Vietcap

Update

Hoa Phat Group (HPG)

BUY +38.0%

Industry	**Steel**
Report Date	**November 10, 2025**
Current Price	VND26,450
Target Price	**VND35,700**
Last Target Price	VND35,300
Upside to TP	+35.0%
Dividend Yield	3.0%
TSR	**+38.0%**

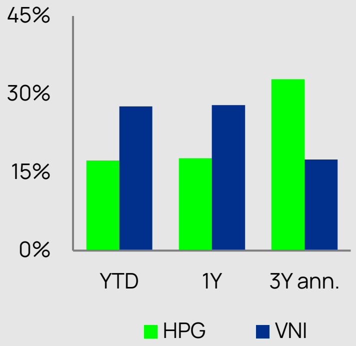
Market Cap	USD7.8bn
Foreign Room	USD2.1bn
30D ADTV	USD54.8mn
State Ownership	0.0%
Outstanding Shares	7.7 bn
Fully Diluted O/S	7.7 bn

	HPG	VNI
P/E (ttm)	13.9x	14.8x
P/B (cur.)	1.6x	1.8x
ROE	12.0%	12.8%
ROA	6.1%	2.0%

Company overview

HPG is Vietnam's largest private steel producer. Its main products include construction steel (capacity of 5.8mn tonnes/year), HRC (8.4mn tonnes/year from DQSC1 and DQSC2), galvanized steel sheets (400k tonnes/year), and steel pipes (1mn tonnes/year).

Share price performance



Huy Hoang
Analyst
huy.hoang@vietcap.com.vn
+8428 3914 3588 ext.526

Vy Nguyen
Senior Manager
vy.nguyen@vietcap.com.vn
+8428 3914 3588 ext.147

	2024	2025F	2026F	2027F
Revenue (VND bn)	138,855	151,338	186,166	212,044
Revenue % YoY	17%	9%	23%	14%
NPAT-MI (VND bn)	12,020	16,003	21,714	26,857
NPAT-MI % YoY	76%	33%	36%	24%
EPS % YoY	76%	33%	36%	24%
GPM	13.3%	16.7%	17.6%	18.6%
EBITDA margin	15.5%	20.5%	21.6%	22.3%
OPM	10.5%	13.6%	14.7%	15.8%
NPM	8.7%	10.6%	11.7%	12.7%
FCF/Sales	-18.3%	7.1%	4.4%	8.8%
EV/EBITDA	12.3x	8.6x	6.6x	5.6x
P/E	17.5x	13.1x	9.7x	7.8x
P/B	1.8x	1.6x	1.4x	1.2x
ROE	11.1%	13.1%	15.8%	17.4%

Local, global tailwinds support solid outlook

- We reiterate our BUY rating for HPG and keep our target price (TP) broadly unchanged at VND35,700/share. Our TP revision reflects 2-3% p.a. cuts to our 2026–30F NPAT-MI forecasts, driven mainly by corresponding 2–3% p.a. cuts in steel NPAT-MI, which are offset by rolling our TP to end-2026. The cuts to steel NPAT-MI mainly stem from our trim to construction steel revenue, following weaker-than-expected 9M results. HRC forecasts are largely unchanged.
- We trim our 2025F NPAT-MI forecast by 4%, driven by 3%/21% cuts to steel/agriculture earnings, partly offset by a 28% raise to real estate NPAT-MI. The lower steel NPAT-MI forecast is due to a 5% cut to construction steel revenue (from weaker volume), offset by a 3% rise for HRC revenue (from higher ASP). We also lower 2025F NPAT-MI margin by ~20 bps, mainly driven by similar cuts to steel margin as the Q3 result slightly trailed our expectation.
- At the current market price, HPG is trading at a 2026F P/E of 9.6x, highly attractive vs strong 2026F earnings growth of 36% YoY and a 2025-28F CAGR of 25%. Our TP puts the 2026F P/E at 13.1x, aligning with 0.75 standard deviation (1SD) above HPG's 10Y average P/E, which we think is justified given strong 2025/26/27/28F NPAT-MI growth of 33%/36%/24%/16%, respectively.
- **Upside potential:** Stronger-than-expected steel price recovery; AD tariff on wide-width HRC.
- **Downside risk:** Competition from wide-width Chinese HRC, weather disruptions that weigh on construction activities and ultimately, construction steel sales volume and ASP, in Vietnam.

We reiterate our positive view on HPG's short- and medium-term growth outlooks, given domestic and external tailwinds. Domestic tailwinds for construction steel include the real estate market's recovery and record-high infrastructure investment spending. For HRC, growth drivers include DQSC2 expansion and AD tariff on imported HRC. External tailwinds include (1) gradual steel price recovery in China due to its anti-involution policy to curb excess supply and (2) higher iron ore supply during 2026-27F as the Simandou project comes online in November 2025. Regarding (1), in the near term, we expect a gradual and bumpy recovery as supply cuts take time to materialize while real estate demand stays weak, but momentum should strengthen over the medium to long term. We expect the new upcycle in Chinese steel prices to lift Vietnam's domestic prices, supporting margin and earnings expansion for steelmakers like HPG.

Investigation into AD20 evasion of wide-width Chinese HRC was launched in late October: We view this as positive progress. If new tariffs are imposed, HPG would benefit in both HRC sales volume and ASP due to reduced competitive pressure from cheap imports. Currently, we have not factored this into our model, awaiting the final decision from the authorities.

IPO of Hoa Phat Agriculture (ticker: HPA) expected in December 2025: HPA has a charter capital of VND2.55tn (USD98.1mn) and is ~95% owned by HPG. The offering size is 30mn shares. HPA operates in four segments: (1) feed production (~30% of 2024 revenue), (2) pig farming (~40%), (3) cow farming (~20%), and (4) poultry and egg (~10%). HPA runs on a 2F (Feed-Farm) vertical agribusiness model, producing feed for its farms and selling the surplus externally.

Vietcap

2025 Outlook: Q4 to post strong earnings growth

Figure 1: Vietcap's 2025 forecasts for HPG

VND bn	2024	2025F old	2025F revised	2025F revised vs 2024	2025F revised vs old	Vietcap's comments
Net revenue	**138,855**	**153,688**	**151,338**	**9%**	**-2%**	
- Steel	129,866	144,154	141,875	9%	-2%	
Construction steel	65,235	73,520	69,698	7%	-5%	* We cut our 2025F volume growth forecast to +9% YoY (from +15%) on a weaker-than-expected Q3 result, and our observation of unusually frequent storms/floods/rains across Vietnam in October – which could weigh on sales volume in early Q4. That said, we remain positive on overall Q4 sales volume growth, driven by year-end high construction demand, and strong public investment (as the 9M result only achieved ~50% of full-year target), hence still forecast Q4 volume to increase 17% QoQ and 28% YoY. We maintain our ASP growth forecast.
HRC	38,758	49,400	50,944	31%	3%	* We maintain our sales volume growth forecast of 72% YoY. Phase 2 came online in September 2025 as expected. We assume the new mill will run at 60% utilization in Q4 2025. * We raise full-year average HRC ASP growth forecast to -1% (from -4%), reflecting HPG's announced price hikes in Q3, which will be captured in Q4 results due to forward shipments (**Figure 10**). This impact will be further amplified by significant volume increase in Q4 (1st full-quarter contribution of DQSC2 Phase 2), supporting an overall HRC ASP increase for the year.
Other steel products	25,872	21,234	21,234	-18%	0%	
- Real estate	2,082	728	1,145	-45%	57%	* Higher/lower vs prior forecasts due to higher/lower-than-expected 9M 2025 results, respectively.
- Agriculture	6,907	8,806	8,318	20%	-6%	
Gross profit	**18,498**	**26,372**	**25,267**	**37%**	**-4%**	
SG&A expenses	-3,883	-4,675	-4,677	20%	0%	
EBIT	**14,615**	**21,697**	**20,590**	**41%**	**-5%**	
Financial income	2,619	2,060	2,294	-12%	11%	* Higher forecast due to a better-than-expected Q3 result, mainly from interest income as HPG increased its allocation to 6-month deposits, and interest rates for this tenor rose.
Financial expenses	-3,967	-4,256	-4,182	5%	-2%	
Others	426	100	125	-71%	25%	* Higher forecast due to a better-than-expected Q3 result.
PBT	13,694	19,600	18,827	37%	-4%	
NPAT	12,020	16,660	16,003	33%	-4%	
NPAT-MI	**12,020**	**16,660**	**16,003**	**33%**	**-4%**	* Our forecast implies Q4 growth of 11% QoQ and 57% YoY.
- Steel	10,140	13,953	13,494	33%	-3%	
- Real estate	849	778	992	17%	28%	
- Agriculture	1,031	1,930	1,517	47%	-21%	
Core NPAT-MI*	**11,698**	**16,660**	**16,003**	**37%**	**-4%**	
Gross margin	13.3%	17.2%	16.7%			* We trim our forecast as Q3 GPM slightly trailed our expectations. * We expect Q4 GPM to expand QoQ and YoY. The YoY increase is driven by input prices dropping faster than output prices (**Figure 15**). The QoQ expansion is driven by (1) weaker iron ore input prices as new supply from the Simandou project will come online in November (details on **page 12**), (2) construction steel price to improve QoQ from seasonally higher demand, and (3) high HRC prices announced in Q3 are to be realized in Q4.
SG&A exp./Sales	2.8%	3.0%	3.1%			* Higher vs our prior forecast due to a slightly higher-than-expected 9M result.
EBIT margin	10.5%	14.1%	13.6%			
NPAT-MI margin	**8.7%**	**10.8%**	**10.6%**			* We trim the margin forecasts across three segments, due to a slightly weaker-than-expected Q3 result.
- Steel	7.8%	9.7%	9.5%			
- Real estate	40.8%	106.8%	86.6%			
- Agriculture	14.9%	21.9%	18.2%			
Core NPAT-MI margin	**8.4%**	**10.8%**	**10.6%**			
- Steel*	7.6%	9.7%	9.5%			
- Real estate	40.8%	106.8%	86.6%			
- Agriculture	14.9%	21.9%	18.2%			

Source: HPG's financial statements, Vietcap. *Note: Exclude Q1 2024 gain from divestment of steel-related assets of VND365bn (USD14.3mn) – recorded under "other income."

