

Buy (unchanged)

Target price: VND37,900 (from VND33,300)

Up/downside: 31.6%

Share price (VND) (as of 5 Sep 2025) 28,800

Bloomberg code	HPG VN
52-week range (VND)	17,749-29,850
Trading value (5D) (VNDmn)	3,115,322
Market cap. (VNDbn)	221,053
Market cap. (USDmn)	8,373
Shares outstanding (mn)	7,675
Total FOL share room (mn)	3,761
Current FOL share room (mn)	2,200
Foreign ownership limit	49.0%
Foreign owned ratio	20.3%
Free float	54.1%
Major shareholder	Mr. Tran Dinh Long (26.1%)

Source: Company, HSC Research estimates

Share price performance



Share price (%)	-1 mth	-3 mth	-12 mth
Ordinary shares	9.09	34.2	38.0
Relative to index	(0.07)	4.17	(2.13)
Relative to sector	-	-	-

Source: Company, FactSet

HSC vs. consensus

EPS adj. (VND)	HSC	Cons	% diff
2025F	2,153	2,131	1.0
2026F	2,981	2,865	4.0
2027F	3,861	3,765	2.6

Source: Bloomberg, HSC Research estimates

Company description

HPG is a leading industrial manufacturing group in Vietnam operating in four key businesses: Iron & steel; steel sheet & steel pipe; real estate, and agriculture.

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Lift TP by 14%; retain Buy on bright outlook

- We maintain Buy on HPG while increasing our TP by 14% to VND37,900 (upside 32%), reflecting our upward earnings revision and val'n changes.
- Our FY25-27F net profit is lifted by 5% on avg. on higher HRC sales vol. assumption in FY26-27. New estimates show 45%/38%/30% growth in FY25/26/27, respectively, implying a 3Y net profit CAGR of 37.4%.
- Up 34% in the last 3M, HPG trades on 1-yr rolling fwd. P/E of 10.7x, still cheap vs. its 3Y avg. of 13.0x. We believe HPG will continue to benefit from the resilient outlook for public investment and the real estate market, along with domestic protectionism in Vietnam.

Event: Updates on new HRC price for 4Q25 in Vietnam

On 3 Sep., HPG increased its HRC selling price for Nov-25 orders by VND350/kg to VND13,930/kg (up 2.6% m/m), following a 3.3% m/m increase seen for Sep/Oct-25 orders. We view this move as a positive signal for demand for HPG's HRC products amidst the recent softening prices in China.

In addition, on 4 Sep., HPG also announced that its 2nd blast furnace (BF) of Dung Quat Steel Complex (DQSC) Phase 2 (P2) successfully produced pig iron, marking the completion of the construction process for the whole DQSC Phase 2 (2 months ahead of the initial plan). HPG's designed capacity for crude steel is now 14.9mn tonnes/annum, up 67% vs. end-FY24.

Impact: Lifting FY25-27 net profit by 5% on avg.

Reflecting higher ASP for HRC in 4Q25, we raise our FY25 net profit by 3% to VND17.4tn (up 45% y/y), implying a 2H25 net profit of VND9.8tn, up 68% y/y and 29% h/h.

For FY26, we are raising our HRC sales volume assumption by 7%. We are now more confident that HPG's DQSC Phase 2 will achieve a 75% capacity utilization rate, up from our previous assumption of 70%. As a result, we lift our FY26 net profit by 10% to VND24.1tn, up 38% y/y. For FY27, we largely keep net profit unchanged at VND31.2tn, (1% upward revision; up 30% y/y), implying a 3Y net profit CAGR of 37.4%.

We assume that the corporate tax incentive for DQSC Phase 2 will be fully effective from 2026. For 2025, we assume that any profit generated by the 1st BF, which was recognized as a fixed asset in Aug-25, will be subject to a 20% corporate income tax (CIT), while profit from the 2nd BF will be capitalized.

Valuation and recommendation

Up 34% in 3M, HPG trades on 1-yr rolling fwd. P/E of 10.7x, cheap vs. its 3Y avg. of 13.0x. We maintain Buy on HPG, believing the company is well positioned to achieve strong growth in the coming year due to the favorable business environment. Our new TP of VND37,900 offers a 32% upside.

Year end: December	12-23A	12-24A	12-25F	12-26F	12-27F
EBITDA adj. (VNDbn)	16,431	21,588	31,007	40,662 ▲	48,126 ▲
Reported net profit (VNDbn)	6,835	12,020	17,398	24,083 ▲	31,197
EPS adj. (VND)	846	1,488	2,153	2,981 ▲	3,861
DPS (VND)	0	0	1,000	1,000	1,000
BVPS (VND)	17,674	17,878	17,052	19,033	21,894
EV/EBITDA adj. (x)	12.1	11.2	8.96	6.73	5.49
P/E adj. (x)	34.0	19.4	13.4	9.66	7.46
Dividend yield (%)	0	0	3.47	3.47	3.47
P/B (x)	1.63	1.61	1.69	1.51	1.32
EPS adj. growth (%)	(19.4)	75.9	44.7	38.4	29.5
Ret. on avg. equity (%)	6.88	11.1	14.2	17.4	19.9

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

2H25 outlook looks robust

Reflecting higher ASP for HRC in 4Q25 and the completion of the 2nd BF in DQSC Phase 2 being 2 months ahead of schedule, we lift our FY25-27 net profit forecasts by 5% on avg. Our new forecast implies a 3Y net profit CAGR of 37.4%. Post rally, HPG's valuation remains attractive in our view with 1-yr rolling fwd. P/E of 10.7x vs. its 3Y avg. of 13.0x. With this favorable outlook, we maintain our Buy rating on HPG with a new TP of VND37,900 (upside 32%).

