

**Company Report: HOA PHAT GROUP (HSX: HPG)**

Analyst

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Mail: [linhnd@gtjas.com.vn](mailto:linhnd@gtjas.com.vn) – ext 705**THE TWO BLAST FURNACES OF DUNG QUAT 2 ARE STARTING TO YIELD RESULTS**

04/09/2025

**MAIN CONTENT**

According to the latest update, Blast Furnace No. 2 of the Dung Quat 2 Project produced its first batch of hot metal on September 4, marking an important milestone for the Group's entire project. Once fully operational, Dung Quat 2 is expected to add 5.6 million tons of HRC to HPG's capacity. Specifically, Blast Furnace No. 1 of the project has been in commercial operation since the end of March 2025, raising HPG's cumulative output in the first six months to 5.1 million tons. Blast Furnace No. 1 of DQ2 is expected to operate at 50% capacity in 2025 and increase to 70%–80% capacity in 2026. Meanwhile, Blast Furnace No. 2 of DQ2 is scheduled to commence commercial operation by late 2025 to early 2026.

With this update, HPG's total crude steel output is expected to reach about 10.4 million tons in 2025, up 20% YoY.

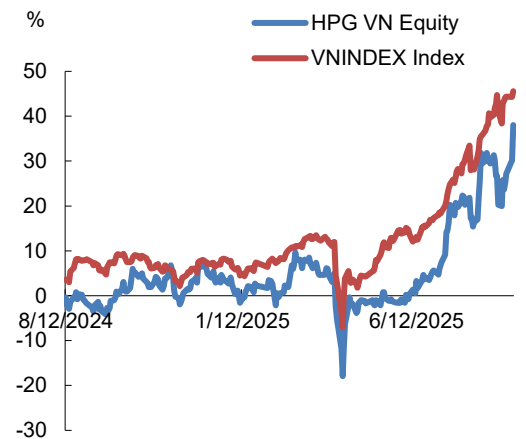
On July 29, HPG received approval for the revised investment plan of the Dung Quat 2 project. Under the latest adjustment, Dung Quat 2 will raise its annual capacity to 6.1 million tons of products, including 5.6 million tons of hot-rolled coil (HRC) steel (unchanged, with two blast furnaces expected to be operational in 2026) and 500,000 tons of high-quality wire rod (scheduled to commence operation in 2028).

On August 1, Blast Furnace No. 1 of DQ1 resumed operation after more than a month of scheduled maintenance, helping ensure HPG's smooth production activities.

**VALUATION AND RECOMMENDATION**

HPG is receiving positive momentum from: (i) growth drivers from the Dung Quat 2 project, with production output expected to grow by 20% per year; (ii) steel prices expected to bottom out amid China's supply cuts (government regulation) and strong domestic steel demand supported by the public investment disbursement cycle.

We value HPG at VND 33,700 per share and recommend **"Accumulate"**, with an expected return of 12.9% compared to the closing price on September 4, 2025.