2026 Outlook: Earnings to post 30%+ growth, driven by both steel volume and margin expansion

Figure 2: Vietcap's 2026 forecasts for HPG

VND bn	2025F revised	2026F old	2026F revised	2026F revised YoY	2026F revised vs old	Vietcap's comments
Net revenue	**151,338**	**187,199**	**186,166**	**23%**	**-1%**	
- Steel	141,875	177,334	176,689	25%	0%	
Construction steel	69,698	82,901	80,022	15%	-3%	* We raise our volume growth forecast to 12% (from 10%) due to a lower 2025F base (a year characterized by unsually frequent weather disruptions). We maintain our ASP growth forecast of 2.5%.
HRC	50,944	71,529	73,764	45%	3%	* Strong YoY, driven by DQSC2 phase 1 ramp up to 80% utilization (vs 60% in 2025F), full-year contribution of DQSC2 phase 2 (at a 60% utilization rate), and higher ASP, benefiting from higher steel prices in China.
Other steel products	21,234	22,903	22,903	8%	0%	* We maintain a single-digit volume, ASP growth forecast.
- Real estate	1,145	801	1,202	5%	50%	
- Agriculture	8,318	9,064	8,275	-1%	-9%	
Gross profit	**25,267**	**33,651**	**32,817**	**30%**	**-2%**	
SG&A expenses	-4,677	-5,297	-5,511	18%	4%	
EBIT	**20,590**	**28,354**	**27,305**	**33%**	**-4%**	
Financial income	2,294	2,099	2,344	2%	12%	* Higher 2026F forecast as we raised our 2025F forecast.
Financial expenses	-4,182	-4,380	-4,228	1%	-3%	
Others	125	100	125	0%	25%	
PBT	18,827	26,173	25,546	36%	-2%	
NPAT	16,003	22,247	21,714	36%	-2%	
NPAT-MI	**16,003**	**22,247**	**21,714**	**36%**	**-2%**	
- Steel	13,494	20,122	20,051	49%	0%	
- Real estate	992	339	412	-58%	21%	* Higher 2026F forecast as we raised our 2025F forecast.
- Agriculture	1,517	1,786	1,251	-18%	-30%	* Lower 2026F forecast as we trim our 2025F forecast.
Gross margin	16.7%	18.0%	17.6%			
SG&A exp./Sales	3.1%	2.8%	3.0%			* Higher 2026F forecast as we raised our 2025F forecast.
EBIT margin	13.6%	15.1%	14.7%			
NPAT-MI margin	**10.6%**	**11.9%**	**11.7%**			
- Steel	9.5%	11.3%	11.3%			* We expect steel margins to expand YoY, supported by: (1) higher steel prices from China's supply cuts (details in our Sector Flash: China's "Anti-Involution" Policy to Lead Sector-Wide Recovery published on 12 August, 2025), and (2) favorable iron ore prices due to rising supply from Australia, Brazil, and Africa. * Per the DISR*, Australia and Brazil – the world's two largest iron ore producers – will expand their 2026-27F iron ore exports volume, by ~1.3% p.a. in total. * In Africa, the Simandou iron ore mine will start operations in November 2025. Simandou mine is currently one of the world's largest untapped iron ore deposits, with over 2.0bn tonnes of high-grade ~65% Fe reserves. According to Bloomberg, output is projected at 60mn tonnes in 2026F, ramping up to full utilization of 120mn tonnes from 2027F onwards. At full annual capacity of 120mn tonnes, Simandou would supply about 10% of China's annual seaborne imports (≈7.5% of global seaborne trade), which is significant.
- Real estate	86.6%	42.4%	34.3%			* Assume normalization from 2025F's high base.
- Agriculture	18.2%	19.7%	15.1%			* Assume normalization from 2025F's high base.

Source: Vietcap. *DISR: Department of Industry, Science and Resources of Australia.

Figure 3: HPG's steel sales volume summary and Vietcap's forecasts for 2025

HPG's sales volume ('000 tonnes)	Q3 2024	Q2 2025	Q3 2025	Q3 2025 QoQ	Q3 2025 YoY	9M 2024	9M 2025	9M 2025 YoY	Vietcap's 2025F revised	9M 2025 / 2025F revised
Construction steel	1,096	1,277	1,063	-17%	-3%	3,323	3,531	6%	4,890	72%
HRC	739	1,174	1,266	8%	71%	2,268	3,434	51%	5,040	68%
Steel pipes	185	217	225	4%	22%	504	628	25%	780	80%
Galvanized steel sheets	123	111	120	9%	-2%	345	320	-7%	380	84%

Source: VSA, Vietcap

HPG's steel capacity update

DQSC2 HRC:

Phase 1 came online in March 2025 and Phase 2 came online in September 2025.

DQSC2 – High-quality wire rod expansion (DQSC2-HQWR):

On August 7, HPG received approval to raise its DQSC2 investment by VND3.4tn (USD133.3mn) to VND88.4tn (USD3.47bn) from VND85tn (USD3.33bn). The revised capital structure comprises VND40.8tn (USD1.6bn) in equity and VND47.6tn (USD1.87bn) in debt, vs the original VND40tn (USD1.57bn) equity and VND45tn (USD1.76bn) debt.

We estimate VND2.8tn (USD109.8mn) of the additional capital will go to fixed capex and VND600bn (USD23.5mn) to working capital, based on the original capex/working capital split of VND70tn (USD2.75bn) and VND15tn (USD588.2mn) of DQSC2.

The approved investment increase will add 500,000 tonnes of annual capacity, raising the total designed output of DQSC2 to 6.1mn tonnes per year. This includes 5.6mn tonnes of HRC — unchanged from the original plan — and 500,000 tonnes of high-quality wire rod steel, which is expected to come online in Q2 2028. Wire rod is a type of construction steel.

Per our research, as this is high-quality wire rod, we expect its ASP, as well as margins, to be higher vs the traditional construction steel that HPG currently produces.

Railway & specialized structural steel factory:

A slight change in timeline, minimal impact on valuation: HPG initially scheduled the project's groundbreaking for August 19, 2025. However, in October 2025, management communicated a delay to early 2026. We have updated our model accordingly and now expect the mill to begin operations around mid-Q3 2027, assuming a 20-month construction period (vs Q2 2027 previously). This revision has a negligible impact on our HPG's valuation, as the project's earnings contribution remains modest (**Figure 6**) and the timeline adjustment is relatively minor.

Project overview and Vietcap's earnings estimates:

Per HPG, the plant will have annual capacity of 700,000 tonnes of railway and specialized structural steel (further capacity breakdown has yet to be disclosed) and planned capital of VND14tn (USD549.0mn). Meanwhile, the approved investment plan by the local authorities is VND10tn (USD392.2mn). We therefore assume VND10tn (USD392.2mn) will be allocated to capex, while the remaining VND4tn (USD156.9mn) will be used to fund working capital.

As the project's products are dedicated to national infrastructure, we expect utilization rates to be high but offset by lower margins—a view supported by our preliminary calculations based on publicly available data. Per the investment plan, the project will generate annual revenue of ~VND11.4tn (USD448mn) and contribute ~VND150bn (USD5.9mn) annually to the State budget. As a high-end steel plant, it will benefit from a preferential CIT rate of 17% for the first 10 years (per the 2025 CIT Law) before reverting to the standard 20% rate for the remaining 40 years of its 50-year operating period, resulting in a weighted average tax rate of 19.4%. Based on the projected tax contribution, we estimate annual EBT at VND773bn (USD30.3mn), implying an EBT margin of nearly 7%. Based on historical data, we estimate this translates into a GPM of ~10%, lower vs other steel segments (HPG's 2024 GPM was 13.3%, despite weak steel prices).

Figure 4: HPG's current and upcoming steel capacity

Designed capacity per year (mn tonnes)	Construction steel	Steel pipes	HRC	Specialized steel	Galvanized steel sheets	Capex plan	Status
Existing capacity (excluding DQSC)	2.8	1.0			0.4		Commercially running
DQSC 1 - Phase 1	3.0					VND50tn (USD2.0bn)	Operating since December 2019
DQSC 1 - Phase 2			2.8				Operating since November 2020
DQSC 2 – HRC phase 1			2.8			VND70tn (USD2.8bn), both phases	Operating since March 2025
DQSC2 – HRC phase 2			2.8				Operating from September 2025
DQSC2 – HQWR Expansion	0.5 (high-quality wire rod)					VND2.8tn* (USD110mn)	To operate from Q2 2028
Railway & specialized structural steel factory				0.7 (incl. railway & structural steel)		VND10tn (USD392mn) **	To operate from Q3 2027

Source: HPG, Local media, Vietcap. *Vietcap's estimates, based on the total planned capital for the DQSC2 expansion of VND3.4tn (USD133.3mn), and the original DQSC2 capital breakdown of VND70tn (USD2.75bn) for capex and VND15tn (USD588.2mn) for working capital. **Per HPG, the total allocated capital for the railway factory is VND14tn (USD549mn), while the investment plan approved by the local authorities is VND10tn (USD392.2mn). We therefore assume VND10tn (USD392.2mn) will be allocated to capex, with the remaining VND4tn (USD156.9mn) for working capital.

Figure 5: HPG's guidance on DQSC2 HRC utilization rates and Vietcap's forecasts

	2025F	2026F	2027F	2028F	2029F	2030F
Annual HRC capacity ('000 tonnes)						
DQSC1	2,800	2,800	2,800	2,800	2,800	2,800
DQSC2 – Phase 1	2,800	2,800	2,800	2,800	2,800	2,800
DQSC2 – Phase 2	933*	2,800	2,800	2,800	2,800	2,800
HPG's guidance on DQSC2 utilization rates						
DQSC2 – Phase 1	50-60%	80%	100%	100%	100%	100%
DQSC2 – Phase 2		50-60%	80%	100%	100%	100%
Vietcap's forecasts for HRC utilization rates						
DQSC1	100%	100%	100%	100%	100%	100%
DQSC2 – Phase 1	60%	80%	100%	100%	100%	100%
DQSC2 – Phase 2	60%	60%	80%	100%	100%	100%
Blended	78%	80%	93%	100%	100%	100%
Vietcap's forecasts for HRC sales volume ('000 tonnes)						
DQSC1	2,800	2,800	2,800	2,800	2,800	2,800
DQSC2 – Phase 1	1,680	2,240	2,800	2,800	2,800	2,800
DQSC2 – Phase 2	560	1,680	2,240	2,800	2,800	2,800
Total	**5,040**	**6,720**	**7,840**	**8,400**	**8,400**	**8,400**
YoY growth	72%	33%	17%	7%	0%	0%

Source: HPG, Vietcap. *As this went online in September 2025.