Update on steel prices

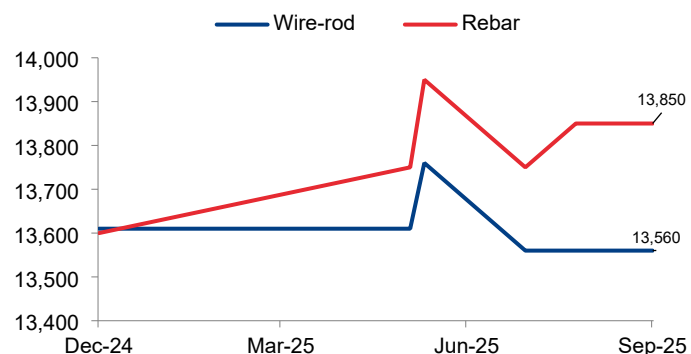
HPG recently raised the selling price for its Nov-25 HRC orders by VND350/kg, a 2.6% m/m increase to VND13,930/kg. This move is particularly notable as it comes despite softening prices in the Chinese market (down 2% m/m) and follows a prior 3.3% increase for September/October orders (Figure 2). We view this as a clear signal of HPG's confidence in future demand for its HRC products.

Since the AD duties on Chinese HRC with a width below 1,880mm (up to 27.83%) became effective from 6 July 2025, we have observed early signs of price divergence. This means that VN's HRC prices are now rising while Chinese prices declining, where previously they largely moved in tandem due to Vietnam's high reliance on Chinese HRC (Figure 4). We anticipate that an investigation into the alleged tax evasion of Chinese HRC with a width exceeding 1,880mm will be initiated soon. Once completed, this measure would maximize the effectiveness of existing protective policies.

Regarding construction steel, the price in the Vietnam market looks quite stable at around VND13,850/kg for rebar (up 2% YTD) and VND13,560/kg for wire-rod (flat YTD). Thanks to the tariff protection for construction steel (a combination of 15% permanent import tax plus 6% safeguard tax), the Vietnamese rebar price is always at a premium vs. the domestic Chinese rebar price (Figure 6).

Figure 1: YTD construction steel price (VND/kg), HPG

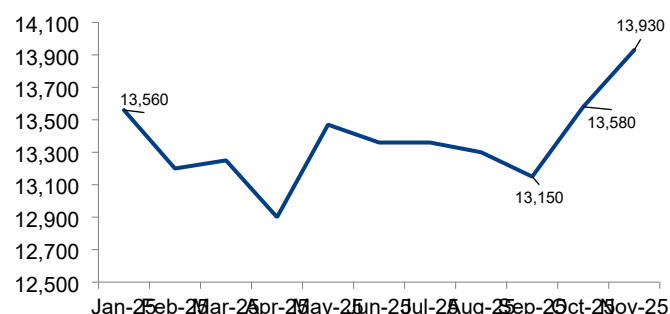
Construction steel price looks quite stable YTD



Source: HPG, HSC Research

Figure 2: YTD HRC price (VND/kg), HPG

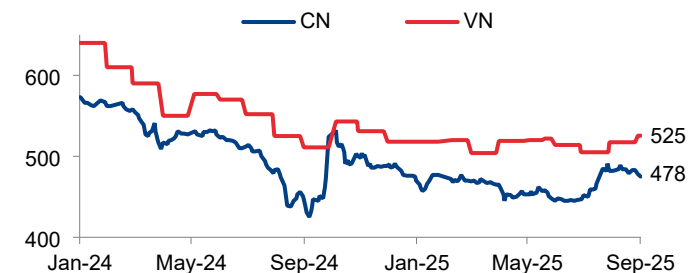
HPG lifted its ASP for HRC to highest level YTD for Nov orders



Source: HPG, HSC Research

Figure 3: HRC prices (USD/ton), Vietnam and China

HPG's HRC for Nov-25 orders are offered at USD525/ton...



Source: Bloomberg, HSC Research

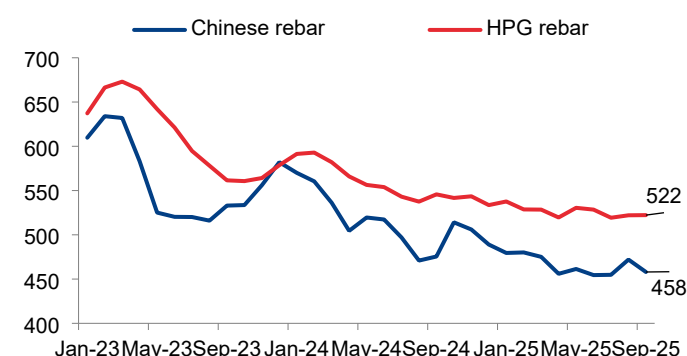
Figure 4: HRC price gap btw. Vietnam and China (USD/ton)

