



Analysis Report

HOA PHAT GROUP JSC

Implementation Date:
12/06/2024



Prepared by VNF

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12th June 2024

HOA PHAT GROUP JSC (HOSE: HPG)

Sector: Materials – Industry: Industrial Metals
 Ho Chi Minh Stock Exchange (HOSE)
 HOA PHAT GROUP (Ticker: HPG.HM)

Closing Price: VND 29,600 Target Price: VND 40,680
 USD/VND: 25,450 Recommendation: BUY (+37.43% upside)

EXECUTIVE SUMMARY

Figure 1: HPG Stock Overview

First Trading Date	15/11/2007
Current Price	29.600
Target Price	40,680.000
Upside	37.43%
Market Capitalization (VND)	186,130.88
Share Outstanding	6,396,250,200
Adjusted Beta	1.167
52 Week High	29.600
52 Week Low	20.700

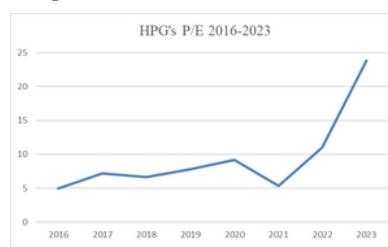
Source: Team's compilation

Figure 2.1: HPG Share price movement vs VNIndex



Source: Investing.com

Figure 2.2: HPG's P/E 2016-2023



Source: Vietstock

Industry metric	
HRC	Hot-rolled coil
CIF	Cost, Insurance & Freight
CFR	Cost & Freight

Source: Company Prospectus

HPG: Pioneering Steel Excellence by Domestic Dominance

Significant earning growth from construction steel, fueled by favorable industry factors

The company is expected to increase its construction steel production to maximize their capacity in the following years, and benefit from a notable earning growth. Factors that support this growth include: (1) The recovery of the steel industry cycle. Ratios including average quarterly IIP, profit margin and sales-inventory ratio all show a reversal in trend and sustainable growth in consecutive quarters since early 2023. (2) Flourishing commercial real estate, which is supported by favorable government policies, such as the 2024 Land Law and 10/2023/NĐ-CP. As a result, the number of newly licensed commercial real estate projects improved greatly. (3) The recovery of the Chinese construction industry and real estate market, fueled by their government's growing effort in supporting their domestic market. The most notable of which being their April market stimulus package.

Remarkable expansion of HPG's revenue from HRC, thanks to the completion of the DQSC2 mega project

With the completion of DQSC2, HPG is in a favorable position to boost their profit from HRC domestic sales and export. We expect the output of HRC from DQSC2 will be consumed fully, presenting remarkable profit potential for the group for the following reasons: (1) Domestic demand for HRC can absorb upto 200% of the current domestic supply, creating room for development in HRC production. (2) Expectation of an anti-dumping tax on HRC, which significantly increases market share for domestic HRC manufacturers. On June 14, Decision No. 1535 was issued by the Ministry of Industry and Trade, officially investigating and applying anti-dumping measures on galvanized steel products originating from China. (3) Increasing HRC export thanks to competitive costs compared to many other countries.

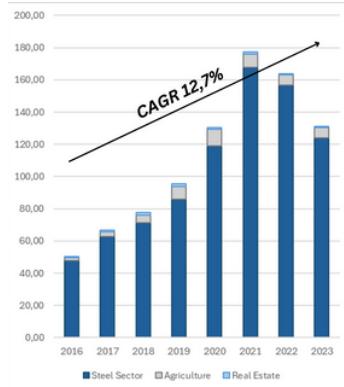
The natural monopoly continues to solidify its status with superior equity capital and management skills from the board of directors

Over 15 years, HPG has solidified its position as the natural monopoly of the steel industry with its superior value chain, becoming the price setter and leading market share in the steel industry. With Vietnam's government policy favoring large-scale steel production initiatives led by domestic enterprises and HPG's proven track record of expanding and efficiently managing large-scale projects, HPG will continue to maintain and solidify this position with its superior equity capital contributions (40 times bigger than the second largest) and retain earnings (9 times bigger than the second largest).

(A natural monopoly is a type of monopoly that arises due to unique circumstances where high start-up costs and significant economies of scale lead to only one firm being able to efficiently provide the service in a certain territory.)

Year	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	CAGR 2024F-2028F
Net Revenue (VND)	150,865,359,967,200	142,770,810,676,858	120,355,231,616,135	131,024,089,150,367	157,765,186,188,701	209,892,321,782,859	254,691,398,078,989	259,184,444,878,729	14,62%
Gross profit (VND)	41,108,409,532,992	16,763,426,239,552	12,937,840,695,572	23,790,832,450,681	35,020,267,810,695	46,745,797,190,896	57,787,311,219,274	67,938,915,246,225	23,35%
Gross margin (%)	27,25%	11,74%	10,75%	18,16%	22,20%	22,27%	22,69%	26,21%	7,61%
Net profit margin (%)	23,10%	6,00%	5,70%	13,90%	15,20%	16,60%	18,10%	22,10%	9,72%
Net profit (VND)	34,520,954,931,298	8,444,429,054,516	6,800,388,315,081	18,272,336,634,538,9	23,942,678,303,601,3	34,815,220,860,174,8	46,215,285,936,167,6	57,246,038,491,825,3	25,66%
Return on Equity (%)	38,03%	8,79%	6,61%	15,08%	16,50%	19,74%	22,14%	24,12%	9,84%

Figure 3: HPG's Revenue Breakdown (VND trn)



Source: Company Data.

BUSINESS DESCRIPTION

Originating as the Hoa Phat Spare Parts Manufacturing Company established in 1992, the company has gradually expanded its production and market share into other industries such as interior design, agriculture, real estate, and most notably, steel production and fabrication. Currently, the company owns 14 factories, 2 complexes, 9 farms, and 1 mining operation across the country. HPG's products are currently exported to over 14 countries and territories. HPG's primary revenue stream stems from the production and supplying of steel products, and the company is also a steel exporter to 30 different countries. In 2023, the enterprise's revenue is VND 131,249 billions (bn) with the 2016A-2023A CAGR of 12.70% (Figure 3).

Dominant Steel producer with a diversified and lengthened Value Chain

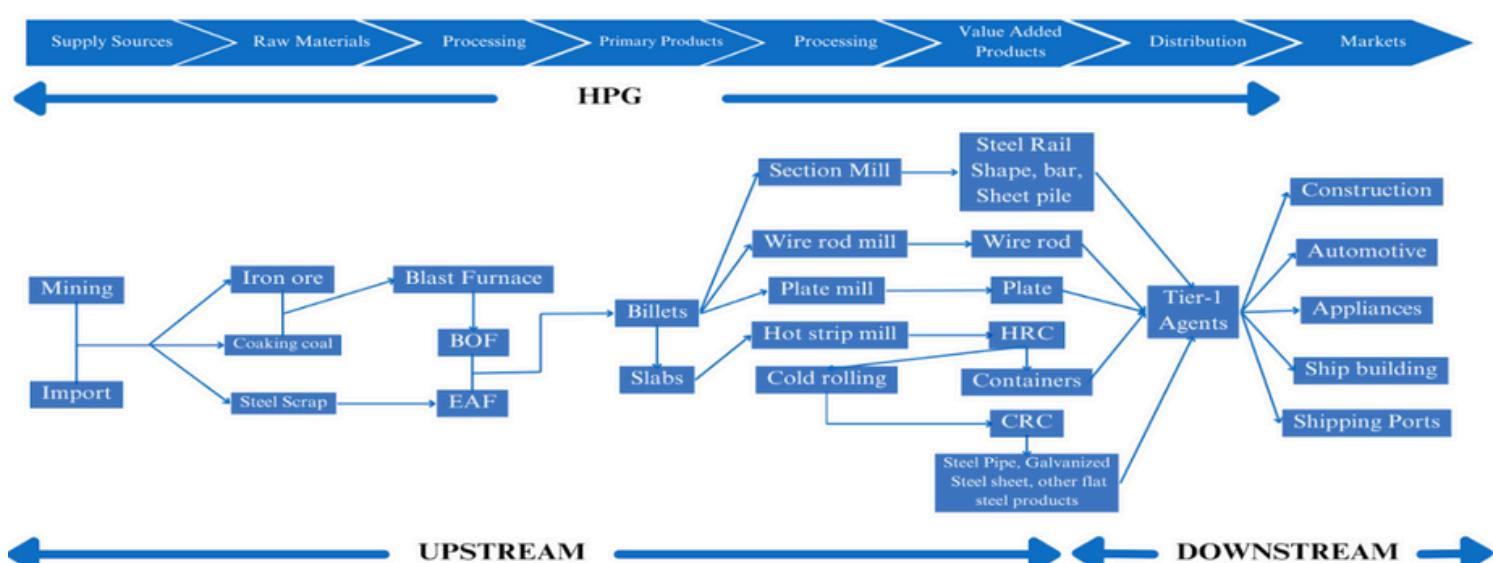
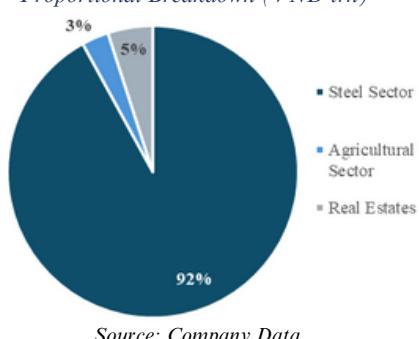


Figure 4: HPG's Steel Value Chain (Source: Company Data, VSA, WSA, Team estimation)

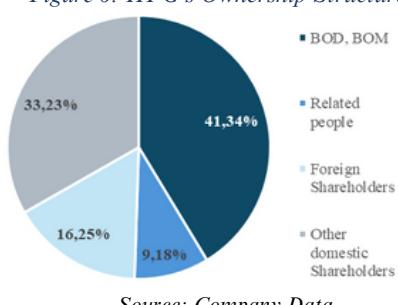
Figure 5: HPG's Revenue Proportional Breakdown (VND trn)



Source: Company Data.

Agricultural Sector: (2023: 5% total revenue, 3% NPAT) Over the past eight years, HPG has ventured into diverse areas to deliver high-quality products and contribute to the country's food security. In the poultry segment, the company has garnered a leading position, holding the top market share for clean eggs in Northern Vietnam with a daily output of approximately 900,000 eggs. Their pig breeding operations have witnessed significant growth, exemplified by the establishment of the Long Ha pig farm and the successful supply of over 440,000 high-quality pork and breeding pigs in 2023. This segment has experienced a strong revenue growth with 2016A-2023A CAGR of 28%.

Figure 6: HPG's Ownership Structure



Source: Company Data.

Real Estates: (2023: 1% total revenue, 5% NPAT) Hoa Phat Industrial Parks have experienced significant growth, with a vast area of developed infrastructure. In late 2023, the Group commenced operations at the expanded Yen My II Industrial Park, spanning 216 hectares, expanding the industrial land area to meet the high demand for industrial land rentals.

Ownership Structure: The majority of HPG ownership (41.34%) is under the control of the HPG Board of Management and Directors, in which Mr. Tran Dinh Long – the Chairman and his wife – Mrs. Vu Thi Hien own 25.8% and 6.88%, respectively. Foreign shareholders also take a decent percentage in the ownership structure (16.25%), indicating that HPG is highly attractive to international investors (Figure 6). The rest is adequately allocated for domestic investors and related individuals.

