

Hoa Phat Group (HPG)

Awaiting a new growth cycle

June 12, 2025

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1Q25 revenue and NPAT increased by 22%/17% YoY respectively

Hoa Phat Group (HPG) announced VND37,622 billion in 1Q revenue (+22% YoY), underpinned by a 25%/23% YoY increase in construction steel/HRC sales volume, of which domestic sales surged 51%/84% YoY as we expected. Input material costs fell faster than average selling prices (ASP), raising GPM by 95bps YoY.

The demand will increase alongside accelerated public disbursement and recovering land market

We anticipate total construction steel and HRC sales output will gain 29%/20% in 2025/2026 amid construction recovery, driven by public investment and residential real estate in 2025–2027.

2025/2026 steel prices may go up 2%/5%

Iron ore and coking coal costs are poised to stay low this year due to oversupply, resulting from (1) the slow recovery of the Chinese real estate market and (2) tariff risks making steel producers more cautious in their production and business plans. KBSV estimates HPG's 2025/2026F GPM at 15.1%/16.0% (+174/89bps YoY).

HPG invested VND14,000 billion in high-speed rail track manufacturing

The steel mill project for high-speed rail production has started construction since April 2025 and is expected to be rolled out in 1Q27. Becoming the first enterprise in Southeast Asia to own a production line for high-quality steel for high-speed rail will help enhance HPG's position in the region.

Valuation: BUY rating – Target price VND36,500/share

HPG shares are trading at an attractive valuation (PER=0.5Std compared to the 10-year mean). KBSV determines the fair value of HPG at VND36,500/share with a potential upside of 36% compared to the closing price on June 12, 2025.

Buy maintain

Target price VND36,500

Upside	36%
Current price (Jun 12, 2025)	VND26,800
Consensus target price	VND33,350
Market cap (VNDtn/USDbn)	16.7/6.4

Forecast earnings & valuation

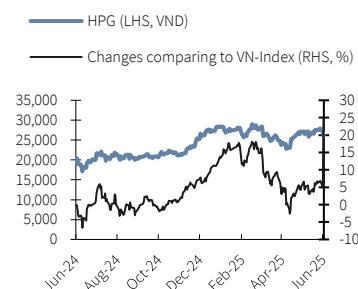
FY-end	2023A	2024A	2025F	2026F
Net revenue (VNDbn)	118,953	138,855	172,729	209,356
Operating income/loss (VNDbn)	7,651	13,267	19,555	26,455
NPAT-MI (VNDbn)	6,835	12,020	17,187	23,281
EPS (VND)	1,175	1,879	2,687	3,640
EPS growth (%)	-19	60	43	35
P/E (x)	23.8	14.2	10.0	7.4
P/B (x)	1.6	1.5	1.3	1.1
ROE (%)	7	11	14	16
Dividend yield (%)	0	0	0	0

Trading data

Free float	56.1%
3M avg trading value (VNDbn/USDmn)	708.4/27.4
Foreign ownership	27.5%
Major shareholder	Chairman Tran Dinh Long (34.9%)

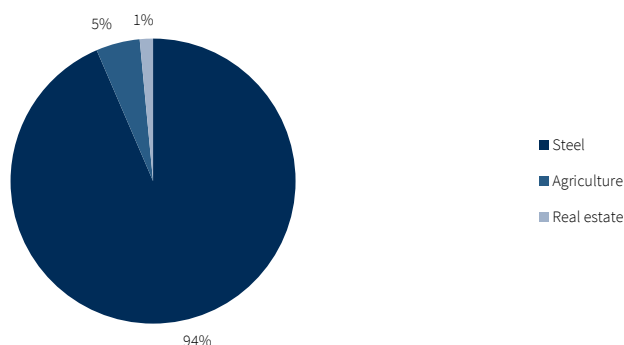
Share price performance

(%)	1M	3M	6M	12M
Absolute	1	-7	-6	-10
Relative	-1	-6	-10	-13



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2024)



Source: Hoa Phat Group, KB Securities Vietnam

Business operation

Hoa Phat Group (HPG) is a conglomerate that majors in steel production. It holds the dominant market share in the domestic construction steel and steel pipe market. HPG is also one of only two companies in Vietnam capable of producing HRC, with a production capacity estimated at 8.6 million tons in 2026.