... a premium vs. domestic HRC price in China at USD478/ton



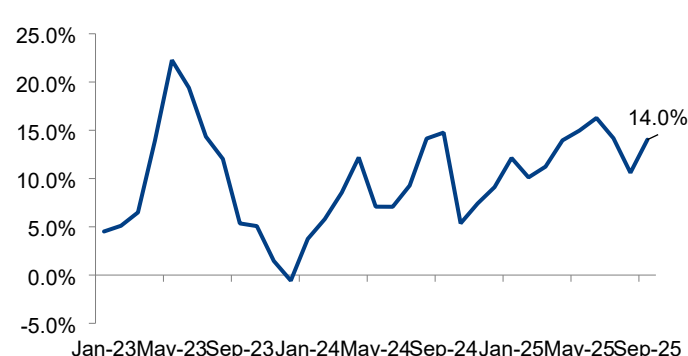
Source: HSC Research

Figure 5: Rebar prices (USD/tonne), China and Vietnam
VN's rebar price is quite stable YTD at around USD522/tonne



Source: Bloomberg, HSC Research

Figure 6: Rebar price gap btw. Vietnam and China
VN's rebar price is 14% premium vs. China domestic price



Source: Bloomberg, HSC Research

Update on DQSC Phase 2

HPG announced that they successfully produced the first batch of pig iron from the 2nd BF of DQSC Phase 2. This milestone marks the completion of construction period for DQSC Phase 2 project. With this milestone, HPG's designed capacity would reach 14.9mn tonnes/annum in 2025 (Figure 7).

With HPG's new HRC capacity of 5.6-6.0mn tonnes/annum thanks to the two BF's of DQSC Phase 2, HRC's contribution to the company's earnings will increase. As a result, the movement of HRC demand and its average selling price will become more critical to HPG's earnings outlook (Figures 8-11).

With the five-year AD protection now also effective since July 2025, we believe the correlation between Vietnamese and Chinese HRC prices will gradually weaken and diverge. At the moment, HPG's HRC price is USD50/tonne or 5% premium vs. Chinese domestic HRC price. This trend is similar to what we observed with construction steel after protective measures were introduced. At this stage, Vietnamese construction steel is at a 14% premium vs. Chinese domestic rebar price.

Figure 7: Capacity breakdown by factory, HPG

Designed capacity for crude steel would reach 16.0mn tonnes per annum in 2026

Tonnes/annum	FY24	FY25F	FY26F	FY27F	FY28F	Note
Hung Yen	400,000	400,000	1,000,000	1,000,000	1,000,000	Expansion with EAF technology
Hai Duong	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	Have plan to increase capacity
DQSC P1	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	For construction steel and HRC
DQSC P2 (*)	0	6,000,000	6,500,000	6,500,000	6,500,000	HRC and high-quality steel
Total crude steel vol.	8,900,000	14,900,000	16,000,000	16,000,000	16,000,000	

Note: we haven't included potential expansion capacity in Phu Yen project
Source: HPG, HSC Research

Figure 8: Revenue breakdown by steel segment, HPG

HRC will lead the HPG growth in coming years...

VNDbn	FY24	FY25	FY26	FY27
HRC	26,400	50,618	84,285	106,113
Const'n steel	63,206	68,440	78,809	91,632
Steel	129,847	162,447	217,027	241,534
HPG revenue	138,855	173,234	229,104	254,976

Source: HSC Research

Figure 9: Growth of key steel segment, HPG

...by adding new HRC capacity in FY25

Growth	FY24	FY25	FY26	FY27
HRC	-6.5%	91.7%	66.5%	25.9%
Construction steel	14.2%	8.3%	15.2%	16.3%
Steel	16.0%	25.1%	33.6%	11.3%
HPG revenue	16.7%	24.8%	32.3%	11.3%

Source: HSC Research

Figure 10: Key steel segment contribution to Steel revenue
HRC will surpass construction in FY26 to be biggest contribution within Steel segment

%	FY24	FY25	FY26	FY27
HRC	20.3%	31.2%	38.8%	43.9%
Construction steel	48.7%	42.1%	36.3%	37.9%

Source: HSC Research

Figure 11: Key steel segment contribution to HPG revenue
Within HPG revenue, HRC will also be the biggest category contribution from FY26 onwards

%	FY24	FY25	FY26	FY27
HRC	19.0%	29.2%	36.8%	41.6%
Construction steel	45.5%	39.5%	34.4%	35.9%

Source: HSC Research

Operational and accounting assumptions

We note that HPG's first blast furnace at DQSC Phase 2 began its trial run in Mar-25. The company reclassified it as a fixed asset in Aug-25, at which point its earnings contribution began to be recognized in the P&L from 3Q25 onwards.

The second blast furnace of DQSC Phase 2 started its trial run in September and is expected to be recognized as a fixed asset later this year. During trial production, any profit generated will be capitalized to reduce the project's capital expenditure, rather than being booked to the P&L.

Therefore, our assumptions project earnings contributions from the first blast furnace starting in August and the second starting in November.

Corporate tax assumptions

We also assume that the tax incentive for DQSC Phase 2 will be fully effective starting in 2026. The tax structure is as follows:

- **0% CIT** for the first 4 years of profit from FY26 to FY29.
- **5% CIT** for the following 9 years (a 50% discount) from FY30 to FY38.
- **10% CIT** for the last two years of the incentive period from FY39-40.

