ASEAN SECURITIES
CÔNG TY CỔ PHẦN CHỨNG KHOÁN ASEAN

EQUITY RESEARCH REPORT

HOA PHAT GROUP JSC (HSX: HPG)

Dung Quat 2 opens a new growth cycle; HRC is the key valuation variable

RECOMMENDATION: OUTPERFORM [+32%]

ASEANSC Research | Q2/2026

SUMMARY

Basic information (30/06/2026)	
Exchange:	HSX
Share price (VND):	**23.300**
EPS:	2.499
P/E:	9,4x
Book value	18.212
P/B:	1,3x
20D ADTV:	27.638.000
Shares outstanding:	8.442.964.520
Market cap (VND bn):	198.832

1-year share price performance

Source: TradingView, ASEANSC Research

Investment view:

We rate HPG **OUTPERFORM** with a 12-month target price of VND30,800/share (+32% upside), based on the P/E method. In addition to fundamentals, HPG could re-rate if (1) construction steel and HRC sales volumes beat expectations and (2) steel prices sustain an uptrend while raw material costs rise more slowly. These factors would support margin expansion and could establish a new earnings base.

2026 earnings forecast:

We forecast HPG's 2026 revenue and NPAT at VND210,550bn (+34.9% YoY) and VND26,239bn (+69.1% YoY), respectively. Growth should be driven mainly by steel sales volume growth of over 20% YoY and a stronger steel price backdrop, especially HRC prices after the provisional AD duties on wide-width Chinese HRC, plus a one-off gain of about VND3,800bn from the divestment of the Pho Noi urban area stake.

Investment thesis:

- **Dung Quat 2 is a scale and volume growth catalyst, lifting Hoa Phat's crude steel capacity to 14.5 mn tonnes. We forecast HPG's HRC sales volume in 2026 at 6.8 mn tonnes (+35% YoY), supported by (1) resilient domestic demand of over 12 mn tonnes/year on average and (2) Vietnam's provisional AD duties on wide-width Chinese HRC, which should help HPG secure domestic offtake.**
- **We expect HPG's 2026 gross margin to improve on (1) stable raw material costs and (2) a steel price recovery as Chinese steel prices likely bottom and recover on supply discipline. HPG also has room to raise HRC ASPs thanks to the wide-width HRC AD duties.**
- **New projects, including the Phu Yen steel complex and especially the Red River Landscape Boulevard project, could become long-term growth drivers by (1) supporting offtake for steel products, (2) improving profit growth through the higher-margin property segment, and (3) enhancing HPG's scale.**
- **We expect HPG's export channel to improve in 2026, supported by Vietnam steel's price competitiveness amid rising global trade protectionism. HPG's HRC exports to the EU currently carry a 0% AD duty, helping preserve competitiveness in a key export market.**

Key factors to monitor:

- **HPG's earnings are highly sensitive to prices of coking coal, iron ore, scrap steel, and Chinese steel. A recovery in Chinese steel prices would be a strong margin catalyst and could support a potential rating upgrade.**
- **The residential property market, which accounts for over 70% of Vietnam's steel demand, remains a key variable for HPG's offtake.**

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3. NPAT surged on a one-off gain from the Pho Noi urban area stake transfer.

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1. We expect 2026 revenue and volume growth to be driven by Dung Quat 2.
2. Gross margin should improve on stable input costs and recovering steel prices.
3. Property projects could become long-term growth drivers for HPG.

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I. OVERVIEW

1. Company introduction:

- Hoa Phat Group JSC (HSX: HPG) was established in 1995, initially as a construction machinery trading company. Since then, HPG has expanded into furniture (1995), steel pipes (1996), steel production (2000), refrigeration (2001), real estate (2001), and agriculture (2016). Since 2021, HPG's core businesses have focused on three segments: (1) steel production and trading (about 94% of 2025 revenue), (2) agriculture (5% of revenue), and (3) real estate (1% of revenue).

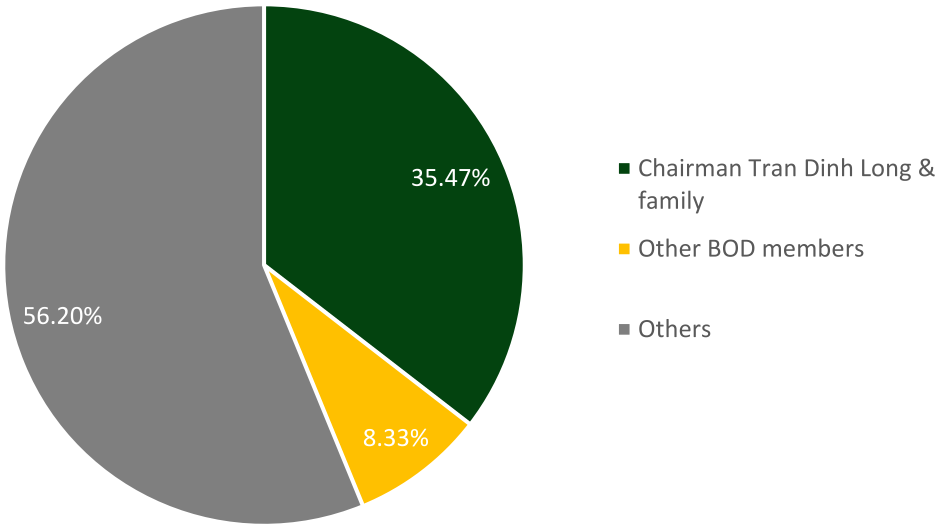
History and development

1. **1992-2001: Started as a construction machinery trader and expanded into furniture, steel pipes, construction steel, and refrigeration.**
2. **2001-2015: Accelerated steel capacity expansion, gradually built an integrated production chain, and strengthened its position in construction steel.**
3. **2016-2018: Restructured into a group model, listed HPG shares on HOSE, and developed Dung Quat Steel Complex Phase 1.**
4. **2020-2022: Earnings grew strongly on a favorable steel price cycle, while HPG expanded into HRC and containers.**
5. **2023-2024: Focused on navigating steel-sector headwinds, accelerated Dung Quat 2, and expanded into large-scale property/IP projects as long-term growth drivers.**

Source: HPG, ASEANSC Research

2. HPG shareholder structure:

HPG shareholder structure as of May 25, 2026



Source: HPG, ASEANSC Research

- **HPG's shareholder structure is relatively concentrated among management and related parties. Chairman Tran Dinh Long and related parties own about 35.47%, while other BOD members hold another 8.33%, bringing insider ownership to around 43.8%. This indicates a strong management commitment and supports long-term strategic stability.**

The remaining 56.2% is held by other shareholders, maintaining a large free float. This supports high liquidity, attracts institutional, ETF, and foreign flows, and aligns with potential market upgrade criteria.

3. Corporate structure and ownership:

- HPG owns five direct subsidiaries and 63 indirect subsidiaries. The group has built a relatively integrated value chain spanning upstream inputs (iron ore, pig iron/steel, sea transportation), midstream products (construction steel, HRC, steel pipes, galvanized steel), and downstream/supporting areas such as home appliances, agriculture, and real estate. This structure helps HPG secure materials, optimize operating costs, and reduce reliance on external partners.

HPG ownership structure

STT	HPG direct subsidiaries	Charter capital (VND bn)	HPG ownership
1	Hoa Phat Steel JSC	74.000	99,99%
2	Hoa Phat Steel Products JSC	8.800	99,99%
3	Hoa Phat Real Estate Development JSC	10.600	99,98%
4	Hoa Phat Agriculture Development JSC (HPA)	2.550	94,99%
5	Hoa Phat Home Appliances JSC	1.200	99,91%

Source: HPG, ASEANSC Research

3. Corporate structure and ownership (Indirect subsidiaries)

HÒA PHÁT
HPG

HOA PHAT STEEL JOINT STOCK COMPANY

- Hoa Phat Hung Yen Steel Co., Ltd.
- Hoa Phat Hai Duong Steel Co., Ltd.
- Hoa Phat Dung Quat Steel Co., Ltd.
- Hoa Phat Securities Investment JSC
- Hoa Phat Sea Cargo Transport Co., Ltd.

HOA PHAT STEEL PRODUCTS JOINT STOCK COMPANY

- Hoa Phat Steel Pipe Co., Ltd.
- Hoa Phat Ton Hoa Phat Co., Ltd.
- Hoa Phat Galvanized Steel Sheet Co., Ltd.
- Hoa Phat Steel Container Manufacturing Co., Ltd.

HOA PHAT HOME APPLIANCES JOINT STOCK COMPANY

- Hoa Phat Refrigeration Co., Ltd.
- Hoa Phat Ha Nam Home Appliances Co., Ltd.
- Hoa Phat Phu Mỹ Refrigeration Co., Ltd.

HOA PHAT AGRICULTURE JOINT STOCK COMPANY

- Hoa Phat Hung Yen Feed JSC
- Hoa Phat Animal Feed Joint Stock Company
- Hoa Phat Livestock Farm JSC
- Hoa Phat Agricultural Development JSC

HOA PHAT REAL ESTATE DEVELOPMENT JOINT STOCK COMPANY

- Hoa Phat Urban Development and Construction JSC
- Hoa Phat Hanoi Real Estate JSC
- Hoa Phat Sai Gon Real Estate JSC
- Hoa Phat Investment in New Urban Areas JSC

Source: HPG, ASEANSC Research

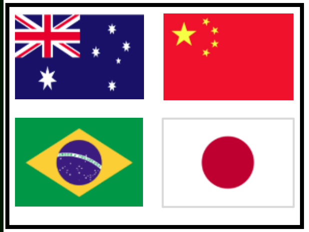
4. HPG business model - HPG's position in the steel value chain

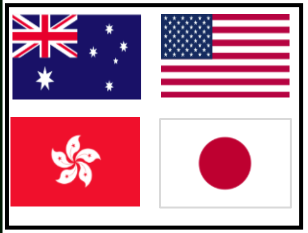
Source: HPG, ASEANSC Research

➢ **Hoa Phat is one of the few domestic steel producers participating in nearly the full steel value chain, from raw materials and iron/steel making to HRC and downstream products such as construction steel, steel pipes, and galvanized steel. This integrated model allows HPG to secure inputs, optimize production costs, and reduce Vietnam's dependence on imported steel products.**

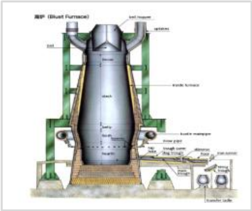
INPUT | **PRODUCTION PROCESS** | **OUTPUT**