CORPORATE STRATEGY

Boost domestic HRC revenue and profit following the completion of the Dung Quat 2 mega project

Revenue from HRC is expected to increase significantly both in domestic and foreign market. Following the completion of the DQSC2 project, which will increase the group's HRC capacity by 280% compared to 2023. We expect the new HRC output to be fully absorbed, for the following reasons: (1) Domestic demand for HRC can absorb fully domestic supply, creating room for development in HRC production. According to the Investment Newspaper, in 2023, the demand for hot-rolled steel (HRC) in Vietnam is currently around 10 - 11 million tons per year, while the production capacity of domestic enterprises is 8.5 million tons. However, the export of HRC by domestic enterprises accounts for 3.4 million tons, so the total domestic supply of HRC currently only meets half of the demand. (2) Expectation of anti-dumping tax on HRC, significantly increasing market share for domestic HRC manufacturers. Before 2022, without the dumping of Chinese companies, HRC produce by HPG are domestically consume 100%, however in 2023, HPG can only absorb 2.7 million tonnes due to its added value chain. On June 14, the Ministry of Industry and Trade issued Decision No. 1535, officially investigating and applying anti-dumping measures on galvanized steel products originating from China, since Chinese HRC producers have been violating the 2% dumping margin according to the Vietnam Law on foreign trade management 2017 when exporting to Vietnam. (Appendix E2) We believe there will be a verdict at the end of 2024 and a tariff ranging from 12-13% for HRC from China and India. Since 2023, 14 countries including major market like Indonesia, Thailand has successfully placed tariff on HRC from China.

Figure 7: HPG's Crude Steel Capacity and Total Yearly Capex from 2018-2026

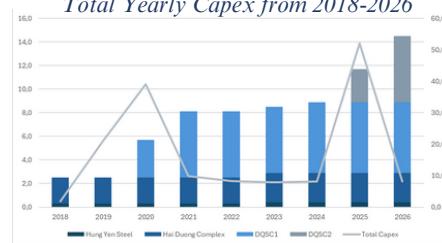
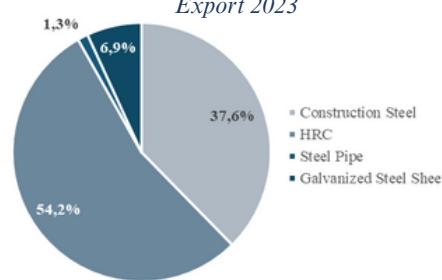


Figure 8: Breakdown of HPG's Steel Export 2023



Source: Company Data.

Figure 9: HPG's Percentage of Revenue from Exports 2018-2023

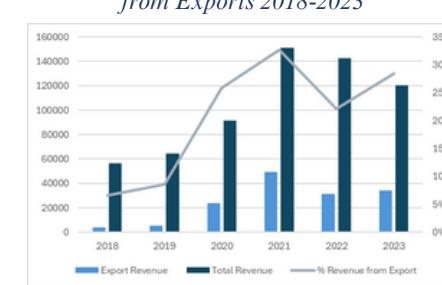
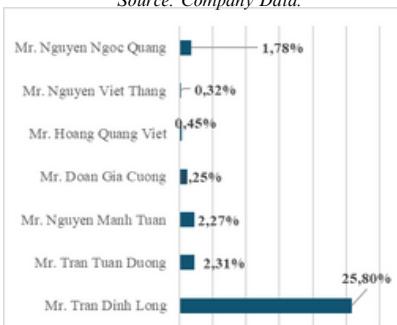


Figure 10: Ownership of some members on the BOD and the BOM

Source: Company Data.



Lengthen and strengthen the value chain by focusing on HRC and high-quality steel products

The completion of the DQSC2 project will boost HPG's production capacity by 60%. With a total capacity of 5.6M tons of steel, including 4.6M tons of HRC and 1M tons of special steel, DQSC2 will elevate HPG's overall production capacity to 14M tons (Appendix B5). HPG has identified that the product focus of the DQSC2 project and future projects will be on HRC steel and downstream products such as containers, steel pipes, and galvanized steel sheets, to meet both domestic and export market demand. Furthermore, the expansion of HRC production capacity empowers HPG to achieve complete self-sufficiency in sourcing input raw materials for their downstream HRC products.

Offering a diversified export portfolio and the pursuit of cost-leadership strategy

HPG offers a diverse range of steel products in 2023 (Figure 8), and is witnessing an increasing exporting revenue (Figure 9). HPG steel products were exported to over 30 countries across five continents, including challenging markets like Thailand and Indonesia (Appendix B5), which indicates that HPG's competitive product quality allows the company to compete in the global steel market. These markets also have placed tariff on HRC from China and India. HPG's pursuit of a cost-leadership strategy, evidenced by their competitive crude steel production costs per tonne, which will be further enhanced by the strong production capacity from the DQSC2 (Figure 7), allows both for increasing domestic market share, and for competitive pricing within the international steel market.

CORPORATE GOVERNANCE & SOCIAL

RESPONSIBILITY

Strong Governance Foundation

HPG demonstrates a robust "Good" rating on the ASEAN Corporate Governance Scorecard 2023, surpassing the average of Vietnam's listed companies. Key strengths include a well-structured Board of Directors (BOD), actively engaged shareholders, and stringent Disclosure & Transparency practices (Figure 10). Additionally, Mr. Tran Dinh Long's substantial 25.80% shareholding gives him significant influence over strategic decisions, potentially disadvantageous to other shareholders (Appendix C). Efforts are underway to diversify the board composition and broaden educational backgrounds to enhance governance effectiveness and inclusivity.

Commitment to Corporate Social Responsibility (CSR)

HPG upholds rigorous CSR standards, emphasizing environmental sustainability and community engagement as integral to its operations. Initiatives include sustainable development projects, educational support, and proactive measures to minimize environmental impact. This commitment underscores HPG's dedication to fostering a positive societal impact and sustainable business practices.

Figure 11: Number of Commercial RE project from 2021-2023

INDUSTRY OVERVIEW

Domestic construction steel demand: High growth potential

HPG has significant earning potential from construction steel, since their construction steel production stood at 3.7M tons in 2023, which accounts for 74% of their capacity. HPG is expected to further utilize this capacity and earn much higher profit in the following years due to several reasons: (1) The steel industry cycle entering recovery phase, (2) Flourishing commercial real estate, (3) The recovery of the Chinese real estate market and (4) Newly enforced domestic real estate policies.

Domestic HRC: Large demand and still significant room for growth

Domestic demand for HRC can absorb an additional 100% of the current supply, creating room for development in HRC production. According to the Investment Newspaper, in 2023, the demand for hot-rolled steel (HRC) in Vietnam is currently around 10 - 11M tons per year, while the production capacity of domestic enterprises is 8.5M tons. However, the export of HRC by domestic enterprises accounts for 3.4M tons, so the total domestic supply of HRC currently only meets half of the demand.

Flourishing commercial real estate - Construction

Vietnamese commercial real estate market is growing rapidly and is expected to grow further in the future due to (1) Overall economy growth, (2) Surging capital availability, and (3) the Government's supportive policies. According to the Ministry of Construction, the number of projects being implemented and newly licensed over the years has increased sharply in the last 3 years. Specifically, the number of commercial apartments under construction at the end of 2023 increased significantly compared to the same period in 2022 and 2021 (Figure 11).

In the construction steel domestic market, HPG is the only company that can expand its output in the near future

HPG currently only produces about 4 million tonnes of construction steel and still has room to expand its output to 5 million tonnes. While other competitors have reached their full capacity and could not develop new projects since the government policy currently favors high-scale projects from domestic investors, no company besides HPG has the financial ability to execute (Appendix D). With its current position as the natural monopoly of the steel industry, HPG could improve its market share and make other low-capital companies exit the market with price wars with its superior cost margin compared to domestic. With the characteristics of the steel industry, high entry fees and Hoa Phat's large production scale and integrated supply chain further increase market entry barriers for new entrants.

Analysis of the development cycle of Vietnam's steel industry in 2024: Impressive recovery

The steel industry is one of the most cyclical industries. Using the Coincide and Lagging indicators, we can see the beginning of a growth cycle. In particular, the observed figures have changed direction and have since been increasing since early 2023. The growth trend is expected to last, creating room for development for the domestic steel industry.

Policies supporting the development of the domestic real estate market

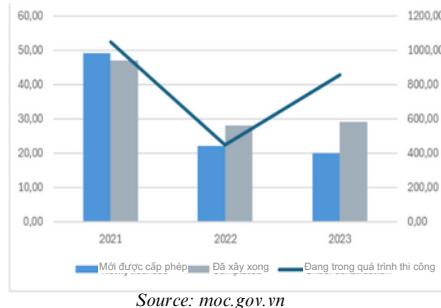
The domestic real estate market is expected to recover positively when many policies to support development and remove bottlenecks for investment and construction of commercial projects are introduced (Appendix D3).

Figure 15: Environmental, Social and Governance

COMPETITIVE POSITIONING

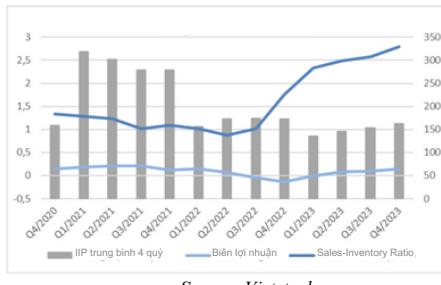
The natural monopoly continues to solidify its status with impressive capital and management skills from the board of directors

Over the past 15 years, Hoa Phat Group (HPG) has demonstrated remarkable financial growth, multiplying its retained earnings by 50-fold, from VND 756 billion to an impressive VND 40,593 billion, 40 times bigger than Nam Kim Group (NKG) - the second-largest company in retained earnings. Since 2010, HPG's capital contributions have surged over 18 times exceeding VND 58,147 billion, dwarfing Thai Nguyen Iron and Steel Joint Stock Corporation (TIS), the runner



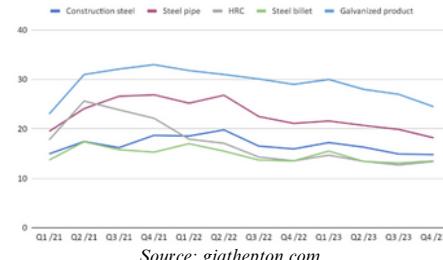
Source: moc.gov.vn

Figure 12: Cycle indicators



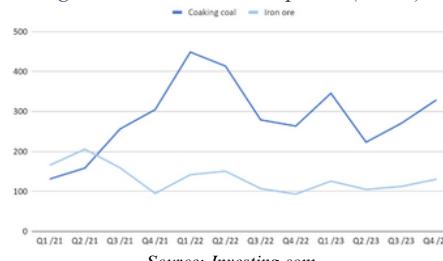
Source: Vietstock

Figure 13: Steel product prices (\$/ton)



Source: giatheton.com

Figure 14: Raw material prices (\$/ton)



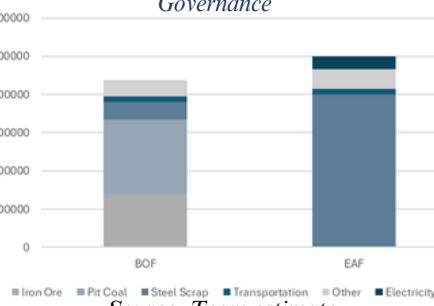
Source: Investing.com

Figure 15: Environmental, Social and Governance

COMPETITIVE POSITIONING

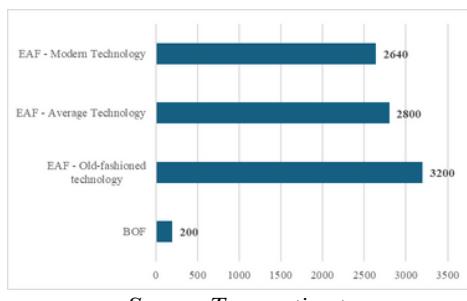
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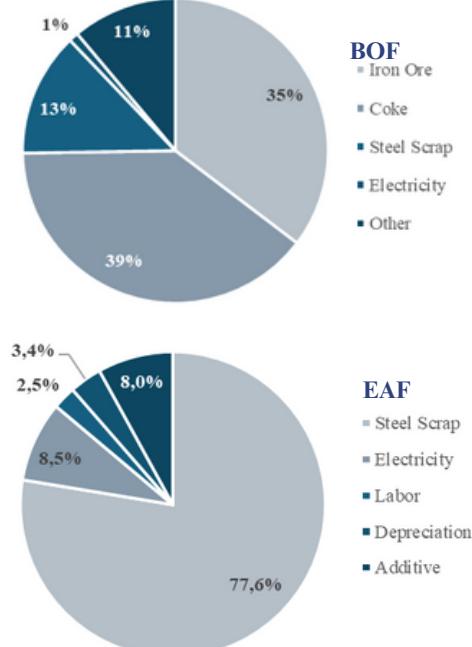
Source: Team estimate

