

## HOASEN GROUP (HSG)

**HOLD (maintained)**

### BASIC MATERIALS

Current Price	VND13,500
52Wk High/Low	VND24,630/13,250
Target Price	VND12,400
Previous TP	VND19,100
TP vs Consensus	5.0%%
Upside	-8.1%
Dividend Yield	0.0%
Total stock return	-8.1%

Growth rating	Neutral
Value rating	Neutral
ST Technical Analysis	<a href="#">Sell</a>

Market Cap	USD325.6mn
3m Avg daily value	USD4.1mn
Avail Foreign Room	USD137.1mn
Outstanding Shares	621mn
Fully diluted O/S	621mn

	HSG	Peers	VNI
P/E TTM	14.7x	15.1x	12.1x
P/B Current	0.8x	0.8x	1.6x
ROA	2.9%	6.2%	2.1%
ROE	5.2%	4.8%	13.0%

\*as of 4/17/2025

### Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	-26.3%	-20.6%	-28.7%
Relative to index	-8.9%	-2.6%	2.0%

### Ownership

Le Phuoc Vu	17.0%
Others	83.0%

### Business Description

HSG is leading the galvanized steel sheet segment in Vietnam with 28% market share and 2.2 million tonnes of designed capacity. HSG also aims to diversify its sector to construction material retailing and property investment.

### Analyst(s):


**Quynh Phuong Nguyen**

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## Transitioning to domestic market

- We maintain a HOLD rating for HSG with 8% downside. We revise down our TP to VND12,400 while the share price has decreased 27% since our last report.
- We revise down our FY25-26 earnings forecast by 3%/32% to VND658bn (USD25.8mn) and VND619bn (USD24.3mn), rising 15%/-6 YoY, respectively. This is mainly due to a lower expected EBITDA margin.
- HSG's share price looks fair, with HSG currently trading at a 2025F P/E of 12x and EPS growth expected to be double-digit off 2024's low base.

### Financial Highlights

- 4Q24 revenue increased 13% YoY to VND10.4tn (USD411mn), driven by a 12% increase in sales volume.
- 4Q24 net profit of VND166bn (USD6.6mn) rose 60% YoY compared to last year's net profit of VND103bn (USD4.1mn). For FY24, HSG's net profit declined 29% YoY, completing 95% of our full-year forecast.
- HSG's earnings guidance for FY24-25 declines vs last year's result, with both revenue and NPAT to drop 3% YoY.

### Investment Thesis

#### Chinese steel prices to struggle amid weak production cuts, demand decline

China's steel market is facing significant headwinds. Domestic demand is stagnating as the country's steel use per capita is among the highest globally, leaving limited room for further infrastructure and manufacturing-driven growth. Export opportunities will diminish from rising trade protectionism in key markets. Despite these headwinds, production cuts are expected to be slow for several reasons. First, steel production remains crucial to China's economic stability, contributing about 5% of GDP and supporting employment in a weak macroeconomic environment. Additionally, China's steel mills have benefited from lower input costs, allowing them to sustain production in the face of weak demand.

#### Vietnam's tariffs on imported steel will only help to rescue domestic market

As we expect a prolonged struggling steel price, we think in the short term these potential new tariffs will help to rescue the domestic steel industry from imported Chinese steel with distressed prices.

#### FY25-26 volume growth is limited

We forecast HSG sales volume to decrease 6% in FY25, dragged down by a 21% decline in exports as HSG sales will transition back to the domestic market to avoid intensified trade investigations from export markets.

	2023	2024	2025E	2026F
Revenue growth	(19%)	23%	(8%)	7%
Gross margin	9%	11%	11%	11%
Net profit (VNDbn)	808	572	658	619
Net profit growth	-176%	-29%	15%	-6%
Net profit margin	2%	1%	2%	2%
P/E	506.7	13.5	12.3	13.5
P/B	1.3	0.8	0.7	0.7
ROAE	0.3%	5.3%	5.9%	5.2%
Net D/E (x)	0.27	0.44	0.18	0.15

Source: VNDIRECT RESEARCH

## NAM KIM STEEL JSC (NKG)

**HOLD (maintained)**

### BASIC MATERIALS

Current Price	VND11,850
52Wk High/Low	VND20,877/11,450
Target Price	VND11,100
Previous TP	VND12,600
TP vs Consensus	-12.3%%
Upside	-6.3%
Dividend Yield	0.0%
Total stock return	-6.3%

Growth rating	Neutral
Value rating	Neutral
ST Technical Analysis	<a href="#">Buy</a>

Market Cap	USD204.4mn
3m Avg daily value	USD4.2mn
Avail Foreign Room	USD91.4mn
Outstanding Shares	447.6mn
Fully diluted O/S	447.6mn

	NKG	Peers	VNI
P/E TTM	11.9x	15.1x	12.1x
P/B Current	0.9x	0.8x	1.6x
ROA	3.5%	6.2%	2.1%
ROE	7.9%	4.8%	13.0%

\*as of 4/17/2025

### Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	-26.6%	-15.1%	-33.9%
Relative to index	-8.9%	-2.6%	2.0%

### Ownership

Ho Minh Quang	14.2%
Others	85.8%

### Business Description

Nam Kim Steel JSC is among the top three companies in the galvanized steel sheet segment in Vietnam with 17% total market share and a design capacity of 1.1 million tonnes/year.

### Analyst(s):


**Quynh Phuong Nguyen**

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## Worries on steel exports

- We maintain a HOLD rating with 6.3% downside. We revise down our TP to VND11,100 while the share price has decreased 18% since our last report.
- We revise down our FY24-25 earnings forecast by 0%/-3.8% to VND359bn (USD14mn) and VND479bn (USD19mn), rising -21%/33% YoY, respectively. This is mainly due to a lower expected gross margin due to higher than expected HRC prices impacted by Vietnam's tariffs on imported steel.
- NKG's share price looks expensive in P/E valuation as it is currently trading at 2025F P/E of 14.5x with forecasted EPS growth to decline 44% in 2025, factoring in share dilution.

### Financial Highlights

- 4Q24 revenue remained flat YoY at VND4.5tn (USD178mn) thanks to a 20% rise in sales volume, despite a 17% YoY decrease in weighted average selling price (ASP).
- 4Q24 net profit fell 18% YoY to VND18bn (USD700,000) and experienced a 72% QoQ decline. For FY24, net profit reached VND453bn (USD18mn), completing 94% of our full-year forecast.
- NKG earnings guidance for FY25 declined vs last year's results, with PBT to decline 21% YoY while revenue grows 11% YoY.

### Investment Thesis

#### Chinese steel prices to struggle amid weak production cut, demand decline

China's steel market is facing significant headwinds. Domestic demand is stagnating as the country's steel use per capital is among the highest globally, leaving limited room for further infrastructure and manufacturing-driven growth. Export opportunities will diminish from rising trade protectionism in key markets. Despite these headwinds, production cuts are expected to be slow for several reasons. First, steel production remains crucial to China's economic stability, contributing about 5% of GDP and supporting employment in a weak macroeconomic environment. Additionally, China's steel mills have benefited from lower input costs, allowing them to sustain production in the face of weak demand.

#### Vietnam's tariffs on imported steel will only help to rescue the domestic market

As we expect a prolonged struggling steel price, we think in the short term these potential new tariffs will help to rescue the domestic steel industry from imported Chinese steel with distressed prices.

#### Steel volume will grow 26% in 2026

NKG also has to raise domestic sales in FY25, which are expected to gain 24% YoY, in order to maintain flat steel volume growth as NKG will not able to sell to the US market due to the new AD and CVD tariffs. For 2026, we maintain our view that the newly added volume to serve the manufacturing sector will boost total steel volume to increase 26% YoY.

(VND)	2023	2024	2025E	2026F
Revenue growth	(19%)	11%	14%	27%
Gross margin	6%	9%	9%	9%
Net profit (bn)	117	453	359	479
EPS growth	NA	286%	-21%	33%
Net profit margin	1%	2%	2%	2%
P/E	56.9	8.2	14.6	11.0
P/B	1.2	0.6	0.7	0.6
ROAE	2.2%	8.4%	6.1%	6.1%
Net D/E	0.68	0.97	0.76	1.18

Source: VNDIRECT RESEARCH

## Company Profile: Hoa Sen Group

Hoa Sen Group is leading the galvanized steel sheet segment in Vietnam with 28% market share. HSG accounted for 26% of the domestic market and 30% of exports at the end of 2023.

Hoa Sen Group is the top company in manufacturing and trading steel sheet in Vietnam and the leading exporter of steel sheet in Southeast Asia. It owns 10 factories in the three regions of the North, Central and South, in order to quickly produce and supply products of Corrugated iron, Galvanized steel, Steel pipes, Hot-dip galvanized pipes, and Plastic pipes for each regional market.

**Figure 1: HSG's factories**

#	Name	capacity (tonnes/year)	Type
1	Hoa Sen Yen Bai Galvanized Steel Pipes Plant	82,800	Steel pipe
2	Hoa Sen Nghe An Plant	700,000	Galvanized
		800,000	
		240,000	
3	Hoa Sen Nam Cam Plant	120,000	Steel pipe
4	Hoa Sen Binh Dinh Galvanized Steel Pipes - Plant	100,000	Steel pipe
		12,000	Plastic pipe
5	Hoa Sen Binh Duong Steel Sheet Plant	800,000	Steel pipe
6	Hoa Sen Ha Nam Plant	217,800	
		19,800	
7	Hoa Sen Nhon Hoi - Binh Dinh Plant	350,000	Galvanized
		430,000	
		195,000	
8	Hoa Sen Phu My Construction Materials Plant	332,040	Steel pipe
		97,891	Plastic pipe
9	Hoa Sen Phu My Hot Dip Galvanized Steel Pipes Plant	85,000	Steel pipe
10	Hoa Sen Phu My Steel Sheet Plant	1,200,000	Galvanized
		330,000	

Source: Company reports, VNDIRECT Research

It also owns its distribution channel by having more than 500 branches – retail stores spread across the country. For Hoa Sen Home, HSG currently operates 110 retail stores selling construction materials and home equipment yet does not have any plans to further invest in 2024.

