RONG VIET SECURITIES

STEEL

MOMENTUM FOR A NEW ERA

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STEEL INDUSTRY - CREATING MOMENTUM FOR A NEW ERA

Investment Rating

Negative | Neutral | Positive

After a period of declining revenues and profits in 2022-2023, we expect the steel industry to experience a more pronounced rebound in 2024, especially in 2H2024. This recovery will be supported by: 1) real estate projects accelerating sales in 2024, accompanied by increased construction activity and demand for materials; 2) major public investment projects (ring road systems, north-south expressway, etc.) having handed over more than 80% of land areas and set to ramp up construction in 2024-2025; 3) recovery in demand from major export markets. Material prices and finished product prices (HRC, construction steel) are expected to be less volatile in 2024, before possibly entering a new price hike cycle from 2025 onwards. HPG is our top pick due to its leading industry position and investment plans to take advantage of the sector's recovery cycle.

Business results in 2023 show signs of recovery, but raw material price risks are still there

- Steel companies saw signs of recovery in 2H2023 in terms of revenue and orders, particularly in Q4/23, supported by public investment projects and export orders. Gross profit margins of these companies improved, largely due to the depletion of high-priced inventory and the cooling of material prices vs. 2022, along with prudent inventory policies.
- However, the risk of material price volatility are still there. Although there was considerable fluctuation in Q4 (primarily driven by expectations of demand recovery), prices have cooled at the beginning of 2024.

Domestic Market Outlook for 2024 - Production Recovery

- We believe the domestic market will lead the recovery in steel consumption, particularly in 2H2024. This will be driven by: i) The recovery of the real estate sector, with the successful launch of projects (especially in 2H2024) spurring construction activities and thereby increasing the demand for steel products; ii) Major infrastructure projects entering the construction phase, with significant components (bridges, elevated roads, etc.) requiring construction steel, thus supporting sales activities in 2024.

Recovery in Demand in Key Export Markets, Especially for HRC Products

- In 2024, Vietnam's key export markets are expected to continue showing recovery in consumption volumes, driven by: 1) The rebound in industrial production in the EU and the United States, and 2) Infrastructure development in Asian countries (ASEAN, India).
- In the long term, besides the domestic market, the EU will be the notable market for HPG's HRC production during 2025-2026, coinciding with the commissioning of the Dung Quat 02 complex. This is due to HPG's existing advantages of competitive pricing and compliance with environmental certification requirements.

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Expectations for Stable Material and Finished Product Prices, Leading to Steady Profit Margins

- We expect commodity prices to cool in 2024 and fluctuate within a narrower range due to: 1/ inventories return to high levels (especially in China, the main consuming market), and 2/ demand for finished products (construction steel, HRC) takes time to recover. In our base case, we expect iron ore prices to trade at USD 115/tonne and coking coal prices at USD 267/tonne (in line with the 2022 average).
- Given the lack of clear signs of recovery in China's property market and the fact that the Chinese government's support measures to revive housing demand will take time to prove effective, we believe that the recovery in China's steel consumption demand - a key driver of a price hike cycle - will become more evident from 2025 onwards.
- We note the risks of the Vietnamese steel market being negatively affected by the Chinese market, with: 1) sales competition with domestic steel producers, and 2) the impact of Chinese steel price volatility on Vietnamese steel prices, given the high correlation between these markets.

Steel Stocks - Investment Opportunities Amid Recovery Expectations

- Compared to the lows of 2023, steel companies are expected to post double-digit earnings growth in 2024 due to: 1) improved sales volumes, and 2) cooling raw material prices combined with prudent inventory policies that help maintain stable profit margins.
- Currently, steel stocks are trading at their three-year average P/B ratio, indicating that the anticipated recovery in 2024 has started to be reflected in stock prices. However, there remain short-term risks from raw material price volatility and pressure from the Chinese market. However, in 2H2024, with expectations of: 1) Improved domestic sales volume, 2) Recovery in finished product prices during the construction season, and 3) Investment plans to capitalize on the new price increase cycle, investors may consider HPG (BUY, target price: VND 33,900) for long-term investment. Coated steel stocks, including HSG (Accumulate, target price: VND 24,300) and NKG (Neutral, target price: VND 24,600), are more suitable for short-term trading strategies based on market fluctuations and raw material (HRC) prices during the period.

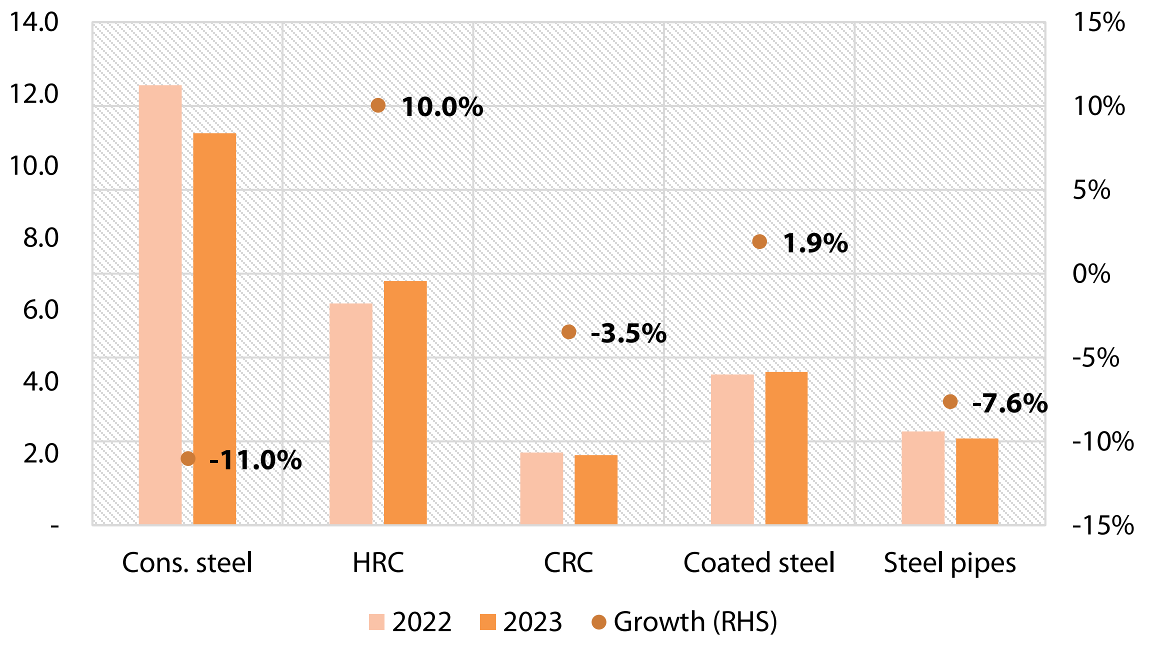
Risks to our call

- Downside Risks: Lower-than-expected sales volume, particularly in the domestic market.
- Upside Risks: Earlier-than-expected recovery in raw material and finished product prices.

OUTPUT BOTTOMED OUT IN 2023

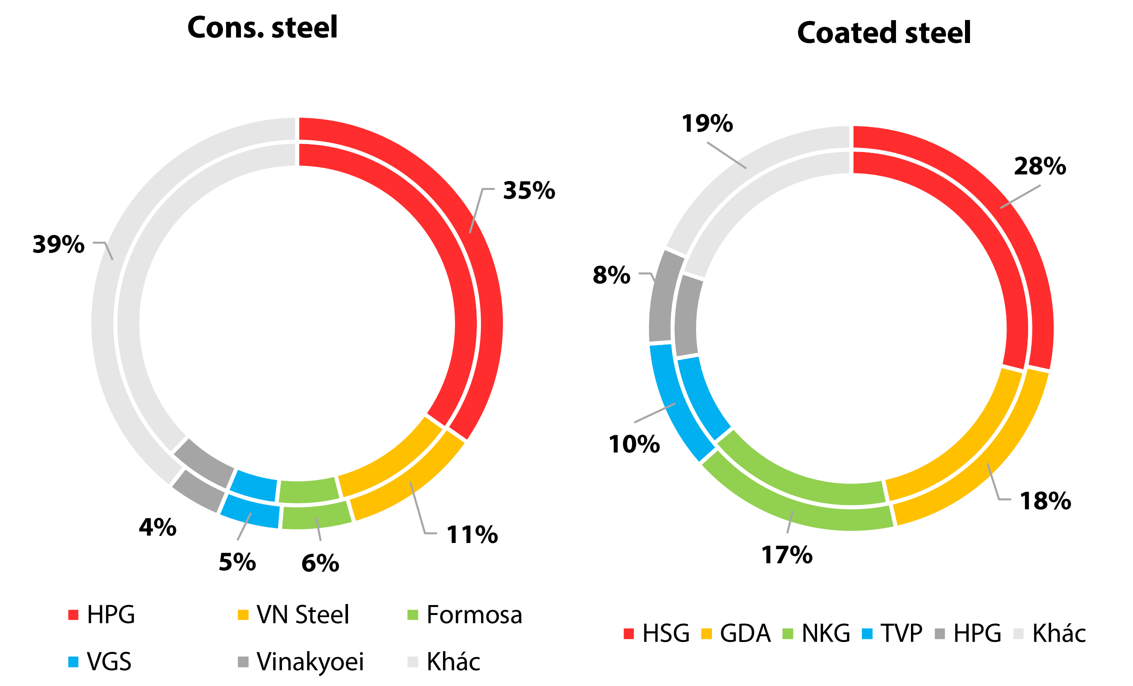
- 2023 has been a tough year for the domestic steel industry, with the consumption of construction steel decreased by 11% YoY. In 2H2023, construction steel saw a recovery, particularly in Q42023, which was the peak period for construction activities. This recovery was also supported by the demand for raw materials for public investment projects.
- The production of hot-rolled coil (HRC) and downstream products (galvanized steel, steel pipes) maintained growth in 2023, largely due to demand from foreign markets (ASEAN, EU, United States).
- Large-scale steel producers (HPG, HSG, GDA, NKG) have retained their market share, demonstrating their continued dominance in the industry, while smaller companies are facing financial difficulties.

Figure 1: Steel Consumption Volume 2022-2023 (million tons)



Source: VSA, RongViet Securities

Figure 2: Market Share of Steel Manufacturing Companies 2022-2023



Source: VSA, RongViet Securities. Inner circle: 2022.

- Thanks to the recovery in production volume, companies also saw a recovery in revenues in 1H23; gross profit margins recovered, largely due to the consumption of high-priced inventories, along with the stabilization of key raw material prices (iron ore for BOF furnaces, HRC for galvanizing production), which eased compared to 2022.
- SG&A costs (especially transportation costs for export orders) have prevented galvanizing enterprises fro0m significantly improving their net profit margins.
- Steel companies continue to maintain a cautious inventory policy compared to 2021-2022, with inventory balances and average inventory days remaining stable in 2023 as consumer demand has yet to show clear signs of recovery.

