

Buy (unchanged)

Target price: VND36,800 (from VND37,900)

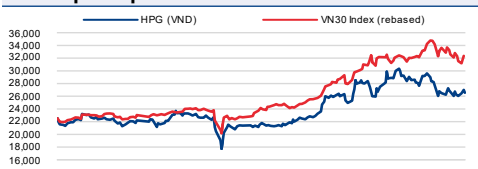
Up/downside: 38.6%

Share price (VND) (as of 13 Nov 2025) 26,550

Bloomberg code	HPG VN
52-week range (VND)	17,749-30,350
Trading value (5D) (VNDmn)	1,032,677
Market cap. (VNDbn)	203,784
Market cap. (USDmn)	7,732
Shares outstanding (mn)	7,675
Total FOL share room (mn)	3,761
Current FOL share room (mn)	2,300
Foreign ownership limit	49.0%
Foreign owned ratio	19.0%
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	(8.45)	(5.52)	17.8
Relative to index	(1.18)	(11.1)	(17.6)
Relative to sector	-	-	-

Source: Company, FactSet

HSC vs. consensus

EPS adj. (VND)	HSC	Cons	% diff
2025F	2,055	2,081	(1.3)
2026F	2,843	2,746	3.5
2027F	3,522	3,645	(3.4)

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.

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Key strengths offsets headwinds; retain Buy

- We maintain our Buy rating on HPG with a new, slightly lower TP of VND36,800 (upside 39%), as our modest earnings downward revision is fully offset by the 6M rolling fwd. valuation basis to end-FY26.
- Our FY25-27 net profit forecasts are trimmed slightly by 6%, largely on a combination of lower construction steel sales vol. and higher input cost assumptions. Our new net profit forecasts suggest 39%/38%/24% y/y growth in FY25/26/27 and imply a 3Y CAGR of 33.3%.
- Off 6% in 3M, HPG trades on 1-yr rolling fwd P/E of 9.7x vs. its 3Y avg. of 13.0x. HPG's performance will be chiefly driven by HRC, which will be amplified by the benefits of new capacity and trade protectionism.

Event: In-depth 3Q25 review and update on competitions

We view the establishment of Vinmetal (a subsidiary 98% owned by VIC (Reduce; TP VND105,000), focusing on steel products including construction steel, infrastructure projects and automotive use, as a move that will likely increase domestic competition for HPG. However, given this initiative is in its early stages and the timelines have not been fully disclosed, we believe HPG's market position will not be significantly affected in the short-term.

Furthermore, the shift of HRC replacing construction steel as HPG's primary revenue driver in the coming period, coupled with the Vietnamese government's continued implementation of HRC protectionist policies, is expected to further solidify HPG's market advantages moving forward.

Impact: Trimming FY25-27 net profit by 6% on avg.

Reflecting concerns of increased competition in the construction steel segment and lifting input material price assumptions, we trim our FY25-27 net profit forecasts by 6%, now calling for 38%/38%/24% y/y growth, respectively, implying a 3Y CAGR of 33.3% vs. our previous forecast of 36.9%.

Our new FY25 net profit forecast of VND16.6tn (+38% y/y) suggest 4Q25 net profit of VND5tn, (+79% y/y and 26% q/q). Our forecast hasn't incorporated potential one-off earnings from industrial park/real estate segment.

Valuation and recommendation

TP is trimmed slightly by 3% to VND36,800 (upside 39%) as the impact of earnings downward revision overweighs the positive effect of rolling fwd the valuation basis by 6M to end-FY26. Off 6% in 3M, HPG now trades on 1-yr rolling fwd P/E of 9.7x, cheap vs. its 3Y avg. of 13.0x.

HPG stands ready to capitalize on multiple tailwinds, including increased infrastructure demand, favorable protectionist measures, and newly available production capacity. Critically, HPG meets all requirements for attracting major foreign inflows contingent upon Vietnam's market upgrade.

Year end: December	12-23A	12-24A	12-25F	12-26F	12-27F
EBITDA adj. (VNDbn)	16,431	21,543	28,865 ▼	39,591	45,835
Reported net profit (VNDbn)	6,835	12,021	16,602	22,968	28,456 ▼
EPS adj. (VND)	846	1,488	2,055	2,843	3,522 ▼
DPS (VND)	0	0	1,000	1,000	1,000
BVPS (VND)	17,674	17,879	17,057	18,910	21,443
EV/EBITDA adj. (x)	11.3	10.5	9.56	6.97	5.78
P/E adj. (x)	31.4	17.8	12.9	9.34	7.54
Dividend yield (%)	0	0	3.77	3.77	3.77
P/B (x)	1.50	1.49	1.56	1.40	1.24
EPS adj. growth (%)	(19.4)	75.9	38.1	38.3	23.9
Ret. on avg. equity (%)	6.88	11.1	13.5	16.6	18.4