Figure 6: Vietcap's assumptions for contributions from HPG's new steel capacity

	2026F	2027F	2028F	2029F	2030F	Comments
DQSC2-HQWR Expansion						
Capacity ('000 tonnes)			375*	500	500	
Utilization rate			50%	60%	70%	
Sales volume ('000 tonnes)			187.5	300	350	
ASP (VNDmn/tonne)			16.5	16.6	16.8	Assume a 10% premium vs normal construction steel.
Revenue (VNDbn)			3,091	4,995	5,886	
GPM			20.7%	20.7%	20.7%	Assume ~2% higher vs construction steel GPM.
Railway & specialized steel factory						
Capacity ('000 tonnes)		292**	700	700	700	
Utilization rate		70%	85%	100%	100%	Assume high utilization as output is sold to national projects.
Sales volume ('000 tonnes)		204	595	700	700	
ASP (VNDmn/tonne)		16.3	16.3	16.3	16.3	Vietcap's estimate, based on annual revenue and capacity.
Revenue (VNDbn)		3,325	9,690	11,400	11,400	
GPM		10%	10%	10%	10%	
Contribution as % of total						
Steel sales volume						
- DQSC2 expansion			1%	2%	2%	
- Railway factory		1%	4%	4%	4%	
Revenue						
- DQSC2 expansion			1%	2%	2%	
- Railway factory		2%	4%	5%	5%	
NPAT						
- DQSC2 expansion			1%	2%	3%	
- Railway factory		1%	1%	2%	2%	

Source: HPG, Local media, Vietcap. *To go online in Q2 2028. **To go online in Q3 2027. Grey-shaded cells are when the projects have not made earnings contributions.

Official launch of the investigation into AD tariff evasion of wide-width Chinese HRC; positive development for HPG

On October 27, 2025, the Ministry of Industry and Trade (MoIT) issued Decision 3176/QD-BCT, officially launching an investigation into the evasion of AD tariffs on HRC with widths greater than 1,880 mm and less than 2,300 mm originating from China (i.e., wide-width HRC).

The period of investigation is no more than nine months from the date of the investigation launch.

Our comments:

Currently, imported HRC from China is subject to AD duties of 19.38%–27.83%, known as AD20. However, AD20 only applies to narrow-width HRC (widths below 1,880 mm). Importers have taken advantage of this by bringing in wide-width HRC (above 1,880 mm), which is not covered by AD20, then cutting it down to narrower widths for use in Vietnam. As a result, imports of wide-width HRC from China surged after the AD20 decision was issued in March 2025.

Due to this situation, HPG and Formosa could argue that there is an act of AD duty evasion. They have submitted a petition to the MoIT requesting an investigation into this matter and the imposition of duties to prevent further evasion. The authorities confirmed the documents submitted by the two producers as valid and complete in September 2025 and decided to launch an investigation into the matter on October 27.

If tariffs are extended to cover wide-width HRC, HPG and Formosa would benefit in both production volume and selling prices due to reduced competitive pressure from cheap imports. Conversely, coated steel companies would likely face a mild negative impact since HRC is their key input material.

As of now, we have not factored the potential upside from the imposition of an additional AD tariff on wide-width Chinese HRC, awaiting an official decision of whether to impose the tariff from the authorities.

Initial thoughts on potential impact of VinMetal on HPG

Overview of VinMetal:

- VinMetal has an initial charter capital of VND10tn (USD384.6mn).
- Annual capacity: 5mn tonnes at phase 1.
- The VND10tn capital seems small compared to the scale of the project (DQSC2 has annual capacity of 5.6mn tonnes with capex of VND70tn/USD2.8bn). Therefore, we think VinMetal might need to raise more capital to reach the desired capacity (either via building its own plant, and/or M&A/purchasing existing mills).
- Product mix: Construction steel, HRC, high-quality and specialized steel, railway and structural steel. The detailed product mix for the plant has not been announced yet.
- Current goal: Support in-house demand from major Vingroup businesses (Vinhomes, VinFast, etc.), and upcoming infrastructure, energy, and transport projects (e.g. high-speed rail lines) that Vingroup is or plans to be involved in.
- Longer-term ambition: To become a leader in "green steel" within Vietnam, using low-carbon technologies and renewable energy / energy reuse methods.

Our initial view on potential impact on HPG:

- **We expect an increase in competitive pressure as new supply comes online,** as 5mn tonnes of annual capacity is sizable, making up ~16% of 2025F production of 32mn tonnes (figure sourced from VSA).

Some factors to monitor as information at this stage is still limited:

- **Impact depends on development timeline of VinMetal:** If the company opts to build a new steel plant, we think that would take 2-3 years (based on HPG's past capex investments), implying negligible impact on HPG at least before 2028F. However, if it opts for faster options (e.g., M&A/purchasing an existing steel plant, etc.), the competitive pressure will come earlier.
- **Impact also depends on VinMetal's capex mix by product type:** A higher proportion of investment in construction steel and HRC (HPG's core products) would increase competitive pressure, while a lower allocation would lessen it.

Mitigation factors to lessen competitive pressure to HPG:

- **Demand-side cushion over the medium term:** Vietnam's 2025F steel demand is ~26.5mn tonnes in 2025 (per VSA) and we expect demand to grow at a ~4-5% CAGR to

2030. This implies an additional steel demand of ~3.5-4mn tonnes of by 2028F and ~6-7mn tonnes by 2030F, broadly absorbing VinMetal's new supply over the medium term.

- **Green steel cost dynamics:** Media reports suggest VinMetal will focus on green steel technology. Given higher costs associated with low-carbon steel production vs traditional BOF techonology, we believe HPG's mainstream commercial steel offerings should remain largely shielded from direct competition.

Currently, we have not factored this development into our forecasts for HPG, given limited detailed information at this stage.

We note that these are only our initial assessments based on currently available information, and might be subject to further revision as more information becomes available in the future.

About the IPO of Hoa Phat Agriculture, expected by late 2025

In mid-September 2025, HPG submitted documents to IPO Hoa Phat Agriculture Development JSC (ticker: HPA). HPA is the agriculture arm of HPG.

About the deal:

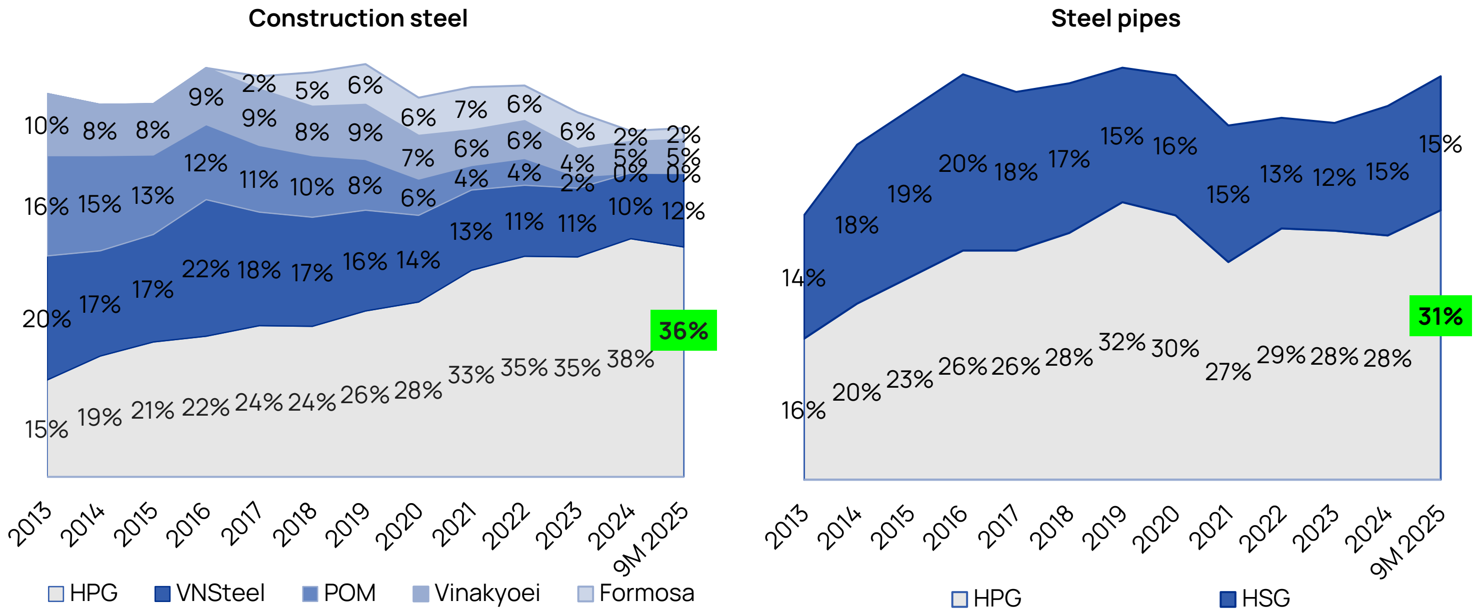
- HPG currently owns 94.9992% in HPA.
- Charter capital: VND2.55tn (USD98.1mn).
- Offering size: 30mn common shares.
- FOL: 100%; current foreign ownership: 0%.
- Exchange: HOSE; ticker: HPA.
- Expected listing time: December 2025.
- Use of proceeds: Business expansion, working capital.
- Listing price: Undisclosed but will not be lower than HPA's BVPS of VND11,887/share.