For FY25, we assume that HPG will opt to pay a standard 20% CIT on any profits from this facility. With this assumption, we forecast FY25/26/27 effective CIT would come to 12.0%/8.0%/7.0% vs. 12.2% in FY24.

Figure 12: Corporate income tax, HPG

We assume the FY26/27/28 CIT at 8%/7%/7% vs. 12.2%/12.0% in FY24/25

CIT	FY24	FY25F	FY26F	FY27F	FY28F
Hung Yen	20%	20%	20%	20%	20%
Hai Duong (*)	20%	20%	20%	20%	20%
DQSC P1	5%	5%	5%	5%	5%
DQSC P2 (**)	0%	20%	0%	0%	0%
HPG effective CIT	12.2%	12.0%	8.0%	7.0%	7.0%

Note: (*) Hai Duong Phase 1 – 2024 is the last year of CIT incentive at 10% and 2025 CIT of P3 will be 20% as same to Hai Duong's Phase 2-3
(**) We assume that HPG would choose 2026 is the 1st year to enjoy the CIT incentive for DQSC Phase 2

Source: HPG, HSC Research

2H25 net profit is forecast to surge 68% y/y and 29% h/h

Based on these movements, we now forecast 2H25 earnings will be strong at VND9,797bn, up 68% y/y and 29% h/h, for several reasons:

- 4Q normally is peak season of the year for construction demand.
- New and higher HRC's ASP announced for Oct/Nov orders as mentioned above.
- 1st contribution from DQSC P2 will be booked into HPG's P&L from Aug (for 1st BF) and likely from Nov (for 2nd BF) vs. no contribution in 2Q25.

Figure 13: 2H25 earnings preview, HPG

We now forecast a strong 68% y/y growth and 29% h/h growth in 2H25, driven by new contribution of DQSC P2

VNDbn	1H24	2H24	1H25	2H25	Growth y/y	Growth h/h
Net profit	6,190	5,830	7,601	9,797	68.0%	28.9%

Source: HSC Research

Figure 14: Old and new earnings forecasts, HPG

We lift FY25-27 net profit forecasts by 5% on average, on higher HRC ASP and sales volume assumption

VNDbn	Old forecasts			New forecasts			% revision			Growth y/y		
Item	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Net sales	170,069	212,315	239,396	173,234	229,104	254,976	1.9%	7.9%	6.5%	24.8%	32.3%	11.3%
Net profit	16,977	21,857	30,916	17,398	24,083	31,197	2.5%	10.2%	0.9%	44.7%	38.4%	29.5%

Source: HSC Research

New earnings forecasts

We lift our FY25-27 net profit forecasts by 5% on average, largely on the modest change in HRC's ASP and the 7% upward revision on FY26 HRC sales volume. Our new forecasts suggest a 45% growth in FY25 net profit to VND17.4tn (or 2.5% upward revision). For FY26/27, we now forecast a 38%/30% growth in net profit to VND24.1tn (10% upward revision) and VND31.2tn (1% upward revision) respectively. New forecasts imply a 3Y net profit CAGR of 37.4%.

For the steel segment, our key assumptions are as follows:

Figure 15: Steel sales volume assumption, HPG

HRC will surpass const'n sales vol. from FY26 onwards...

(tonnes)	FY24	FY25F	FY26F	FY27F
Const'n steel	4,482,719	4,977,439	5,619,203	6,343,147
Billet	706,899	1,000,000	1,500,000	300,000
HRC	2,925,137	4,972,733	7,459,099	8,950,919
Steel pipe	706,938	812,979	894,277	983,704
Steel sheet	446,411	424,090	466,499	513,149

Source: HSC Research

Figure 16: Steel sales volume growth assumption, HPG

...and will be the key earnings driver for HPG

%	FY24	FY25F	FY26F	FY27F
Const'n steel	18.3%	11.0%	12.9%	12.9%
Billet	409.8%	41.5%	50.0%	-80.0%
HRC	4.6%	70.0%	50.0%	20.0%
Steel pipe	3.3%	15.0%	10.0%	10.0%
Steel sheet	35.6%	-5.0%	10.0%	10.0%

Source: HSC Research

Figure 17: ASP assumption, HPG

We assume a steady growth in ASPs...

(VNDmn/tonne)	FY24	FY25F	FY26F	FY27F
Construction steel	14.1	13.8	14.0	14.4
HRC	14.9	13.6	13.8	14.2

Source: HSC Research

Figure 18: ASP growth, HPG

...by 2% in FY26 and 3% in FY27

ASP growth	FY24	FY25F	FY26F	FY27F
Construction steel	-3.5%	-2.5%	2.0%	3.0%
HRC	-5.9%	-9.1%	2.0%	3.0%

Source: HSC Research

Figure 19: Margin assumptions, HPG

We assume GPMs to be improved over the time, alongside with the utilization rate improvement

Margins (%)	FY24	FY25F	FY26F	FY27F
GPM	13.3%	15.9%	16.0%	17.3%
SG&A as a % of net sales	2.8%	3.0%	3.0%	3.0%
Pre-tax margin	9.9%	11.4%	11.4%	13.2%
Net margin	8.7%	10.0%	10.5%	12.2%