**Figure 2: HSG Board of Directors and Management team**

Name	Title	Note
<b>Board of directors</b>		
Mr Le Phuoc Vu	HSG founder, Chairman	23 years of experience in the steel industry. Established HSG in 2001
Mr Tran Ngoc Chu	Executive Vice Chairman	Joined HSG close to inception
Mr Tran Quoc Tri	Executive Member of BoD Cum General Director	Joined HSG in 2004
Mr Ly Van Xuan	Non Executive Member of BoD	HSG long-term investor
Mr Dinh Viet Duy	Independent member of BoD	
Mr Nguyen Van Luan	Independent member of BoD	
<b>Management team</b>		
Mr Tran Quoc Tri	Executive Member of BoD Cum General Director	Joined HSG in 2004
Mr Hoang Duc Duy	Deputy General Director	Joined HSG in 2001
Mr Vu Van Thanh	Deputy General Director	Joined HSG in 2008
Me Tran Ngoc Pham	Deputy General Director	
Mr Nguyen Ngoc Huy	Deputy General Director	
Mr Tran Thanh Nam	Deputy General Director	
Mr Nguyen Minh Phuc	Acting Deputy General Director	

Source: : Company website, VNDIRECT Research

## Company Profile: Nam Kim Group

Nam Kim Steel JSC is among the leading galvanized steel manufacturers in Vietnam. It owns three factories in Binh Duong and Long An with a total capacity of 1.27 million tonnes of steel including pipe and galvanized steel. Unlike HSG, NKG sells directly to distributors without owning any branches or retail stores.

**Figure 3: NKG's factory**

No	Name	Production chain	Capacity (tonnes/year)	Type
1	Nam Kim Binh Duong coating factory #1	Steel Sheet production line (NOF technology)	350,000	Galvanized
2	Nam Kim Binh Duong coating factory #2	Steel Sheet production line (NOF technology)	650,000	Galvanized
3	Nam Kim Long An steel pipe factory	Steel Pipeline	120,000	Pipe
4	Nam Kim My Phuoc III factory	Steel Pipeline	150,000	Pipe
<b>Production chain</b>				
		Continuous pickling line	1,000,000	
		Cold rolling mills	1,000,000	
		Color coating line	180,000	
		Continuous galvanized/galvalume line	1,270,000	

Source: : Company website, VNDIRECT Research

NKG is among the top three companies in the galvanized steel sheet segment in Vietnam with 17% total market share, comparable with GDA market share of 18%. NKG accounted for 10% of the domestic market and 23% of exports at the end of 2023.

**Figure 4: NKG Board of Director and Management team**

Name	Title	Note
<b>Board of Director</b>		
Mr Ho Minh Quang	Chairman	Son-in-law of Mr Tran Xao Co, NKG's founder. Joined NKG as the company's chairman since 2009
Mr Vo Quang Vu	BOD member cum CEO	20 years of experience in steel industry
Mr Nguyen Vinh An	Deputy CEO	Joined NKG in 2011. 20 Years of experience in steel industry
Mr Vo Thoi	BOD member	Many years of experience in management
Mr Nguyen Huu Kinh Luan	BOD member	10 Years of experience in steel industry
<b>Management team</b>		
Mr Vo Quang Vu	BOD member cum CEO	
Mr Nguyen Vinh An	BOD member cum Deputy CEO	
Mr Quang Trong Lang	Deputy CEO	20 Years of experience in steel industry
Mr Tran Ngoc Dieu	Deputy CEO	20 Years of experience in steel industry
Ms Nguyen Thi Ngoc Lien	Deputy CEO	20 Years of experience in management and operation of export business
Ms Vu Thi Huyen	Deputy CEO	5 Years of management experience in accounting & auditing

Source: VNDIRECT Research, Company website

## 4Q24 HSG Results Recap: Domestic sales drove net profit growth

Figure 5: 4Q24 net profit rose 60% YoY compared to last year's net profit

(VNDbn)	4Q24	4Q23	YoY	FY24	FY23	YoY	FY24E	FY24/FY24E
Revenue	10.407	9.250	13%	41.098	33.392	23%	40.547	101%
Gross profit	1.205	950	27%	4.508	3.820	18%	4.445	101%
SG&A expenses	(991)	(839)	18%	(3.992)	(2.947)	35%	(3.937)	101%
Net financial income	(32)	(6)	445%	61	(5)	-1347%	106	58%
PBT	189	115	64%	614	923	-34%	646	95%
NPAT-MI	166	103	60%	572	808	-29%	601	95%
GPM	11,6%	10,3%	1,3% pts	11,0%	11,4%	-0,5% pts	11,0%	
NPM	1,6%	1,1%	0,5% pts	1,4%	2,4%	-1,0% pts	1,5%	

Source: VNDIRECT Research

### 4Q24 sales volume growth was driven by domestic sales

4Q24 sales volume increased by 12% YoY, reaching 500,000 tonnes, although it remained flat QoQ. The domestic market experienced a 16% YoY rise in galvanized steel, totalling 185,000 tonnes, while exports rose 4% YoY to 209,000 tonnes.

### Gross margin increased due to lower input costs

The weighted average price for galvanized steel rose slightly by 2% YoY in 4Q24 to ~VND21.8mn/tonne (USD860/tonne), while HSG's input hot-rolled coil (HRC) price decreased 3% YoY to USD575/tonne. This contributed to a slight increase in the gross margin to 11.6%.

### SG&A expense growth rose faster than revenue growth

4Q24 SG&A expenses increased by 18% YoY, primarily driven by higher office and export costs, while revenue rose by only 13% YoY.

### Net gearing ratio remained constant QoQ

By the end of 4Q24, the net debt-to-equity (D/E) ratio remained stable QoQ at 0.44x, unchanged from the previous quarter, and down from 0.52x at the end of 1Q24.

### Inventory levels remained flat QoQ

Raw material and finished goods inventory levels stood at 1.8 months and 1.4 months, respectively, by the end of 4Q24, remaining flat QoQ. However, both metrics have declined from their peaks of 2.6 months and 1.7 months at the end of 1Q24.

Figure 6: Balance sheet ratios

VNDbn (otherwise noted)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Cash + Short term investment	351	739	623	1,710	394	504	633	1,529
A/R Days	20	23	24	24	26	26	28	27
Inventory Days	76	78	82	92	117	123	111	108
A/P Days	23	19	23	30	35	33	24	22
Capex	-80	13	-178	13	-57	-35	-642	1
Depreciation	284	276	276	266	251	241	232	228
Fixed Assets	5,474	5,225	5,020	4,764	4,516	4,283	4,111	3,971
Net Debt / Equity (x)	0.31	0.35	0.21	0.27	0.52	0.49	0.43	0.44

Source: VNDIRECT Research

## 4Q24 NKG Results Recap: Exports drove 20% sales volume increase

Figure 7: Exports drove a 20% sales volume increase

(VNDbn)	4Q24	4Q23	YoY	FY24	FY23	YoY	FY24E	FY24/FY24E
Revenue	4,469	4,459	0.2%	20,609	18,596	10.8%	21,415	96.2%
Gross profit	301	273	10.1%	1,832	1,112	64.7%	1,948	94.0%
SG&A expenses	(219)	(198)	10.4%	(1,138)	(739)	53.9%	(1,254)	90.7%
Net financial income	(66)	(45)	47.3%	(136)	(196)	-30.3%	(145)	94.0%
PBT	16	30	-48.5%	558	177	214.8%	602	92.7%
NPAT-MI	18	22	-18.0%	453	117	285.8%	482	94.0%
GPM	6.7%	6.1%	0.6% pts	8.9%	6.0%	2.9% pts	10.1%	
NPM	0.4%	0.5%	-0.1% pts	2.2%	0.6%	1.6% pts	3.8%	

Source: VNDIRECT Research

### Exports drove a 20% sales volume increase

4Q24 sales volume rose 20% YoY to more than 265,000 tonnes, including a 15% YoY rise to 70,000 tonnes of galvanized steel in the domestic market and a 28% jump in exports to 160,000 tonnes.

Export revenue accounted for 58% of 4Q24 total revenue, lower than the average of 68% in the first three quarters, with the biggest contributions from Europe and the Americas.

### 4Q24 gross margin slightly improved YoY

The weighted average price for galvanized steel plummeted 17% YoY in 4Q24 to around VND17mn/tonne (USD670/tonne), which was weaker than our expectations, while NKG's input hot-rolled coil (HRC) price decreased 6% YoY at USD575/tonne. This contributed to a slight increase in the gross margin to 6.7%.

### Net gearing ratio increased

By the end of 2024, the net D/E ratio increased to 0.97x, up from 0.70x at end-2Q24, likely due to higher inventory uploading.

### FY24 PBT exceeded management's full-year guidance

FY24 PBT of VND558bn (USD22mn) beat by 33% vs FY24 PBT guidance of VND420bn (USD17mn) thanks to good 1H24 earnings, which contributed 83% to FY24 PBT.

### Inventory levels remained flat QoQ

Raw material and finished goods inventory levels both stood at two months by the end of 4Q24, remaining flat QoQ and YoY.

Figure 8: NKG balance sheet ratios

VNDbn (otherwise noted)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Cash + Short term investment	933	1,480	1,090	1,075	777	773	959	639
A/R Days	28	34	37	39	44	51	47	40
Inventory Days	126	117	112	119	117	117	120	129
A/P Days	37	31	35	35	31	33	30	21
Capex	-103	-10	-14	-3	-65	-484	-274	-563
Depreciation	94	93	94	95	94	94	92	91
Fixed Assets	2,582	2,496	2,450	2,359	2,268	2,181	2,107	2,021
Net Debt / Equity (x)	0.89	0.57	0.64	0.68	0.84	0.69	0.87	0.97

Source: VNDIRECT Research



## FY25-27F: HSG - Lack of major catalysts

Figure 9: HSG earnings forecast and key assumptions

	Actual	Old		New		% Change	
	FY24A	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
VNDbn, otherwise noted							
Total revenue	41,098	41,983	43,080	37,955	40,700	-9.6%	-5.5%
YoY Growth	23%	4%	3%	-8%	7%		
Gross profit	4,508	4,754	4,855	4,210	4,281	-11.4%	-11.8%
GPM	11.0%	11.3%	11.3%	11.1%	10.5%	-0.2 pts	-0.8 pts
SG&A expense	(3,458)	(3,988)	(4,093)	(3,606)	(3,867)	-9.6%	-5.5%
SG&A as % of revenue	8%	9.5%	9.5%	9.5%	9.5%		
EBITDA	1,516	1,743	2,030	1,587	1,625	-9.0%	-19.9%
EBITDA margin	4%	4.2%	4.7%	4.2%	4.0%	0.0 pts	-0.7 pts
Interest expense	(157)	(142)	(127)	(142)	(108)	0.2%	-15.3%
Pretax profit	614	769	1,040	748	704	-2.7%	-32.4%
NPAT-MI	572	677	915	658	619	-2.7%	-32.4%
Net margin	1.4%	1.6%	2.1%	1.7%	1.5%	0.1 pts	-0.6 pts
YoY Growth	-29%	13%	35%	15%	-6%		
Steel volume (tonnes)	1,959,670	1,985,000	2,040,000	1,840,000	1,960,000	-7.3% pts	-3.9% pts
Pipe	375,470	375,000	400,000	375,000	400,000	0.0% pts	0.0% pts
Total gavanized steel	1,584,200	1,610,000	1,640,000	1,465,000	1,560,000	-9.0% pts	-4.9% pts
Galvanized steel- domestic	646,200	760,000	800,000	720,000	840,000	-5.3% pts	5.0% pts
Galvanized steel - export	938,000	850,000	840,000	745,000	720,000	-12.4% pts	-14.3% pts
HRC (USD/tonne)	585	590	590	553	550	-6.3% pts	-6.8% pts
YoY Growth	-8%	1%	0%	-5%	-1%		
Weighted Galvanized steel (VNDm/tonne)	21,800	22,000	22,000	21,600	21,700	-1.8% pts	-1.4% pts
YoY Growth	-6%	1%	0%	-1%	1%		