**Recommendation: ACCUMULATE****6-18m TP: 33,700****Current price: VND29.850****Stock performance 1Y**

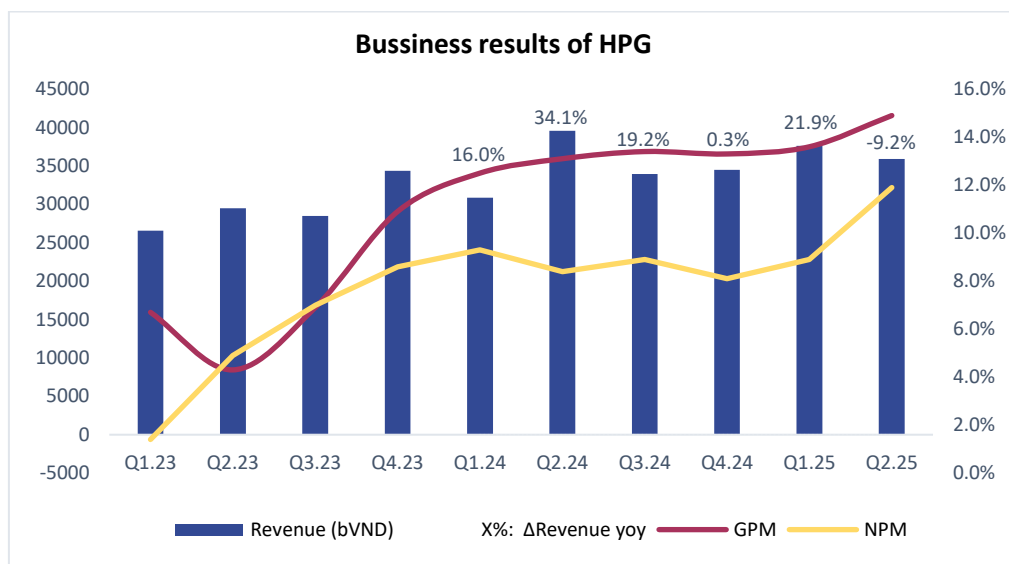
Price change	1 M	3 M	1Y
Price change %	11.3%	31.2%	32.5%
Compare w VNI	21.3%	56.5%	63.4%
Avg. (VND)	27,657	25,228	22,795

Source: Bloomberg, Guotai Junan (VN)

Shares outstanding (m)	7,675.47	Top shareholder (%)	Trần Đình Long 25.8%
Market cap (VND b)	229,112.66	Free float (%)	59%
3-month average trading volume ('000)	59,345.53	D/E TTMQ2/2025	97.95%
High/low 52w (VND)	29900 / 17750		

Nguồn: the Company, Guotai Junan (VN).

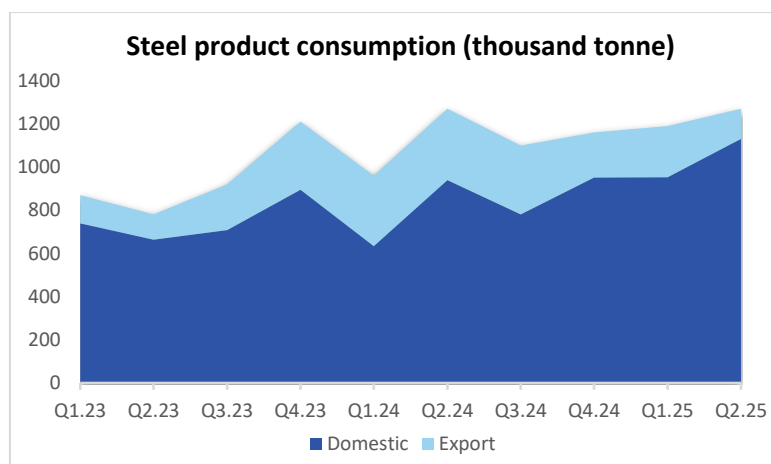
## I. UPDATE ON HPG'S BUSINESS RESULTS FOR 1H.2025



Source: HPG, GTJAVN Research

In the first six months of 2025, Hoa Phát recorded revenue of VND 74 trillion and profit before tax of VND 7.6 trillion, up 5% and 23% year-on-year, respectively. In Q2 alone, revenue fell 9.2% YoY; however, profit margins expanded significantly. This was mainly driven by the global and domestic downtrend in steel prices (down about 3% compared to end-2024). Meanwhile, iron ore and coking coal prices dropped sharply, leading to lower cost of goods sold and higher profit margins. Although selling prices declined, input costs fell at a much faster pace, with iron ore and coking coal prices down more than 20–30% YoY, thereby driving a sharp increase in gross margin.

### 1.1 Steel sector



Source: HPG, GTJAVN Research

**Steel supply to the domestic market reached a record high in Q2/25**, with over 1.1 million tons (+20% YoY), reflecting the recovery of the construction sector as well as the strong boost from public investment disbursement. For the first six months, HPG's total sales volume reached 5 million tons of steel products.

