Shinhan Securities

Steel industry

The rebound of domestic demand



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Steel industry – The rebound of domestic demand

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World steel market

Output continues to decline, bright spot from developing economies

World steel prices rise on “market sentiment”

A decline in input prices help increase profit margins for steel industry

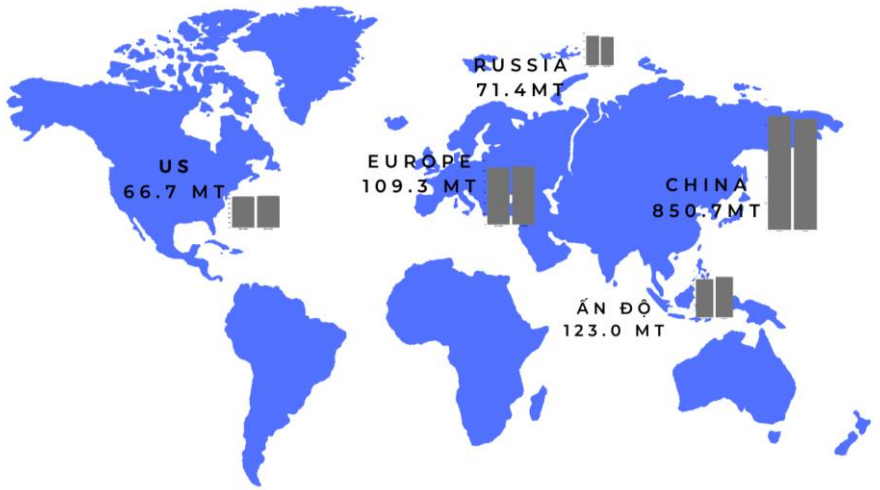
World Steel Association lowers forecast for global steel demand growth

1. World steel market

Steel output in key markets in 11M2024

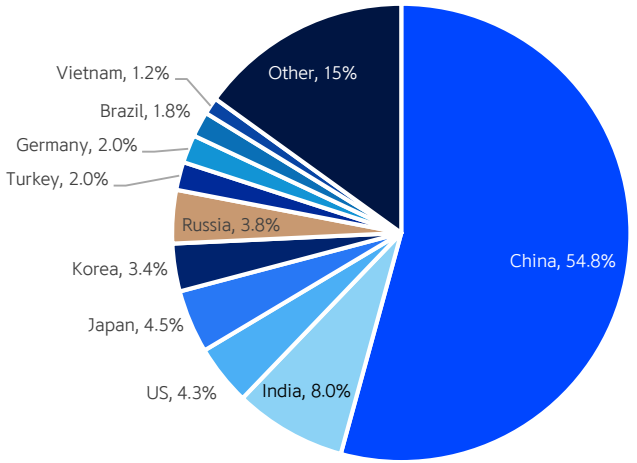
- In the first 11 months of 2024, the world's steel output of 71 countries decreased slightly, reaching 1.694 million tons (-1.4% YoY). Some countries recorded an increase in output compared to the same period, such as India (136 million tonnes, +5.9% YoY), Germany (34 million tonnes, +5% YoY), ... Currently, Vietnam ranks 13th in the world in terms of steel production output (20 million tonnes, +16% YoY).
- In general, 2024 was still a difficult year for the global steel industry, when steel consumption in key countries such as the US, China, ... decreased compared to the same period. The reasons resulted from a weak demand for civil construction and infrastructure as the global economy continued to face many difficulties with increasing geopolitical instability and tightened monetary policies.

Steel production output in key countries 11M/2023 and 11M/2024



Source: WSA, Shinhan Securities Vietnam

Steel production by region 11M/2024

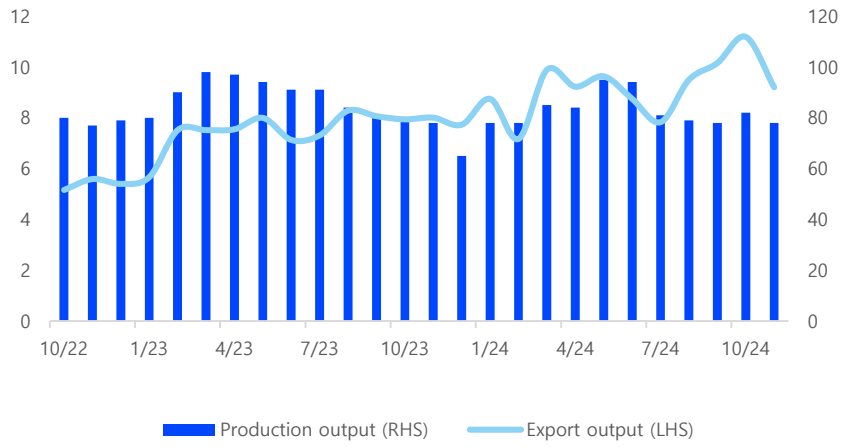


Source: WSA, Shinhan Securities Vietnam

1. World steel market

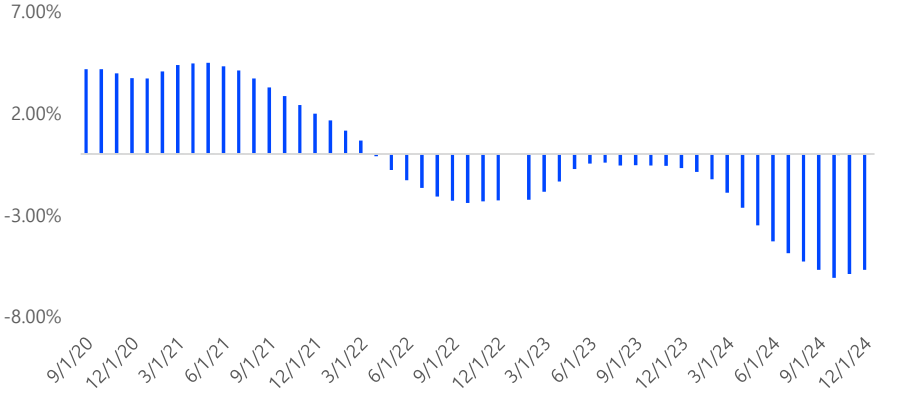
China is “indifferent” to the government's policies

China steel output by month (million tonnes)



Source: Bloomberg, Shinhan Securities Vietnam

China House Price Growth (YoY)



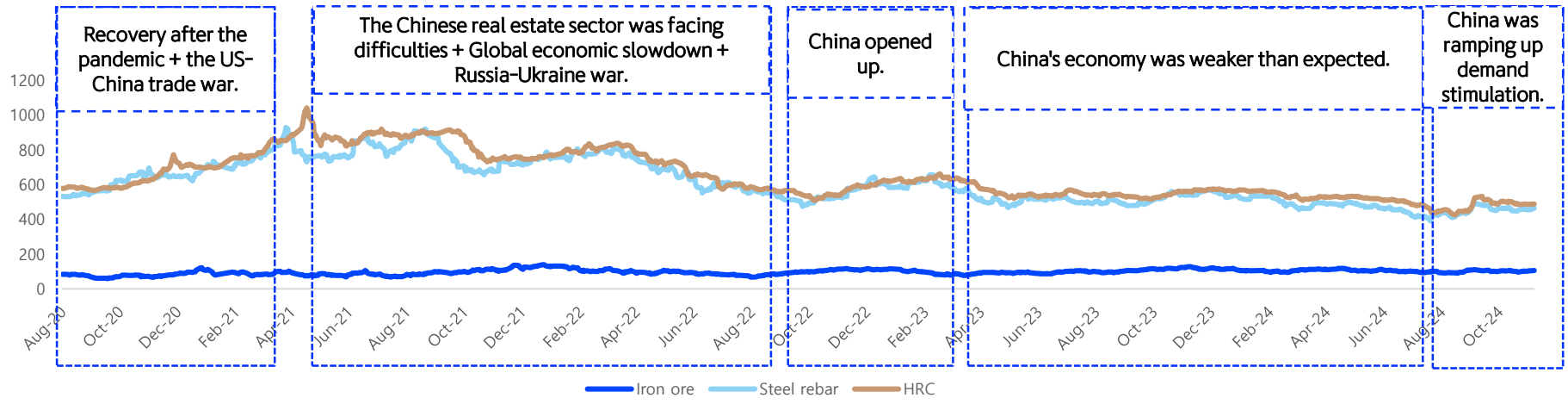
Source: Bloomberg, Shinhan Securities Vietnam

- In September 2024, the Chinese government introduced new policies to revive the real estate market. However, these measures only improved the steel market sentiment in the short term. In fact, construction demand in China has not shown any signs of improvement because of (1) a continued decline in Chinese home prices since the real estate downturn in early 2022 and (2) a decrease in China's crude steel production in Q3/2024.
- China's steel exports continued to increase sharply, reaching 101.15 million tonnes in 11M/2024 (+22.6% YoY) due to weak demand in the domestic market. However, we believe that in 2025, China's steel exports will decline from the peak in October 2024 due to (1) anti-dumping duties on Chinese steel applied in many countries, (2) the US-China trade conflict escalated when President Donald Trump was re-elected, thereby limiting the amount of Chinese steels imported into the US.

