

Construction and Steel sector: Construction earnings declined; steel remained resilient

- Construction: Companies reported lower profits, driven by weaker gross margins amid higher material costs and the absence of divestment income .
- Steel: Positive earnings growth was driven by higher revenue and gross margins, supported by the domestic market .
- Leading steelmakers with strong domestic market positions are well positioned for earnings growth, supported by their competitive advantages. In the construction sector, earnings are likely to decline, reflecting the absence of non-recurring gains and weaker gross margins.

Construction: Net profit declined amid gross margin pressure from higher material costs

In 3Q26, the construction sector continued to benefit from the acceleration of public investment disbursement, although the contribution moderated relative to 2024–25. According to the Ministry of Finance, public investment disbursement reached VND513.3tn in 8M26, representing 25% YoY growth and 50.2% of the full-year plan. We estimate full-year disbursement to reach approximately 99% of the government's target, equivalent to VND1,013tn (+13% YoY), underpinned by the execution of large-scale strategic infrastructure projects, particularly those developed under the PPP framework, including APEC-related infrastructure, Gia Binh Airport, and the Ben Thanh–Can Gio railway. Over 2026–30, the implementation of major infrastructure projects aimed at strengthening regional connectivity and supporting urban development—including the Hanoi–Quang Ninh high-speed railway, Red River Landscape Boulevard, and Olympic Complex—is expected to provide a key structural impetus to public investment activity. Meanwhile, the residential construction segment should remain supportive, driven by robust growth in social housing supply, which is projected to reach approximately 158,000 units (+50% YoY), alongside continued development of low-rise housing within large-scale urban projects such as Ha Long Xanh and Can Gio.

While the overall construction sector is expected to maintain a positive outlook, the extent of benefits among listed contractors remained differentiated in 3Q26. CTD benefited from partnerships with major developers on infrastructure and residential projects, including Can Gio Bridge and Gia Binh Airport, driving backlog growth of 62% YoY to VND68tn. Meanwhile, CII and HHV recorded backlog growth of 10% and 12% YoY, respectively, supported by the Trung Luong–My Thuan Expressway expansion project. In contrast, VCG's backlog declined by approximately 10% YoY to VND18tn, primarily due to a reduction in expressway projects.

However, higher input costs amid strong demand are expected to weigh on contractors' gross margins. Steel and cement prices increased by 7% and 10% YoY, respectively, driven by robust demand and higher production and transportation costs. We believe contractors undertaking technically complex projects, such as CTD, may maintain more resilient gross margins, supported by higher bidding prices and fixed-price material contracts secured for 6–12 months, which help mitigate input cost inflation. CTD's gross margin is therefore expected to remain broadly stable at 4.3%, supported by newly awarded large-scale and technically complex projects. In contrast, VCG's gross margin is projected at 3.3%, down 0.5ppt YoY, while CII and HHV's construction gross margins are expected to decline by 0.3ppt and 0.4ppt YoY, respectively.

Steel: Growth Driven by Domestic Demand

Industry-wide steel consumption is expected to continue growing in 3Q26, supported by resilient domestic demand, while export prospects remain subdued. Domestic steel consumption is projected to reach 7.68mn tonnes (+20% YoY), driven by construction and infrastructure demand, with construction steel and HRC volumes increasing by 26% and 35% YoY, respectively. Meanwhile, anti-dumping duties on wide-width HRC have supported domestic market share, which has risen to above 70% from approximately 60% in 2025, amid a more than 10% YoY decline in Chinese steel imports. Against this backdrop, construction steel and HRC prices increased by approximately 7% and 6% YoY to USD560/tonne and USD550/tonne, respectively, in 3Q26. Raw material prices remained mixed, with iron ore broadly stable at around USD96/tonne, while coal prices rose 15% YoY to USD265/tonne. We believe steelmakers' gross margins are likely to improve, as higher steel prices should more than offset the increase in raw material costs.

We project steelmakers to deliver positive earnings growth, supported by resilient sales volumes and favorable gross margins. HPG's net profit is projected to increase 40% YoY, driven by robust domestic demand, which should support revenue growth and margin expansion. Among coated steel producers, HSG and NKG are projected to record earnings growth of 159% and 30% YoY, respectively, from a low base in 2025, as stronger coated steel price growth relative to HRC is expected to support gross margins.

Figure 1: Assuming reaches 99% of the annual target, we project public investment disbursement to grow 13% YoY in 2026

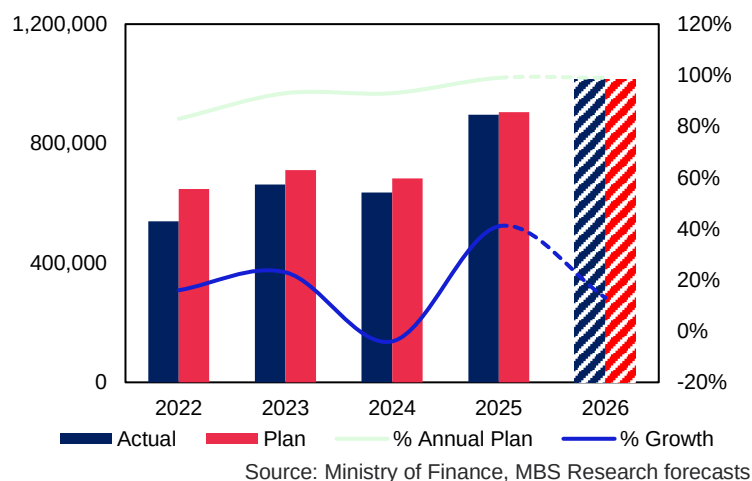
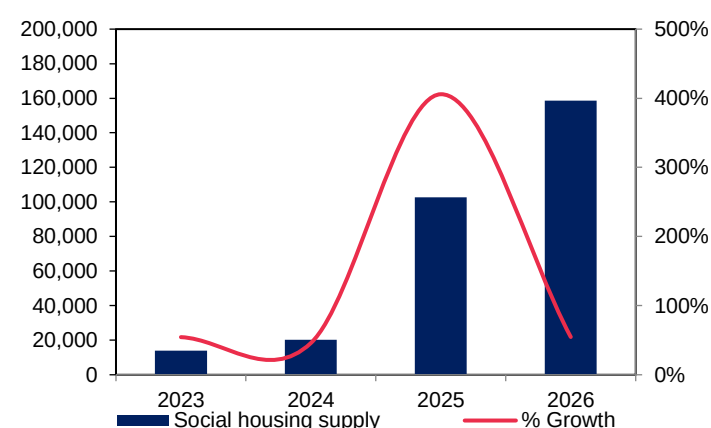