Investment Catalysts

Sales volume should increase by 29%/20% YoY in 2025–2026, driven by (1) the real estate market entering a new growth cycle, (2) increased demand from the public investment sector, and (3) China's anti-dumping duties on HRC coming into effect at the same time with Dung Quat 2 rollout.

Steel prices are expected to increase by 2%/5% YoY in 2025/2026. KBSV estimates HPG's GPM at 15.1%/16.0% in 2025/2026 based on (1) the demand focused on the domestic market, (2) domestic steel prices recovering, and (3) potential profit margin improvements thanks to lower material costs.

Notes

Please find more details below

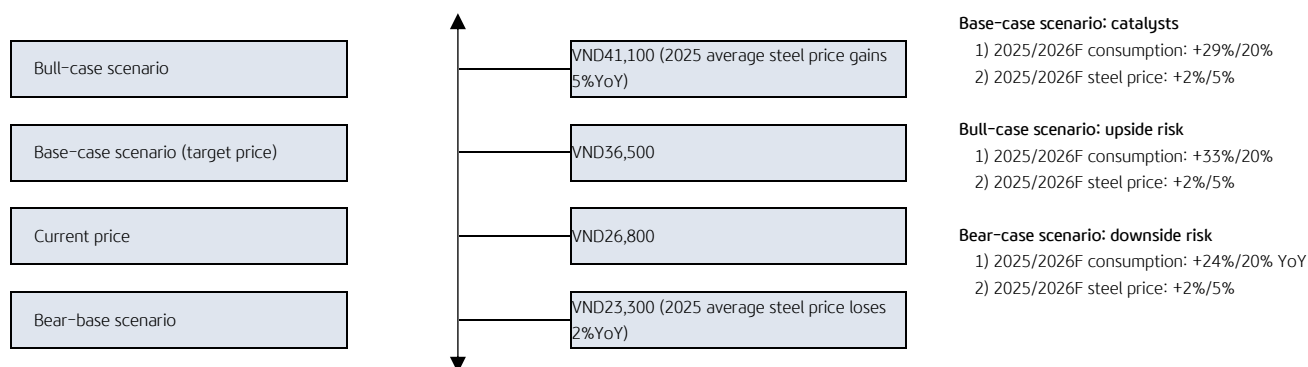
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	169,842	204,551	3%	0%	163,539	201,049	4%	2%
EBIT	20,801	26,914	2%	0%	20,145	25,820	3%	4%
NP after MI	16,565	22,193	1%	0%	16,351	20,014	1%	11%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business performance

Table 1. HPG – 1Q25 business performance

(VNDbn, %)	1Q24	1Q25	+/-%YoY	Notes
Revenue	30,852	37,622	22%	
Steel	28,637	35,433	24%	Construction steel and HRC sales volume increased by 25%/23% YoY.
Agriculture	1,517	1,987	31%	
Real estate	699	202	-71%	
Gross profit	4,154	5,424	31%	
<i>Gross profit margin</i>	<i>13.5%</i>	<i>14.4%</i>	<i>95 bps</i>	Construction steel and HRC prices fell by 6%/13% YoY while iron ore and coke prices dropped by 13%/32% YoY.
Financial income	752	438	-42%	Deposit interest decreased by 43% YoY due to lower cash (-31% YoY), deposit interest rates, and exchange rate interests (-40% YoY).
Financial expenses	-1,061	-971	-8%	
Profits from affiliates	0	0		
SG&A	-958	-1,085	13%	
Operating income/loss	2,888	3,807	32%	
Other income	374	33	-91%	
Profit before taxes (PBT)	3,261	3,840	18%	
Net profit after taxes (NPAT)	2,869	3,350	17%	HPG reached 22% of the 2025 guidance.
NP after MI	2,871	3,344	17%	
<i>NPAT margin</i>	<i>9.3%</i>	<i>8.9%</i>	<i>-42 bps</i>	