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

Diversified products help to secure sustained growth

Market concerns regarding the new entrant, Vinmetal, are noted. However, establishing competitive steel production requires massive capital, expertise, and time, mitigating any significant impact on HPG's position in the 3-year view. More importantly, the rising contribution from HRC, which is supported by government protectionism, is improving HPG's earnings balance. We project a robust 3Y net profit CAGR of 33.3%. The stock remains undervalued at a 1-year forward P/E of 9.7x, a clear discount to its 3Y average of 13.0x. We Maintain a Buy rating with a new TP of VND36,800 (39% upside).

3Q25 earnings review

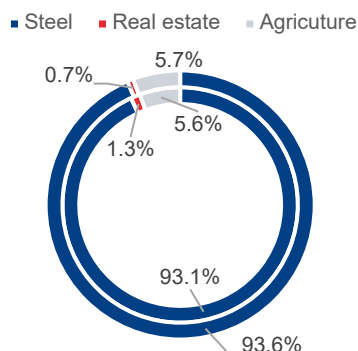
3Q25 results were relatively strong, calling for 32% y/y net profit growth to VND4tn, (though off 6% q/q; on seasonality), driven by 18% y/y steel volume growth and margin expansion. Though this result missed us by 10%; on lower-than-expected contribution from 1st blast furnace (BF) of Dung Quat Steel Complex Phase 2 (DQSC Phase 2). Through 9M25, net profit surged 26% y/y to VND11.6tn and fulfilled 67% of our pre-result FY25F net profit. [Details are discussed in our note dated 31 Oct-25.](#)

As Figures 1 & 2 show, Steel continued to contribute the most to HPG's top and bottom line in 3Q25 and 9M25. Accordingly, in 3Q25, steel made 93%/81% of HPG net sales and NPAT, while agriculture contributed 6%/9% of HPG's sales and NPAT in 3Q25. Followed by real estate segment, contributing 1% in top line and 10% in the bottom line.

Importantly, in 3Q25, within the steel segment, HRC surpassed construction steel to become the highest contribution at 45.2% (3Q24: 31.3%) (Figure 4) thanks to new added capacity of 6mn tonnes/annum, lifting HRC capacity to 9mn tonnes/annum from end-FY25.

Figure 1: Revenue breakdown by segment, HPG

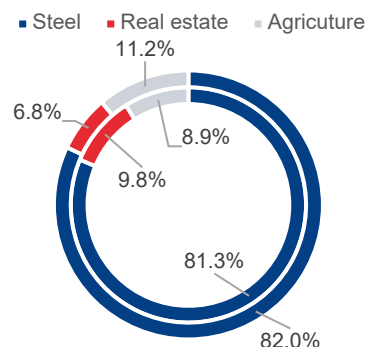
In 3Q25, steel accounted for 93% of HPG's revenue



Inner circle: 3Q25; Outer circle: 9M25
Source: HPG, HSC Research

Figure 2: NPAT breakdown by segment, HPG

In 3Q25, steel accounted for 81% of HPG's NPAT



Inner circle: 3Q25; Outer circle: 9M25
Source: HPG, HSC Research

Figure 3: Steel sales volume breakdown by products, HPG

Volume rose 18.8% y/y though off 3.8% q/q in 3Q25, led by HRC

Tonne	Sep-25	Growth y/y	Growth m/m	3Q25	Growth y/y	Growth q/q	9M25	Growth y/y
Upstream products	962,757	40.9%	25.4%	2,457,974	19.8%	-5.0%	7,429,928	21.8%
Construction steel	373,370	0.9%	17.1%	1,062,729	-3.0%	-16.8%	3,531,461	6.3%
Billet/Slab	111,670	64.0%	529.2%	129,419	-40.3%	-5.2%	464,508	-8.2%
HRC	477,717	95.0%	10.8%	1,265,826	71.3%	7.8%	3,433,959	51.4%
Steel pipe	70,899	18.7%	0.3%	225,263	21.8%	4.0%	627,612	24.9%
Steel sheet	39,117	27.6%	40.5%	120,219	-2.0%	8.5%	320,045	-7.2%
Total sales volume	1,072,773	38.7%	23.8%	2,803,456	18.8%	-3.8%	8,377,585	20.6%
Crude steel volume	1,018,516	59.8%	6.8%	2,797,156	34.7%	13.6%	7,923,310	22.9%

Source: VSA, HSC Research

Figure 4: Contribution breakdown within Steel segment, HPG

HRC surpassed construction steel to become the highest contribution within steel segment in 3Q25