(1) Raw materials

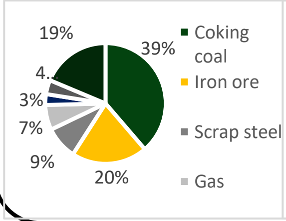


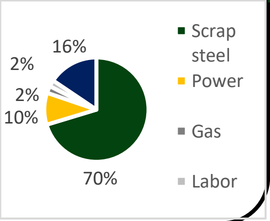


(2) Ironmaking

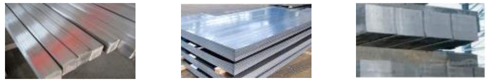


(3) Steelmaking



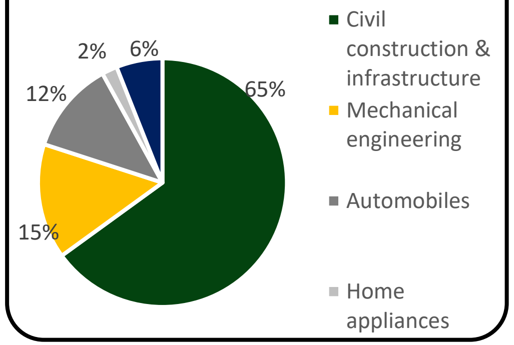


(4) Billet casting

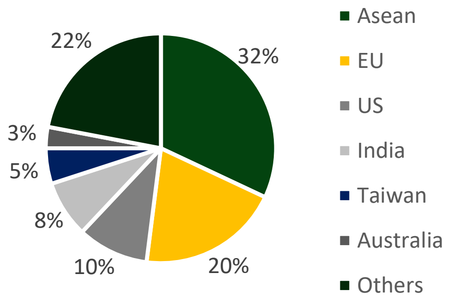


(5) Finished products

Domestic sales

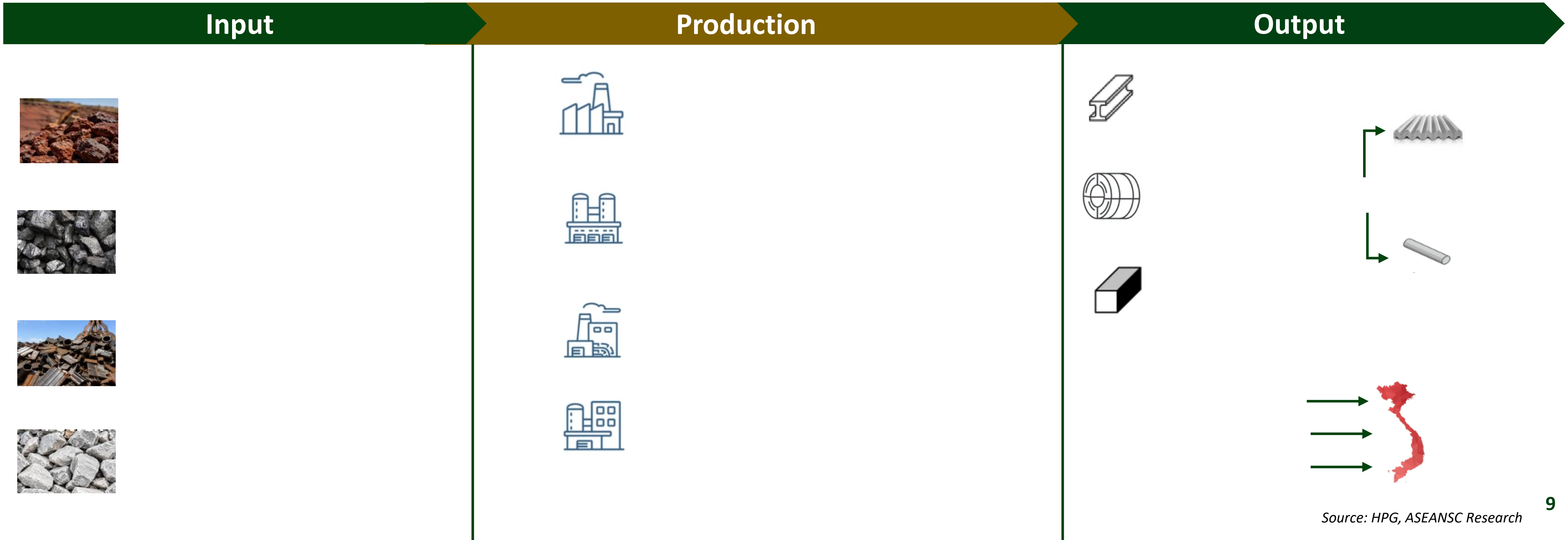


Exports



4. HPG business model - HPG's business value chain

- Steel is HPG's core business; therefore, the spread between key inputs such as iron ore, coking coal, and scrap steel (nearly 70% of input costs) and output prices (mainly construction steel and HRC) is the main driver of margins. In production, the Dung Quat and Hai Duong complexes generally operate close to full capacity to serve domestic steel demand, while Dung Quat 2 is expected to lift HPG's crude steel capacity to more than 14 mn tonnes/year. On the output side, HPG has a closed steel ecosystem from construction steel and HRC to steel pipes and galvanized steel, plus a nationwide distribution network, supporting major advantages in cost, market share, and value-chain control.

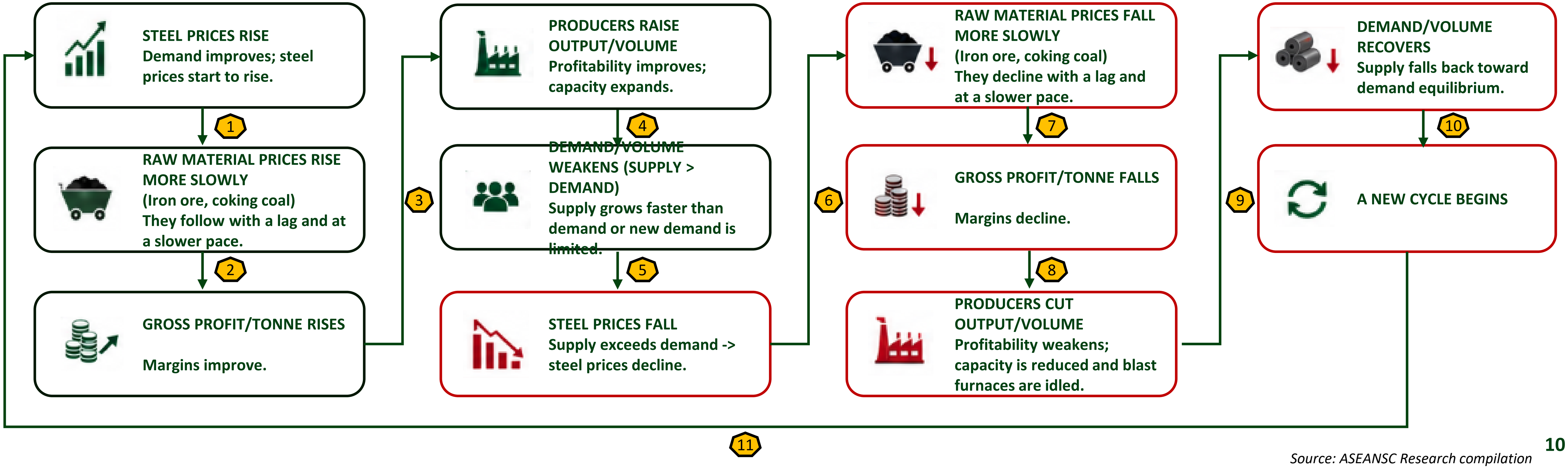


Source: HPG, ASEANSC Research

4. HPG business model - HPG's business value chain

- Output steel prices and raw material prices tend to move in the same direction. In our view, steel prices usually lead when demand recovers; raw material prices then rise with a lag and at a slower pace, improving gross profit/tonne and gross margin. Conversely, when steel prices fall, raw materials decline with a lag, compressing gross margin, pushing demand/volume back toward equilibrium, and eventually starting a new cycle.

The model below applies when the steel market operates normally: raw material prices are demand-driven, oversupply is not excessive, and loss-making producers cut output. In 2022, the Russia-Ukraine war and a delayed supply adjustment in China drove coking coal prices up more than 200%, temporarily breaking the usual relationship. However, after 3-4 months, steel and input prices reverted to their typical positive correlation.



Source: ASEANSC Research compilation

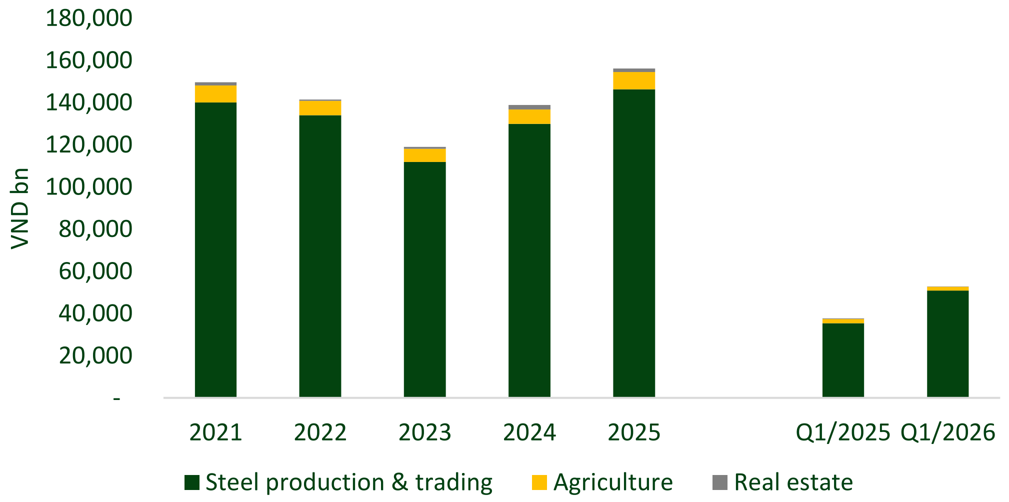
4. HPG business model - Business results

- HPG's revenue declined during 2021-2023 after peaking in 2021, mainly due to weakness in real estate and construction, repeated blast furnace shutdowns, lower output, and a sharp correction in steel prices.

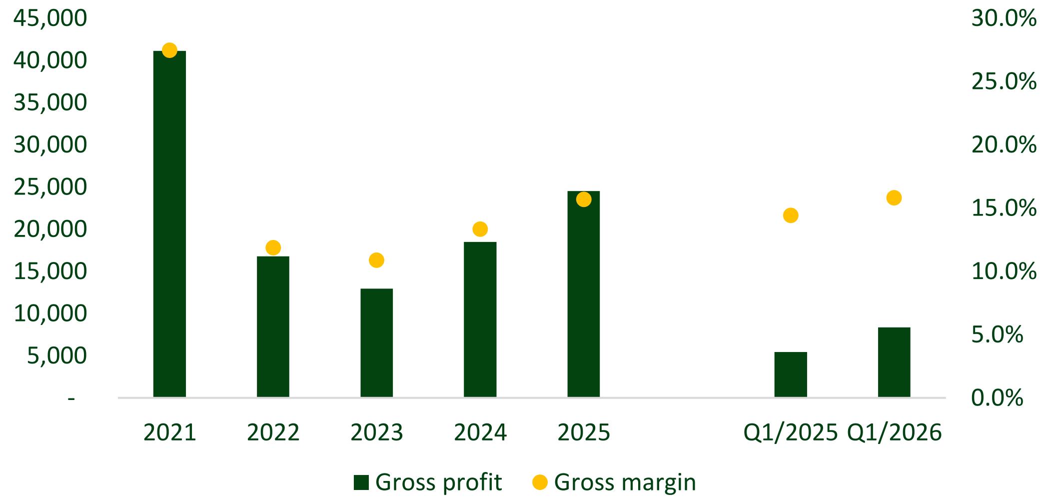
Since 2023, revenue has recovered continuously as demand improved, especially in residential property, alongside infrastructure and public investment support. In 2025, HPG brought Dung Quat 2 into operation, lifting total HRC capacity to 8.6 mn tonnes/year and pushing group revenue above the 2021 peak.

During 2021-2025, HPG's gross margin returned to a lower 10%-15% range as output prices followed Chinese steel prices lower (see Appendix 1) while input costs remained high, especially in 2022 due to the Russia-Ukraine war. Nevertheless, HPG's gross margin has been recovering since 2022.

HPG REVENUE BY YEAR



HPG GROSS MARGIN BY YEAR



Source: HPG, ASEANSC Research

5. SWOT

SWOT

Strengths

- Oligopoly position: HPG and Formosa are the only producers of HRC in Vietnam; DQ2 should help HPG become the No.1 HRC producer in Vietnam.
- Integrated production chain supports better cost optimization and quality control than many peers.
- Solid financial and operating capacity enables HPG to withstand industry cycles better than smaller steel producers.

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Weaknesses

- High dependence on steel means revenue and earnings fluctuate significantly with steel prices, property, and construction cycles.
- Input costs are sensitive to iron ore, coking coal, and FX, with coking coal, iron ore, and scrap accounting for a large share of production costs.

