30,068	357,997
Present value	**23,261**	**26,751**	**283,368**
Value of the firm	**333,379**		
- Total debts	(89,657)		
+ Cash & Cash equivalent and short-term investment	34,994		
Value of owners' equity	**278,717**		
Current outstanding shares (mn share)	7,675		
Fair value per share (VND/share) as of end-FY26	**36,313**		

Source: HSC Research

Valuation context

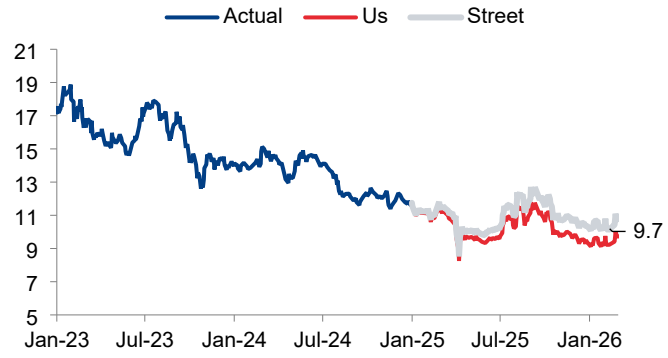
Up 7% in 1M, HPG trades on 1-yr rolling fwd P/E of 9.7x, a deep discount vs. its 3Y avg. of 13.0x.

As structural tailwinds gain momentum, we believe HPG is ideally positioned to deliver robust growth. The company stands as a primary beneficiary of Vietnam's ongoing infrastructure push and the strengthening of trade protection measures, which are perfectly synchronized with HPG's timely capacity expansion. While new market entrants have recently emerged, we view these competitive threats as distant, with no impact on HPG's dominant leadership in the foreseeable future.

We maintain our Buy rating with a target price of VND36,300, offering a compelling 27% upside potential.

Figure 41: 1-yr rolling fwd P/E, HPG

HPG trades on 1-yr rolling fwd P/E of 9.7x…



Source: HSC Research

Figure 42: Standard deviation from mean, HPG

… a deep discount vs. its 3Y avg. of 13.0x



Source: HSC Research

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Financial statements and key data

Income statements (VNDbn)	12-24A	12-25A	12-26F	12-27F	12-28F
Sales	138,855	156,116	219,889	242,658	261,547
Gross profit	18,498	24,498	35,095	39,565	43,346
SG&A	(3,883)	(4,070)	(5,937)	(6,552)	(7,062)
Other income	-	-	-	-	-
Other expenses	-	-	-	-	-
EBIT	**14,615**	**20,428**	**29,158**	**33,013**	**36,284**
Net interest	(1,348)	(2,522)	(3,978)	(2,966)	(2,452)
Associates/affiliates	0	0	0	0	0
Other non-operational	-	-	-	-	-
Exceptional items	426	135	220	243	262
Pre-tax profit	**13,693**	**18,041**	**25,400**	**30,290**	**34,093**
Taxation	(1,673)	(2,526)	(2,332)	(2,120)	(2,387)
Minority interests	1.42	(64.8)	(96.4)	(118)	(133)
Exceptional items after tax	-	-	-	-	-
Net profit	**12,021**	**15,450**	**22,972**	**28,052**	**31,574**
Net profit adj'd	**11,420**	**14,678**	**21,823**	**26,649**	**29,995**
EBITDA adj.	**21,543**	**28,896**	**41,522**	**46,392**	**49,808**
EPS (VND)	1,879	2,013	2,993	3,655	4,114
EPS adj. (VND)	1,488	1,912	2,843	3,472	3,908
DPS (VND)	0	500	500	500	500
Basic shares, average (mn)	6,396	7,675	7,675	7,675	7,675
Basic shares, period end (mn)	6,396	7,675	7,675	7,675	7,675
Fully diluted shares, period end (mn)	6,396	7,675	7,675	7,675	7,675

Cash flow statements (VNDbn)	12-24A	12-25A	12-26F	12-27F	12-28F
EBIT	14,615	20,428	29,158	33,013	36,284
Depreciation & amortisation	(6,928)	(8,468)	(12,364)	(13,379)	(13,524)
Net interest	(1,348)	(2,522)	(3,978)	(2,966)	(2,452)
Tax paid	(937)	(1,995)	(2,332)	(2,120)	(2,387)
Changes in working capital	(13,927)	(10,949)	(33,835)	(15,485)	(25,952)
Others	(2,358)	(3,373)	(5,268)	(4,559)	(4,450)
Cash flow from operations	**6,608**	**15,694**	**4,783**	**28,167**	**20,791**
Capex	(35,495)	(25,750)	(7,366)	(13,277)	(2,294)
Acquisitions & investments	(27,166)	(29,083)	(3,555)	(7,472)	(5,165)
Disposals	32,872	29,661	656	356	506
Others	0	0	0	0	0
Cash flow from investing	**(29,788)**	**(25,172)**	**(10,265)**	**(20,392)**	**(6,953)**
Dividends	(4.97)	(27.0)	(3,838)	(3,838)	(3,838)
Issue of shares	233	1,707	0	0	0
Change in debt	17,587	9,211	14,024	3,634	9,310
Other financing cash flow	0	0	0	0	0
Cash flow from financing	**17,815**	**10,891**	**10,186**	**(203)**	**5,472**
Cash, beginning of period	12,252	6,888	8,301	13,005	20,577
Change in cash	**(5,365)**	**1,413**	**4,704**	**7,572**	**19,310**
Exchange rate effects	0.76	(0.15)	0	0	0
Cash, end of period	**6,888**	**8,301**	**13,005**	**20,577**	**39,887**
Free cash flow	**(28,887)**	**(10,056)**	**(2,583)**	**14,890**	**18,497**

Balance sheets (VNDbn)	12-24A	12-25A	12-26F	12-27F	12-28F
Cash	6,888	8,301	13,005	20,577	39,887
Short-term investments	18,975	19,484	21,989	29,119	34,001
Accounts receivable	7,648	15,065	17,591	19,413	20,924
Inventory	46,091	52,828	65,967	67,944	81,080
Other current assets	7,073	8,004	11,434	13,346	15,170
Total current assets	**86,674**	**103,682**	**129,986**	**150,399**	**191,061**
PP&E	130,995	144,291	139,913	140,485	129,943
Intangible assets	184	187	206	227	249
Investment properties	560	528	478	420	353
Long-term investments	137	2,248	0	0	0
Associates/JVs	0	0	0	0	0
Other long-term assets	5,940	6,985	12,549	13,839	14,909
Total long-term assets	**137,815**	**154,240**	**153,146**	**154,971**	**145,455**
Total assets	**224,490**	**257,922**	**283,132**	**305,370**	**336,516**
Short-term debt	55,883	64,695	68,165	65,518	70,618
Accounts payable	14,047	21,183	28,586	31,546	34,001
Other current liabilities	2,813	5,091	6,486	7,016	7,449
Total current liabilities	**75,225**	**94,209**	**107,800**	**109,114**	**117,495**
Long-term debt	27,080	27,479	21,491	19,189	15,351
Deferred tax	29.3	31.0	0	0	0
Other long-term liabilities	7,440	4,906	4,470	4,694	4,930
Long-term liabilities	**34,550**	**32,416**	**25,961**	**23,883**	**20,281**
Total liabilities	**109,842**	**126,702**	**133,761**	**132,997**	**137,776**
Shareholders' funds	114,356	129,178	147,233	170,117	196,351
Minority interests	291	2,042	2,139	2,256	2,389
Total equity	**114,647**	**131,220**	**149,371**	**172,373**	**198,740**
Total liabilities and equity	**224,490**	**257,922**	**283,132**	**305,370**	**336,516**
BVPS (VND)	17,879	16,830	19,182	22,164	25,582
Net debt/(cash)*	76,075	83,873	76,651	64,129	46,082