We believe domestic steel demand will continue to grow strongly, driven by (1) Vietnam's anti-dumping tariffs on steel imports from other exporting countries, and (2) accelerated public investment disbursement in the remaining quarters of the year.

## TABLE OF ANTI-DUMPING TARIFFS IMPOSED BY VIETNAM ON CERTAIN COUNTRIES

DOCUMENT	NATION	PRODUCT	TARIFF	VALID DATE	EXPIRY
143/QĐ-BCT	China Thailand Malaysia	Pre-stressed steel	28% 11% 9.8%-12%	14/1/2025	5 years from the valid date
1959/QĐ-BCT	China	HRC	27.83%	06/7/2025	5 years from the valid date
1207/QĐ-BCT	China Korea	Galvanized steel	37.13% 15.67%	14/8/2025	5 years from the valid date

## TABLE OF ANTI-DUMPING TARRIFS IMPOSED BY COUNTRIES ON VIETNAM

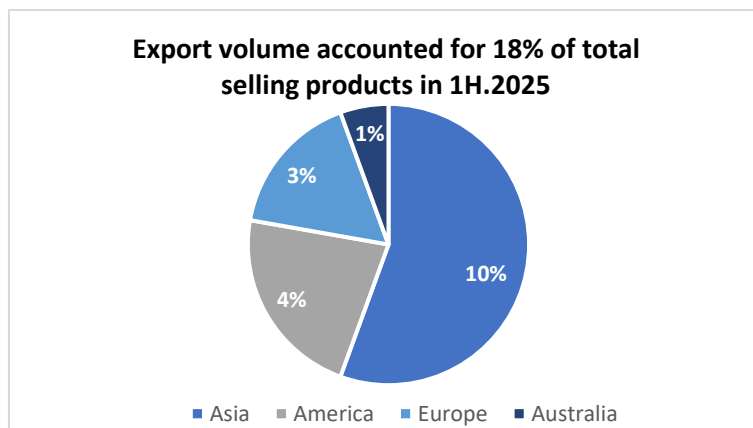
CASE	NATION	PRODUCT	TARIFF	VALID DATE	EXPIRY
A-552-843	The US	CORE steel (not produced by any listed company)	88.98%-110.21%	26/8/2025	Pending
655	Australia	Hot-rolled rebar	Pending result in Nov 2025	Pending result in Nov 2025	Pending result in Nov 2025
	EU	HRC	0%-12.1%	16/7/2025	5 years from the valid date
A-552-853	The US	Concrete reinforcing steel	Pending	Pending	Pending
	India	HRC	Pending	Pending	Pending

Source: chongbanphagia.vn, GTJAVN Research

In the EU's anti-dumping tariff on Vietnam's hot-rolled steel, Hoa Phat was granted a 0% tariff, helping maintain its competitive advantage in the EU market. At the same time, other coated steel producers are likely to increase HRC imports from Hoa Phat, as they face no export barriers to the EU in terms of origin or dumping issues. This will have a positive impact on the company's revenue growth through higher HRC sales to domestic downstream manufacturers.

