

DUC GIANG CHEMICAL GROUP JSC (HOSE: DGC)

2025 AGM UPDATE: STRIVING TO REALIZE LONG-TERM GROWTH DRIVERS

We attended DGC's Annual General Meeting (AGM) held on March 31, 2025. Key discussions focusing on securing apatite ore supply for phosphorus and phosphorus derivative production, as well as the progress of new projects, including the Nghi Son chlor-alkali plant, the Dak Nong bauxite project, and the Long Bien real estate development. Overall, we believe the disclosed information at AGM has a positive impact on DGC. Details are as follows:

1. Business guidance for 2025 and estimated 1Q results

Management has set 2025 revenue and net profit targets at VND 10,400 billion (+5.2% YoY) and VND 3,000 billion (-3.5% YoY), respectively. For 1Q.25, the company's estimated revenue reached VND 2,700 billion (+13% YoY), achieving 26% of the full-year target, while estimated net profit reached VND 800 billion (+14% YoY), fulfilling 27% of the 2025 profit target.

2. Efforts to expand existing apatite mines to mitigate rising production costs

- Relating to concerns over the expiration of DGC's self-operated apatite mines (including Mine No.25 and Mine No.19b) after 2026, management stated that the company is in the final stages of securing approval for the expansion of these mines and expects to receive expansion permits in the second half of this year. For Mine No.25, DGC plans to expand by 11 hectares and dig deeper to enhance ore reserves. Once expanded, the mine is expected to add 5 million tons of Grade III ore and 500,000 tons of Grade I ore to its current reserves, ensuring stable production for the next five years. Additionally, the company intends to seek approval from the Ministry of Natural Resources and Environment to participate in bidding for three other apatite mining sites, with a total capacity of up to 30 million tons of Grade II ore in the near future.
- Regarding externally sourced ore, the company has secured an alternative supply of imported ore from Egypt to replace domestic apatite ore amid the current shortage. According to management, the first shipment is expected to arrive in Vietnam in April. The import price will be comparable to domestically sourced ore, but the quality is more suitable for fertilizer production rather than P4 manufacturing.
- We note that Mine No.25 and No.19b currently supply approximately 70% of DGC's ore needs. Therefore, obtaining expansion permits for these mines would help mitigate the risk of rising production costs, especially in the context of electricity price hikes. Electricity costs account for over 35% of P4 production expenses, while ore costs represent an estimated 25%–30%, based on our estimates.

3. Positive signals in phosphorus and phosphorus derivatives sales

- Regarding yellow phosphorus (P4), DGC has successfully exported P4 to the U.S. market, benefiting from the ongoing U.S-China trade tensions. Management noted that the company has received positive feedback from U.S. customers. Currently, DGC signs quarterly P4 export contracts with partners from Japan, South Korea, and Taiwan, which collectively account for approximately 50% of P4 revenue. Meanwhile, exports to U.S. and European partners are conducted through monthly contracts.
- Fertilizer Products (DAP/MAP/DSP/SSP): Management reported that rising fertilizer prices are positively impacting the profitability of this segment. However, production volume remains constrained due to the ongoing apatite ore shortage. Additionally, DGC expects the 5% VAT imposition on fertilizers, effective July 1, 2025, to contribute an estimated VND 100 billion in annual cost recovery.

4. FePO₄ product quality approved by LFP manufacturers but profitability remains low

DGC's FePO₄ quality has been approved by partners in Japan, Taiwan, and South Korea. The company has started supplying FePO₄ to LFP battery manufacturers in these markets; however, profit margins remain low due to an oversupply of FePO₄ from China. Regarding battery technology R&D, DGC has so far only developed button cell batteries, which are of lower quality compared to those produced in China.

5. Relocation of TSB's manufacturing plant (51% owned by DGC) for social housing project

TSB is currently focusing on lead-acid battery production for motorbikes and electric bicycles, as lithium batteries - priced four times higher - face weak demand in the Vietnamese market. Management revealed plans to relocate the battery manufacturing plant to Nam Dinh Vu to make way for a social housing project on the existing 3.3-hectare site. The estimated profit from this real estate project is estimated at VND 300–500 billion.