Financial ratios and other	12-24A	12-25A	12-26F	12-27F	12-28F
Operating ratios					
Gross margin (%)	13.3	15.7	16.0	16.3	16.6
EBITDA adj. margin (%)	15.5	18.5	18.9	19.1	19.0
Net profit margin (%)	8.66	9.90	10.4	11.6	12.1
Effective tax rate (%)	12.2	14.0	9.18	7.00	7.00
Sales growth (%)	16.7	12.4	40.8	10.4	7.78
EBITDA adj. growth (%)	31.1	34.1	43.7	11.7	7.36
Net profit adj. growth (%)	75.9	28.5	48.7	22.1	12.6
EPS growth (%)	59.9	7.10	48.7	22.1	12.6
EPS adj. growth (%)	75.9	28.5	48.7	22.1	12.6
DPS growth (%)	nm	nm	0	0	0
Dividend payout ratio (%)	0	24.8	16.7	13.7	12.2
Efficiency ratios					
Return on avg. equity (%)	11.1	12.7	16.6	17.7	17.2
Return on avg. CE (%)	11.0	13.1	17.2	17.8	17.5
Asset turnover (x)	0.67	0.65	0.81	0.82	0.81
Operating cash/EBIT (x)	0.45	0.77	0.16	0.85	0.57
Inventory days	140	147	130	122	136
Accounts receivable days	23.2	41.8	34.7	34.9	35.0
Accounts payable days	42.6	58.7	56.5	56.7	56.9
Leverage ratios					
Net debt*/equity (%)	67.2	65.6	52.9	38.5	24.2
Debt/capital (%)	37.3	36.1	32.1	28.2	26.0
Interest coverage (x)	10.8	8.10	7.33	11.1	14.8
Debt/EBITDA (x)	3.89	3.22	2.19	1.85	1.76
Current ratio (x)	1.15	1.10	1.21	1.38	1.63
Valuation					
EV/sales (x)	1.73	1.83	1.25	1.06	0.89
EV/EBITDA adj. (x)	11.1	9.87	6.64	5.52	4.68
P/E (x)	15.2	14.2	9.52	7.80	6.93
P/E adj. (x)	19.2	14.9	10.0	8.21	7.29
P/B (x)	1.59	1.69	1.49	1.29	1.11
Dividend yield (%)	0	1.75	1.75	1.75	1.75

*Note: *Excluding short-term investments.*
Source: Company, HSC Research estimates

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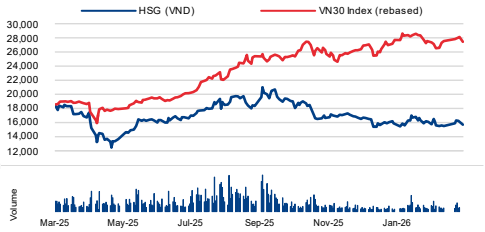
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Reduce *(unchanged)*
Target price: VND14,500 *(from VND15,900)*
Up/downside: -7.6%

Share price (VND) (as of 2 Mar 2026)	15,700
Bloomberg code	HSG VN
52-week range (VND)	12,500-20,950
Trading value (5D) (VNDmn)	61,082
Market cap. (VNDbn)	9,749
Market cap. (USDmn)	373
Shares outstanding (mn)	621
Total FOL share room (mn)	304
Current FOL share room (mn)	276
Foreign ownership limit	49.0%
Foreign owned ratio	4.51%
Free float	51.6%
Major shareholder	HSIT (19.9%)

Source: Company, HSC Research estimates

Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	(0.32)	(4.85)	(15.2)
Relative to index	(0.64)	(7.72)	(42.8)
Relative to sector	-	-	-

Source: Company, FactSet

HSC vs. consensus

EPS adj. (VND)	HSC	Cons	% diff
2026F	908	1,433	(36.7)
2027F	1,003	1,576	(36.3)
2028F	1,115	1,513	(26.3)

Source: Bloomberg, HSC Research estimates

Company description

HSG is a leading steel company in Vietnam with nationwide distribution systems. HSG's main products are steel sheets, steel pipes, and plastic pipes.

Analysts

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Weakening outlook as competitive edge fades

- We maintain our Reduce rating on HSG but cut our TP by 9% to VND14,500 (downside 8%), reflecting a challenging business environment, including prolonged weakness in exports and higher interest rates.
- We trim our FY9/26-28F net profit by 17% on avg., calling for a net profit of VND606bn (-18% y/y), before recovering to VND670bn (+11% y/y) and VND744bn (+11% y/y), respectively. This implies a 3Y net profit CAGR of 0.4%. Our forecasts are 33% below the street.
- Off 5% in 3M and underperforming the VN Index by 8%, HSG trades on a 1-yr rolling fwd. P/E of 16.6x. Though trading at a discount vs. its 3Y avg. of 23.8x, HSG looks expensive in comparison to peers (HPG).

Event: Reflecting increased interest rate environment

By the end of 1Q-FY9/26, HSG's total debt stood at VND6,143bn, entirely comprised of short-term loans, representing a 40% increase YTD. We understand that the company strategically increased its leverage to lock in favorable interest rates (averaging below 4%) before the recent market spike. However, as these short-term facilities begin to mature from Apr-26 onwards, they will likely be refinanced at prevailing higher rates.

Impact: Cutting FY9/26-28F net profit by 17% on avg.

Consequently, we are revising our average interest rate assumption for HSG to 5.5% (up from our previous 5.0% forecast and significantly higher than the 3.8% average in FY9/25). This adjustment implies a 36% y/y increase in interest expenses for FY9/26, which will weigh on our earnings projections for FY9/26–27. Furthermore, we have lowered our volume forecasts due to persistent competitive headwinds in the export markets.

As a result, we trim our FY9/26-28F net profit by 17% on avg., calling for an 18% y/y decline to VND606bn in FY9/26, before recovering to VND670bn (+11% y/y) and VND744bn (+11% y/y) respectively. This implies a 3Y net profit CAGR of just only 0.4%. Our forecasts are well below street in range of 33% on avg.

Valuation and recommendation

Sideway in 1M but off 5% in 3M and underperforming VN Index by 8%, HSG now trades on 1-yr rolling fwd P/E of 16.6x. Despite a valuation discount vs. itseft historically, HSG looks expensive in comaprison with HPG (1-yr rolling fwd P/E of 9.7x) together with less attractive earnings outlooks.

We maintain our cautious view on HSG as the company's core competitive strengths begin to erode under intense market pressure. With a diminishing edge in both export markets and cost advantage in domestic market, plus mounting financial headwinds, the long-term growth outlook appears increasingly clouded. Reduce with a lower TP of VND14,500 (downside 8%).