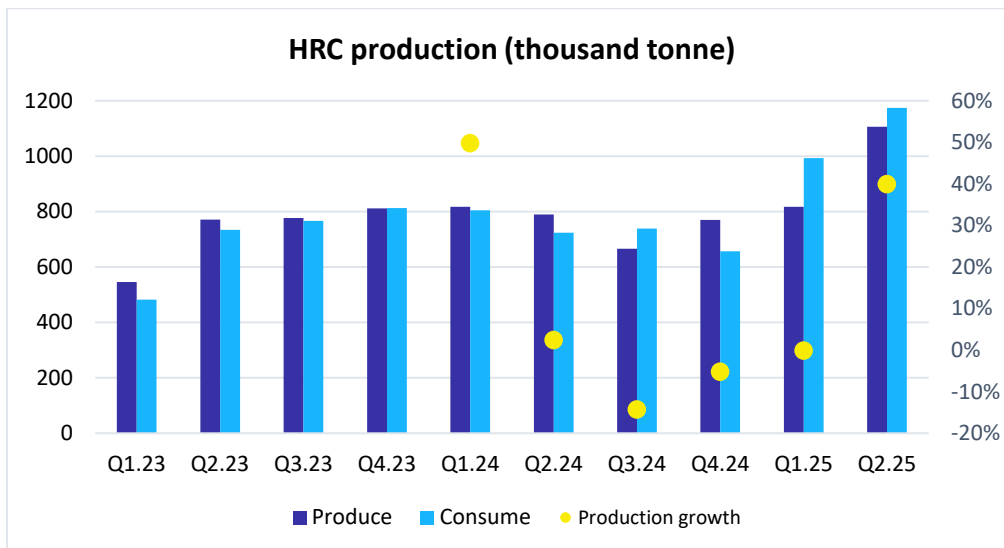
We believe the 110% tariff imposed by the US on Vietnam's CORE steel has little impact on Hoa Phat as well as other domestic steel producers, since the preliminary tariff had already been expected at a similarly high level and companies have proactively limited exports from Vietnam to the US. Moreover, none of the currently listed companies produce this product.

Therefore, the impact of the recent anti-dumping tariffs imposed by the EU and the US is insignificant for Hoa Phat. The Group continues to focus on supplying the domestic market, maintaining a moderate export ratio without reliance on any single market, thereby retaining flexibility in response to changes in trade policies.



Source: HPG, GTJAVN Research

**The operation of Dung Quat 2 will drive a breakthrough in revenue growth**



Source: HPG, GTJAVN Research

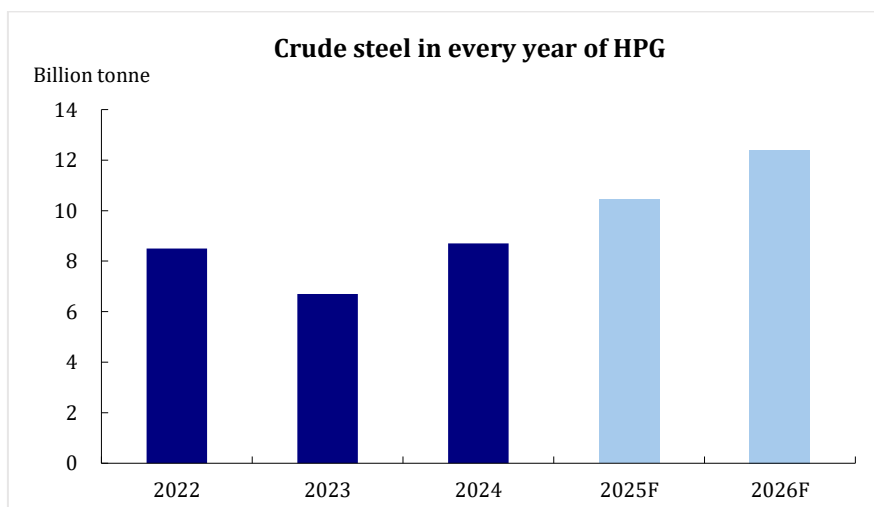
**Expected operating capacity of Dung Quat 2**

	2025	2026	2027	Scale
<b>Dung Quat 2</b>				88,400b VND
Blast furnace 1	50% capacity	70%-80% capacity	100% capacity	
Blast furnace 2	Complete in Sept	50% capacity	80% capacity	

The output of HRC has increased significantly as the first blast furnace of the Dung Quat 2 project has started producing, raising HRC supply to 40% in Q2 2025 and up 42% in the first six months from the same period last year, reaching 2.2 million tons. This will contribute positively to the Group's revenue in the second half of the year.

The blast furnaces at Hoa Phat's Dung Quat 2 project have a volume of 2,500 m<sup>3</sup>—double that of Dung Quat 1—while consuming less energy. Hoa Phat has also invested in higher environmental standards, particularly in reducing CO<sub>2</sub> emissions and energy consumption.