Figure 16. Energy Consumption Comparision of BOF and EAF



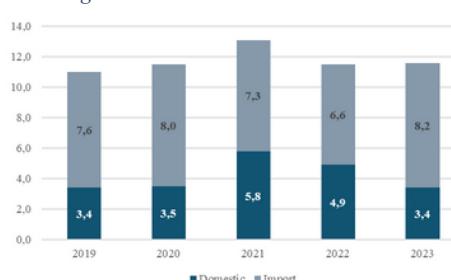
Source: Team estimate

Figure 17. Material Consumption Comparision of BOF and EAF



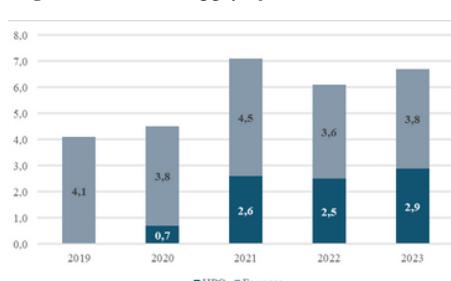
Source: Team estimate

Figure 18. HRC Demand in Vietnam



Source: Customs data, Steel association

Figure 19. HRC Supply of HPG and Formosa



Source: Steel association

-up in capital contributions, which stands at VND 6,780 billion, the runner-up in capital contributions, which stands at VND 6,780 billion (Appendix D4, D5). The steel sector demands substantial capital investment, and Vietnam's current industrial policies are inclined to favor large-scale steel production initiatives led by domestic enterprises. This regulatory environment constrains the expansion capabilities of foreign investors such as Formosa and Vinakyoie.

HPG's Board of Directors has consistently exhibited exceptional management acumen and strategic foresight. The company is distinguished as the sole entity to maintain a positive, double-digit (ROE) for an uninterrupted span of 13 years. Furthermore, HPG is the only company in the past 7 years to have successfully undertaken multiple expansions across various domains like the Hai Duong complex and Dung Quat 1 complex. These ventures have been rapidly brought to full operational capacity within relatively brief timeframes. Given the governmental inclination towards enterprises with robust financial foundations and HPG's proven track record of expanding and efficiently managing large-scale projects, it is anticipated that HPG will continue to enhance its production capabilities. This trajectory will further cement HPG's position as the preeminent natural monopoly within the Vietnamese domestic market.

Low cost structure due to high technology in production and operation fuels price competition

HPG utilizes Basic Oxygen Furnace (BOF) technology, which offers notable energy efficiency advantages over the Electric Arc Furnace (EAF) technology predominantly used in the Vietnamese steel industry. Specifically, BOF technology reduces power consumption by approximately 10 - 15% per ton of steel produced (Figure 17) and the energy consumption of this technology is very low compared to EAF technology (Figure 16). HPG boosts energy efficiency and cuts fuel costs by recycling CO gas from iron smelting to replace LPG or FO oil, saving up to 50% on fuel for steel rolling. HPG's advanced technologies of BPRT and continuous casting in Hai Duong and Dung Quat efficiently recover residual heat which make Dung Quat saves costs 2.5 times higher than Hai Duong. Using 1.6bn kWh of electricity in 2020, 80% of these was self-produced in Dung Quat. From 2021, these solutions saved about VND 4,000bn. This strategy significantly lowers electricity costs within its production cost structure and supports environmental sustainability. This solidifies HPG's cost advantage over domestic competitors and is the key reason HPG can price its products lower than its peers.

Cost optimization: Raw material mines - Seaports - Transport ships

HPG's strategic initiatives significantly enhance its cost efficiency and input material security. The deep-water Dung Quat Port, with 11 berths, reduces raw material costs by \$3-5 per ton, saving \$30-50M annually, and facilitates cheaper exports. Investing in a fleet of 15-20 cargo ships further optimizes shipping costs. Additionally, acquiring the Roper Valley iron ore project, with 320M tons of reserves and a 4M ton annual capacity, secures 50% of HPG's iron ore needs. This vertical integration minimizes price fluctuations, lowers procurement costs, and ensures supply chain stability. These strategies collectively optimize production costs and strengthen HPG's competitive position in the steel industry.

Diversified product portfolio

HPG uniquely produces pre-stressed steel, galvanized wire steel, and container shells for export to high-demand markets like the EU, America, and Canada, boosting its steel consumption capacity. Along with Hung Nghiệp Formosa Ha Tinh, HPG's combined HRC production capacity of 8.2M tons/year still falls short of Vietnam's domestic demand (Figure 18). This gives HPG a competitive edge, as other manufacturers must buy HRC from Formosa or import it. HPG's HRC autonomy allows it to lower prices for finished products and become a key supplier to other industry players.

INVESTMENT SUMMARY

Significant earning growth from construction steel, fueled by favorable industry factors

The company is expected to increase its construction steel production to maximize their capacity in the following years, and benefit from a notable earning growth. Factors that support this growth include: (1) The recovery of the steel industry cycle, demonstrated by ratios including average quarterly IIP and sales-inventory ratio. (2) Flourishing commercial real estate, which is supported by favorable government policies. (3) The recovery of the Chinese construction industry and real estate market.

Remarkable increase of HPG's revenue from HRC, thanks to the completion of the DQSC2 project

We expect the output of HRC from DQSC2 will be consumed fully, presenting remarkable profit potential for the group for the following reasons: (1) Domestic demand for HRC can absorb upto 200% of the current domestic supply. (2) Expectation of an anti-dumping tax on HRC. (3) Increasing HRC export thanks to competitive costs compared to many other countries.

The nature monopoly continues, fueled by impressive capital and management skills from the BOD

Over the past 15 years, HPG has become the natural monopoly in Vietnam's steel industry. With government support for large-scale domestic steel projects and HPG's track record of successful expansion, the company is well-positioned to maintain and strengthen its market dominance using its capital resources and retained earnings.

Commitment to Corporate Social Responsibility (CSR) promotes sustainable growth

HPG maintains strict CSR standards, placing a strong emphasis on environmental sustainability and community involvement as essential elements of its operations. Efforts encompass sustainable development initiatives, educational assistance, and proactive steps to reduce environmental footprint.

Increasing Profit Margin Thanks To Effective Cost Control

In recent years, aside from 2022 and 2023 when the market experienced unforeseen adverse fluctuations resulting in a gross profit margin of just 11.74% and 10.75%, HPG has consistently sustained an excellent gross profit margin ranging from 20-25%, even peaking at 27.25% in 2021. When compared to domestic competitors, HPG's profit margin is regarded as superior and industry-leading.

FINANCIAL ANALYSIS

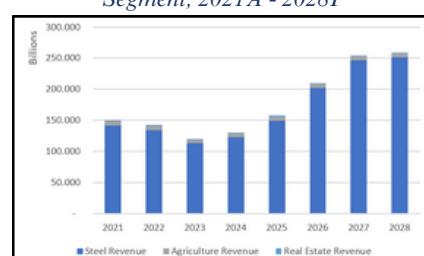
Year	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Net Revenue (VND)	64,677,906,575,644	91,279,041,771,826	150,865,359,967,200	142,770,810,676,858	120,355,231,616,139	131,024,089,150,367	157,765,186,188,701	209,892,321,782,859	254,691,398,078,989	259,184,444,878,729
Net Revenue Growth (%)		41,13%	65,28%	-5,37%	-15,70%	8,86%	20,41%	33,04%	21,34%	1,76%
Dupont Analysis										
Gross margin (%)	17,29%	20,71%	27,25%	11,74%	10,75%	18,16%	22,20%	22,27%	22,69%	26,21%
Net margin (%)	11,90%	15,00%	23,10%	6,00%	5,70%	13,90%	15,20%	16,60%	18,10%	22,10%
Asset Turnover (times)	0,64	0,69	0,85	0,84	0,64	0,64	0,66	0,77	0,85	0,81
Financial Leverage (times)	2,13	2,22	1,96	1,77	1,83	1,70	1,64	1,55	1,43	1,35
Return of Asset (%)	7,45%	10,27%	19,37%	4,96%	3,62%	8,86%	10,06%	12,73%	15,47%	17,86%
Return of Equity (%)	15,86%	22,81%	38,03%	8,79%	6,61%	15,08%	16,50%	19,74%	22,14%	24,12%
Leverage Metrics										
Debt to Equity (times)	1,13	1,22	0,96	0,77	0,83	0,70	0,64	0,55	0,43	0,35
Debt to Asset (times)	0,53	0,55	0,49	0,44	0,45	0,41	0,39	0,35	0,30	0,26
Liquidity Metrics										
Current ratio (times)	1,13	1,09	1,28	1,29	1,16	1,58	1,18	1,50	2,09	2,54
Quick ratio (times)	40,86%	58,61%	70,82%	73,77%	67,42%	104,75%	64,02%	81,74%	122,89%	160,37%
Efficiency Metrics										
Days receivable (days)	19,25	20,03	18,03	24,62	35,44	34,73	31,59	29,12	28,58	31,98
Days Inventories (days)	116,61	117,11	115,01	112,19	118,77	120,28	116,27	112,73	118,56	134,14
Days Payables (days)	87,46	72,80	69,64	53,33	49,61	54,22	51,63	41,90	37,73	42,24
Cash Cycle	48,40	64,35	63,40	83,48	104,60	100,79	96,24	99,95	109,40	123,88

Revenue Growth Stalls After Bloom

HPG's revenue has maintained double-digit growth over the past 8 years, peaking in 2021 and then bottoming out in 2023. Despite the decline in revenue in the past 2 years due to the impact of the gloomy real estate market, weak consumption demand and the continuous decline in domestic construction steel prices, we believe that HPG's revenue will grow again after passing the bottom year in 2023. Specifically, HPG's revenue in 2024 will recover, so revenue growth is not too breakthrough, up 9% compared to 2023, reaching 131,024bn. After completing phase 1 of the DQSC2 project in 2025 and phase 2 of the project in 2026, HPG's revenue will reach VND209,892bn, an increase of nearly 75% compared to 2023 (Figure 20). Of which, steel revenue, accounting for 94% of HPG's revenue, will be the main growth driver.

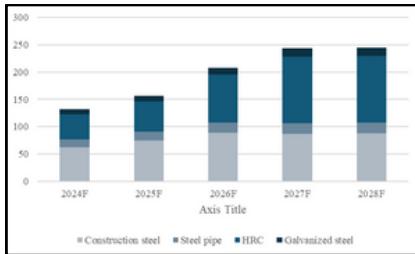
1/ Steel: Potential future outlook

- **Construction steel:** After going through the bottom in 2023 with a large decline in consumption output due to the stagnation of the real estate market, in 2024 this segment is expected to recover thanks to the effectiveness of the Land Law, Anti-dumping Tax as well as rescue packages to restore the Chinese real estate market.