Year end: September	09-24A	09-25A	09-26F	09-27F	09-28F
EBITDA adj. (VNDbn)	1,413	1,649	1,459	1,520	1,600
Reported net profit (VNDbn)	515	735	606 ▼	670 ▼	744 ▼
EPS adj. (VND)	777	1,101	908 ▼	1,003 ▼	1,115 ▼
DPS (VND)	500	0	500	500	500
BVPS (VND)	17,697	18,233	18,151	18,654	19,269
EV/EBITDA adj. (x)	10.2	8.32	9.34	8.04	7.09
P/E adj. (x)	20.2	14.3	17.3	15.6	14.1
Dividend yield (%)	3.18	0	3.18	3.18	3.18
P/B (x)	0.89	0.86	0.86	0.84	0.81
EPS adj. growth (%)	1,615	41.7	(17.5)	10.5	11.1
Ret. on avg. equity (%)	4.75	6.61	5.36	5.86	6.32

Note: Use of ▲ ▼ indicates that the item has changed by at least 5%.
Source: Bloomberg, HSC Research estimates

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Dim prospects amid eroding competitive edge

We remain cautious as the company's core competitive strengths begin to erode under intense market pressure. With a diminishing edge in both export markets/cost advantage in domestic market and mounting financial headwinds, the long-term growth outlook appears increasingly clouded. We trim our FY9/26-28F net profit by 17% on avg, calling for a 18% net profit decrease this year, before recovering by 11%/annum over the next 2Y. This said, we project a 3Y net profit CAGR of only 0.4% for HSG. Based on these forecasts, we maintain our Reduce rating on HSG with a TP of VND14,500 (downside 8%).

New FY9/26-28F earnings forecasts

By the end of 1Q-FY9/26 (ending Sept), HSG's total debt reached VND6,143bn, a 40% increase YTD, consisting entirely of short-term loans. While the company strategically leveraged low-cost funding (averaging below 4%) prior to the recent rate hikes, these facilities will begin maturing from Apr-26, likely requiring refinancing at prevailing higher rates.

Consequently, we have revised our average interest rate assumption to 5.5% (up from 5.0% previously and significantly above the 3.8% seen in FY25). This adjustment implies a 36% y/y surge in interest expenses for FY26, which, coupled with lower volume forecasts due to persistent export competition, will weigh on the bottom line.

As a result, we have trimmed our FY9/26–28F net profit forecasts by an average of 17%. We now project FY9/26 net profit to decline 18% y/y to VND606bn, before a modest recovery to VND670bn (+11% y/y) in FY9/27 and VND744bn (+11% y/y) in FY9/28. This trajectory suggests a 3Y net profit CAGR of only 0.4%, placing our estimates approximately 33% below consensus.

Our key assumptions are as follows:

Figure 43: Old and new earnings forecasts, HSG

We trim our FY9/26-28F net profit by 17% on avg., reflecting lower sales vol. assumption and higher interest expenses

VNDbn	Old forecasts			New forecasts			% revision			Growth y/y		
Item	FY9/26	FY9/27	FY9/28	FY9/26	FY9/27	FY9/28	FY9/26	FY9/27	FY9/28	FY9/26	FY9/27	FY9/28
Net sales	40,562	44,953	49,628	38,505	41,950	45,508	-5.1%	-6.7%	-8.3%	5.4%	8.9%	8.5%
Net profit	730	843	879	606	670	744	-17.0%	-20.5%	-15.3%	-17.5%	10.5%	11.1%
Core profit	730	843	879	606	670	744	-17.0%	-20.5%	-15.3%	70.8%	10.5%	11.1%

Source: HSC Research

Figure 44: Key top line assumptions, HSG

We assume sales volume will increase modestly by 3%/7%/7% y/y in FY9/26-27-28 respectively

Items	FY9/25	FY9/26F	FY9/27F	FY9/28F
Steel sheet (tonne)	1,379,677	1,405,554	1,517,999	1,639,438
Growth y/y	-11.0%	1.9%	8.0%	8.0%
Steel pipe (tonne)	417,260	443,346	465,513	488,789
Growth y/y	16.2%	6.3%	5.0%	5.0%
Plastic pipe (tonne)	49,700	52,185	54,794	57,534
Growth y/y	18.3%	5.0%	5.0%	5.0%
In-house ASP (VNDmn/tonne)	18.5	18.7	18.8	19.0
Growth y/y	-2.8%	1.0%	1.0%	1.0%

Source: HSC Research

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Figure 45: Margin assumptions, HSG

We assume a flat margin in FY9/26-28F on prolonged weakness in exports

(%)	FY9/25F	FY9/26F	FY9/27F	FY9/28F
SG&A as a % of net sales	10.3%	10.3%	10.2%	10.1%
GPM	12.4%	12.0%	11.9%	11.8%
Pre-tax margin	2.3%	1.8%	1.8%	1.9%
Net margin	2.0%	1.6%	1.6%	1.6%

Source: HSC Research

Figure 46: Debt structure, HSG

Still safe with gearing ratio, but tiny margin put company under pressure of increased interest rate environment

VNDbn	FY9/25	FY9/26F	FY9/27F	FY9/28F
Total debt	4,404	4,744	4,804	4,814
Short-term debt	*4,404*	*4,744*	*4,804*	*4,814*
Long-term debt	*0*	*0*	*0*	*0*
Net debt	**3,888**	**3,841**	**2,422**	**1,527**
Equity	**11,323**	**11,271**	**11,584**	**11,966**
Net debt/equity	0.34	0.34	0.21	0.13
Avg. interest rate	*3.8%*	*5.5%*	*5.5%*	*5.5%*
Interest exp.	185	252	263	265
PBT	825	674	745	852
% interest exp./PBT	**22.4%**	**37.3%**	**35.2%**	**31.0%**

Source: HSC Research

The escalating interest rate environment is poised to exert significant pressure on the company's earnings outlook. With traditionally thin gross profit margins (in range of 10-13%), financing costs are a pivotal factor in profitability; as such, the ratio of interest expenses to PBT is forecast to jump from 22.4% in FY9/25 to a substantial 37.3% in FY9/26F. Although total debt surged to over VND6tn at the close of 1Q-FY9/26, we expect the company to actively reduce its leverage in response to higher borrowing costs, which are projected to average 5.5% through FY9/28F.

Consequently, we anticipate total debt will return to levels comparable to FY9/25, stabilizing at roughly VND4,744bn by the end of FY9/26. Despite this proactive balance sheet management, the heightened interest burden remains a primary headwind, contributing to the projected decline in PBT to VND674bn (-18% y/y) for the current fiscal year.

Valuation and recommendation

Following earnings cut, we trim our TP on HSG by 9% to VND14,500 (downside 8%). Regarding valuation assumptions, we lift our WACC slightly to 13.3% from 13.1%, as we lift our COD to 4.8% vs. 4.4% previously. While we maintain our COE of 16.8% including unchanged beta of 1.5, risk-free rate of 4% and equity risk premium of 8.75%. We also keep unchanged terminal growth rate of 1% for HSG.

