HPG Flash note – BUY

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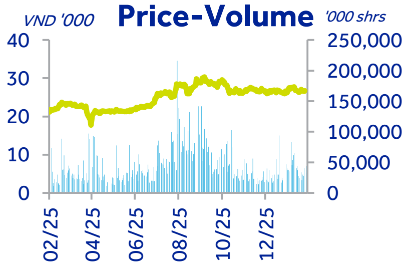
Earnings Flash Note

Recommendation	**BUY**
	HOSE: HPG
	Material construction
Target price (VND)	**35,700**
Market price (VND)	**27,550**
Expected share price return	29.8%
Expected dividend yield	0.0%
Expected total return	**29.8%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	7.2	1.3	2.7	21.6
Relative	6.7	-0.4	-9.7	-25.6

Source: Bloomberg



Ownership

Tran Dinh Long (Chairman)	16.1%
Dragon Capital	7.7%
Vu Thi Hien	6.9%

Stock Statistics	**05-Feb-25**
Bloomberg code	**HPG VN**
52-week range (VND)	17,750 - 30,850
Shares O/S (m)	7,675
Mkt cap (VND bn)	217,216
Mkt cap (USD m)	8,225
Est. Foreign room left (%)	28.7
Est. free float (%)	59.0
3m avg daily vol (shrs)	33,108,710
VND/USD	26,410
Index: VNIndex / HNX	1791.43/265.95

HOA PHAT GROUP JSC (HPG VN)

In 2025, HPG delivered earnings broadly in line with expectations (NPAT: +29% YoY), supported by the commissioning of Dung Quat 2 in 1Q2025 and 3Q2025 and its rapid ramp-up to stable operations. As a result, the company achieved 103% of its full-year plan and 95% of ACBS forecasts. Looking ahead to 2026, we expect a more constructive outlook for the steel sector, underpinned by sustained domestic demand. We maintain our 2026 forecasts with revenue of VND205,201 bn (+16% YoY) and NPAT of VND 21,841 bn (+41% YoY). Our 2026 target price is VND 35,700 per share, and we reiterate a BUY recommendation.

In Q4/2025, HPG recorded revenue of VND46,176 bn (+27% QoQ; +34% YoY) and NPAT of VND3,888 bn (-3% QoQ; +38% YoY). Crude steel sales exceeded 1.3 mn tons (+24% QoQ; +14% YoY). HRC sales reached 5.0 mn tons (+26% QoQ+144% YoY;), reflecting contributions from Dung Quat 2 – Phase 2, which commenced operations in September 2025.

In 2025, HPG posted revenue of VND158,332 bn (+13% YoY), achieving 93% of management guidance and 94% of ACBS forecasts, while NPAT reached VND15,515 bn (+29% YoY), equivalent to 103% of plan and 95% of forecasts. The steel segment remained the dominant earnings driver, accounting for 94% of group revenue, while agriculture contributed 5%. Total crude steel sales reached 5.1 mn tons (+15% YoY), and combined sales of HRC, construction steel, high-grade wire rod, and billets totaled 10.6 mn tons (+31% YoY). Notably, HRC sales reached 5.0 million tons (+73% YoY), driven by the completion and commissioning of Hoa Phat Dung Quat Steel Complex 2, which began delivering output from September 2025. In addition, HRC volumes benefited from anti-dumping duties imposed on Chinese imports, further supporting domestic demand and pricing.

Although gross margin in Q4/2025 declined to 13.9% (from 16.7% in Q4/2025 and 12.7% in Q4/2024), full-year 2025 gross margin improved to 15.7%, markedly higher than 13.3% in 2024, reflecting a broad-based recovery across the HPG's business segments. The quarterly normalization was driven mainly by: (i) a sharp increase in depreciation following the commissioning of Dung Quat 2 – Phase 2 (VND 2,888 bn; +32% QoQ; +70% YoY); (ii) weaker agricultural margins amid lower average hog prices; and (iii) an ~8% QoQ rise in coking coal prices due to supply disruptions in Australia. In addition, the cessation of capitalized interest lifted interest expense to VND 1,237 bn (+52% QoQ; +120% YoY), temporarily weighing on net margins. We expect these factors to be transitory, with the margin recovery trend intact as new capacity is progressively optimized, input costs stabilize, and steel prices are likely to improve in 2026.

	2023	2024	2025U	2026F	2027F
Net Sales (VND bn)	118,953	138,855	158,332	205,201	238,137
Growth (%)	*-15.9%*	*16.7%*	*14.0%*	29.6%	16.1%
EBITDA (VND bn)	16,443	21,588	28,971	35,503	45,347
Growth (%)	*-17.2%*	*31.3%*	*34.2%*	22.5%	27.7%
NPATMI	6,800	12,021	15,450	21,841	30,091
Growth (%)	*-19.5%*	*76.8%*	*28.5%*	41.4%	37.8%
EPS (bonus-adjusted, VND)	1,175	1,879	2,012	2,845	3,920
Growth (%)	*-19.0%*	*59.9%*	*35.2%*	41.4%	37.8%
ROE (%)	8.8%	6.6%	12.7%	13.6%	16.1%
ROIC (%)	5.5%	4.0%	8.7%	9.7%	12.5%
Net debt/EBITDA (x)	1.2	1.9	2.6	0.6	0.1
EV/EBITDA (x)	17.4	13.3	10.1	5.4	4,7
P/E (x)	26.4	16.5	13.2	7.0	5.7
P/B (x)	1.8	1.7	1.6	1.1	1.0
DPS (VND)	500	0	0	0%	0
Dividend yield (%)	2%	0%	0%	0%	0%

Table: HPG's business results

Unit: VND bn	Q4/2024	Q4/2025	YoY growth	2024	2025	YoY growth	2025 Target	%Completion
Net revenue	**34,491**	**46,176**	**33.9%**	**140,561**	**158,332**	**12.6%**	**93%**	**94%**
Gross profit	4,365	6,397	46.5%	18,498	24,498	32.4%		
Financial income	701	437	-37.6%	2,626	2,085	-20.6%		
Financial expenses	-1,015	-1,584	56.0%	-3,974	-4,607	15.9%		
SG&A expenses	-748	-683	-8.7%	-3,883	-4,070	4.8%		
NPAT	**2,810**	**3,888**	**38.4%**	**12,020**	**15,515**	**29.1%**	**103%**	**95%**
NPATMI	2,809	3,861	37.5%	12,021	15,450	28.5%		

Sources: HPG, ACBS

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months
OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months
NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months
UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months
SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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