Source: VNDIRECT Research

## FY25-27F: NKG – Worries on steel exports

Figure 10: NKG earnings forecast and key assumptions

	Actual	Old		New		% Change	
	FY24A	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
VNDbn, otherwise noted							
Total revenue	20,609	21,858	27,310	23,525	29,780	7.6%	9.0%
YoY Growth	11%	6%	25%	14%	27%		
Gross profit	1,832	2,144	2,806	2,164	2,813	0.9%	0.2%
GPM	9%	9.8%	10.3%	9.2%	9.4%	-1% pts	-1% pts
SG&A expense	(1,138)	(1,412)	(1,708)	(1,432)	(1,737)	1.4%	1.7%
SG&A as % of revenue	6%	6.5%	6.3%	6.1%	5.8%	0.0%	0.0%
EBITDA	1,065	1,137	1,766	1,142	1,703	0.5%	-3.6%
EBITDA margin	5%	5.2%	6.5%	4.9%	5.7%	0% pts	-1% pts
Interest expense	(208)	(198)	(280)	(198)	(280)	0.0%	0.0%
Pretax profit	558	449	623	449	599	0.0%	-3.8%
NPAT-MI	453	359	498	359	479	0.0%	-3.8%
Net margin	2%	2%	2%	2%	2%	0% pts	0% pts
YoY Growth	286%	-21%	39%	-21%	33%	0.0%	0.0%
Steel volume (tonnes)	1,046,533	1,095,000	1,380,000	1,095,000	1,380,000	0.0%	0.0%
Pipe	127,500	160,000	160,000	160,000	160,000	0.0%	0.0%
Total gavanized steel	919,033	935,000	1,220,000	935,000	1,220,000	0.0%	0.0%
Galvanized steel- domestic	249,330	270,000	380,000	310,000	460,000	14.8%	21.1%
Galvanized steel - export	669,703	665,000	840,000	625,000	760,000	-6.0%	-9.5%
HRC (USD/tonne)	580	570	570	600	595	5.3%	4.4%
YoY Growth	-13%	-2%	0%	4%	-1%		
Weighted Galvanized steel (VNDm/tonne)	20,209	20,468	20,156	22,337	22,246	9.1%	10.4%
YoY Growth	-8%	1%	-2%	11%	0%		

Source: VNDIRECT Research

### Chinese steel prices will continue to struggle

Figure 11: Past investigations of the steel industry by the Trade Authority of Vietnam

Million tonnes									YoY							
	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F		2024	2025F	2026F	2027F	2028F	2029F	2030F
Crude steel consumption																
China	963	884	864	866	865	860	855	849		-8.1%	-2.3%	0.2%	-0.1%	-0.6%	-0.6%	-0.6%
European Union	147	133	136	141	144	146	149	151		-9.2%	2.1%	3.5%	2.5%	1.6%	1.6%	1.5%
United States	102	99	101	103	106	107	109	111		-2.9%	1.5%	2.9%	2.2%	1.6%	1.5%	1.8%
India	130	147	154	162	169	175	185	196		13.2%	5.0%	5.3%	4.1%	3.5%	6.0%	5.7%
Japan	59	56	56	57	58	58	59	60		-3.7%	0.1%	0.6%	1.6%	1.1%	1.1%	1.1%
South Korea	54	51	52	53	54	55	56	56		-6.0%	2.0%	2.8%	1.6%	1.1%	1.1%	1.1%
Russia	45	45	45	45	46	47	48	49		0.5%	-1.3%	0.0%	2.7%	2.2%	2.2%	2.2%
Brazil		27	27	28	28	29	29	29			2.9%	2.0%	1.6%	1.1%	1.1%	1.1%
World steel consumption	1893	1,825	1,829	1,867	1,897	1,918	1,940	1,963		-3.6%	0.3%	2.0%	1.6%	1.1%	1.1%	1.1%
Crude steel production																
China	1 019	1,005	975	963	961	959	955	950		-1.4%	-3.0%	-1.3%	-0.2%	-0.2%	-0.4%	-0.6%
European Union	126	129	132	136	139	143	145	146		2.5%	2.3%	2.3%	2.7%	2.6%	1.3%	1.1%
India	140	150	159	169	180	190	201	212		6.7%	6.2%	6.7%	6.0%	5.6%	5.9%	5.4%
Japan	87	84	84	83	83	83	83	82		-3.4%	0.0%	-0.6%	-0.2%	-0.3%	-0.4%	-0.7%
United States	81	79	81	83	84	86	87	88		-1.5%	2.1%	2.2%	1.7%	1.6%	1.5%	1.6%
Russia	76	71	70	69	68	68	67	66		-6.7%	-1.4%	-1.2%	-0.8%	-0.9%	-1.1%	-1.3%
South Korea	67	64	64	64	65	66	67	67		-4.7%	0.2%	1.0%	1.4%	1.3%	1.1%	0.9%
Brazil		34	35	37	39	41	42	44			3.3%	5.1%	5.4%	5.0%	4.7%	4.3%
World steel production	1 888	1,883	1,883	1,898	1,922	1,944	1,963	1,978		-0.3%	0.0%	0.8%	1.3%	1.1%	1.0%	0.8%

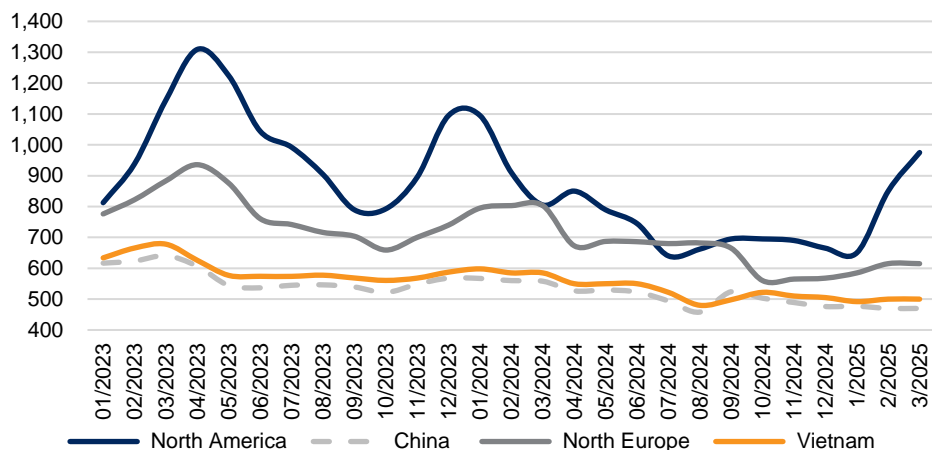
Source: VNDIRECT Research, Department of Industry Science and Resources, Australian Government

The Australian Department of Industry forecasts that global crude steel consumption will flatten in 2025, with slight growth of 2% in 2026. This growth will be driven by a 5% increase in India and 1-2% in developed markets, which will offset continued weakening demand in China. On the supply side, crude steel production is expected to remain stable at 1.89 billion tonnes in 2024, with a slight rise of 0.8% in 2025, primarily driven by increased supply from India. However, this forecast may face downside risks due to rising trade tensions amid reciprocal US tariffs on 180 countries and China's retaliatory tariffs on the US.

The global trade war is rapidly altering steel supply-demand dynamics, making forecasts challenging. However, a noticeable key trend is the de-globalization-led steel price divergence between countries, with US steel prices recently rising due to tariffs on imports. US President Trump's tariffs on steel and aluminum, set at 25%, have raised US domestic HRC prices, benefiting US producers but raising costs for industries relying on imports. Meanwhile, global steel prices outside the US are under pressure due to factors like the loss of the US market and ongoing trade uncertainties that could lead to slower economic growth and weaker steel demand. However, lower input costs (iron ore and coking coal) mean improved margins for steel mills, which support Chinese steel producers and delay market consolidation.



**Figure 12: HRC price movement**



Source: Bloomberg

Steel demand has long been seen as a proxy for China's economic health due to its broad exposure across various sectors. According to a source from Bloomberg, in China, crude steel production/apparent steel consumption growth YoY was -3.0%/- 4.3% in 2021, -1.9%/-2.5% in 2022, +0.6%/-2.6% in 2023, and -1.0%/-3.1% in 2024. The decline in crude steel production lagged the decline in domestic demand, leading to a drop in steel prices since their peak in 2021. The supply/demand gap for now has not narrowed, resulting in high levels of surplus steel being directed to exports.