1. World steel market

The global steel prices are rising due to "market sentiment"

Global steel prices (USD/ton)



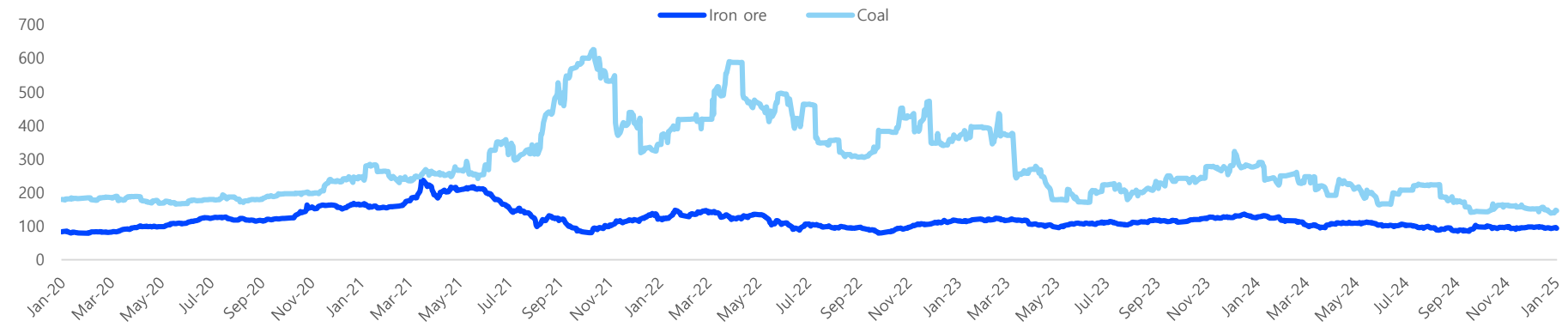
Source: Bloomberg, Shinhan Securities Vietnam

- HRC and rebar steel prices in China surged significantly (~20% MoM) in September 2024. This is the "market sentiment" when the Chinese government introduced new policies aimed at revitalizing the real estate market (which accounts for ~33% of China's steel demand). However, steel prices returned to a downward trend (-10% MoM) in 10/2024, as actual demand failed to recover as anticipated: (1) the continued decline in Chinese housing prices since the real estate downturn at the beginning of 2022, and (2) a decrease in crude steel production in China during Q3/2024.
- We believe that Chinese steel prices hit bottom in August 2024 and are on the path to recovery, thanks to a cooling of oversupply as Chinese steel mills participate in production cuts in line with government policies. However, we forecast that Chinese steel demand will remain weak until the end of 2025, as the real estate market in the country shows no signs of recovery.

1. World steel market

The decrease in input material costs helps increase profit margins for the steel industry.

Global prices of iron ore and coke (USD/ton)



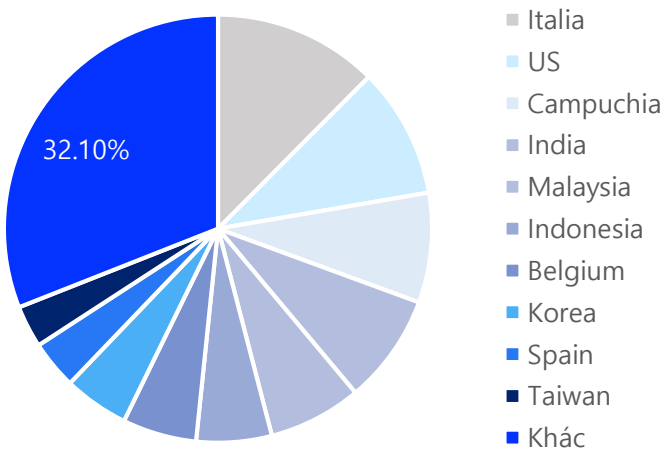
Source: Bloomberg, Shinhan Securities Vietnam

- The prices of key input materials continue to stay low in 2024. This is a golden opportunity for steel companies to stock up on cheap materials in preparation for a new industry cycle. Specifically: (1) Coking coal prices have dropped 50% YoY, to USD 146/tonne due to (1) oversupply of steel in China leading to reduced demand for raw materials, (2) increased coal supply from Australia, and (3) China's coal price regulation policies, (4) Iron ore prices have also fallen 23% YoY, to USD 95/tonne as major iron ore miners like Vale (Brazil) and Rio Tinto (Australia) have increased production.
- We believe that iron ore and coking coal prices will remain at low levels in 2025, potentially reaching USD 140/tonne (-4% YoY) and USD 90/tonne (-5% YoY), respectively, with the expectation of increased export supply from Australia and continued weak steel production demand in China throughout 2025.

1. World steel market

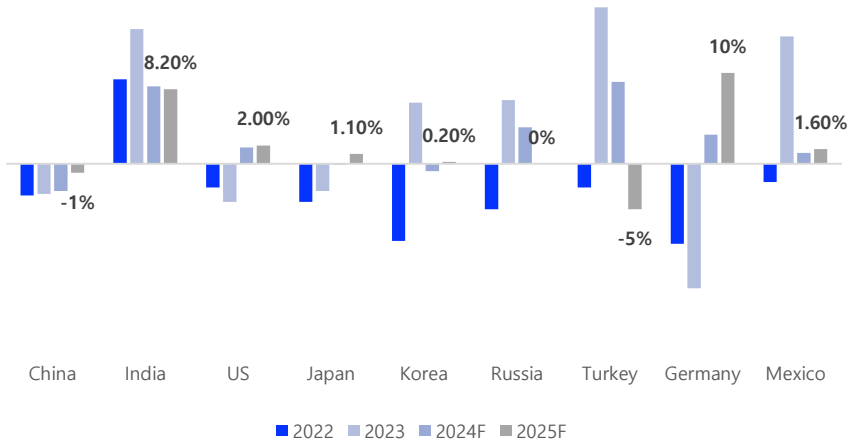
The World Steel Association has lowered its global steel demand growth forecast

Countries importing steel from Vietnam



Source:: Customs Department , Shinhan Securities Vietnam

Forecast for steel demand growth in different countries



Source: WSA, Shinhan Securities Vietnam

- The World Steel Association (WSA) has revised its global steel demand forecast from +1.7% YoY to -1.9% YoY for 2024. This marks the third consecutive year of negative growth. In 2025, WSA forecasts global steel demand to grow by +1.2% YoY, corresponding to a production volume of 1.77 billion tonnes.
- Specifically, the WSA believes that the global economy is facing numerous challenges, including geopolitical instability and trade tensions, which are causing continued weakness in production activities and reduced purchasing power in most major economies. Accordingly, the WSA forecasts steel demand in key countries such as China (2024: -3% YoY, 2025: -1% YoY), and India (2024: +8% YoY, 2025: +8.5% YoY). Meanwhile, the ASEAN region is expected to experience stable growth (2024: +4.5% YoY, 2025: +3.5% YoY).