6. Ethanol plant is set to operate at 50% capacity

For the ethanol production plant, the company plans to operate at 50% capacity in 2025, targeting VND 245 billion in revenue. Management mentioned that ethanol sales are still facing challenges, with current consumption reaching only 1,000 tons per month, but they expect this to rise to 2,000 tons per month in the coming months. Additionally, the company is planning to upgrade the plant to produce 99% ethanol for use in E5 gasoline production.

7. Nghi Son Chlor-alkali plant expected to commence commercial operation in 2Q.26

- For the Nghi Son project, management confirmed that Phase 1 is progressing on schedule and is expected to begin commercial operations in Q2/2026. Regarding liquid caustic soda production, DGC is confident about sales, as domestic production currently meets only 50% of annual demand. For other chlorine-based products (Chlorine, Hydrochloric Acid, PAC, PCl_3), DGC is confident in its ability to compete with Vinachem's subsidiaries due to lower production costs. Additionally, the company stated that PVChem has already secured over 30% of output, while other customers have pre-ordered an additional 20% of production.
- As for Phase 2 of the Nghi Son project, management noted that its progress will slow down due to necessary changes in the PVC production technology. DGC anticipates Phase 2 construction could begin as early as 2027.

8. Alumni project expected to drive strong profit growth for DGC

- For the bauxite project, DGC anticipates receiving investment approval for Phase 1 in 2025 and aims to start construction in 2026. According to management, DGC will first build an alumina plant before bidding for the ore mine. Phase 1 revenue of the project is estimated at VND 12,000–13,000 billion (equivalent to 122% of DGC's 2024 revenue), with profit under a conservative scenario projected at VND 3,000–4,000 billion (matching DGC's net profit for 2024). During the AGM, the company proposed the establishment of a subsidiary with a capitalization of approximately 35% of the group's total assets to carry out the project.

9. Management provides more details on Long Bien real estate project

Regarding the Long Bien real estate project, the company confirmed that the 1/500 approval has been granted. DGC is currently seeking investment approval for the project and expects to receive approval by June this year. The project will include 1,000 apartment units and 60 townhouses, with estimated revenue of VND 5,000 billion and profit projected at VND 1,000 billion.

10. Other topics at the AGM

2024 dividend proposal: 30% in cash

2025 dividend proposal: 30% in cash or stock

Table 1: DGC's Capex plan in 2025

VNDbn	2025 capex
Nghi Sơn Chlor-Alkali project 1 st phase	1,200
Dak Nong Ethanol plant	50
Tia Sang Battery plant expansion	40
Maintenance and Upgrade of the Detergent plant in Hung Yen	5,6
Proposal for Approval of Investment Policy and Investor Selection for the "Duc Giang Public Facilities, School, and Residential Complex" Project	N/A
Dinh Vu Chemical warehouse expansion	N/A
Mine No.25 expansion	N/A

DISCLAIMER

VPBank Securities JSC (VPBankS) has issued this report for information purposes only. This report is intended for circulation amongst VPBankS and its affiliates' clients generally or such persons as may be deemed eligible by VPBankS to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments. This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by VPBankS's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. All the information contained herein is based upon publicly available information and has been obtained from sources that VPBankS believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by VPBankS and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are VPBankS's present opinions only and are subject to change without prior notice. VPBankS is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, VPBankS does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by VPBankS or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. This report may contain comments, estimates, projections, forecasts and expressions of opinion relating to macroeconomic research published by VPBankS economists of which should not be considered as investment ratings/advice and/or a recommendation by such economists on any securities discussed in this report. This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to VPBankS and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. VPBankS expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events

CONTACT INFORMATION

VPBank Securities Joint Stock Company

25th Floor, VPBank Building, 89 Lang Ha, Dong Da District, Hanoi, Vietnam

Phone: 1900 636679

Email: cskh@vpbanks.com.vn

Website: www.vpbanks.com.vn

Equity Research Department

Email: equityresearch@vpbanks.com

Analyst

Minh Nguyen Duong

Steel & Basic Materials Sector

Email: minhndt@vpbanks.com.vn