HPG Update – BUY

6-Aug-26

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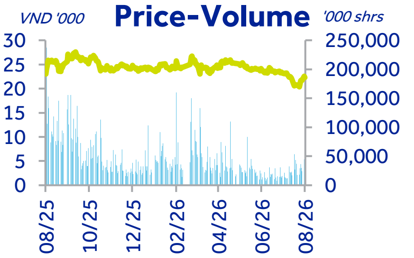
Company Update

Recommendation	**BUY**
	HSX: HPG
	Construction material
Target price (VND)	**33,800**
Market price (VND)	**22,000**
Expected share price return	53.6%
Expected dividend yield	2.3%
Expected total return	**55.9%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-5.4	-3.0	-9.0	0.5
Relative	-6.1	2.0	-5.1	-19.9

Source: Bloomberg



Ownership

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

Stock Statistics	**05-Aug-26**
Bloomberg code	**HPG VN**
52-week range (VND)	20,100 - 28,045
Shares O/S (m)	8,443
Mkt cap (VND bn)	188,279
Mkt cap (USD m)	7,129
Est. Foreign room left (%)	27.5
Est. free float (%)	82.0
3m avg daily vol (shrs)	23,379,318
VND/USD	26,480
Index: VNIndex / HNX	1735.78/271.25

HOA PHAT GROUP JSC (HPG VN)

HPS's 2Q2026 and 1H2026 earnings exceeded our expectations, primarily driven by stronger-than-expected performance in the steel business and a one-off financial gain from the divestment of the Pho Noi real estate project. Excluding this non-recurring gain, underlying earnings were broadly in line with our forecasts.

We maintain our positive view on HPG, supported by a favorable demand outlook driven by public infrastructure investment, the ramp-up of Dung Quat 2, and trade protection measures against HRC imports from China.

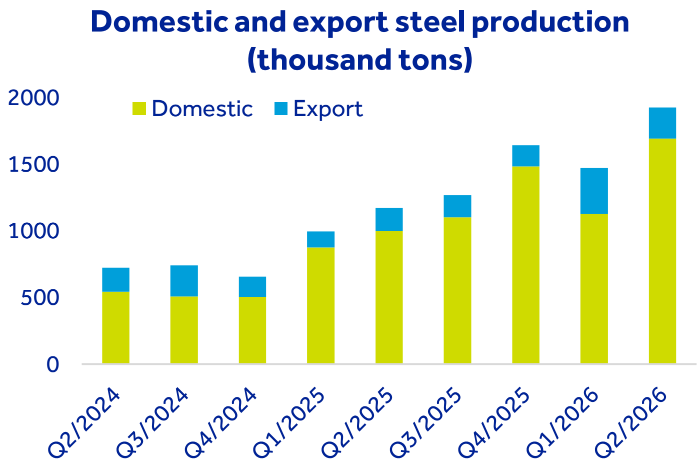
Accordingly, we raise our FY2026 and FY2027 NPAT forecasts by 25% and 10%, respectively, to VND27.5 tn (+78% YoY) and VND33.2 tn (+21% YoY), reflecting the one-off gain from the Pho Noi divestment and additional earnings contribution from capacity expansion projects scheduled to come on stream from 2027. We therefore reiterate our Buy recommendation and increase our end-2026 target price by 5% to VND33,800/share.

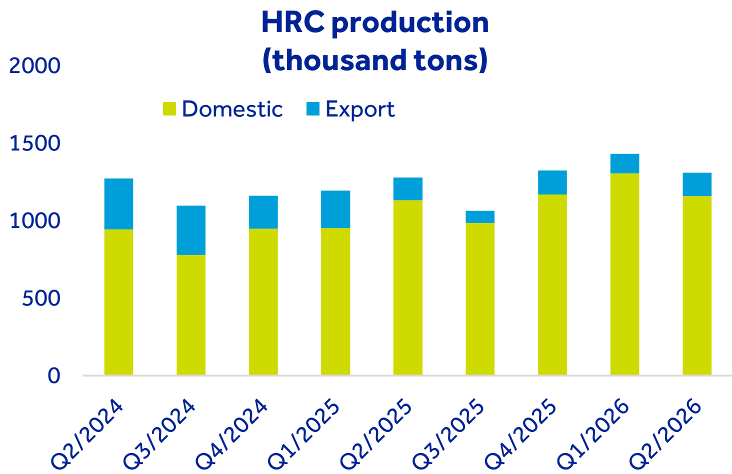
HPG delivered strong 2Q2026 results, reporting revenue of VND55.2tn (+54% YoY) and NPAT of VND6.4tn (+50% YoY), supported by continued volume growth and further gross margin expansion. Crude steel production reached 3.6mn tonnes (+48% YoY), while steel sales increased to 3.5mn tonnes (+35% YoY).

