

Hoa Phat Group (HPG)

Fueled by hopes for steel price rebound in 2026

December 15, 2025

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HPG achieved 78% of its profit target after 9M25

Hoa Phat Group (HPG) logged VND109,940/VND11,627 billion in 9M25 revenue/NPAT (+5%/26% YoY) as (1) steel sales volume added 16% YoY thanks to the recovery in local market with higher HRC production after Dung Quat 2 coming into operation; and (2) material costs declined, making GPM gain 292bps YoY.

Steel consumption for 2026/2027 is projected to increase by 23%/5% YoY

We still believe the steel consumption growth in 2026/2027 will be positive, based on (1) continued improvement in the supply of housing products, (2) expectations about the Government's ramping up public investment projects, and (3) the two blast furnaces at Dung Quat 2 coming into operation.

Steel prices are expected to increase by 4%/3% in 2026/2027

HPG's steel average selling price (ASP) has dropped 3% since 2025. We expect steel ASP to rebound in 2026 on better demand, and iron ore and coking coal prices will climb on 2025 lows. In addition, we believe that the campaign against aggressive price war in China will eliminate excess supply and help steel prices to enter a new upturn. KBSV estimates HPG's GPM at 16.4%/16.8% in 2026/2027F.

Short-term risks are limited as VIC has just entered the steel market

We suppose Vingroup (VIC) will need time to upgrade and optimize the costs of Pomina Steel's (POM) construction steel segment to ensure the synergistic value from its 1.5 million tons/year contract output. Meanwhile, HPG continues to maintain its advantage of (1) Top 1 market share and (2) the most competitive production costs in the industry.

BUY rating – Target price VND35,900

We reiterate our BUY recommendation with a target price of VND35,900, equal to an expected return of 37% compared to the closing price on December 15, 2025.

Buy maintain

Target price VND35,900

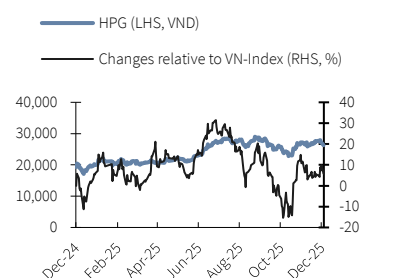
Upside	37%
Current price (Dec 15, 2025)	VND 26,250
Consensus target price	VND 35,200
Market cap (VNDtn/USDtn)	201.5/7.7

Trading data	
Free float	55.4%
3M avg trading value (VNDbn/USDmn)	739.4/28.1
Foreign ownership	19.7%
Major shareholder	Chairman Tran Dinh Long (34.9%)

Share price performance (%)					
	1M	3M	6M	12M	
Absolute	-2	-13	19	16	
Relative	-3	-11	-6	-15	

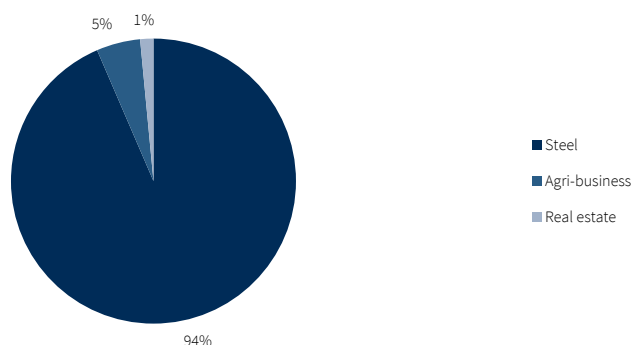
Forecast earnings & valuation

FY-end	2023A	2024A	2025F	2026F
Net revenue (VNDbn)	118,953	138,855	156,167	208,429
Operating income/loss (VNDbn)	7,651	13,267	18,765	26,261
NPAT-MI (VNDbn)	6,835	12,020	16,391	23,110
EPS (VND)	1,175	1,879	2,136	3,011
EPS growth (%)	-19	60	14	41
P/E (x)	23.8	14.2	12.3	8.7
P/B (x)	1.6	1.5	1.6	1.3
ROE (%)	7	11	13	16
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2024)



Source: Hoa Phat Group, KB Securities Vietnam

Business operation

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

Investment Catalysts

Total sales output should grow 23%/5% YoY in 2026/2027 with (1) increased supply of housing products; (2) accelerated public investment projects, and (3) both blast furnaces at Dung Quat 2 coming into operation.