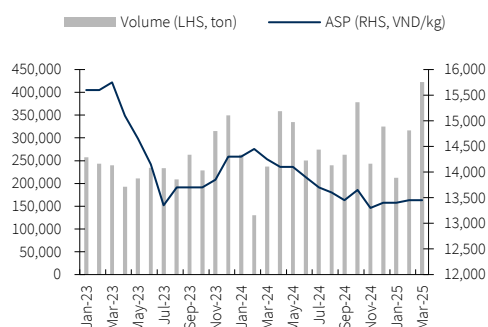
Source: Hoa Phat Group, KB Securities Vietnam

Table 2. HPG – Sales volume by product (tons)

(ton)	1Q24	1Q25	+/-%YoY	Notes
Construction steel	956,414	1,191,729	25%	Domestic consumption went up 51% YoY.
HRC	805,556	993,938	23%	Domestic consumption spiked 84% YoY thanks to more capacity from blast furnace no.1 of Dung Quat 2 Complex.
Steel pipe	97,963	129,682	32%	
Galvanized sheet	129,682	89,072	-31%	Export volume recorded a 77% YoY plummet.
Steel billet	1,989,615	2,404,421	21%	
Total	956,414	1,191,729	25%	

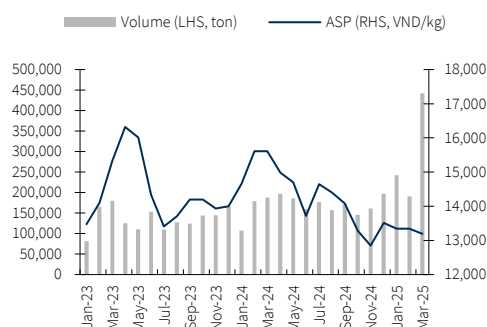
Source: Vietnam Steel Association, FiinProX, KB Securities Vietnam

Fig 3. HPG – Construction steel sales output & ASP (ton, VND/kg)



Source: Vietnam Steel Association, FiinProX, KB Securities Vietnam

Fig 4. HPG – HRC sales output & ASP (ton, VND/kg)

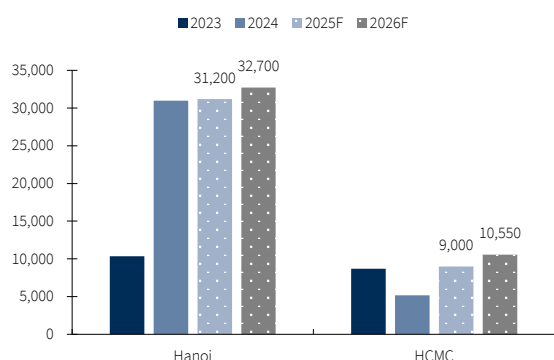


Source: Vietnam Steel Association, FiinProX, KB Securities Vietnam

Consumption output is recovering, primarily driven by domestic demand

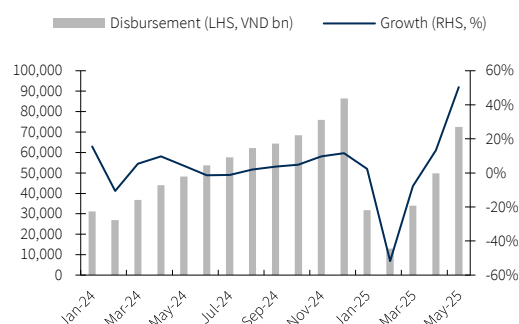
1Q sales output of construction steel and HRC showed a 25%/23% YoY growth, of which their domestic consumption gained 51%/84% YoY, respectively, in line with KBSV's forecast. We still believe that the home market will be the mainstay for HPG sales output in the coming time as (1) the real estate market is entering a new growth cycle in 2025–2027; and (2) the accelerated disbursement of public investment will bolster the economy and the demand for construction materials. KBSV estimates HPG's construction steel and HRC consumption will reach 9.6/11.5 million tons in 2025/2026 (+29%/20% YoY).