%	Sep-24	Sep-25	3Q24	3Q25	9M24	9M25
Construction steel	47.8%	34.8%	46.4%	37.9%	47.9%	42.2%
Billet/Slab	8.8%	10.4%	9.2%	4.6%	7.3%	5.5%
HRC	31.7%	44.5%	31.3%	45.2%	32.7%	41.0%
Steel pipe	7.7%	6.6%	7.8%	8.0%	7.2%	7.5%
Steel sheet	4.0%	3.6%	5.2%	4.3%	5.0%	3.8%
Total steel contribution	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: VSA, HPG, HSC Research

4Q25 earnings preview

For 4Q25, we now estimate net profit would surge by 79% y/y and 26% q/q to VND5tn, driven by the full contribution of 1st BF of DQSC Phase 2 for the first time (impacting both y/y and q/q) and further margin expansion (for y/y comparison). Details are as follows:

- As Figure 5 shows, we forecast 4Q25 steel sales volume of 3.33mn tonnes, up 43% y/y and 19% q/q, driven by:

A 143% y/y and 26% q/q growth in HRC sales volume.

For billet/slab, given the new added HRC capacity, we believe that HPG will increase exporting slab when building up HRC demand, as a result, we expect the billet/slab sales volume will grow strongly by 67% y/y and 159% q/q to 335,492 tonnes in 4Q25.

For traditional products including construction steel, steel pipe and steel sheet, we forecast a y/y decline, on weaker exports (steel sheet category) and increased competition in domestic market (construction steel category).

- 4Q25 ASPs are assumed at VND13,808mn/tonne, up 5% y/y and 4% q/q for HRC and VND13,750mn/tonne, flat y/y and q/q for construction steel. This quarter marks a significant milestone: HPG's HRC price surpassed its construction steel price for the first time since 4Q24. This price inversion strongly underscores the effectiveness of the protectionist policies implemented for the local market.
- Based on these assumptions, we forecast 4Q25 net sales/net profit would come to VND55.7tn, up 62% y/y and 53% q/q and VND5tn, up 79% y/y and 26% q/q respectively.
- We note that our 4Q25 earnings estimate is purely from core business, hasn't incorporated any one-off earnings from real estate/industrial park business if any.

Should HPG deliver these results, FY25 net sales and net profit would come to VND166tn, up 19% y/y) and VND16.6tn, up 38% y/y, respectively.

Figure 5: 4Q25 sales volume estimate, HPG

We forecast 4Q25 steel sales volume of 3.3mn tonnes, up 43% y/y and 19% q/q

Tonne	4Q24	4Q25F	Growth y/y	Growth q/q	FY24	FY25F	Growth y/y
Upstream products	2,017,011	3,048,933	51.2%	24.0%	8,114,755	10,478,861	29.1%
Construction steel	1,159,301	1,116,165	-3.7%	5.0%	4,482,719	4,647,626	3.7%
Billet/Slab	201,099	335,492	66.8%	159.2%	706,899	800,000	13.2%
HRC	656,611	1,597,277	143.3%	26.2%	2,925,137	5,031,236	72.0%
Steel pipe	204,585	199,505	-2.5%	-11.4%	706,938	827,117	17.0%
Steel sheet	101,654	81,725	-19.6%	-32.0%	446,411	401,770	-10.0%
Total sales volume	2,323,250	3,330,164	43.3%	18.8%	9,268,104	11,707,749	26.3%

Source: HSC Research

Figure 6: ASP breakdown by product, HPG

We estimate a 5% y/y and 4% q/q increase in HRC price while a flat price for construction steel

VNDmn/tonne	4Q24	3Q25	4Q25F	Growth y/y	Growth q/q
Construction steel	13,750	13,756	13,750	0.0%	0.0%
HRC	13,184	13,260	13,808	4.7%	4.1%

Source: HSC Research

Figure 7: 4Q25 earnings preview, HPG

We estimate a surge in 4Q25 (both y/y and q/q) thanks to full contribution of 1st BF of DQSC Phase 2

VNDbn	4Q24	3Q25	4Q25F	Growth y/y	Growth q/q	FY24	FY25F	Growth y/y
Net sales	34,491	36,407	55,749	61.6%	53.1%	138,855	165,688	19.3%
Net profit	2,809	3,988	5,012	78.5%	25.7%	12,021	16,602	38.1%
Net margin	8.1%	11.0%	9.0%	+0.9 ppts	-2.0 ppts	8.7%	10.0%	+1.3 ppts

Source: HSC Research

Vinmetal entry and potential Pomina acquisition: Early analysis

Initial assessment of Vinmetal's threat

Vingroup recently established Vinmetal, a subsidiary in which it holds a 98% stake, with charter capital set at VND15tn as of today, up vs. initial announcement of VND10tn one month ago. Vinmetal's initial announcement stated an ambitious goal: To build a 5mn tonnes per annum (tpa) capacity that would produce a full range of products, including construction steel, infrastructure-grade steel, and automotive steel.