Steel ASP is expected to gain 4%/3% YoY in 2026/2027 on higher demand, with estimated GPM of 16.8%/16.9% respectively.

Notes

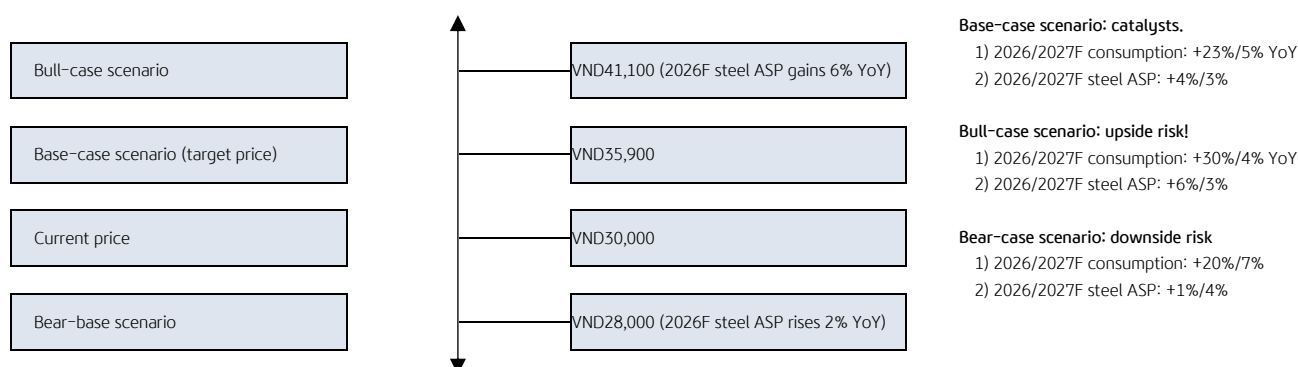
Please find more details in [2Q25 Update](#)Please find more details in [2Q25 Update](#)

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	156,167	208,429	-5%	1%	162,605	205,379	-4%	1%
EBIT	20,861	28,305	-7%	-2%	21,284	28,300	-2%	0%
NP after MI	16,391	23,110	-6%	-5%	16,281	22,165	1%	4%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business performance

Table 1. HPG – 1H25 business performance

(VNDbn, %)	3Q24	3Q25	+/-%YoY	9M24	9M25	+/-%YoY	Notes
Revenue	33,956	36,407	7%	104,364	109,940	5%	
Steel	31,355	33,912	8%	97,871	102,876	5%	Sales volume surged 25% YoY, but steel ASP dropped 3% YoY.
Agriculture	1,833	2,031	11%	4,892	6,258	28%	Revenue from the pork segment in 9M25 grew 30% YoY.
Real estate	768	464	-40%	1,601	806	-50%	
Gross profit	4,731	6,087	29%	14,133	18,101	28%	
<i>Gross profit margin</i>	<i>13.9%</i>	<i>16.7%</i>	<i>279 bps</i>	<i>13.5%</i>	<i>16.5%</i>	<i>292 bps</i>	GPM of the steel segment in 9M25 spiked with a 12% YoY fall in iron ore and coking coal prices.
Financial income	528	712	35%	1,925	1,648	-14%	
Financial expenses	-833	-1,073	29%	-2,959	-3,023	2%	HPG needed more working capital after Dung Quat 2 became operational, leading to an increase in short-term debt.
Profits from affiliates	0	0		0	0		
SG&A	-1,042	-1,155	11%	-3,135	-3,388	8%	
Operating income/loss	3,385	4,571	35%	9,964	13,338	34%	
Other income	27	57	109%	443	102	-77%	
Profit before taxes (PBT)	3,412	4,628	36%	10,407	13,440	29%	
Net profit after taxes (NPAT)	3,022	4,012	33%	9,210	11,627	26%	HPG met 78% of the full-year profit objective.
NP after MI	3,023	3,988	32%	9,213	11,589	26%	
<i>NPAT margin</i>	<i>8.9%</i>	<i>11.0%</i>	<i>205 bps</i>	<i>8.8%</i>	<i>10.5%</i>	<i>171 bps</i>	