About HPA:

- HPA operates across four segments: (1) livestock feed production, (2) pig farming, (3) cow farming, and (4) poultry farming and egg production.
- HPA runs on a 2F (Feed-Farm) vertical agribusiness model, producing feed for its farms and selling the surplus externally. The 2F business model offers (1) reduced supply chain risk, ensuring feed supply stability and lowering price volatility, (2) high nutritional efficiency due to an optimized formula tailored for its own internal herd, resulting in high productivity, (3) consistently high meat quality as a consequence of the two above, and (4) cross-selling synergies between feed and farming outputs.
- Pig farming is the largest segment, making up ~40% of 2024's revenue, followed by livestock feed (~30%), cow farming (~20%), and poultry and egg production (~10%).
- In 2024, net revenue reached VND6.9tn (USD271mn; +12% YoY) and NPAT reached ~VND1tn (USD40.4mn; +470% YoY). This drove a strong 2022-24 NPAT CAGR of 578%, and high 2024 ROE of 30.2%. Strong growth momentum was sustained into 2025, with 9M 2025 revenue and NPAT YoY growth of 28% and 88% from last year's high base, respectively. The main drivers include (1) high pig prices as supply was disrupted by African Swine Flu and (2) favorable price of feed input materials. We expect 2025 to mark HPA's all-time high earnings, given strong 9M growth vs 2024's high base.
- **Our view on the 2026F outlook**: We expect 2026F earnings to ease slightly from 2025's record-high base, yet remain above 2024 levels. We expect 2026F margins to normalize from 2025's high base but remain higher than 2024 levels, as we assume full-year average pig prices will normalize off 2025's high base and revert toward 2024 levels, while feed ingredient costs are forecast to decline slightly YoY vs 2025 (and hence stay below 2024 levels), based on World Bank forecasts. Since 2024–2025 represent all-time high earnings, we expect 2026 earnings to remain on an elevated base.

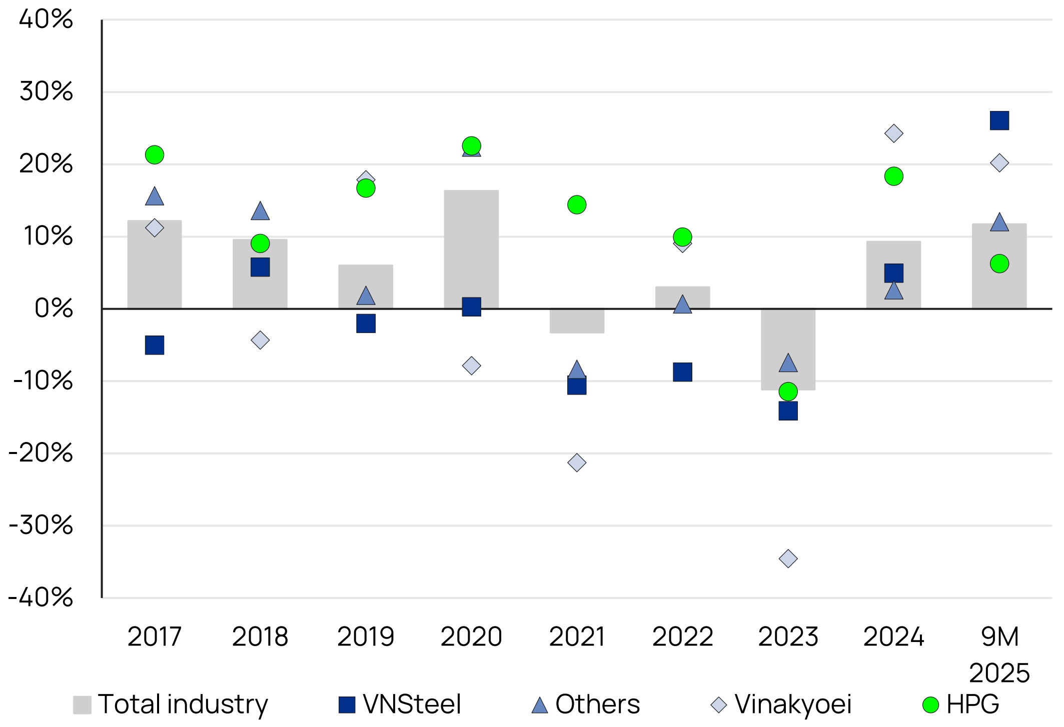
Steel data update

Figure 7: Construction steel and steel pipes market share of major producers



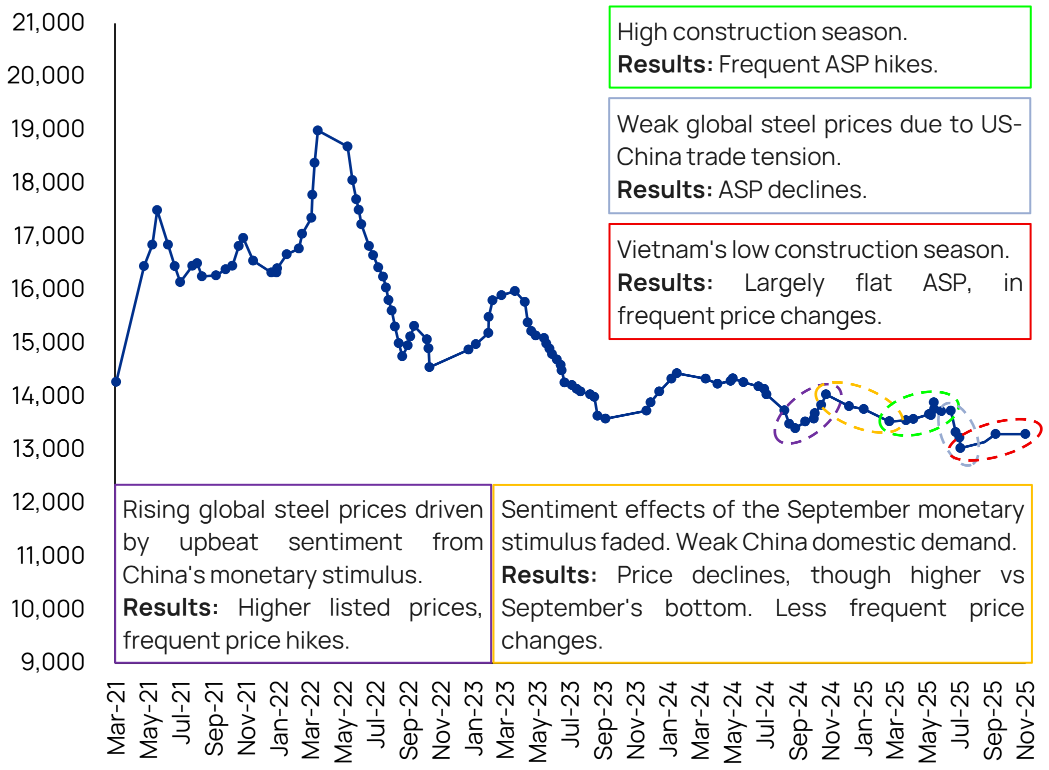
Source: Vietnam Steel Association (VSA), Vietcap. Note: (1) Data for Formosa is not available for 2013- 2016; Formosa's construction steel sales are solely wire rod (i.e., no rebar sales); (2) VSA restated 2020 and 2021 data by adding sales from new members, thus the market shares of the top players in these two years are restated in this report.

Figure 8: Growth of construction steel sales volume for total industry and key producers



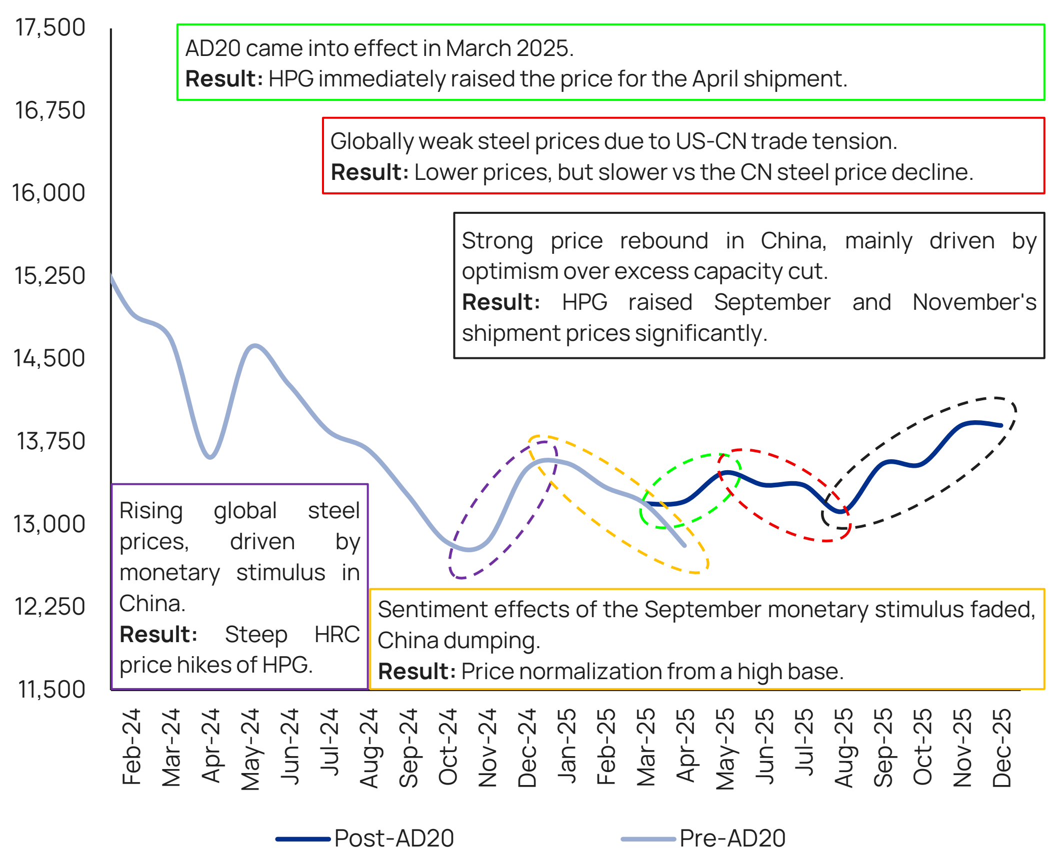
Source: VSA, HPG, Vietcap estimates

Figure 9: HPG's average construction steel price movement (VND/kg)