Despite the current lack of detail regarding Vinmetal's technology deployment and market entry timeline, we believe the impact on market competition will be limited in the short run for HPG. However, we will keep a close watch on future developments, as becoming a competitive player in the steel sector requires a substantial combination of intensive capital, deep technical expertise, and scale, which takes time to achieve.

The potential Pomina acquisition

Vinmetal recently announced the appointment of Mr. Do Tien Si (currently Deputy Chairman and CEO of Pomina Steel) as its new CEO. This move suggests that Vinmetal may be planning to acquire Pomina (POM), which would immediately involve Vinmetal in construction steel production. It is our suspicion that this is a tactical entry, granting Vinmetal an accelerated foothold in the steel industry by utilizing Pomina's existing construction steel capacity for internal supply to Vinhomes.

Pomina's existing assets and challenges: Our channel checks indicate Pomina's usable facilities include a rolling mill for construction steel (designed capacity of 1.5mn tpa) and one blast furnace (BF) (1mn tpa) intended as feedstock. However, since it was commissioned in 2019, the BF has burdened Pomina with heavy capex (VND5.9tn) and led to significant operational and financial difficulties due to limited BF expertise, resulting in prolonged shutdowns. Efforts by THACO last year to revive operations via liquidity support were also unsuccessful. In FY23/FY24/9M25, POM posted net loss of VND960bn/VND990bn/VND512bn respectively. POM has total debt of VND6tn, as of end-Sep 2025, and negative equity of VND187bn.

Construction steel market: HPG dominance and Vinmetal's potential impact

According to the Vietnam Steel Association (VSA), the market is currently led by HPG and VAS (a private, non-VSA member), holding market shares of 36% and 15% (HSC estimate) respectively. They are followed by VNSteel (12%) and Vinakyoei (8%).

Our observation of the construction steel industry indicates that Pomina (POM) currently holds a weak market position. Pomina's (POM) market presence is currently negligible. While VSA reports zero volume, we estimate annual sales at only 140,000 tonnes (1.1% market share), indicating a rolling mill utilization rate of only 10%, with the blast furnace (BF) remaining non-operational. Furthermore, discussions with traders confirm that its pricing is uncompetitive. This evidence points to a critical lack of strength in both facility viability and price positioning. However, should Vinmetal successfully acquire Pomina and revive its existing facilities, it could potentially bring

up to 1.5mn tpa of construction steel output back online. This volume is equivalent to approximately 10-11% of the estimated total annual market demand (13mn+ tonnes). Any significant improvement in Pomina's market standing under Vinmetal's ownership would inevitably introduce increased pressure and potential market share erosion for incumbent leaders, including HPG.

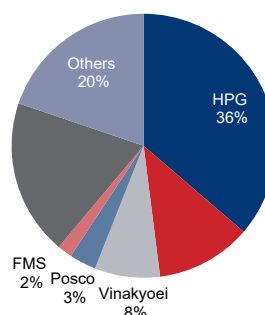
Vinmetal initially emphasized market entry via modern technology, import-substitution products (e.g., rail-track and automotive steel), and a long-term pathway toward green steel. Pomina's current facilities and technology are aging and do not fit well with these goals, in our view.

In conclusion, should the Pomina takeover proceed, we believe Vingroup will need to undertake a comprehensive post-M&A restructuring of POM. This includes injecting substantial capital to upgrade aging facilities and making further specialized investments in flat-steel and shape-steel capabilities to meet its stated automotive and rail-track objectives. Without these significant and costly steps, the acquisition of Pomina does not represent an optimal or efficient pathway for Vingroup's long-term steel strategy, in our view.

Consequently, we assess that the near-term risk of increased competition to HPG exists but remains limited. This is primarily due to HPG's substantial economies of scale and proven operational expertise. For the longer term, we require further information and clarity on Vinmetal's strategic execution and investment commitments to conduct a deeper competitive analysis.