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Opportunities

- Dung Quat 2 opens a new growth cycle, especially in HRC, where Vietnam still lacks domestic supply.
- Domestic steel demand could recover on public investment, infrastructure, property, and industrial production.
- HRC anti-dumping duties protect the domestic market, supporting HPG's offtake and margins.

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Threats

- Volatile steel and raw material prices could compress HPG's margins when steel prices fall faster than input costs.
- Chinese steel oversupply and low-priced exports may pressure regional steel prices.
- A slower-than-expected property recovery would directly affect construction steel demand.
- Environmental pressure and carbon-reduction trends could increase investment costs.

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Source: HPG, ASEANSC Research

- In Q1 2026, HPG's revenue rose 40.6% YoY to VND52,901bn, driven mainly by steel sales volume of 3.3 mn tonnes (+26% YoY), led by construction steel (+20% YoY) and HRC (+48% YoY), supported by Dung Quat 2 and a recovering property market.
- Q1 2026 gross margin reached 15.81% (+1.39 ppts YoY), mainly due to (1) construction steel ASPs rising 10% YoY and galvanized steel prices up 4.5% YTD and (2) low-cost iron ore and coking coal inventory accumulated last year.
- Financial income surged 1,256% YoY to VND5,938bn, mainly from the divestment of the Pho Noi urban area project.
- Financial expenses rose 93% YoY to VND1,868bn due to higher interest rates.

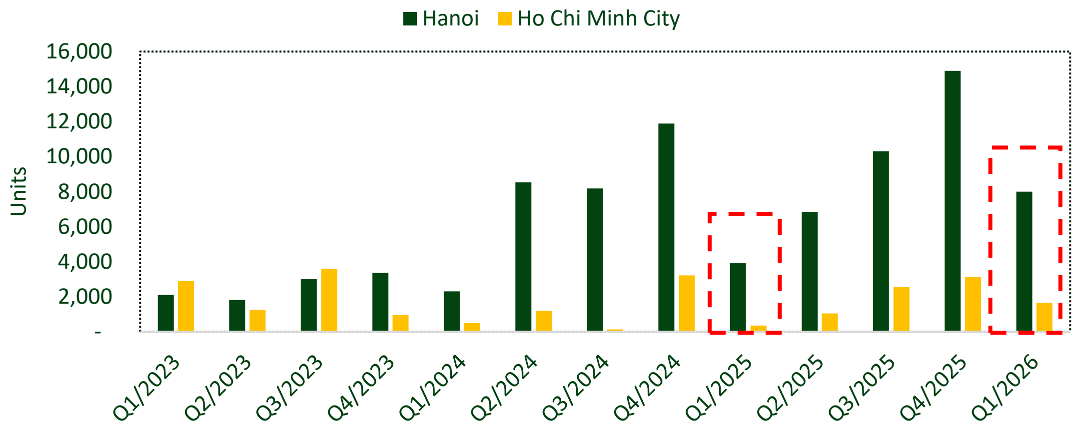
Table 1: HPG Q1 2026 business results

Unit: VND bn	Q1/2026	%YoY	% 2026 plan
Revenue	***52.901***	***+40,6%***	**25,1%**
Steel	*50.859*	*+43,5%*	
Agriculture	*1.763*	*-11,2%*	
Real estate	*278*	*+37,8%*	
Gross profit	**8.365**	**+54,2%**	
Gross margin	*15.81%*	*+1.39 ppts*	
Financial income	5.938	**+1256%**	
Financial expenses	(1.868)	+93%	
Of which: Interest expense	(1.333)	+113%	
SG&A expenses	(1.731)	+59,5%	
NPAT	**9.056**	**+170,3%**	**41,2%**

Source: HPG, ASEANSC Research

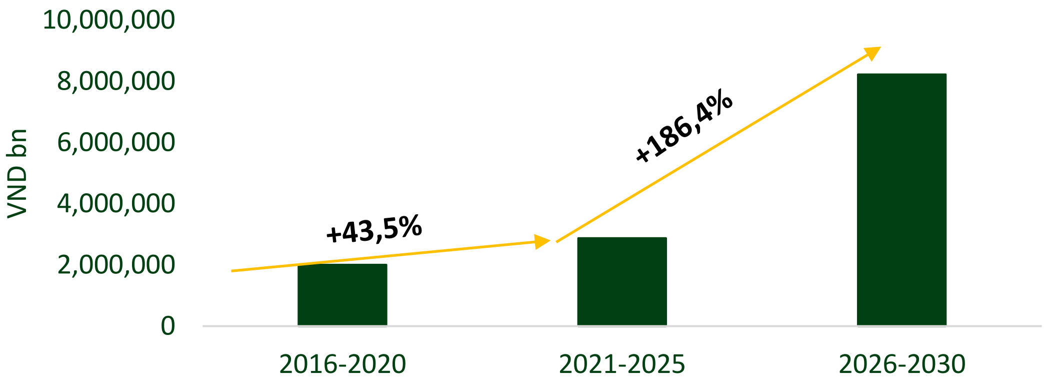
1. Revenue growth driven by recovering steel demand and capacity expansion

PROPERTY APARTMENT SUPPLY

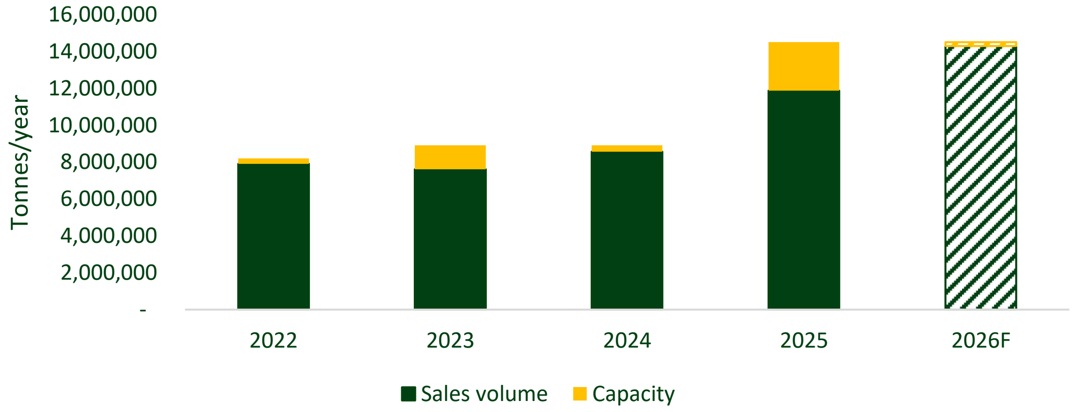


- **HPG's Q1 2026 sales volume increased 26% YoY to around 3.3 mn tonnes, reflecting both recovering domestic steel demand and increased production capacity. Demand was supported by an improving residential property market and expectations for accelerated public investment to support the 10% annual GDP growth target for 2026-2030. Dung Quat 2's operation lifted HPG's total steel capacity to over 14.5 mn tonnes/year, laying the foundation for further volume growth and market leadership.**

NATIONAL ASSEMBLY PUBLIC INVESTMENT PLAN



STEEL CAPACITY

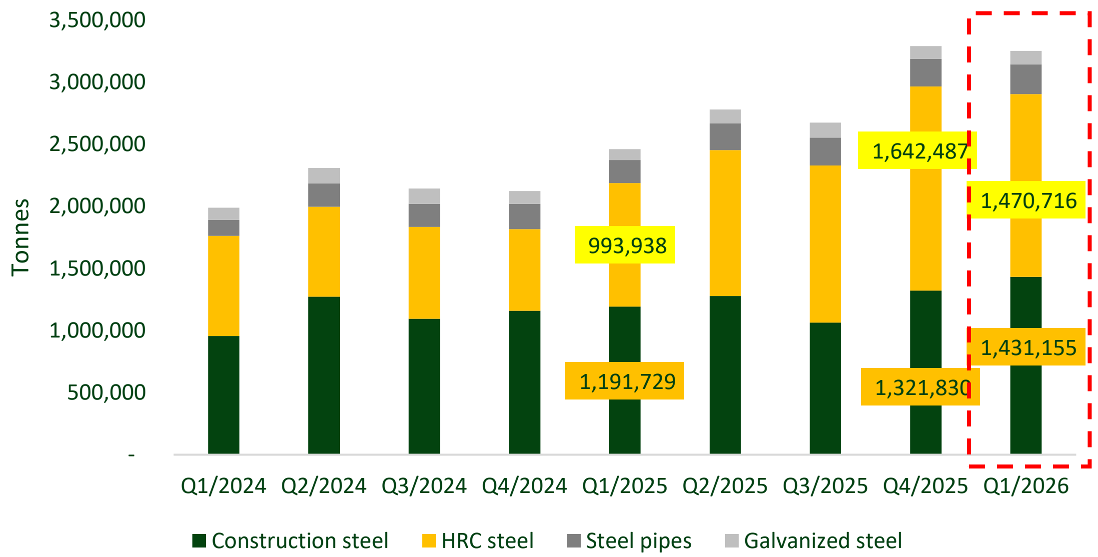


Source: HPG, CBRE, ASEANSC Research

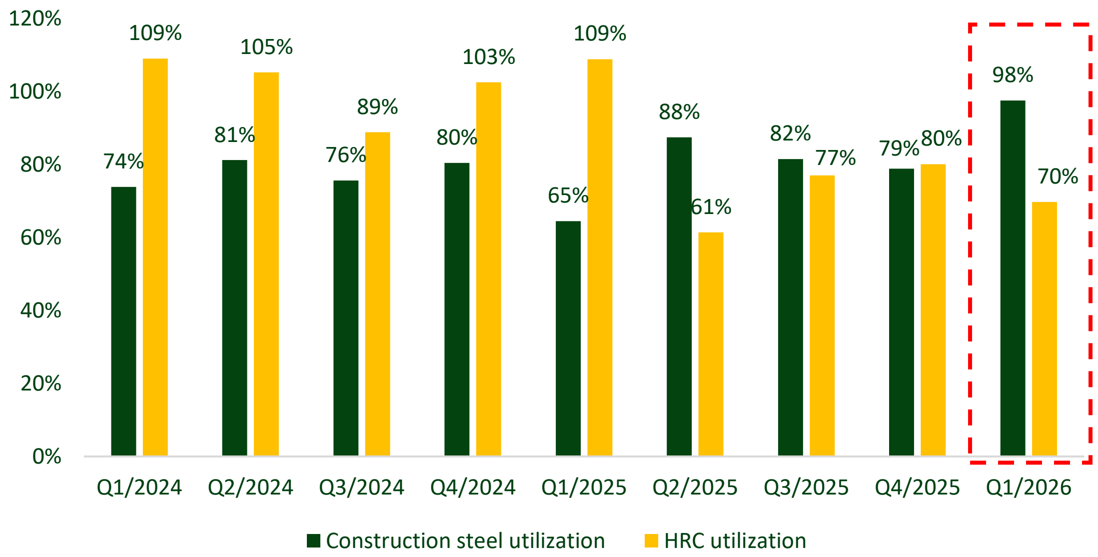
1. Growth mainly from construction steel; HRC still awaits demand inflection

➢ **Revenue growth was driven mainly by construction steel, while HRC has yet to meet expectations. In Q1 2026, construction steel and HRC sales volumes reached 1.43 mn tonnes and 1.47 mn tonnes, up over 20% and 48% YoY, respectively. However, HRC volume fell about 10% QoQ from the Q4 2025 peak of 1.64 mn tonnes. This indicates HPG's current growth momentum is still driven more by the recovery in construction steel than a breakout in HRC. Notably, after both phases of Dung Quat 2 entered operation, HRC utilization reached only 70% in Q1 2026, below expectations and 10% lower than Q4 2025 utilization.**