Figure 2: Projected social housing supply in 2026



MBS Research's 3Q26 net profit forecasts for covered companies

Figure 3: 3Q26 earnings forecasts for construction and building materials companies (VND bn)

No.	Ticker	Sector	Net profit forecasted				Comment
			3Q26	% YoY	2026	% YoY	
1	CTD	Construction	200	↓ -32%	780	↑ 11%	3Q26: Revenue is projected to increase 30% YoY to VND9,690bn, supported by 62% YoY backlog growth. Gross margin is expected to remain stable at 4.3% YoY, supported by newly awarded projects with higher margins. Despite solid growth in core earnings, the absence of divestment gains is expected to weigh on net profit, which is projected to decline 32% YoY to VND200bn.
2	CII	Construction	13	↑ 18%	120	↓ -9%	3Q26: Earnings are projected to grow, supported by stronger BOT performance, while construction earnings are expected to decline modestly by 5% YoY due to lower gross margins.
3	VCG	Construction	195	↓ -94%	1,230	↓ -69%	3Q26 net profit is expected to decline sharply from the high base in 2025, primarily due to (1) a 10% YoY decline in construction revenue amid a weaker backlog and (2) the absence of over VND3tn in gains from project divestment.
4	HHV	Construction	160	↑ 8%	670	↑ 10%	3Q26: Growth is expected to be driven primarily by the construction segment, supported by major projects such as the Dong Dang–Tra Linh and Trung Luong–My Thuan (Phase 2) expressways. The BOT segment is expected to remain broadly stable YoY.
5	HPG	Steel	5,600	↑ 40%	26,200	↑ 70%	3Q26: Sales volume is projected to rise 38% YoY to 4.1mn tonnes, driven by 68% YoY HRC growth. Despite a 6% QoQ correction, steel prices remained 7% YoY higher, supporting 50% YoY revenue growth to VND55,200bn. Gross margin is projected at 17% (+0.3ppt YoY), as higher steel prices offset rising coal costs. Despite a 60% YoY increase in financial expenses, net profit is projected to grow 40% YoY.
6	HSG	Steel	220	↑ 159%	1,020	↑ 8%	3Q26: Revenue is projected to increase 9% YoY, driven by a 7% rise in selling prices and 2% volume growth. Gross margin is expected to expand 2ppt YoY to 14%, supported by selling prices outpacing HRC input costs. Despite a 47% YoY increase in financial expenses amid elevated borrowing costs, net profit is projected at VND200bn, up 207% YoY from the low 2025 base.
7	NKG	Steel	65	↑ 30%	243	↓ -13%	3Q26: Revenue is projected to increase 10% YoY, driven by 7% volume growth and a 3% increase in selling prices. Gross margin is expected to improve by 2.3ppt YoY to 7%, supported by higher selling prices. Despite a 22% YoY increase in financial expenses, net profit is projected at VND65bn, up 30% YoY.

Source: FiinProX , MBS Research forecast

Figure 4: Comparison with industry peers

Construction & Materials	Market Cap. (VNDbn)	Target (VND/share)	Upside	Recommend	P/E		P/B		Net profit growth		ROE	ROA
					3Q26	2026	3Q26	2026	3Q26	2026	2026	2026
Construction												
VCG	10,100	16,000	12%	HOLD	10.3	9.7	0.9	0.9	-94.0%	69.0%	9.1%	4.5%
CTD	6,600	75,700	28%	ADD	9.4	7.3	0.9	0.9	-32.0%	29.0%	8.6%	5.0%
CII	8,360	15,000	23%	ADD	60.4	58.2	0.6	0.6	18.0%	-9.0%	1.8%	0.6%
HHV	5,230	10,800	14%	HOLD	8.2	8.1	0.7	0.7	8.0%	10.0%	6.9%	2.5%
Mean	7,573				22.1	20.8	0.8	0.8	-25.0%	25.5%	6.6%	3.2%
Steel												
HPG	178,570	32,000	51%	ADD	7.3	7.1	1.4	1.3	40.0%	63.0%	18.5%	9.8%
HSG	8,150	14,000	37%	ADD	10.4	8	0.8	0.8	159.2%	8.0%	6.1%	3.7%
NKG	4,680	10,600	12%	HOLD	28.1	25.2	0.6	0.6	30.1%	13.0%	3.20%	1.35%
Mean	63,800				15.3	13.4	0.9	0.9	76.3%	19.3%	9.3%	5.0%

Source: FiinProX , MBS Research forecast

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