Figure 8: Market share, Vietnam construction steel segment

HPG holds 36% market share, followed by VAS at an estimated of 15%



Source: VSA, HSC Research

New FY25-27 earnings forecasts

Reflecting weaker-than-expected 3Q25 results, plus the potential increased competition in construction steel segment in the short-term as mentioned above, we trim our construction steel assumptions for FY25-27 period, coupling with a slight increase in input material prices. Accordingly, we trim our FY25-27 net sales/net profit by 4% and 6% on avg. respectively. Our key assumptions are as follows:

Figure 9: Old and new earnings forecasts, HPG

We trim our FY25-27 net profit by 6% on avg., on lower construction steel sales volume and higher input cost assumptions

VNDbn	Old forecasts			New forecasts			% revision			Growth y/y		
Item	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Net sales	173,234	229,104	254,976	165,688	224,889	241,206	-4.4%	-1.8%	-5.4%	19.3%	35.7%	7.3%
Net profit	17,398	24,083	31,197	16,602	22,968	28,456	-4.6%	-4.6%	-8.8%	38.1%	38.3%	23.9%

Source: HSC Research

Figure 10: Steel sales volume assumptions, HPG

HRC surpasses construction steel to be the biggest contributor...

(tonnes)	FY24	FY25F	FY26F	FY27F
Const'n steel	4,482,719	4,647,626	5,170,657	5,757,134
Billet/slab	706,899	800,000	2,000,000	300,000
HRC	2,925,137	5,031,236	7,295,292	8,754,350
Steel pipe	706,938	827,117	909,829	1,000,812
Steel sheet	446,411	401,770	421,858	442,951

Source: HSC Research

Figure 11: Steel sales volume growth assumptions, HPG

With growth est. of 72%/45%/20% y/y growth in FY25/26/27

%	FY24	FY25F	FY26F	FY27F
Construction steel	18.3%	3.7%	11.3%	11.3%
Billet/slab	409.8%	13.2%	150.0%	-85.0%
HRC	4.6%	72.0%	45.0%	20.0%
Steel pipe	3.3%	17.0%	10.0%	10.0%
Steel sheet	35.6%	-10.0%	5.0%	5.0%

Source: HSC Research

Figure 12: ASP assumptions, HPG

We expect ASP resume to increase in FY26-27...

ASP (VNDmn/tonne)	FY24	FY25F	FY26F	FY27F
Construction steel	14.1	13.7	14.0	14.4
HRC	14.9	13.5	13.7	14.1

Source: HSC Research

Figure 13: ASP growth assumptions, HPG

...thanks to protectionism in domestic market

ASP growth	FY24	FY25F	FY26F	FY27F
Construction steel	-3.5%	-2.8%	2.0%	3.0%
HRC	-5.9%	-9.7%	2.0%	3.0%

Source: HSC Research

Figure 14: Margin assumptions, HPG

We forecast a slight GPM squeeze in FY26, on full booking for depreciations of new HRC facilities

Margins (%)	FY24	FY25F	FY26F	FY27F
GPM	13.3%	15.7%	15.5%	16.9%
SG&A as a % of net sales	2.8%	2.9%	2.9%	2.9%
Pre-tax margin	9.9%	11.6%	11.1%	12.7%
Net margin	8.7%	10.0%	10.2%	11.8%

Source: HSC Research

Sales volume assumptions: We trim our steel sales volume by 4% on avg. in FY25-27 period, mostly on the 7% cut in our construction steel assumptions, while we keep it largely unchanged for other product categories (Figures 10-11). Accordingly, we now forecast:

- An 11% growth/annum for construction steel in FY26/27 vs. 4% growth this year, driven by speeding up in public investment disbursement.
- A 45%/20% y/y growth in HRC sales volume in FY26/27 vs. 72% growth this year, on the new addition capacity of 6mn tpa in FY25, lifting HRC capacity to 9mn tpa as of today.
- We assume 10% growth per annum for steel pipes and 5% per annum for steel sheet in FY26/27 respectively vs. 17% growth this year for steel pipe and 10% decline this year for steel sheet.

ASP assumptions: We largely maintain our assumption on ASP of VND13.7/14.0/14.4mn/tonnes for construction steel and VND13.5/13.7/14.1mn/tonnes for HRC.

Margin assumptions: We trim slightly our FY25-27 GPMs to 15.7%/15.5%/16.9% vs. previous assumptions of 15.9%/16.0%/17.3% as we cut our construction steel volume and lift our input cost assumptions.

FY25: margin expansion - We estimate the GPM for FY25 will expand relative to the FY24 GPM of 13.3%. This expansion is driven by a combination of strong sales volume growth and the favorable effect of lower input costs (which are dropping at a faster rate than ASP).

FY26: Margin squeeze due to depreciation - for FY26, we expect GPM to squeeze slightly y/y. This compression is primarily due to HPG fully booking the depreciation expense for the entire year from the new DQSC Phase 2 (covering both two new BFs), compared to only five months of depreciation for a single BF in FY25.

Accordingly, we project depreciation expense to rise sharply from the VND6.9tn reported in FY24 to VND7.6tn in FY25, VND11.1tn in FY26, and VND12.1tn in FY27.