According to the latest update on September 4, Blast Furnace No. 2 of the Dung Quat 2 project produced its first batch of hot metal, marking that the project is entering its final phase and is on track to commence commercial operations of both blast furnaces by late 2025 or early 2026. Once completed, the Group's total steel production capacity will reach 16 million tons per year, including 9 million tons of hot-rolled coil steel, fully meeting Vietnam's domestic demand for this product.



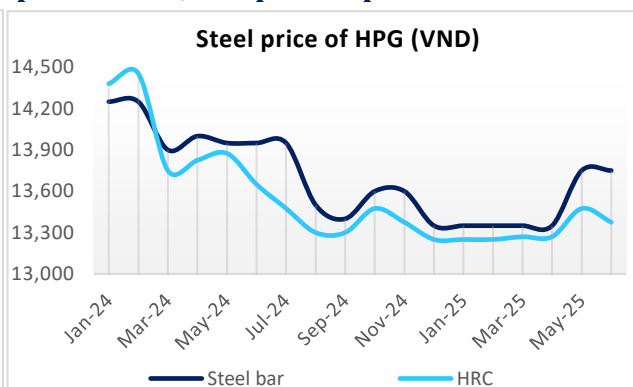
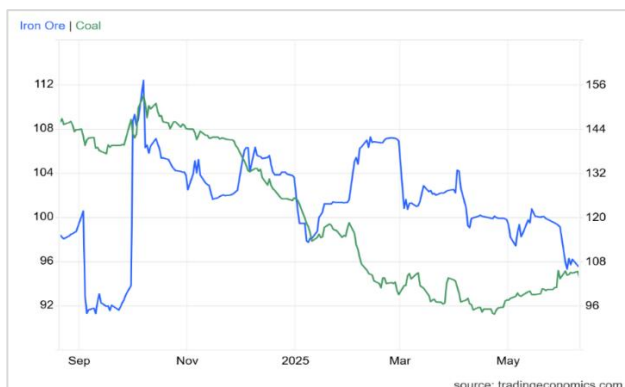
Nguồn: HPG, GTJASVN RS

## Investment plan for the Dung Quat 2 project after the revised approval on July 29

Content	Previous plan	Revised plan
Land area used	276.33 ha	276.33 ha
Designed capacity	5.6 million tons/year	6.1 million tons/year
Products and services supplied	- Flat steel (hot-rolled coil - HRC): 5.6 million tons/year	- Flat steel (hot-rolled coil - HRC): 5.6 million tons/year - High-quality wire rod: 500,000 tons/year
Total investment capital	VND 85,000 billion	VND 88,400 billion (increased by VND 3,400 billion)
Investor's equity capital	VND 40,000 billion	VND 40,800 billion
Borrowed capital	VND 45,000 billion	VND 47,600 billion
Implementation schedule	- Basic construction and commissioning: by Q4/2026	- HRC steel 5.6 million tons/year: by Q4/2026 - High-quality wire rod 500,000 tons/year: by Q2/2028