SALES VOLUME



CONSTRUCTION STEEL & HRC UTILIZATION

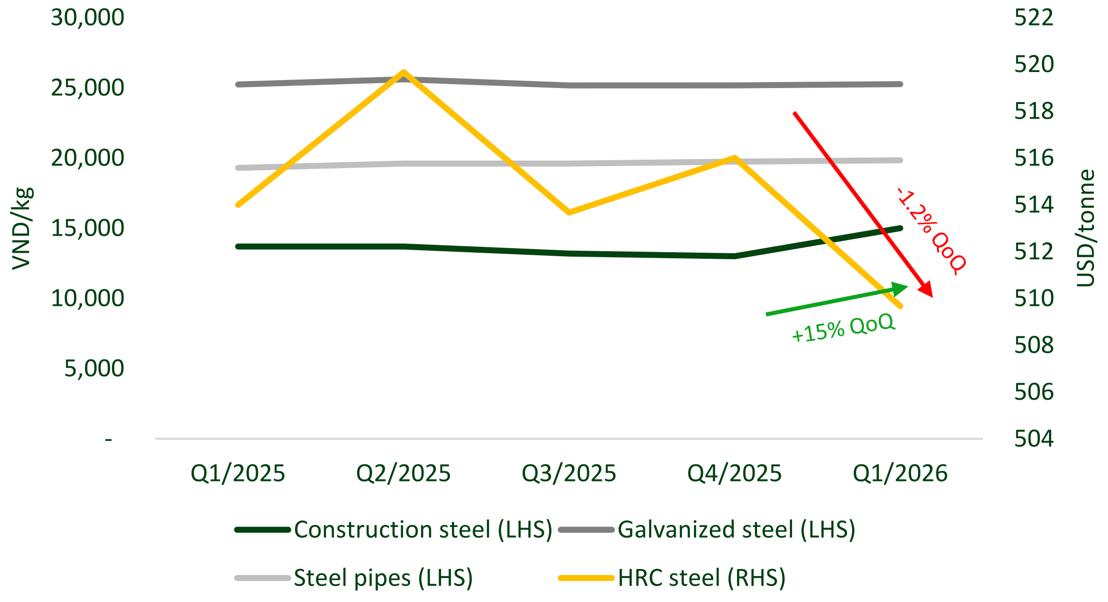


Source: HPG, ASEANSC Research

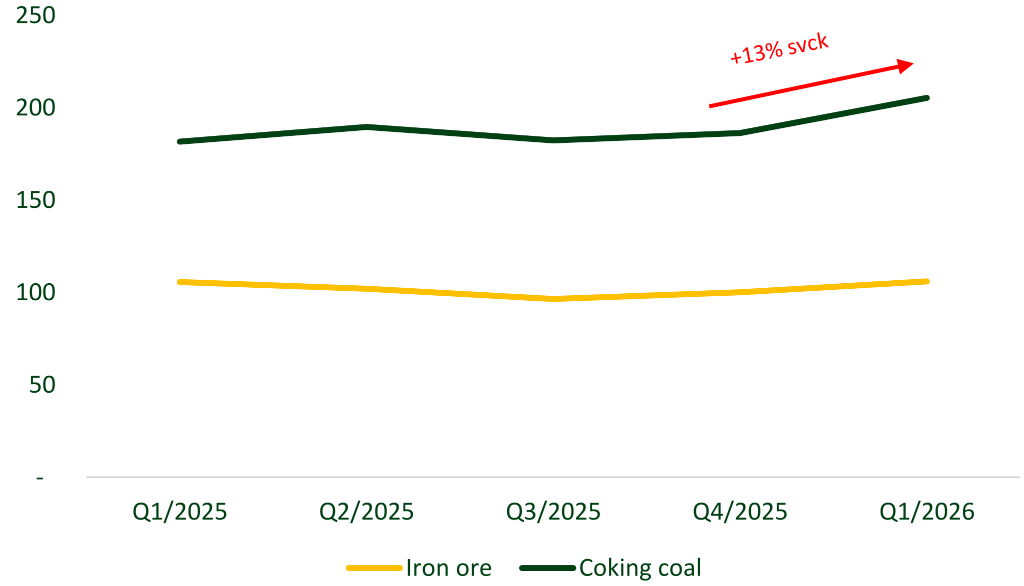
2. Gross margin improved on higher construction steel ASPs and low-cost raw materials

- HPG's Q1 2026 gross margin improved on recovering ASPs and low-cost raw material inventory. Gross margin reached 15.81%, up 1.39 ppts YoY. Accelerating public investment, improving residential construction, and pre-holiday restocking pushed construction steel prices up about 10% YoY, at times 15% above the beginning of the year. In 3M 2026, coking coal prices rose about 10% QoQ and 13% YoY due to post-Tet raw material restocking and indirect impact from geopolitical conflicts, while iron ore prices were broadly stable. HPG benefited from lower-cost inventory accumulated in late 2025, supporting margin improvement.

OUTPUT STEEL PRICES



IRON ORE AND HCC PRICE MOVEMENTS

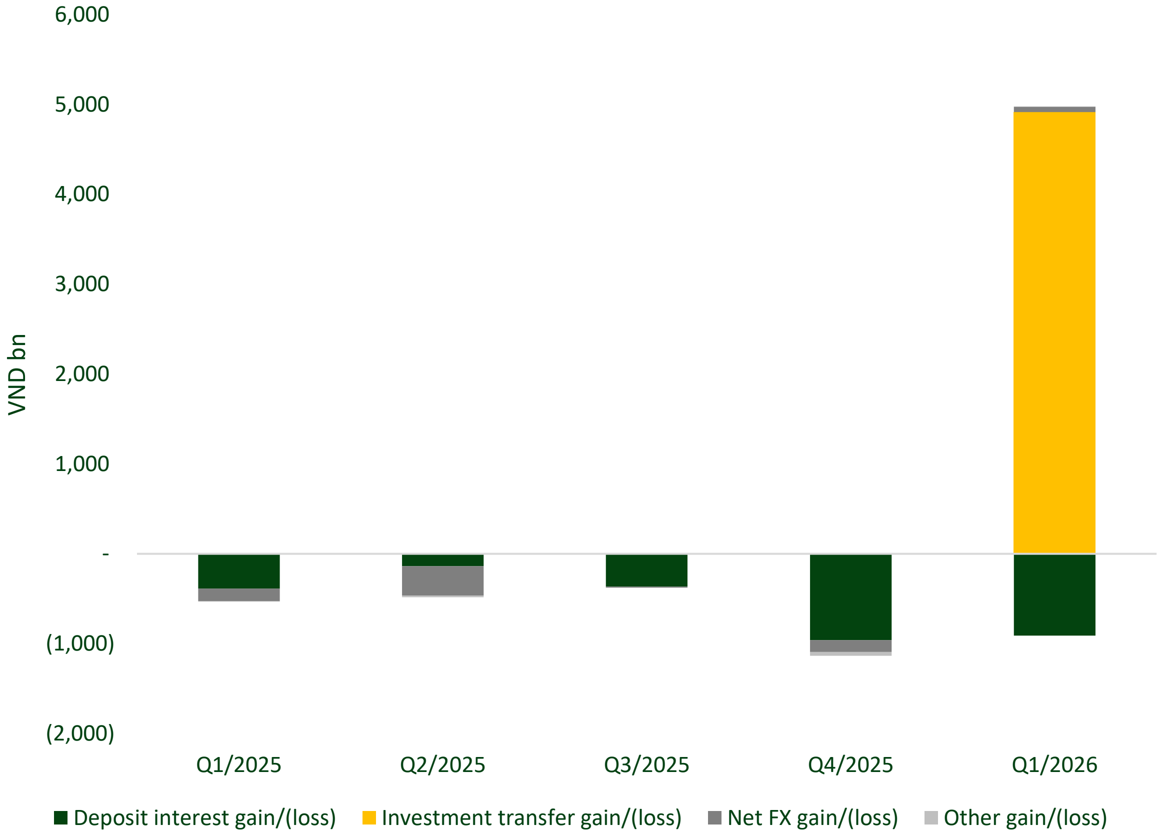


Source: HPG, ASEANSC Research

3. Financial income surged on a one-off gain; Dung Quat 2 ended interest capitalization

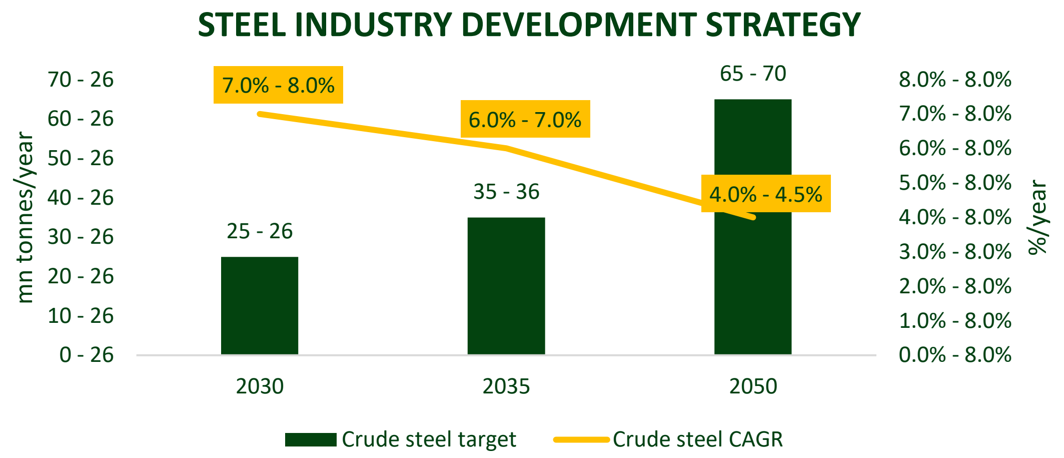
- **HPG unexpectedly recorded net financial income of over VND4,000bn in Q1 2026, reversing losses in previous quarters that were mainly driven by interest expenses and FX losses. Per management comments at the 2026 AGM, the main driver was an estimated VND3,800bn gain from the transfer of the Pho Noi urban area project in Hung Yen.**
- **In addition, the 'deposit interest gain/(loss)' line has surprisingly recorded a negative value of nearly VND1,000bn per quarter since Q4 2025. This was mainly because Dung Quat 2 completed construction and entered operation, meaning HPG no longer capitalizes interest expenses as in the construction phase.**