In 1H2026, HPG reported revenue of VND108.1tn (+47% YoY) and NPAT of VND15.4tn (+102% YoY), achieving 52% of its full-year revenue target and 70% of its earnings target, equivalent to 53% and 71% of our forecasts, respectively. The steel segment remained the primary earnings driver, generating revenue of VND105.0tn (+51% YoY) and NPAT of VND10.5tn (+67% YoY), accounting for 96% of consolidated revenue and 68% of consolidated earnings. Notably, HRC sales outpaced crude steel production growth (+57% YoY vs. +36% YoY), reflecting the successful ramp-up of Dung Quat 2, which was operating at more than 80% of designed capacity during the period.

Meanwhile, gross margin expanded to 19.0% in Q2/2026, up from 15.8% in the previous quarter and 18.4% a year earlier, driven by improved operating leverage from higher sales volumes and favorable inventory gains, which more than offset raw material cost pressures. Consolidated earnings were further supported by a one-off gain of VND4.3tn from the divestment of the Pho Noi real estate project, contributing approximately 28% of 1H2026 consolidated NPAT.

	2023	**2024**	**2025**	**2026F**	**2027F**
Net Sales (VNDbn)	118,953	138,855	158,332	205,602	242,261
Growth	*-15.9%*	*16.7%*	*14.0%*	*29.9%*	17.8%
NPAT (VNDbn)	6,800	12,021	15,453	27,457	33,240
Growth	*-19.5%*	*76.8%*	*28.5%*	*77.7%*	21.1%
EPS (bonus-adjusted, VND)	1,175	1,879	1,973	3,239	3,921
Growth	*-19.0%*	*59.9%*	*35.2%*	*61.0%*	*21.1%*
ROE	27.2%	29.6%	27.9%	13.6%	18.2%
Net debt/Equity (times)	0.2	0.3	0.5	0.5	0.3
PER (times)	26.4	16.5	13.2	6.8	5.6
PBR (times)	1.8	1.7	1.6	1.1	1.0
DPS (VND)	500	500	0	500	500
Dividend yield	2%	2%	0%	2.3%	2.3%





Sources: HPG, ACBS

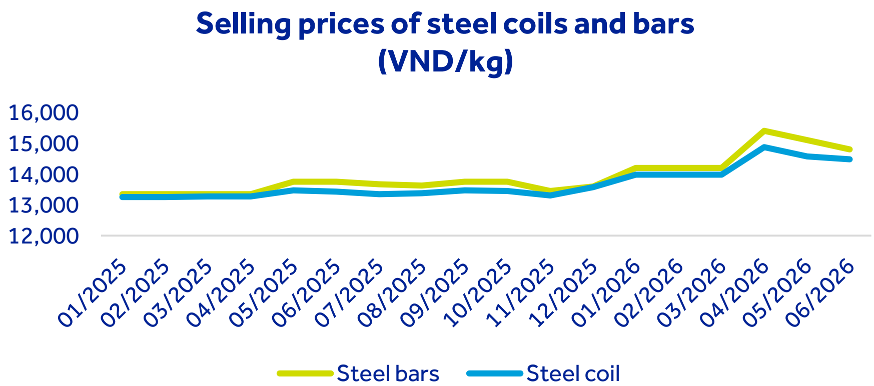
Table 1: Business results

Unit: VNDbn	2Q2025	2Q2026	YoY Change	1H2025	1H2026	YoY Change
Total revenue	**35,911**	**55,159**	**54%**	**73,532**	**108,060**	**47%**
Steel	33,531	50,859	52%	68,964	104,295	51%
RE	139	278	100%	342	479	40%
Agriculture	2,240	1,763	-21%	4,227	3,286	-22%
Gross profit	6,590	10,488	59%	12,014	18,853	57%
Financial income	498	617	24%	936	6,555	600%
Financial expenses	-979	-1,926	97%	-1,950	-3,795	95%
SG&A expenses	-1,148	-2,025	76%	-2,233	-3,756	68%
NPAT	**4,256**	**6,371**	**50%**	**7,601**	**15,365**	**102%**