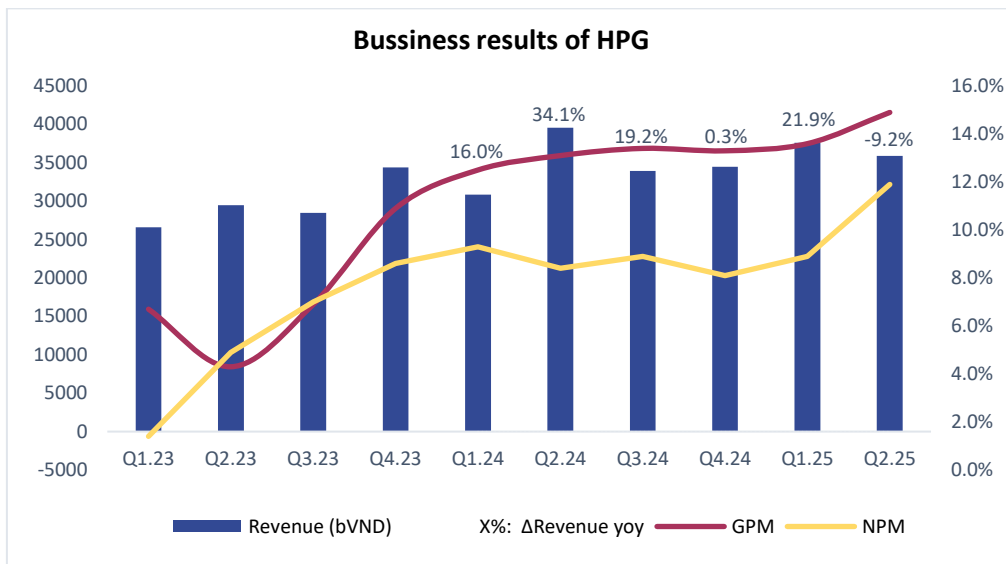
Source: HPG, GTJASVN RS

### Price movements: iron ore prices down, coal prices up



Iron ore prices have been declining since the beginning of this year, partly due to concerns that China may tighten policies to cut production in order to control the oversupply of crude steel. In addition, tariff developments under President Trump this year have increased global market uncertainty, affecting iron ore demand — a key input in steel production that is highly sensitive to trade policy changes.

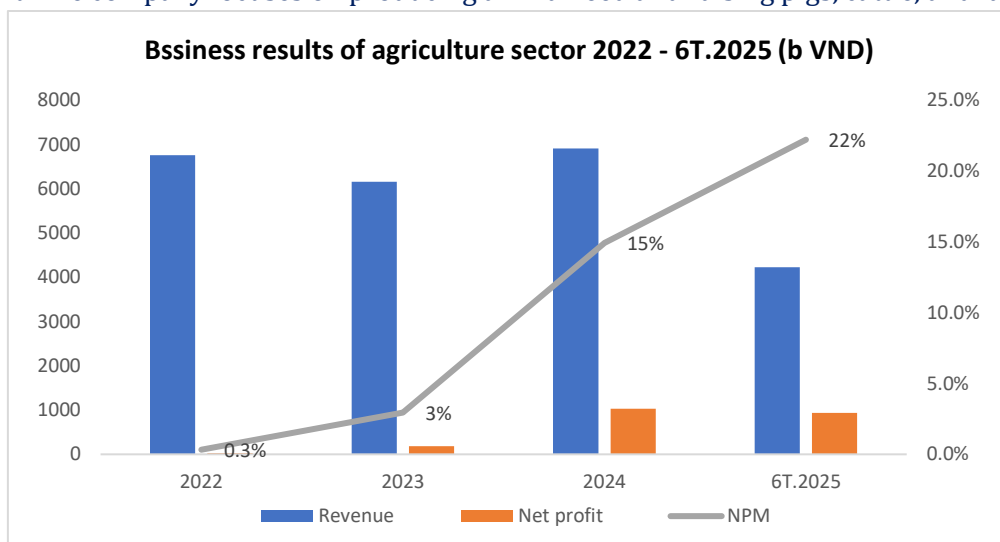
Major raw material prices have generally been on a downtrend, leading to a 4–5% YoY decrease in Hoa Phat's finished steel selling prices in Q2. Therefore, despite a sharp increase in sales volume, the Group's Q2 revenue declined slightly by 9% YoY; however, the drop in cost of goods sold had a positive impact on gross profit margin during the quarter.



Source: HPG, GTJAVN Research

## 1.2 Agriculture and other segments

Hoa Phat's agriculture segment contributes about 5–6% of the Group's revenue and around 10% of its net profit. The company focuses on producing animal feed and raising pigs, cattle, and layer hens.



Source: HPG, GTJAVN Research

In the first six months, the agriculture segment achieved outstanding profit margins and revenue compared to recent years, driven by the rising trend in live hog prices, contributing positively to the Group's profit growth. Hoa Phat's livestock farming and animal feed production are strictly controlled and hygienically managed, allowing the Group to benefit from the upward cycle of the livestock industry.