Figure 47: FCFF calculation, HSG

We assume a sharp fall in FCFF in FY9/26 before improving in following years

VNDbn	FY9/25	FY9/26F	FY9/27F	FY9/28F
Net income	735	606	670	744
+ Interest expense * (1 - Tax rate)	161	221	231	225
+ Depreciation and amortization	903	804	806	807
- Changes in Working Capital	2,268	(585)	452	(127)
- Capex	(193)	(77)	(84)	(91)
Free cash flow to the firm	**3,875**	**970**	**2,075**	**1,559**

Source: HSC Research

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Figure 48: COE and COD calculations, HSG

Unchanged COE but lift COD to 4.8% from 4.4%

Rate	%
Risk free	4.0%
Equity risk premium	8.75%
Beta	1.5
Cost of equity	**16.8%**
Cost of debt calculation	
Cost of debt	5.5%
Tax rate	12.0%
Cost of debt after tax	**4.8%**

Source: HSC Research

Figure 49: WACC calculation, HSG

WACC is lifted to 13.3% vs. 13.1% previously

Capital structure	
Equity/Total capital	70.4%
Debt/Total capital	29.6%
WACC	**13.3%**

Source: HSC Research

Figure 50: DCF valuation, HSG

TP is cut by 9% to VND14,500 (downside 8%)

VNDbn	FY9/26F	FY9/27F	FY9/28F
Free Cash Flow to the Firm (FCFF)	970	2,075	1,559
Terminal growth rate (g) (%)			1.0%
Terminal value			12,840
Future cash flow	970	2,075	14,399
Present value	970	1,832	10,053
Value of the firm	**12,854**		
- Total debts	(4,744)		
+ Cash & Cash equivalent and short term investment	903		
Value of owners' equity	**9,013**		
Current outstanding shares (mn shares)	621		
Fair value per share end-FY26	**14,500**		

Source: HSC Research

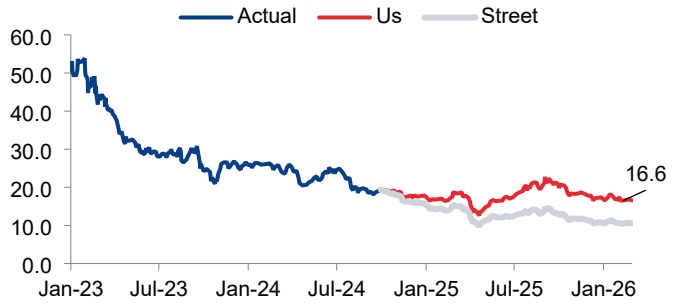
Valuation context

Despite declining 5% in 3M and underperforming the VN Index by 8%, HSG's valuation appears less compelling when compared to its peers. While HSG trades at a 1-year forward P/E of 16.6x, a discount to its own historical average of 23.8x, it remains expensive relative to HPG's 9.7x. This valuation gap is further underscored by the stark divergence in growth profiles: HPG is projected to deliver a robust 3Y net profit CAGR of 27%, far outstripping HSG's modest 0.4% trajectory.

In our view, the combination of persistent export headwinds and thin margins makes HSG's earnings highly sensitive to the rising interest rate environment. At present, we see a lack of specific policy catalysts to drive meaningful strategic improvements across the steel sheet/steel pipe sub-sector in the near term. Regarding HSG, we believe the expansion into building material retail through 'Hoa Sen Home' is a sound strategic direction that aligns well with the projected surge in domestic demand over the next three years. However, during this initial phase, prioritizing operational optimization remains critical for the company to achieve superior long-term results.

Figure 51: 1-yr rolling fwd P/E, HSG

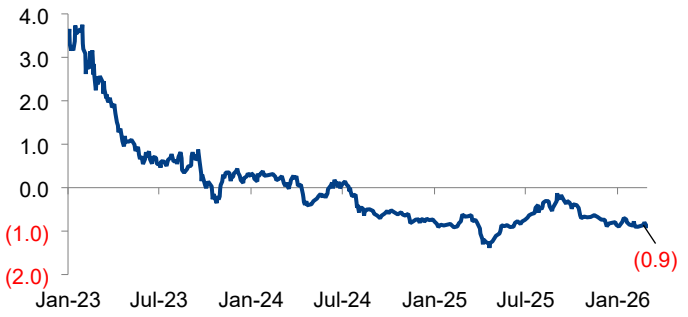
HSG trades on 1-yr rolling fwd P/E of 16.6x…



Source: HSC Research

Figure 52: Standard deviation from mean, HSG

…a discount vs. tis 3Y avg. of 23.8x



Source: HSC Research

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Financial statements and key data

Income statements (VNDbn)	09-24A	09-25A	09-26F	09-27F	09-28F
Sales	39,272	36,538	38,505	41,950	45,508
Gross profit	4,264	4,520	4,621	4,993	5,389
SG&A	(3,840)	(3,775)	(3,966)	(4,279)	(4,596)
Other income	-	-	-	-	-
Other expenses	-	-	-	-	-
EBIT	**423**	**745**	**655**	**714**	**793**
Net interest	87.2	8.54	(52.7)	(47.0)	(25.4)
Associates/affiliates	0	0	0	0	0
Other non-operational	-	-	-	-	-
Exceptional items	40.6	71.3	71.7	78.1	84.7
Pre-tax profit	**551**	**825**	**674**	**745**	**852**
Taxation	(36.5)	(90.3)	(68.0)	(75.2)	(107)
Minority interests	(0.04)	0.01	0	0	0
Exceptional items after tax	-	-	-	-	-
Net profit	**515**	**735**	**606**	**670**	**744**
Net profit adj'd	**479**	**684**	**564**	**623**	**692**
EBITDA adj.	**1,413**	**1,649**	**1,459**	**1,520**	**1,600**
EPS (VND)	835	1,184	976	1,079	1,199
EPS adj. (VND)	777	1,101	908	1,003	1,115
DPS (VND)	500	0	500	500	500
Basic shares, average (mn)	616	621	621	621	621
Basic shares, period end (mn)	616	621	621	621	621
Fully diluted shares, period end (mn)	616	621	621	621	621

Cash flow statements (VNDbn)	09-24A	09-25A	09-26F	09-27F	09-28F
EBIT	423	745	655	714	793
Depreciation & amortisation	(990)	(903)	(804)	(806)	(807)
Net interest	87.2	8.54	(52.7)	(47.0)	(25.4)
Tax paid	(84.9)	(92.4)	(80.9)	(89.4)	(128)
Changes in working capital	(3,005)	2,146	(840)	(1,154)	(1,167)
Others	311	(136)	19.0	31.1	59.3
Cash flow from operations	**(1,415)**	**3,685**	**766**	**494**	**510**
Capex	(771)	(2,623)	(77.0)	(83.9)	(91.0)
Acquisitions & investments	(4.26)	(83.2)	3.39	4.39	11.0
Disposals	50.9	89.3	63.7	63.7	63.8
Others	0	0	0	0	0
Cash flow from investing	**(724)**	**(2,617)**	**(9.96)**	**(15.8)**	**(16.2)**
Dividends	0	0	0	0	0
Issue of shares	22.1	27.9	0	0	0
Change in debt	2,428	(960)	(245)	1,188	655
Other financing cash flow	(308)	(310)	(151)	(221)	(288)
Cash flow from financing	**2,142**	**(1,242)**	**(396)**	**967**	**366**
Cash, beginning of period	597	602	428	788	2,233
Change in cash	**3.55**	**(174)**	**360**	**1,445**	**860**
Exchange rate effects	1.66	(0.33)	0	0	0
Cash, end of period	**602**	**428**	**788**	**2,233**	**3,093**
Free cash flow	**(2,185)**	**1,062**	**689**	**410**	**419**