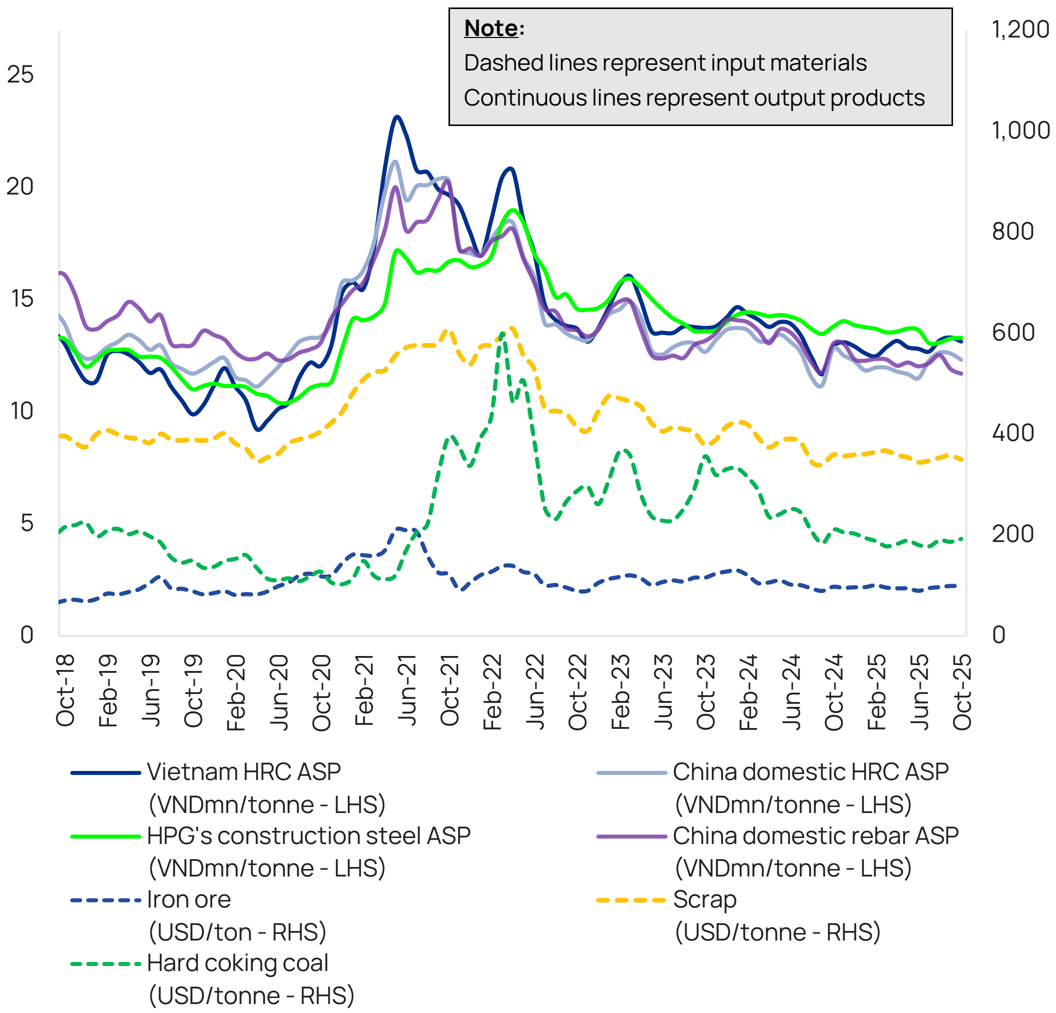
Source: Steelonline.vn, Vietcap (Note: Each dot represents a price-adjusting announcement from HPG)

Figure 10: HPG's HRC price movement* (VND/kg)



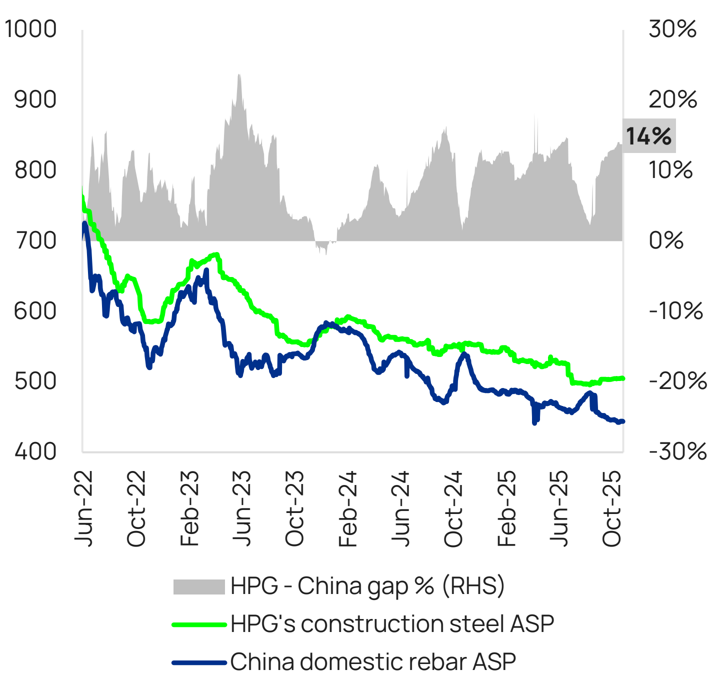
Source: Vietcap's compilation. *Note: HPG typically announces forward HRC prices 1–2 months in advance to support production planning. The displayed figures reflect quoted prices for shipments in the corresponding month and apply to base-price HRC (i.e., excluding customization surcharges). Prices are non-VAT.

Figure 11: Prices of HPG's key input and output materials



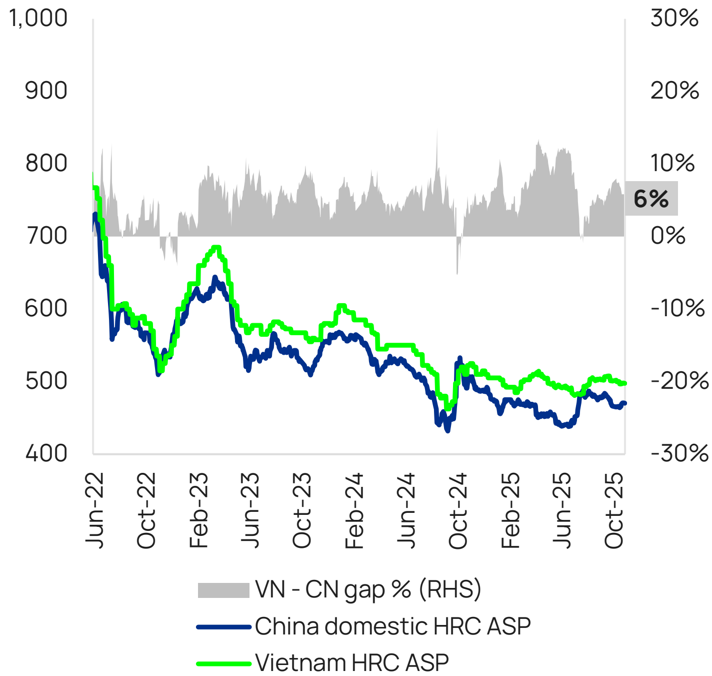
Source: Bloomberg, VSA, Vietcap (Data as of October 29, 2025)

Figure 12: Construction steel prices, VN vs CN (USD/tonne)



Source: Bloomberg, HPG, Vietcap (Data as of October 29, 2025)

Figure 13: HRC prices, VN vs CN (USD/tonne)



Source: Bloomberg, HPG, Vietcap (Data as of October 29, 2025)

Figure 14: Steel output-input spreads (USD/tonne)

Source: Bloomberg, Vietcap (Data as of October 29, 2025)

Figure 15: Update on steel-related commodities price performance

% Price change	10M 2025 YoY	April 1 to date	April 1 to date average YoY	Quarter-to-date average YoY	YTD	YTD average YoY
Inputs						
Scrap	-6%	-6%	-4%	-2%	-5%	-6%
Coking coal	-25%	11%	-18%	-8%	-3%	-25%
Iron ore	-9%	-5%	-4%	3%	1%	-9%
Outputs						
China domestic rebar	-9%	-2%	-7%	-8%	-3%	-9%
HPG's construction steel	-8%	-2%	-4%	-2%	-1%	-8%
Chinese HRC	-11%	-9%	-10%	-15%	-12%	-11%
Vietnam HRC	-4%	-2%	-6%	-4%	-4%	-4%
Chinese galvanized steel	-11%	-1%	-9%	-11%	-8%	-11%

Source: Bloomberg, Vietcap (Data as of October 29, 2025)

We also provide updates on steel-related commodities price performance on **Figure 15**. Below are some of our comments.

- **Green cells:** We reiterate our expectation that spreads for Vietnamese steelmakers will widen YoY in 2025 and Q4 2025, supported by a faster decline in input costs relative to output prices and protective tariffs on Chinese imports.
- **Blue cell – An update on Simandou's iron ore mine:** Quarter-to-date, average iron ore prices have risen a mild 3% YoY from a low base. However, we expect prices to soften toward the end of the quarter as supply ramps up from the Simandou project in Africa. According to Rio Tinto's Q3 2025 operations review (page 12), the first batch of iron ore was transported from the Simandou mine to port by rail in October, marking the start of system-wide commissioning. The company expects the first seaborne shipment in November, with no anticipated delays. We believe these developments will place further downward pressure on iron ore prices, which is positive for HPG's margins.