Source: Hoa Phat Group, KB Securities Vietnam

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

(ton)	3Q24	3Q25	+/-%YoY	9M24	9M25	+/-%YoY	Notes
Construction steel	1,095,683	1,062,729	-3%	3,404,255	3,344,574	-2%	Domestic consumption went up 27% YoY in 9M25.
HRC	738,951	1,265,826	71%	2,274,854	3,310,722	46%	Domestic sales output in 9M25 posted a robust growth (+95% YoY), partly driven by new capacity from Dung Quat 2 and anti-dumping measures against imported Chinese steel.
Galvanized sheet	122,668	120,219	-2%	358,416	310,812	-13%	
Steel billet	184,979	225,263	22%	488,563	607,788	24%	
Total	2,142,281	2,674,037	25%	6,526,088	7,573,896	16%	

Source: Vietnam Steel Association, FiinProX, KB Securities Vietnam

VIC has made its first steps in steel market, which needs further monitoring for impact gauging

VIC has recently announced plans to pour VND80,000 billion into a high-quality steel manufacturing base (serving the automotive, construction, transportation infrastructure, and industrial sectors) in Ha Tinh province. The estimated capacity for phase 1 is five million tons per year, with construction scheduled to begin in December 2025. In addition, the giant also revealed its intention to provide POM with a 0% interest working capital loan for up to two years and prioritize POM as a supplier for projects within its ecosystem.

Currently, POM owns one construction steel production line and one blast furnace for steel billets with capacities of 1.1 million and 1.5 million tons per year, respectively. However, the lack of operational experience has led to repeated shutdowns of the blast furnace, causing POM to continuously record losses since 2Q22 and face piling financial pressure (debt accounts for 65% of total assets, negative equity as of 3Q). We believe the synergistic value of this cooperation is win-win to both VIC and POM, but it may gain market share from other manufacturers in the future. From POM's perspective, support in working capital and management and operational experience will help optimize the production capacity of the construction steel segment and sales volume if VIC buys 100% of the sales. This could gradually improve EBITDA, helping to reduce debt pressure in the medium term. For VIC, Vinhomes – Vincons will benefit from the competitively priced construction steel supply from POM. With 1.5 million tons of construction steel per year, this production volume is estimated to account for 15% of the total industry consumption in 2024. According to KBSV estimates, POM's current market share is 1%, with an ASP 2% higher than its current competitors. We believe VIC will need more time to upgrade POM's production line to enhance its competitiveness and reduce production costs to optimize the benefits from this cooperation.

KBSV believes that short- to medium-term risks with negative impacts on HPG's business results are relatively limited thanks to (1) its leading market share in the construction sector (estimated at 38%) and (2) advantages of scale that help optimize production costs, increasing price competitiveness compared to competitors. In addition, HPG will shift its focus to producing HRC and high-quality steel for industrial purposes, gradually lowering its dependence on construction steel.

A new subsidiary, HPA, should be listed in 1Q26

HPG has filed for the listing of Hoa Phat Agriculture (HPA) and is in the process of offering shares with an initial market capitalization of VND10,685 billion, corresponding to a projected PER for 2025 of 8x. If successful, HPG/HPA could raise an additional VND1,257 billion to expand its agricultural business, which is showing significant improvement, primarily driven by the hog farming segment (+32%/30% YoY revenue growth in 2024/9M25).

