STEEL SECTOR: Steel prices and domestic output recovery strengthen Q3 earnings

- In Q3/25, domestic output is expected to remain a key highlight with projected growth of 21% YoY. Supported by positive demand, construction steel, HRC, and coated steel are likely to edge up 2–3% QoQ and stay flat YoY.
- Gross margin expansion is driven by steel price recovery, while coal and iron ore prices decline 6%/5% YoY.
- Companies with high domestic exposure (HPG, HSG) are projected to deliver robust margin expansion, driving net profit growth of 56% and 244% YoY. Export-oriented peers (NKG, GDA) are expected to see a more gradual margin recovery, though easing freight costs support net profit growth of 38% and 42% YoY.

Domestic Growth Supports Sector Amid Weak Exports

According to our forecasts, sector-wide domestic output in Q3/25 is expected to maintain strong momentum, rising 21% YoY to reach 6.3 million tons, with construction steel and HRC contributing 65% of total volume. Specifically, with residential supply in Hanoi and Ho Chi Minh City projected to rebound by 30% YoY and public investment disbursement expected to grow robustly (+18% YoY in 2025), construction steel consumption is forecast to increase 10% YoY in Q3/25. In addition, supported by the commission of DQ2 (Phase 2) in Q3 and domestic companies expanding market share to over 60%, HRC consumption is projected to surge 48% YoY to 1.7 million tons. Therefore, we expect domestic HRC producers such as HPG and Formosa to further strengthen market share as HRC imported from China would face tighter control.

Export volumes are expected to remain weak in Q3/25 as demand in key markets such as the EU and US shows little sign of recovery. Persistently soft consumption trends in these regions are likely to weigh on sector performance, and we forecast export volumes to decline around 10% YoY as a result.

Steel Price Recovery and Lower Input Costs Boost Gross Margins

In Q3/25, HRC and construction steel prices recovered 2% and 3% QoQ while remaining flat YoY, reflecting solid domestic demand supported by anti-dumping duties that strengthen local producers' competitiveness against Chinese imports. We expect prices to continue rising in Q4, driven by seasonal peak demand, a >30% YoY rebound in residential supply in Hanoi and Ho Chi Minh City, and accelerating public investment disbursement. At the same time, steelmakers benefited from low-cost Q2 inventories and lower input prices, with coal and iron ore down 6% and 5% YoY due to weaker Chinese production demand and oversupply, which together contributed to sector-wide gross margin improvement.

Thanks to flat steel prices YoY and low input costs, gross margin recovery emerged as a key highlight for the sector in Q3/25. For producers such as HPG, gross margin expanded 4% pts YoY, supported by higher steel prices and lower coal and iron ore costs. Coated steel producer's margin estimated to improve, with HSG's margin rising 4.7% pts YoY on low-cost HRC inventory and a rebound in coated steel prices. Exporters like NKG and GDA posted a more modest recovery, with margins improving 0.1% pts and 0.2% pts YoY, respectively.

Analyst

Lê Hải Thành
Thanh.LeHai@mbs.com.vn

Summary of 2Q25 and FY2025 earnings forecast

NO.	STOCK	Sector	Forecast of net profit after tax & minority interest					Comments
			3Q2025	% yoy	% QoQ	2025	% yoy	
1	HSG	Steel	260	244%	-7%	906	86%	Net profit is projected to grow strongly from the low base of 2024, driven by (1) a 4.7% pts YoY gross margin expansion supported by steel price recovery since Aug-25 and stable HRC input costs, and (2) a 7% YoY sales volume increase led by domestic demand. For FY2025, net profit is forecast to grow 86% YoY, reaching 181% of the annual target
2	HPG	Steel	4,700	56%	10%	17,036	42%	In Q3/25, supported by Phase 2 of the Dung Quat 2 plant, HRC output is projected to grow 60% YoY amid favorable demand, contributing significantly to total output growth. Net profit is expected to rise sharply YoY, driven by (1) a 23% YoY improvement in sales volume and (2) a 4% pts YoY gross margin recovery on higher selling prices and stable input costs. Consequently, 9M/25 net profit is forecast to grow 34%, achieving 82% of the full-year target.
3	GDA	Steel	75	42%	-14%	300	-12%	Net profit is supported by a slight 0.2% pts YoY gross margin expansion and a 39% YoY drop in selling expenses from lower freight costs. Consequently, 9M/25 net profit falls 30% YoY, achieving 75% of the full-year target.
4	NKG	Steel	90	38%	-8%	470	4%	Net profit growth from the low 2024 base is driven by (1) a 0.1% pts YoY gross margin recovery and (2) a 43% YoY drop in selling expenses thanks to easing freight costs. As a result, 9M/25 net profit declines 43% YoY, reaching 56% of the full-year target.

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Stock rating

Our investment recommendations are based on the expected profitability of the stock, calculated as the sum of (i) the percentage difference between target price and market price at the time of publication, and (ii) expected dividend yield. Unless otherwise stated in the report, investment recommendations have an investment horizon of 12 months.

ADD The stock can generate a profitability of 15% or more

HOLD The stock can generate a profitability of between -15% and 15%

REDUCE The stock can generate a loss of 15% or more

Sector rating

POSITIVE Industry stocks have Add recommendations on a weighted market capitalization basis

NEUTRAL Industry stocks have Hold recommendations on a weighted market capitalization basis

NEGATIVE Industry stocks have Reduce recommendations on a weighted market capitalization basis

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Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges

Address:

MB Building, 21 Cat Linh, O Cho Dua Ward, Hanoi.

Tel: + 8424 7304 5688 - Fax: +8424 3726 2601

Website: www.mbs.com.vn

MBS RESEARCH TEAM

Director, Head of Research
Hien Tran Thi Khanh

Deputy Head of Equity Research
Dzung Nguyen Tien

Macro & Market Strategy
Cuong Nghiem Phu
Hung Ngo Quoc
Ha Anh Dinh
Duc Anh Vo

Banking – Financial Services
Luyen Dinh Cong
Huong Pham Thi Thanh

Real Estate
Duc Nguyen Minh
Thanh Le Hai
Huyen Pham Thi Thanh

Consumer - Retail
Ly Nguyen Quynh

Energy - Industrials
Tung Nguyen Ha Duc
Anh Mai Duy