HPG FINANCIAL INCOME BREAKDOWN

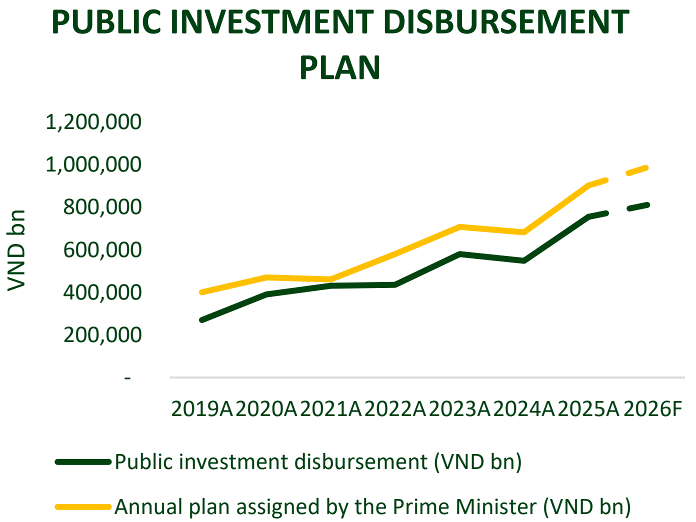


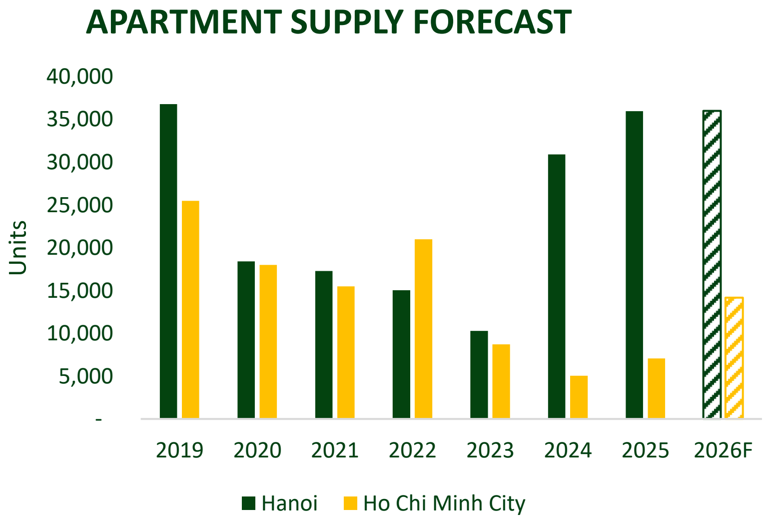
Source: HPG, ASEANSC Research

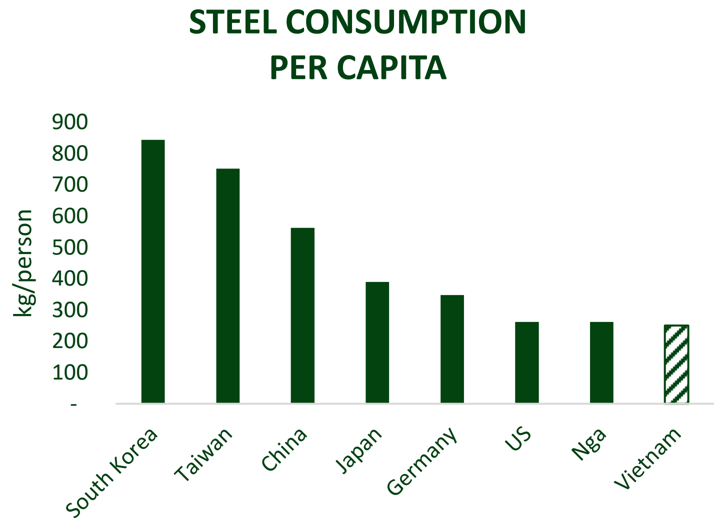
1. Revenue to grow strongly in 2026-2027 on two key drivers: property and a public investment supercycle



➢ **In 2026-2027, HPG is expected to enter a strong growth phase, supported by large-scale infrastructure development and the recovery of the property market. The 10% annual GDP growth target for 2026-2030 and the Government-approved Steel Industry Development Strategy to 2030, vision to 2050, are important foundations for the sector's long-term outlook, targeting crude steel output growth of 7%-8%/year and steel consumption of 270-280 kg/person/year.**



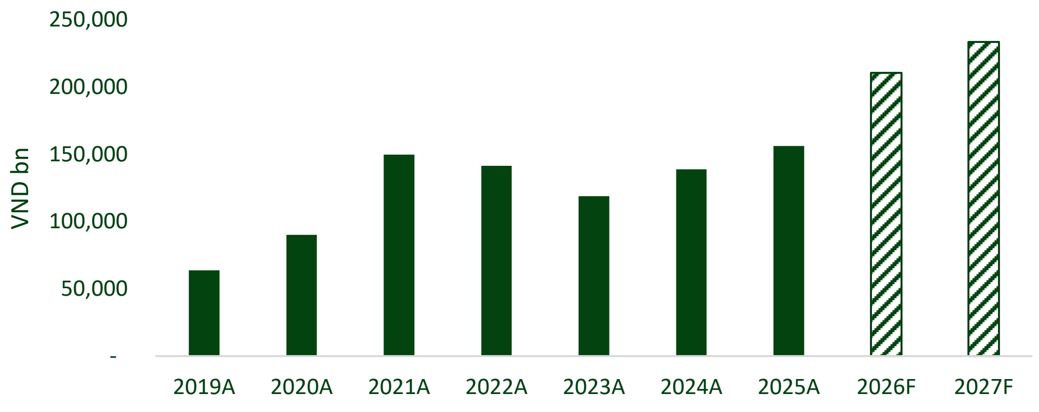




Source: HPG, CBRE, World Steel, ASEANSC Research estimates

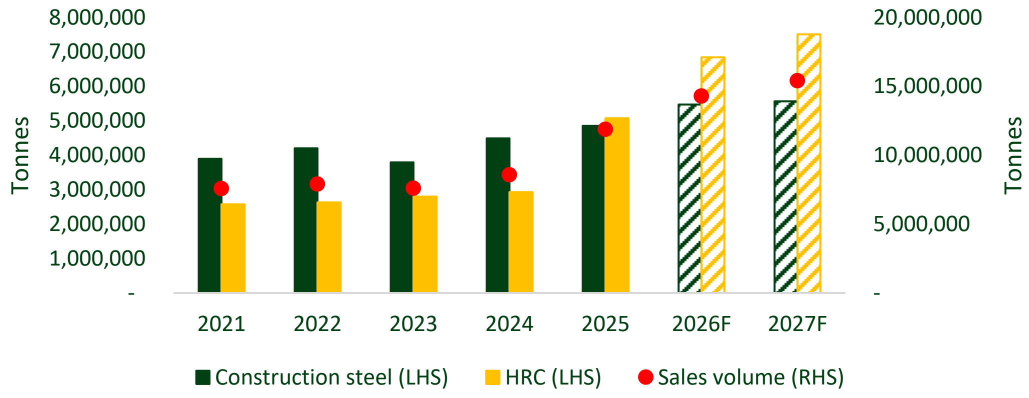
1. Revenue to grow strongly in 2026-2027 on two key drivers: property and a public investment supercycle

HPG NET REVENUE

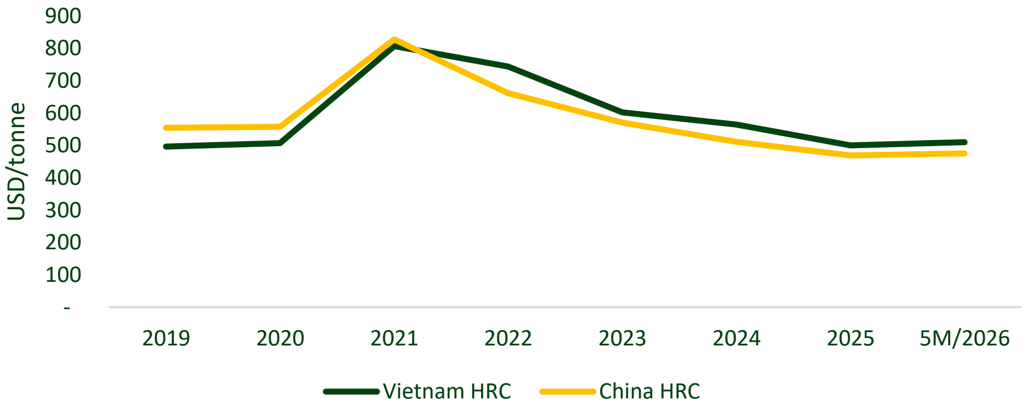


- **We forecast 2026/2027 revenue at VND212,040bn/VND235,250bn, equivalent to +35.8%/+10.9% YoY. Growth is mainly driven by (1) construction steel and HRC sales volume growth of 13%/2% and 35%/10%, reaching 5,468,032/5,562,838 tonnes and 6,840,000/7,505,000 tonnes, respectively; and (2) signs of steel price recovery, mainly supply-driven as China imposes export-volume controls through mandatory export licensing and an anti-negative-competition strategy.**

HPG SALES VOLUME



VIETNAM AND CHINA HRC PRICES



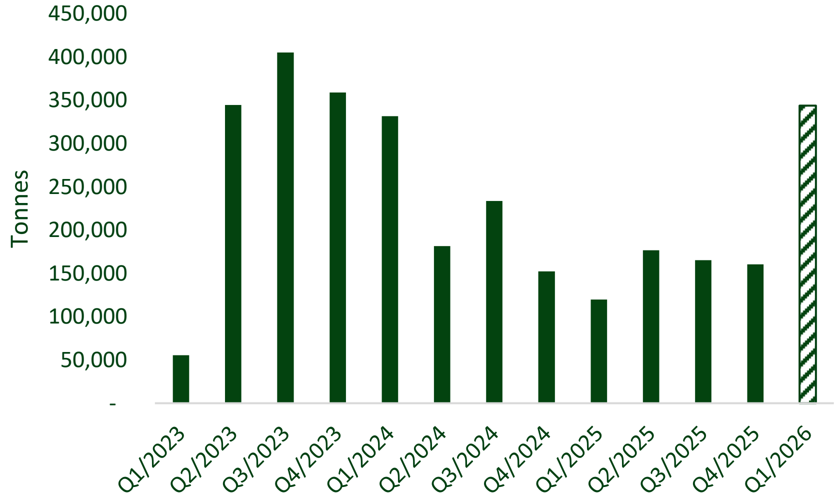
Source: HPG, VSA, ASEANSC Research estimates

1. Revenue to grow strongly in 2026-2027 on two key drivers: property and a public investment supercycle

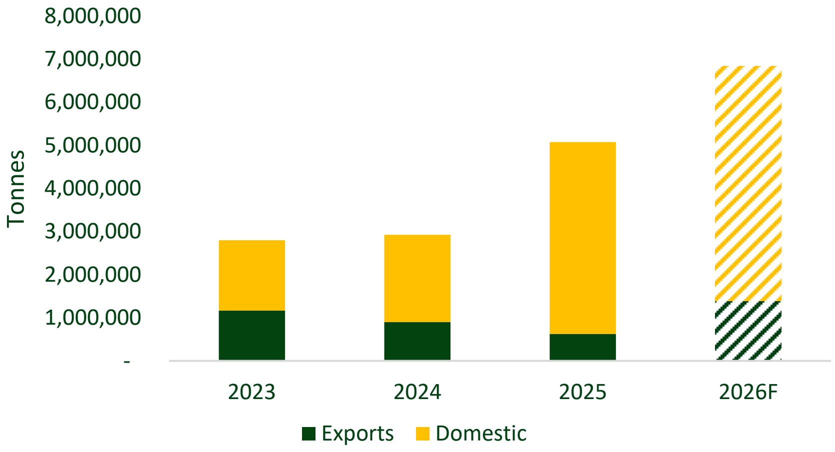
- **HPG's HRC offtake should also be supported by exports. In Q1 2026, HPG's HRC exports surged more than 187% YoY and 114% QoQ to nearly 344,000 tonnes; Q1 exports alone equaled 55% of full-year 2025 export volume. This was mainly due to geopolitical tensions, especially the recent US-Iran conflict, which sharply reduced slab exports from Iran, one of the world's top 10 steel exporters. Iran's customers were unable to purchase slabs for rolling and had to increase imports of finished HRC, supporting Vietnam's and HPG's HRC exports. In addition, the EU's CBAM implementation from early 2026 could benefit HPG in this key export market (see Appendix 2).**

Domestically, with Dung Quat 2 in operation, HPG becomes the No.1 domestic HRC producer, giving it a pricing advantage over Formosa and supporting domestic sales volume growth ahead.