Fig 5. Vietnam – 2025–2026F apartment supply in Hanoi & HCMC (unit)



Source: Hoa Phat Group, KB Securities Vietnam

Fig 6. Vietnam – Disbursement of public investment (%)

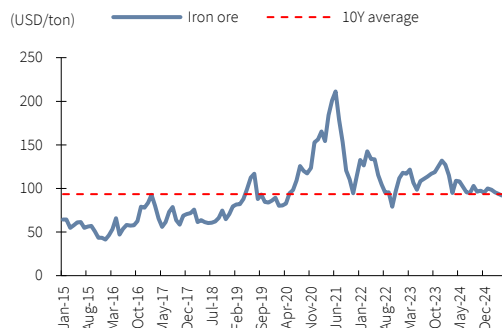


Source: Hoa Phat Group, KB Securities Vietnam

Steel prices flatlined amid a downtrend in input costs

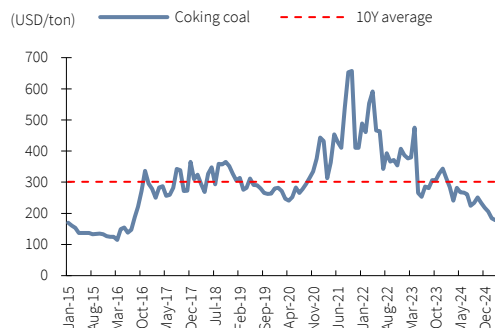
Domestic steel prices have been in a sideways drift amid ongoing decline in input material prices (in line with our forecast) due to (1) unpromising demand from China and (2) the US reciprocal tariffs that have weighed on manufacturers and exporters' business guidance. KBSV expects HPG's GPM to reach 15.1%/16.0% in 2025/2026.

Fig 7. China – Iron ore prices (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 8. China – Coking coal prices (USD/ton)



Source: Bloomberg, KB Securities Vietnam

The limited impact of the US reciprocal tariff has been reflected in the stock price

The US market accounted for a mere of 3% of HPG's total steel revenue. After Trump's sweeping tariffs took effect, HPG's export output to this country has significantly shrunk. Currently, we believe that the impact from tariffs on HPG is quite insignificant even when Trump raises the tax rate to 50% (compared to the previous 25% rate under Section 232). The tariff hit on HPG's business prospects has been fully reflected in the stock price, especially when the business strategy and domestic consumption have increased again (reaching 72%/73%/84% in 2023/2024/1Q25).

HPG invests VND14,000 billion in the high-speed rail track manufacturing base

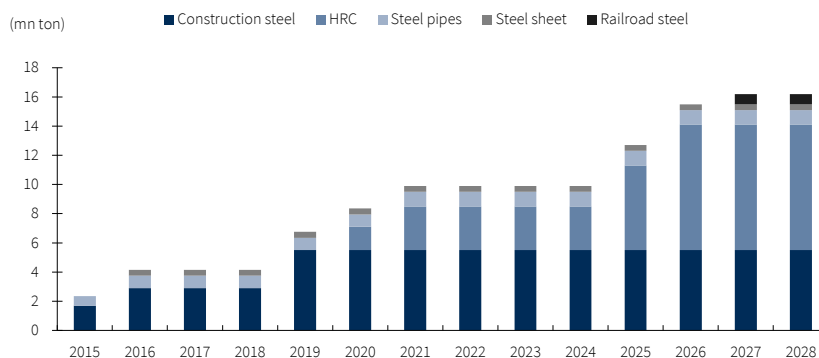
The steel mill for rail track and shaped beams (with a design capacity of 700,000 tons/year) received VND14,000 billion in total investment. It is expected that the project will help strengthen HPG's position in the region as the pioneering company in this segment. The construction of the mill started in April 2025, which should finish and ready for operation from 1Q27.

Dung Quat 2 should be operational from 1Q26

The construction progress of Dung Quat 2 is currently still following the schedule set by the Management, expected to be operational from 1Q26. According to the original guidance for 2026, blast furnaces 1 and 2 of the project will be utilized at 80%/50% capacity respectively, corresponding to an estimated output of 3.6 million tons of HRC.