Source: Company data, Team estimate

Figure 21: HPG's Steel sector revenue breakdown by product, 2024F - 2028F

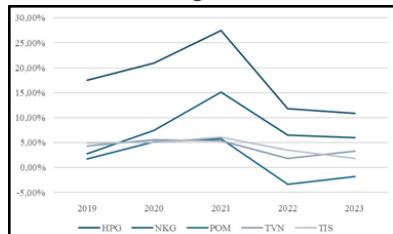


Source: Team estimate

2/Agriculture: Revenue from the agriculture sector has recently experienced an increase of 236% in profit in 2023A compared to 2022A. This is due to two reasons:

- Develop more Hy-Line Sonia pink egg-laying chicken breeds: New chicken breed originating from the US, with high productivity and good quality. HPG Group currently holds the No. 1 market share of clean chicken eggs in the North with about 900,000 eggs/day.
- Expanding pig farming activities: Applying advanced technology, and continuously optimizing operations. New Long Ha farm goes into production. In 2023, we will supply more than 440,000 high-quality meat and breeding pigs to the market, exceeding the set target.

Figure 22: HPG and Competitors' Gross Profit Margin from 2019-2023

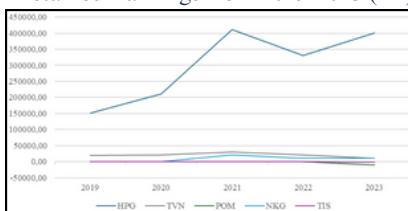


Source: Company data, Team estimate

- Integrated value chain, so input and logistics are available: HPG has iron ore mines in Vietnam and Australia, producing steel billets that can be used immediately to roll steel pipes and HRC, helping to reduce input material costs. In addition, HPG is currently expanding container production, using the HRC steel products it produces, and can use containers in logistics to reduce transportation costs.
- Efficient utilization of BF-BOF technology, self-generated electricity that fulfills about 90% of production needs (equivalent to 4,000bn VND in 2023).

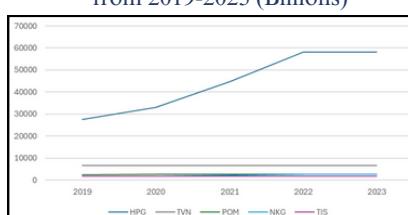
These factors are expected to further enhance gross and net profit margins in the coming years, with a projected gross profit margin of 18.16% in 2024 and 22.2% in 2025.

Figure 23: HPG and Competitors' Retained Earnings from 2019-2023 (Tn)



Source: Company data, Team estimate

Figure 24: HPG and Competitors' Capital from 2019-2023 (Billions)



Source: Company data, Team estimate

Specifically, with the strategy of not investing in expanding the construction steel segment, HPG's revenue from this segment will reach 63,006bn in 2024.

HRC: HRC will become the main growth driver for HPG in the coming years, with the DQSC2 project focusing resources on producing HRC steel for both domestic and export markets. Current HRC output is nearly 3 million tons and is expected to reach 8.6 million tons after DQSC2 is completed. This self-consumption capability and anti-dumping taxes are expected to drive HRC revenue up by nearly 24% in 2024 to 46,395 billion VND, and to 88,078 billion VND by 2026, which is a 135.35% increase from 2023 (Figure 21). Consequently, HRC's growth could push the revenue proportion of HPG's steel segment to 95%.

2/Agriculture: Revenue from the agriculture sector has recently experienced an increase of 236% in profit in 2023A compared to 2022A. This is due to two reasons:

- Develop more Hy-Line Sonia pink egg-laying chicken breeds: New chicken breed originating from the US, with high productivity and good quality. HPG Group currently holds the No. 1 market share of clean chicken eggs in the North with about 900,000 eggs/day.
- Expanding pig farming activities: Applying advanced technology, and continuously optimizing operations. New Long Ha farm goes into production. In 2023, we will supply more than 440,000 high-quality meat and breeding pigs to the market, exceeding the set target.

Steady Profit Despite Revenue Decline Thanks To Effective Cost Control

In recent years, except for 2022 and 2023, when the market suffered from unpredictable negative fluctuations, causing the gross profit margin to be only 11.74% and 10.75%, HPG has continuously maintained a very good gross profit margin, from 20-25%, even reaching a peak of 27.25% in 2021. Compared to domestic competitors (Figure 22), HPG's profit margin is considered to be superior and leading in the industry. This is due to the following factors:

- Integrated value chain, so input and logistics are available: HPG has iron ore mines in Vietnam and Australia, producing steel billets that can be used immediately to roll steel pipes and HRC, helping to reduce input material costs. In addition, HPG is currently expanding container production, using the HRC steel products it produces, and can use containers in logistics to reduce transportation costs.
- Efficient utilization of BF-BOF technology, self-generated electricity that fulfills about 90% of production needs (equivalent to 4,000bn VND in 2023).

These factors are expected to further enhance gross and net profit margins in the coming years, with a projected gross profit margin of 18.16% in 2024 and 22.2% in 2025.

Solid Capital and Strong Cash Generation: Capable of Handling Major Projects in Vietnam

The steel industry is capital-intensive and volatile, competing primarily on output. Government approvals favor companies with significant capital that can develop large, coastal projects. Regarding charter capital, HPG has continuously increased this amount over the past many years, from 19,850bn in 2016 to 102,836bn in 2023, while competitors have remained almost unchanged in recent years (Figure 24). We believe that this capital will continue to increase due to HPG's vision of expanding scale and increasing output in the international game. Regarding retained earnings, HPG has recorded very good results, continuously increasing from 9,486bn in 2016 to 40,593bn in 2023, far surpassing other businesses in the same industry (Figure 23).

HPG maintains high liquidity, with an average cash ratio of 20.85% over the past five years. Other liquidity ratios have been recorded at good levels over the past many years, with quick ratio improved from 40.86% in 2019 to 67.42% in 2023. HPG's strong cash flow generation, with an average CFO/EBITDA of 0.69 in 2023-2024, minimizes reliance on external funding for future investments. At the end of Q1 2024, HPG held 34.7bn VND in cash, allowing flexible capital management for investments and operations. With DQSC2 operational, HPG expects a robust CFO growth, projecting a 20.19% CAGR from 2024 to 2028 (Appendix A3).

Strategic Debt Management

HPG demonstrates prudent financial management by maintaining a conservative debt-to-equity ratio (D/E) below 1, even during significant investments like the 2020 DQSC1 project (D/E remained at 0.91). HPG primarily uses short-term debt for materials procurement and project capital, benefiting from low short-term interest rates due to its strong industry reputation.

In the first quarter of 2024, HPG's short-term debt surged by nearly 6,500bn VND, reaching over 61,400bn VND—the highest ever. Long-term debt increased by almost 5,700bn VND, totaling nearly 16,100bn VND, the highest since late 2021, driven by DQSC2 investments.

HPG's 2023 interest expense was VND 3,585bn, 1.16 times higher than in 2022, despite only a 13% rise in loans, indicating efforts to optimize borrowing costs. In 2024, low interest rates led to a nearly 36% decrease in interest expenses in Q1, down to VND 636bn, boosting net income. HPG's average loan interest rate in 2023 was 4.5%, lower than competitors like POM (6.71%).

VALUATION

We apply Discounted Cash Flow (DCF) to evaluate the intrinsic value of HPG. Ultimately, we arrive at the 12-month target price of 40,680 VND per share, presenting a 37.43% upside from its closing price of 29,600 VND on 12 June 2024.

Discounted Cash Flow (DCF)

1/ Revenue projection

To forecast steel revenue, we focus on all five steel product lines and their historical performance. The projected revenue breakdown (2019A – 2024F) is indicated in Figure 21.

Construction steel: We expect HPG to further utilize their construction steel capacity following years due to reasons including the recovering market cycle, the growing number of commercial projects, and the recovery of the Chinese real estate market. Revenue from construction steel is expected to reach a CAGR of 15% in the period of 2024F-2028F.

HRC: From late 2023 to early 2024, there were stable and resilient HRC sales volume which was mainly driven by strong export demand due to slow recovery in domestic demand, with an estimated HRC output of 3.3M tonnes in 2024. In 2025, we expect HRC output to increase to 5.2M tonnes as the first furnace of DQSC2 comes into operation and assume that the average HRC price will decrease by 3% to boost sales volume. By 2026, after DQSC2 is completed, total HRC output will increase sharply to 8.6M tonnes and remain so until 2028F. Meanwhile, in 2026 when the HRC anti-dumping tax takes effect, HRC prices may increase but not much due to price competition from neighboring countries. HRC revenue CAGR 2024F - 2028F is expected to reach 21.37% (Figure 21).

Steel pipe: Revenue from Steel pipes is expected to recover to the point approximate to its latest peak of 2022 by 2026, then increase steadily, aligning with the steel market cycle. This assumption is based on the fact that after DQSC2 comes into operation, HPG may utilize the capacity of their existing Steel Pipes manufacturing facilities, due to the excess reserves of HRC - an input material of Steel pipes. Steel pipes revenue CAGR 2024F - 2028F is expected to reach 8.05%.

Galvanized products: Revenue from galvanized products is expected to increase at a steady pace, achieving a CAGR of 11.65% in the period of 2024f-2028F. This growth is due to HPG having full control of HRC as their input material, and the recovery of the steel market cycle.

Agriculture: Despite continuously achieving its expansion goals such as expanding pig farming with advanced technology, developing the high-quality chicken breed from the US and achieving the leading domestic market share in chicken eggs, agriculture is still not a revenue segment that HPG focuses on investing in and developing strongly in the next few years. Therefore, we predict that the agricultural revenue segment will remain flat in the coming years, increasing by 1-2% of revenue each year.

FCFF	2024F	2025F	2026F	2027F	2028F
EBIT	11.377.806.427.054,00	21.002.685.786.826,40	27.520.319.889.196,90	40.017.495.241.580,30	53.121.018.317.434,10
Less: Ebit*Tax	-2.904.671.444.318,09	-3.836.332.592.554,05	-5.758.517.565.263,40	-7.187.273.778.348,83	-9.159.366.158.692,05
Plus: Depreciation and Amortization	5.999.864.228.155,92	7.584.263.864.010,61	8.371.996.833.198,64	9.159.729.802.386,67	10.030.796.104.908,00
Less: Capex (FCInv)	-9.119.462.296.923,00	-53.452.795.630.256,30	-9.452.795.630.256,33	-9.452.795.630.256,32	-10.452.795.630.256,30
Plus: (Increase) / decrease in NWC (WCInv)	27.217.957.908.486,00	-24.368.683.098.791,00	27.982.666.371.431,00	44.988.442.520.021,00	28.078.757.663.089,00
Unlevered free cash flow	32.571.494.822.454,80	-53.070.861.670.764,40	48.663.669.898.306,80	77.525.598.155.382,80	71.618.410.296.482,80
FCFE Growth rate	1,86	-2,63	-1,92	0,59	-0,08
Years from Present	0,50	1,50	2,50	3,50	4,50
Discount coefficient as of 6/2024	0,95	0,86	0,77	0,70	0,63
PV of unlevered free cash flow	30.932.219.384.325,50	-45.454.440.154.596,70	37.589.955.737.890,00	54.008.095.798.123,90	44.997.169.843.245,90

WACC components		
Risk-free rate	4,60%	Vietcombank 12-month deposit interest rate
Market risk premium	9,00%	Damodaran January 2024 updated
Beta	1,1671	5-year equity beta of HPG
Cost of equity	13,47%	CAPM model
Pre-tax cost of debt	8,50%	Interest rate of HPG long-term loan
Tax rate	12,64%	3-year average corporate tax rate of HPG
HPG D/E	83%	Calculated using the market value of debt and equity of HPG
WACC	11,63%	Calculated using adjusted after-tax cost of debt, cost of equity, and debt-to-equity ratio at 45,24%

The Asia-Pacific	2017A-2024F	2024F-2050F
Average GDP growth	5,15%	3,33%
Average steel consumption growth	3,09%	
Proportional growth (Steel Consumpt:	60%	
Terminal growth rate	2,00%	

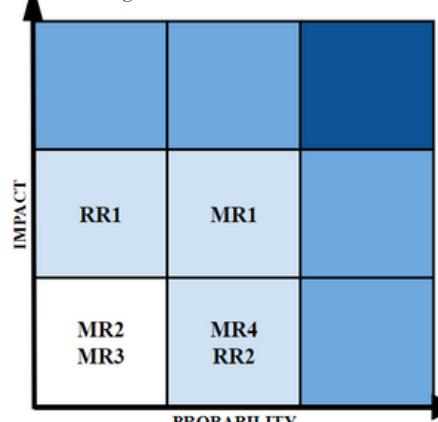
Source: OECD, EIU, MFRF

WACC	11,63%
NPV of FCFF	78.993.320.002.001 d
Terminal Value - Perpetuity approach	
Perpetual growth rate	2,00%
Terminal value	476.580.354.372.752
PV of TV	274.929.671.831.832
Enterprise value	353.922.991.833.833
+ Cash and cash equivalent	12.252.001.160.884
- Debt	65.381.002.473.117
- Non-controlling interest	40.593.031.662.654
- Preferred stock	
Equity Value	260.200.958.858.946
Num of outstanding share	6.396.250.200.000
Target share price (DCF method)	40.680,23

Our scenario analysis factors in two main variables for the steel segment: Company's perpetual growth rate and WACC. Specifically, the perpetual growth rate can increase if expectation of GDP increases and vice versa. On the other hand, WACC can variate as the risk premium changes, higher taxes due to lack of project construction incentives, and Debt/Equity structure. The sensitivity analysis is shown in the below table.