Balance sheets (VNDbn)	09-24A	09-25A	09-26F	09-27F	09-28F
Cash	602	428	788	2,233	3,093
Short-term investments	30.6	88.2	115	149	194
Accounts receivable	2,985	2,188	2,310	2,517	2,730
Inventory	9,712	8,204	8,856	8,390	8,419
Other current assets	844	808	851	927	1,047
Total current assets	**14,174**	**11,716**	**12,920**	**14,216**	**15,483**
PP&E	3,915	3,901	3,117	2,338	1,564
Intangible assets	196	220	231	243	255
Investment properties	0	0	0	0	0
Long-term investments	665	765	765	765	765
Associates/JVs	0	0	0	0	0
Other long-term assets	616	2,351	2,441	2,556	2,679
Total long-term assets	**5,391**	**7,237**	**6,555**	**5,902**	**5,263**
Total assets	**19,566**	**18,953**	**19,475**	**20,118**	**20,746**
Short-term debt	5,364	4,404	4,744	4,804	4,814
Accounts payable	2,328	2,050	2,310	2,517	2,730
Other current liabilities	635	799	753	782	770
Total current liabilities	**8,632**	**7,598**	**8,171**	**8,500**	**8,745**
Long-term debt	0	0	0	0	0
Deferred tax	0	0	0	0	0
Other long-term liabilities	0.71	0.71	0	0	0
Long-term liabilities	**0.71**	**0.71**	**0**	**0**	**0**
Total liabilities	**8,649**	**7,614**	**8,187**	**8,518**	**8,765**
Shareholders' funds	10,901	11,323	11,271	11,584	11,966
Minority interests	16.1	16.0	16.0	16.0	16.0
Total equity	**10,917**	**11,339**	**11,287**	**11,600**	**11,982**
Total liabilities and equity	**19,566**	**18,953**	**19,475**	**20,118**	**20,746**
BVPS (VND)	17,697	18,233	18,151	18,654	19,269
Net debt/(cash)*	4,762	3,976	3,956	2,571	1,721

Financial ratios and other	09-24A	09-25A	09-26F	09-27F	09-28F
Operating ratios					
Gross margin (%)	10.9	12.4	12.0	11.9	11.8
EBITDA adj. margin (%)	3.60	4.51	3.79	3.62	3.52
Net profit margin (%)	1.31	2.01	1.57	1.60	1.64
Effective tax rate (%)	6.63	10.9	10.1	10.1	12.6
Sales growth (%)	24.1	(6.96)	5.38	8.95	8.48
EBITDA adj. growth (%)	8.08	16.7	(11.5)	4.13	5.27
Net profit adj. growth (%)	1,615	42.8	(17.5)	10.5	11.1
EPS growth (%)	1,615	41.7	(17.5)	10.5	11.1
EPS adj. growth (%)	1,615	41.7	(17.5)	10.5	11.1
DPS growth (%)	0	(100)	nm	0	0
Dividend payout ratio (%)	59.8	0	51.2	46.3	41.7
Efficiency ratios					
Return on avg. equity (%)	4.75	6.61	5.36	5.86	6.32
Return on avg. CE (%)	3.90	6.69	5.78	6.23	6.71
Asset turnover (x)	2.13	1.90	2.00	2.12	2.23
Operating cash/EBIT (x)	(3.34)	4.94	1.17	0.69	0.64
Inventory days	101	93.5	95.4	82.9	76.6
Accounts receivable days	31.1	24.9	24.9	24.9	24.8
Accounts payable days	24.3	23.4	24.9	24.9	24.8
Leverage ratios					
Net debt*/equity (%)	45.5	37.1	37.2	24.4	16.7
Debt/capital (%)	28.4	24.4	25.6	25.1	24.5
Interest coverage (x)	N/a	N/a	12.4	15.2	31.2
Debt/EBITDA (x)	3.94	2.81	3.41	3.33	3.18
Current ratio (x)	1.64	1.54	1.58	1.67	1.77
Valuation					
EV/sales (x)	0.37	0.38	0.35	0.29	0.25
EV/EBITDA adj. (x)	10.2	8.32	9.34	8.04	7.09
P/E (x)	18.8	13.3	16.1	14.6	13.1
P/E adj. (x)	20.2	14.3	17.3	15.6	14.1
P/B (x)	0.89	0.86	0.86	0.84	0.81
Dividend yield (%)	3.18	0	3.18	3.18	3.18

*Note: *Excluding short-term investments.*
Source: Company, HSC Research estimates

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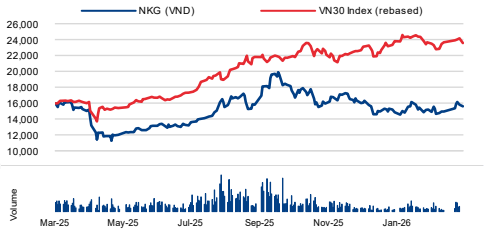
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Hold *(unchanged)*
Target price: VND15,300 *(from VND17,200)*
Up/downside: -1.9%

Share price (VND) (as of 2 Mar 2026)	15,600
Bloomberg code	NKG VN
52-week range (VND)	11,300-19,900
Trading value (5D) (VNDmn)	124,858
Market cap. (VNDbn)	6,982
Market cap. (USDmn)	267
Shares outstanding (mn)	448
Total FOL share room (mn)	224
Current FOL share room (mn)	197
Foreign ownership limit	50.0%
Foreign owned ratio	5.92%
Free float	79.6%
Major shareholder	Mr. Ho Minh Quang (15.9%)

Source: Company, HSC Research estimates

Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	4.70	(2.19)	(1.89)
Relative to index	4.36	(5.14)	(33.8)
Relative to sector	-	-	-

Source: Company, FactSet

HSC vs. consensus

EPS adj. (VND)	HSC	Cons	% diff
2026F	747	973	(23.3)
2027F	906	1,321	(31.5)
2028F	1,403	-	N/a

Source: Bloomberg, HSC Research estimates

Company description

Nam Kim Group is the second largest company in Vietnam's steel sheet industry. 60-65% of sales are typically generated through key export markets (ASEAN countries, the US and the EU).

Analysts

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Current value meets emerging growth upside

- We maintain our Hold rating on NKG, with a new, lower TP of VND15,300 (an 11% cut; 2% downside), reflecting weak FY25 results and rising interest expense environment while exports continue to be weak.
- We trim our FY26-27 net profit by 30% on avg, calling for net profit of VND352bn, up 78% y/y (while core profit up 302% y/y) in FY26 and VND427bn (+21% y/y) in FY27. Our new FY28F net profit of VND661bn, up 55% y/y, implies a 3Y net profit growth of 49.7%, driven by a new factory.
- Off 2% in 3M and underperforming the VN Index by 5%, NKG trades on 1-yr rolling fwd P/E of 20.1x, vs. its 3Y avg. of 25.7x. Despite the discount, it is still at a premium vs. HPG, justifying its recovery in earnings prospects.

Event: Prolonged weak exports & increase in interest rate

NKG continues to face a challenging operational landscape as it struggles to identify new markets to offset weakening demand in its traditional export strongholds. While the company has ramped up efforts to bolster domestic volumes, these gains remain insufficient to compensate for the export shortfall, leading to a significant volume contraction in FY25 (off 24% y/y).

Compounding these operational hurdles is the escalating interest rate environment, which is poised to exert further pressure on the company's earnings outlook. Given NKG's historically thin gross margins, financing costs have become a pivotal factor in determining bottom-line performance, making the current rate cycle a primary headwind for profitability in the near term.

Impact: Cutting FY26-27 net profit by 30% on avg.

We have trimmed our FY26–27F net profit forecasts by an average of 30%. We now project FY26 net profit of VND352bn (+78% y/y or 302% y/y for core profit, on low base effect). For FY27, we project net profit of VND427bn, up 21% y/y. We also introduce FY28 net profit forecast of VND661bn, up 55% y/y. Our new forecasts suggest a 3Y net profit CAGR of 49.7%.

Earnings growth is primarily driven by the anticipated commercial launch of the new Phu My facilities starting in 3Q26. While the earnings outlook appears encouraging, it is important to view this as a recovery phase rather than a full return to peak performance. Despite the positive momentum, projected bottom-line results remain significantly below the FY21 peak of VND2.2tn.