Vietcap

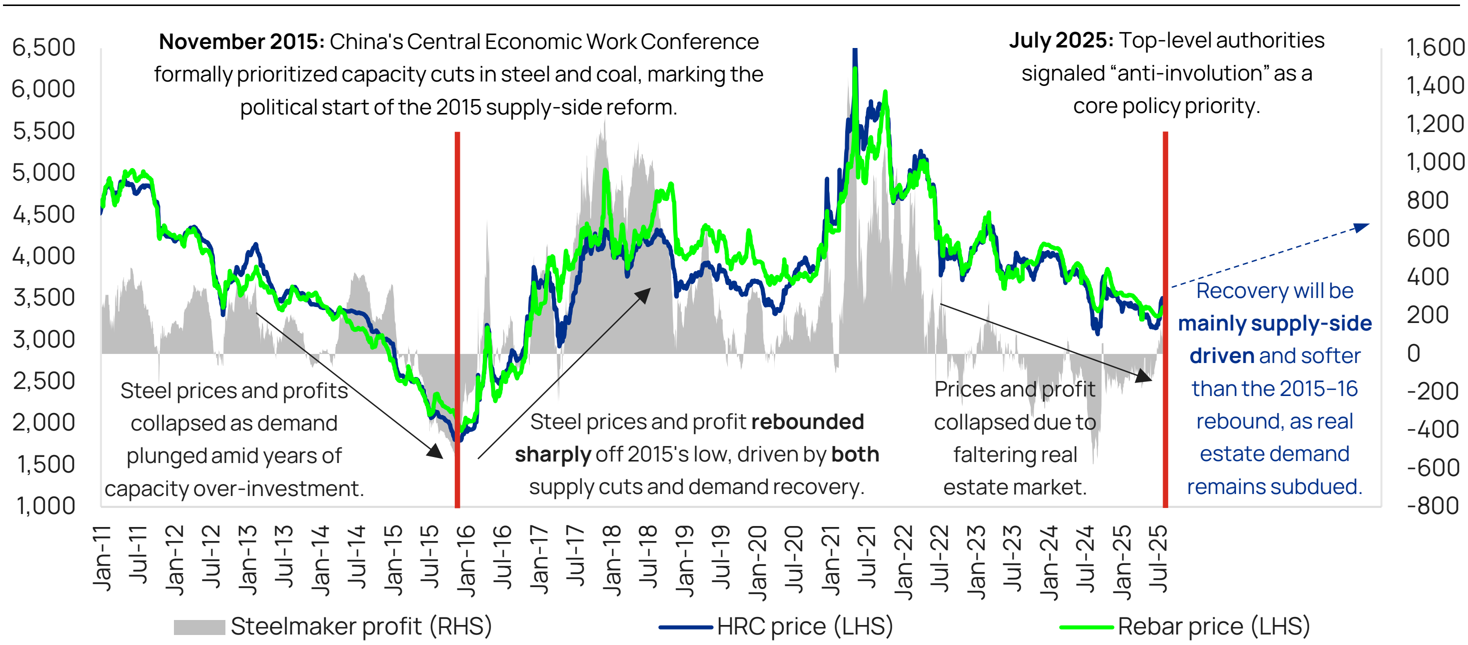
Steel prices are set for a new upcycle; HPG to benefit

Currently, the Chinese government is launching its "anti-involution" policy aimed at eliminating low-quality, excess capacity while promoting more efficient, sustainable production. The current initiative echoes the 2015 supply-side reform, when China addressed steel overcapacity caused by a real estate downturn and years of over-investment in steel capacity.

We expect a gradual, supply-led recovery in Chinese steel prices from current multi-year lows, with a softer pace than the 2015 upcycle. In the previous cycle, from the 2015 trough to end-2017, HRC and rebar prices rose ~135% and ~136%, respectively, driven by aggressive capacity cuts and a recovery in real estate demand, leading to record profitability. An IMF (2018) study estimated that 60% of the price recovery stemmed from demand and 40% from supply actions. This time, we expect the rebound, from the current multi-year lows, to be primarily supply-driven, with underlying real estate demand still weak. As such, the pace of recovery would be softer vs the 2015 cycle which benefited from both factors. In the near term, we expect a gradual and bumpy recovery as supply cuts take time to materialize while real estate demand stays weak, but momentum should strengthen over the medium to long term. Upside risks to this view include deeper-than-expected supply cuts, a surprise rebound in real estate, or stronger-than-expected steel demand from manufacturing and infrastructure.

Vietnamese steelmakers are poised to benefit from China's supply-driven steel price upcycle. As the world's largest steel producer and consumer—contributing over 50% of global supply and demand—China's steel prices have a strong influence on global markets. Vietnam, given its geographic proximity and trade exposure, has historically exhibited high price correlation, with domestic prices shaped by both Chinese and non-Chinese import trends. As such, we believe the upcoming China-led upcycle will drive steel prices higher in Vietnam. Early signs are already visible: following the sharp rebound in Chinese steel prices in July 2025, leading Vietnamese producers such as **HPG**, Hoa Sen Group (HSX: **HSG**), and Nam Kim Group (HSX: **NKG**) began raising prices in late July to early August. Looking ahead, we expect the sector to benefit more visibly over the medium to long term, as rising spot prices typically outpace previously procured lower input costs, supporting margin and earnings.

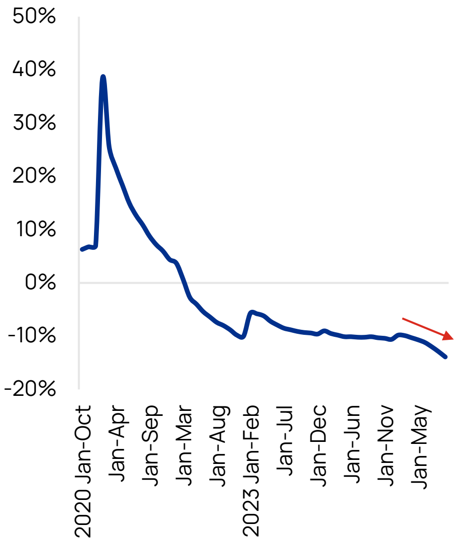
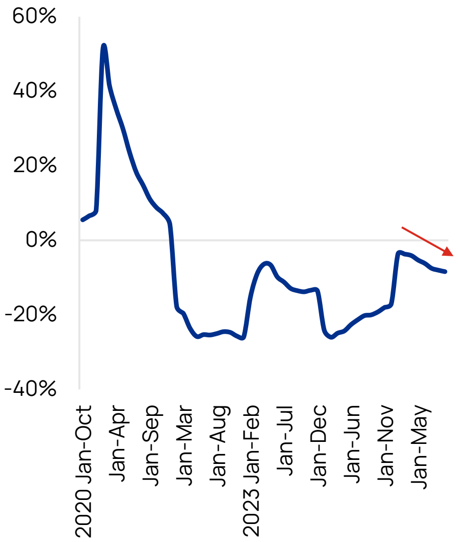
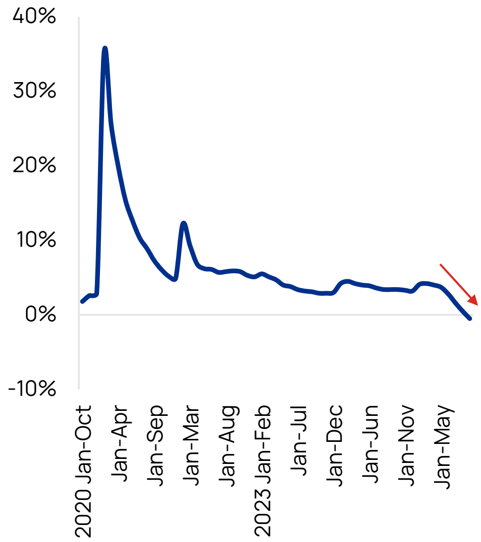
Figure 16: Chinese HRC and rebar prices, and profit of blast oxygen furnace (BOF) steelmakers (CNY/tonne)



Source: Bloomberg, Vietcap. Note: * The dotted arrow is Vietcap's expectation for direction of steel prices, not intended as quantitative forecasts.

Further details can be found in our Sector Flash: China's "Anti-Involution" Policy to Lead Sector-Wide Recovery published on August 12, 2025.

The three below figures illustrate that demand for construction materials in China continued to remain weak, caused by a faltering private property sector with few signs of recovery, despite massive Government support since 2023. Notably, the statistics accelerated further into the negative territory in recent months, supporting our view that the next steel upcycle will be driven more by supply-side factors rather than demand-side ones.

Figure 17: China YTD investment in real estate development (YoY)	Figure 18: China YTD investment funds for real estate developers (YoY)	Figure 19: China YTD investment in fixed assets (YoY)
		
*** Total (Jan – Sep 2025): -13.9%** - Residential buildings: -12.9% - Office buildings: -19.1% - Commercial buildings: -10.4%	*** Total (Jan – Sep 2025): -8.4%** - Domestic loans: -1.4% - Foreign investment: -37.3% - Self-raised funds: -9.3% - Deposits & advance receipts: -10.3% - Individual mortgages: -10.6%	*** Total (Jan – Sep 2025): -0.5%** - State-owned/holdings: +1.0% → *Strong* - Private investment: -3.1% → *Weak* ***Rising State investment has not been enough to propel the private sector.***

Source: National Bureau of Statistics of China, Vietcap (Note: Italic text is Vietcap's comments)

Valuation

We continue to use a combination of the DCF (70% weighting) and P/E (30% weighting) methodologies to derive a target price of VND35,700/share for HPG.

Our DCF-derived valuation is 3% lower vs our last Update Report, mainly due to 2-3% p.a. cuts to 2026-30F steel NPAT-MI, partly offset by rolling our TP forward to end-2026F.

Our P/E-derived valuation is 12% higher vs our last Update Report as a result of rolling our TP forward to end-2026. We maintain our target P/E of 15.0x.

Our TP puts the 2026F P/E at 13.1x, aligning with ~0.75 SD above HPG's 10Y average P/E, which we think is justified, given the company's robust near-term earnings outlook (2026F NPAT-MI growth of 36%) and solid medium-term prospects, with a 2025–28F NPAT-MI CAGR of 25%, reflecting strong annual growth across 2026F, 2027F, and 2028F.

Figure 20: Valuation summary

(VND/share)	Fair price	Weight	Contribution
DCF	33,500	70%	23,400
Targeted P/E of 15.0x	41,200	30%	12,300
Target price			**35,700**
2025F P/E at **target price**			**17.7x**
and (market price)			(13.1x)
2026F P/E at **target price**			**13.1x**
and (market price)			(9.7x)
2027F P/E at **target price**			**10.6x**
and (market price)			(7.8x)

Source: Vietcap. We apply EPS excluding bonus & welfare expenses.

Discounted Cash Flow (DCF)

We use a 10-year, multi-stage DCF model to capture HPG's long-term growth from DQSC2. We apply an intermediate growth rate of 4% for 2031-35F and then apply 2% in the terminal years.