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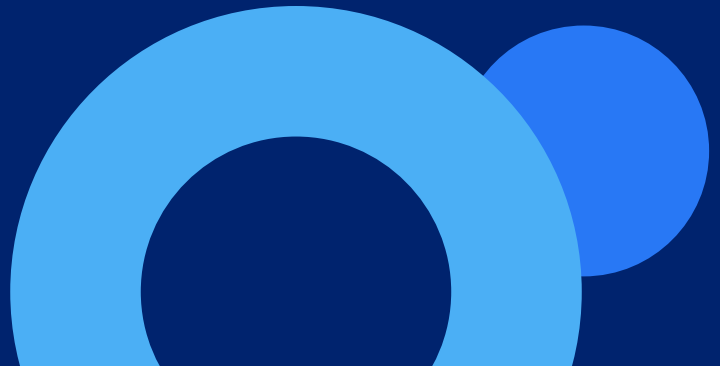
Vietnam steel market

Steel production recovery, driven by the domestic market

Steel exports show growth compared to the same period last year

Domestic steel prices have been fluctuating at a 4-year low

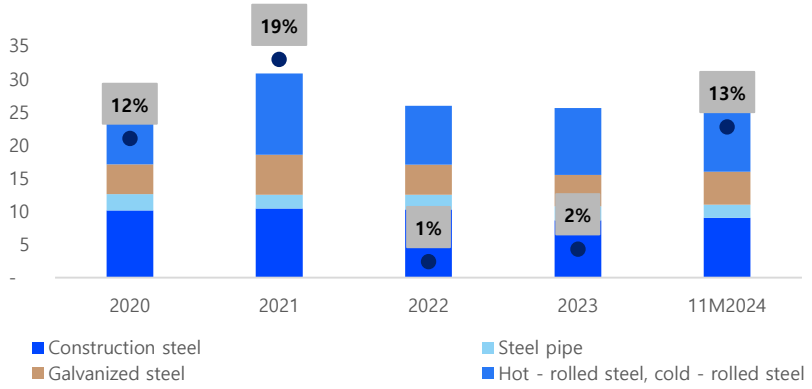
Business outlook for steel companies



2. Vietnam steel market

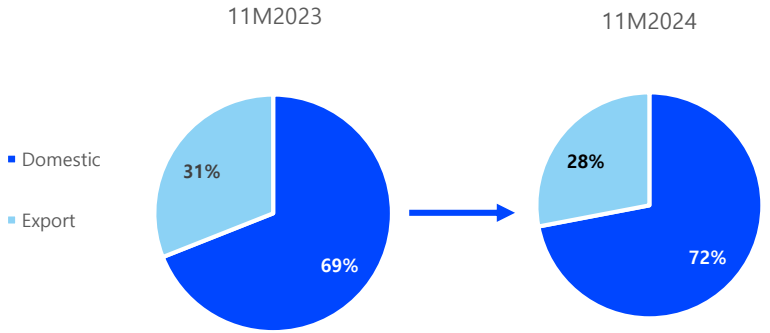
Steel production recovery, driven by the domestic market

Finished steel sales volume by product (million tonnes)



Source: VSA, Shinhan Securities Vietnam

Finished steel sales proportion by market (million tonnes)



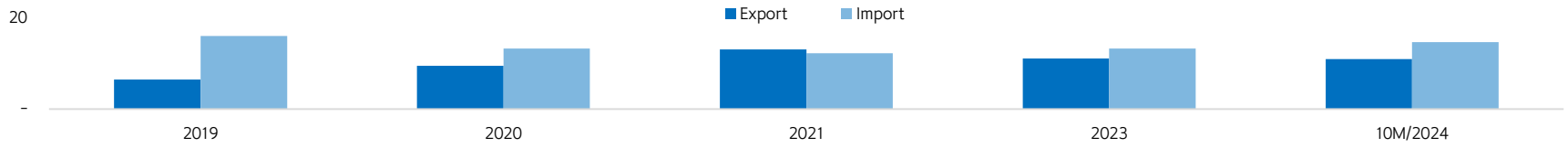
Source: VSA, Shinhan Securities Vietnam

- Domestic finished steel consumption recorded a positive recovery in 11M/2024, driven mainly by the domestic market: (1) Increased demand for construction materials after Typhoon Yagi, and (2) More active construction thanks to the recovery of the real estate market and accelerated public investment in the second half of the year.
- Finished steel production in 11M/2024 reached 26.7 million tonnes (+13% YoY), with domestic production rising by 18% YoY, accounting for 72% of total output. The largest growth came from construction steel (9.1 million tonnes, +12% YoY), galvanized steel (5 million tonnes, +31% YoY), and steel pipes (2.1 million tonnes, +8% YoY), and hot-rolled coil (HRC) and cold – rolled coil (CRC) consumption (10.5 million tonnes, +30% YoY).
- Assessment: The gross profit margin for domestic finished steel sales (~15%) is higher than for exports (~9%), so the recovery in domestic demand will give steel companies a significant advantage. Overall, production has achieved a balance between supply and demand, positioning the industry for a new steel cycle in 2025-2026.

Steel exports have grown compared to the same period last year

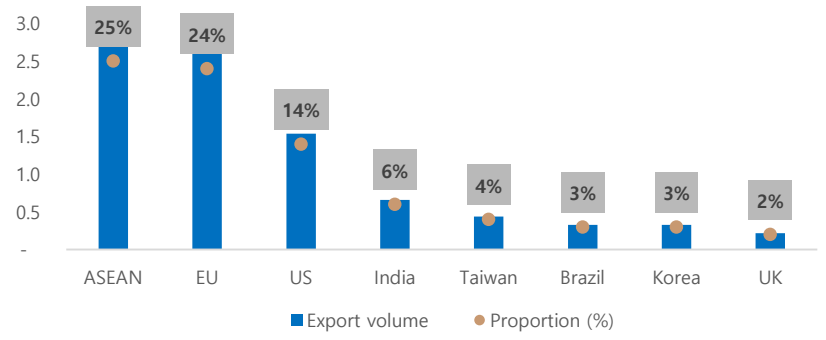
- In the first 10 months of 2024, Vietnam's steel exports increased to 11.02 million tonnes, up 21% YoY. The export value reached USD 7.96 billion, +14.72% YoY. Vietnam's steel imports reached about 14.70 million tonnes, with a value of over USD 10.477 bn, +38.17% YoY.
- In terms of export value share for the first 10 months of 2024, the ASEAN region was the largest consumer of Vietnamese steel, accounting for 25% of total export value. The EU market ranked second with 24%, followed by the US market at 14%. Overall, steel exports to major markets showed YoY growth, though they have not yet returned to the high levels of 2021. This is due to steel oversupply and ongoing protectionist measures in some countries.

Vietnam Steel Export and Import (2019 – 10M/2024) (million tonnes)



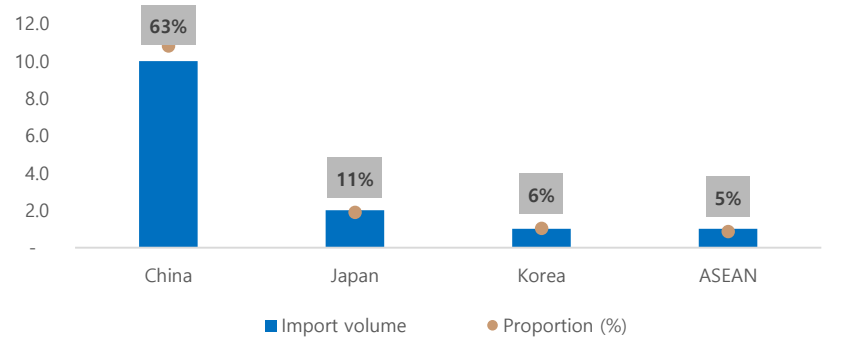
Source: VSA, Shinhan Securities Vietnam

Vietnam's Steel Export Market in 10M 2024 (million tonnes)



Source: VSA, Shinhan Securities Vietnam

Vietnam's Steel Import Market in 10M 2024 (million tonnes)