Perpetual growth rate												
	40.680,23	1,00%	1,20%	1,40%	1,60%	1,80%	2,00%	2,20%	2,40%	2,60%	2,80%	3,00%
WACC	10,63%	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23
	11,13%	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23
	11,63%	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23
	12,13%	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23
	12,63%	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23	40.680,23

Figure 25: Risk matrix 3x3



Source: Team consensus

RISK ANALYSIS

Market risk | Raw materials price volatility (MR1)

Since steel production relies heavily on raw materials like iron ore and coking coal, fluctuations in the prices of these commodities can significantly impact HPG's production costs and profit margins. HPG's proactive approach to managing raw material price volatility through close monitoring of market trends, scenario planning, and inventory optimization demonstrates a commitment to risk mitigation.

Market risk | Interest rate risk (MR2)

HPG's rising debt for building DQSC2 exposes them to interest rate fluctuations. However, by strategically managing their debt structure, HPG has reduced interest expenses. They leverage domestic financing options and maintain a significant cash reserve for operational flexibility. This approach minimizes interest costs despite the growing debt, allowing HPG to optimize capital utilization in a low-interest-rate environment.

Market risk | Exchange rate risk (MR3)

Due to its export focus (30% of revenue) and reliance on imported raw materials, HPG faces significant exchange rate risk. This volatility can impact both export earnings and import costs. HPG can mitigate this risk by strategically utilizing derivative instruments like currency forwards or options. However, using these instruments effectively requires a strong risk management framework and market expertise.

Market risk | Predatory Steel Trade Practices from China (MR4)

The excess supply of Chinese steel, due to the slump of China Real Estate, incentivizes Chinese producers to sell steel at lower prices in neighboring countries, as they seek to recoup their investments. This poses a significant risk to domestic producers like HPG, who face intensified price competition, potential market

2/ Capital Expenditure and Depreciation

Capital expenditure is expected to experience a growth of 44,543bn VND in 2025 due to the funding of the ongoing Dung Quat 2 Complex project. Other expenditures on non-current assets remain stable for the period.

3/ Terminal Growth Rate

Since HPG's steel segment operates primarily in the Asia-Pacific region, we have decided to use the long-term steel consumption growth in this region as the terminal growth rate for our valuation. To calculate the long-term growth in steel consumption in the Asia-Pacific, we have quantified the relationship between steel consumption and GDP growth rate in this region from 2017 (actual) to 2024 (forecast). We then applied this relationship to the long-term GDP growth projections for the Asia-Pacific to arrive at a target terminal growth rate of 2% for our valuation.

4/ Weighted Average Cost of Capital

We calculate the Weighted Average Cost of Capital (WACC) using the cost of debt, cost of equity, and the market value of debt to equity of HPG. Specifically, the cost of equity, we arrive at the 5-year equity adjusted beta for HPG at 1.17, and the market risk premium of Vietnam by Damodaran is also included to capture the risks inherent in the volatile equity environment of Vietnam.

Sensitivity Analysis

share erosion, and reduced profitability. However, we anticipate the implementation of anti-dumping duties in the near future, which would significantly benefit HPG's domestic market position. Even if these duties are not implemented, HPG has the capacity to export to neighboring countries that have already imposed anti-dumping duties on Chinese steel.

Regulatory risk | Trade remedies risk (RR1)

Vietnamese steel exporters, like HPG, face growing risks due to increased trade remedy measures implemented by countries like the US, EU, and Canada.. against Vietnamese steel products. These measures, such as anti-dumping and countervailing duties, are often used in place of tariff reductions under Free Trade Agreements (FTAs) to protect domestic steel industries. The rising number of complex trade remedy cases poses significant challenges for Vietnamese exporters, impacting their reputation, export opportunities, and incurring investigation costs. HPG proactively addresses these risks by training staff on trade remedy procedures, monitoring trade policies in export markets, and maintaining transparent financial records. Additionally, HPG advocates for government support in negotiations with countries imposing trade remedies. By actively managing these risks, HPG can mitigate their impact and ensure the continued competitiveness of Vietnamese steel exports.

Regulatory risk | The Carbon Border Adjustment Mechanism (CBAM) commencing 2026 (RR2)

Stricter environmental regulations, rising carbon emissions costs, and potential trade barriers under CBAM, scheduled for implementation commencing in 2026, could pose substantial impact towards HPG in terms of increased production costs, reduced market competitiveness, and regulatory compliance challenges. However, HPG is proactively addressing climate change and CBAM challenges through a comprehensive strategy encompassing emissions tracking, production optimization, renewable energy exploration, green steel technology development, afforestation initiatives, and carbon capture technology. This positions them well for a more sustainable future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental: Tackling Emissions with Eco-measures in Steel Production.

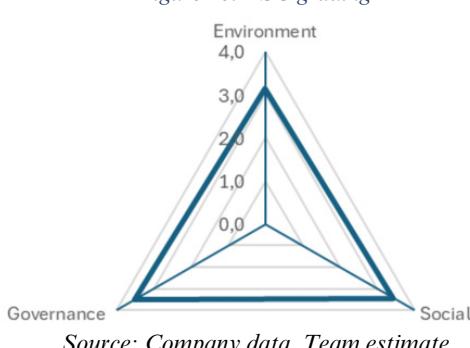
Operating in the steel production sector, HPG faces the challenge of managing toxic gas and chemical emissions inherent to heavy industry. The company predominantly uses BF-BOF technology, which, while more energy-efficient per ton of steel compared to EAF, is less environmentally friendly due to its coal-based heating process. To address its environmental footprint, HPG has implemented several measures. These include closed-loop recycling systems, advanced wastewater treatment plants, and heat recovery technology for electricity generation. Additionally, HPG has adopted advanced filtering systems like electrostatic precipitators and fabric filters, and has established green spaces around its factories to mitigate noise and air pollution. The reuse of blast furnaces and steelmaking slag for construction materials further underscores HPG's commitment to waste reduction. Despite these efforts, occasional environmental scandals highlight the need for ongoing improvements. HPG's environmental performance is rated at **3.15** out of 4.0.

Social: Excelling in Social Responsibility and Community Support Initiatives.

HPG has shown a robust commitment to social responsibility and community development. By implementing a circular economy model, the company effectively manages chemical waste, thereby reducing the negative impact on nearby residential areas. Key focuses include comprehensive employee training programs and various social projects aimed at enhancing local living standards. Regular health check-ups are conducted for employees, particularly those in high-risk environments, although there is a need for more frequent and detailed examinations. HPG's contributions to social welfare are significant, encompassing charitable activities in healthcare, education, and infrastructure. The company's consistent revenue growth of 15-20% annually has positively impacted the income of its 20,000 employees. HPG's corporate social responsibility efforts extend to initiatives in healthcare, education, transportation, and broader community support. The company's social performance is rated at **3.44** out of 4.0.

Governance: Strong Governance but Lacks Diversity, Independent Oversight Needed.

Figure 26. ESG grading



Source: Company data, Team estimate

The governance structure of HPG showcases several strengths and areas for improvement. While the board benefits from diverse backgrounds and extensive experience, it includes only one independent director among seven members, which may limit unbiased oversight. Additionally, there are no female directors, highlighting a lack of gender diversity. Policies clearly define fiduciary duties and uphold shareholders' rights, though the 25.80% ownership by Mr. Tran Dinh Long raises concerns about minority shareholder influence and potential conflicts of interest. Annual elections and 100% board meeting attendance ensure thorough director screening, and the separation of CEO and Chair roles prevents power consolidation. Key committees such as Executive, Audit, Compensation, Nominating, and Compliance enhance governance oversight. Overall, HPG's governance performance is rated at **3.50** out of 4.0.

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APPENDIX A: FINANCIAL STATEMENTS

Appendix A1: Balance Sheet

VND bn	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Revenue from Sales and Service Provision	64.678	91.279	150.865	142.771	120.355	131.024	157.765	209.892	254.691	259.184
Revenue Deductions	1.020	1.161	1.186	1.362	1.402	1.368	1.557	2.178	2.696	2.674
Net Revenue from Sales and Service Provision	63.658	90.119	149.680	141.409	118.953	129.656	156.208	207.715	251.996	256.510
Cost of Goods Sold	52.473	71.214	108.571	124.646	106.015	105.865	121.188	160.969	194.208	188.571
Gross Profit on Sales and Service Provision	11.185	18.904	41.108	16.763	12.938	23.791	35.020	46.746	57.787	67.939
Revenue from Financial Activities	471	1.005	3.071	3.744	3.173	5.780	1.942	3.807	7.345	9.962
Financial Costs	1.182	2.837	3.732	7.027	5.192	5.360	5.454	5.235	5.664	5.576
Share of Profit and Loss in Joint Ventures and Affiliated Companies	(1)	2	4	(1)	(1)	5.360	5.454	5.235	5.664	5.576
Selling expenses	873	1.091	2.120	2.666	1.961	2.141	2.698	3.480	4.247	4.351
Business management costs	569	690	1.324	1.019	1.307	1.170	1.416	2.013	2.334	2.396
Net profit from business activities	9.031	15.292	37.008	9.794	7.651	20.901	27.395	39.826	52.888	65.580
Other income	658	654	797	872	772	818	948	1.300	1.583	1.598
Other expenses	592	589	748	743	630	716	823	1.108	1.350	1.377
Other profits	66	65	48	129	142	102	125	192	233	221
Total accounting profit before tax	9.097	15.357	37.057	9.923	7.793	21.003	27.520	40.017	53.121	65.800
Corporate income tax	1.603	1.785	2.855	1.001	1.074	2.730	3.578	5.202	6.906	8.554
Deferred corporate income tax	(85)	66	(319)	477	(81)	175	257	554	281	606
Profit after corporate income tax	7.578	13.506	34.521	8.444	6.800	18.272	23.943	34.815	46.215	57.246