Valuation and recommendation

Off 2% in 3M, NKG trades on 1-yr rolling fwd P/E of 20.1x, vs. its 3Y avg. of 25.7x. In our view, the combination of persistent export headwinds and thin margins makes earnings highly sensitive to the rising interest rate environment. At present, we see a lack of specific policy catalysts to drive meaningful strategic improvements across the steel sheet/steel pipe sector in the near term. We maintain our Hold on NKG with TP of VND15,300 (2% downside).

Year end: December	12-24A	12-25A	12-26F	12-27F	12-28F
EBITDA adj. (VNDbn)	1,064	593	1,132 ▼	1,279 ▼	1,549
Reported net profit (VNDbn)	453	197	352 ▼	427 ▼	661
EPS adj. (VND)	962	419	747 ▼	906 ▼	1,403
DPS (VND)	0	0	0	0	0
BVPS (VND)	18,584	17,060	17,847	18,210 ▼	19,106
EV/EBITDA adj. (x)	10.2	22.0	10.7	9.91	7.75
P/E adj. (x)	16.2	37.3	20.9	17.2	11.1
Dividend yield (%)	0	0	0	0	0
P/B (x)	0.84	0.91	0.87	0.86	0.82
EPS adj. growth (%)	286	(56.5)	78.4	21.3	55.0
Ret. on avg. equity (%)	8.02	2.92	4.50	5.29	7.92

Note: Use of ▲ ▼ indicates that the item has changed by at least 5%.
Source: Bloomberg, HSC Research estimates

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Premium val'n vs. peers justify the recovery outlook

Trailing the VN-Index by 5% in 3M, NKG currently trades at a 1-yr forward P/E of 20.1x. While this represents a discount relative to its three-year average of 25.7x, it maintains a notable premium compared to HPG (1-yr rolling fwd P/E of 9.7x). This valuation reflects the high projected earnings growth over the next three years; however, we note that this momentum is primarily a result of a low base effect rather than a structural shift in fundamentals. We maintain our Hold rating on NKG, with a TP of VND15,300 (11% cut and 2% downside).

FY25 – a look back

NKG reported weak FY25 results, calling for net sales of VND14.8tn (off 28% y/y) and net profit of VND197bn (-57% y/y). This was mainly due to a 23% y/y volume drop to just 781,506 tonnes and 6% ASP decrease to VND18.9mn/tonne. Of which, we estimate core profit was at only VND88bn, off 81% y/y. Within the steel sector, reduced production volumes have led to the under-absorption of fixed costs, eroding economies of scale and weighing heavily on margins. As a result, NKG missed our FY25 project by 6% in the top line and 31% for the bottom line. Details are as follows:

Figure 53: Sales volume breakdown by market, NKG

Domestic growth was insufficient to offset export weakness

tonnes	FY24	FY25	Growth y/y
Domestic	392,199	492,695	25.6%
Export	620,595	288,811	-53.5%
Total sales vol.	**1,012,794**	**781,506**	**-22.8%**
Contribution			
Domestic	38.7%	63.0%	
Export	61.3%	37.0%	

Source: VSA, HSC Research

Figure 54: ASP, NKG

In FY25, ASP dropped 6% y/y

VNDmn/tonne	FY24	FY25	Growth y/y
ASP	20.1	18.9	-6.0%

Source: NKG, HSC Research

Figure 55: 4Q25 and FY25 results, NKG

Unexpected loss in 4Q25, due to sharp decrease in sales volume and tiny margin

VNDbn	4Q24	3Q25	4Q25	Growth y/y	Growth q/q	FY24	FY25	Growth y/y
Net sales	4,469	3,773	3,136	-29.8%	-16.9%	20,609	14,808	-28.1%
Net profit	18.4	49.5	(9.3)	-150.7%	-118.9%	453.0	197.2	-56.5%
Core profit	18.4	49.5	(9.8)	-153.4%	-119.9%	453.0	87.6	-80.7%

Source: NKG, HSC Research

In FY25, NKG sold 492,695 tonnes of steel products, up 26% y/y in domestic market. Despite solid domestic volume growth, it was insufficient to offset the continued weakness in exports. In fact, export volume dropped 54% y/y to just 288,811 tonnes in FY25. As a result, export contribution in volume fell sharply to just 37% in FY25 vs. 61% seen in FY24. Regarding the ASP, given the unfavorable market condition, the ASP dropped 6% y/y to VND18.9mn/tonne. A combination of both volume and ASP led to a 28% y/y decrease in FY25 net sales of VND14.8tn.

In FY25, GPM narrowed sharply to just 5.3% vs. 8.9%, on a combination of lower scale and lower ASP. For the bottom line, NKG posted net profit of just VND197bn (-57% y/y), of which, core profit was at only VND88bn, off 81% y/y. With this result, NKG achieved only 69% of our FY25 net profit estimate.

As of end-FY25, NKG increased its total bank loans to VND6,867bn, up 9% y/y to fund for the new Phu My project, while net debt is controlled at flat of VND5,193bn. Net debt/equity level improved to 0.68x as of end-FY25 vs. 0.88x seen as of end-FY24, signs of healthier in their balance sheet.

For inventory level, it came at VND5,303bn, off 21% y/y, and equivalent to 5.2 months of production.

New Phu My project to be run commercially in 3Q26

As a reminder, in the latest AGM, which was held in Apr-25, shareholders approved the new steel plant at cost of VND4.5tn, adding 1,000,000 tonnes per annum (TPA)

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(revised up vs. 800,000 tonnes initially) of steel products, lifting total designed capacity of 2.1mn tonnes, up 91%. Of which:

• 400,000 TPA of galvanized steel sheet capacity, leading to 1.5mn TPA, from existing capacity of 1.1mn TPA and equivalent to an increase of 36%.

• 600,000 TPA of new high quality flat steel products, such as cold rolled full hard (CRFH) steel, pickled and oiled (PO) steel coils, and CRC. These products are sold by a limited number of companies, primarily FDI companies like Posco (Korean) and CSVC (JV of Chinese and Japanese entity). This reduces competition and protectionist pressure compared to commodity steel sheet products such as galvanized, galvalume, and pre-painted steels. These new products will be sold in both export (expected at 35%) and domestic market (expected at 65%) and used as input material in supporting industries and machinery, auto industry and home appliances. This would help NKG to improve their margin as a result of a better product mix.

NKG is currently installing machinery for its new capacity, with testing scheduled to begin in 2Q26. We anticipate the first commercial contribution from the project will commence at 3Q26; one quarter delayed vs. initial plan. While NKG targets to reach full utilization by end-FY27, we are more conservative, projecting it will take until FY29 onwards to reach that milestone.

The overall business environment remains challenging for NKG and steel sheet companies due to weak export demand. Consequently, adding new capacity while existing facilities run at low utilization poses a significant short-term risk, primarily due to an increased depreciation burden. However, the new products from the Phu My project are specifically designed to target a niche market, which we believe still offers a considerable long-term growth opportunity for NKG.