Figure 3: Revenue of listed steel companies (VND bn)

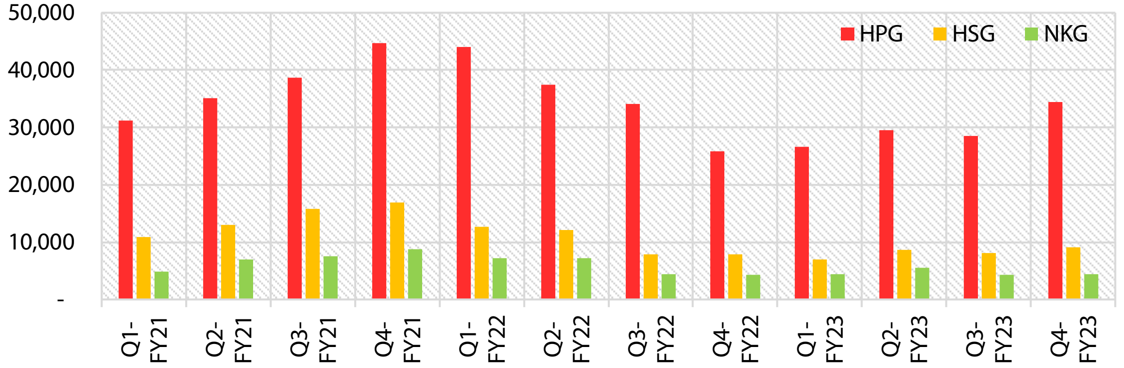


Figure 4: Gross margin of listed steel companies

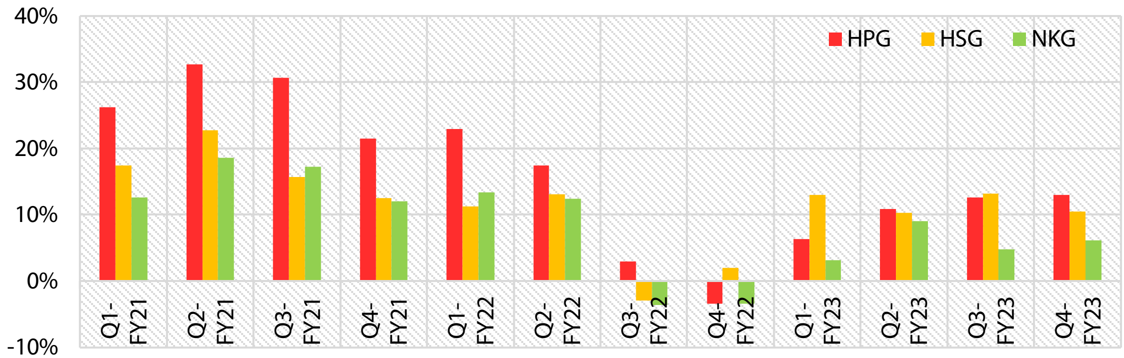
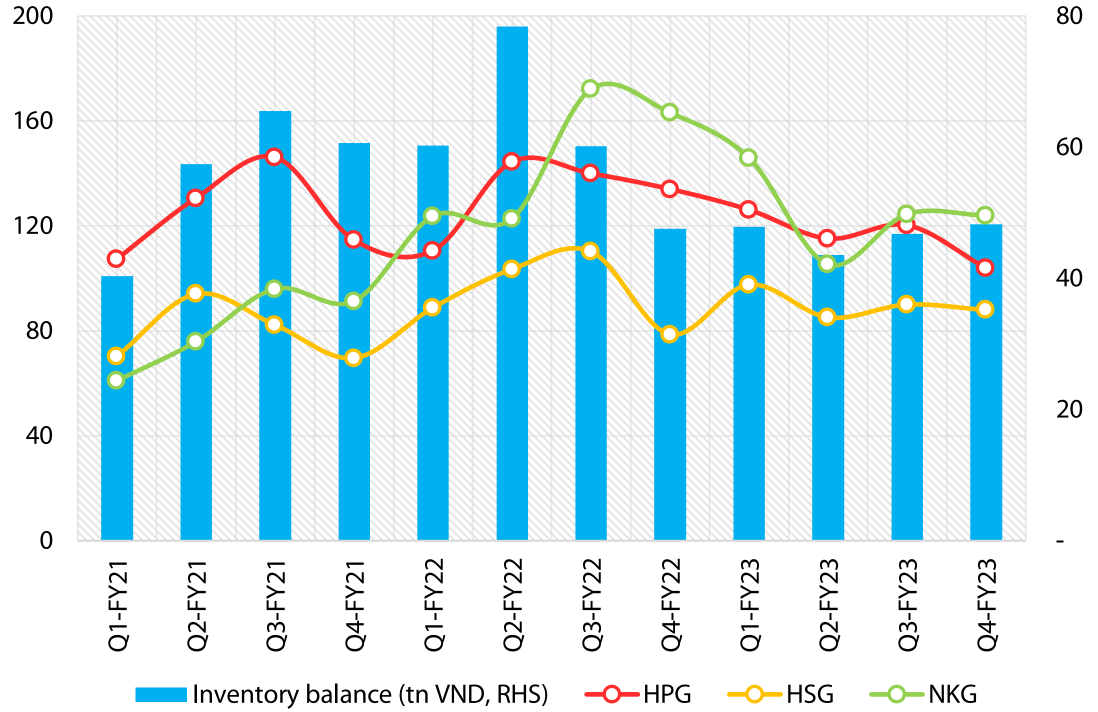


Figure 5: Inventory balances and average inventory days have been stayed at low levels

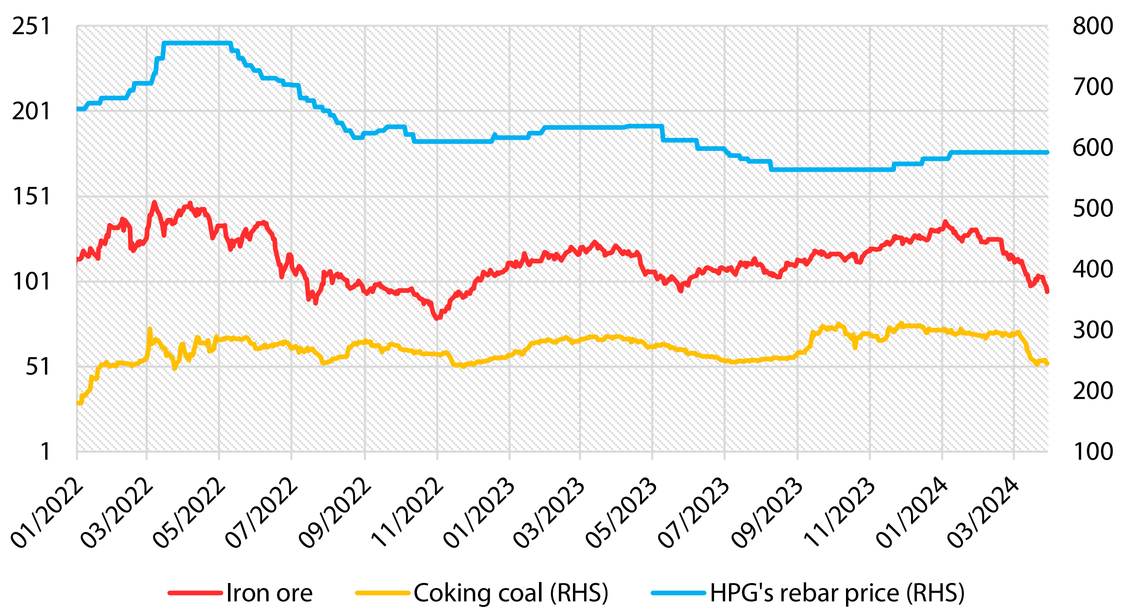


Source: FiinPro, RongViet Securities

Raw material prices fluctuate in q4/23, primarily driven by expectations of the Chinese real estate recovery

- In 1H23, raw material prices for BOF furnaces (iron ore, coke) cooled down, mainly due to the relatively weak demand in the Chinese market - the main consuming market - and the lack of signs of a recovery in the real estate market. In Q4/23, raw material prices fluctuated more significantly, with iron ore prices exceeding USD130/ton and coke prices traded at the USD300/ton, both of which are high price levels for the 2022-2023 period. In addition to inventory accumulation, this was also driven by expectations of a real estate market support packages from the Chinese government.
- In terms of finished products, HRC and construction steel prices fluctuated similarly to raw material prices, but within a narrower range, as weak demand made producers relatively cautious about raising prices. Notably, HRC prices in the North American market rose sharply in late 2023, largely due to pre-holiday accumulation, but quickly cooled down in early 2024

Figure 6: Raw Material - Finished Product prices for Blast Furnaces (USD/ton)



Source: Bloomberg, RongViet Securities

Figure 7: HRC prices in major markets (USD/ton)

Source: Bloomberg, RongViet Securities

The real estate sector remains the main driver of production recovery

- We expect the supply and absorption of the real estate market to improve compared to 2023, driven by: 1) Increased confidence among developers and investorsFORthe market's recovery; 2) interest rates remain low; 3) Infrastructure projects under construction and completion. The successful launch of projects (especially in 2H2024) will boost construction activities, leading to increased demand for steel products (construction steel, galvanized steel).
- The ready-built factory/warehouse (RBF, RBW) segment is attracting FDI in the 2024-2025 period, generating stable demand for galvanized steel and steel pipes.

Figure 8: Units was sold in tier-I cities (landed property/apartment)