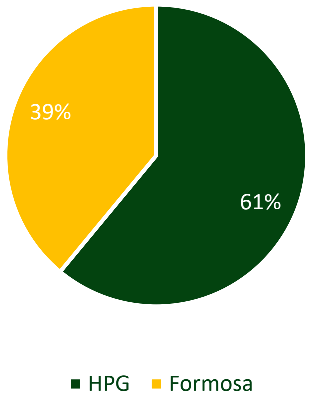
HPG HRC EXPORTS



HRC SALES VOLUME FORECAST



DOMESTIC HRC MARKET SHARE IN 2025

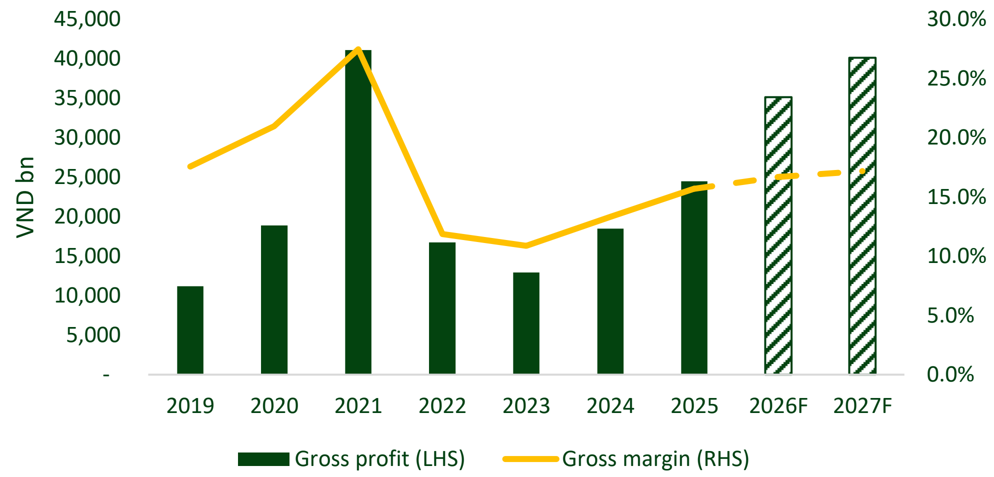


Source: HPG, VSA, ASEANSC Research estimates

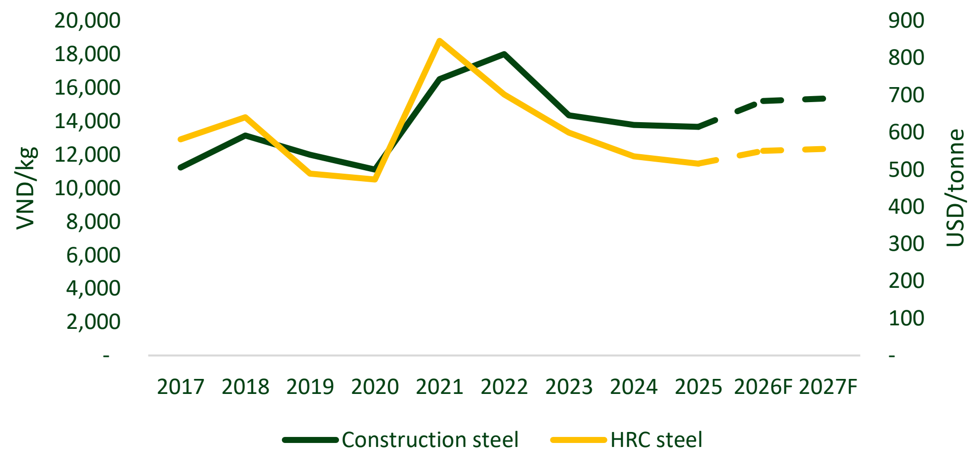
2. Gross margin enters recovery phase as output prices improve while input prices remain stable

- **We forecast HPG's 2026 gross margin at 16.69% (+0.99 ppts YoY). In 2027, we expect gross margin to edge up to 17.18% (+0.49 ppts YoY), mainly as output steel prices rise faster than input costs.**
- **Drivers include: (1) recovering output prices. Construction steel prices in Q1 2026 rose more than 10% YoY and exceeded VND15,000/kg, supported by public investment and a recovering property market. We believe current price levels can be sustained over the next two years as infrastructure demand remains a key growth driver.**
- **For HRC, we expect ASPs to recover to around USD550-560/tonne (Q2 2026 average) during 2026-2027, supported by improving supply and demand. On the supply side, China is tightening output control through anti-negative-competition policies and steel export licensing, reducing regional oversupply pressure. On the demand side, AD duties on standard- and wide-width HRC (AD20) should help HPG increase domestic volume and ASPs.**
- **Continued Middle East tensions could also be a positive catalyst for steel prices.**

FORECAST GROSS PROFIT IN 2026-2027



HPG AVERAGE STEEL PRICE FORECAST

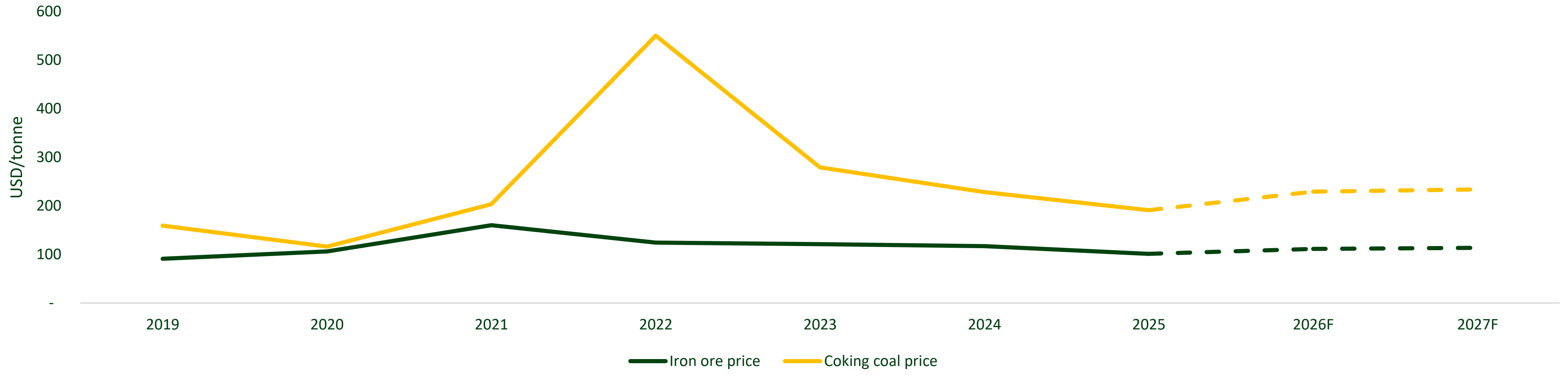


Source: HPG, ASEANSC Research estimates

2. Gross margin enters recovery phase as output prices improve while input prices remain stable

- **(2) We expect key input prices (iron ore and coking coal) to remain stable in 2026-2027. For iron ore, according to DISR (Australia's Department of Industry, Science and Resources), global supply should continue to rise on stable Australian exports and the startup of the Simandou project in Guinea (expected to add 60 mn tonnes of ore in 2026 and 120 mn tonnes in 2027). We therefore expect iron ore prices to stay around USD100-110/tonne. For coking coal, the YTD price increase mainly reflects short-term Australian supply disruptions and Middle East geopolitical tensions, with prices up about 10% from late Q1 versus the start of the year. Over the long term, we expect upside pressure to be capped as coking coal supply expands while China's import demand may gradually decline due to steel output-control policies. As a result, input costs for steelmakers should remain relatively stable in 2026-2027.**

RAW MATERIAL PRICE FORECAST

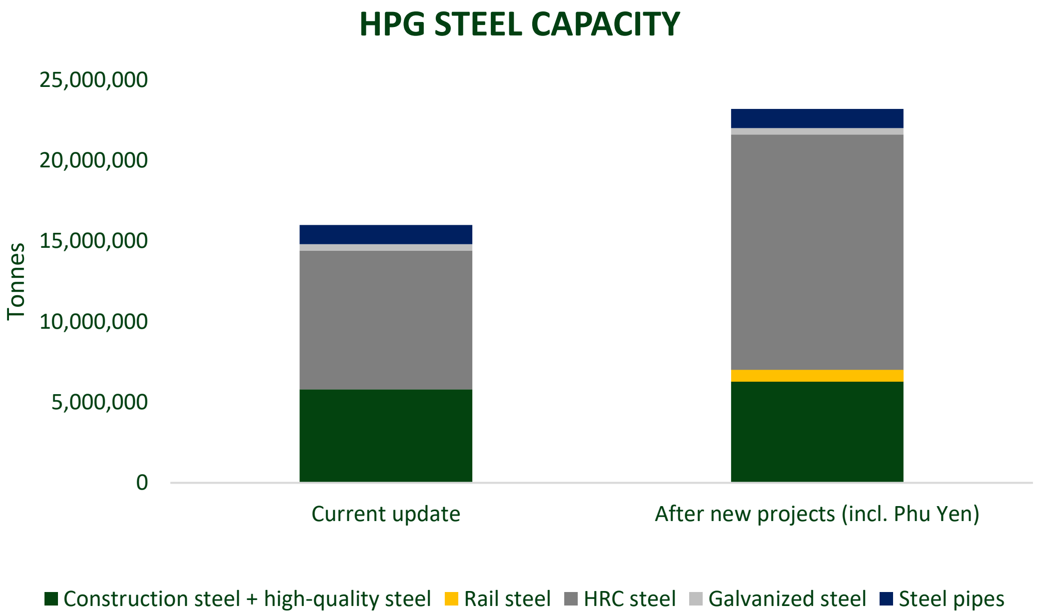


Source: HPG, ASEANSC Research estimates

3. Phu Yen steel plant and Red River Landscape Boulevard are key long-term growth drivers

- **HPG continues to expand production capacity to capture a new steel growth cycle. After completing Dung Quat 2, HPG is rolling out several key projects, including a 500,000-tonne/year high-quality steel line, a 700,000-tonne/year rail steel plant expected to start operation from Q2 2027, a 400,000-tonne/year Tay Ninh steel pipe plant, and especially the Phu Yen steel complex with HRC capacity of up to 6 mn tonnes/year. Once these projects come online, HPG's total steel capacity is expected to exceed 23 mn tonnes/year, further strengthening its leading position in Vietnam's steel industry.**

Estimated investment for the Phu Yen steel plant is similar to Dung Quat 2



Source: HPG, ASEANSC Research estimates

3. Phu Yen steel plant and Red River Landscape Boulevard are key long-term growth drivers

- **In addition to capacity expansion, HPG is gradually increasing its presence in real estate and infrastructure. In industrial parks, HPG has started construction of three projects YTD: Dong Phuc IP in Bac Ninh, Hoang Dieu IP in Hai Phong, and IP No. 02 in Hung Yen. Notably, HPG is one of three investors participating in research and development of the Red River Landscape Boulevard project, with estimated total investment of nearly VND740tn. We believe large-scale infrastructure projects not only open growth potential for HPG's property segment but also create meaningful long-term steel demand.**

Rendering of the Red River Landscape Boulevard project, with preliminary investment of nearly VND740tn