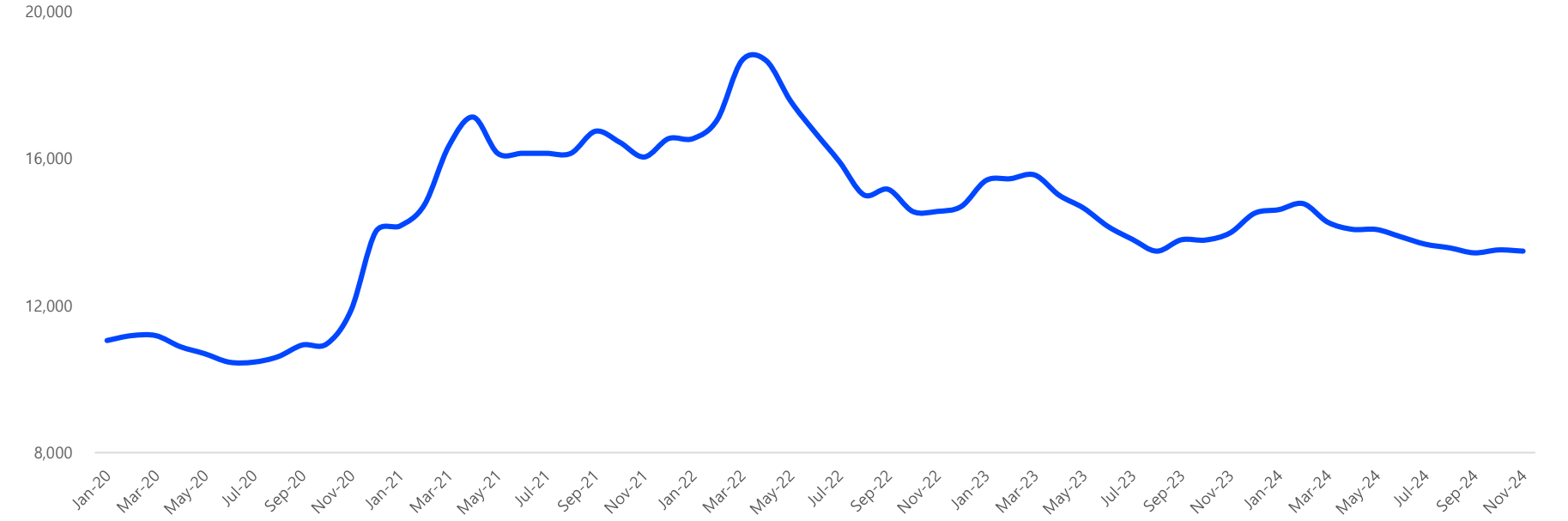
Source: VSA, Shinhan Securities Vietnam

** The above steel import and export data includes semi-finished steel and finished steel.*

2. Vietnam steel market

Domestic steel prices have been fluctuating at a 4-year low

Domestic steel price trend (VND/kg)



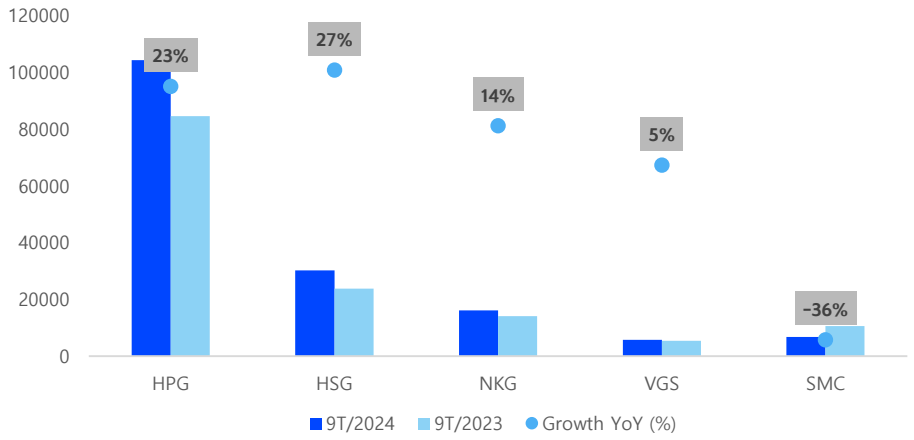
Source: Bloomberg, Shinhan Securities Vietnam

- Domestic steel prices cooled down in the first 11 months of 2024, stabilizing around 13,500 – 14,000 VND/kg, the lowest price range in the past 4 years. We project that steel prices will remain stable at the end of 2024 and increase by 5% YoY in 2025, driven by key factors such as (1) the recovery of the residential real estate market with government support, (2) the acceleration of infrastructure construction activities, (3) the decline in competititive pressure from Chinese steel, and (4) a global steel price recovery.

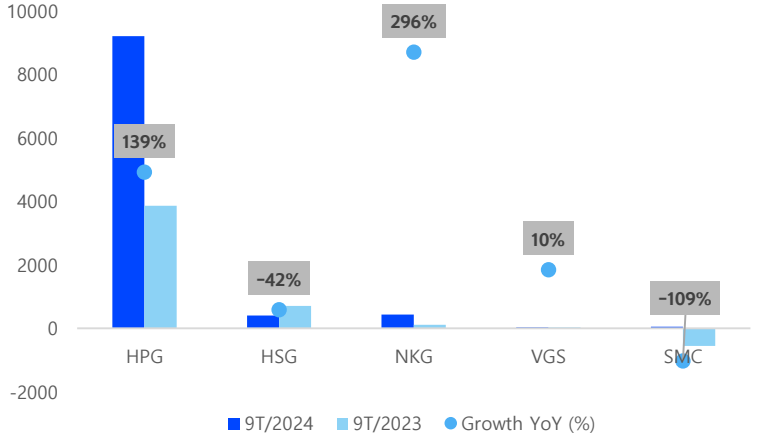
2. Vietnam steel market

The business outlook of steel companies

Net revenue of typical steel companies (Billion dong)



Net profit of typical steel companies (Billion dong)



Source: Fiinpro, Shinhan Securities Vietnam

The steel industry picture in 9M 2024 showed strong differentiation, with profit margins continuing to improve.

- The steel industry's business outlook in 9M/2024 generally showed a slight recovery compared to the same period last year for leading companies (HPG, HSG, NKG). Leading the race is "giant" HPG with net revenue of nearly 104,364 billion VND (+23.4% YoY) and profit exceeding 9,210 billion VND (+140% YoY), driven by an increase in construction steel production and a strengthened agricultural sector. In the galvanized steel segment, Nam Kim Steel stood out with a 14% YoY revenue growth and improved gross profit margin, rising from 5.9% to 9.4% thanks to optimized production costs.
- We believe that the industry's gross profit margin hit its bottom in late 2022 and is now on a recovery path. Currently, both input material prices and steel output prices are showing signs of recovery, though with a time lag depending on the period. This requires companies to have a flexible inventory management strategy in order to maintain stability and improve profit margins in 2025.

03 Outlook for the Steel Industry in 2025

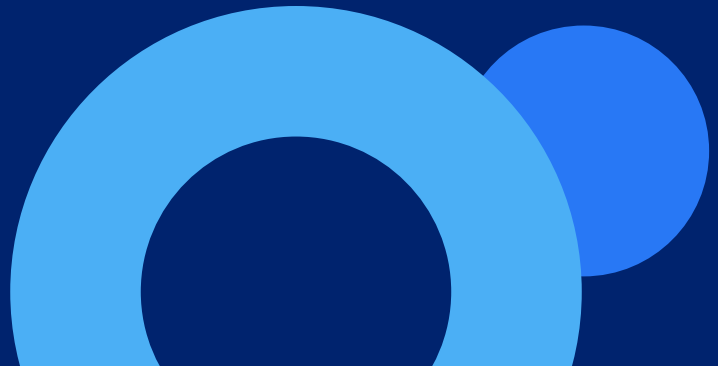
Real estate recovery thanks to the approval of legal regulations