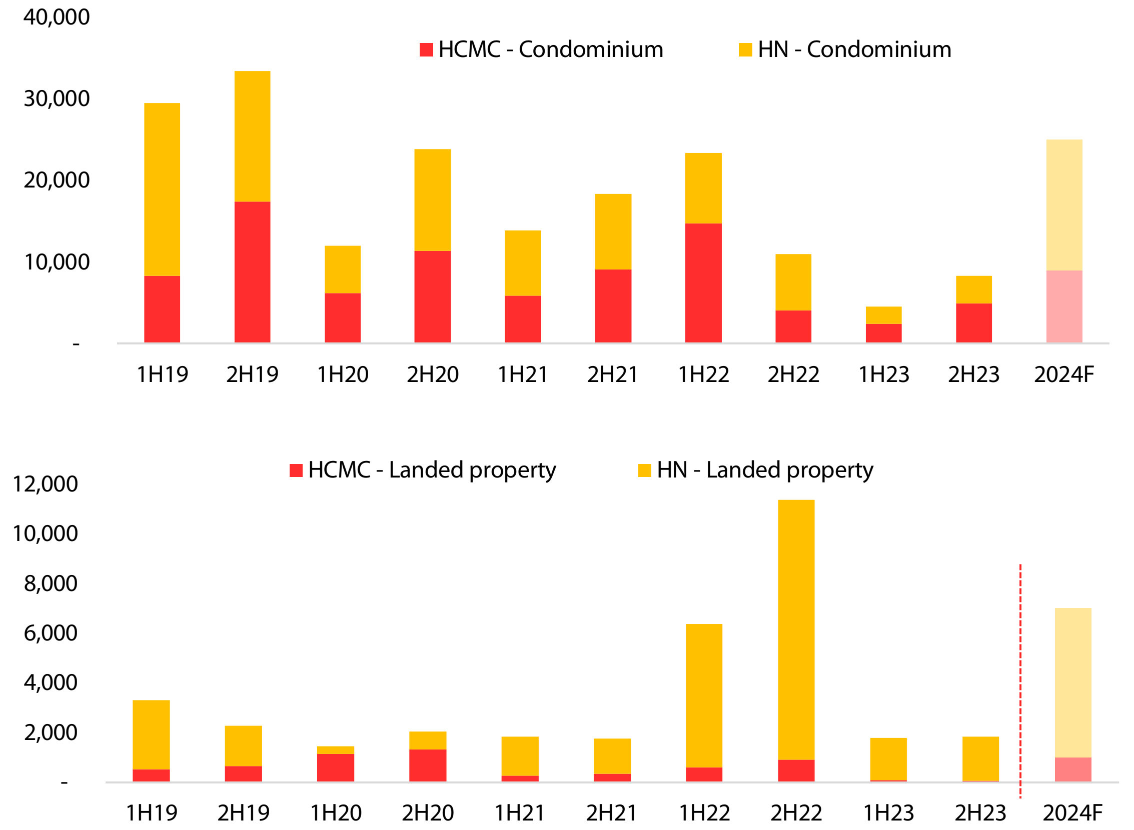
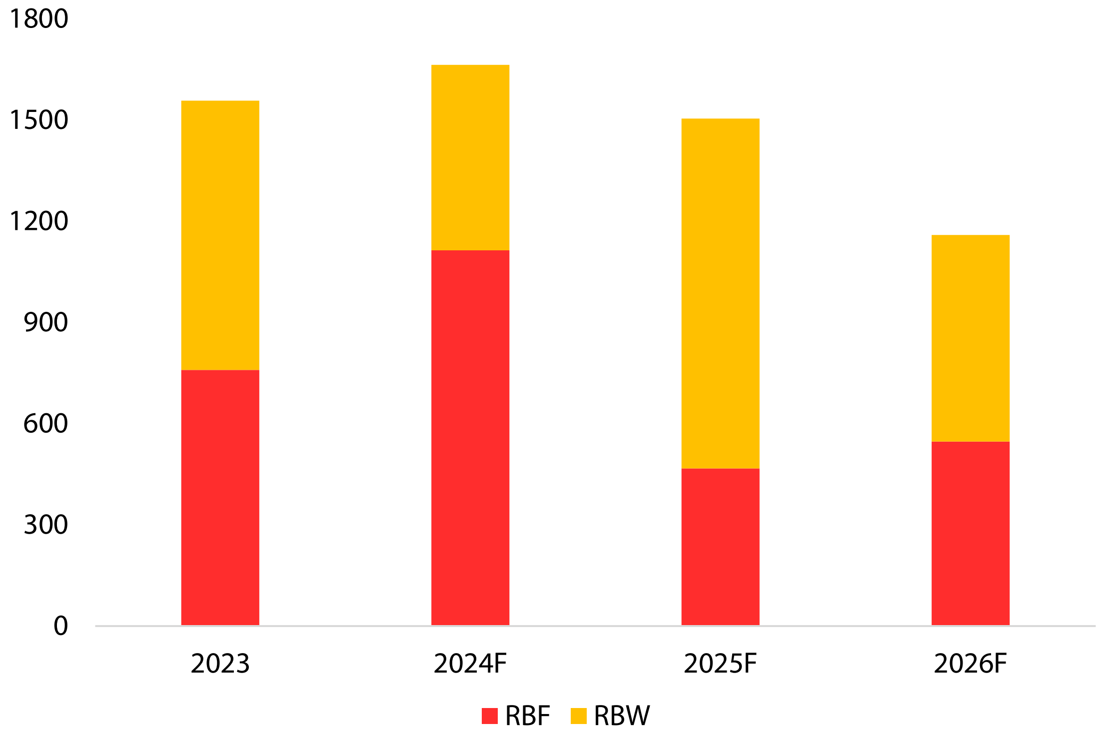


Figure 9: New supply of RBF/RBW (thousand sqm)

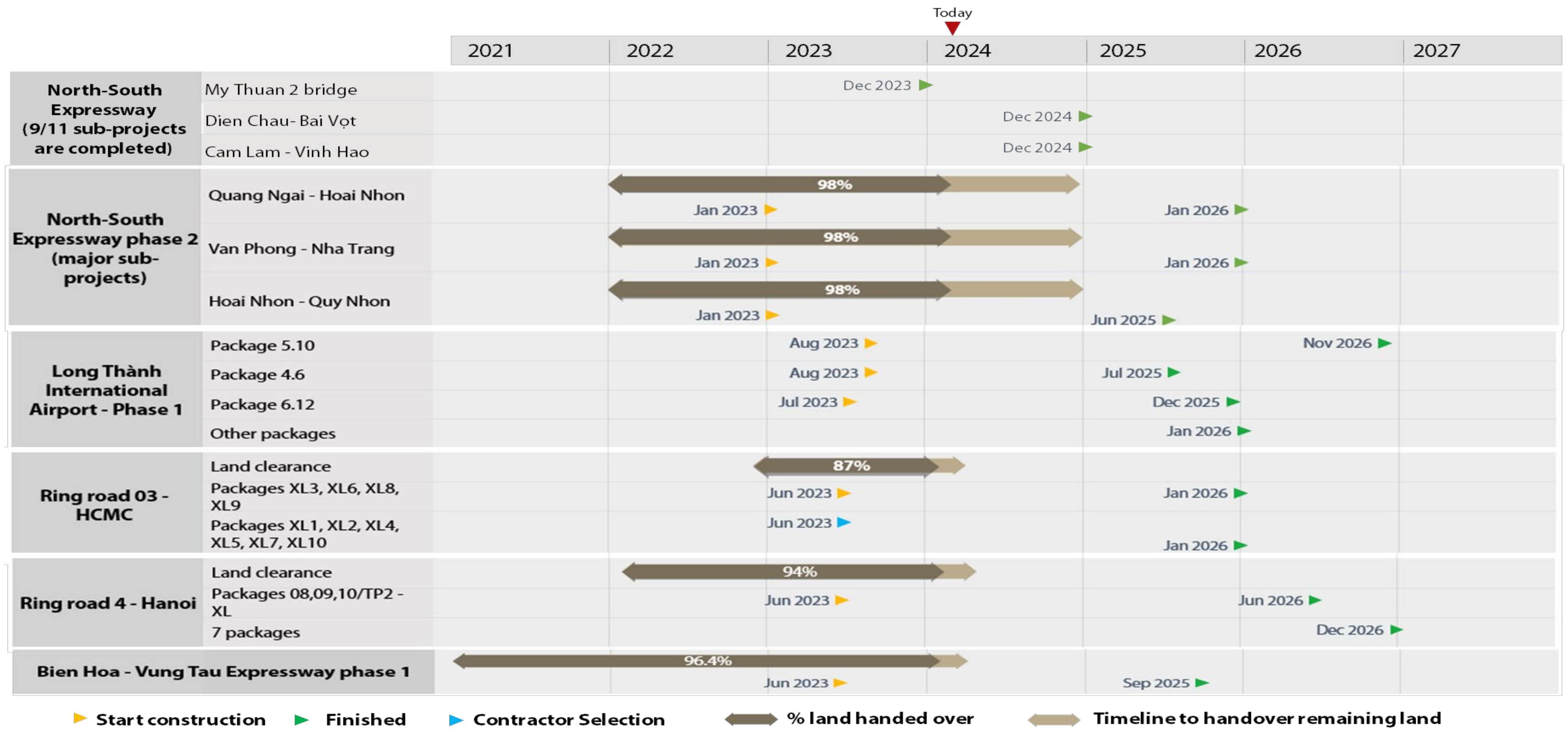


Source: CBRE, RongViet Securities

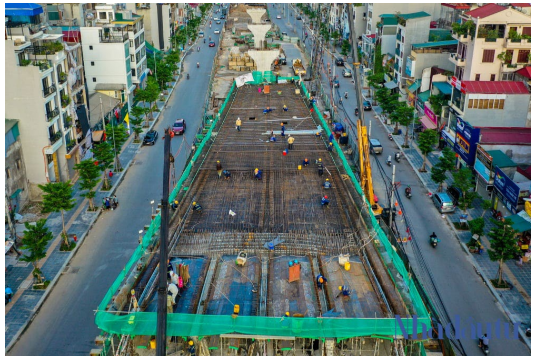
Infrastructure Projects Enter Key Construction Phase

- Following the land acquisition and clearance phase, key infrastructure projects (North-South Expressway system, ring roads, etc.) will enter the construction phase, focusing on the period 2024-2025.
- Large components of infrastructure projects (bridges, elevated roads, etc.) will require the consumption of construction steel, thus supporting the domestic market in 2024. However, residential real estate will still contribute the highest proportion to the sales volume of steel companies.

Figure 10: Progress of Land clearance/Construction of Public Investment Projects in the 2021-2027 Period, along with Major Construction Items