Dung Quat 2 Iron and Steel Complex has two blast furnaces, aimed at two main products, HRC and high-quality steel with a total capacity of 4.6 million tons/year. According to the Management, 70% of HRC output will serve the local market, and the remaining 30% will be exported.

Fig 9. HPG – Production capacity (million tons)



Source: Hoa Phat Group, KB Securities Vietnam

Forecast & valuation

Table 10. HPG – 2025–2026F business results

(VNDbn, %)	2024	2025	+/-%YoY	2026	+/-%YoY	Assumptions
Revenue	138,855	169,842	22%	204,551	20%	Total consumption of construction steel/HRC will grow 29%/20% in 2025/2026.
Gross profit	18,498	25,589	38%	32,641	28%	
<i>Gross profit margin</i>	<i>13.3%</i>	<i>15.1%</i>	<i>174 bps</i>	<i>16.0%</i>	<i>89 bps</i>	Steel ASP should rise by 2%/5% in 2025/2026 while iron ore and coke prices see declines due to oversupply.
Interest income	1,206	1,079	-11%	1,502	39%	
Interest expenses	-2,287	-2,678	17%	-3,196	19%	Interest expenses increase in 2025/2026 as HPG no longer capitalize costs from Dung Quat 2.
Foreign exchange gain/loss	-303	-326	7%	0	-100%	
Profits from affiliates	0	0		0		
SG&A	-3,883	-4,787	23%	-5,727	20%	SG&A increases due to Dung Quat 2 coming into operation.
Operating income/loss	13,267	18,848	42%	25,220	34%	
Other income	426	33	-92%	0		
Profit before taxes (PBT)	13,693	18,881	38%	25,220	34%	
Net profit after taxes (NPAT)	12,020	16,565	38%	22,193	34%	
NP after MI	12,020	16,565	38%	22,193	34%	
<i>NPAT margin</i>	<i>8.7%</i>	<i>9.8%</i>	<i>110 bps</i>	<i>10.8%</i>	<i>110 bps</i>	

Source: Hoa Phat Group, KB Securities Vietnam

We reiterate our BUY recommendation with a price target of VND36,500

We give a POSITIVE rating to HPG's growth outlook as the tariff-related risks have been fully reflected in the stock price. At a PBR valuation of 1.5x, HPG is trading at -0.5Std lower than the historical mean, so we believe the current valuation is relatively attractive. KBSV uses the EV/EBITDA and target PER methods (10x/12x, respectively) for FY25 business results projection and determines HPG's fair value at VND36,500/share.

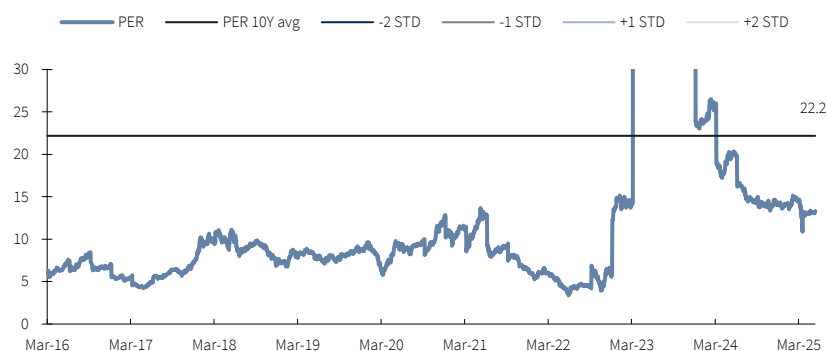
Table 11. HPG – Valuation results

Valuation method	Target multiple	Derived price	Weighting	Weighted price
EV/EBITDA	10	42,000	50%	21,000
P/E	12	31,000	50%	15,500
Target price				36,500