Acceleration of key infrastructure projects

Steel output price recovery contributes to margin improvement

Export steel outlook: Growth driven by the North American and European markets

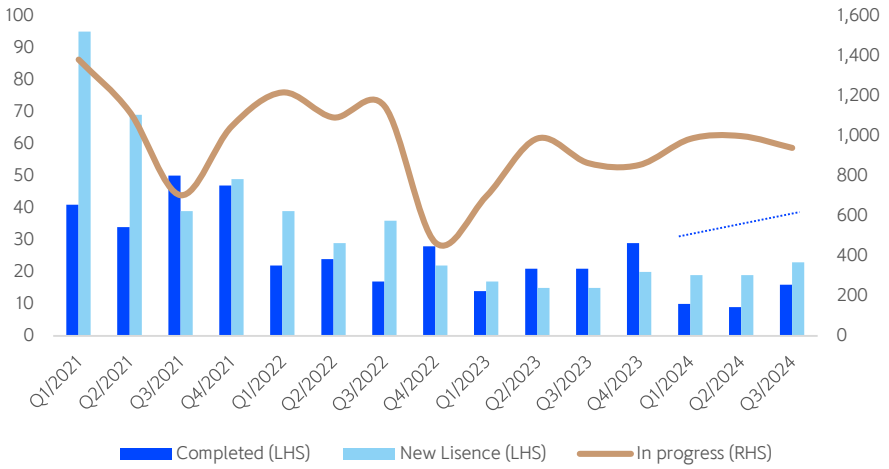
Trade protection policies reduce competitive pressure from imported steel



3. Outlook for the Steel Industry in 2025

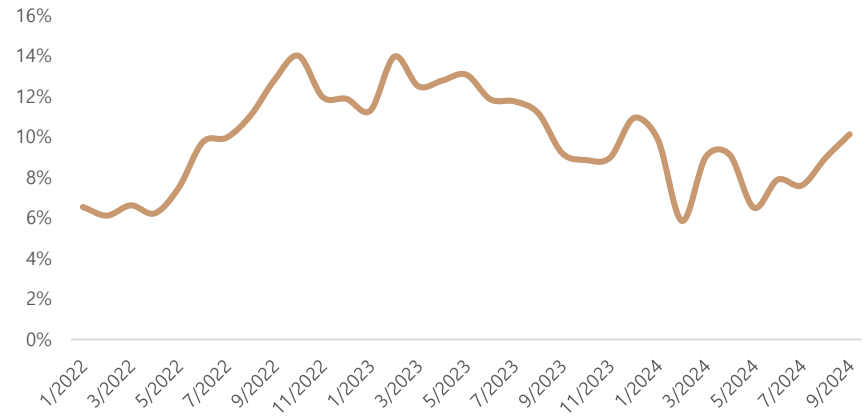
Real estate recovery driven by the easing of legal regulations

Number of commercial housing projects (projects)



Source:: Ministry of Construction , Shinhan Securities Vietnam

Growth in credit outstanding for the Construction sector (% YoY)



Source: Fiinpro, Shinhan Securities Vietnam

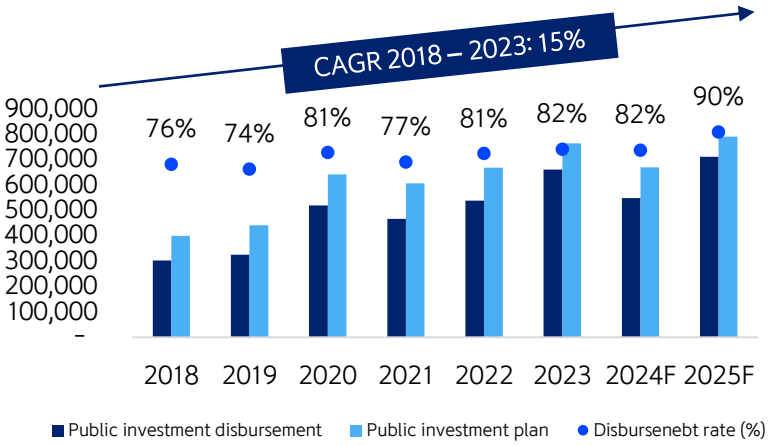
Residential real estate – the primary domestic market for the steel industry – is showing signs of recovery quarter by quarter. Specifically, the number of disbursed and newly registered projects increased by 77% QoQ and 21% QoQ respectively in Q3/2024. Outstanding credit for the construction industry also recorded a 10% YoY growth in September 2024. In addition, according to CBRE's forecast, the annual compound growth rate (CAGR) of apartment prices and supply is 7% and 6% respectively in the period 2024-2027F.

Assessment: 2024 is a crucial transitional year as (1) three real estate laws effective from August 1st will establish the necessary legal framework, (2) interest rates remain low (an average of 7.9% for medium and long-term loans as of October 2024), and (3) both supply and housing prices are showing signs of recovery, especially in the northern region. We believe that 2024 will be a pivotal year for the new growth cycle of the real estate market starting in 2025.

3. Outlook for the Steel Industry in 2025

Accelerating the construction of key infrastructure projects

Public investment disbursement over the years (% YoY)



Source: Ministry of Construction, Shinhan Securities Vietnam

Key infrastructure projects

Project	Investment amount (Trillion VND)	Progress	Construction duration
Long Thanh Airport phase 1	114	In progress	2021- 2026
North-South Expressway (Phase 2)	147	In progress	2021-2025
Ring Road 3 (Ho Chi Minh City)	75	In progress	2022-2025
Ring Road 4 (Hanoi)	86	In progress	2023-2026
Can Gio International Port	113	Not yet implemented	Begin construction in 2025
North-South High-Speed Railway	1,714	Not yet implemented	2027 -2035 (estimated)

Source: GSO, Shinhan Securities Vietnam

The pressure to accelerate public investment progress presents a significant opportunity for steel companies.

According to the Ministry of Finance, public investment disbursement by the end of December 2024 is estimated at approximately 530 trillion VND, fulfilling 77% of the government's target. This rate is lower than the same period last year, indicating slow disbursement of public investment from local government budgets.

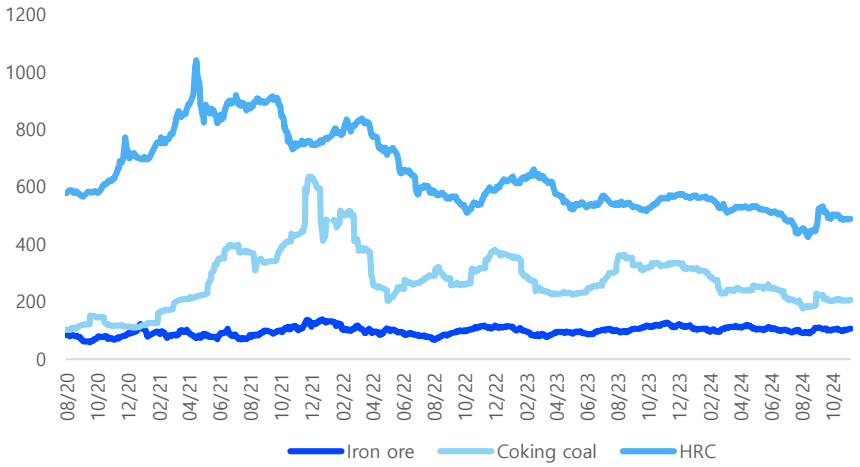
The 2025 public investment plan is set at 790.727 trillion VND, a significant increase compared to the 670 trillion VND target for 2024. As a result, the 2025 public investment capital will rise by about 120 trillion VND YoY.

With key projects in 2025 such as Long Thanh Airport, Can Gio International Port, Ring Road 3, and the North-South Expressway, the high disbursement pressure will create opportunities for steel companies to boost consumption volumes. In the long term, the North-South high-speed railway project, recently approved by the National Assembly on November 30, 2024, will be a major driver for the steel industry. This project is expected to consume around 6 million tons of steel, all within the production capacity of Vietnamese steel enterprises.