Figure 21: Discounted cash flow

VND bn	2026F	2027F	2028F	2029F	2030F
EBIT	27,305	33,539	38,744	40,266	41,507
- Tax	-4,096	-5,031	-5,812	-6,040	-6,226
+ Depreciation	12,840	13,718	14,847	15,493	16,093
- Capex	-13,120	-10,620	-6,280	-6,000	-6,000
- Working cap increase	-14,817	-13,016	-13,005	-9,018	-8,280
Free Cash Flow	**8,112**	**18,590**	**28,495**	**34,701**	**37,094**
Present value of FCF	**7,243**	**14,820**	**20,283**	**22,055**	**21,050**
Total PV of FCF	**7,243**	**22,064**	**42,347**	**64,402**	**85,452**

Cost of Capital	Old	New
Beta	1.2	1.2
Market Risk Premium %	8.0	8.0
Risk Free Rate %	6.0	6.0
Cost of Equity %	15.6	15.6
Cost of Debt %	8.0	8.0
Corporate Tax Rate %	20.0	20.0
Debt-to-capital ratio %	42.0	42.0
WACC %	**12.0**	**12.0**
Terminal Growth Rate* %	2.0	2.0

DCF	VND bn
PV of Free Cash Flow **	170,188
PV of Terminal Val *	159,674
PV of FCF and TV	**329,863**
Plus: Cash + Short term deposit	27,997
Less: Debt	96,838
Less: Minority equity @ 1.8x PB^	3,745
Value of Equity	**257,276**
Fully diluted shares (mn)	7,676
DCF value per share (VND)	**33,500**

Source: Vietcap (* For terminal years after 2035 ** 10-year multistage DCF mode). ^2026F P/B at our TP.

Figure 22: Sensitivity analysis of our target price for HPG (VND/share) in relation to DCF's WACC and terminal growth rate, ceteris paribus

Terminal growth rate %	WACC						
	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%	13.5%
0.5%	38,600	36,800	35,200	33,700	32,300	31,100	30,000
1.0%	39,500	37,600	35,900	34,300	32,900	31,600	30,400
1.5%	40,500	38,500	36,700	35,000	33,500	32,100	30,900
2.0%	41,700	39,500	37,500	**35,700**	34,200	32,700	31,400
2.5%	43,000	40,600	38,500	36,600	34,900	33,300	31,900
3.0%	44,400	41,800	39,500	37,500	35,700	34,000	32,500
3.5%	46,100	43,200	40,700	38,500	36,600	34,800	33,200

Source: Vietcap

Figure 23: Sensitivity analysis of our target price for HPG (VND/share) in relation to DCF's WACC and intermediate growth rate of 10-year multistage DCF model, ceteris paribus

Intermediate growth rate %	WACC 10.5%	11.0%	11.5%	12.0%	12.5%	13.0%	13.5%
2.5%	40,300	38,200	36,300	34,600	33,100	31,700	30,500
3.0%	40,700	38,600	36,700	35,000	33,500	32,100	30,800
3.5%	41,200	39,000	37,100	35,400	33,800	32,400	31,100
4.0%	41,700	39,500	37,500	**35,700**	34,200	32,700	31,400
4.5%	42,200	39,900	37,900	36,100	34,500	33,000	31,700
5.0%	42,700	40,400	38,300	36,500	34,900	33,400	32,000
5.5%	43,200	40,800	38,800	36,900	35,200	33,700	32,300

Source: Vietcap

Multiple Valuation

In this Update Report, we maintain our target P/E of 15.0x. We select a 15.0x target P/E, positioning HPG's average 2026F P/E at 13.1x – aligning with ~0.75 SD above HPG's 10-year historical average P/E. We believe HPG deserves a premium multiple valuation during its high-growth phase in 2026F, 2027F and 2028F during which the NPAT-MI CAGR reaches 25%, with 2026F NPAT-MI alone surging 36% YoY. At our TP, HPG's respective 2025/26/27/28F P/Bs would be 2.1x/1.9x/1.7x/1.5x, vs the company's 10Y average level of 1.8x.

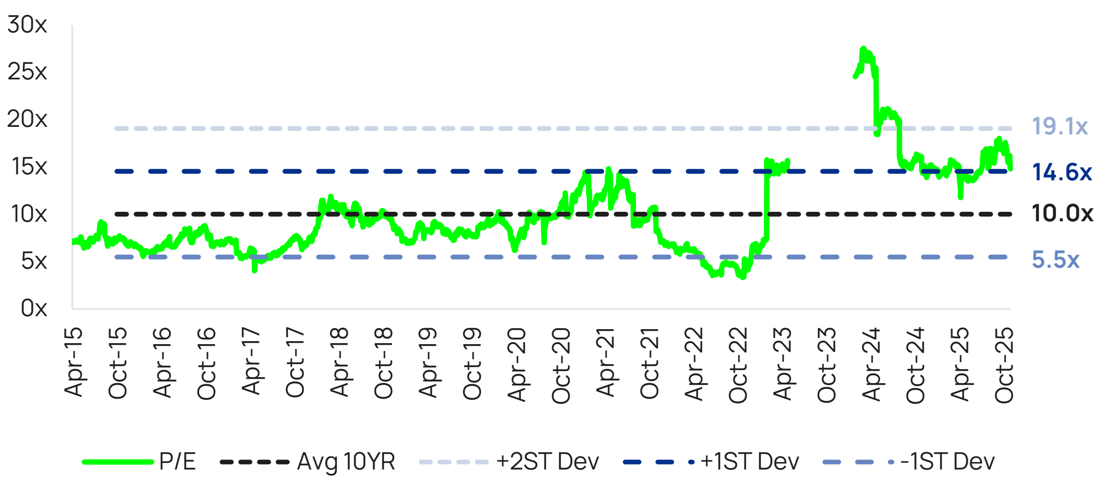
Figure 24: Multiple valuation of HPG based on our 2025-28F forecasts

Year	Earnings per share (EPS)	P/E (x)		Book value per share (BVPS)	P/B (x)	
	(VND/share)	at current price	at target price	(VND/share)	at current price	at target price
2022	1,067	24.8x	33.5x	12,508	2.1x	2.9x
2023	859	30.8x	41.5x	13,389	2.0x	2.7x
2024	1,511	17.5x	23.6x	14,892	1.8x	2.4x
2025F	2,012	13.1x	17.7x	16,904	1.6x	2.1x
2026F	2,730	9.7x	13.1x	18,834	1.4x	1.9x
2027F	3,377	7.8x	10.6x	21,411	1.2x	1.7x
2028F	3,906	6.8x	9.1x	23,816	1.1x	1.5x

Current price: VND26,450/share. **Target price**: VND35,700/share.

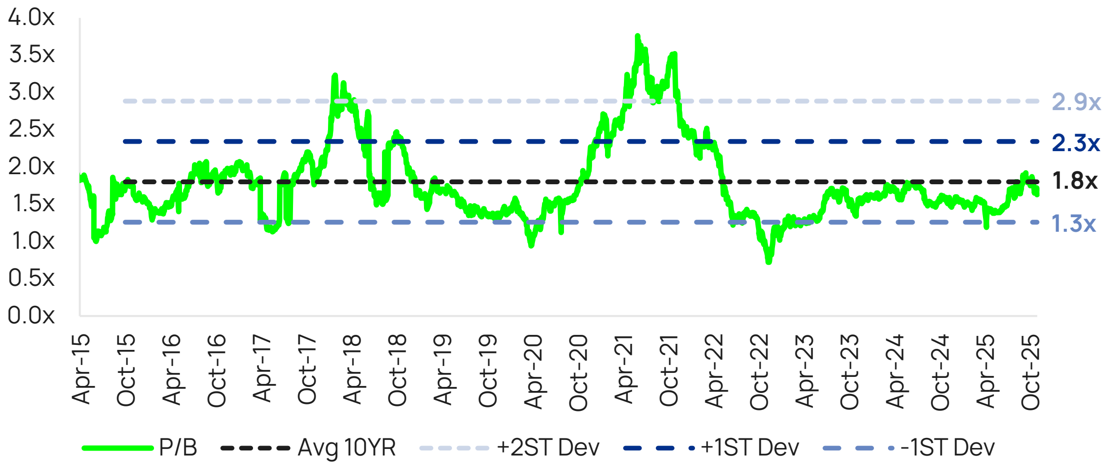
Source: Vietcap. For the P/E ratio, we apply EPS excluding bonus & welfare expenses.

Figure 25: HPG's historical price-to-earnings ratio (P/E)



Source: FiinPro, Vietcap. Note: We apply EPS excluding bonus & welfare expenses.

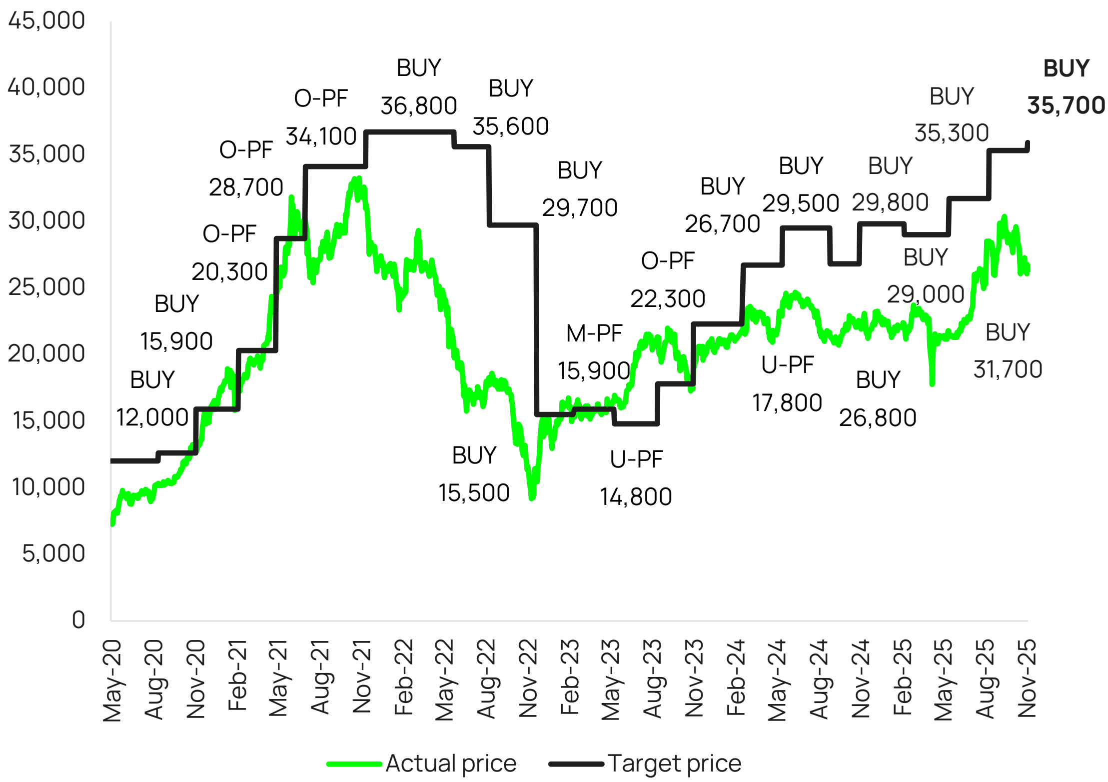
Figure 26: HPG's historical price-to-book ratio (P/B)