Appendix A2: Income Statement

VND bn	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
SHORT-TERM ASSETS	30.437	56.747	94.155	80.515	82.716	104.780	91.562	126.659	167.193	189.935
Cash and cash equivalents	4.545	13.696	22.471	8.325	12.252	38.256	12.514	24.399	47.896	64.766
Short-term financial investments	1.374	8.127	18.236	26.268	22.177	18.195	20.997	24.124	26.350	28.274
Short-term receivables	3.561	6.125	7.663	9.893	10.702	10.380	12.884	16.353	19.064	21.668
Inventory	19.412	26.287	42.134	34.491	34.504	35.270	41.937	57.489	68.674	69.924
V.Other short-term assets	1.544	2.513	3.650	1.538	3.081	2.680	3.229	4.294	5.209	5.303
B. LONG-TERM ASSETS	71.339	74.764	84.082	89.821	105.066	101.445	146.427	146.771	131.466	130.531
I. Long-term receivables	28	305	809	894	1.881	1.975	2.074	2.177	2.286	2.401
II.Fixed assets	31.249	65.562	69.281	70.833	71.998	74.099	118.642	118.509	117.700	116.214
III. Investment real estate	577	564	548	629	594	545	497	449	400	352
IV. Long-term unfinished assets	37.435	6.247	9.699	13.363	26.099	20.000	20.000	20.000	5.000	5.000
V. Long-term financial investment	46	171	7	1	40	16	19	25	20	21
VI. Other long-term assets	2.004	1.915	3.738	4.100	4.454	4.810	5.195	5.611	6.060	6.544
TOTAL ASSETS	101.776	131.511	178.236	170.336	187.783	206.226	237.989	273.430	298.658	320.466
C. LIABILITIES	53.989	72.292	87.456	74.223	84.946	85.076	92.918	97.025	89.896	83.085
I. Short-term debt	26.984	51.975	73.459	62.385	71.513	66.360	77.509	84.624	80.169	74.833
II. Long-term liabilities	27.005	20.316	13.996	11.837	13.433	18.717	15.409	12.401	9.727	8.253
D. EQUITY SHAREHOLDER	47.787	59.220	90.781	96.113	102.836	121.149	145.071	176.405	208.762	237.381
I. Equity	47.787	59.220	90.781	96.113	102.836	121.149	145.071	176.405	208.762	237.381
II. Other sources of funding and funds	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	101.776	131.511	178.236	170.336	187.783	206.226	237.989	273.430	298.658	320.466

Appendix A3: Statement of Cashflow

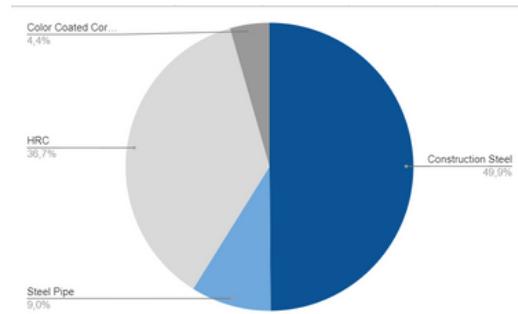
VND bn	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
I. Cash flow from business activities													
1. Profit before tax	7.702	9.288	10.071	9.097	15.357	37.057	9.923	7.793	21.003	29.725	37.294	40.282	49.172
2. Adjustments for accounts	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit from business activities before changes in working capital	9.422	11.657	12.741	12.359	21.932	44.209	19.291	15.421	30.097	40.245	48.635	52.472	61.921
Net cash flow from operating activities	6.819	6.058	7.642	7.715	11.587	26.721	12.278	8.643	25.660	20.686	25.109	35.048	50.944
II. Cash flow from investment activities													
Change of fixed assets	(3.389)	(8.868)	(27.529)	(20.798)	(11.881)	(11.572)	(17.866)	(17.167)	(2.021)	(52.119)	(8.119)	6.881	(8.119)
Changes in debt instrument investment	109	(9.182)	6.148	2.365	(6.968)	(9.985)	(8.093)	3.476	3.982	(3.357)	(2.656)	(1.275)	(1.260)
Change investment in other units	-	(40)	(98)	-	-	834	(365)	(526)	24	(3)	(6)	5	(1)
Loan interest income, dividends and profits are distributed	(3.128)	(17.926)	(20.533)	(18.064)	(18.495)	(19.669)	(24.626)	(11.995)	1.986	(55.479)	(10.781)	5.611	(9.380)
Net cash flow from investing activities													
III. Cash flow from financial activities													
Change in equity capital contribution	(402)	6.520	11.137	12.391	17.470	3.423	479	7.285	(1.682)	10.532	(1.191)	(12.235)	(9.067)
Change loan capital	(1.102)	(4)	(6)	(13)	(1.419)	(1.693)	(2.261)	(8)	-	(3.245)	(10.514)	(21.390)	
Dividends and profits paid to owners	-	-	-	-	-	-	-	-	41	(22)	1	7	(5)
Other changes in equity	(1.505)	11.574	11.143	12.378	16.054	1.740	(1.778)	7.276	(1.642)	10.511	(4.435)	(22.742)	(30.462)
Net cash flow from financial activities	2.186	(294)	(1.748)	2.029	9.146	8.792	(14.127)	3.924	26.004	(24.282)	9.893	17.917	11.101

APPENDIX B: BUSINESS DESCRIPTION

Appendix B1: Segment Description

Iron and Steel: HPG manufactures all types of construction steel, steel pipes, HRC, galvanized products, and containers. Its products are widely used in automotive, infrastructure construction, industrial construction and Ship Building.

Type	Proportion
Construction Steel	49,89%
Steel Pipe	9,01%
HRC	36,66%
Color Coated Corrugated Iron	4,45%



Agriculture: HPG expand its Agriculture business in 2016, focusing on supplying high quality breeding of pigs and poultry, processing animal feed, production of fertilisers and nitrogen compounds and trading agricultural equipment.

Real Estate: HPG's Real Estate segment focuses mainly on leasing industrial park to satisfy the increasingly high demand for construction of new factories and expansion of existing factories of other companies of HPG. Besides, HPG also trades more projects of offices for lease and apartment buildings in Hanoi and develops urban housing to serve the demand for residences of employees and workers of enterprises in industrial park

Appendix B2: Subsidiaries Breakdown

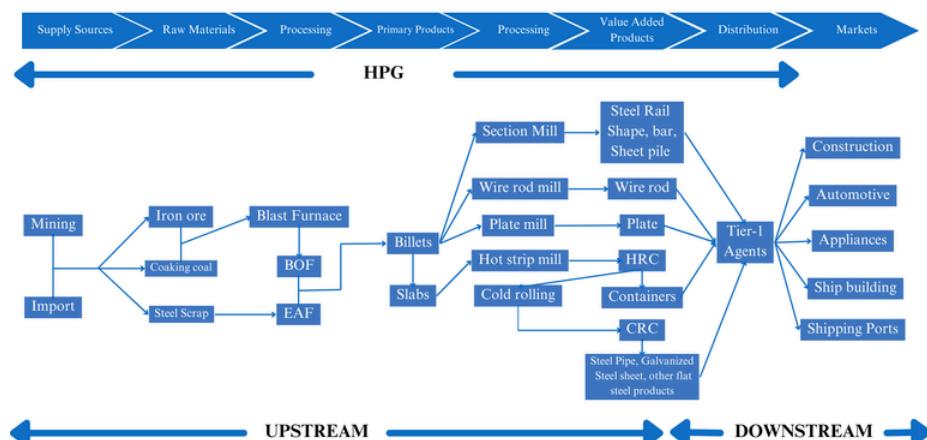
SUBSIDIARIES	SECTOR	HPG'S OWNERSHIP
Hoa Phat Steel Corporation Joint Stock Company	Iron and Steel	99,99%
An Thong Mineral Investment Joint Stock Company	Iron and Steel	99,96%
Hoa Phat Hai Duong Steel Joint Stock Company	Iron and Steel	99,99%
Hoa Phat Dung Quat Steel Joint Stock Company	Iron and Steel	99,99%
Hoa Phat Hung Yen Steel Company Limited	Iron and Steel	99,99%
Hoa Phat Shipping Joint Stock Company	Logistics	99,99%
Hoa Phat Steel Products Joint Stock Company	Iron and Steel	99,99%
Hoa Phat Steel Pipe Company Limited	Steel Pipe	99,96%
Hoa Phat Steel Sheet Company Limited	Steel Sheet	99,99%
Hoa Phat Container Manufacturing Joint Stock Company	Container	99,79%
Hoa Phat Agriculture Development Joint Stock Company	Agriculture	99,99%
Hoa Phat Hung Yen Feed Company Limited	Agriculture	99,99%
Hoa Phat Livestock Development Joint Stock Company	Agriculture	99,97%
Hoa Phat Trading Company Limited	Agriculture	99,91%
Hoa Phat Poultry Company Limited	Agriculture	99,99%
Hoa Phat Real Estate Development Joint Stock Company	Real Estate	99,96%
Hoa Phat Construction and Urban Development Joint Stock Company	Real Estate	99,93%
Hoa Phat Real Estate Development Saigon Joint Stock Company	Real Estate	99,86%
Hoa Phat Real Estate Development Hanoi Joint Stock Company	Real Estate	99,93%
New City Development Investment Company Limited	Real Estate	99,96%
Hoa Phat Home Appliances Joint Stock Company	Household Appliances	99,90%
Hoa Phat Ha Nam Home Appliances Joint Stock Company	Household Appliances	99,80%
Hoa Phat Phu My Refrigeration Joint Stock Company	Household Appliances	99,80%
Hoa Phat Refrigeration Company Limited	Household Appliances	99,73%

Appendix B3: Export distribution network

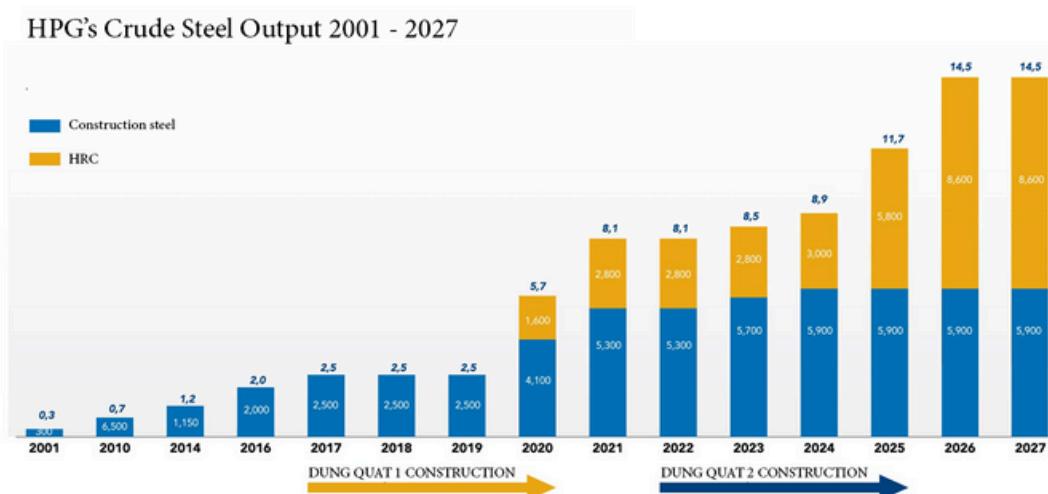


Appendix B4: Steel Value Chain

Illustrated below is the typical value chain of steel in the Vietnam. HPG imports 80% of its raw materials from major producers in Brazil and Australia. While most of the steel producers in Vietnam must import HRC to produce flat steel products, the ability to have HRC in-house production from DQSC plants allows HPG enjoys higher margins and become dominant players in value-added products.