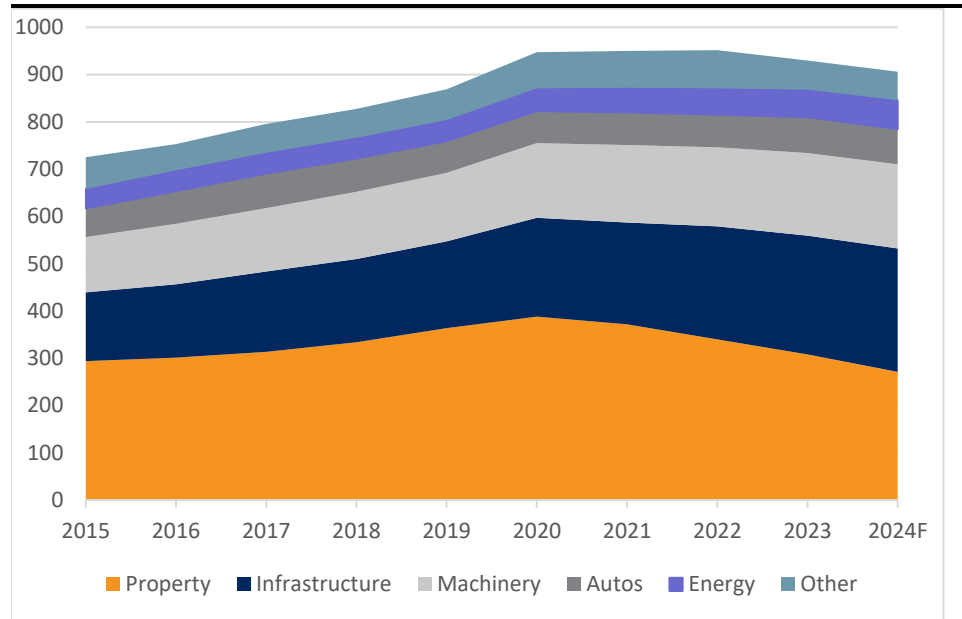
In 2025, we expect that the supply decline lag vs demand will continue due to:

- 1) **Domestic Chinese steel demand will continue to drop** as the Chinese government has less room to push steel demand from infrastructure, energy, and manufacturing as it has been doing to partly offset the drop in steel for property demand (see Figures 11, 12). Even if China could propose major stimulus measures in 2H25, it would not avoid the long-term structural economic shift. The Chinese domestic market cannot absorb much more steel due to steel use per capital being among the highest in the world, according to WSA (see figure 13).
- 2) **Chinese global exports will go down from 2025**, driven by the drop to its biggest export markets, such as Vietnam, South Korea and India, due to the impact of increasing trade protectionism of China's trade partners. Besides directly hitting Chinese steel, China exports large volumes of white goods and other manufactured goods to the US with substantial embodied steel inputs. A material reduction in these exports — in the event China is unable to find alternative markets — would reduce further Chinese demand for steel, depressing steel prices and mill profitability.
- 3) **Slow production cuts amid weak demand:** Amid a backdrop of weak demand domestically and overseas, Chinese production cuts are certain, but we expect that these cut this year will be weak:
  - Thanks to Chinese steel mill profit recently improving due to lower input costs (see Figure 14), Chinese steelmakers can continue to handle tough competition, slowing the progress of market consolidation.
  - As the steel industry accounts for 5% of China's GDP, maintaining steel production helps to keep a steady employment rate and GDP

growth, which are higher priorities to the government amid a weak macroeconomy. Also, potential steel price increases driven by output quotas may pose further pressure on downstream demand.

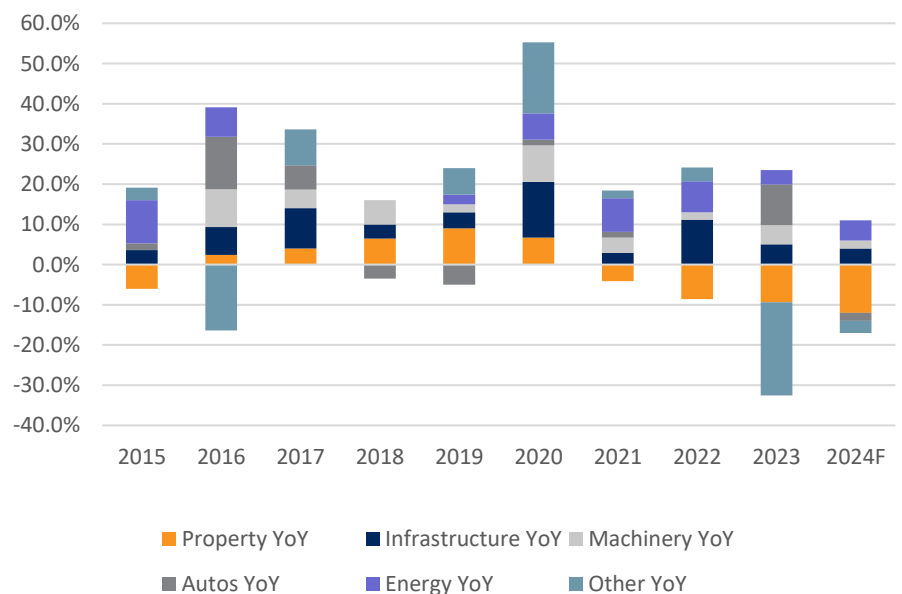
- For 2025, we expect a strict steel production control policy to still be absent as China continues to experience a dilemma between sustaining its 5% GDP growth target vs its economic shift from being an investment-led to a consumption-led growth country, and environmental protection. That said, we expect supply-side reform to remain the dominant policy direction in the long run, and the government will re-introduce production quotas after economic stabilization.

**Figure 13: Steel demand in downstream sectors in China (million tonnes)**



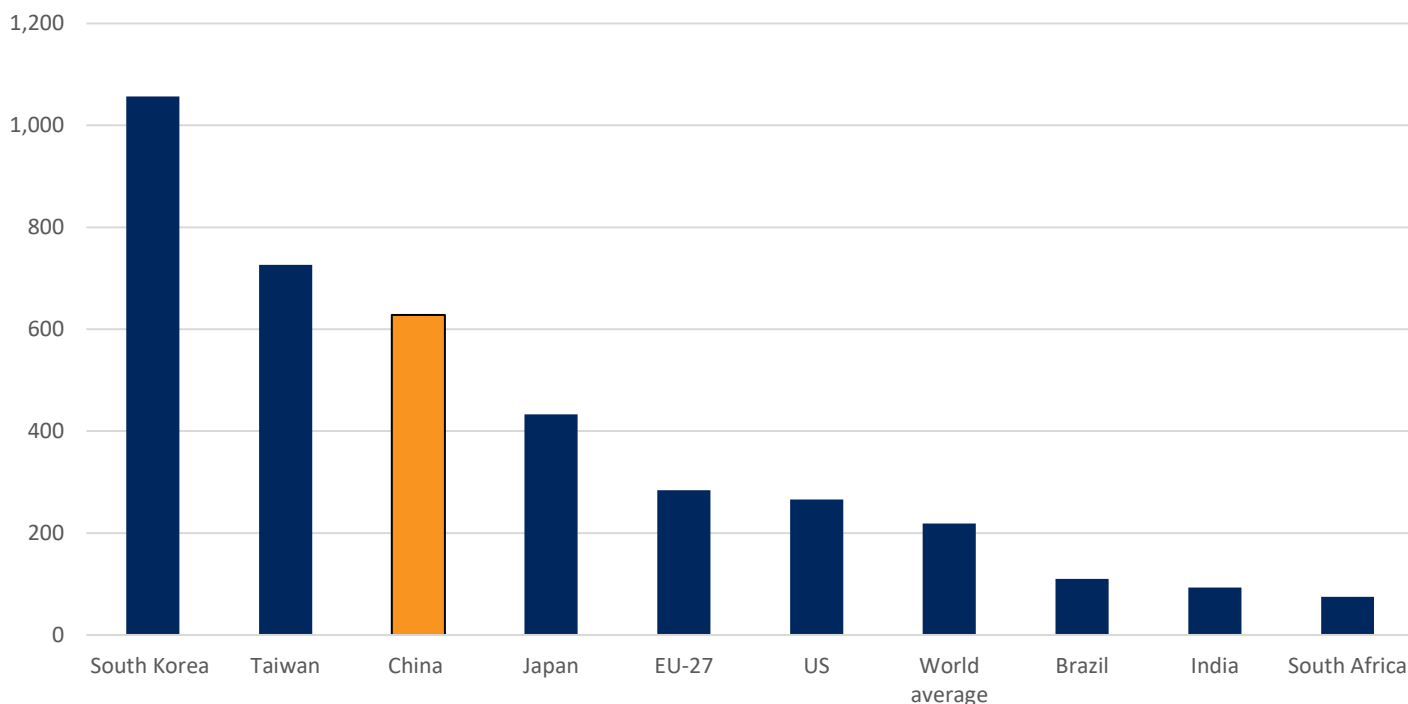
Source: Bloomberg

**Figure 14: Steel demand growth (YoY) in downstream sectors in China**



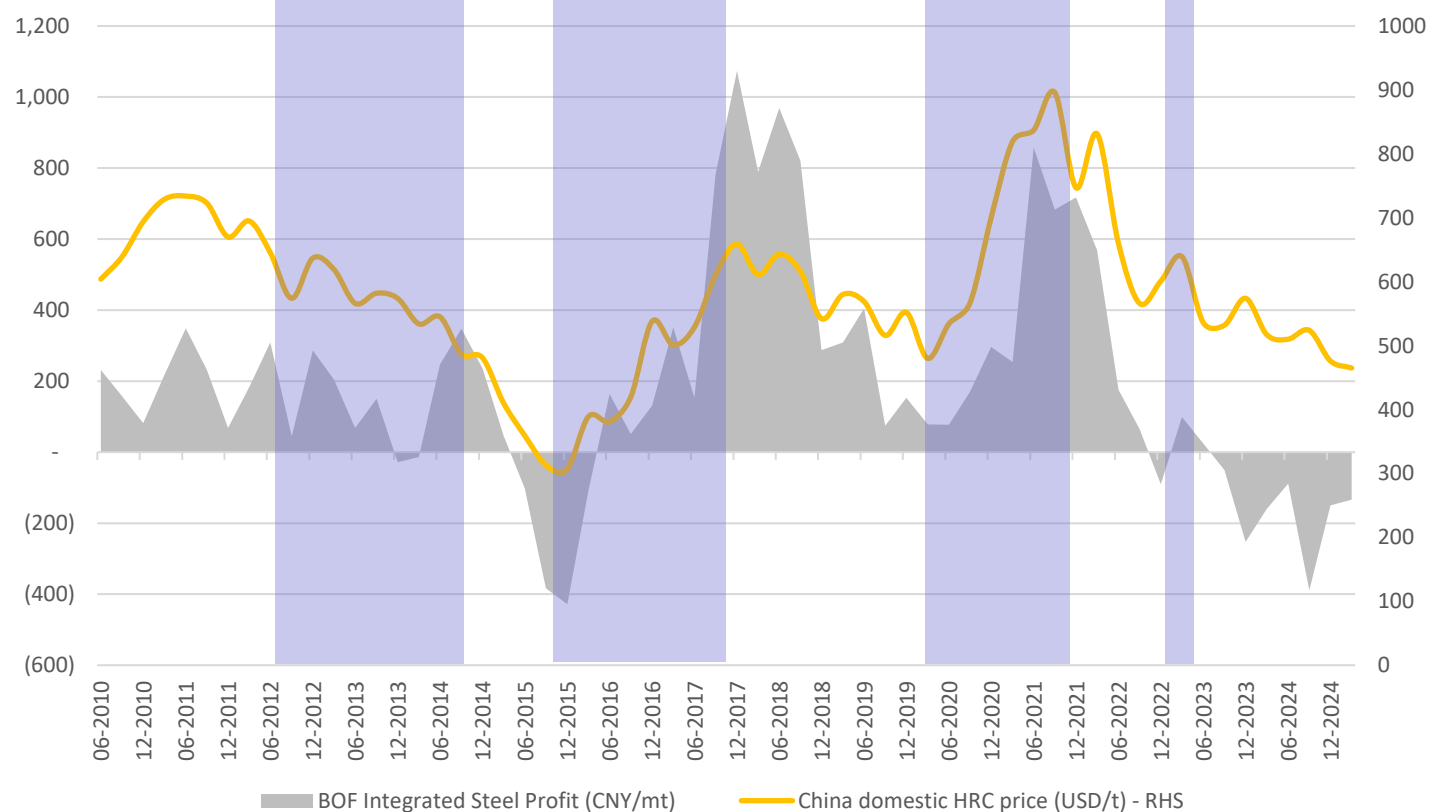
Source: Bloomberg

**Figure 15: Steel use per capital 2023 (kg/capital)**



Source: VNDIRECT research, WSA

**Figure 16: Chinese steel mill profits (highlighted area means periods that steel upcycle occurred, steel stocks outperformed)**