Source: HSC Research

Figure 20: HRC sales volume and utilization rate, HPG

We assume utilization rate of HRC facilities would reach 83% in FY26 and run at full in FY27-28 period

tonnes	FY24	FY25F	FY26F	FY27F	FY28F
HRC sales volume	2,925,137	4,972,733	7,459,099	8,950,919	9,040,428
Growth y/y	4.6%	70.0%	50.0%	20.0%	1.0%
P1 DQSC (**)	2,925,137	2,500,000	3,000,000	3,000,000	3,000,000
P2 DQSC	0	2,472,733	4,459,099	5,950,919	6,040,428
HPG's HRC capacity (*)	3,000,000	6,062,500	9,000,000	9,000,000	9,000,000
HPG's HRC utilization rate (*)	97.5%	82.0%	82.9%	99.5%	100.4%
P2 DQSC utilization rate (*)	n/a	80.7%	74.3%	99.2%	100.7%

Note: (*) we use the annualized designed capacity base on the actual of production to calculate the utilization rate
 (***) the accident of one BF in DQSC P1 led to the impact on the production/sales volume of HRC from DQSC P1 in 2025
 Source: HSC Research

For the agricultural segment – Established 10 years ago with a capex of around VND3tn, HPG's agriculture business has begun to take a leading position in the segment. Their agriculture business includes animal feed (with a capacity of 600,000 tonnes/annum), pig husbandry (600,000 pigs/annum), cattle husbandry (150,000 cattle/annum) and chicken eggs (330mn eggs/annum).

Its profit contribution improved over time and accounted for more than 12% of HPG's bottom line in 1H25 despite stable contributions of around 5%+ in the top line, thanks to effective cost management.

As Figures 23-24 show, agriculture's net margin expanded sharply over the last several quarters, to 23.8% in 2Q25, supported by a strictly controlled process of operation and favorable market conditions for the pork price. In comparison to peers, such as Dabaco (DBC – HSX; not rated), BaF Vietnam (BAF – HSX; not rated) and Masan Meatlife (MML – Upcom; not rated), HPG delivered superior results for the bottom line and margins (Figures 26-28).

We forecast this year the agricultural segment will contribute VND1,741bn in net profit, (up 69% y/y) and contribute 10% to HPG's consolidated net profit. For the FY26-27 period, we forecast this will decline to a 7%/6% contribution to HPG's bottom line as the steel segment strengthens.

Figure 21: Revenue breakdown by segment, HPG

Agriculture revenue continues grow...

VNDbn	FY24	FY25F	FY26F	FY27F
Steel	129,866	162,447	217,027	241,534
RE	2,082	2,499	3,374	4,305
Agriculture	6,907	8,288	8,703	9,138
HPG revenue	138,855	173,234	229,104	254,976

Source: HSC Research

Figure 22: Revenue contribution by segment, HPG

...but revenue contribution remains stable at below 5%

%	FY24	FY25F	FY26F	FY27F
Steel	93.5%	93.8%	94.7%	94.7%
RE	1.5%	1.4%	1.5%	1.7%
Agriculture	5.0%	4.8%	3.8%	3.6%

Source: HSC Research

Figure 23: Net profit of Agriculture segment, HPG

Its contribution improved strongly in recent years

VNDbn	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F
Agri. net profit	(46)	28	47	152	559	1,677	718	22	181	1,031	1,741
HPG net profit	3,485	6,602	8,007	8,573	7,508	13,450	34,478	8,484	6,835	12,020	17,398
% contribution	-1.3%	0.4%	0.6%	1.8%	7.4%	12.5%	2.1%	0.3%	2.7%	8.6%	10.0%

Source: HPG, HSC Research

Figure 24: Agriculture earnings, HPG

Strong margin expansion led the profit surge in HPG's Agri.

VNDbn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Revenue	1,517	1,542	1,833	2,014	1,987	2,240
Net profit	183	225	281	342	407	532
Net margin	12.0%	14.6%	15.3%	17.0%	20.5%	23.8%

Source: HPG, HSC Research

Figure 25: Agriculture contribution, HPG

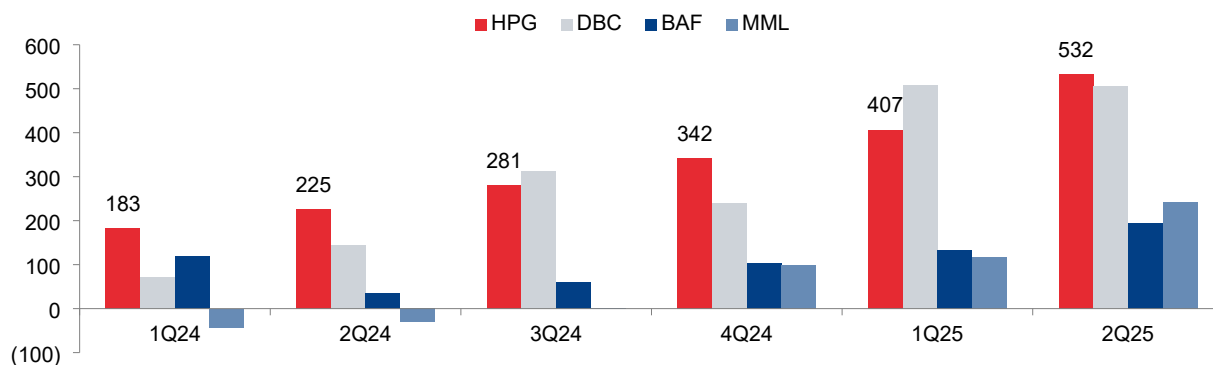
Agriculture contributed more than 12% of HPG's profit in 1H25

