

Vietnamese firms face little impact from USA steel tariff

- On February 11, the U.S. government officially imposed a 25% tariff on all imported aluminum and steel products to protect domestic manufacturers.
- We forecast Vietnam would be slightly affected, as the U.S. is currently the third-largest export partner, with key products as Hot Dipped Galvanized (HDG), HRC, and CRC.
- We believe that companies with a high export proportion to the USA, such as GDA (16%), NKG (13%), and HSG (9%), may experience a slight decline in profit margins, while their volume is unlikely to be significantly affected. As for HPG, the company is expected to remain unaffected by the new tariff, as the current tax rate on exported construction steel and HRC is already above 33%.

The U.S. government imposed 25% tariff on all imported steel to protect domestic steel manufacture

On February 11, the U.S. government announced 25% tariff on all imported steel. This action aims to protect domestic steel manufacturers as several major plants in Pennsylvania were shut down in 2024. The profit margin of steel producers dropped by 4% pts yoy, reaching average of 2.46% in Q4/24 due to a 32% yoy decrease in steel prices. Currently, imported steel accounts for 51% of U.S. demand, primarily consisting of HRC and CRC products for automotive manufacturing. The tariff is expected to help reduce the country's dependence on imported steel.

The profit margins of companies may decline slightly, while production volume is expected to remain unaffected

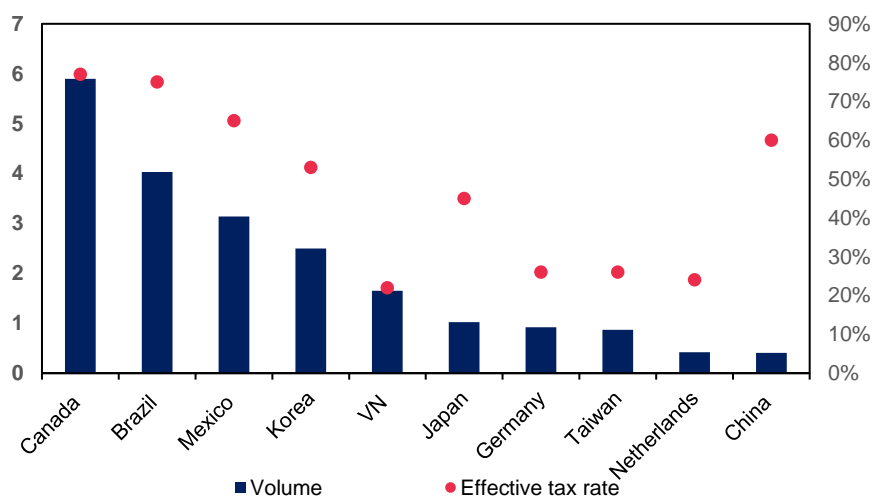
Vietnam (VN) was among the largest steel-exporting countries to the U.S. in 2024, beside Canada, Brazil, Mexico, and South Korea. However, VN has been subject to relatively low tariffs, ranging from 22% to 36% under Section 232 of the U.S. Trade Act since 2018. This rate is lower than that imposed on other trading partners, who determined tariffs exceeding 60%.

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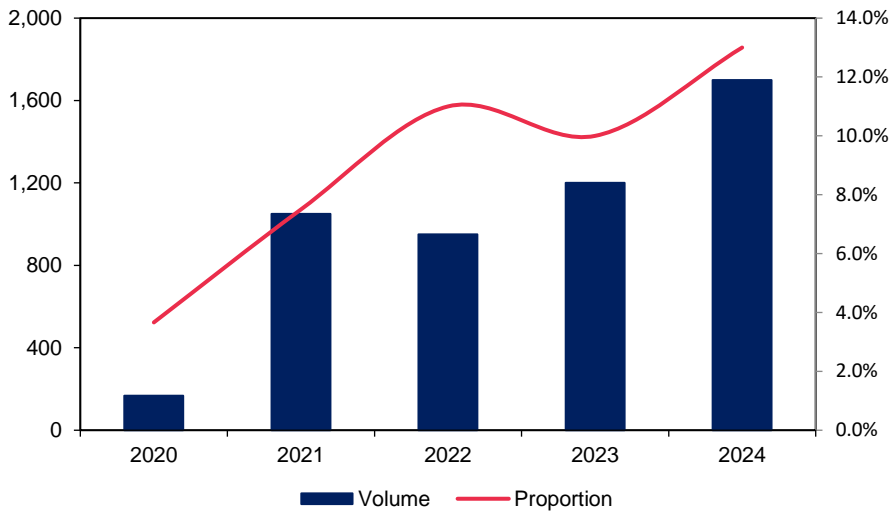
Figure 1: The 10 largest steel-exporting countries to the U.S. (Unit: Million tons) in 2024.



Source: Bloomberg

By the end of 2024, the U.S. had become Vietnam's third-largest steel export partner, accounting for 13% of total exports (beside ASEAN and the EU). Steel export volume to the U.S. grew by 50% yoy, reaching 1.7 million tons, with key products as HDG, CRC, and HRC (60% of the total). The growth in HDG exports was driven by positive signals from the U.S. construction market. According to the U.S. Department of Commerce, total investment in the construction sector rebounded by 6.5% yoy.