Bridge



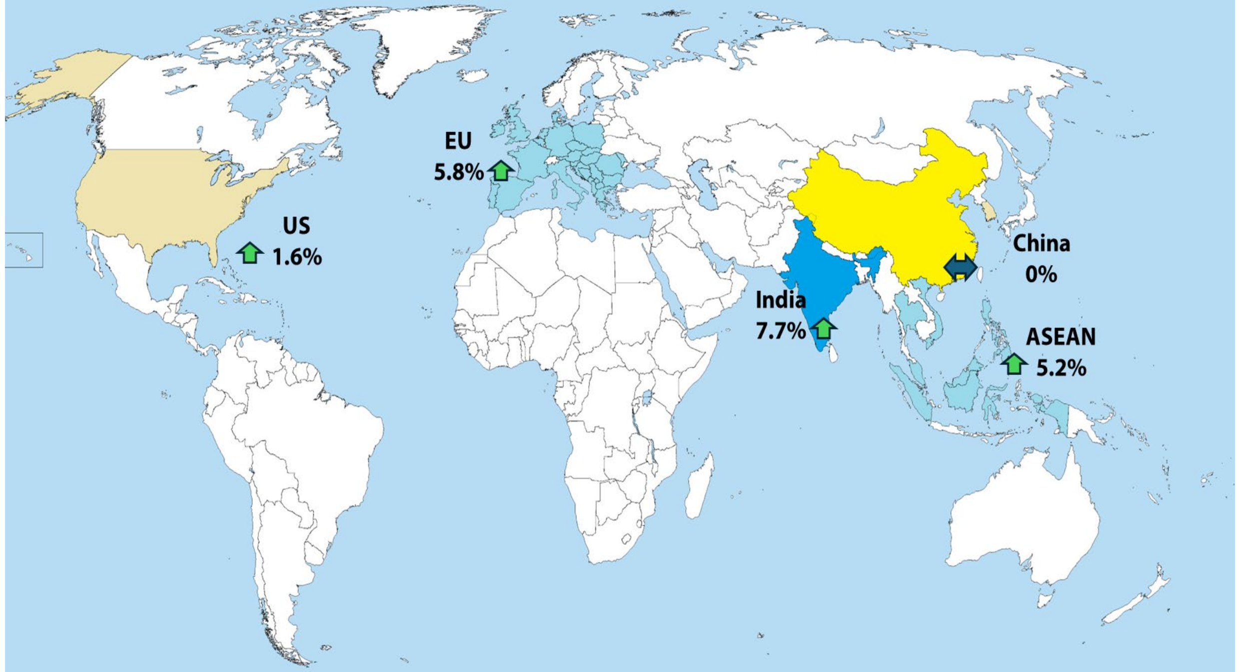
Elevated roads

Source: RongViet Securities

SALES OUTLOOK 2024 - DEMAND FROM EXPORT MARKETS REBOUND

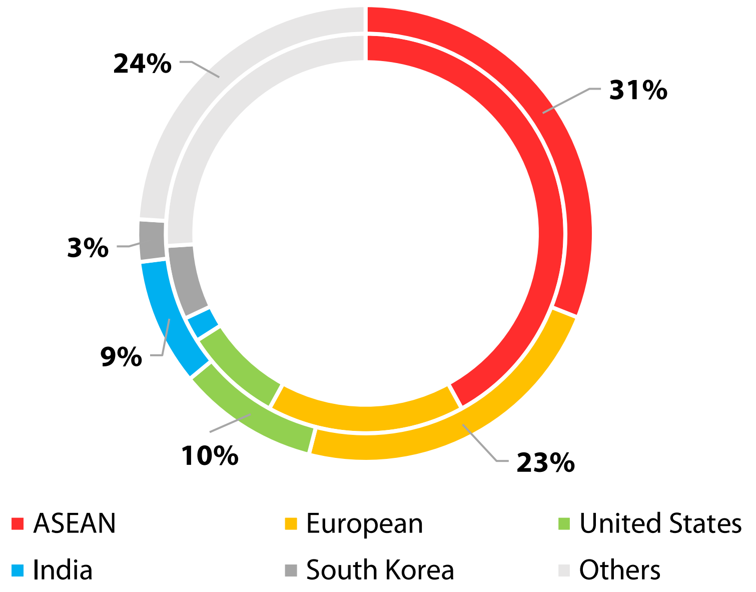
- Vietnam's key export markets are projected to witness a steady rebound in consumption volume in 2024. This growth is attributed to two primary factors: 1/ The recovery of industrial production in the European Union (EU) and the United States (US), 2/ The ongoing infrastructure development in Asian countries (ASEAN, India)
- With the increasing inflow of FDI in Asia, the demand for infrastructure development is expected to remain robust in the region. This will continue to drive strong demand for Vietnamese steel products, particularly from companies like HSG (galvanized steel) and HPG (construction steel and HRC). However, potential trade protection measures implemented by certain Asian countries could pose a challenge for Vietnamese steel companies aiming to expand their export volumes.
- The European Union (EU) and the United States (US) continue to be crucial markets for Vietnamese galvanized steel producers, including NKG and GDA. Furthermore, HPG has secured orders to export HRC to the EU market, leveraging its existing advantages such as competitive pricing and meeting environmental certification requirements. This will be a significant market for HPG in the 2025-2026 period, especially with the commencement of operations at the Dung Quat Phase 02 plant.

Figure 11: Projected Steel Consumption Growth in major Markets for 2024



Source: worldsteel, RongViet Securities.

Figure 12: Share of Vietnam's Steel Export Markets

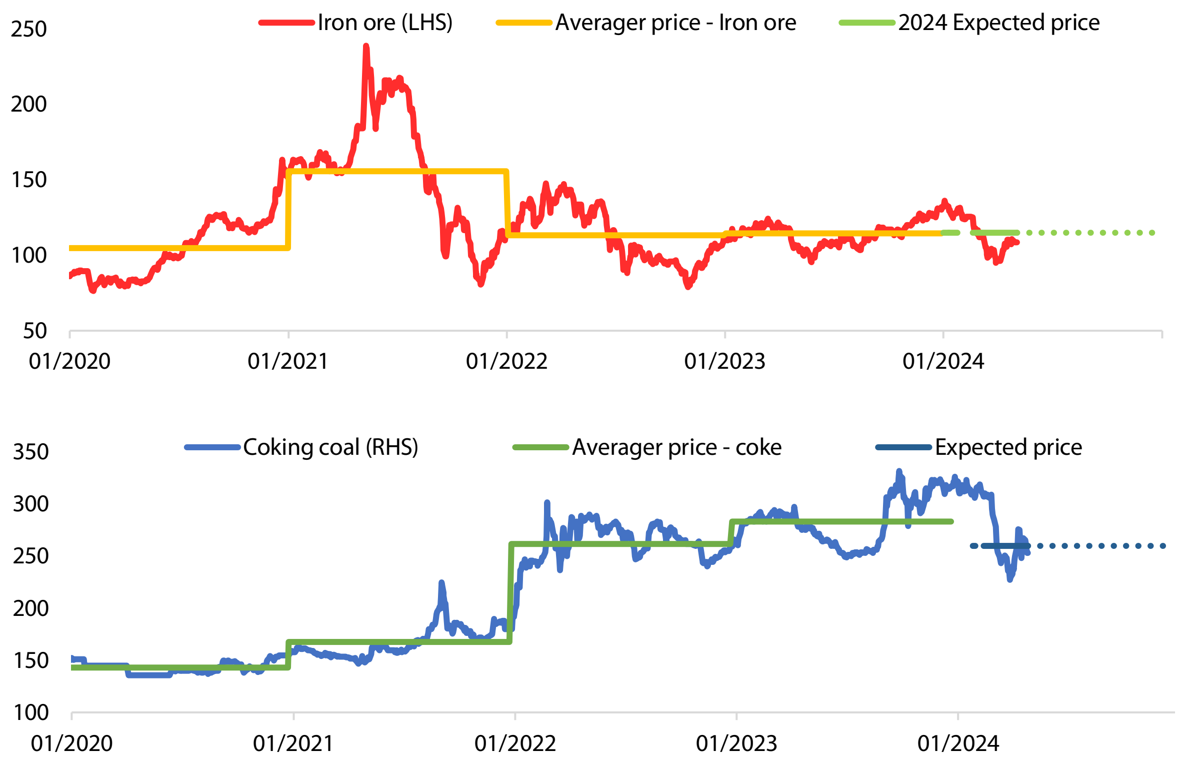


Source: VSA, RongViet Securities. Inner circle: 2022.

OUTLOOK 2024 – STABLE RAW MATERIAL PRICES

- Following a period of fluctuating raw material prices in the second half of 2023, we anticipate price stabilization and narrower price ranges in 2024 due to the following factors: 1/ Inventory levels, are expected to return to higher levels, particularly in China, the primary consumption market; 2/ The demand for downstream steel products, such as construction steel and HRC, is expected to take time to recover. Under our base-case scenario, we project iron ore prices to average USD 115 per ton and coking coal prices to average USD 260 per ton, aligning with 2022's average levels.
- Supply chain challenges: 1/ Supply from Australia, the primary supplier, is expected to remain constrained due to environmental regulations limiting the opening of new mines. 2/ The unstable supply of coal from Russia due to sanctions makes coke coal prices remain high in 2024, thereby affecting the profit margins of steel producers using BOF furnaces.

Figure 13: The price of main raw materials for BOF furnaces (USD/ton) - expected to remain stable in 2024.



Source: Bloomberg, RongViet Securities estimated

Figure 14: Iron Ore Inventory in China (Million Tons)

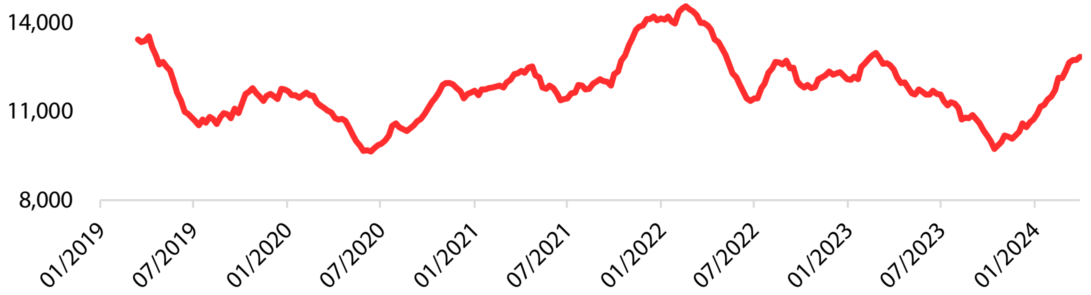
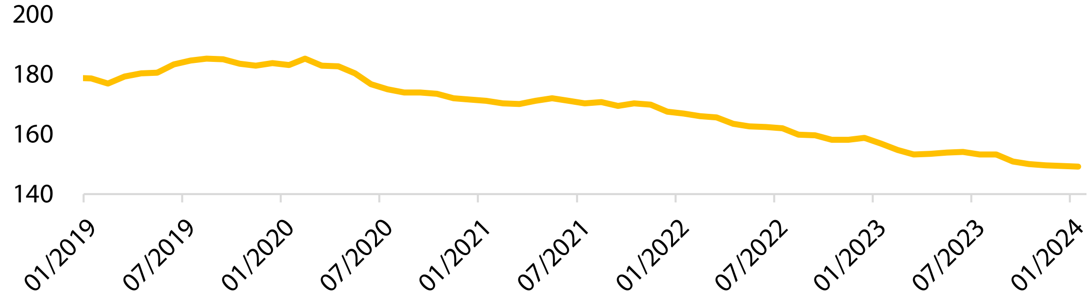


Figure 15: Exports of coking coal from Australia (million tons, trailing 12-month)



Source: Bloomberg, RongViet Secuirities.

ATTENTION TO PRESSURE FROM THE CHINESE MARKET

- China's steel exports reached their highest level in the period from 2017 to 2023, surpassing 80 million tons per year. This was in 2014-2015 when China aggressively exported steel to other countries due to a supply glut.
- The operating rate of blast furnaces in Tangshan remains at 70%, and the outlook for production cuts in 2024 is unclear. This suggests that China's steel exports to other countries, including Vietnam, are likely to remain high, especially considering the relatively low domestic consumption levels.
- Vietnam's steel market is directly affected by developments in the Chinese steel market, primarily in two ways: 1/Vietnamese steel producers face heightened competition from Chinese counterparts, 2/ The price of steel in Vietnam is closely linked to fluctuations in Chinese steel prices, exhibiting a high correlation between the two markets.

Figure 16: China's steel exports volume during the period of 2013-2023 (million tons)