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Agri. revenue	4.9%	3.9%	5.4%	5.8%	5.3%	6.2%
Agri. net profit	6.4%	6.8%	9.3%	12.2%	12.1%	12.5%

Source: HPG, HSC Research

Figure 26: Quarterly net profit for Agri. business, Vietnam

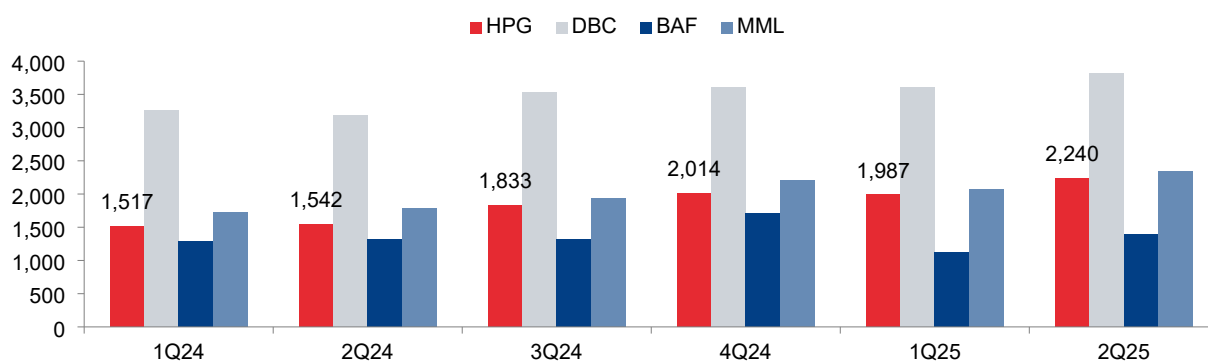
HPG delivered the highest net profit in 2Q25 vs. listed peers despite small scale in the top line



Source: Companies, HSC Research

Figure 27: Quarterly net sales for Agri. business, Vietnam

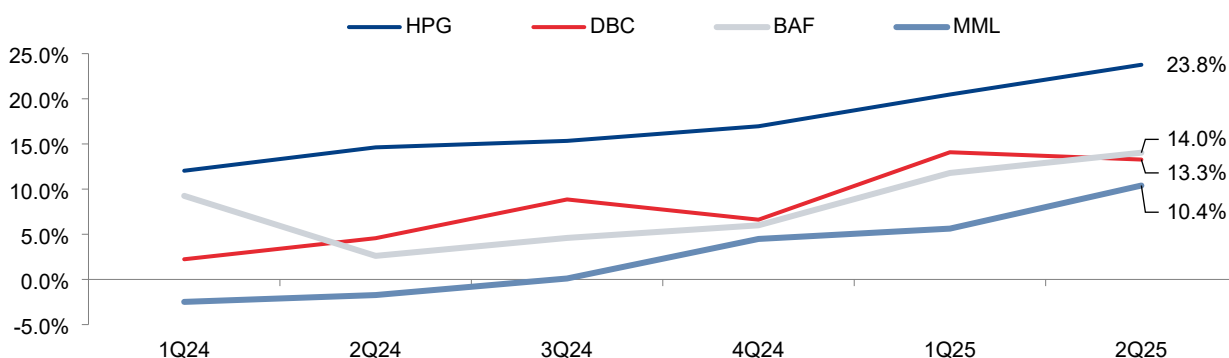
HPG's agri. revenue is modest in comparison to peers



Source: Companies, HSC Research

Figure 28: Net margin for Agri. business, Vietnam

HPG consistently delivered superior net margins vs. peers



Source: Companies, HSC Research

TP up 14% to VND37,900 (upside 32%)

We lift our TP by 14% to VND37,900 (upside 32%) to reflect 5% earnings upward revision and valuation changes (on lower beta updated from the Bloomberg to 1.3x vs. 1.4x previously for the 5Y time horizon).

As a result, we trim our WACC assumption to 12.4% vs. 13.1% previously though we maintain unchanged risk-free rate of 4%, equity risk premium of 8.75% and terminal growth rate of 2%.

Figure 29: COE and COD calculation, HPG

COD is unchanged while COE is cut to 15.4% from 16.3%

CAPM	%
Risk free	4.0%
Equity risk premium	8.8%
Beta	1.3
Cost of equity	15.4%
Cost of debt calculation	
Cost of debt	7.0%
Tax rate	12.3%
Cost of debt after tax	6.1%

Source: HSC Research

Figure 30: WACC calculation, HPG

WACC is cut to 12.4% from 13.1% on lower COE/beta

Capital structure	
Equity/Total capital	68.0%
Debt/Total capital	32.0%
WACC	12.4%

Source: HSC Research

Figure 31: FCFF calculation, HPG

We forecast a strong cash flow growth from FY26 onwards once DQSC P2 is done for investment

VNDbn	FY24	FY25F	FY26F	FY27F	FY28F
Net income	12,020	17,398	24,083	31,197	34,555
+ Interest expense * (1 - Tax rate)	2,008	2,789	4,036	3,632	3,452
+ Depreciation and amortization	5,804	8,519	10,646	11,594	11,712
- Changes in working capital	(9,840)	(10,974)	(15,105)	(12,952)	(9,932)
- Capex	(38,885)	(11,250)	(4,381)	(10,636)	(2,236)
Free cash flow to the firm (FCFF)	(28,894)	6,482	19,279	22,835	37,550