Source: VNDIRECT research, Bloomberg

**Figure 17: Quarterly Chinese steel export volume (thousand tonnes)**



Source: Bloomberg

**New tariffs by Vietnam's MoIT partly help to rescue domestic steel industry from imported Chinese steel's depressed price level**

**Figure 18: Past investigations of the steel industry by the Trade Authority of Vietnam**

No	Case number	Products	Initiator	Country under investigation	Current Status	Investigation on notice/ Mid-term/ Final check	Temporary solution notice	Official AD/SG solution notice	Days of waiting 1	Days of waiting 2	Years of applying AD/SG solutions	Importing tax	Final AD tax/ SG tax
1	AD01	CRC	Posco VST, Inox Hoa Binh	China, Indonesia, Malaysia, Taiwan	Expired	7/02/2013	12/25/2013	9/5/2014	176	254	5	0-10%	3%-37%
	ER01.A D01			China, Indonesia, Malaysia, Taiwan	Active	10/02/2018		10/21/2019			5		
2	AD02	Galvanized steel	NKG, GDA, Ton Phuoc Nam, China Steel Sumikin	China, South Korea	Expired	3/03/2016	9/1/2016	3/30/2017	182	210	5		3-38%
3	AD03	H shaped steel		China	Expired	10/05/2016	3/21/2017	8/21/2017	167	153	5		20%-29%
	ER01.A D03			China	Active	10/13/2021		8/19/2022			5		
4	AD04	Some G/GLs	NKG, Ton Phuoc Nam, Dai thien Loc, TVP	China, South Korea	Expired	10/15/2018	6/18/2019	10/24/2019	246	128	5		2.5%-34%
	AR01.A D04			China, South Korea	Active			4/20/2021			Until next notice		
5	AD08	CRC		China	Active	9/03/2019		12/21/2020		475	5		4%-25%
6	AD12	H shaped steel		Malaysia	Active	8/24/2020	4/2/2021	8/18/2021	221	138			10.64%
7	SG04	Billet and long steel		Global	Expired	12/25/2015	3/7/2016	7/18/2016	73	133	4		Billet: 23.3%, Long steel 14.2%, Annual decline by 2%, After 2020 0%
	ER02.S G04	Long steel		Global	Active	11/04/2022		3/21/2023			3	15%	6%
8	SG05	Galvanized steel		Global	Expired	7/06/2016		6/15/2017			3		Average maximum 420,000 tonnes annually, SG tax of 19% applied to amount beyond that
9	AD17	PC bar steel		China, Thailand, Malaysia	Pending	7/05/2023							
10	AD19	Galvanized steel	HSG, NKG, GDA, Ton Phuoc Nam, China Steel & Nippon Steel	China, South Korea	Pending	6/14/2024	4/1/2025		291				0%-37.13% with most major Chinese galvanized steel producers except Boxing Hengrui and Yieh Phui (China) Technomaterial South Korean steel: POSCO, KG Dongbu Steel, Dongkuk Coated Metal: 0%, Hyundai Steel: 13.7%, other producers: 15.67%
11	AD20	HRC	HPG, Formosa	India, China	Pending	7/26/2024	2/21/2025		210				19.38%-27.83% for Chinese HRC steel imports

Source: VNDIRECT research, Trade remedies authority of Vietnam

## MoIT imposes temporary anti-dumping duties on hot-rolled steel from China

On February 21, 2025, Vietnam's Ministry of Industry and Trade (MoIT) issued Decision No. 460/QĐ-BCT, imposing temporary anti-dumping duties on certain hot-rolled coil (HRC) steel products originating from China for 120 days, effective from March 8, 2025. The applicable duty rates range from 19.38% to 27.83%.

As per Vietnam Customs data, 2024 hot-rolled steel imports reached 12.6 million tons, a 33% increase YoY. Furthermore, following the MoIT's July 2024 initiation of this investigation, Chinese hot-rolled steel imports continued to rise. While dumping from India was determined to exist, imports from India, representing less than 3% of the total, were deemed insignificant and thus excluded from the provisional duties. We have discussed the impact on this via our earlier steel note in which our initial thoughts were that HPG and Formosa could gradually raise their domestic HRC ASP by up to 1-1.5 million/tonnes (USD40-60) in 2025.

## Anti-dumping duty on galvanized steel imports from China, South Korea:

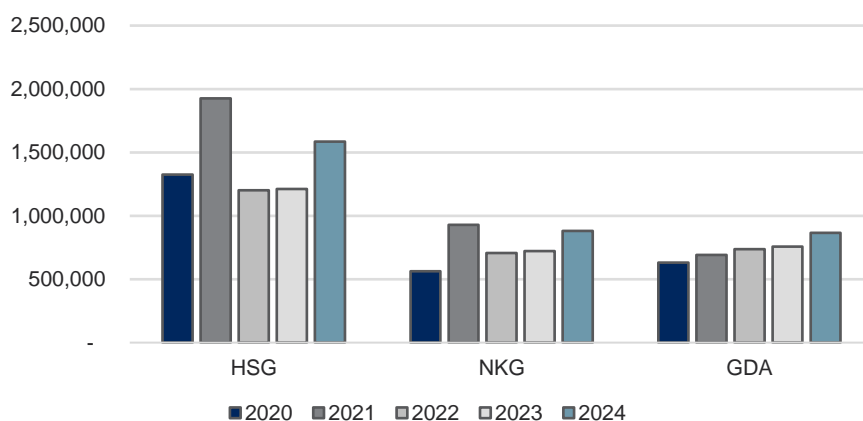
The Ministry of Industry and Trade announced a temporary anti-dumping duty on galvanized steel imports from China and South Korea, which will have a significant impact on the domestic galvanized steel industry, though the effect on HPG is limited due the small contribution of galvanized steel to its total volume.

The duty ranges from 0% to 37.13%, with most major Chinese galvanized steel producers, such as Baosteel Zhanjiang, Baoshan Iron & Steel, and Wuhan Iron & Steel, facing this rate. We note that Baosteel and Baoshan are the biggest steelmakers in China. Exempted from the duty (0%) are two smaller companies: Boxing Hengrui New Material and Yieh Phui (China) Technomaterial. The reason for the exemption could be due to their smaller scale and insignificant export volume to Vietnam.

Anti-dumping duties on galvanized steel imports from South Korea are 0% for POSCO, KG Dongbu Steel and Dongkuk Coated Metal, 13.7% for Hyundai steel and 15.67% for other producers.

## 2025 volume growth will moderate from 2024's high base

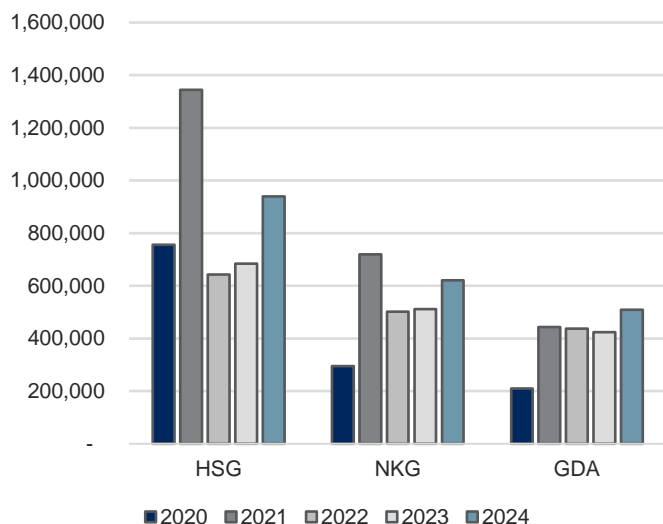
Figure 19: FY galvanized steel sales volume over the last five years (tonnes)



Source: Fiingroup, VNDIRECT Research

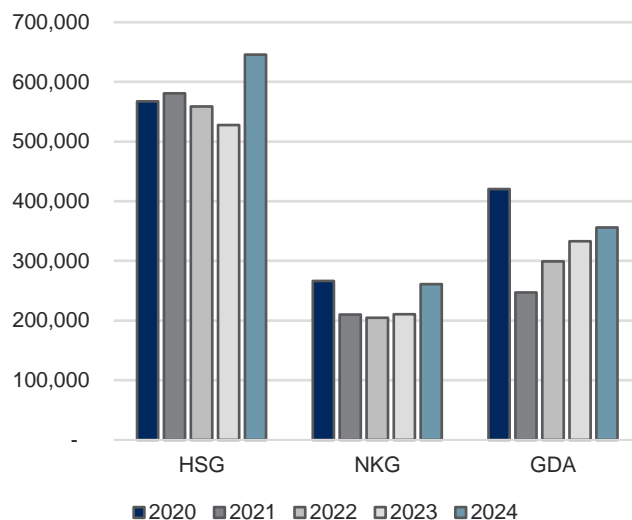
FY24 sales volume of the three biggest galvanized steel firms reflected a strong performance: while the sector grew 27% YoY, HSG volume growth outperformed with a 31% YoY rise, NKG volume rose 22% YoY, while GDA increased 14% YoY.