New earnings forecasts

Given the weaker-than-expected FY25 results, on lower-than-expected sales volume and margins, we cut our FY26-27 net profit forecasts by 30% on avg, reflecting prolonged weakness in exports, thin margin and increased interest expenses. Key assumptions are as follows:

Figure 56: Old and new earnings forecasts, NKG

We trim our FY26-27 net profit by 30% on avg, reflecting cutting volume on prolonged weak exports and rising interest rate

VNDbn	Old forecasts		New forecasts			Revision		Growth y/y		
Item	FY26F	FY27F	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F	FY28F
Net sales	19,691	23,287	18,073	21,573	25,349	-8.2%	-7.4%	22.0%	19.4%	17.5%
Net profit	461	685	352	427	661	-23.8%	-37.7%	78.4%	21.3%	55.0%
Core profit	461	685	352	427	661	-23.8%	-37.7%	301.8%	21.3%	55.0%

Source: HSC Research

Figure 57: Key assumptions, NKG

We cut our sales volume assumption by 7%, reflecting weaker than expected demand, and cutting GPM assumption by 200bps

Item	FY25	FY26F	FY27F	FY28F
Steel sheet and steel pipe (tonne)	781,506	940,581	1,102,639	1,272,903
Growth y/y	-23.6%	20.4%	17.2%	15.4%
ASP (VNDmn/tonne)	18.9	19.2	19.6	19.9
Growth y/y	-6.0%	1.4%	1.8%	1.8%
Sales (VNDbn)	14,808	18,073	21,573	25,349
Growth y/y	-28.1%	22.0%	19.4%	17.5%
Gross profit	785	1,170	1,513	1,949
Growth y/y	-57.1%	49.1%	29.3%	28.8%
GPM (%)	5.3%	6.5%	7.0%	7.7%

Source: HSC Research

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Figure 58: Debt structure, NKG

NKG has highest gearing ratio amongst peers, with heavy interest expense pressure to PBT

VNDbn	FY25	FY26F	FY27F	FY28F
Bank loans	**6,867**	**6,878**	**7,744**	**8,288**
Short-term	4,601	5,071	6,018	7,020
Long-term	2,266	1,807	1,726	1,267
Net debt	**5,193**	**4,742**	**5,200**	**4,424**
Net D/E	**0.68**	**0.59**	**0.64**	**0.52**
Interest expense	220	309	366	401
PBT	241	414	485	751
% interest expense/PBT	**91.2%**	**74.7%**	**75.4%**	**53.3%**

Source: HSC Research

Rising financial costs to weigh on FY26/27 earnings

The prevailing high-interest-rate environment poses a significant challenge to the company's bottom line, especially given its historically narrow gross margins of below 10%. We forecast a sharp increase in interest expense to VND309bn in FY26F, vs. VND220bn in FY25 as the interest expense of loans funding for Phu My factory will no longer be capitalized since 3Q26.

By the end of FY26, we project total debt will be around VND6,878bn, aligning with FY25 levels. However, even with this proactive debt management, the intensified interest burden remains a primary headwind with high gearing ratio like NKG (net debt/equity of 0.6x and interest expense/PBT at very high level of 75%.

Valuation and recommendation

We trim our TP by 11% to VND15,300 (downside of 2%), reflecting downward earnings revision. While we are largely kept unchanged WACC assumption of 12%, including a risk-free rate of 4%, equity risk premium of 8.75%, beta of 1.5x and terminal growth rate of 1%. Key assumptions are as follows:

Figure 59: FCFF calculation, NKG

We assume net cash flow will be turnaround in FY26, as capex were largely disbursed in FY25

VNDbn	FY25	FY26F	FY27F	FY28F
Net income	197	352	427	661
+ Interest expense * (1 - Tax rate)	176	263	322	353
+ Depreciation and amortization	362	685	737	741
- Changes in working capital	2,192	(363)	(1,388)	(340)
- Capex	(3,933)	(277)	(19)	(70)
Free cash flow to the firm (FCFF)	(1,006)	659	79	1,345

Source: HSC Research

Figure 60: COE and COD calculation, NKG

COE and COD are kept unchanged at 17.1% and 6.1%

CAPM	
Risk free	4.0%
Equity risk premium	8.75%
Beta	1.5
Cost of equity	**17.1%**
Cost of debt calculation	
Cost of debt	7.5%
Tax rate	18.8%
Cost of debt after tax	**6.1%**

Source: HSC Research

Figure 61: WACC calculation, NKG

WACC is largely maintained unchanged at 12%

Capital structure	
Equity/Total capital	53.3%
Debt/Total capital	46.7%
WACC	**12.0%**

Source: HSC Research

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Figure 62: DCF valuation, NKG

New TP is set at VND15,300 (2% downside)

Year	FY26	FY27	FY28
Free Cash Flow to the Firm (FCFF)	659	79	1,345
Terminal growth rate (g) (%)			1.0%
Terminal value			12,383
Future cash flow	659	79	13,729
Present value	659	71	10,950
Value of the firm	**11,680**		
- Total debts	(6,878)		
+ Cash & Cash equivalent and short term investment	2,136		
Value of owners' equity	**6,938**		
Current outstanding shares (mn shares)	452		
Fair value as of end-FY26	**15,300**		
Current market price	15,600		
Upside (%)	**-2%**		

Source: HSC Research

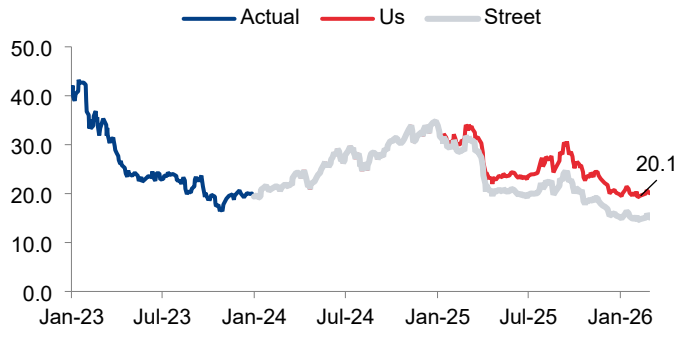
Valuation context

Trailing the VN Index by 5% in 3M, NKG currently trades at a 1-yr forward P/E of 20.1x. While this represents a discount relative to its three-year average of 25.7x, it maintains a notable premium compared to HPG (1-yr rolling fwd P/E of 9.7x). This valuation reflects the high projected earnings growth over the next three years of 49.7%; however, we note that this momentum is primarily a result of a low base effect rather than a structural shift in fundamentals.

We maintain our Hold rating on NKG, with TP of VND15,300 (11% cut and 2% downside).

Figure 63: 1-yr rolling fwd P/E, NKG

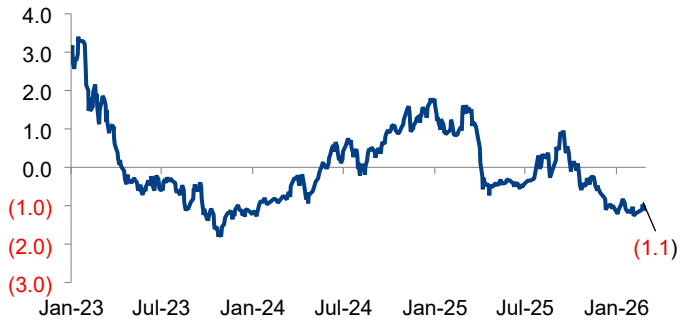
NKG trades on 1-yr rolling fwd P/E of 20.1x…



Source: HSC Research

Figure 64: Standard deviation from mean, NKG

…a discount vs. its 3Y avg. of 25.7x



Source: HSC Research

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Financial statements and key data