FY27: Sharp margin recovery - GPM is expected to expand sharply to 16.9% in FY27. This significant recovery is contingent upon achieving a full utilization rate across all of the newly added DQSC Phase 2 capacity.

Regarding net margin assumptions, we expect FY25/26/27 net margin will be improve to 10.0%/10.2%/11.8% vs. 8.7% in FY24. For FY26/27 margin expansion, partly thanks to the CIT (corporate income tax) incentive for DQSC Phase 2.

Updates on new projects

Following the completion of DQSC Phase 2, we believe HPG will continue to proceed with an investment of VND14tn to establish 1.2mn tpa of capacity for rail track and special steel. This initiative is strategically aimed at meeting the domestic demand generated by Vietnam's North-South High-Speed Railway projects and gradually replacing imported shape-steel in the coming years.

Financial contribution to the P&L is expected from FY27 onwards, eventually contributing a maximum of 5% to HPG's top line. Critically, HPG retains the flexibility to change the product molds to produce alternative cast/shape steel products, allowing them to adapt to other domestic market demands should the North-South High-Speed Railway project not source rail tracks from HPG.

Beyond the rail track and special steel project, HPG has a long-term plan to invest an estimated USD4bn in a new factory in Dak Lak post province merge (former Phu Yen province), adding another 6mn tpa of crude steel capacity, lifting the group designed capacity of 22mn tpa or increase of 38%. While HPG initially aimed to commence its construction during the FY26–27 period, details regarding the specific steel product categories have yet to be disclosed. Given the recent emergence of heightened competition from Vinmetal, we anticipate that the investment process for this new steel factory will likely be slowed down as HPG seeks to confirm the most suitable strategic timeline for investment.

Valuation and recommendation

Reflecting new earnings forecasts and rolling fwd valuation basis by 6M to end-FY26, we slightly cut our TP to VND36,800 (vs. previous of VND37,900), offering an upside of 39%. Our key assumptions are as follows:

- WACC is cut to 11.7% from 12.4%; on lower COE to 14.5% from 15.4% as beta is updated to lower level of 1.2x vs. 1.3x previously (as Bloomberg data for 3Y).
- Terminal growth rate of 2% has remained unchanged together with risk-free rate of 4.0% and equity risk premium of 8.75%.

Figure 15: FCFF calculation, HPG

VNDbn	FY25F	FY26F	FY27F	FY28F
Net income	16,602	22,968	28,456	31,925
+ Interest expense * (1 - Tax rate)	2,479	3,857	3,578	3,289
+ Depreciation and amortization	7,589	11,103	12,056	12,178
- Changes in working capital	(16,955)	(21,166)	(9,359)	(10,514)
- Capex	(20,983)	(2,271)	(10,712)	(2,313)
Free cash flow to the firm (FCFF)	(11,268)	14,491	24,020	34,564

Source: HSC Research

Figure 16: COE, COD calculation, HPG

COE is trimmed to 14.5% from 15.4% on updated lower beta

CAPM	%
Risk free	4.0%
Equity risk premium	8.8%
Beta	1.2
Cost of equity	14.5%
Cost of debt calculation	
Cost of debt	7.0%
Tax rate	12.8%
Cost of debt after tax	6.1%

Source: HSC Research

Figure 17: WACC, HPG

WACC is cut to 11.7% from 12.4%

Capital structure	
Equity/Total capital	66.8%
Debt/Total capital	33.2%
WACC	11.7%

Source: HSC Research

Figure 18: DCF valuation, HPG

New TP is cut slightly to VND36,800 from VND37,900 previously

Year	FY25F	FY26F	FY27F	FY28F
FCFF	(11,268)	14,491	24,020	34,564
Terminal growth rate (g) (%)				2%
Terminal value				363,072
Future cash flow	(11,268)	14,491	24,020	397,636
Present value		14,491	21,502	318,639
Value of the firm		354,632		
- Total debts		(94,991)		
+ Cash & Cash equivalent and short-term investment		23,020		
Value of owners' equity		282,661		
Current outstanding shares (mn share)		7,675		
Fair value per share (VND/share) as of end-FY26		36,826		

Source: HSC Research

Figure 19: Sensitivity analysis, HPG

Our TP is based on risk-free rate of 4% and terminal growth rate of 2%

Terminal growth rate	Risk free rate					
		3.0%	3.5%	4.0%	4.5%	5.0%
1.0%		35,711	34,286	32,950	31,695	30,514
1.5%		37,827	36,259	34,794	33,421	32,133
2.0%		40,177	38,442	36,826	35,319	33,908
2.5%		42,802	40,871	39,080	37,415	35,862
3.0%		45,754	43,590	41,593	39,743	38,025