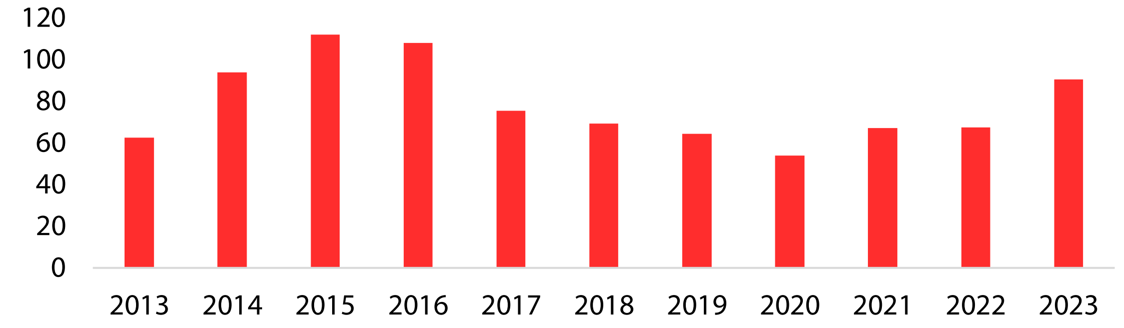
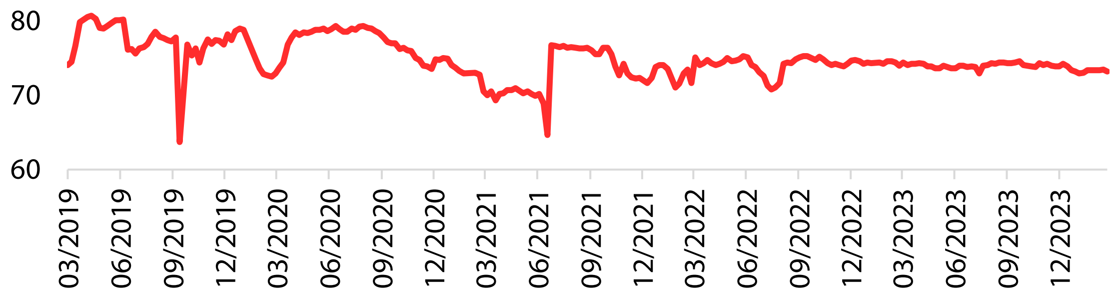
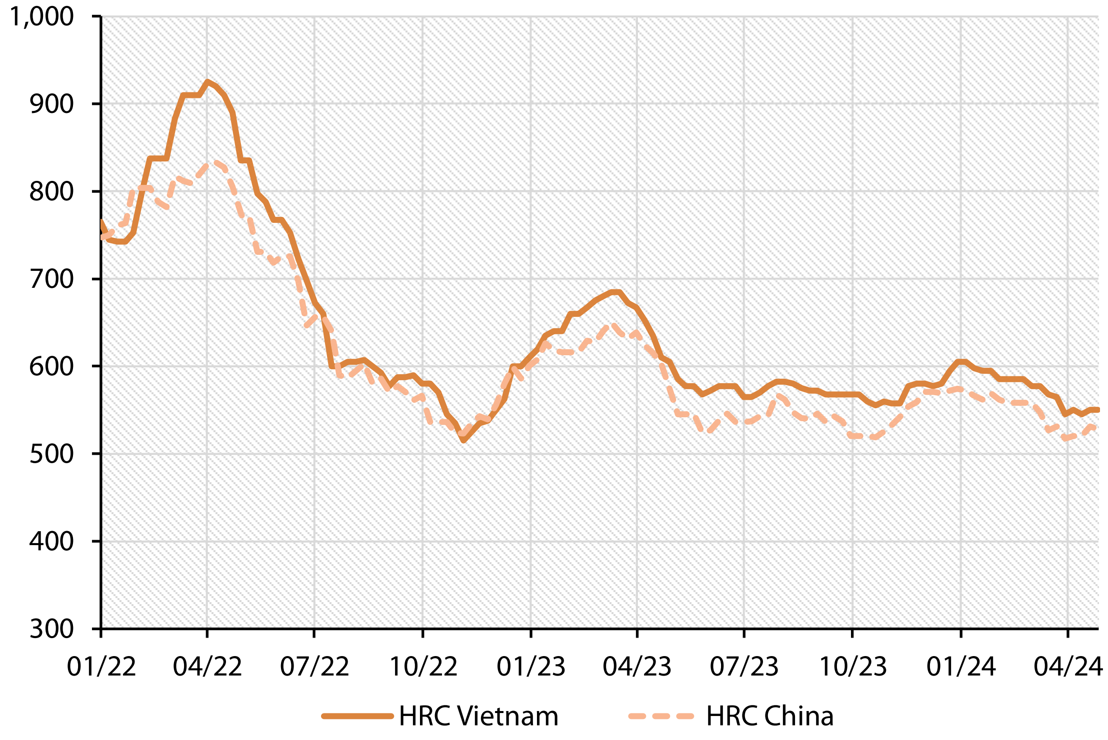


Figure 17: The operational efficiency of BOF furnaces at Tangshan (%)



Source: General Administration of Customs China, Bloomberg, RongViet Securities.

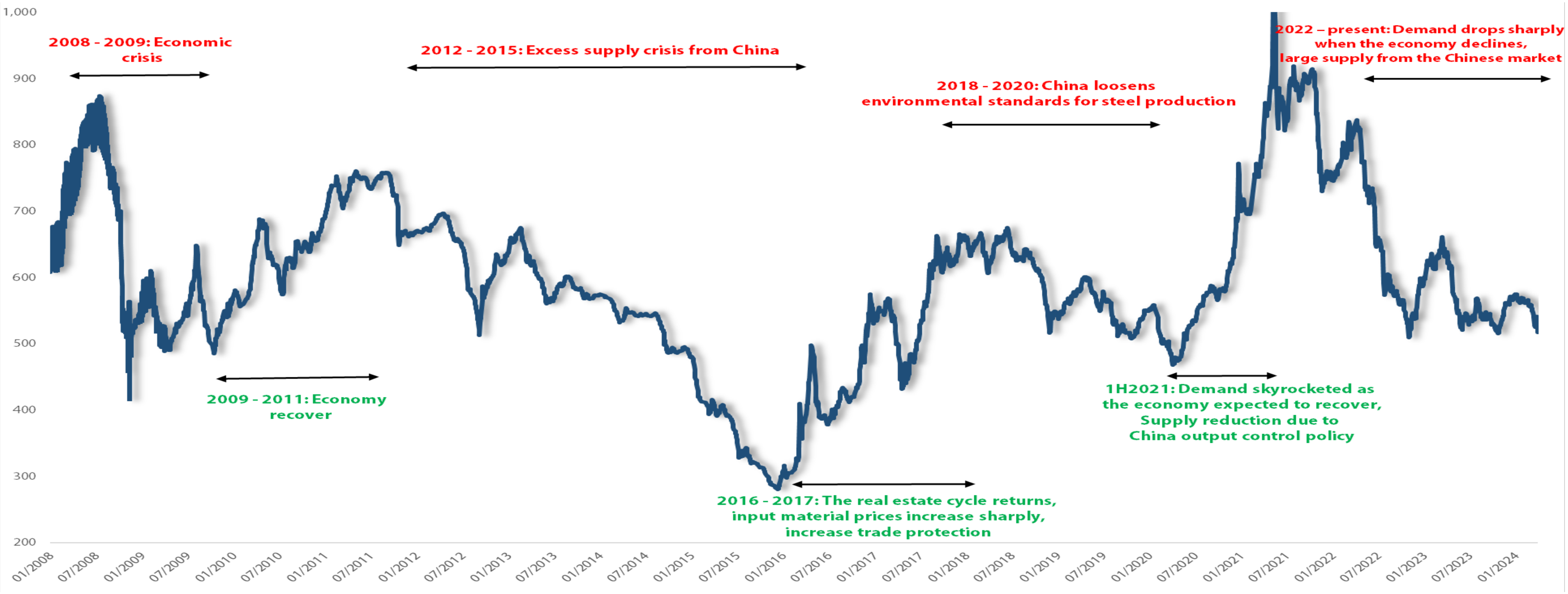
Figure 18: The price of HRC in China and Vietnam (USD/ton)



Source: Bloomberg, RongViet Securities.

- Throughout the period from 2008 to 2024, across various economic cycles, a clear correlation can be observed between steel product price cycles and consumption demand, particularly in the Chinese market, which accounts for approximately 50% of global steel consumption.
- The lack of clear signs of recovery in the Chinese real estate market, coupled with the time required for government support measures (aimed at reviving demand) to demonstrate their effectiveness, we anticipate that a more evident rebound in Chinese steel consumption – a crucial driver for a new price up cycle – will emerge from 2025 onwards.

Figure 19: Fluctuations in the price of Chinese HRC across economic cycles (2008-2024)



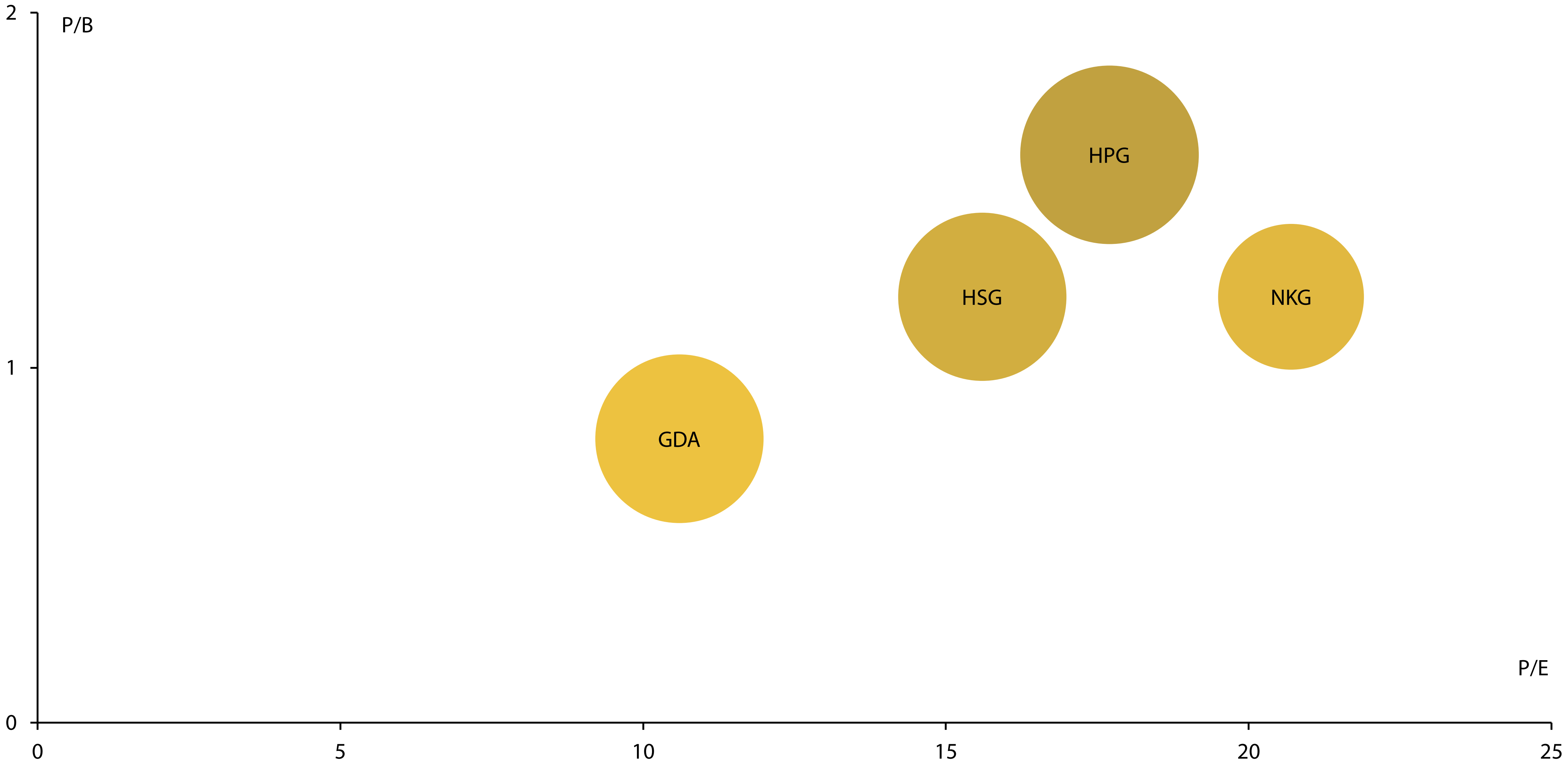
Source: Bloomberg, RongViet Securities.