## HPG's recent container manufacturing activities

Recently, Hoa Phat delivered 1,000 units of 20-foot containers to CMA CGM — a major partner in the shipping industry providing sea, land, air transport, and logistics solutions. Hoa Phat is also supplying containers to many other major shipping and logistics companies (such as New Way Lines, Vietsun, Topaz Marine, etc.) with steady order progress, strict quality inspections, and strong operational performance.

Hoa Phat's container factory is currently operating its first phase with a capacity of 200,000 TEUs per year, focusing on producing standard dry 20- and 40-foot containers. Once the entire project is completed, the designed capacity will reach 500,000 TEUs per year. The market price of the 20-foot containers recently rolled out by Hoa Phat is about VND 70–90 million per unit. With this scale, Hoa Phat is currently the largest container manufacturer in Vietnam and the Southeast Asian region.





Source: HPG, GTJAVN Research

Vietnam has a geographically favorable location for container manufacturing as it serves as a regional transshipment hub. In addition, strong foreign investment inflows and high import-export growth have driven robust growth in seaborne transport demand over the years. Hoa Phat is self-sufficient in raw materials for container production, and this business also helps consume more than 1 million tons of steel annually.

### 1.3. Update on the investment progress of Hoa Phat's other key projects

#### List of Hoa Phat's key projects

	2025	2026	2027	2028	Scale
<b>Dung Quất 2</b>					88,400b VND
Blast furnace 1	50% capacity	70%-80% capacity	100% capacity		
Blast furnace 2	Complete in Sept	50% capacity	80% capacity		
High quality steel (new)	Registration completed authorities	with Construction	Facility installation	Complete	
<b>Rail Steel Plant</b>	Start building in May	-	First product		14,000b VND
<b>Hòa Phát Steel Complex at Hòa Tâm Industrial Park – Phú Yên</b>	Registration completed authorities	with			86,000b VND

#### Changes in Hoa Phat's construction-in-progress (CIP) costs

B VND	T6/2025	2024
<b>Dung Quat Integrated Steel Complex Project</b>	68,855	60,108
<b>Hai Duong Integrated Steel Complex Project</b>	608	143
<b>Container Plant Project</b>	2,056	2,232
<b>Wood Flooring Project</b>	341	165
<b>Agriculture Project</b>	300	326
<b>Steel Pipe Plant Project</b>	96	585
<b>Home Appliance Project</b>	35	27
<b>Other facilities</b>	414	70
<b>Total</b>	<b>72,704</b>	<b>63,656</b>

Source: HPG Financial report, GTJASVN RS

#### High-speed rail steel plant

Hoa Phat Group commenced the construction of a high-speed rail steel plant in August 2025 at the Dung Quat Economic Zone in Quang Ngai, with a total investment of about VND 14,000 billion. This rail and structural steel production line will have a capacity of 700,000 tons per year. The project aims to supply products for key national projects such as the North–South high-speed railway, the Hai Phong–Hanoi–Lao Cai railway, and urban railway lines in Hanoi and Ho Chi Minh City. This project marks a significant milestone in the Group's steel production sector. The plant is expected to deliver its first products in 2027.



### High-quality steel project

On April 10, 2025, Hoa Phat and Primetals Group signed a contract to supply a high-quality steel casting and rolling line with a capacity of 500,000 tons per year. The main products of this line will include steel cords for tire reinforcement, bead wires for car tires, and pre-stressed steel, among others. Once high-quality steel products are produced, the domestic market will become less dependent on imports from other countries, thereby contributing positively to the Group's revenue growth. The line is expected to deliver its first products in Q3 2026, and the casting line is scheduled to commence operation in Q4 2026.