Sources: HPG, ACBS

Gross margin expanded to 19.0% in 2Q2026, up from 15.8% in 1Q2026 and 18.4% in 2Q2025.

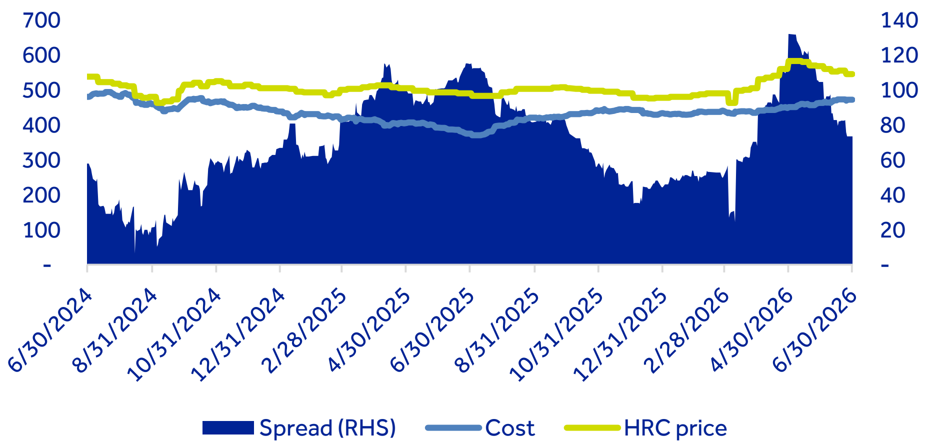
Average steel selling prices trended higher in 1H2026, supported by a sharp price increase in April. Although prices moderated slightly toward the end of 2Q2026, the average selling price for the quarter remained at approximately VND14.6mn/ton (+7% YoY; +4% vs. the beginning of the year). We believe the improvement was driven by recovering steel demand amid accelerating public infrastructure investment, while trade protection measures helped sustain domestic pricing. The faster recovery in selling prices relative to raw material costs was the key factor underpinning HPG's gross margin expansion in 2Q2026.



Sources: Fiinpro, ACBS

During 2Q2026, coking coal prices increased on tighter supply from Australia and production cuts in China, while 62% Fe iron ore prices softened amid seasonally weaker steel demand in China. Given that coking coal and iron ore typically account for approximately 40% and 35% of steel production costs, respectively, the divergent price trends created pressure on input costs for steel producers. Despite this, HPG expanded its gross margin to 19.0% in 2Q2026, up from 15.8% in 1Q2026 and 18.4% in 2Q2025. We attribute the improvement primarily to higher sales volumes, which enhanced operating leverage, as well as favorable inventory gains, with selling prices rising faster than the cost of raw materials procured prior to the commodity price spike triggered by geopolitical tensions in the Middle East.

Steel ASP, cost and spread (USD/ton)



Sources: Bloomberg, ABCS

Expansion project update: Execution remains on track.

1. Rail & specialty steel plant: As of end-Q2/2026, construction of HPG's 700ktpa rail and specialty steel plant was more than 50% complete, with equipment installation reaching approximately 25% following its commencement in June 2026. The plant remains on track for commissioning in Q1/2027, expanding HPG's portfolio of value-added steel products and positioning the company to supply major railway and infrastructure projects.

2. High-grade steel plant: Construction of the 500ktpa high-grade steel facility under the Dung Quat 2 expansion continues on schedule. By end-Q2/2026, installation of key equipment had reached ~50%, while the water treatment system and reheating furnace were approximately 85% complete, with trial operations expected in September 2026. The new facility will enhance HPG's production capacity for high-grade steel serving the engineering, automotive, and supporting industries, further increasing the share of value-added products in its product mix.

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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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