INDUSTRY COMPARABLE

Ticker	Market Cap. (VND bn)	3M.daily turnover AVG. (VND mn)	Current P/E (x)	Current P/B (x)	Trailling 12 M ROE (%)	Target price	Market price as of 05/22/24	Expected return	2023A			2024F			Revenue Growth		NPAT Growth	
									Revenue	NPAT	EPS	Revenue	NPAT	EPS	2023	2024F	2023	2024F
HPG	182,003	781,210	17.74	1.57	9.2%	33,900	28,455	19.1%	118,953	6,835	1,117	145,731	12,050	1,771	-15.9%	22.5%	-19.4%	76.3%
HSG	13,521	244,340	15.61	1.21	8.1%	24,300	21,950	10.7%	32,806	814	1,321	38,947	923	1,393	-19.4%	18.7%	n.a	13.4%
NKG	6,556	213,627	20.69	1.18	5.8%	24,600	24,900	-1.2%	18,596	117	446	20,256	370	1,362	-19.4%	8.9%	n.a	215.1%
GDA	3,016	1,887	10.69	0.83	8.0%	N.R	26,300	n.a	17,435	284	2,472	n.a	n.a	n.a	-19.3%	n.a	n.a	n.a
TVN	4,204	1,156	n.a	0.52	-3.1%	N.R	6,200	n.a	30,305	(258)	(380)	n.a	n.a	n.a	-21.3%	n.a	66.6%	n.a
SMC	1,030	11,597	n.a	1.26	-56.8%	N.R	14,000	n.a	13,702	(885)	(12,027)	n.a	n.a	n.a	-40.9%	n.a	-52.9%	n.a
TLH	869	8,613	n.a	0.47	-0.1%	N.R	7,740	n.a	6,157	4	35	n.a	n.a	n.a	15.6%	n.a	-27.2%	n.a
DTL	812	11	n.a	1.07	-15.7%	N.R	13,400	n.a	1,972	(152)	(2,610)	n.a	n.a	n.a	22.3%	n.a	0.5%	n.a

Source: Bloomberg, RongViet Securities. Data was updated as of May 22nd 2024.
**N.R: Non rate*
N.A: Not available
NPAT-MI: Net profit after tax and minority interest

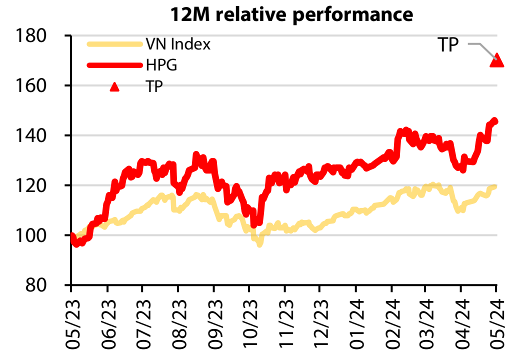
PE, PB AND ROE (TTM)

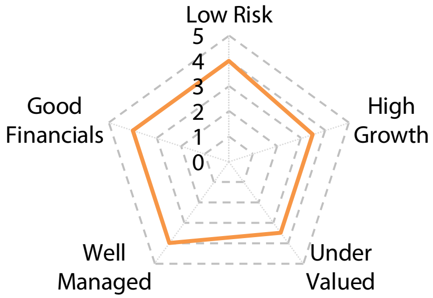


Source: Fiinpro, RongViet Securities. Bubble size equals respective ROE. Share price as of 22 May 2024. Excluding companies recorded TTM loss.

POTENTIAL FOR MEDIUM AND LONG-TERM GROWTH

BUY: 19% **MP: 28,600** **TP: 33,900**





STOCK INFO

Sector	Basic Resources
Market Cap ($ mn)	7,149
Current Shares O/S (mn shares)	6,396
3M Avg. Volume (K)	28,097
3M Avg. Trading Value (VND Bn)	769
Remaining foreign room (%)	23.6
52-week range ('000 VND)	18.95 - 29.23

FINANCIALS	2023A	2024F	2025F
Revenue (VND bn)	118,953	145,731	196,992
NPATMI (VND bn)	6,835	12,050	21,635
ROA (%)	3.6	5.9	9.5
ROE (%)	6.7	10.8	16.8
EPS (VND)	1,105	1,771	3,180
Book Value (VND)	17,674	17,382	20,107
Cash dividend (VND)	0	0	0
P/E (x)	23.7	17.5	9.7
P/B (x)	1.6	1.8	1.5

INVESTMENT RATIONALES

2024 Outlook – Clear signs of domestic demand recovery

- In 2024, construction steel output is projected to reach 4.8 mn tons (+29% YoY, utilization rate of 80%) due to (1) Real estate projects will promote sales in 2024, along with the construction phase which increases demand for materials; (2) Major public infrastructure projects (the ring road systems, the North-South expressway,…) have already secured over 80% of the necessary land and they will accelerate the construction process in the period 2024-2025. Despite facing the risk of material price fluctuation in 1H24, HPG maintains a flexible material purchasing policy, along with stable selling prices (supported by domestic demand), it can maintain the GPM of 13.6%, and the 2024 net profit can reach VND 12 tn (USD 490 mn, +76% YoY).

Dung Quat 02 complex is expected to make significant contributions starting in 2025

- DQ02 has designed capacity of 5.6 mn tons of HRC/year, in which the first phase (with a capacity of 2.8 mn tons/year), is expected to commence operations in the 1Q2025. We anticipate the operational efficiency for the first phase is approximately 80%, equal an estimated output of 2.24 mn tons of HRC in 2025 due to (1) The domestic market, where Vietnamese factories (HPG, Formosa) currently satisfy 30% of demand from galvanized steel companies; (2) HPG's HRC products are already making inroads into high-demand markets (ASEAN, EU). The EU's Carbon Border Adjustment Mechanism (CBAM) will favor products from plants that meet stringent environmental standards, a category that HPG's facilities can satisfy.
- For 2025, HPG is projected to achieve a revenue of VND 197 tn (USD 8 bn, +35% YoY). DQ02 is expected be more cost efficient than DQ01, hence the gross profit margin can increase to 15.9%, and the net profit can reach VND 21 tn (USD 857 mn, +80% YoY).

RISKS TO OUR CALL

- Lower-than-expected steel demand could impact raw material prices, which negatively impact cash flow and valuations.

RECOVERY IN DOMESTIC DEMAND AND POTENTIAL FROM DQ02

- We anticipate robust revenue growth in the periods 2024/2025, reaching VND 146 tn/197 tn (USD 6 bn/8 bn, +23% YoY and +35% YoY, respectively), thanks to: (1) Domestic demand driving construction steel output; (2) DQ02 (phase 1) operation will increase HRC production capacity to 5.8 mn tons/year and HRC will become HPG's main products from 2025 onwards; (3) HRC enjoys a robust demand, both in the domestic market (where Vietnamses factories have just met 30% of total demand) and in the export markets (HRC is the input material for flat steel products, which serve industrial manufacturing processes).
- With the expectations that: (1) DQ02 is more cost efficient than DQ10 (a 15% reduction in coke consumption); (2) Products' selling prices (especially HRC) will recover strongly from 2025 onwards, aligning with expectations for a cyclical upturn in steel products; the gross profit margin for 2024/2025 will be 14%/16%, respectively.

Figure 1: Manufacturing capacity of HPG (mn tons/year)

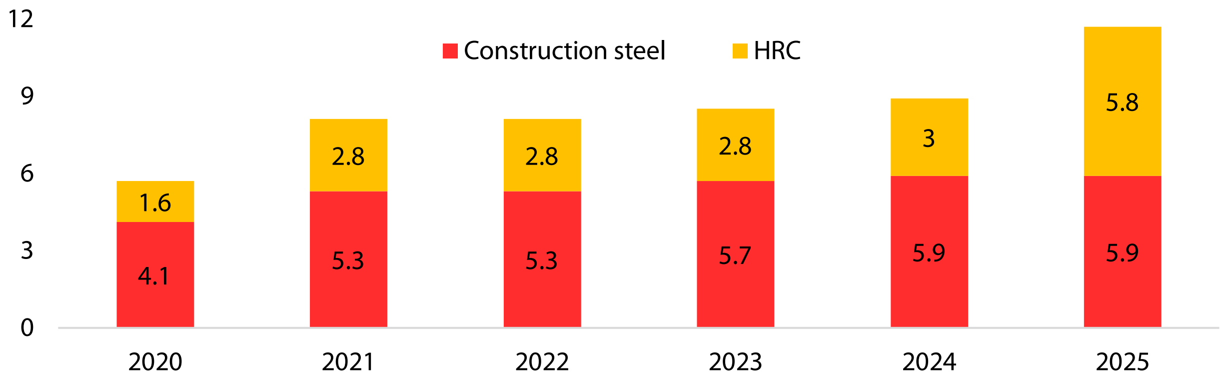


Figure 2: HPG's sales volume throughout 2020-2025

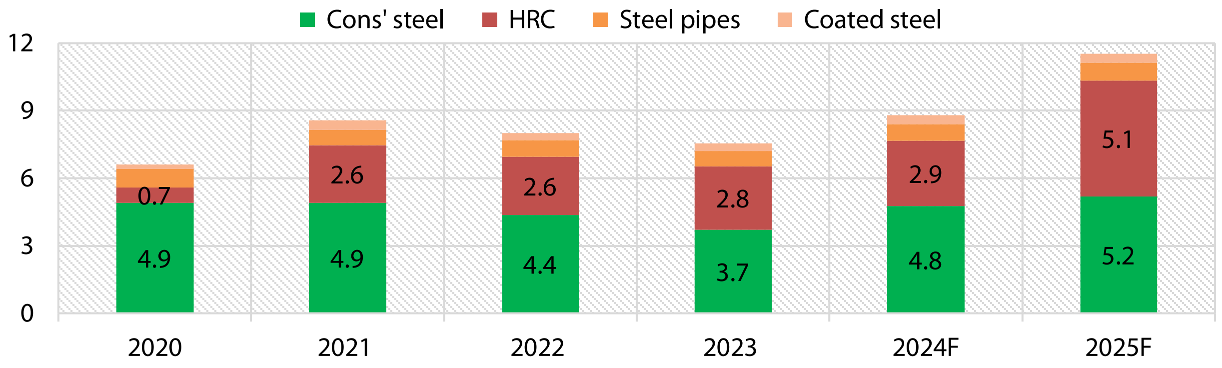
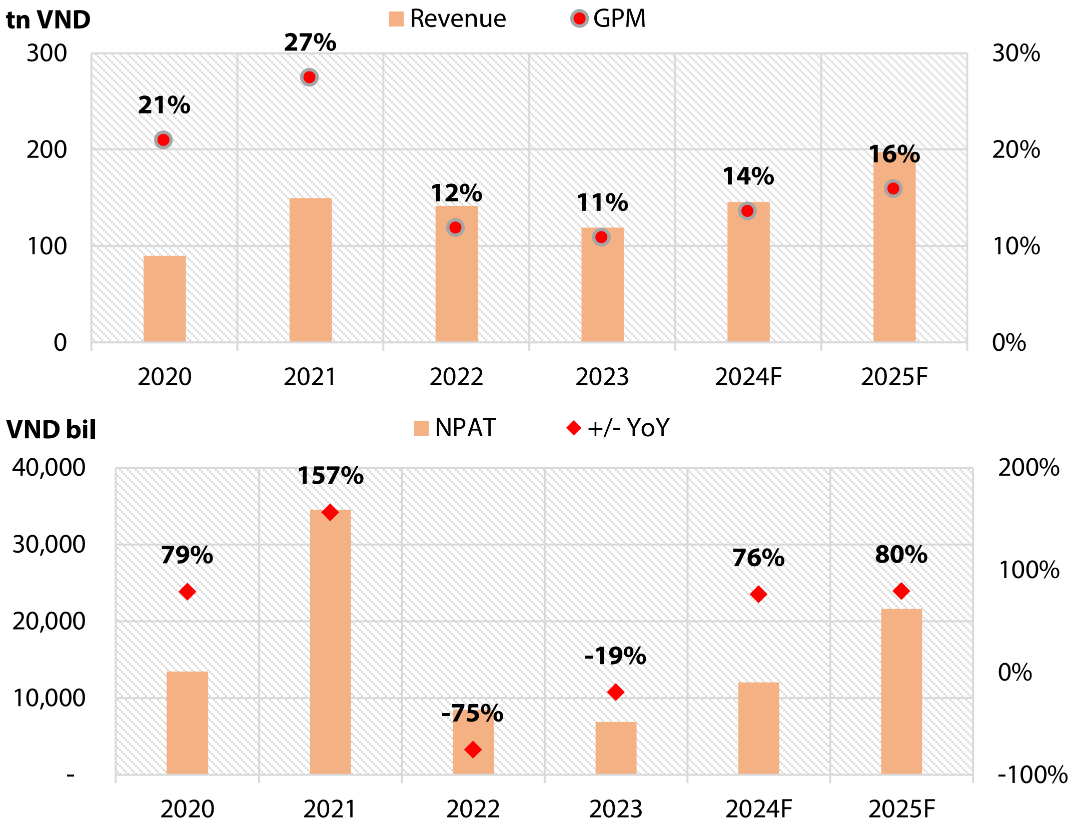