Appendix B5: HPG's Crude Steel Output 2001 - 2027



APPENDIX C: CORPORATE GOVERNANCE & SOCIAL RESPONSIBILITY

Appendix C1: Evaluation of HPG based on ASEAN Corporate Governance Scorecard

FACTORS	DESCRIPTION	HOÀ PHÁT'S SITUATION
The Right of Shareholders		
Basic shareholder rights	Do shareholders have the basic rights to secure methods of ownership registration, transfer of shares, and timely receipt of relevant information?	As per Article 9 and Article 10 of the Company's Charter, shareholders can freely transfer fully paid shares recorded in the company's shareholder register, except for certain restricted cases by law and the company's charter.
Rights to participate in fundamental decisions	Are shareholders able to participate and vote in decisions concerning fundamental corporate changes?	Shareholders can participate and vote in decisions concerning fundamental corporate changes. They are notified of regular and extraordinary information about the company's operations.
Shareholders GMS rights	Do shareholders have the right to attend, vote, and be adequately informed on General Meeting of Shareholders (GMS) matters?	The company facilitates shareholders in attending the GMS and allows proxy representation if requested.
Disproportionate control disclosure	Is there transparency about arrangements that allow certain shareholders disproportionate control?	Shareholders can propose not to execute decisions that violate the law or fundamental shareholder rights.
Control arrangements should be allowed to function	Are control arrangements effectively allowed to function within the legal framework?	The board, supervisory board, and executive board are responsible for compensating the company for any legal violations causing damage.
Cost/benefit to voting	Are the costs and benefits of exercising voting rights balanced and reasonable?	Shareholders can refuse pre-emptive rights to newly offered shares.
The Equitable Treatment of Shareholders		
All shareholders should be treated equally	Are all shareholders, including minority and foreign shareholders, treated equally?	All shareholders, including minority and foreign shareholders, are treated equally. The company ensures shareholders exercise their full rights under the law and the company's charter.
Prohibit insider trading	Are there measures to prevent insider trading and abusive self-dealing?	The Supervisory Board oversees compliance with laws prohibiting insider trading and other unethical practices.
Board/Managers disclose interests	Do board members and managers disclose their material interests in transactions affecting the company?	Board members and managers are required to disclose their material interests in transactions affecting the company as part of their responsibilities to provide accurate and timely information.
The Role of Stakeholders in Corporate Governance		
Stakeholder rights respected	Are the rights of stakeholders established by law and mutual agreements respected?	The Supervisory Board ensures that the rights of stakeholders, as established by law and mutual agreements, are respected.
Redress for violation of rights	Are stakeholders provided with mechanisms for redress when their rights are violated?	Mechanisms for redress are provided to stakeholders if their rights are violated, ensuring accountability and fairness.
Performance enhancement	Do stakeholders have the opportunity to enhance the company's performance through their contributions?	Stakeholders are typically involved in the company's decision-making processes and can contribute to its performance through their inputs and engagement.
Access to information	Do stakeholders have access to relevant and timely information?	Stakeholders, including the Supervisory Board, have access to accurate, relevant, and timely information necessary to perform their duties effectively.
Disclosure standards	Are there high standards for the disclosure of financial and non-financial information?	The Supervisory Board ensures high standards for the disclosure of both financial and non-financial information, promoting transparency and accountability.
Standards of accounting & audit	Are there internationally recognized standards for accounting and auditing practices?	The company follows internationally recognized standards for accounting and auditing practices, which are overseen by the Supervisory Board.
Independent audit annually	Is there an annual independent audit to verify financial statements?	An annual independent audit is conducted to verify the accuracy and reliability of the company's financial statements.
Fair & timely dissemination	Is information disseminated fairly and in a timely manner to ensure transparency?	Information is disseminated in a fair and timely manner to ensure transparency, meeting the standards set by the Supervisory Board and regulatory requirements.
The Responsibilities of the Board Directors		
Acts with due diligence, care	Does the board act with due diligence and care in the best interests of the company and	The board is responsible for overseeing the company's strategic plan and business performance to secure the best interests of company and shareholders.
Treat all shareholders fairly	Does the board ensure fair treatment of all shareholders?	The Supervisory Board ensures fair treatment of all shareholders through oversight of compliance, monitoring transactions to prevent conflicts of interest, protecting minority shareholder rights, promoting transparency, and providing access to relevant information.
Ensure compliance law	Does the board ensure that the company complies with relevant laws and regulations?	The board is responsible for risk management and maintaining internal control systems.
The board should fulfill certain key functions	Does the board fulfill key functions such as setting strategy, risk management, and monitoring performance?	The board reviews and discusses the strategic plan with the management team, ensuring it aligns with the company's goals.
The board should be able to exercise objective judgment	Can the board exercise objective and independent judgment on corporate affairs?	The decision-making process and ensures that resolutions are passed based on majority votes.
Access to information	Does the board have access to accurate, relevant, and timely information?	The board is also supported by a Company Secretary to ensure they receive necessary advice and services.

Appendix C2: Profile of HPG's BOD

No.	Name	Education	Year Joined HPG	Description	Shareholding Ratio
1	Trần Đình Long	Bachelor's in Economics, National Economics University	1992	Mr. Trần Đình Long is the co-founder and Chairman of Hòa Phát Group. He was instrumental in the establishment of Hòa Phát Equipment and Accessories Co., Ltd., which later became Hòa Phát Steel Pipe Co., Ltd., a key unit of Hòa Phát Group today. He is skilled in strategy and development and has led Hòa Phát Group's evolution into a leading conglomerate.	25,80%
2	Trần Tuấn Dương	Bachelor's in Economics, National Economics University	1996	Prior to becoming the Vice Chairman of the Board of Directors of Hòa Phát Group (from January 1, 2007), Mr. Trần Tuấn Dương had held various leadership roles at Hòa Phát Group's companies such as Hòa Phát Equipment and Accessories Co., Ltd., Hòa Phát Steel Pipe Co., Ltd., and Hòa Phát Furniture Joint Stock Company. With extensive experience, he has significantly contributed to the brand's elevation within Vietnam's steel pipe industry and Hòa Phát Group in general.	2,31%
3	Nguyễn Mạnh Tuấn	Bachelor's in Economics, National Economics University	1999	In 1996, Mr. Nguyễn Mạnh Tuấn became Deputy General Director of Hòa Phát Steel Pipe Co., Ltd. He took on the role of General Director of Hòa Phát Steel Pipe Co., Ltd. from October 2004. Mr. Tuấn played a key role in transforming Hòa Phát Steel Pipe into a leading steel pipe manufacturer in Vietnam.	2,27%
4	Doãn Gia Cường	Master's in Business Administration, National Economics University	2001	Upon joining Hòa Phát, Mr. Doãn Gia Cường was appointed Deputy General Director and later General Director of Hòa Phát Furniture Joint Stock Company. From January 2007, he also assumed the role of Vice Chairman of the Board of Directors. His clear strategic direction has significantly contributed to the success of Hòa Phát Furniture, making it a household name in Vietnam.	1,25%
5	Hoàng Quang Việt	Graduate, Public Security Academy	2003	Mr. Hoàng Quang Việt joined Hòa Phát as Deputy General Director of Hòa Phát Construction and Development Company in 2003. With the position of General Director from 2001, he successfully established his reputation in the real estate sector by leading key projects in urban and industrial park development.	0,45%
6	Nguyễn Việt Thắng	Construction Engineer	1992	Mr. Nguyễn Việt Thắng has over 20 years of leadership experience at Hòa Phát Group. As Vice Chairman of the Board of Directors, General Director of Hòa Phát Animal Husbandry Joint Stock Company, and General Director of Hòa Phát Hung Yen Steel Joint Stock Company until April 4, 2021, he has significantly contributed to the Group's development and operational success.	0,32%
7	Nguyễn Ngọc Quang	Intermediate level	1992	Mr. Nguyễn Ngọc Quang joined in 1992-1996 as General Director of Hòa Phát Equipment and Accessories Co., Ltd., and since 1997, he has been the General Director of Hòa Phát Steel Pipe Co., Ltd. His leadership has been pivotal in diversifying the customer base and enhancing the company's market position.	1,78%

APPENDIX D: INDUSTRY OVERVIEW & COMPETITIVE POSITIONING

Appendix D1: Chinese Iron Ore Import Historical Data

Chinese Iron Ore import			
Date of data	Quantity	Unit	US dollar
1/22	1.497.576.188	Kilogram	279.506.859
2/22	2.107.258.909	Kilogram	374.794.671
3/22	1.981.074.442	Kilogram	370.715.704
4/22	1.274.766.848	Kilogram	250.750.626
5/22	1.549.034.226	Kilogram	284.895.242
6/22	917.825.322	Kilogram	150.503.827
7/22	983.327.111	Kilogram	157.361.552
8/22	927.423.567	Kilogram	136.329.481
9/22	1.035.794.484	Kilogram	124.619.044
10/22	1.248.184.609	Kilogram	149.495.780
11/22	1.672.651.097	Kilogram	222.432.265
12/22	915.180.804	Kilogram	114.557.266
1/23	1.929.073.772	Kilogram	261.169.432
2/23	2.463.860.595	Kilogram	343.976.757
3/23	2.711.448.824	Kilogram	367.524.438
4/23	2.124.543.240	Kilogram	283.541.178
5/23	2.344.447.727	Kilogram	311.036.028
6/23	1.316.474.577	Kilogram	163.105.214
7/23	1.354.697.376	Kilogram	168.168.316
8/23	2.443.475.921	Kilogram	298.593.934
9/23	1.385.654.703	Kilogram	174.156.234
10/23	1.578.728.387	Kilogram	205.281.701
11/23	2.081.149.345	Kilogram	287.909.421
12/23	2.327.153.464	Kilogram	333.341.894
1/24	3.765.767.129	Kilogram	558.595.776
2/24	2.633.930.987	Kilogram	387.027.003
3/24	2.619.432.258	Kilogram	355.420.924
4/24	2.003.821.649	Kilogram	254.260.592

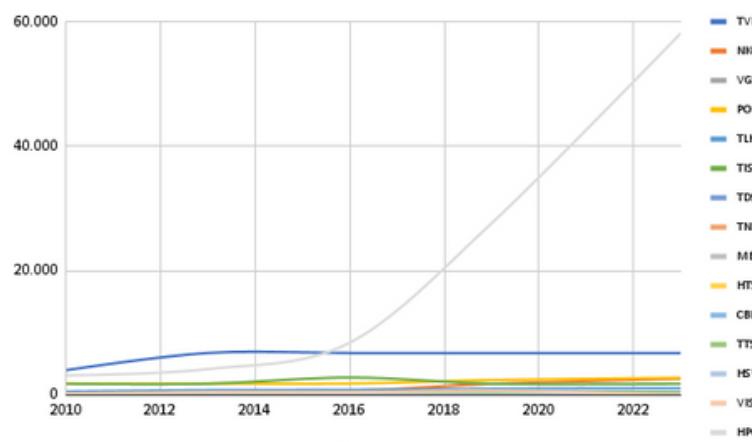
Appendix D2: Chinese Coaking Coal Import Historical Data

Chinese Coaking Coal import			
Date of data	Quantity	Unit	US dollar
1/22	5.496.731.262	Kilogram	1.642.896.545
2/22	2.983.609.708	Kilogram	863.174.422
3/22	3.756.292.965	Kilogram	946.128.236
4/22	4.256.453.195	Kilogram	1.186.778.750
5/22	4.559.294.153	Kilogram	1.293.484.173
6/22	4.982.940.810	Kilogram	1.298.562.048
7/22	6.188.597.665	Kilogram	1.578.806.471
8/22	6.393.832.373	Kilogram	1.427.734.737
9/22	6.846.561.128	Kilogram	1.272.803.958
10/22	6.207.979.486	Kilogram	1.194.504.720
11/22	5.725.396.033	Kilogram	1.182.057.910
12/22	6.465.371.910	Kilogram	1.233.085.819
1/23	6.191.638.297	Kilogram	1.260.191.204
2/23	6.912.328.147	Kilogram	1.365.263.526
3/23	9.165.241.549	Kilogram	1.897.437.650
4/23	8.463.891.869	Kilogram	1.695.726.151
5/23	6.715.456.836	Kilogram	1.209.917.254
6/23	7.739.922.555	Kilogram	1.243.361.277
7/23	7.133.256.752	Kilogram	960.898.577
8/23	9.566.818.566	Kilogram	1.261.970.353
9/23	10.811.135.703	Kilogram	1.581.829.257
10/23	7.816.759.578	Kilogram	1.303.146.435
11/23	9.914.067.499	Kilogram	1.599.151.667
12/23	11.384.804.265	Kilogram	1.942.949.922
1/24	9.995.927.605	Kilogram	1.749.238.654
2/24	7.869.798.726	Kilogram	1.387.641.456
3/24	9.000.423.366	Kilogram	1.418.529.920
4/24	10.949.351.410	Kilogram	1.669.538.292