Figure 2: Export volume to USA (Unit: Thousand tons) in 2020 – 2024



Source: Vietnam Steel Association (VSA)

In 2024, HRC and HDG accounted for 60% total steel export to USA and subjected to tariffs ranging from 21% to 36%. Specifically, construction steel and HRC faced tariffs of approximately 33%–36%. We assess that these products may not be impacted by the U.S. policy, as the current tariff rates are already higher than 25%

However, some HDG products are currently subject to a 22% tariff, and the advantage of VN steel would be negatively impacted due to increase of tax. As a result, companies could lower their selling prices in the U.S. We project that, because of U.S. market's reliance on imported steel (accounting for 51% of total consumption), finding new exporters may take time. Additionally, Vietnamese companies would decrease price to maintain market share, as their gross profit margins remain stable at 8%–10%. Consequently, export volumes are expected to remain steady, while profit margins may slightly decline.

In term of anti-dumping tax (AD tax), since Q3/2024, the U.S. Department of Commerce has initiated anti-dumping investigation on CORE steel, with a final decision expected in Q2/2025. However, this product is made by CRC, which is not produced by any listed companies. Therefore, we assess that this tariff will not impact the currently listed companies.

We assess HDG firms as GDA, HSG, and NKG will be slightly affected, while HPG remains unaffected

For HPG, we assess that the company is unlikely to be affected by new tariff, because current tax rate on exported construction steel and HRC is already above 33%. HDG companies may experience a decline in gross profit margins, as they will likely need to lower selling prices to maintain market share in the USA. However, HDG export volumes to the USA are expected to remain stable

as VN suppliers are likely to discount price and finding alternative suppliers will take time.

Figure 3: Impact on domestic corporation

	HPG	HSG	NKG	GDA
Proportion of export to USA/total volume	3%	9%	13%	16%
Assessment	HPG primarily exports HRC, construction steel which are subject to a tariff of 33%, with export volume accounting for 3% of its total production. We assess that HPG will not be affected by this tariff decision, as the current tax rate is already higher than 25%.	HSG exports HDG to USA with a tariff rate ranging from 22% to 36%, depend on the steel products. We assess that HSG may need to lower selling prices by 3% for products determined 22% tariff to maintain its market share. As a result, the company profit margin may see a slight decline.	NKG exports to USA with a tariff rate ranging from 22% to 37%, regard to steel grade. We assess that NKG may need to lower selling prices by 4% for certain products to maintain its market share. As a result, the company's profit margin may see a slight decline.	GDA exports to USA with a tariff rate from 22% to 36%, depend on steel grade. We project that GDA may decrease selling prices by 3% for certain products to maintain its market share. As a result, the company's profit margin may see a slight decline.

Figure 4: Steel Industry Performance Forecast (2024 - 2026)

Tỷ VND	HPG			HSG			NKG		
	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F
Revenue	138,855	172,053	225,524	39,272	43,860	49,377	20,609	24,202	25,592
% yoy	17%	24%	31%	24%	12%	13%	11%	17%	6%
Gross profit	18,497	26,184	34,317	4,253	4,852	5,664	1,831	1,621	1,862
Gross margin (%)	13.3%	15.2%	15.2%	10.8%	11.1%	11.5%	8.9%	6.7%	7.3%
EBITDA	21950	30,527	36,657	2906	2,199	2,651	1150	1,241	1,374
EBITDA margin (%)	16%	18%	16%	7%	5%	5%	6%	5%	5%
Net profit	12,020	17,995	26,528	510	769	1,168	453	587	776
% yoy	77%	50%	47%	1600%	51%	52%	287%	30%	32%
EPS (VND/CP)	1,879	2,816	3,749	828	1,276	1,759	1,013	1,215	1,467
BVPS (VND/CP)	17,924	18,150	18,465	17,687	18,631	18,768	16,600	16,725	17,067
Net cash/share (VND/share)	-12,458	-12,780	-13,587	-2,500	-2,250	-2,350	-2,541	-2,147	-2,286
Liability/Equity	95.8%	94.8%	93.5%	49.0%	46.0%	42.0%	86.0%	77.0%	76.0%
Dividend (%)	2.5%	2.2%	2.5%	2.5%	6.5%	4.6%	4.0%	4.1%	3.5%
ROAE (%)	10.5%	14.1%	19.6%	4.7%	7.0%	9.6%	9.5%	10.9%	12.7%
ROAA (%)	5.4%	7.0%	9.5%	2.6%	3.9%	5.6%	3.6%	5.0%	6.6%

Source: MBS Research, Finpro

Hình 5: Comparison with Industry Peers

Company	Bloomberg	Current price		Target price Recommendation	Market cap	P/E (x)		P/B (x)		ROA%		ROE (%)	
		VND/cp	VND/cp			2024	2025F	2024	2025F	2024	2025F	2024	2025F
Hoa Phat Group	HPG VN	25,850	33,500	BUY	166,942	12.4	9.9	1.6	1.1	5.4%	7.0%	10.5%	14.1%
Hoa Sen Group	HSG VN	16,700	24,800	BUY	10,400	14.2	12.8	1.1	0.9	2.6%	4.1%	4.7%	7.0%
Nam Kim Group	NKG VN	13,450	24,600	BUY	6,110	15.1	4.1	1.2	1.0	3.6%	5.2%	9.5%	10.9%
VN - Germany Steel Pipe JSC	VGS VN	27,300	N/A	N/A	1,560	29.3	27.5	1.9	1.7	2.4%	4.2%	4.1%	5.5%
Dong A Group	GDA VN	23,900	N/A	N/A	2,730	7.3	6.5	0.9	0.8	5.4%	6.2%	7.1%	8.5%
Average						15.8	12.3	1.4	1.2	2.6%	4.7%	6.6%	7.6%

Source: Bloomberg, MBS Research

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