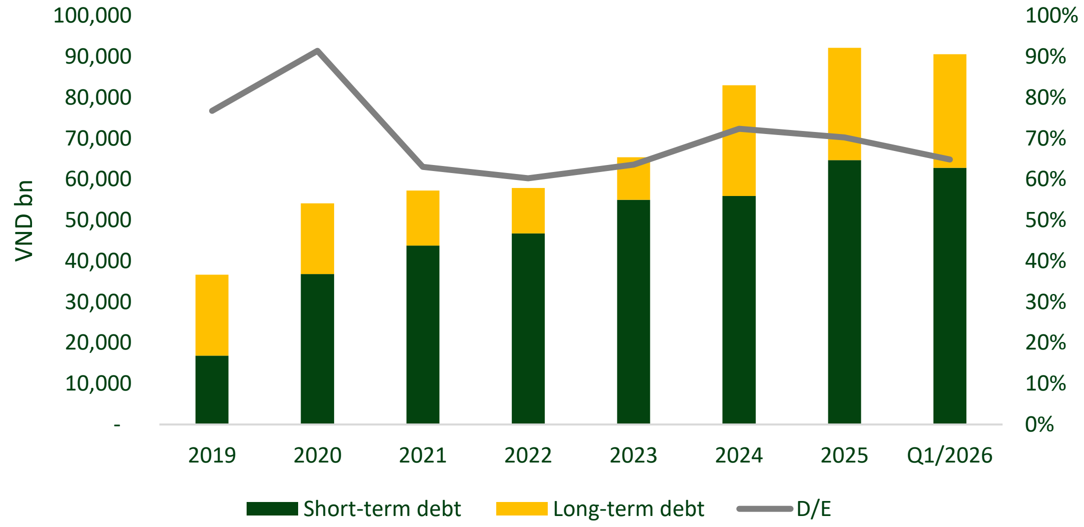
No.	Project	Type	Area (ha)	Location	Investment (VND bn)	Status
Residential & resort						
1	Red River Landscape Boulevard	Residential	11,418	Hanoi	736,000	Investment policy approved in May 2026
2	Pho Noi urban area	Residential	-	-	0	Partial divestment; collected over VND3,800bn in Q1 2026
3	Ninh Hoa golf service area	Residential	1,500	Khanh Hoa	0	HPG is applying for investment approval
4	Truong Xuan hot spring tourism area	Resort	49	Khanh Hoa	0	HPG is applying for investment approval
5	Cao Xa residential area	Residential	120	Phu Tho	5,622	Legal preparation underway; no clear launch information
6	Cai Rang urban area	Residential	88	Can Tho	0	HPG is applying for survey approval
7	Ninh Kieu urban area	Residential	6	Can Tho	0	HPG is applying for survey approval
Industrial parks						
1	Ly Thuong Kiet IP	IP	235	Hung Yen	2,800	Site clearance and compensation underway
2	Hung Yen IP No. 6	IP	230	Hung Yen	2,700	Site clearance and compensation underway
3	Dong Phuc IP	IP	355	Bac Ninh	3,730	Sales launch from Jul 2026
4	Hoang Dieu IP	IP	245	Hai Phong	3,400	Site clearance and compensation underway
5	Hoa Tam IP	IP	492	Phu Yen	4,188	Legal preparation, compensation, and site clearance underway; 170 ha allocated
6	Bai Goc port	IP	306	Phu Yen	16,300	Legal preparation and investment proposal underway
7	Ninh Xuan IP	IP	1,300	Khanh Hoa	0	HPG is applying for investment approval

4. Healthy financial structure and stable cash flow

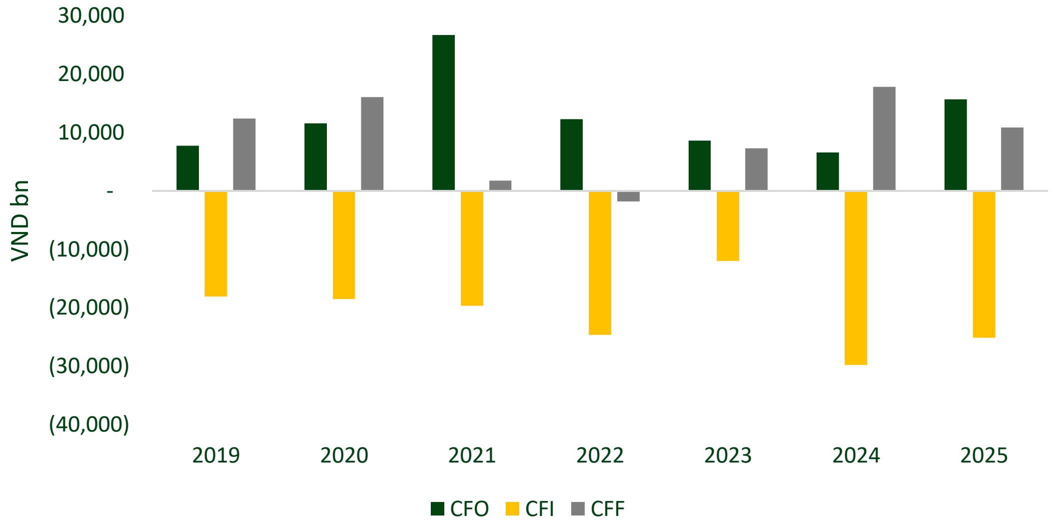
- **HPG maintains a relatively healthy financial position despite its large-scale investment cycle. As of Q1 2026, total debt was about VND90tn, up significantly from 2019-2022 to fund Dung Quat 2 and capacity expansion plans. However, D/E remained controlled at around 0.6-0.7x, well below many regional steel peers, indicating leverage pressure is not yet a major concern.**

We believe HPG's current financial structure is solid enough to continue its scale-expansion strategy. HPG has consistently generated positive and sizeable operating cash flow, reaching nearly VND27tn in 2021 and staying around VND10tn in most other years. Investment cash flow has remained negative due to ongoing capacity expansion, led by Dung Quat 2. Therefore, Dung Quat 2's operation should improve cash generation, supporting gradual deleveraging and further investments in new projects.

HEALTHY FINANCIAL STRUCTURE



HPG CASH FLOW



Source: HPG, ASEANSC Research compilation

1. Summary of key assumptions for 2026-2027 earnings forecasts:

Unit: VND bn	2026F	%YoY	2027F	%YoY	Key assumption summary
Net revenue	**210.550**	**+34,9%**	**233.546**	**+10,9%**	We expect 2026 revenue to grow strongly as steel sales volume increases with Dung Quat 2 coming online, supported by a recovering property market, positive public investment demand, and a stronger steel price environment. In 2027, revenue growth should continue to be supported by Dung Quat 2 operating at full capacity and steel prices staying more favorable than in 2024-2025.
Steel	201.850	+38,0%	226.190	+11,2%	
Agriculture	7.200	-11,3%	7.560	+5,0%	
Real estate	1.500	-11,4%	1.500	+0,0%	
Gross margin	**16,69%**	**+0.99 ppts**	**17,18%**	**+0.49 ppts**	Improvement driven by (1) Chinese steel prices stabilizing and recovering slightly on supply-side policies, (2) AD duties on wide-width HRC supporting output volume and ASPs, and (3) stable raw material prices due to rising supply and softer Chinese demand.
Financial income	7.427	+256,8%	3.157	-57,5%	2026 includes an estimated VND3,800bn gain from the Pho Noi project divestment.
Financial expenses (incl. interest)	(6.511)	+41,4%	(6.722)	+3,0%	Increase due to the end of Dung Quat 2 interest capitalization.
SG&A expenses	(5.637)	+38,5%	(6382)	+12,4%	Increase broadly in line with revenue.
NPAT	**26.239**	**+69,1%**	**26.097**	**-0,5%**	

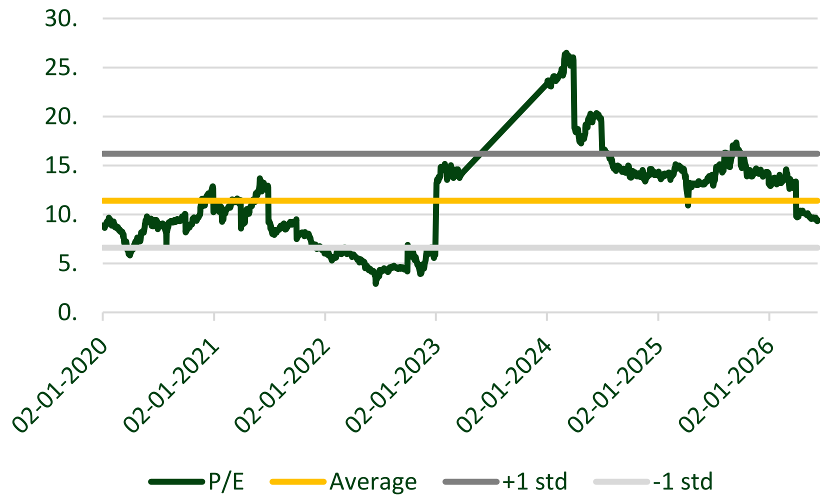
Source: HPG, ASEANSC Research

2. Valuation and recommendation:

P/E method	
Fwd P/E	10,x
Fwd 2027 NPAT-MI (VND bn)	25.993
Fwd 2027 EPS (VND/share)	3.079
Fair value (VND/share)	**30.800**

- **VALUATION. Based on the P/E method, ASEANSC derives a fair value for HPG of VND30,800/share, implying 32% upside to the market price. Our target P/E of 10.x is below HPG's average P/E of around 11.x and below the sector average.**
- **RECOMMENDATION. We rate HPG OUTPERFORM for a one-year investment horizon.**

HPG P/E
(Excluding abnormal 2022-2023 period)



Peer comparison

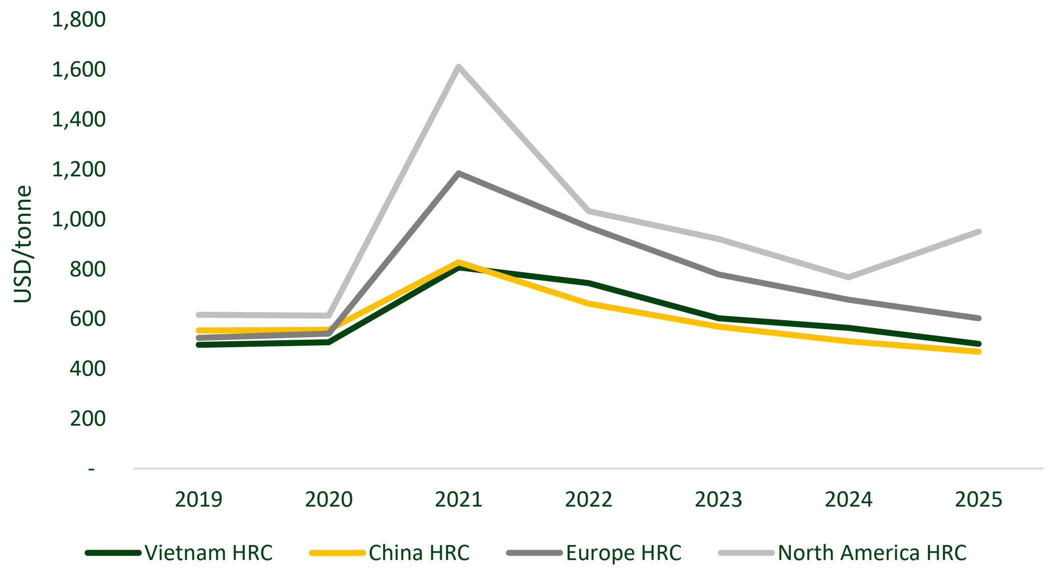
Company	Country	Market cap (VND bn)	P/B	P/E	ROA	ROE
Baoshan Steel	China	450.000	0,6	12,2x	2,2%	4,9%
Nanjing Steel	China	107.800	1,0	10,2x	2,98%	9,6%
AcelorMittal	Europe	1.300.000	0,9	16,9x	1,05%	5,43%
JFE Holdings	Japan	166.200	0,38	14,9x	0,68%	2,81%
Average			**0,72**	**13,55**		
Hoa Phat Group JSC	Vietnam	199.254	1,4	9,44	5,82%	16,47%