3. Outlook for the Steel Industry in 2025

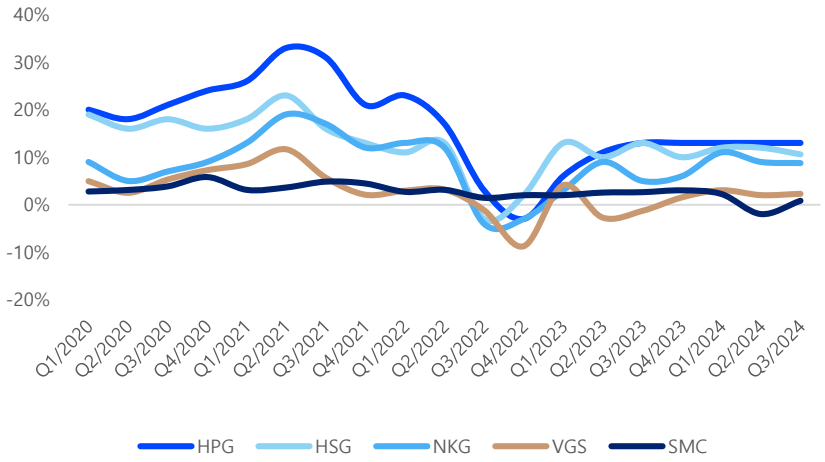
The profit margins are expected to improve

Prices of coal, iron ore, and HRC (USD/ton)



Source: Bloomberg, Shinhan Securities Vietnam

Gross profit margin of steel companies (%)



Source: Bloomberg, Shinhan Securities Vietnam

The widen input-output price gap is expected to drive profit margin improvement for steel companies.

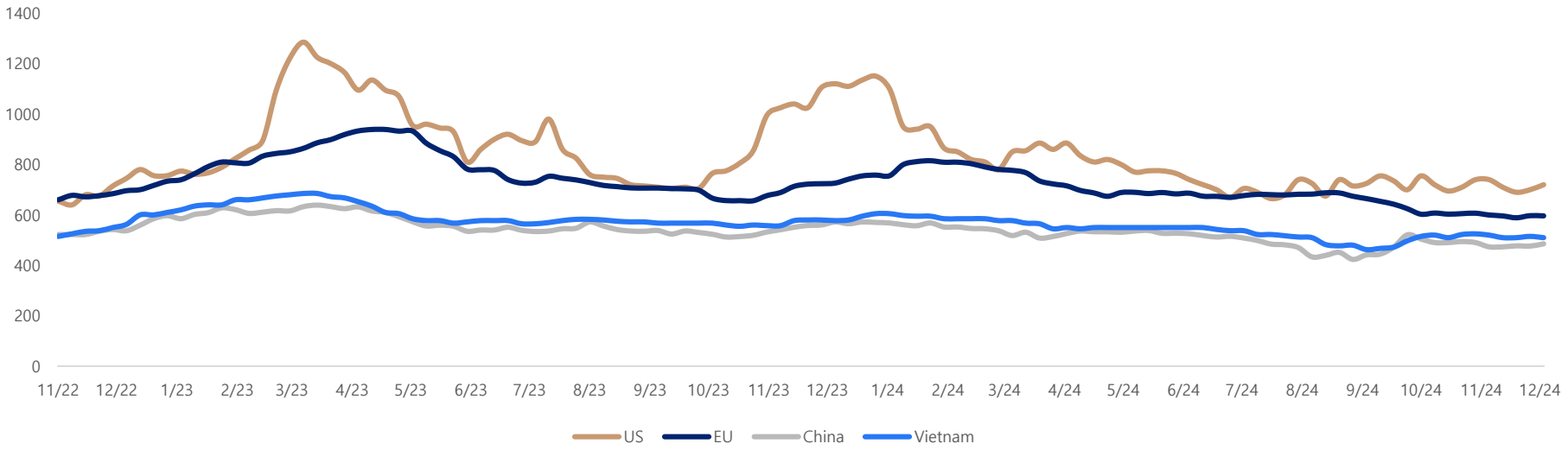
In Q4/2024, coking coal and iron ore prices decreased by 15% QoQ and 6% QoQ respectively, while steel prices decreased by 8% QoQ. As a result, the profit margins of steel industry enterprises are forecast to remain stable in Q4/2024.

We forecast a 5% YoY increase in steel prices in 2025, driven by optimistic expectations for the residential real estate market and infrastructure spending. Additionally, steel export volumes will benefit from a slight recovery in global steel demand. Meanwhile, we anticipate coking coal and iron ore prices to drop by 4% and 6% YoY, respectively, due to rising export supply from Australia.

With favorable steel demand conditions, steel producers will see significant benefits from rising prices outpacing input cost increases, especially with cost-effective raw materials secured through long-term contracts, enhancing profit margins. Steel distributors will also benefit from efficient inventory management.

Export Steel Outlook: Growth Drivers from North America and Europe

HRC price trends across countries (USD/Ton)



Source: Bloomberg, Shinhan Securities Vietnam

HRC price differential enhances appeal for Vietnamese steel in these markets

Currently, the price gap between HRC in Europe and the U.S. compared to Asia stands at USD 200–250/tonne, encouraging importers to seek supplies from Asia. Notably, we believe that the strong tariff policies imposed by President Donald Trump on Chinese steel could further boost Vietnamese steel exports to the U.S.

Additionally, according to the World Steel Association (WSA), global steel demand is projected to grow by 1.2% YoY in 2025, reaching 1.77 billion tonnes after three years of decline. This will support the recovery of Vietnam's steel export volumes, positioning it as a key growth segment for the industry in 2025.

Trade protection policies ease competitive pressure from imported steel

Anti-Dumping tax on Vietnamese steel by foreign countries

Types of trade defense investigations	Number of case
Anti-dumping cases	46
Anti-subsidy cases	3
Anti-dumping and countervailing cases	8
Safeguard investigations	13
AD & CVD tax avoidance cases	9

Source: VSA, Shinhan Securities Vietnam

Vietnam's Anti-Dumping duties on foreign steel

Countries	Year	Product
China, Korea	2016	Galvanized Steel (AD02)
China, Indonesia, Malaysia, Taiwan	2018	Cold Rolled Stainless Steel (AD01)
China	2019	Cold Rolled Carbon Steel
China, Korea	2020	Color Coated Steel (AD04)
China, Malaysia, Thailand	2023	Prestressed Steel Cable (AD17)
China, Korea	2024	Galvanized Steel (AD19)
India, China	2024	Hot Rolled Steel Coil (AD20)

Source: VSA, Shinhan Securities Vietnam

Anti-Dumping tax on HRC and Galvanized Steel to ease competition from imported steel

HRC: On July 29, 2024, the Ministry of Industry and Trade initiated an anti-dumping investigation into hot-rolled steel products (HRC) imported from China and India. The investigation period, which examines the dumping practices and associated damage, spans from July 1, 2023, to June 30, 2024. We expect preliminary results of this investigation announced in Q1/2025.

Galvanized Steel: On October 24, 2024, the Ministry of Industry and Trade officially imposed anti-dumping duties on galvanized steel imports from China and South Korea, with duties ranging from 2.56% to 34.27%.

The implementation of these protective measures supports domestic producers by shielding them from surging imports, thereby increasing local steel production and reinforcing the industry's recovery prospects for 2025.