Sep 04, 2025

HPG

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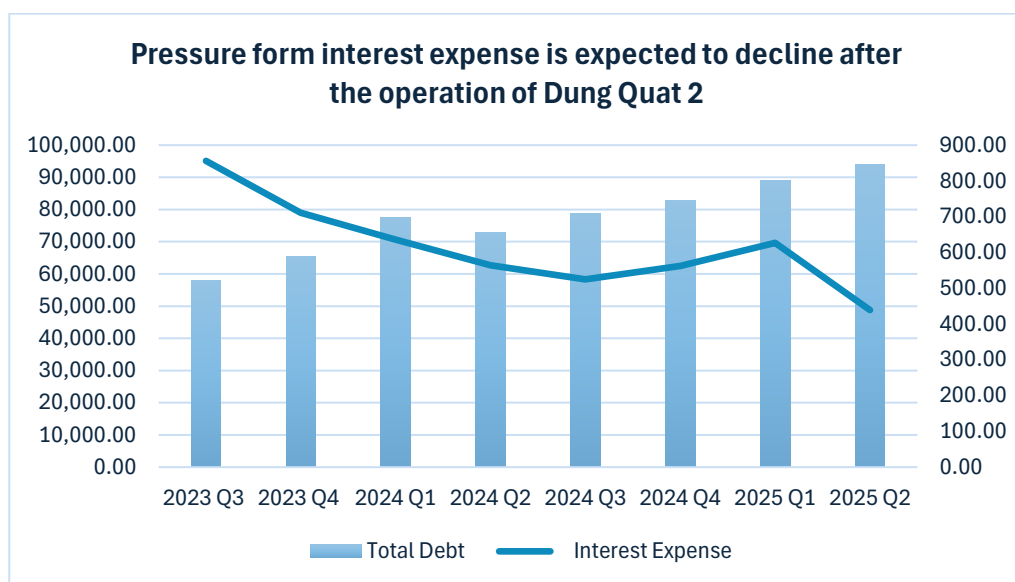
## II. FORECAST AND RECOMMENDATION

We assess Hoa Phat's business outlook for the second half of 2025 as remaining positive, supported by continued strong domestic market demand and government policies to accelerate public investment projects in the last quarter of the year.

- Domestic steel demand is expected to maintain a positive growth trend, driven by public investment disbursement and anti-dumping tariffs on imported steel.
- With the new capacity from Dung Quat 2, HRC and construction steel output will continue to expand, enabling HPG to gain market share and meet domestic demand. HRC output in Q3-Q4/2025 is expected to grow by 25-30% YoY.

Steel and raw material prices may face slight pressure due to the global downtrend. However, iron ore and coking coal — the main inputs — have cooled significantly since the beginning of the year and are expected to remain at low levels in 2H, which will help HPG maintain a higher gross profit margin than last year.

Operating cost risks from the Dung Quat 2 project are expected to be manageable, as they can be offset by rising output, lower energy consumption, and economies of scale. Meanwhile, in Q2, the company effectively optimized its capital structure and debt, reducing interest expenses and increasing income from deposits/investments, thereby improving profitability. These factors will serve as positive drivers for HPG's earnings over the next two quarters.



Source: Bloomberg, GTJASVN RS

Meanwhile, the agriculture and container segments are expected to continue contributing steadily to profits, serving as a source of revenue diversification.

### Forecast:

- Assuming crude steel output reaches 5.34 million tons in 2H, bringing total annual production to 10.44 million tons, we forecast the Group's 2025 revenue to reach VND 175,000 billion and 2025F net profit to reach VND 16,600 billion, representing YoY growth of 26% and 38.3%, respectively. This profit level is equivalent to an EPS of VND 2,162 per share.
- In 2026F, under the conservative assumption that Blast Furnace No. 1 and No. 2 of Dung Quat 2 will operate at 70% and 50% of their maximum capacity, respectively, raising total crude steel output to 12.4 million tons, the Group's revenue and net profit are projected to reach VND 220 trillion (+25.7% YoY) and VND 21,580 billion (+30% YoY), respectively, equivalent to an EPS of VND 2,811 per share in 2026F.



### Valuation & Recommendation:

We value HPG at VND 33,700 per share and recommend **"Accumulate"**, with an expected return of 12.9% compared to the closing price on September 4, 2025.



Source: Bloomberg, GTJASVN RS

Sep 04, 2025

HPG

Company Report

### COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

### SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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