Source: ASEANSC Research

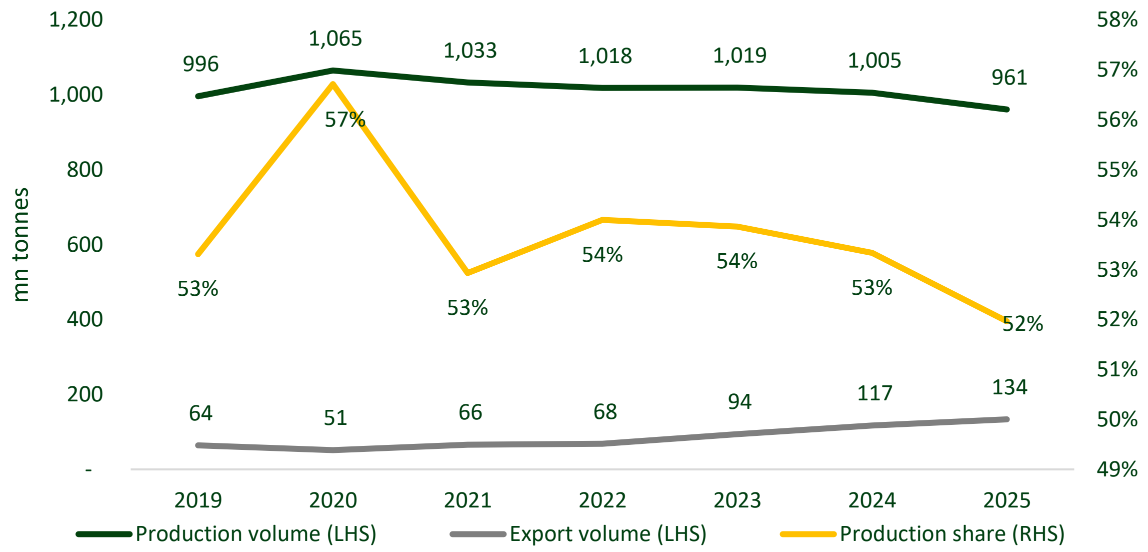
1. China sets the tone for global steel prices

- **China is the decisive player in the global steel price environment. With over 50% of global steel output and production of around 1 bn tonnes/year, any change in China's supply-demand balance, policy direction, or export activity quickly spills over to other markets, including Vietnam. Thanks to scale, integrated production, and advanced technology, Chinese steel maintains strong cost and pricing competitiveness.**
- **China's steel industry has faced oversupply and weak domestic demand, forcing exports to absorb excess output after the prolonged property downturn since 2022. This created significant pressure on global steel prices during 2023-2025. However, 2025 marked an important turning point, with steel output falling to the lowest level in more than six years while exports reached record highs. At the same time, policies to control competition and steel exports indicate China's determination to rebalance supply and demand. This provides an important base for more stable global steel prices in coming years.**

HRC PRICES BY COUNTRY/REGION



CHINA IN THE GLOBAL STEEL MARKET

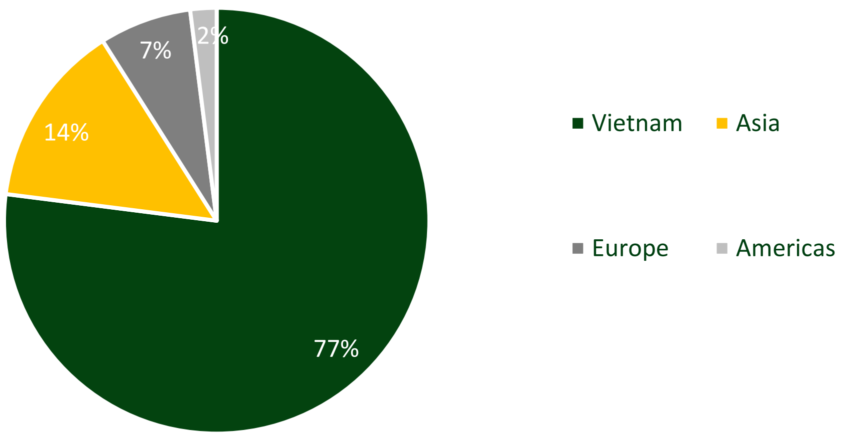


Source: World Steel, Bloomberg, ASEANSC Research

2. CBAM implementation from early 2026 creates a major competitive advantage for HPG

- **CBAM is a mechanism that measures and prices the carbon emissions of goods imported into the EU, requiring non-EU producers to bear carbon costs comparable to EU producers. For steel, CBAM marks a shift from cost-based competition to competition based on both production cost and carbon intensity, accelerating the long-term transition toward green steel.**
- **We expect HPG's energy-efficiency advantage and room to improve emissions to enhance long-term competitiveness, especially as environmental standards tighten. CBAM could drive global market share redistribution toward producers with modern technology and lower emissions. With an emissions factor of about 2.14 tCO2/tonne of steel, close to leading producers such as BaoWu, POSCO, and JFE Steel, HPG is relatively well positioned to adapt. Compared with major steel-producing countries such as China and India, we believe Hoa Phat's technology is more modern, enabling better material efficiency and potentially better emissions control over time, thereby increasing its EU export market share.**

HPG EXPORT REVENUE BY MARKET IN 2025



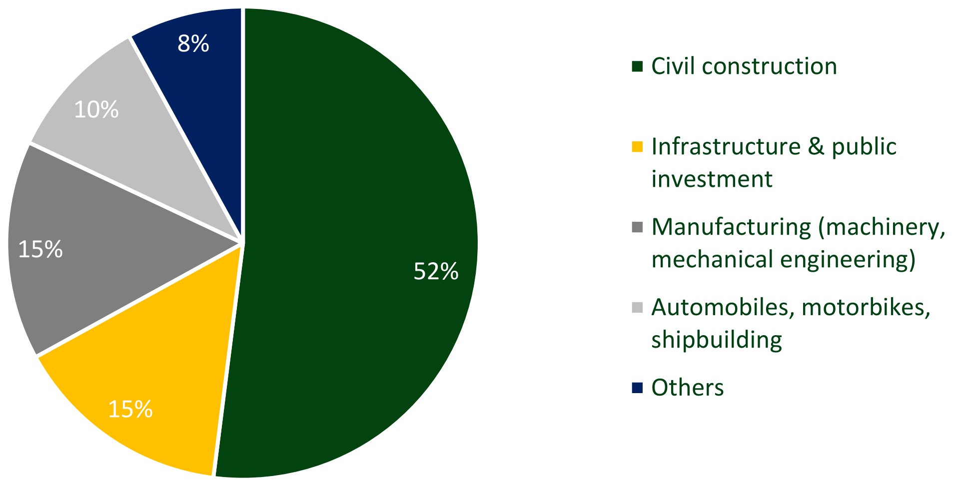
Company	Emissions factor (tCO2e)
BaoWu Steel	2,04
ArcelorMittal	1,79
Nippon Steel	1,92
JFE Steel	2,06
Posco Steel	2,03
JFW Steel	2,37
TATA Steel	2,25
Average	**2,07**
Hoa Phat Steel	**2,13**

Source: HPG, EC, World Steel, ASEANSC Research

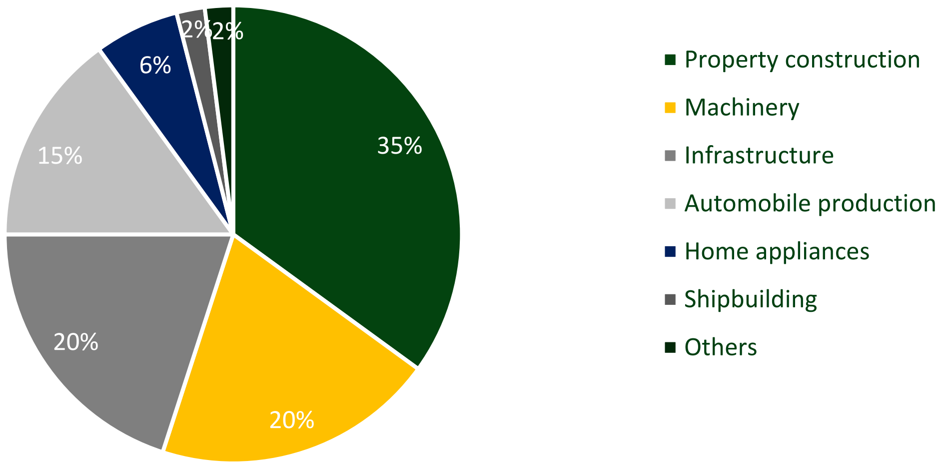
3. Real estate, infrastructure, and industry are key drivers of steel demand growth

- **In Vietnam's steel consumption structure, civil construction currently accounts for over 50% of total demand, significantly higher than China, where the share of steel demand from property and construction has fallen to around 35% as the economy shifted toward manufacturing. This indicates that real estate remains the most important driver of Vietnam's steel demand growth. Therefore, a housing market recovery during 2026-2030 should materially support steel demand. Public investment and infrastructure are the second growth engine, backed by multiple national key projects, while manufacturing benefits from supply-chain relocation and FDI inflows. We believe the combined drivers of real estate, infrastructure, and industry will help Vietnam enter a more sustainable steel demand growth cycle, in contrast to China, where the property sector faces a prolonged downturn.**

VIETNAM STEEL DEMAND



CHINA STEEL DEMAND



Source: World Steel, S&P Global, ASEANSC Research compilation

4. Summary of AD duties - Barriers to steel-sector development

Region	Steel product	Duty type	Duty rate	Status
North America				
US	All steel & aluminum	Sec 232	25%-50% (in addition to import duty)	Increased to 50% for certain HS codes from 2025
	CORE	AD & CVD	AD: 0% - 178,89% CVD: up to 140.05%	
	Tinplate	AD & CVD	122,52%	Effective from 2024
	Steel racks	AD & CVD	144% (mainly China)	Extended in Mar 2025
	Carbon welded steel pipe	AD & CVD	69,20% - 85,55%	Extended in Dec 2024
Canada	All steel & aluminum	Surtax	25% (in addition to MFN duty)	Effective from Oct 22, 2024
Mexico	Steel grinding balls & castings	AD	3,68% - 31%	From Mar 2024
Southeast Asia				
Vietnam	HRC (standard and wide width)	AD	23,10% - 27,83%	Standard width: Jul 2025 (5-year term) Wide width: Apr 2026 (provisional)
	Galvanized steel	AD	37,13%	From Aug 14, 2025 (5-year term)
	CRC	AD	4,43% - 25,22%	From Dec 28, 2025 (extended 5 years)
Thailand	H-beam steel	AD	30,86% - 54,19%	From Nov 2025 (5-year term)
Malaysia	Cold-rolled steel	AD (extension)	8,5% - 33,32%	Extended Nov 2025 (5 years)
	Galvanized steel	AD (extension)	7,72% - 26,8%	11/2025 - 10/2030
Indonesia	CRC	AD (review)	4,82% - 26,38%	Extended to Jun 2030
	HRC	AD (extension)	0% - 20%	Until Jan 2030
East Asia & South Asia				
India	Electrical steel	AD	USD223-414/tonne	From Sep 2025
	Stainless steel pipe	AD	USD0-3,801/tonne	In effect
	HRC	AD	Under sunset review	Sunset review
South Korea	Series 300/400	AD	Under investigation	Initiated Sep 2025
	Stainless steel plate	AD (provisional)	26,62%	
Taiwan	HRC	AD (provisional)	16,9% - 20,15%	Effective Jul 2025
Pakistan	Galvalume steel	AD	40,47%	Extended to Feb 8, 2027
EU				
EU	Steel chain links	AD	62,5%	Final from Oct 2025
	Headless screws	AD	54,7% - 72,3%	Final from Oct 2025
UK	Steel wire rope	AD	60,40%	Extended to Apr 2028
Turkey	HRC	AD	15,42% - 43,31%	Effective from Oct 2024
Other regions				
Brazil	Carbon steel sheet	AD	USD284-499/tonne	Effective Aug 2025
	Stainless steel pipe	AD	USD1,340/tonne	Extended Jul 2025
Saudi Arabia	Stainless steel pipe	AD	6,5% - 24,6%	Effective from Jun 30, 2025
Egypt	Hot-/cold-rolled steel coil	Safeguard	11,11% - 13,6%	Provisional until Apr 2026

Source: DOC, Eurofer, Ministry of Industry and Trade, ASEANSC Research compilation

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CONTACT INFORMATION

ASEAN Securities Joint Stock Company

Address: Floors 4, 5, 6, 7, No. 3 Dang Thai Than, Phan Chu Trinh Ward, Hoan Kiem District, Hanoi

Website: www.aseansc.com.vn | Hotline: 1900 638 088

HEAD OF RESEARCH

Hai.LP

Email: hai.lp@aseansc.com.vn

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