**Figure 20: Galvanized steel export sales volume over last five years (tonnes)**



Source: Fiingroup, VNDIRECT Research

**Figure 21: Galvanized steel domestic sales volume over five years (tonnes)**

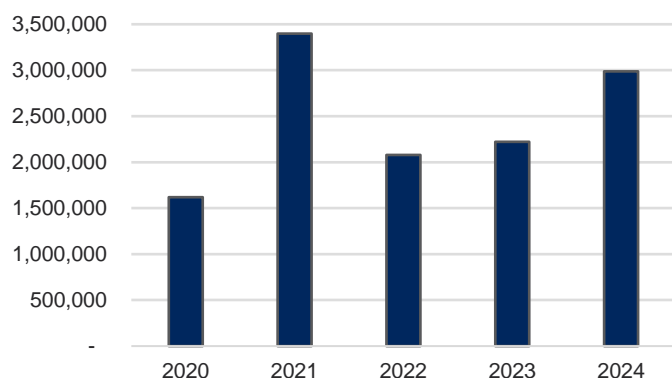


Source: Fiingroup, VNDIRECT Research

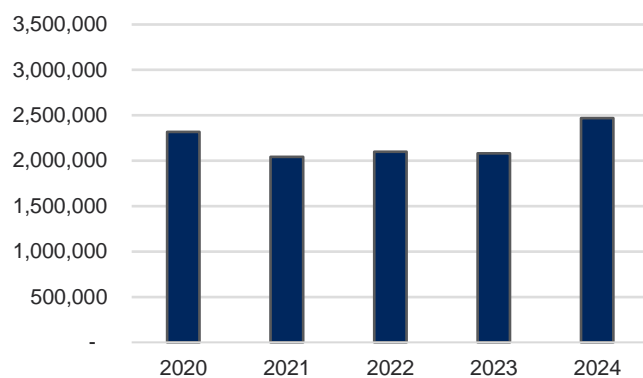
On the export side, while the sector's exports grew 35% YoY, HSG volume growth outperformed with a 37% YoY rise, NKG volume rose 21% YoY and GDA increased 20% YoY, which slightly underperformed overall market growth.

On the domestic side, while the sector's exports grew 19% YoY, HSG volume growth outperformed with a 22% YoY rise, NKG volume rose 24% YoY and GDA increased 7% YoY.



**Figure 22: Sector export sales volume over last five years (tonnes)**


Source: Fiingroup, VNDIRECT Research

**Figure 23: Sector domestic sales volume over last five years (tonnes)**


Source: Fiingroup, VNDIRECT Research

**Figure 24: Sales volume assumptions**

HSG	FY24A	FY25F	FY26F	YoY	FY25F	FY26F
<b>Steel volume (tonnes)</b>	<b>1,959,670</b>	<b>1,840,000</b>	<b>1,960,000</b>		<b>-6%</b>	<b>7%</b>
Pipe	375,470	375,000	400,000		0%	7%
Total gavanized steel	1,584,200	1,465,000	1,560,000		-8%	6%
Galvanized steel- domestic	646,200	720,000	840,000		11%	17%
Galvanized steel - export	938,000	745,000	720,000		-21%	-3%
<b>NKG</b>	<b>FY24A</b>	<b>FY25F</b>	<b>FY26F</b>		<b>FY25F</b>	<b>FY26F</b>
<b>Steel volume (tonnes)</b>	<b>1,046,533</b>	<b>1,095,000</b>	<b>1,380,000</b>		<b>5%</b>	<b>26%</b>
Pipe	127,500	160,000	160,000		25%	0%
Total gavanized steel	919,033	935,000	1,220,000		2%	30%
Galvanized steel- domestic	249,330	310,000	460,000		24%	48%
Galvanized steel - export	669,703	625,000	760,000		-7%	28%

Source: Fiingroup, VNDIRECT Research

We forecast HSG sales volume to decrease 6% in FY25, dragged down by a 21% decline in exports as HSG sales will transition back to the domestic market to avoid intensified trade investigations from export markets. This creates a major adjustment in our EBITDA margin for FY25 as HSG would not able to capture a high HRC selling price gap vs last year.

For NKG, the US market accounts for around 24% of total revenue. From 2Q24, NKG has to reduce export volume to this market due the two new tariffs imposed by the US International Trade Commission:

- 1) CVD investigations on corrosion-resistant steel (CORE) from Brazil, Canada, Mexico, and Vietnam, with HSG and GDA having a 0% subsidy rate, NKG having a 46% subsidy rate while other exporters face tariffs ranging from 46% to 140%.
- 2) The US Department of Commerce is also conducting AD investigations on CORE from several countries, including Vietnam, with preliminary results of a 59% tariff on HSG, 49.42% on NKG and HPG and 39.84% on GDA.

We forecast NKG also has to raise domestic sales in FY25 to gain 24% YoY in order to maintain flat steel volume growth. In 2026, we maintain our view that the newly added volume to serve the manufacturing sector will boost total steel volume 26% YoY.

## Valuation: Maintain a HOLD for HSG with a TP of VND12,400

We maintain with a HOLD rating for HSG with a TP of VND12,400 using three methods: P/E, P/B and DCF valuation.

**Figure 25: Target price**

Method	Target Multiple (x)	Implied share price	Weight	Weighted target price
P/E	11.0x	12,100	33%	4,033
P/B	0.8x	15,440	33%	5,147
DCF		9,500	33%	3,167
Target Price				12,400
Upside				-8.1%

	2024	2025	2026
FW P/E	13.5x	12.3x	13.5x
FW P/B	0.8x	0.7x	0.7x

Source: VNDIRECT Research

**Figure 26: P/B valuation**

P/B	2025F
Book Value (VNDbn)	11,973
Target Multiple (x)	0.8x
Outstanding shares (Mn)	621
BVPS (VND)	19,300
Target price (VND)	15,440
ROE	5.9%

Source: VNDIRECT RESEARCH

**Figure 27: P/E valuation**

P/E	2025F
Group NPATMI (VNDbn)	658
EPS (VND)	1,100
EPS growth	18%
Target Multiple (x)	11.0x
Outstanding shares (Mn)	621
Target price (VND)	12,100

Source: VNDIRECT RESEARCH

HSG's share price looks fair in P/E valuation with HSG currently trading at a 2025F P/E ratio of 12x with EPS growth to be 18% off 2024's low base. We also think that HSG will execute its share buyback proposal of 50-100 million shares, representing 10 to 20 days of its average 10-day trading volume, which prevents HSG valuation from declining to a distressed level.

**Figure 28: Cost of Equity and WACC**

Cost of Equity and WACC	
Risk free rate	3.0%
Risk premium	8.3%
Beta	1.30
Cost of equity	13.8%
Cost of debt (post tax)	6%
Equity (VNDbn)	8,383
Net Debt (VNDbn)	4,881
Equity/(Debt+Equity)	63.2%
Debt/(Debt+Equity)	36.8%
WACC	11.1%
Perpetual growth rate	3.0%

Source: VNDIRECT Research

**Figure 29: DCF valuation (VNDbn or noted)**
**Unlevered Free Cash Flows**

	Actual	Actual	Forecasts				
<i>Fiscal year ended</i>	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Revenue	32,806	40,420	37,955	40,700	42,735	44,872	47,115
% growth			(6.1%)	7.2%	5.0%	5.0%	5.0%
EBITDA	1,751	1,516	1,587	1,625	1,706	2,019	2,120
% margin	5%	4%	4.2%	4.0%	4.0%	4.5%	4.5%
EBIT	934	564	631	539	566	595	624
% margin	3%	1%	1.7%	1.3%	1.3%	1.3%	1.3%
Tax on EBIT	187	113	126	108	113	119	125
Tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPAT (aka EBIAT)	747	451	505	431	453	476	499
Depreciation & amortization	817	952	956	1,086	1,068	1,122	1,178
Changes in net working capital	0	(2,670)	1,498	(707)	1,352	(427)	(449)
Capital expenditures	(244)	(937)	(520)	(567)	(449)	(471)	(495)
as % of revenue	0.7%	2.3%	1.4%	1.4%	1.1%	1.1%	1.1%
Unlevered free cash flows (UFCF)			2,439	243	2,424	699	734
Net working capital (WC Assets - WC liabilities)	8,020	10,690	9,192	9,899	8,547	8,974	9,423
as % of revenue	24.4%	26.4%	24.2%	24.3%	20.0%	20.0%	20.0%

**Present value of UFCF on Apr 21, 2025 valuation date**

	Val date	Yr 1 - Stub	Year 2	Year 3	Year 4	Year 5
Date for discounting cash flows	21/04/2025	26/08/2025	01/07/2026	01/07/2027	01/07/2028	01/07/2029
Unlevered free cash flows (UFCF) stub adjusted	69.4%	1,694	243	2,424	699	734
Present value of of unlevered free cash flows		1,633	215	1,925	500	472

**Terminal value - growth in perpetuity approach**

Long term growth rate	3%
2029 FCF x (1+g)	756
Terminal value in 2029	9,363
Present value of terminal value	6,026
Present value of stage 1 cash flows	4,745
Total enterprise value (TEV)	10,771

Terminal value as % of TEV	55.9%
Stage 1 cash flows as % of TEV	44.1%
Implied TV exit EBITDA multiple	4.4x

**Valuation**

	Perpetuity
Enterprise value	10,771
Net debt	4,881
Equity value	5,889
Shares outstanding	621
Equity value per share	9,500

Source: Fiingroup, VNDIRECT Research

## Valuation: Maintain a HOLD for NKG with a TP of VND11,100

We maintain with a HOLD rating for NKG with a TP of VND11,100 using three methods: P/E, P/B and DCF valuation.

**Figure 30: Target price**

Method	Target Multiple (x)	Weight	Weighted target price
P/E	10.0x	33%	2,700
P/B	0.7x	33%	4,083
DCF		33%	4,300
Target Price			11,100
Upside			-6.3%

	2025	2026
FW P/E	14.6x	11.0x
FW P/B	0.7x	0.6x

Source: VNDIRECT Research

**Figure 31: P/B valuation**

P/B	2025F
Book Value (VNDbn)	7,810
BVPS (VND)	17,500
ROE	6%
Outstanding shares (Mn)	448
Target Multiple (x)	0.7x
Target Price (VND)	12,250

Source: VNDIRECT RESEARCH

**Figure 32: P/E valuation**

P/E	2025F
Group NPATMI (VNDbn)	359
EPS (VND)	810
EPS growth	-44%
Outstanding shares (Mn)	448
Target Multiple (x)	10.0x
Target Price (VND)	8,100

Source: VNDIRECT RESEARCH

NKG's share price looks expensive in P/E valuation with NKG currently trading at a 2025F P/E ratio of 14.6x with EPS growth forecast to decline 44% in 2025 factoring in share dilution.

NKG is trading at 0.7x 25F P/B. With 25F ROE of 6%, NKG's P/B valuation looks fair.