Source: FiinPro, Vietcap

Recommendation History

Figure 27: Historical Vietcap target price vs share price (VND/share)



Source: Bloomberg, Vietcap (Note: Historical target prices adjusted for changes in shares outstanding)

Financial Statements

P&L (VND bn)	2024	2025F	2026F	2027F
Revenue	**138,855**	**151,338**	**186,166**	**212,044**
COGS	-120,358	-126,071	-153,350	-172,623
Gross Profit	**18,498**	**25,267**	**32,817**	**39,421**
Sales & Marketing exp.	-2,337	-2,785	-3,277	-3,550
General & Admin exp.	-1,546	-1,892	-2,234	-2,332
Operating Profit	**14,615**	**20,590**	**27,305**	**33,539**
Financial Income	2,619	2,294	2,344	1,926
Financial Expenses	-3,967	-4,182	-4,228	-3,993
- o/w Interest Expense	-2,287	-2,702	-2,642	-2,401
Associates	0	0	0	0
Net Other Income/(Loss)	426	125	125	125
Profit Before Tax	**13,694**	**18,827**	**25,546**	**31,597**
Income Tax	-1,673	-2,824	-3,832	-4,740
NPAT Before MI	**12,020**	**16,003**	**21,714**	**26,857**
Minority Interest	0	0	0	0
NPAT Less MI, Reported	**12,020**	**16,003**	**21,714**	**26,857**
NPAT less MI, Adjusted	**12,020**	**16,003**	**21,714**	**26,857**
EBITDA	21,588	30,968	40,145	47,257
EPS Reported, VND	1,511	2,012	2,730	3,377
EPS Adjusted, VND	1,511	2,012	2,730	3,377
EPS fully diluted, VND	1,511	2,012	2,730	3,377
DPS Reported, VND	0	800	800	1,500
DPS/EPS (%)	0%	40%	29%	44%

RATIOS	2024	2025F	2026F	2027F
Growth YoY				
Revenue	16.7%	9.0%	23.0%	13.9%
Op. Profit (EBIT)	51.1%	40.9%	32.6%	22.8%
PBT	75.7%	37.5%	35.7%	23.7%
Reported EPS	75.9%	33.1%	35.7%	23.7%
Profitability				
Gross Profit Margin	13.3%	16.7%	17.6%	18.6%
Op. Profit, (EBIT) Margin	10.5%	13.6%	14.7%	15.8%
EBITDA Margin	15.5%	20.5%	21.6%	22.3%
NPAT-MI Margin	8.7%	10.6%	11.7%	12.7%
ROE	11.1%	13.1%	15.8%	17.4%
ROA	5.8%	7.0%	9.1%	10.8%
Efficiency				
Days Inventory On Hand	122.9	131.3	118.5	126.5
Days Accts, Receivable	13.6	13.6	16.6	19.9
Days Accts, Payable	40.2	43.0	39.9	39.0
Cash Conversion Days	96.3	101.8	95.1	107.4
Liquidity				
Current Ratio	1.2	1.3	1.5	1.9
Quick Ratio	0.5	0.6	0.7	0.8
Cash Ratio	0.1	0.2	0.2	0.1
Debt / Assets %	37.0%	32.1%	28.3%	21.5%
Debt / Capital %	42.0%	36.6%	32.4%	24.7%
Net Debt / Equity	49.8%	37.2%	33.6%	23.6%
Interest Coverage	7.4	8.6	11.3	15.0

B/S (VND bn)	2024	2025F	2026F	2027F
Cash & Equivalents	6,888	16,598	10,652	5,013
ST Investment	18,975	10,000	10,000	10,000
Accounts Receivables	4,352	6,885	10,000	13,132
Inventories	46,521	44,163	55,399	64,254
Other Current assets	10,293	12,107	14,893	16,964
Total Current Assets	**87,029**	**89,753**	**100,944**	**109,362**
Fixed Assets, Gross	173,124	189,796	202,916	213,536
- Depreciation	-41,387	-51,765	-64,605	-78,323
Fixed Assets, Net	131,737	138,031	138,311	135,213
LT investments	137	137	137	137
LT assets, other	5,537	5,537	5,537	5,537
Total LT Assets	**137,411**	**143,705**	**143,985**	**140,887**
Total Assets	**224,440**	**233,458**	**244,928**	**250,249**
Accounts Payable	14,110	15,622	17,942	18,984
ST Debt	55,883	50,428	46,005	34,525
Other ST Liabilities	5,511	5,511	5,511	5,511
Total Current Liabilities	**75,503**	**71,562**	**69,458**	**59,020**
LT Debt	27,080	24,597	23,357	19,340
Other LT liabilities	7,258	7,258	7,258	7,258
Total Liabilities	**109,842**	**103,417**	**100,074**	**85,618**
Preferred Equity	0	0	0	0
Paid in capital	63,963	76,755	76,755	76,755
Share premium	0	0	0	0
Retained earnings	49,576	52,227	67,040	86,817
Other equity	766	766	766	766
Minority interest	293	293	293	293
Total equity	**114,598**	**130,040**	**144,854**	**164,631**
Liabilities & equity	**224,440**	**233,458**	**244,928**	**250,249**
Y/E shares out, mn	7,676	7,676	7,676	7,676

CASH FLOW (VND bn)	2024	2025F	2026F	2027F
Beginning Cash Balance	**12,252**	**6,888**	**16,598**	**10,652**
Net Income	12,020	16,003	21,714	26,857
Dep, & Amortization	6,973	10,378	12,840	13,718
Δ in Working Capital	-9,790	-476	-14,817	-13,016
Other Adjustments	-2,177	-560	-760	-940
Cash from Operations	**7,027**	**25,345**	**18,977**	**26,619**
Capital Expenditures, Net	-35,479	-16,672	-13,120	-10,620
Investments, Net	5,335	8,975	0	0
Cash from Investments	**-30,143**	**-7,697**	**-13,120**	**-10,620**
Dividends Paid	-5	0	-6,140	-6,140
Δ in Share Capital	0	0	0	0
Δ in ST Debt	901	-5,454	-4,423	-11,480
Δ in LT Debt	16,681	-2,483	-1,240	-4,017
Other financing C/F	227	0	0	0
Cash from Financing	**17,753**	**-7,938**	**-11,804**	**-21,638**
Net Change in Cash	**-5,364**	**9,711**	**-5,947**	**-5,639**
Ending Cash Balance	**6,888**	**16,598**	**10,652**	**5,013**

Source: HPG, Vietcap forecasts

Vietcap Rating System

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Vietcap

Contacts

Corporate

www.vietcap.com.vn

Head Office (1): Bitexco
Bitexco Financial Tower, 15th Floor
2 Hai Trieu Street, Saigon Ward, HCMC
+84 28 3914 3588

Head Office (2): Nguyen Hue
Vinatex Building, 3rd Floor
10 Nguyen Hue Street, Saigon Ward, HCMC
+84 28 8882 6868

Ham Nghi Transaction Office
Doji Tower, 16th Floor
81-83-83B-85 Ham Nghi Street, Saigon Ward, HCMC
+84 28 8882 6868

Hanoi Branch
109 Tran Hung Dao, 6th Floor
Cua Nam Ward, Hanoi City
+84 24 6262 6999

My Dinh Transaction Office
SAP.A09 Block A – Apartment HH2-1 (The Matrix One)
Tu Liem Ward, Hanoi City (1 Le Quang Dao)
+84 28 8882 6868

Research

Research Team: +84 28 3914 3588
research@vietcap.com.vn

Nam Hoang, Head of Research, ext 124
nam.hoang@vietcap.com.vn

Banks, Securities and Insurance
- Ngoc Huynh, Manager, ext 138
- Quan Vu, Deputy Manager, ext 364
- Nga Ho, Analyst, ext 516

Macro
Luong Hoang, Senior Manager, ext 368
- Quang Dao, Analyst, ext 365

Consumer
Nam Hoang, Head of Research, ext 124
- Vinh Bui, Senior Analyst, ext 584
- Ngan Ly, Senior Analyst, ext 532
- Nguyen Nguyen, Analyst, ext 268

Oil & Gas, Power and Water
Duong Dinh, Associate Director, ext 140
- Phuoc Duong, Analyst, ext 135
- Tuan Do, Analyst, ext 181
- Loc Pham, Analyst, ext 549

Real Estate
Hong Luu, Senior Manager, ext 120
- Anh Pham, Senior Analyst, ext 149
- Thuc Than, Senior Analyst, ext 174

Industrials and Infrastructure
Vy Nguyen, Senior Manager, ext 147
- Han Nguyen, Analyst, ext 191
- Huy Hoang, Analyst, ext 526

Retail Client Research
Duc Vu, Associate Director, ext 363
- Trung Nguyen, Manager, ext 129
- Anh Tong, Senior Analyst, ext 366
- Dang Le, Analyst, ext 570
- Kiet Vo, Analyst, ext 470

Investment Advisory Department and Institutional Sales & Trading

Anthony Le
Director
Institutional Sales & Trading
+84 28 3914 3588, ext 525
anthony.le@vietcap.com.vn

Quynh Chau
Managing Director
Investment Advisory Department
+84 28 3914 3588, ext 222
quynh.chau@vietcap.com.vn