Figure 3: HPG's sales and net profit throughout 2020-2025



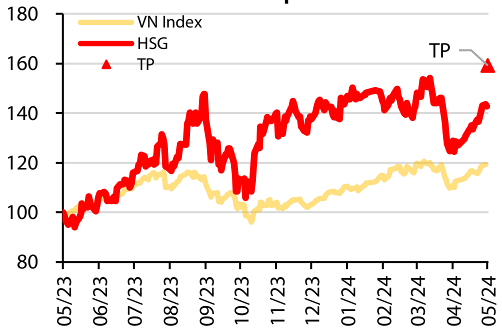
Sources: HPG, RongViet Securities

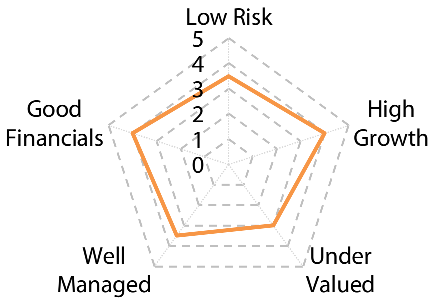
OUTPUT TO RECOVER, ALONGSIDE IMPROVED PROFIT MARGINS

HSX: HSG

ACCUMULATE: 11% **TP: 22,000** **MP: 24,300**

12M relative performance





STOCK INFO

Sector	Basic Resources
Market Cap ($ mn)	531
Current Shares O/S (mn shares)	616
3M Avg. Volume (K)	10,761
3M Avg. Trading Value (VND Bn)	240
Remaining foreign room (%)	29.1
52-week range ('000 VND)	14.51 - 24.65

FINANCIALS	2023A	2024F	2025F
Revenue (VND bn)	31,651	38,947	44,087
NPATMI (VND bn)	23	923	1,636
ROA (%)	0.1%	4.9%	7.8%
ROE (%)	0.2%	8.0%	12.5%
EPS (VND)	0	1,393	2,470
Book Value (VND)	17,345	18,738	21,209
Cash dividend (VND)	0	500	500
P/E (x)	N/A	15.1	8.5
P/B (x)	1.2	1.1	1.0

INVESTMENT RATIONALES

Clear recovery outlook from the domestic market

- In 2024, galvanized steel volume is expected to reach 1.37 mn tons (+23% YoY, in which domestic volume increases by 15%YoY and exporting volume increases by 30% YoY), supported by: (1) The real estate market has shown signs of recovery in 4Q2023 (particularly in the tier-I cities) and real estate projects are expected to accelerate their sales in 2024, spurring construction activity and boosting demand for building materials; (2) FDI enterprises are ramping up capital disbursements and constructing wharehouses in industrial parks; (3) Export volumes are recovering from a low-base.

Superior profit margins compared to industry peers

- After a period of significant volatility in raw material prices (HRC) during 2023 (fluctuated between USD 550-700/ton), we expect HRC prices to stabilize around USD 600/ton (+2% YoY) in the context the global steel demand (particularly in China) is still uncertain.
- HSG's extensive nationwide distribution network (comprising approximately 400 traditional stores and 110 HoasenHome outlets) supports higher profit margins compared to other manufacturers. We expect HSG to maintain a gross profit margin of 11.6% in 2024; and the net profit for 2024 is expected to reach VND 923 bn (USD 37.7 mn, 40 times higher than the previous year). HSG's stock is currently traded at the forwarded P/E ratios of 15x/9x for 2024/2025 period, which are attractive given the company's strong recovery prospects.

RISKS TO OUR CALL

- Higher input material price volatility than expected; lower coated steel demand than expected.

Figure 1: Sales volume is expected to recover (thousand ton)

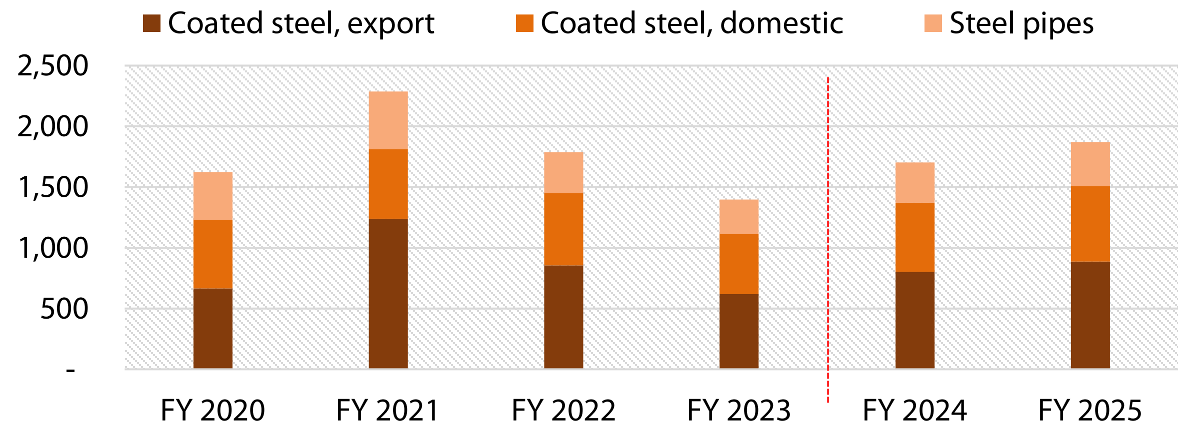


Figure 2: HSG is controlling financial expenses, in terms of no investment plan and maintaining prudent inventory management

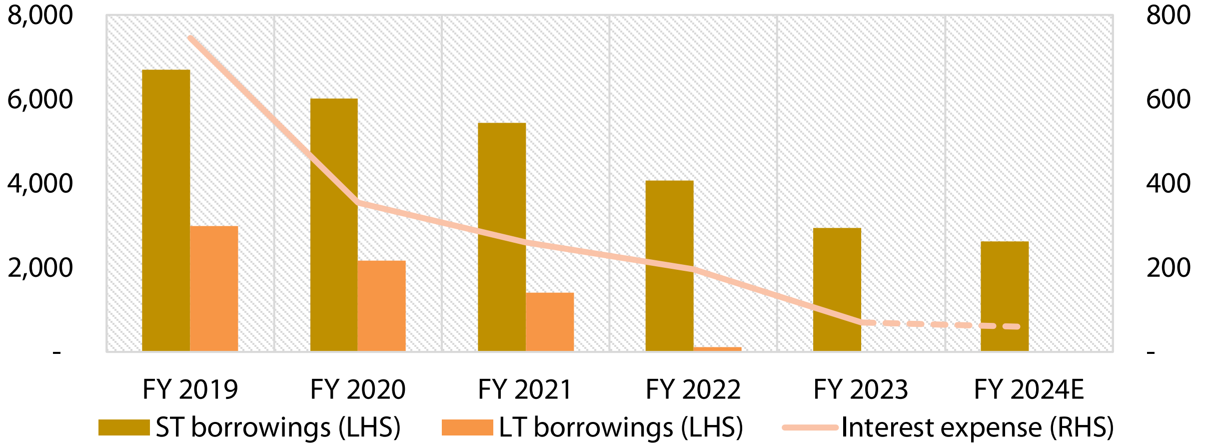


Figure 3: Stabilizing HRC prices are expected to maintain GPM at 10 - 12%

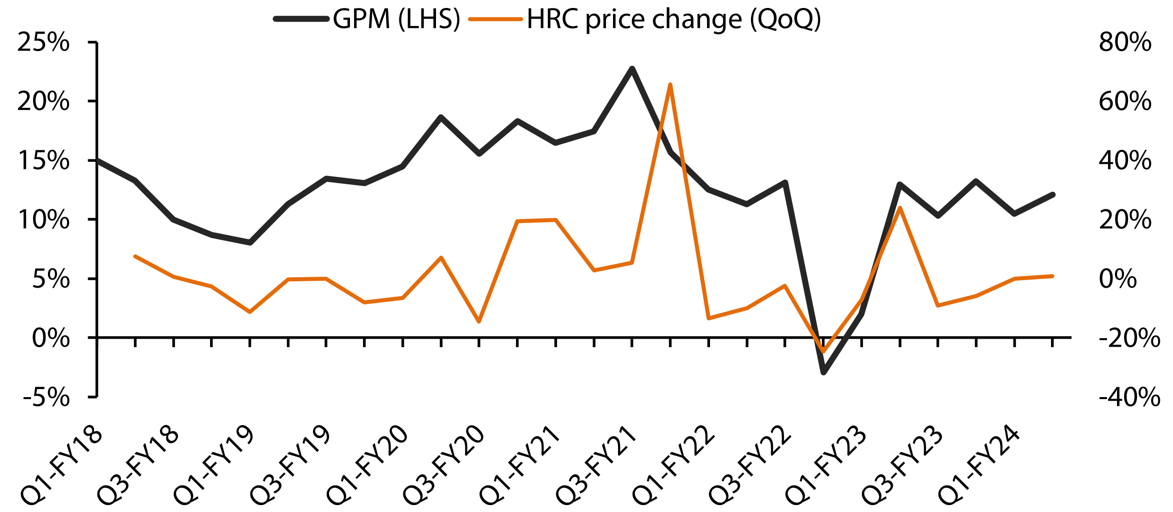
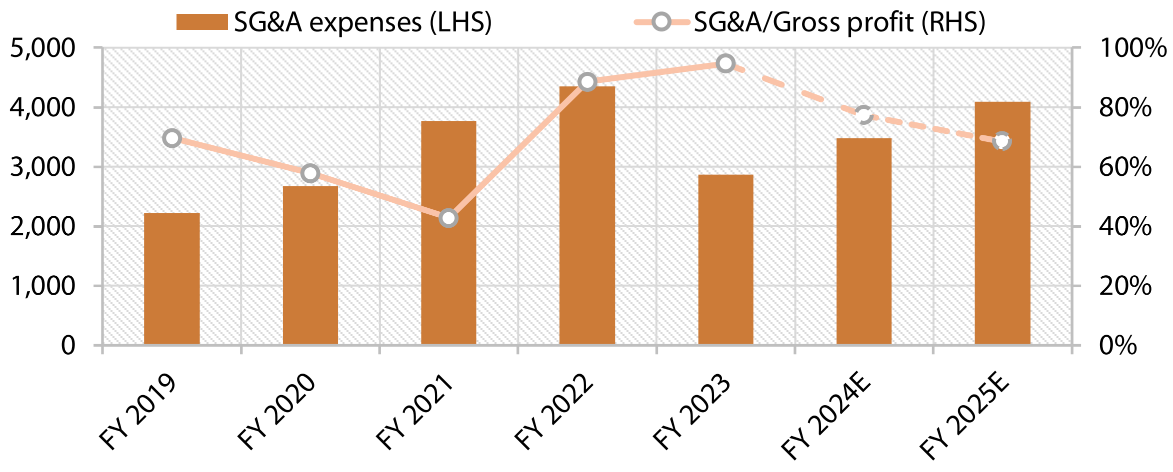