**Figure 33: Cost of Equity and WACC**

Cost of Equity and WACC	
Risk free rate	3.0%
Risk premium	8.3%
Beta	1.40
Cost of equity	14.6%
Cost of debt (post tax)	6%
Equity (VNDbn)	5,304
Net Debt (VNDbn)	5,673
Equity/(Debt+Equity)	48.3%
Debt/(Debt+Equity)	51.7%
WACC	10.4%
Perpetual growth rate	3.0%

Source: VNDIRECT Research

**Figure 34: DCF valuation (VNDbn or noted)**

<b>Unlevered Free Cash Flows</b>							
	Actual	Actual	Forecasts				
<i>Fiscal year ended</i>	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Revenue	18,596	20,609	23,525	29,780	35,736	42,883	51,460
% growth			14.1%	26.6%	20.0%	20.0%	20.0%
EBITDA	749	1,065	1,142	1,703	2,044	2,453	2,943
% margin	4%	5%	4.9%	5.7%	5.7%	5.7%	5.7%
EBIT	373	695	732	1,075	1,290	1,548	1,858
% margin	2%	3%	3.1%	3.6%	3.6%	3.6%	3.6%
Tax on EBIT	75	139	146	215	258	310	372
Tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPAT (aka EBIAT)	298	556	585	860	1,032	1,239	1,486
Depreciation & amortization	376	370	411	628	628	628	628
Changes in net working capital	0	(71)	(2,023)	(276)	(1,119)	(1,930)	(772)
Capital expenditures	(211)	(130)	(901)	(1,000)	(100)	(100)	(100)
as % of revenue	1.1%	0.6%	3.8%	3.4%	0.3%	0.2%	0.2%
Unlevered free cash flows (UFCF)			(1,928)	213	441	(163)	1,243
Net working capital (WC Assets - WC liabilities)	6,160	6,231	8,254	8,530	9,649	11,578	12,350
as % of revenue	33.1%	30.2%	35.1%	28.6%	27.0%	27.0%	24.0%
Present value of UFCF on Apr 21, 2025 valuation date							
		Val date	Yr 1 - Stub	Year 2	Year 3	Year 4	Year 5
Date for discounting cash flows		21/04/2025	26/08/2025	01/07/2026	01/07/2027	01/07/2028	01/07/2029
Unlevered free cash flows (UFCF) stub adjusted	69.4%		(1,339)	213	441	(163)	1,243
Present value of of unlevered free cash flows			(1,293)	189	355	(119)	821
Terminal value - growth in perpetuity approach							
Long term growth rate	3%						
2029 FCF x (1+g)	1,280						
Terminal value in 2029	17,362						
Present value of terminal value	11,474						
Present value of stage 1 cash flows	(47)						
Total enterprise value (TEV)	11,428						
Terminal value as % of TEV	100.4%						
Stage 1 cash flows as % of TEV	(0.4%)						
Implied TV exit EBITDA multiple	5.9x						
<b>Valuation</b>							
	Perpetuity						
Enterprise value	11,428						
Net debt	5,673						
Equity value	5,755						
Shares outstanding	448						
Equity value per share	12,900						

Source: VNDIRECT Research

**Upside risks:**

- Stricter supply cut policies in China.
- Higher Chinese steel price due to better-than-expected impact of Chinese government stimulus measures on the economy.

**Downside risks:**

- Lower steel selling prices and continued steel AD investigations in export countries hurt market sentiment.
- Lower-than-expected steel demand due to prolonged slow property market recovery.
- Higher-than-expected input costs due to escalating global tensions, and tough weather leading to supply disruptions.

**HSG financial statements**
**Income statement**

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Net revenue	27,074	30,054	56,561	40,695	32,806	40,420	37,955	40,700
Cost of sales	(23,530)	(24,882)	(47,056)	(37,741)	(28,956)	(35,901)	(33,745)	(36,419)
<b>Gross Profit</b>	<b>3,545</b>	<b>5,172</b>	<b>9,505</b>	<b>2,954</b>	<b>3,850</b>	<b>4,519</b>	<b>4,210</b>	<b>4,281</b>
Gen & admin exper	(2,349)	(3,976)	(3,272)	(2,543)	(3,458)	(3,606)	(3,867)	0
Selling expenses	(447)	(455)	(488)	(412)	(534)	0	0	0
<b>Operating EBIT</b>	<b>749</b>	<b>741</b>	<b>5,745</b>	<b>(1)</b>	<b>(142)</b>	<b>914</b>	<b>344</b>	<b>4,281</b>
Operating EBITDA	1,968	1,965	6,922	1,159	675	1,866	1,300	5,367
D&A	1,220	1,223	1,177	1,160	817	952	956	1,086
Financial income	46	85	503	252	245	341	375	360
Financial expense	(778)	(608)	(598)	(572)	(250)	(280)	(258)	(195)
Net other income	11	(8)	1	65	38	(5)	27	27
Income from assoc	0	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>588</b>	<b>1,846</b>	<b>4,980</b>	<b>(1,061)</b>	<b>929</b>	<b>625</b>	<b>748</b>	<b>704</b>
Tax expense	(99)	(302)	(601)	(7)	(115)	38	(90)	(84)
<b>NPAT</b>	<b>490</b>	<b>1,543</b>	<b>4,379</b>	<b>(1,068)</b>	<b>814</b>	<b>577</b>	<b>658</b>	<b>619</b>
NPAT-MI	490	1,543	4,379	(1,068)	814	577	658	619

**Balance sheet**

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Cash and equivalents	432	491	1,018	647	1,686	1,497	1,549	2,069
Short term investments	76	6	13	26	24	31	31	31
Accounts receivables	1,318	2,795	2,678	1,655	2,415	2,360	2,288	2,453
Inventories	4,271	4,775	10,212	5,981	8,025	9,749	8,321	8,980
Other current assets	1,002	811	1,193	728	807	835	784	840
<b>Total current assets</b>	<b>7,099</b>	<b>8,878</b>	<b>15,114</b>	<b>9,037</b>	<b>12,957</b>	<b>14,472</b>	<b>12,973</b>	<b>14,374</b>
Fixed assets	8,334	7,380	6,408	5,716	4,764	3,971	3,215	4,129
Total investments	671	586	759	600	538	719	1,040	(394)
Other long-term assets	621	508	651	611	539	639	639	639
<b>Total assets</b>	<b>16,725</b>	<b>17,351</b>	<b>22,932</b>	<b>15,964</b>	<b>18,798</b>	<b>19,800</b>	<b>17,866</b>	<b>18,748</b>
<b>Short-term debt</b>	<b>6,625</b>	<b>5,437</b>	<b>4,956</b>	<b>2,694</b>	<b>4,684</b>	<b>6,410</b>	<b>3,677</b>	<b>3,959</b>
Accounts payable	822	1,038	3,260	1,759	2,225	1,368	1,368	1,476
Other current liabilities	877	1,798	2,401	1,324	1,002	886	833	899
<b>Total cur. liabilities</b>	<b>8,325</b>	<b>8,273</b>	<b>10,617</b>	<b>5,777</b>	<b>7,912</b>	<b>8,664</b>	<b>5,877</b>	<b>6,334</b>
Total long-term debt	2,754	1,982	1,012	-	-	-	-	-
Other liabilities	4	11	15	16	16	16	16	16
Share capital	4,386	4,598	5,092	6,138	6,317	6,367	6,367	6,367
Retained earnings	1,252	2,473	6,183	4,019	4,540	4,756	5,414	6,033
<b>Shareholders' equity</b>	<b>5,643</b>	<b>7,085</b>	<b>11,289</b>	<b>10,170</b>	<b>10,871</b>	<b>11,120</b>	<b>11,973</b>	<b>12,398</b>
Minority interest	-	-	-	-	-	-	-	-
<b>Total resources</b>	<b>16,725</b>	<b>17,351</b>	<b>22,932</b>	<b>15,964</b>	<b>18,798</b>	<b>19,800</b>	<b>17,866</b>	<b>18,748</b>



**Cash flow statement**

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F
<b>Pretax profit</b>	<b>573</b>	<b>1,848</b>	<b>4,980</b>	<b>(1,058)</b>	<b>631</b>	<b>626</b>	<b>748</b>	<b>704</b>
Depreciation & amortisation	1,220	1,223	1,177	1,160	817	952	956	1,086
Interest paid	719	494	339	233	116	157	0	0
Other adjustments	25	42	14	428	(11)	182	0	0
<b>Change in WC</b>	<b>885</b>	<b>(1,287)</b>	<b>(4,403)</b>	<b>2,435</b>	<b>(1,026)</b>	<b>(2,679)</b>	<b>1,602</b>	<b>(986)</b>
<b>CFO</b>	<b>3,422</b>	<b>2,320</b>	<b>2,107</b>	<b>3,197</b>	<b>527</b>	<b>(762)</b>	<b>3,306</b>	<b>804</b>
Capex	(705)	(387)	(391)	(379)	(244)	(937)	(520)	(567)
Proceeds from assets sales	69	7	1	24	20	45	0	0
Others	(18)	85	188	11	3	(4)	(1)	0
<b>CFI</b>	<b>(653)</b>	<b>(295)</b>	<b>(202)</b>	<b>(345)</b>	<b>(220)</b>	<b>(896)</b>	<b>(521)</b>	<b>(567)</b>
New share issuance	0	0	53	49	0	50	0	0
Shares buyback	(1)	(1)	0	0	0	0	0	0
Net borrowings	(2,696)	(1,911)	(1,401)	(3,324)	1,107	1,726	(2,733)	283
Dividends paid	(0)	(0)	(0)	(0)	(0)	(308)	0	0
<b>CFF</b>	<b>(2,769)</b>	<b>(1,966)</b>	<b>(1,400)</b>	<b>(3,275)</b>	<b>1,107</b>	<b>1,468</b>	<b>(2,733)</b>	<b>283</b>
Beginning cash and equivalents	424	432	491	1,018	325	1,686	1,497	1,549
<b>Total cash generated</b>	<b>8</b>	<b>59</b>	<b>528</b>	<b>(371)</b>	<b>1,360</b>	<b>(188)</b>	<b>52</b>	<b>520</b>
<b>Ending cash and equivalents</b>	<b>432</b>	<b>491</b>	<b>1,018</b>	<b>647</b>	<b>1,686</b>	<b>1,497</b>	<b>1,549</b>	<b>2,069</b>