04

Typical stocks in steel industry

HPG, HSG, NKG

4. Typical stocks in the steel industry

Listed steel companies

General information			Stock price			Forecast				Financial ratio (**)				Valuation (25F)	
No.	Ticker	Market Cap (billion VND)	Price (VND)	Tarrget* (VND)	Upside (%)	Forcast Revenue 2025F	Growth 2025F	Forcast profit 2025F	Growth 2025F	Gross profit margin	D/E	ROA	ROE	P/B (x)	P/E (x)
1	HPG	167,582	26,200	37,400	43%	176,036	27%	18,921	57%	13.4%	0.89	6.33%	11.52%	1.3	9.8
2	HSG	10,898	17,550	23,100	32%	45,933	17%	1,213	137%	10.6%	0.79	2.79%	4.74%	1.1	10.3
3	NKG	6,221	13,900	17,100	23%	22,938	15%	1,038	56%	9.4%	1.35	3.52%	8.11%	0.9	7.5
4	TVN	5,424	8,000	N/A	N/A	N/A	N/A	N/A	N/A	2.8%	1.62	0.42%	1.08%	N/A	N/A
5	DTL	612	10,100	N/A	N/A	N/A	N/A	N/A	N/A	1.7%	1.92	-1.44%	-3.94%	N/A	N/A
6	POM	584	2,100	N/A	N/A	N/A	N/A	N/A	N/A	-5.6%	17.39	-11.01%	-88.03%	N/A	N/A

* Target price (fair value) for the next 12 months

** Data of 12 months up to Q3/2024

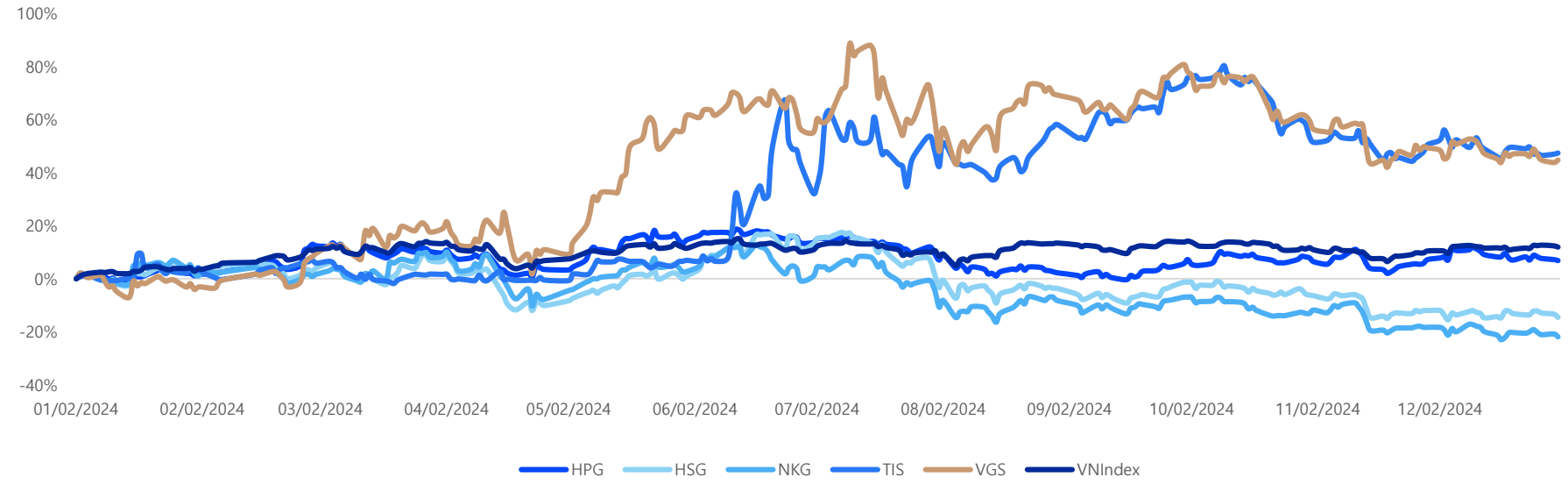
Source: SSV Research, Bloomberg

Data collected on 15/01/2024

4. Typical stocks in the steel industry

The investment yield is highly differentiated, but it "underperforms" the market

Growth of steel industry stocks and VNIndex (%)



Source: Bloomberg, Shinhan Securities Vietnam

The price movements of steel sector stocks have a lower return compared to the VN-Index. However, steel stocks show high differentiation, with the leading stocks (HPG, HSG, NKG) experiencing unfavorable price fluctuations. On the other hand, smaller stocks like VGS and TIS, which have unique stories (such as extraordinary profits from asset liquidation, expansion into the real estate sector, etc.), have shown better returns.

We expect that the stock prices in the steel sector have now reached a reasonable discount level, providing sufficient momentum to begin a new growth cycle in 2025-2026.

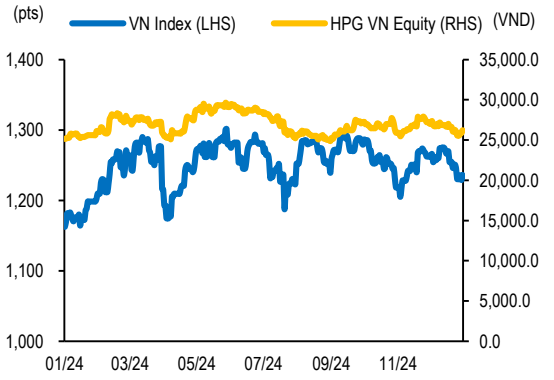
Hoa Phat Group (HOSE : HPG)

HOA PHAT

Target price (12 months)	VND 37,400
Current price (15/01/25)	VND 26,200
Return (%)	43%

VNINDEX		1,236
Market P/E (x)		11.6
Market Cap (VND bn)		167,582
Outstanding shares (mil shares)		6,396
Free-float (mil shares)		3,578
52-week high/low (VND)		29,950/24,591
90-day avg. trading volume (mil shares)		18.36
90-day avg. turnover (bn VND)		451
Major shareholder (%)	Tran Dinh Long	26.08
	Dragon Capital	7.65

Performance	3M	6M	12M
Absolute (%)	-3.5	-7.9	6.3
Rel.to VN-Index (%)	-0.0	-4.5	-0.8



Shinhan Securities

Back on track

Hoa Phat Group Joint Stock Company (HoSE: HPG) Hoa Phat Group Joint Stock Company (HPG), established in August 1992, initially started as a construction machinery trading company. It has since gradually expanded into other sectors such as steel pipes, construction steel, furniture, refrigeration, real estate, and agriculture. The main steel products of Hoa Phat include construction steel, hot-rolled coils (HRC), steel billets, steel pipes, and galvanized steel sheets. Among these, construction steel currently accounts for 59% of the total steel consumption. Hoa Phat holds the largest market share in construction steel (38%) and steel pipes (27%).

Business Results: In Q3/2024, revenue reached VND 34,300 billion (+19% YoY), and net profit after tax (NPAT) was VND 3,021 billion (+51% YoY). For the first 9 months of 2024 (9T/2024), HPG recorded net revenue of VND 104,364 billion (+23% YoY) and NPAT of VND 9,210 billion (+140% YoY), achieving 92% of the annual profit target.

Outlook for 2025: We believe that: (1) Construction steel output will gradually recover as the real estate market rebounds, especially with projects from last year being legally cleared as new laws regulating the market come into effect in mid-2024; (2) The government will accelerate public investment in major infrastructure projects; (3) The company will benefit from the steel price differential with the U.S. and EU markets; (4) Steel prices will rise faster than raw material costs. As a result, 2025 revenue is projected to reach VND 176,036 billion (+27% YoY), with net profit after tax (NPAT) estimated at VND 18,921 billion (+57% YoY). **In the long term**, the Dung Quat 2 Phase 1 project, with a capacity of 2.8 million tons of HRC per year, is undergoing trial runs and will start contributing to production from Q1/2025, with full capacity expected by 2027.

Key factors: (1) Interest rate developments from 2024 to 2026, as HPG increases borrowing to fund the Dung Quat 2 project; (2) The Ministry of Industry and Trade's decision regarding anti-dumping duties on Chinese HRC steel.

Risk: (1) The risk of economic recession affecting steel demand and pushing steel prices down; (2) The risk of competition from hot-rolled steel products from China and India.