Appendix D3: Policies Supporting Vietnam Real Estate Market

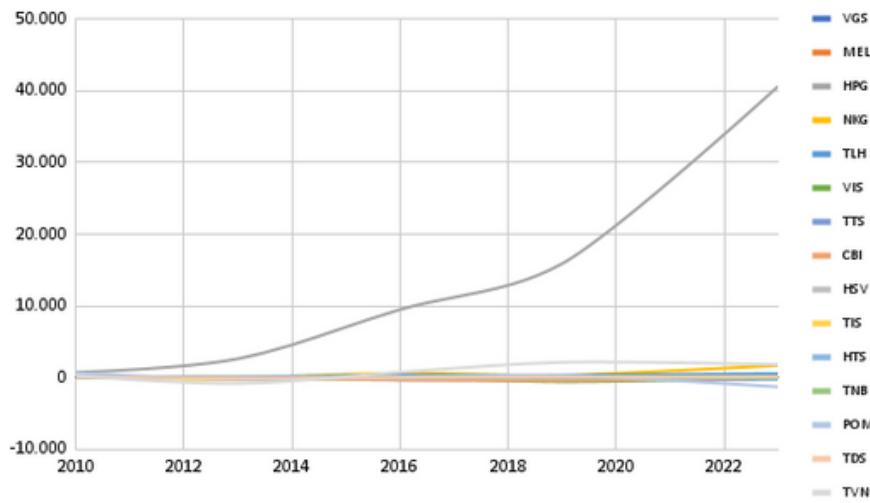
Legal Document	Key Contents
Land Law 2024	Supplementing regulations to promote the development and exploitation of land funds, abolishing land price frames, and requiring completion of resettlement before land recovery.
Real Estate Business Law 2023	Reduce payments and deposits for future housing, helping to promote sales.
10/2023/NĐ-CP	Removing legal bottlenecks for real estate projects, contributing to promoting the recovery of the real estate market.
33/NQ-CP	Removing and promoting the development of social housing, credit capital and bond projects.

Appendix D4: Equity capital contribution of HPG and peers over time



APPENDIX E: VALUATION

Appendix D5: Retained earnings of HPG and peers over time



Appendix E1: Weighted Average Cost of Capital Calculation

	Low	Mid	High	Source
Cost of Equity, Ke				
Risk free rate, Rf	4,60%	4,60%	4,60%	Vietcombank 12-month deposit interest rate
5-year Equity beta, b	0,9671	1,1671	1,3671	HPG's 5-year equity adjusted beta
Market risk premium, Rm-Rf	8,80%	9,00%	9,20%	Damodaran T1/2024
Cost of equity, Ke	13,11%	15,10%	17,18%	
Cost of Debt, Kd				
Pre tax cost of debt	8,50%	8,50%	8,50%	Interest rate of HPG long-term loan
Corporate tax rate, t	12,64%	12,64%	12,64%	HPG's 3-year average tax rate
After tax cost of debt, Kd	7,43%	7,43%	7,43%	
Optimum Mix of Equity and Debt				
Proportion of Equity, E/(D+E)	54,76%	54,76%	54,76%	HPG's debt - equity ratio of 2023
Proportion of Debt, D/(D+E)	45,24%	45,24%	45,24%	
Weighted Average Cost of Capital, WACC				
Rounding (nearest 0.5%)	10,50%	11,50%	13,00%	

Appendix E2: Price difference of HRC products from Vietnam and China (USD/TON)

ACTUAL MONTH	FHS PRICE IN VIETNAM (USD/TON)	CUSTOM MONTH	IMPORTED HRC FROM CHINA PRICES (USD/TON)	PRICE DIFFERENCE (USD/TON)
01/2023	633	03/2023	625	8
02/2023	686	04/2023	633	53
03/2023	725	05/2023	636	89
04/2023	639	06/2023	600	39
05/2023	621	07/2023	573	48
06/2023	579	08/2023	565	14
07/2023	587	09/2023	565	22
08/2023	593	10/2023	557	36
09/2023	583	11/2023	553	30
10/2023	558	12/2023	557	1
11/2023	589	01/2024	560	29
12/2023	618	02/2024	573	45

Source: Customs data

APPENDIX F: EVALUATION OF HPG'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE

To evaluate the company's quality of corporate governance, each committee of the board is evaluated on a scale of 1 to 4 based on the roles that they have to fulfill and criteria corresponding to these roles as enumerated in MSCI and CFA Institute Corporate Governance Manual for Investors. The following table summarizes the analysis:

Marking Rubric:

- 1-The company did not follow the criteria at all,
- 2-The company did not fully follow the criteria,
- 3-The company followed the criteria,
- 4-The company has excellent policies on the criteria.

Criteria		Description	Rate	Hoa Phat's Situation
Climate Change				
Carbon Emissions	What are the company's greenhouse gas emissions and reduction efforts?	2	HPG has implemented clean coke production and heat recovery technologies, reducing harmful emissions and saving energy. However, it still emits more CO2 due to the use of BF-BOF technology.	
Product Carbon Footprint	How do the company's products impact the carbon footprint?	2	HPG's products, produced using BOF technology, have a higher carbon footprint compared to peers using EAF. Efforts to mitigate this include CDM-based coking technology and green initiatives.	
Financing Environmental Impact	What investments does the company make in environmentally impactful projects?	4	HPG invested significantly in environmentally friendly technologies, including ultra-clean heat recovery and green production systems, spending 20-30% of total capital on these initiatives	
Climate Change Vulnerability	How resilient is the company to climate change risks?	3	HPG has invested in closed-loop recycling, advanced wastewater treatment, and green spaces to mitigate climate risks, although occasional environmental issues persist.	
Natural Capital				
Water Stress	How does the company's water usage impact water resources?	4	HPG uses modern wastewater treatment and recycling systems, significantly reducing water usage and ensuring compliance with environmental standards.	
Biodiversity & Land Use	What is the company's impact on biodiversity and land use?	3	HPG has created green spaces around factories to enhance biodiversity and employs advanced wastewater treatment systems to reduce soil contamination, though some emissions issues remain.	
Raw Material Sourcing	How sustainable is the company's raw material sourcing?	3	HPG sources a significant portion of iron ore from An Thong mine, which has a high environmental impact due to emissions and dust generation.	
Pollution & Waste				
Toxic Emissions & Waste	How does the company manage toxic emissions and waste?	2	HPG uses advanced filtering systems and clean coke production technology to manage emissions and waste, but occasional scandals indicate ongoing challenges.	
Packaging Material & Waste	How sustainable are the company's packaging and waste management practices?	3	HPG has shifted to using carton packaging and reuses plastic straps, reducing plastic waste and improving sustainability in packaging.	
Electronic Waste	How does the company manage electronic waste?	4	HPG utilizes waste heat and excess gas to generate electricity, achieving 75-80% self-sufficiency in power supply and reducing reliance on the grid.	
Environmental Opportunities				
Clean Tech	How does the company invest in and innovate clean technologies?	4	HPG has adopted CDM coking technology and other green technology solutions, investing heavily in clean tech and encouraging innovation among employees.	
Green Building	What initiatives does the company have in sustainable building practices?	4	HPG converts steel production waste into S95 slag aggregate for construction, implementing dust control measures and recycling iron-containing dust to minimize environmental impact.	
Renewable Energy	How does the company use and invest in renewable energy?	3	HPG uses heat recovery for electricity generation, achieving significant energy savings and reducing CO2 emissions. Solar roof initiatives are also being implemented to further enhance renewable energy use.	
		3.15		
Criteria		Description	Rate	Hoa Phat's Situation
Human Capital				
Labor Management	What are the company's labor practices and rights?	4	HPG ensures fair wages, provides meal support, accommodation, transportation, and labor protective equipment, indefinite-term contracts, and performance-based bonuses. The company's consistent revenue growth of 15-20% annually has positively impacted the income of its 20,000 employees.	
Health & Safety	What are the company's workplace health and safety standards?	4	The company prioritizes employee well-being through occupational safety training, regular health check-ups, and provision of labor protective equipment, ensuring a safe working environment.	
Human Capital Development	How does the company invest in employee development?	4	In 2023, HPG continued its robust human capital development efforts, aiming to train over 55,000 employees within the first six months alone. The company has also expanded its collaboration with over 20 educational institutions to enhance skills training and vocational competency.	
Product Liability				
Product Safety & Quality	How safe and high-quality are the company's products?	3	HPG adheres to stringent quality standards, ensuring the safety and reliability of its steel products.	
Privacy & Data Security	How does the company protect data and privacy?	3	HPG employs digital platforms for data management, indicating efforts towards privacy and data security.	
Chemical Safety	How does the company manage chemical safety?	3	HPG manages chemical waste effectively, emphasizing comprehensive employee training and provision of labor protective equipment.	
Stakeholder Opposition				
Community Relations	How does the company relate to and impact local communities?	4	HPG's contributions to social welfare are significant, encompassing charitable activities in healthcare, education, and infrastructure, positively impacting local living standards and fostering good community relationships.	
Social Opportunities				
Access to Health Care	What efforts does the company make to provide healthcare access?	3	HPG supports employee health through regular health check-ups, particularly for those in high-risk environments.	
Opportunities in Nutrition & Health	How does the company contribute to nutrition and health improvements of their employees?	3	HPG's welfare measures, including meal support, contribute to employee well-being and health improvements.	

GOVERNANCE	Criteria	Description	Rate	Hoa Phat's Situation
	Corporate Governance			
Board	What is the composition, diversity, and effectiveness of the company's board?	2	HPG's seven-member board has one independent director and no female directors. Key committees and 100% meeting attendance ensure effective governance.	
Pay	What are the company's executive compensation practices?	4	Executive compensation includes performance-based bonuses and equity, aligning interests with shareholders.	
Ownership	How is ownership distributed and concentrated in the company?	3	Mr. Tran Dinh Long holds 25.80% ownership. CEO and Chair roles are separated.	
Accounting	How transparent and sound are the company's accounting practices?	4	Transparent accounting practices with KPMG as the independent auditor. Financial statements are fully disclosed, and auditor selection is ratified by shareholders.	
Corporate Behavior				
Business Ethics	How does the company adhere to ethical business practices?	4	Clear fiduciary duties and responsibilities are supported by established governance committees.	
Tax Transparency	How transparent and compliant is the company with its tax obligations?	4	HPG is transparent and compliant with tax obligations, with fully disclosed financial statements and monitored auditor independence.	

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APPENDIX G. GROSSARY

Abbreviation	Definition	Abbreviation	Definition
BF - BOF	Blast Furnace-Basic Oxygen Furnace	FO	Furnace Oil
BOD	Board of Directors	FTAs	Free Trade Agreements
BOF	Basic Oxygen Furnace	HPG	Hòa Phát Group
BPRT	Blast Furnace Power Recovery Turbine	HRC	Hoa Bình Rubber Joint Stock Company
CAGR	Compounded Annual Growth Rate	LPG	Liquefied Petroleum Gas
CBAM	Carbon Border Adjustment Mechanism	MBS	MB Securities
CFO	Cash Flow from Operations Ratio	MR1	Market risk Raw materials price volatility
CO	Carbon Monoxide	MR2	Market risk Interest rate risk
CSR	Corporate Social Responsibility	MR3	Market risk Exchange rate risk
D/E	Debt-to-Equity Ratio	NLG	Nam Kim Steel Joint Stock Company
DCF	Discounted Cash Flow	POM	Pomina Steel Corporation
DQSC	Dung Quat Stock Company	RR1	Regulatory risk Trade remedies risk
EAF	Electric Arc Furnace	RR2	Regulatory risk The Carbon Border Adjustment Mechanism (CBAM) commencing 2026
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	TIS	Thai Nguyen Iron And Steel JSC
ESG	Environmental, Social, Governance	WACC	Weighted Average Cost of Capital