**Key ratios**

	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F
<b>Growth ratio</b>								
Revenue	(21%)	11%	88%	(28%)	(19%)	23%	(6%)	7%
COGS	4%	46%	84%	(69%)	30%	17%	-7%	2%
Operating profit	(3,117%)	221%	169%	(123%)	(179%)	-34%	23%	-20%
EBIT	29%	79%	114%	(115%)	(226%)	-40%	12%	-15%
EBITDA	21%	41%	74%	(93%)	318%	-13%	5%	2%
EBT	157%	214%	170%	(121%)	(188%)	-33%	20%	-6%
PAT-MI	259%	215%	184%	(124%)	(176%)	-29%	14%	-6%
<b>Margin ratio</b>								
Gross margin	13.1%	17.2%	16.8%	7.3%	11.7%	11.2%	11.1%	10.5%
Operating margin	2.1%	6.2%	8.8%	-2.8%	2.7%	1.5%	1.9%	1.4%
EBITDA margin	9.4%	11.9%	11.1%	1.0%	5.3%	3.7%	4.2%	4.0%
EBIT margin	4.9%	7.9%	9.0%	-1.8%	2.8%	1.4%	1.7%	1.3%
Net margin	1.8%	5.1%	7.7%	-2.6%	2.5%	1.4%	1.7%	1.5%
PAT-MI margin	1.8%	5.1%	7.7%	-2.6%	2.5%	1.4%	1.7%	1.5%
Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Selling expenses margin	6.5%	7.8%	7.0%	8.0%	7.8%	8.6%	9.5%	9.5%
G&A expenses margin	1.7%	1.5%	0.8%	1.2%	1.3%	1.3%	0.0%	0.0%
<b>Earnings ratio</b>								
ROE	24%	48%	-10%	8%	5%	6%	5%	0%
Tax burden	84%	88%	101%	88%	92%	88%	88%	0%
ROA	9.1%	21.7%	-5.5%	4.7%	3.0%	3.5%	3.4%	0.0%
<b>Activity ratio</b>								
Days of sales outstanding	22	25	18	19	23	22	22	22
Days of inventory on hand	77	66	58	78	88	90	90	90
Days payables outstanding	21	13	15	27	23	17	15	15

### NKG financial statements

#### Income statement

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F	2026F
Net revenue	12,177	11,560	28,173	23,071	18,596	20,609	23,525	29,780
Cost of sales	(11,835)	(10,690)	(23,904)	(21,590)	(17,484)	(18,777)	(21,361)	(26,967)
<b>Gross Profit</b>	<b>342</b>	<b>869</b>	<b>4,270</b>	<b>1,481</b>	<b>1,112</b>	<b>1,832</b>	<b>2,164</b>	<b>2,813</b>
Gen & admin expenses	(268)	(1,398)	(1,202)	(609)	(1,018)	(1,291)	(1,559)	0
Selling expenses	(92)	(123)	(186)	(130)	(120)	(141)	(179)	0
<b>Operating EBIT</b>	<b>(18)</b>	<b>(651)</b>	<b>2,882</b>	<b>742</b>	<b>(26)</b>	<b>400</b>	<b>426</b>	<b>2,813</b>
Operating EBITDA	1,206	525	4,042	1,559	930	1,368	1,525	3,912
D&A	1,223	1,177	1,160	817	956	969	1,099	1,100
Financial income	107	89	199	303	230	341	264	264
Financial expense	(275)	(281)	(397)	(503)	(426)	(477)	(547)	(740)
Net other income	195	4	11	(0)	0	(1)	0	0
Income from associates	0	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>90</b>	<b>321</b>	<b>2,562</b>	<b>(107)</b>	<b>177</b>	<b>558</b>	<b>449</b>	<b>599</b>
Tax expense	(43)	(26)	(337)	(18)	(60)	(105)	(90)	(120)
<b>NPAT</b>	<b>47</b>	<b>295</b>	<b>2,225</b>	<b>(125)</b>	<b>117</b>	<b>453</b>	<b>359</b>	<b>479</b>
NPAT-MI	47	295	2,225	(125)	117	453	359	479

#### Balance sheet

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Cash and equivalents	76	219	751	1,005	785	392	782	407
Short term investments	702	370	448	252	290	247	247	247
Accounts receivables	877	1,438	1,902	1,517	1,927	1,943	2,209	2,707
Inventories	2,589	2,371	8,281	7,000	5,719	6,690	7,120	10,787
Other current assets	191	95	833	641	602	930	1,062	1,344
<b>Total current assets</b>	<b>4,435</b>	<b>4,492</b>	<b>12,216</b>	<b>10,415</b>	<b>9,323</b>	<b>10,202</b>	<b>11,419</b>	<b>15,493</b>
Fixed assets	3,458	3,127	2,771	2,588	2,359	2,021	1,611	3,883
Total investments	97	82	184	228	315	1,056	3,401	1,500
Other long-term assets	74	63	227	230	239	240	240	240
<b>Total assets</b>	<b>8,064</b>	<b>7,763</b>	<b>15,398</b>	<b>13,461</b>	<b>12,235</b>	<b>13,519</b>	<b>16,670</b>	<b>21,115</b>
<b>Short-term debt</b>	<b>2,389</b>	<b>2,520</b>	<b>3,773</b>	<b>5,111</b>	<b>4,768</b>	<b>6,312</b>	<b>6,522</b>	<b>9,550</b>
Accounts payable	1,819	1,070	4,879	2,544	1,631	856	1,345	1,698
Other current liabilities	135	507	946	453	385	453	516	651
<b>Total cur. liabilities</b>	<b>4,342</b>	<b>4,098</b>	<b>9,598</b>	<b>8,109</b>	<b>6,784</b>	<b>7,621</b>	<b>8,383</b>	<b>11,899</b>
Total long-term debt	703	482	46	3	-	-	450	900
Other liabilities	2	2	30	29	28	27	27	27
Share capital	2,586	2,586	2,970	3,419	3,419	3,419	4,998	4,998
Retained earnings	431	673	2,753	1,901	2,004	2,453	2,812	3,291
<b>Shareholders' equity</b>	<b>3,017</b>	<b>3,181</b>	<b>5,723</b>	<b>5,320</b>	<b>5,423</b>	<b>5,871</b>	<b>7,810</b>	<b>8,290</b>
Minority interest	-	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>8,064</b>	<b>7,763</b>	<b>15,398</b>	<b>13,461</b>	<b>12,235</b>	<b>13,519</b>	<b>16,670</b>	<b>21,115</b>

**Cash flow statement**

(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F
<b>Pretax profit</b>	<b>90</b>	<b>321</b>	<b>2,562</b>	<b>(107)</b>	<b>177</b>	<b>558</b>	<b>449</b>	<b>599</b>
Depreciation & amortisation	442	376	379	378	376	370	411	628
Interest paid	237	222	244	262	293	208	-	-
Other adjustments	(252)	(13)	429	(111)	(224)	9	-	-
Change in WC	664	(891)	(3,922)	(1,250)	(353)	(1,686)	(365)	(4,079)
<b>CFO</b>	<b>1,181</b>	<b>16</b>	<b>(308)</b>	<b>(828)</b>	<b>269</b>	<b>(541)</b>	<b>494</b>	<b>(2,852)</b>
Capex	(96)	(54)	(145)	(211)	(130)	(901)	(2,345)	(1,000)
Proceeds from assets sales	252	-	-	13	-	1	-	-
Others	(386)	400	(164)	231	(15)	(460)	-	-
<b>CFI</b>	<b>(230)</b>	<b>346</b>	<b>(309)</b>	<b>33</b>	<b>(146)</b>	<b>(1,360)</b>	<b>(2,345)</b>	<b>(1,000)</b>
New share issuance	-	-	334	10	-	-	1,580	-
Shares buyback	-	(78)	-	-	-	-	-	-
Net borrowings	(1,315)	(67)	862	1,268	(309)	1,510	661	3,477
Dividends paid	-	-	-	(219)	-	-	-	-
<b>CFF</b>	<b>(1,336)</b>	<b>(218)</b>	<b>1,150</b>	<b>1,049</b>	<b>(342)</b>	<b>1,507</b>	<b>2,240</b>	<b>3,477</b>
Beginning cash and equivalents	(385)	143	533	254	(220)	(393)	392	782
Total cash generated	<b>461</b>	<b>76</b>	<b>219</b>	<b>751</b>	<b>1,005</b>	<b>785</b>	<b>390</b>	<b>(374)</b>
<b>Ending cash and equivalents</b>	<b>76</b>	<b>219</b>	<b>751</b>	<b>1,005</b>	<b>785</b>	<b>392</b>	<b>782</b>	<b>407</b>

**Key ratios**

	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F
<b>Growth rate</b>								
Revenue	(18%)	(5%)	144%	(18%)	(19%)	11%	14%	27%
COGS	(57%)	154%	391%	(65%)	(25%)	65%	18%	30%
Operating profit	(284%)	(402%)	704%	(104%)	(266%)	215%	-19%	33%
EBIT	(35%)	99%	438%	(97%)	300%	86%	5%	47%
EBITDA	(14%)	27%	253%	(85%)	59%	42%	7%	49%
EBT	45%	256%	699%	(104%)	(266%)	215%	-20%	33%
PAT-MI	(18%)	528%	654%	(106%)	(194%)	286%	-21%	33%
<b>Margin ratio</b>								
Gross margin	2.8%	7.5%	15.2%	6.4%	6.0%	8.9%	9.2%	9.4%
Operating margin	-0.9%	2.7%	9.1%	-0.5%	1.0%	2.7%	1.9%	2.0%
EBITDA margin	5.7%	7.7%	11.1%	2.0%	4.0%	5.2%	4.9%	5.7%
EBIT margin	2.1%	4.4%	9.8%	0.4%	2.0%	3.4%	3.1%	3.6%
Net margin	0.4%	2.6%	7.9%	-0.5%	0.6%	2.2%	1.5%	1.6%
PAT-MI margin	0.4%	2.6%	7.9%	-0.5%	0.6%	2.2%	1.5%	1.6%
Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Selling expenses margin	1.7%	2.3%	5.0%	5.2%	3.3%	4.9%	5.5%	5.2%
G&A expenses margin	0.6%	0.8%	0.4%	0.8%	0.7%	0.6%	0.6%	0.6%
<b>Earnings ratio</b>								
ROE	10%	50%	-2%	2%	8%	5%	6%	0%
Tax burden	92%	87%	117%	66%	81%	80%	80%	0%
ROA	3.7%	19.2%	-0.9%	0.9%	3.5%	2.4%	2.5%	0.0%
<b>Activity ratio</b>								
Days of sales outstanding	24	37	22	27	34	34	34	33
Days of inventory on hand	77	85	81	129	133	121	122	146
Days payables outstanding	36	50	36	67	47	23	23	23

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## RECOMMENDATION FRAMEWORK

### Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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