Forecast & valuation

Table 3. HPG – 2025–2026F business results

(VNDbn, %)	2024	2025	+/-%YoY	2026	+/-%YoY	Assumptions
Revenue	138,855	156,167	12%	208,429	33%	Steel sales output is projected to increase by 23%/5% YoY in 2026/2027, based on (1) continued improvement in the supply of housing products, (2) expectations about the Government's ramping up public investment projects, and (3) the two blast furnaces at Dung Quat 2 coming into operation
Gross profit	18,498	25,682	39%	34,975	36%	
<i>GPM</i>	<i>13.3%</i>	<i>16.4%</i>	<i>312 bps</i>	<i>16.8%</i>	<i>34bps</i>	
Interest income	0	0	-3%	0	0%	Steel ASP is expected to grow 4%/3% YoY in 2026/2027, while iron ore and coking coal prices may gradually recover from low levels.
Interest expenses	-2,287	-2,792	22%	-3,846	38%	
Foreign exchange gain/loss	-303	-572	89%	0	-100%	
Profits from affiliates	0	0		0		Interest expenses should climb as HPG stopped cost capitalization at Dung Quat 2.
SG&A	-3,883	-4,821	24%	-6,670	38%	
Operating income/loss	13,267	18,765	41%	26,261	40%	
Other income	426	102	-76%	0		SG&A expenses are likely to be higher due to the commissioning of Dung Quat 2, and selling expenses are expected to increase due to increased sales promotion programs in the domestic market.
PBT	13,693	18,867	38%	26,262	39%	
NPAT	12,020	16,391	36%	23,110	41%	
NP after MI	12,020	16,391	36%	23,110	41%	
<i>NPAT margin</i>	<i>8.7%</i>	<i>10.5%</i>	<i>184bps</i>	<i>11.1%</i>	<i>59bps</i>	

Source: Hoa Phat Group, KB Securities Vietnam

We recommend BUY on HPG with a target price of VND35,900/share

We use target FCFF and PBR to determine the fair value of HPG and recommend BUY with a target price of VND35,900, equal to a 2% upside from the price on December 15.

Table 4. Assumptions

Assumptions	Value
Beta	1.2
Risk-free interest rate	4.7%
Market risk premium	8.5%
Cost of debt	5.0%
WACC	8.6%

Source: KB Securities Vietnam

Table 5. HPG – Free cash flow

(VNDbn)	2025	2026	2027	2028
NPAT-MI	16,391	23,110	26,814	30,144
Depreciation expense	7,984	11,720	11,772	11,796
Change in working capital	-14,855	-3,722	-4,406	-4,004
CAPEX	-20,516	-834	-900	-973
FCF	-10,996	30,275	33,279	36,963

Source: KB Securities Vietnam

Table 6. HPG – FCFF valuation

(VNDbn)	2025	2026	2027	2028
FCF	-10,996	30,275	33,279	36,963
Terminal growth rate				1%
Terminal value				488,179
Current value of FCF	-10,956	27,763	28,089	379,246
Enterprise value	424,142			
Cash and cash equivalents	27,997			
Debt	-96,838			
Minority shareholder interest	-2,078			
Shareholder equity value	353,222			
Outstanding shares (million)	9,211			
Fair value (VND)	38,300			

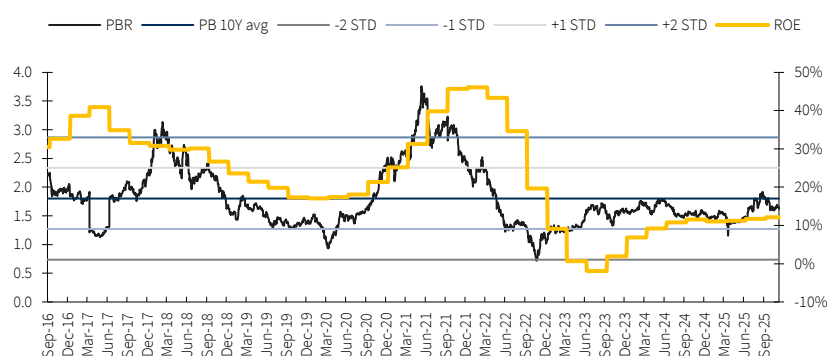
Source: KB Securities Vietnam

Table 7. HPG – Final valuation

Valuation method	Target multiple	Derived price	Weighting	Weighted price
FCFF	N/A	38,300	50%	19,150
P/E	1.7	33,600	50%	16,800
Target price				35,900
2026 forward P/E				11.9x
2026 forward P/B				1.8x
2026 forward EV/EBITDA				6.9x

Source: KB Securities Vietnam

Fig 8. HPG – PBR and ROE in the past 10 years (x, %)



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

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

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

Investment Ratings for Sectors

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

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

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