Source: KB Securities Vietnam

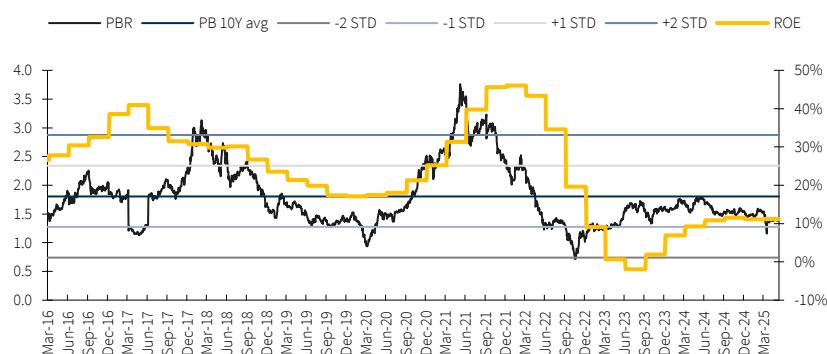
HPG's current PEX is around its 10-year average -0.5Std

Fig 12. HPG – PER in the past 10 years (x)



Source: Hoa Phat Group, KB Securities Vietnam

Fig 13. HPG – PBR and ROE in the past 10 years (x)



Source: Hoa Phat Group, KB Securities Vietnam

HPG – 2023A–2026F summarized financials & forecasts

Income Statement (VND billion) (Standard report)	2022	2023	2024F	2025F
Net sales	118,953	138,855	169,842	204,551
Cost of sales	-106,015	-120,358	-144,253	-171,910
Gross Profit	12,938	18,498	25,589	32,641
Financial income	3,173	2,619	1,051	1,502
Financial expenses	-5,192	-3,967	-2,944	-3,196
of which: interest expenses	-3,585	-2,287	-2,678	-3,196
Gain/(loss) from joint ventures (from 2015)	0	0	0	0
Selling expenses	-1,961	-2,337	-2,882	-3,448
General and admin expenses	-1,307	-1,546	-1,905	-2,280
Operating profit/(loss)	7,651	13,267	18,848	25,220
Other incomes	772	1,160	33	0
Other expenses	-630	-733	33	0
Net other income/(expenses)	142	426	33	0
Income from investments in other entities	0	0	0	0
Net accounting profit/(loss) before tax	7,793	13,693	18,881	25,220
Corporate income tax expenses	-992	-1,673	-2,317	-3,026
Net profit/(loss) after tax	6,800	12,020	16,565	22,193
Minority interests	-35	0	0	0
Attributable to parent company	6,835	12,020	16,565	22,193

Margin ratio	2022	2023	2024F	2025F
Gross profit margin	11%	13%	15%	16%
EBITDA margin	12%	15%	17%	18%
EBIT margin	7%	10%	11%	12%
Pre-tax profit margin	7%	10%	11%	12%
Operating profit margin	6%	10%	11%	12%
Net profit margin	6%	9%	10%	11%

Cash Flow Statement (VND billion)	2022	2023	2024F	2025F
Net profit/(loss) before tax	7,793	13,694	18,881	25,220
Depreciation and amortisation	6,774	6,973	8,964	10,943
Profit/loss from investing activities	-1,928	-1,256	0	0
Interest expense	3,585	2,287	2,678	3,196
Operating profit/(loss) before changes in Working Capital	15,421	21,808	30,523	39,358
(Increase)/decrease in receivables	-5,602	-2,155	-3,409	-1,608
(Increase)/decrease in inventories	1,026	-10,760	-9,997	-1,572
Increase/(decrease) in payables	2,610	2,406	2,536	849
(Increase)/decrease in prepaid expenses	-88	-220	0	0
Operating cash flow	8,643	7,027	14,479	30,732
Purchases of fixed assets and other long term assets	-17,374	-35,479	-11,967	-4,377
Proceeds from disposal of fixed assets	206	831	0	0
Loans granted, purchases of debt instruments	-39,804	-29,094	0	0
Collection of loans, proceeds from sales of debts instruments	43,280	32,063	2,899	0
Investments in other entities	0	0	0	0
Proceeds from divestment in other entities	-526	258	0	0
Dividends and interest received	2,222	1,277	0	0
Investing cash flow	-11,995	-30,143	-9,068	-4,377
Proceeds from issue of shares	1	233	0	0
Payments for share returns and repurchases	-2	0	0	0
Proceeds from borrowings	127,233	174,423	0	0
Repayment of borrowings	-119,948	-156,899	-2,941	-5,931
Finance lease principal payments	0	0	0	0
Dividends paid	-8	-5	0	0
Interests, dividends, profits received	0	0	0	0
Financing cash flow	7,276	17,752	-2,941	-5,931
Net increase in cash and cash equivalents	3,924	-5,365	2,470	20,424
Cash and cash equivalents - beginning	8,325	12,252	6,888	9,298
Cash and cash equivalents - ending	12,252	6,888	9,358	29,722