Source: HSC Research

Valuation context

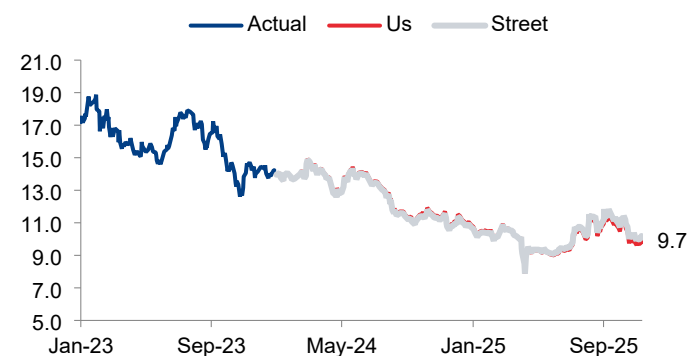
Despite a 6% decline over the last 3M, HPG currently trades at a compelling valuation of 9.7x 1-year rolling forward P/E, representing a significant discount to its 3Y average of 13.0x.

While acknowledging recent market concerns over Vinmetal's entry and potential domestic competition, we assert that HPG's position remains strong and insulated in the short to medium-term, continuing to benefit from Vietnam's positive macro landscape. Critically, HPG meets all requirements for attracting major foreign inflows contingent upon Vietnam's market upgrade.

We maintain our Buy rating, believing HPG is strategically positioned for strong growth in the coming year, driven by a favorable business environment including an aggressive public investment plan, a recovering real estate sector, and supportive protective policies.

Figure 20: 1-yr rolling fwd P/E, HPG

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



Source: HSC Research

Figure 21: Standard deviation from mean, HPG

...cheap vs. its 3Y avg. of 13.0x



Source: HSC Research

Financial statements and key data

Income statements (VNDbn)	12-23A	12-24A	12-25F	12-26F	12-27F
Sales	118,953	138,855	165,688	224,889	241,206
Gross profit	12,938	18,498	26,002	34,909	40,666
SG&A	(3,269)	(3,883)	(4,755)	(6,454)	(6,923)
Other income	-	-	-	-	-
Other expenses	-	-	-	-	-
EBIT	9,669	14,615	21,247	28,455	33,743
Net interest	(2,018)	(1,348)	(2,172)	(3,538)	(3,197)
Associates/affiliates	0	0	0	0	0
Other non-operational	-	-	-	-	-
Exceptional items	142	426	116	45.0	48.2
Pre-tax profit	7,793	13,693	19,190	24,962	30,595
Taxation	(992)	(1,673)	(2,591)	(1,997)	(2,142)
Minority interests	34.7	1.42	1.96	2.71	3.36
Exceptional items after tax	-	-	-	-	-
Net profit	6,835	12,021	16,602	22,968	28,456
Net profit adj'd	6,493	11,420	15,772	21,819	27,034
EBITDA adj.	16,431	21,543	28,865	39,591	45,835
EPS (VND)	1,175	1,879	2,163	2,992	3,707
EPS adj. (VND)	846	1,488	2,055	2,843	3,522
DPS (VND)	0	0	1,000	1,000	1,000
Basic shares, average (mn)	5,815	6,396	7,675	7,675	7,675
Basic shares, period end (mn)	5,815	6,396	7,675	7,675	7,675
Fully diluted shares, period end (mn)	5,815	6,396	7,675	7,675	7,675

Balance sheets (VNDbn)	12-23A	12-24A	12-25F	12-26F	12-27F
Cash	12,252	6,888	6,630	5,028	4,245
Short-term investments	22,177	18,975	19,883	17,991	19,296
Accounts receivable	10,702	7,648	14,912	22,489	25,327
Inventory	34,504	46,091	49,706	65,218	69,950
Other current assets	3,081	7,073	8,284	11,244	14,472
Total current assets	82,716	86,674	99,416	121,971	133,290
PP&E	97,886	130,995	144,370	135,518	134,152
Intangible assets	211	184	203	223	245
Investment properties	594	560	530	496	460
Long-term investments	40.0	137	0	0	0
Associates/JVs	0	0	0	0	0
Other long-term assets	6,335	5,940	6,295	8,519	9,128
Total long-term assets	105,066	137,815	151,398	144,756	143,985
Total assets	187,783	224,490	250,814	266,727	277,275
Short-term debt	54,982	55,883	66,275	71,964	65,126
Accounts payable	12,387	14,047	8,284	11,244	12,060
Other current liabilities	2,457	2,813	3,231	4,095	4,427
Total current liabilities	71,513	75,225	80,753	91,325	85,925
Long-term debt	10,399	27,080	32,237	23,026	19,189
Deferred tax	30.0	29.3	0	0	0
Other long-term liabilities	2,948	7,440	6,612	6,943	7,291
Long-term liabilities	13,378	34,550	38,848	29,969	26,479
Total liabilities	84,946	109,842	119,602	121,294	112,404
Shareholders' funds	102,771	114,356	130,923	145,146	164,588
Minority interests	65.8	291	289	286	283
Total equity	102,836	114,647	131,212	145,433	164,871
Total liabilities and equity	187,783	224,490	250,814	266,727	277,275
BVPS (VND)	17,674	17,879	17,057	18,910	21,443
Net debt/(cash)*	53,129	76,075	91,882	89,962	80,069