Income statements (VNDbn)	12-24A	12-25A	12-26F	12-27F	12-28F
Sales	20,609	14,808	18,073	21,573	25,349
Gross profit	1,832	785	1,170	1,513	1,949
SG&A	(1,138)	(555)	(723)	(971)	(1,141)
Other income	-	-	-	-	-
Other expenses	-	-	-	-	-
EBIT	**694**	**230**	**448**	**542**	**808**
Net interest	(136)	(104)	(41.6)	(66.7)	(67.0)
Associates/affiliates	0	0	0	0	0
Other non-operational	-	-	-	-	-
Exceptional items	0.72	114	7.87	9.06	10.5
Pre-tax profit	**558**	**241**	**414**	**485**	**751**
Taxation	(105)	(43.7)	(62.1)	(58.2)	(90.2)
Minority interests	0	0.03	0	0	0
Exceptional items after tax	-	-	-	-	-
Net profit	**453**	**197**	**352**	**427**	**661**
Net profit adj'd	**430**	**187**	**334**	**405**	**628**
EBITDA adj.	**1,064**	**593**	**1,132**	**1,279**	**1,549**
EPS (VND)	1,434	441	786	953	1,477
EPS adj. (VND)	962	419	747	906	1,403
DPS (VND)	0	0	0	0	0
Basic shares, average (mn)	316	448	448	448	448
Basic shares, period end (mn)	316	448	448	448	448
Fully diluted shares, period end (mn)	448	448	448	448	448

Cash flow statements (VNDbn)	12-24A	12-25A	12-26F	12-27F	12-28F
EBIT	694	230	448	542	808
Depreciation & amortisation	(370)	(362)	(685)	(737)	(741)
Net interest	(136)	(104)	(41.6)	(66.7)	(67.0)
Tax paid	(53.4)	(107)	(62.1)	(58.2)	(90.2)
Changes in working capital	(1,632)	821	(710)	(1,795)	(787)
Others	(127)	(199)	(33.7)	(57.6)	(56.5)
Cash flow from operations	**(541)**	**1,327**	**636**	**(265)**	**1,016**
Capex	(901)	(3,431)	(4,520)	(68.6)	(69.8)
Acquisitions & investments	(800)	(901)	0	0	0
Disposals	341	1,303	0	0	0
Others	0	0	0	0	0
Cash flow from investing	**(1,360)**	**(3,029)**	**(4,520)**	**(68.6)**	**(69.8)**
Dividends	0	0	0	(226)	(226)
Issue of shares	0	1,594	0	0	0
Change in debt	1,510	555	4,763	885	499
Other financing cash flow	(3.07)	0	0	0	0
Cash flow from financing	**1,507**	**2,150**	**4,763**	**658**	**273**
Cash, beginning of period	785	392	839	1,718	2,043
Change in cash	**(393)**	**448**	**879**	**324**	**1,220**
Exchange rate effects	(0.71)	(0.92)	0	0	0
Cash, end of period	**392**	**839**	**1,718**	**2,043**	**3,263**
Free cash flow	**(1,441)**	**(2,104)**	**(3,884)**	**(334)**	**947**

Balance sheets (VNDbn)	12-24A	12-25A	12-26F	12-27F	12-28F
Cash	392	839	1,718	2,043	3,263
Short-term investments	247	835	417	501	601
Accounts receivable	1,943	1,423	1,627	2,049	2,535
Inventory	6,690	5,303	5,578	6,620	6,552
Other current assets	930	1,303	1,446	1,726	2,028
Total current assets	**10,202**	**9,703**	**10,786**	**12,939**	**14,979**
PP&E	2,231	5,938	5,522	4,797	4,117
Intangible assets	321	310	317	325	333
Investment properties	0	0	0	0	0
Long-term investments	525	0.65	0.65	0.65	0.65
Associates/JVs	0	0	0	0	0
Other long-term assets	240	543	489	440	396
Total long-term assets	**3,317**	**6,791**	**6,329**	**5,562**	**4,846**
Total assets	**13,519**	**16,494**	**17,115**	**18,500**	**19,825**
Short-term debt	6,312	4,601	5,071	6,018	7,020
Accounts payable	856	1,470	1,690	2,006	2,340
Other current liabilities	194	200	208	217	227
Total current liabilities	**7,621**	**6,568**	**7,296**	**8,600**	**9,982**
Long-term debt	0	2,266	1,807	1,726	1,267
Deferred tax	25.9	23.2	23.2	23.2	23.2
Other long-term liabilities	0.90	0.90	0.90	0.90	0.90
Long-term liabilities	**26.8**	**2,290**	**1,831**	**1,750**	**1,292**
Total liabilities	**7,648**	**8,858**	**9,127**	**10,350**	**11,274**
Shareholders' funds	5,871	7,635	7,988	8,150	8,551
Minority interests	0	0	0	0	0
Total equity	**5,871**	**7,635**	**7,988**	**8,150**	**8,551**
Total liabilities and equity	**13,519**	**16,494**	**17,115**	**18,500**	**19,825**
BVPS (VND)	18,584	17,060	17,847	18,210	19,106
Net debt/(cash)*	5,920	6,028	5,160	5,701	5,025

Financial ratios and other	12-24A	12-25A	12-26F	12-27F	12-28F
Operating ratios					
Gross margin (%)	8.89	5.30	6.48	7.01	7.69
EBITDA adj. margin (%)	5.16	4.00	6.26	5.93	6.11
Net profit margin (%)	2.20	1.33	1.95	1.98	2.61
Effective tax rate (%)	18.8	18.1	15.0	12.0	12.0
Sales growth (%)	10.8	(28.1)	22.0	19.4	17.5
EBITDA adj. growth (%)	42.1	(44.3)	91.1	13.0	21.1
Net profit adj. growth (%)	286	(56.5)	78.4	21.3	55.0
EPS growth (%)	222	(69.3)	78.4	21.3	55.0
EPS adj. growth (%)	286	(56.5)	78.4	21.3	55.0
DPS growth (%)	nm	nm	nm	nm	nm
Dividend payout ratio (%)	0	0	0	0	0
Efficiency ratios					
Return on avg. equity (%)	8.02	2.92	4.50	5.29	7.92
Return on avg. CE (%)	12.2	2.91	4.53	5.50	8.18
Asset turnover (x)	1.60	0.99	1.08	1.21	1.32
Operating cash/EBIT (x)	(0.78)	5.76	1.42	(0.49)	1.26
Inventory days	130	138	120	120	102
Accounts receivable days	37.8	37.0	35.1	37.3	39.5
Accounts payable days	16.6	38.3	36.5	36.5	36.5
Leverage ratios					
Net debt*/equity (%)	102	81.5	67.2	72.8	61.8
Debt/capital (%)	47.3	42.8	41.4	43.1	43.1
Interest coverage (x)	5.08	2.22	10.8	8.14	12.1
Debt/EBITDA (x)	6.01	11.9	6.26	6.23	5.52
Current ratio (x)	1.34	1.48	1.48	1.50	1.50
Valuation					
EV/sales (x)	0.53	0.88	0.67	0.59	0.47
EV/EBITDA adj. (x)	10.2	22.0	10.7	9.91	7.75
P/E (x)	10.9	35.4	19.8	16.4	10.6
P/E adj. (x)	16.2	37.3	20.9	17.2	11.1
P/B (x)	0.84	0.91	0.87	0.86	0.82
Dividend yield (%)	0	0	0	0	0

*Note: *Excluding short-term investments.*
Source: Company, HSC Research estimates

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Buy: Expected to rise by more than 20% on an absolute basis in the next 12 months
Add: Expected to rise by between 5% and 20% on an absolute basis in the next 12 months
Hold: Expected to rise or decline by less than 5% on an absolute basis in the next 12 months
Reduce: Expected to decline by between 5% and 20% on an absolute basis in the next 12 months
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