Source: Hoa Phat Group, KB Securities Vietnam

Balance Sheet (VND billion) (Standard report)	2022	2023	2024F	2025F
TOTAL ASSET	187,783	224,490	241,547	258,644
CURRENT ASSETS	82,716	87,079	100,871	124,534
Cash and cash equivalents	12,252	6,888	9,358	29,722
Short-term investments	22,177	18,975	16,213	16,213
Accounts receivable	10,702	7,622	11,060	12,668
Inventories	34,504	46,521	56,517	58,089
LONG-TERM ASSETS	105,066	137,411	140,676	134,111
Long-term trade receivables	1,881	950	921	921
Fixed assets	71,998	67,428	94,603	116,394
Long-term incomplete assets	26,099	63,749	39,613	11,291
Long-term investments	40	137	0	0
Good will (before 2015)	0	0	0	0
LIABILITIES	84,946	109,842	110,335	105,179
Current liabilities	71,513	75,503	83,945	82,290
Trade accounts payable	12,387	14,110	17,626	18,475
Short-term borrowings	54,982	55,883	59,942	57,510
Other short-term liabilities	4,144	5,511	6,378	6,304
Long-term liabilities	13,433	34,339	26,390	22,890
Long-term trade payables	2,324	6,005	5,025	5,025
Long-term borrowings	10,399	27,080	20,080	16,580
Other long-term liabilities	709	1,253	1,285	1,285
OWNER'S EQUITY	102,836	114,647	131,212	153,465
Paid-in capital	58,148	63,963	63,963	63,963
Share premium	3,212	0	0	0
Other funds	818	816	816	816
Undistributed earnings	40,593	49,576	66,138	88,391
State capital	0	0	0	0
Interest of non-controlling shareholders	66	293	296	296

Key ratios (x, %, VND)	2022	2023	2024F	2025F
Multiple				
P/E	23.8	14.2	10.3	7.7
P/E diluted	23.8	14.2	10.3	7.7
P/B	1.6	1.5	1.3	1.1
P/S	1.4	1.2	1.0	0.8
P/Tangible Book	2.3	2.5	1.8	1.5
P/Cash Flow	18.8	24.3	11.9	5.6
EV/EBITDA	13.1	11.4	8.1	5.7
EV/EBIT	22.3	16.9	11.6	8.0
Operating performance				
ROE	7%	11%	14%	16%
ROA	4%	6%	7%	9%
ROIC	4%	7%	8%	10%
Financial structure				
Cash Ratio	0.2	0.1	0.1	0.4
Quick Ratio	0.6	0.4	0.4	0.7
Current Ratio	1.2	1.2	1.2	1.5
LT Debt/Equity	0.1	0.2	0.2	0.1
LT Debt/Total Assets	0.1	0.1	0.1	0.1
Debt/Equity	0.5	0.5	0.5	0.4
Debt/Total Assets	0.3	0.2	0.2	0.2
ST Liabilities/Equity	0.2	0.2	0.2	0.2
ST Liabilities/Total Assets	0.1	0.1	0.1	0.1
Total Liabilities/Equity	0.2	0.2	0.2	0.2
Total Liabilities/Total Assets	0.1	0.1	0.1	0.1
Activity ratios				
Account Receivable Turnover	18.2	17.2	15.4	16.7
Inventory Turnover	2.8	3.0	2.9	2.9
Account Payable Turnover	9.1	9.5	8.9	10.0

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Investment ratings & definitions

Investment Ratings for Stocks

(Based on the expectation of price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(Based on the assessment of sector prospects over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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