Cash flow statements (VNDbn)	12-23A	12-24A	12-25F	12-26F	12-27F
EBIT	9,669	14,615	21,247	28,455	33,743
Depreciation & amortisation	(6,762)	(6,928)	(7,619)	(11,136)	(12,092)
Net interest	(2,018)	(1,348)	(2,172)	(3,538)	(3,197)
Tax paid	(560)	(937)	(2,591)	(1,997)	(2,142)
Changes in working capital	(6,218)	(13,927)	(10,220)	(33,892)	(14,990)
Others	(4,595)	(2,358)	(3,169)	(4,561)	(4,209)
Cash flow from operations	8,643	6,608	15,753	3,333	28,343
Capex	(17,374)	(35,495)	(20,983)	(2,271)	(10,712)
Acquisitions & investments	(37,581)	(27,166)	(937)	1,832	(1,322)
Disposals	42,960	32,872	730	992	861
Others	0	0	0	0	0
Cash flow from investing	(11,995)	(29,788)	(21,190)	553	(11,173)
Dividends	(8.01)	(4.97)	0	(7,675)	(7,675)
Issue of shares	(1.64)	233	0	0	0
Change in debt	7,285	17,587	5,180	2,188	(10,278)
Other financing cash flow	0	0	0	0	0
Cash flow from financing	7,276	17,815	5,180	(5,488)	(17,953)
Cash, beginning of period	8,325	12,252	6,888	6,630	5,028
Change in cash	3,924	(5,365)	(257)	(1,602)	(783)
Exchange rate effects	3.86	0.76	0	0	0
Cash, end of period	12,252	6,888	6,630	5,028	4,245
Free cash flow	(8,731)	(28,887)	(5,230)	1,062	17,631

Financial ratios and other	12-23A	12-24A	12-25F	12-26F	12-27F
Operating ratios					
Gross margin (%)	10.9	13.3	15.7	15.5	16.9
EBITDA adj. margin (%)	13.8	15.5	17.4	17.6	19.0
Net profit margin (%)	5.75	8.66	10.0	10.2	11.8
Effective tax rate (%)	12.7	12.2	13.5	8.00	7.00
Sales growth (%)	(15.9)	16.7	19.3	35.7	7.26
EBITDA adj. growth (%)	(17.4)	31.1	34.0	37.2	15.8
Net profit adj. growth (%)	(19.4)	75.9	38.1	38.3	23.9
EPS growth (%)	(19.4)	59.9	15.1	38.3	23.9
EPS adj. growth (%)	(19.4)	75.9	38.1	38.3	23.9
DPS growth (%)	nm	nm	nm	0	0
Dividend payout ratio (%)	0	0	46.2	33.4	27.0
Efficiency ratios					
Return on avg. equity (%)	6.88	11.1	13.5	16.6	18.4
Return on avg. CE (%)	8.62	11.0	13.3	16.5	18.4
Asset turnover (x)	0.66	0.67	0.70	0.87	0.89
Operating cash/EBIT (x)	0.89	0.45	0.74	0.12	0.84
Inventory days	119	140	130	125	127
Accounts receivable days	36.8	23.2	39.0	43.2	46.1
Accounts payable days	42.6	42.6	21.6	21.6	22.0
Leverage ratios					
Net debt*/equity (%)	52.4	67.2	70.9	62.8	49.4
Debt/capital (%)	35.2	37.3	39.6	36.1	30.9
Interest coverage (x)	4.79	10.8	9.78	8.04	10.6
Debt/EBITDA (x)	4.02	3.89	3.44	2.43	1.87
Current ratio (x)	1.16	1.15	1.23	1.34	1.55
Valuation					
EV/sales (x)	1.56	1.64	1.67	1.23	1.10
EV/EBITDA adj. (x)	11.3	10.5	9.56	6.97	5.78
P/E (x)	22.6	14.1	12.3	8.87	7.16
P/E adj. (x)	31.4	17.8	12.9	9.34	7.54
P/B (x)	1.50	1.49	1.56	1.40	1.24
Dividend yield (%)	0	0	3.77	3.77	3.77

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
Sell: Expected to decline by more than 20% on an absolute basis in the next 12 months



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