Source: HSC Research

Figure 32: DCF valuation, HPG

Our new TP is at VND37,900 (upside 32%)

Year	FY25F	FY26F	FY27F	FY28F
FCFF	6,482	19,279	22,835	37,550
Terminal growth rate (g) (%)	0	0	0	2%
Terminal value	0	0	0	367,684
Future cash flow	6,482	19,279	22,835	405,234
Present value	6,482	19,279	20,313	320,659
Value of the firm		360,251		
- Total debts		(91,758)		
+ Cash & Cash equivalent and short-term investment		39,623		
Value of owners' equity		308,116		
Current outstanding shares (mn share)		7,675		
Fair value per share (VND/share) as of end-FY26		40,143		
Target price as mid-FY26		37,861		

Source: HSC Research

Valuation context

Up 34% over the past 3M and outperforming the VN Index by 4%, HPG now trades on a 1-yr rolling fwd. P/E of 10.7x, still cheap vs. its 3Y avg. of 13.0x. We maintain Buy on HPG, believing the company is positioned to achieve strong growth in the coming year due to a favorable business environment, including an aggressive public investment plan, a recovery in the real estate industry, and protective policies. Our new TP at VND37,900 suggests a 32% upside.

Figure 33: 1-yr rolling fwd. P/E, HPG

HPG trades on 10.7x vs. its 3Y avg. of 13.0x

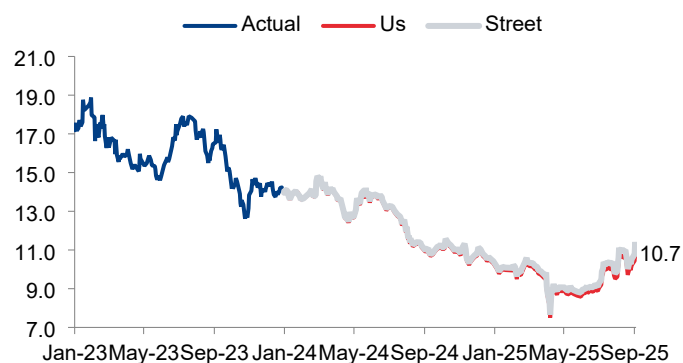


Figure 34: Standard deviation from mean, HPG

and 0.8 std below its mean



Financial statements and key data

Income statements (VNDbn)						Cash flow statements (VNDbn)					
	12-23A	12-24A	12-25F	12-26F	12-27F		12-23A	12-24A	12-25F	12-26F	12-27F
Sales	118,953	138,855	173,234	229,104	254,976	EBIT	9,669	14,615	22,458	29,983	36,495
Gross profit	12,938	18,498	27,569	36,742	44,017	Depreciation & amortisation	(6,762)	(6,973)	(8,549)	(10,679)	(11,630)
SG&A	(3,269)	(3,883)	(5,110)	(6,759)	(7,522)	Net interest	(2,018)	(1,348)	(2,722)	(3,851)	(3,000)
Other income	-	-	-	-	-	Tax paid	(560)	(937)	(2,373)	(2,094)	(2,348)
Other expenses	-	-	-	-	-	Changes in working capital	(6,218)	(13,845)	(22,354)	(37,767)	(22,680)
EBIT	9,669	14,615	22,458	29,983	36,495	Others	(4,595)	(2,067)	(3,731)	(4,939)	(4,452)
Net interest	(2,018)	(1,348)	(2,722)	(3,851)	(3,000)	Cash flow from operations	8,643	7,027	5,719	249	22,551
Associates/affiliates	0	0	0	0	0	Capex	(17,374)	(35,479)	(11,250)	(4,381)	(10,636)
Other non-operational	-	-	-	-	-	Acquisitions & investments	(37,581)	(27,817)	1,615	(5,643)	(7,713)
Exceptional items	142	426	34.6	45.8	51.0	Disposals	42,960	33,152	519	675	597
Pre-tax profit	7,793	13,693	19,771	26,178	33,546	Others	0	0	0	0	0
Taxation	(992)	(1,673)	(2,373)	(2,094)	(2,348)	Cash flow from investing	(11,995)	(30,143)	(9,116)	(9,348)	(17,751)
Minority interests	34.7	(0.42)	(0.61)	(0.84)	(1.09)	Dividends	(8.01)	(4.97)	0	(7,675)	(7,675)
Exceptional items after tax	-	-	-	-	-	Issue of shares	(1.64)	233	0	0	0
Net profit	6,835	12,020	17,398	24,083	31,197	Change in debt	7,285	17,524	23,306	6,691	3,047
						Other financing cash flow	0	0	0	0	0
Net profit adj'd	6,493	11,419	16,528	22,879	29,637	Cash flow from financing	7,276	17,752	23,306	(984)	(4,628)
EBITDA adj.	16,431	21,588	31,007	40,662	48,126						
						Cash, beginning of period	8,325	12,252	6,888	26,796	16,712
EPS (VND)	1,175	1,879	2,267	3,138	4,064	Change in cash	3,924	(5,365)	19,908	(10,084)	171
EPS adj. (VND)	846	1,488	2,153	2,981	3,861	Exchange rate effects	3.86	0.49	0	0	0
DPS (VND)	0	0	1,000	1,000	1,000	Cash, end of period	12,252	6,888	26,796	16,712	16,883
Basic shares, average (mn)	5,815	6,396	7,675	7,675	7,675						
Basic shares, period end (mn)	5,815	6,396	7,675	7,675	7,675	Free cash flow	(8,731)	(28,452)	(5,531)	(4,132)	11,915
Fully diluted shares, period end (mn)	5,815	6,396	7,675	7,675	7,675						