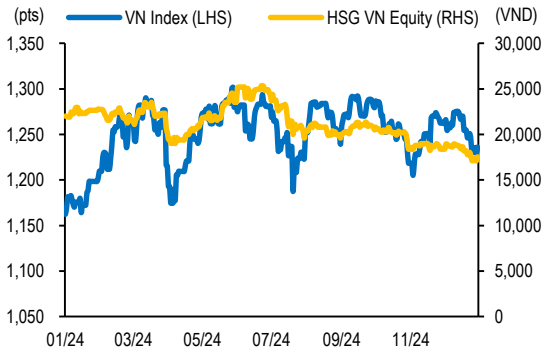
Year	2022	2023	2024F	2025F	2026F
Revenue (billion VND)	141,409	118,608	138,608	176,036	234,396
Operating profit (billion VND)	9,794	7,651	12,143	19,680	36,731
Operating profit margin (%)	6.9	6.4	8.7	11.1	15.6
Net profit after tax (billion VND)	8,444	6,800	12,003	18,921	34,092
Net profit margin (%)	5.9	5.7	8.6	10.7	14.5
EPS (VND)	1,452	1,117	1,869	2,682	4.399
ROE (%)	9	7	10	13	18
P/E (x)	11	23.8	14.1	9.8	6.0
P/B (x)	1.1	1.6	1.4	1.3	1.1

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Hoa Sen Group (HOSE : HSG)

Target price (12 months)	VND 23,100
Current price (15/01/25)	VND 17,550
Return (%)	32%
VNINDEX	1,236
Market P/E (x)	11.6
Market Cap (VND bn)	10,898
Outstanding shares (mil shares)	621
Free-float (mil shares)	472
52-week high/low (VND)	26,100/17,050
90-day avg. trading volume (mil shares)	6.66
90-day avg. turnover (bn VND)	97
Major shareholder (%) Le Phuoc Vu	16.96

Performance	3M	6M	12M
Absolute (%)	-15.6	-28.5	-18.8
Rel.to VN-Index (%)	-12.1	-25.1	-25.9



Benefit from the anti-dumping tax policy on imported galvanized steel

Hoa Sen Group Joint Stock Company (HoSE: HSG) is a leading enterprise in the galvanized steel industry in Vietnam, holding 20% of the domestic market share and 35% of the sector's export market share. Hoa Sen mainly produces galvanized steel, steel pipes, plastic pipes, and retails building materials. The company currently holds the largest market share in galvanized steel at 29%. Additionally, it owns a distribution chain of building materials with over 100 Hoa Sen Home stores.

Business Results: In Q4 of the 2023-2024 fiscal year, HSG recorded net revenue of VND 10,109 billion (+24% QoQ, +25% YoY) and net profit after tax (NPAT) of VND 152 billion (-10% QoQ, -65% YoY). The decline in profit margin was due to high transportation costs (leading to SG&A expenses rising by +69% YoY). For the full fiscal year, Hoa Sen achieved net revenue of VND 39,272 billion (+24% YoY), NPAT of VND 510 billion (16 times higher than the same period last year), exceeding the target by 2%.

Outlook for 2025: We believe that: (1) The recovery of the residential real estate market and the initiation of projects will boost domestic demand for galvanized steel; (2) The export trend to the EU and North America will benefit from competitive pricing, (3) Anti-dumping measures on imported galvanized steel from China and South Korea (AD02) will increase domestic consumption. Thus, for the 2024-2025 fiscal year, revenue is estimated at VND 45,933 billion (+17% YoY), with NPAT estimated at VND 1,213 billion (+137% YoY). In the long term, the goal of opening 600 Hoa Sen Home building material supermarkets will be the next strategic step for the company. As of November 2024, Hoa Sen Home operates 115 stores nationwide.

Key factors: (1) Input HRC prices and output galvanized steel prices, (2) Anti-dumping duties imposed by other countries on Vietnamese steel.

Risks: The risk of economic recession affecting steel demand.The risk of declining steel prices.The risk of anti-dumping taxes on Vietnamese steel.

Year	2022	2023	2024	2025F	2026F
Revenue (billion VND)	49,711	31,651	39,272	45,933	53,612
Operating profit (billion VND)	584	177	413	1,526	1,895
Operating profit margin (%)	1.1	0.5	1.0	3.3	3.5
Net profit after tax (billion VND)	251	22	510	1,213	1,457
Net profit margin (%)	0.5	0.0	1.2	2.6	2.7
EPS (VND)	420	49	828	1,970	2,151
ROE (%)	2.3	0.2	4.7	9.4	9.8
P/E (x)	11.0	23.8	24.5	10.3	9.4
P/B (x)	1.1	1.6	1.1	1.1	1.0

Source: Company data, Bloomberg, Shinhan Securities Vietnam

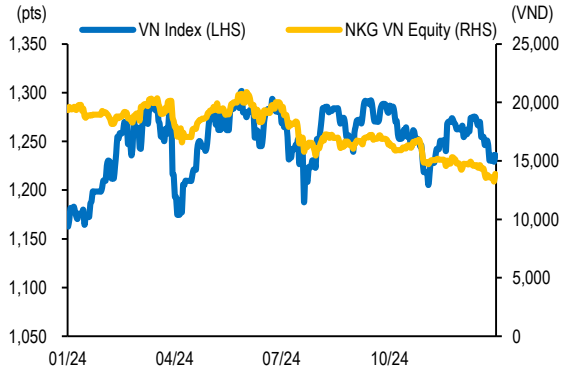
Nam Kim Steel Joint Stock Company (HOSE: NKG)

TÔN NAM KIM

Target price (12 months)	VND 17,100
Current price (15/01/25)	VND 13,900
Return (%)	23%

VNINDEX		1,236
Market P/E (x)		11.6
Market Cap (VND bn)		6,221
Outstanding shares (mil shares)		448
Free-float (mil shares)		337
52-week high/low (VND)		21,189/13,250
90-day avg. trading volume (mil shares)		4.82
90-day avg. turnover (bn VND)		6
Major shareholder (%)	Ho Minh Quang	14.2
	Unicoh Specialty Chemicals	5.88

Performance	3M	6M	12M
Absolute (%)	-17.0	-30.6	-23.4
Rel.to VN-Index (%)	-13.5	-27.2	-30.5



Shinhan Securities

Nam Kim Phu My factory will be the key driver

Nam Kim Steel Joint Stock Company (HoSE: NKG) is one of the top 3 galvanized steel producers in Vietnam. NKG focuses on manufacturing galvanized steel and steel pipes. The company operates 4 factories with a total capacity of 1.2 million tons per year, holding a 17.4% market share. Nam Kim's distribution network primarily covers the southern regions of Vietnam, including Ho Chi Minh City, Dong Nai, and neighboring provinces. 60% of its revenue comes from exports, while 40% comes from the domestic market.

Business Results: In Q3/2024, NKG reported revenue of VND 5,188 billion (-8% QoQ, +22% YoY) and net profit of VND 65 billion (-70% QoQ, +174% YoY). For the first 9 months of 2024, the company achieved revenue of VND 16,208 billion (+14.5% YoY) and net profit of VND 434 billion (+295% YoY). Notably, 67.8% of total consumption came from exports, focusing on Europe and North America.

Outlook for 2025: (1) The growth in U.S. demand thanks to policies restricting Chinese steel imports under the Trump administration; (2) Steel prices are expected to have bottomed out in Q3/2024, entering a new growth cycle in 2025; (3) Stronger domestic demand thanks to the recovery of residential real estate and increased infrastructure development. However, in the short term, protectionist measures in key markets like North America and the EU could impact Nam Kim's export volumes. In the long term, the Nam Kim Phu My project will double the company's capacity to 2.2 million tons per year by 2027, with the project phased over 2024, 2025, and 2027, each adding 400,000 tons.

Key factors: (1) Price trends for input HRC and output galvanized steel.; (2) Anti-dumping duties on Vietnamese steel by other countries.

Risks: (1) Economic recession risks affecting steel demand; (2) The risk of declining steel prices; (3) The risk of anti-dumping taxes on Vietnamese steel.

Year	2022	2023	2024F	2025F	2026F
Revenue (billion VND)	23,071	18,596	19,905	22,938	26,245
Operating profit (billion VND)	93	177	816	1,285	1,655
Operating profit margin (%)	0.4	0.9	4	5.6	6.3
Net profit after tax (billion VND)	-125	117	666	1,038	1,119
Net profit margin (%)	-0.5	0.6	3.3	4.5	4.2
EPS (VND)	-474	446	2,164	2,833	3,053
ROE (%)	-2.3	3.0	11.6	14.6	12.8
P/E (x)	N/A	56.2	9.8	7.5	6.9
P/B (x)	0.6	1.3	1.0	0.9	0.8

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Important Disclosure

Stock

- **BUY:** Expected 12-month gain of 15% or more
- **HOLD:** Expected 12-month loss of 15% to gain of 15%
- **SELL:** Expected 12-month loss of 15% or more

Sector

- **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



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