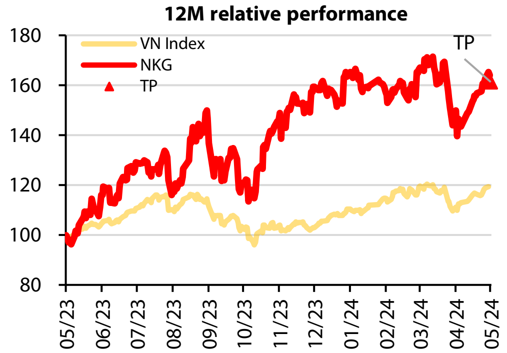
Figure 4: Hoasen Home system helps HSG to retain superior GPM, but also records high SG&A expenses (VND bn)

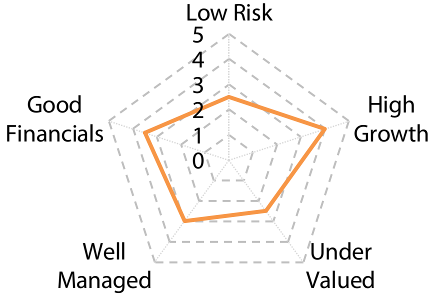


Sources: HSG, VSA, RongViet Securities

MARKET PRICE HAS REFLECTED RECOVERY PROSPECTS

NEUTRAL: -1 % **MP: 24,900** **TP: 24,600**





STOCK INFO

Sector	Basic Resources
Market Cap ($ mn)	257
Current Shares O/S (mn shares)	263
3M Avg. Volume (K)	8,589
3M Avg. Trading Value (VND Bn)	210
Remaining foreign room (%)	35.1
52-week range ('000 VND)	14.6 - 26.75

FINANCIALS	2023	2024F	2025F
Revenue (VND bn)	18,596	20,256	22,873
NPATMI (VND bn)	117	370	482
ROA (%)	1.0%	2.6%	3.1%
ROE (%)	2.2%	6.4%	7.7%
EPS (VND)	319	1,362	1,776
Book Value (VND)	20,598	21,960	23,736
Cash dividend (VND)	0	0	0
P/E (x)	53.8	18.6	14.2
P/B (x)	1.2	1.1	1.0

INVESTMENT RATIONALES

Clear signs of recovery in domestic market

- In 2024, galvanized steel output is expected to reach 820 thousand tons (+14% YoY) due to: (1) The real estate market has shown signs of recovery in 4Q2023 (particularly in the tier-I cities) and real estate projects are expected to accelerate their sales in 2024, spurring construction activity and boosting demand for building materials; (2) FDI enterprises are ramping up capital disbursements and constructing warehouses in industrial parks; (3) Demand continues to pick up in major export markets (EU, North America,…)

Profit margins to improve

- After a period of significant volatility in raw material prices (HRC) during 2023 (fluctuated between USD 550-700/ton), we expect HRC prices to stabilize around USD 600/ton (+2% YoY) in the context the global steel demand (particularly in China) is still uncertain. Thereby, we anticipate NKG can maintain gross profit margin at 6.7% (returning to the average level of 2017-2020). However, with relatively high selling expenses (selling expenses/revenue of 3.5%, due to increasing export orders and higher shipping costs), we estimate net profit for NKG in 2024 to be VND 370 bn (USD 15 mn, +215% YoY).
- NKG has forward P/E (for the period 2024-2025) of 19x/14x respectively, higher than implied recovery prospects. However, owing to the business performance correlates with HRC prices, NKG presents a short-term trading opportunity based on expectations of raw material prices fluctuation.

RISKS TO OUR CALL

- Downside risk: Higher input material price volatility than expected; lower sales volume than expected.
- Upside risk: Phu My factory (the capacity of 850 thousand tons/year) is completed and comes into operation.

Figure 1: Sales volume is expected to recover (thousand tons)

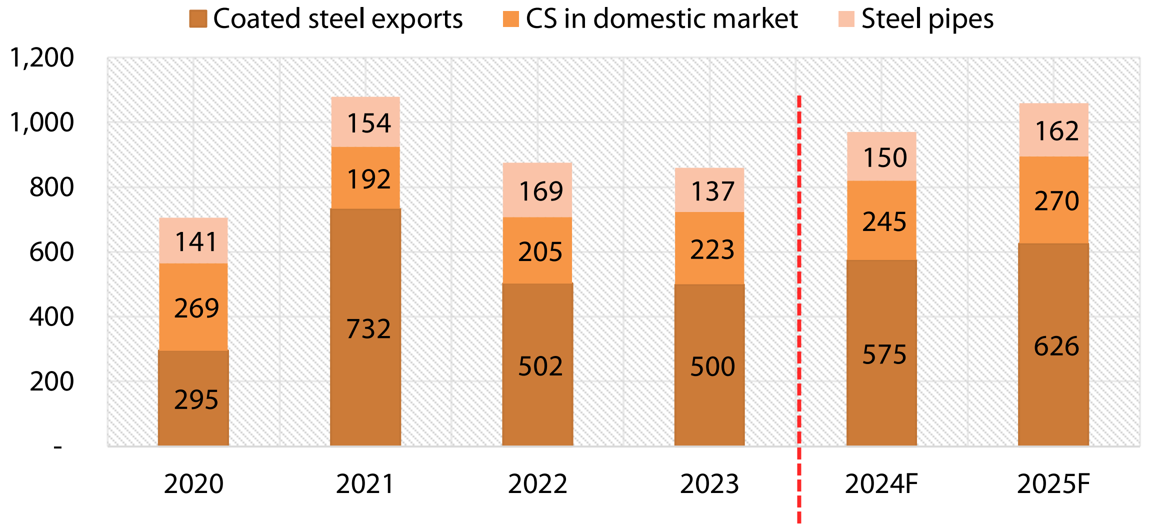


Figure 2: NKG is controlling financial expenses, and they can increase leverage for new factory investment (VND bn)

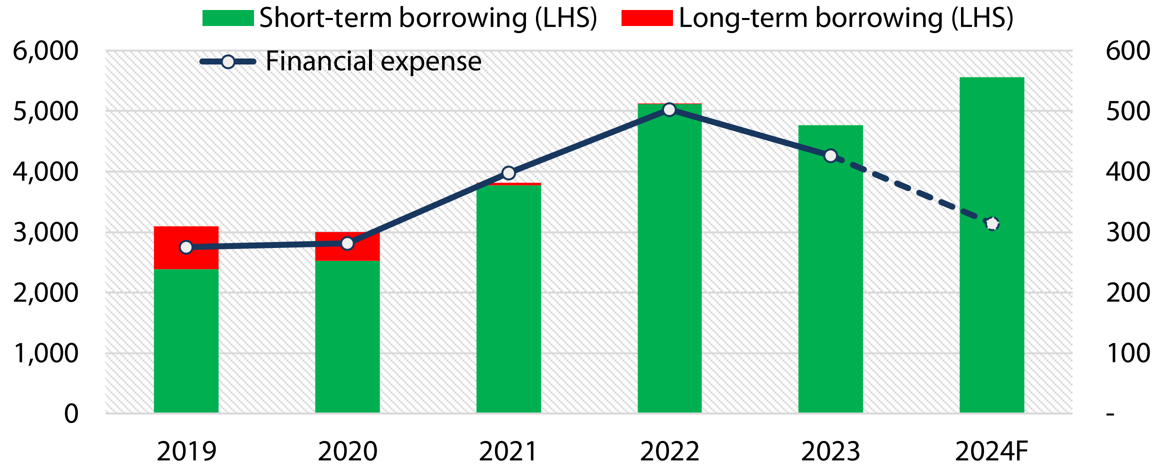


Figure 3: Stabilizing HRC prices help maintining GPM at 6 -7%

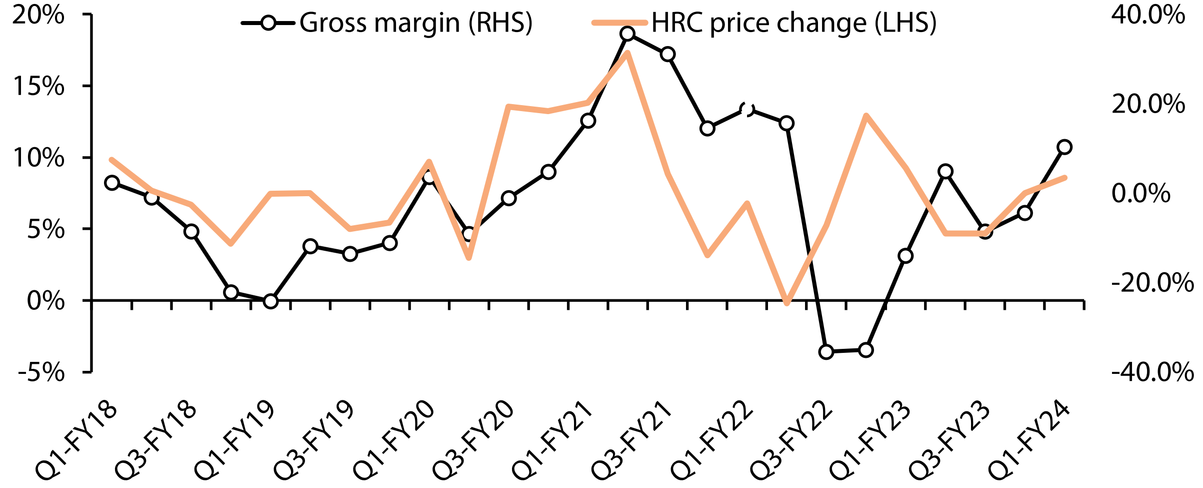
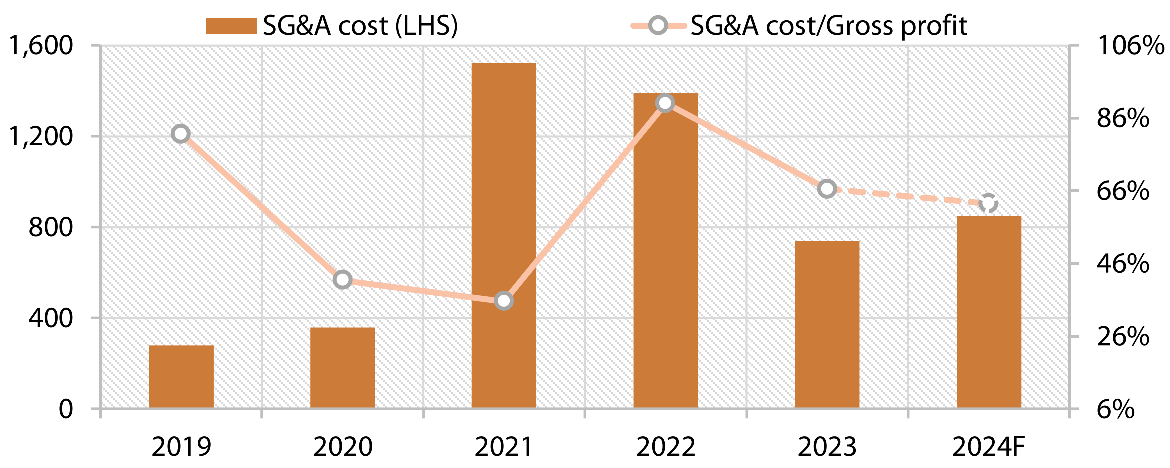


Figure 4: SG&A expenses should be monitored, in terms of focusing on the exporting channel (VND bn)



Sources: NKG, VSA, RongViet Securities

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