Balance sheets (VNDbn)						Financial ratios and other					
	12-23A	12-24A	12-25F	12-26F	12-27F		12-23A	12-24A	12-25F	12-26F	12-27F
Cash	12,252	6,888	26,796	16,712	16,883	Operating ratios					
Short-term investments	22,177	18,975	17,323	22,910	30,597	Gross margin (%)	10.9	13.3	15.9	16.0	17.3
Accounts receivable	10,702	7,622	15,591	22,910	28,047	EBITDA adj. margin (%)	13.8	15.5	17.9	17.7	18.9
Inventory	34,504	46,521	51,970	66,440	73,943	Net profit margin (%)	5.75	8.66	10.0	10.5	12.2
Other current assets	3,081	7,073	8,662	11,455	15,299	Effective tax rate (%)	12.7	12.2	12.0	8.00	7.00
Total current assets	82,716	87,079	120,342	140,428	164,769	Sales growth (%)	(15.9)	16.7	24.8	32.3	11.3
						EBITDA adj. growth (%)	(17.4)	31.4	43.6	31.1	18.4
PP&E	97,886	130,994	133,707	127,421	126,441	Net profit adj. growth (%)	(19.4)	75.9	44.7	38.4	29.5
Intangible assets	211	184	203	223	245	EPS growth (%)	(19.4)	59.9	20.6	38.4	29.5
Investment properties	594	560	530	496	460	EPS adj. growth (%)	(19.4)	75.9	44.7	38.4	29.5
Long-term investments	40.0	137	0	0	0	DPS growth (%)	nm	nm	nm	0	0
Associates/JVs	0	0	0	0	0	Dividend payout ratio (%)	0	0	44.1	31.9	24.6
Other long-term assets	6,335	5,537	6,612	8,721	9,695						
Total long-term assets	105,066	137,411	141,051	136,862	136,841	Efficiency ratios					
Total assets	187,783	224,490	261,393	277,290	301,610	Return on avg. equity (%)	6.88	11.1	14.2	17.4	19.9
						Return on avg. CE (%)	8.62	11.0	13.8	17.0	19.8
Short-term debt	54,982	55,883	60,632	68,731	71,393	Asset turnover (x)	0.66	0.67	0.71	0.85	0.88
Accounts payable	12,387	14,110	17,323	25,201	28,047	Operating cash/EBIT (x)	0.89	0.48	0.25	0.01	0.62
Other current liabilities	2,457	3,029	3,234	3,835	4,059	Inventory days	119	141	130	126	128
Total current liabilities	71,513	75,503	84,286	101,863	108,057	Accounts receivable days	36.8	23.1	39.1	43.5	48.5
						Accounts payable days	42.6	42.8	43.4	47.8	48.5
Long-term debt	10,399	27,080	39,912	23,026	19,189	Leverage ratios					
Deferred tax	30.0	29.3	0	0	0	Net debt*/equity (%)	52.4	67.2	57.1	52.2	44.7
Other long-term liabilities	2,948	7,162	6,019	6,021	6,022	Debt/capital (%)	35.2	37.3	38.8	33.5	30.5
Long-term liabilities	13,378	34,271	45,932	29,047	25,211	Interest coverage (x)	4.79	10.8	8.25	7.79	12.2
Total liabilities	84,946	109,842	130,217	130,910	133,268	Debt/EBITDA (x)	4.02	3.88	3.27	2.29	1.91
						Current ratio (x)	1.16	1.15	1.43	1.38	1.52
Shareholders' funds	102,771	114,355	130,883	146,086	168,047	Valuation					
Minority interests	65.8	293	293	294	295	EV/sales (x)	1.67	1.74	1.60	1.19	1.04
Total equity	102,836	114,647	131,176	146,380	168,343	EV/EBITDA adj. (x)	12.1	11.2	8.96	6.73	5.49
Total liabilities and equity	187,783	224,490	261,393	277,290	301,610	P/E (x)	24.5	15.3	12.7	9.18	7.09
						P/E adj. (x)	34.0	19.4	13.4	9.66	7.46
BVPS (VND)	17,674	17,878	17,052	19,033	21,894	P/B (x)	1.63	1.61	1.69	1.51	1.32
Net debt/(cash)*	53,129	76,075	73,748	75,045	73,699	Dividend yield (%)	0	0	3.47	3.47	3.47

Note: *Excluding short-term investments.
Source: Company, HSC Research estimates

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Buy: Expected to rise by more than 20% on an absolute basis in the next 12 months
 Add: Expected to rise by between 5% and 20% on an absolute basis in the next 12 months
 Hold: Expected to rise or decline by less than 5% on an absolute basis in the next 12 months
 Reduce: Expected to decline by between 5% and 20% on an absolute basis in the next 12 months
 Sell: Expected to decline by more than 20% on an absolute basis in the next 12 months



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