

July, 2025

## Duc Giang Chemicals Group Joint Stock Company (HSX: DGC)

### Advantages of an extended value chain

Using a blended P/B and P/E valuation method, we determine DGC's fair 12-month target price to be VND 108,400 per share, equivalent to a 2025F P/E of 13.5x and a P/B of 2.5x. Combined with a cash dividend of VND 2,700 per share, the total expected return is 7%.

**Revenue growth drivers: Yellow Phosphorus, Fertilizers, and Nghi Son Caustic Soda-Chlorine Plant.** We estimate DGC's yellow phosphorus revenue to grow by 10.25% and fertilizer revenue by 17% in 2025. This growth is driven by the semiconductor and electronics industry for yellow phosphorus, and by domestic supply shortages for fertilizers. Additionally, the Nghi Son Caustic Soda-Chlorine plant, with a total designed capacity of 150,000 tons of chemicals per year, is expected to contribute an additional VND 800 billion in revenue to the Company in 2026.

**Outstanding profitability in the Chemical and Fertilizer Sector.** With an average ROE of 35% from 2019-2024, DGC is one of the most profitable companies in the chemical and fertilizer sector. This is largely supported by its consistently high and stable gross profit margins over the years. This strong performance is coupled with a healthy financial structure and low leverage, thanks to a significant portion of retained earnings in its asset structure. We expect the Company to maintain an ROE above 20% during the 2025-2026F period.

**Extended value chain with long-term potential.** The Company's new and ongoing projects (caustic soda-chlorine, alcohol, real estate, batteries, etc.) have significant room for development. These projects not only help expand the product portfolio but also optimize DGC's existing value chain. They are expected to further solidify the Company's position in the domestic chemical industry.

### Risks

Yellow phosphorus will officially be subject to an export tax increase from 5% to 10% starting January 01, 2026 (and to 15% from January 01, 2027). In the base-case scenario, we assess that DGC's business results in 2026 will not be significantly affected. However, if the company is unable to pass on the additional tax costs to selling prices, net profit attributable to shareholders (NPAT-MI) in 2026 is estimated to be impacted by approximately 3–5%.

If the Nghi Son Caustic Soda-Chlorine project is delayed, its projected revenue for 2026 could be lower than our current forecast.

### Key financial indicators

| Y/E Dec (VND billions) | FY2021       | FY2022       | FY2023       | FY2024       | FY2025F      | FY2026F      |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net revenue            | 9,550        | 14,444       | 9,748        | 9,865        | 11,018       | 12,681       |
| Growth (%)             | 53%          | 51%          | -33%         | 1%           | 12%          | 15%          |
| EBIT                   | 2,487        | 5,866        | 2,789        | 2,784        | 3,030        | 3,313        |
| <b>NPAT-MI</b>         | <b>2,388</b> | <b>5,565</b> | <b>3,110</b> | <b>2,987</b> | <b>3,170</b> | <b>3,528</b> |
| Growth (%)             | 163%         | 133%         | -44%         | -4%          | 6%           | 11%          |
| Net margin (%)         | 25%          | 39%          | 32%          | 30%          | 29%          | 28%          |
| ROA (%)                | 12%          | 15%          | 28%          | 42%          | 20%          | 19%          |
| ROE (%)                | 16%          | 22%          | 38%          | 51%          | 26%          | 22%          |
| Basic EPS (VND)        | 13,959       | 14,653       | 8,190        | 7,864        | 8,346        | 9,290        |
| Book value (VND)       | 37,012       | 28,526       | 31,696       | 36,076       | 41,715       | 47,911       |
| Cash dividend (VND)    | 1,382        | 1,083        | 4,671        | 6,437        | 2,707        | 3,094        |
| P/E (x)                | 4.31         | 6.24         | 13.35        | 12.65        | 13.0         | 11.5         |
| P/BV (x)               | 1.6          | 3.32         | 3.54         | 2.66         | 2.5          | 2.2          |

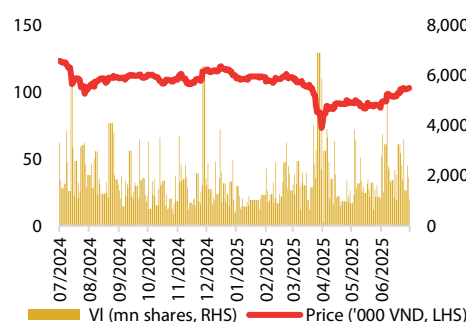
Source: DGC, RongViet Securities. Based on the closing price as of July 17, 2025.

## ACCUMULATE +8%

|                     |         |
|---------------------|---------|
| Market price (VND): | 103,100 |
| Target price (VND): | 108,400 |

Dividend 2,700 VND

| Stock info                        |          |
|-----------------------------------|----------|
| Sector                            | Chemical |
| Market Cap (VND Bn)               | 39,155   |
| Share O/S (Mn)                    | 380      |
| Beta                              | 1.22     |
| Free Float (%)                    | 62       |
| 52 weeks high                     | 119,000  |
| 52 weeks low                      | 73,100   |
| Average trading volume (3 months) | 1,941    |



### Performance (%)

|            | 3M   | 1Y   | 2Y    |
|------------|------|------|-------|
| DGC        | 22.6 | -8.6 | -17.3 |
| VN30 Index | 22.4 | 16.2 | 16.2  |
| VN-Index   | 21.2 | 13.1 | 10.3  |

### Major shareholders (%)

|                              |    |
|------------------------------|----|
| Dao Huu Huyen and his family | 39 |
| Dragon Capital               | 6  |
| Others                       | 55 |
| Remaining Foreign Room (%)   | 83 |

### Duong Tran

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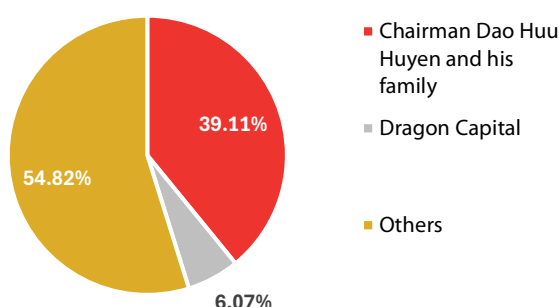
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## COMPANY OVERVIEW

Duc Giang Chemicals Group JSC (DGC), formerly Duc Giang Chemical Company, was established in 1963. Currently, Duc Giang operates under a group model and has progressively expanded into various sectors, including:

- Producing and exporting yellow phosphorus (P4)
- Producing and exporting phosphorus chemicals (WPA and TPA)
- Producing agricultural products
- Producing detergents, cleaning agents, and other basic chemicals
- Producing batteries & alcohol
- Producing caustic soda (NaOH) and chloride-based chemicals (HCl, PAC, Javen, etc.)

**Figure 1: Shareholder Structure of DGC**



Source: DGC, RongViet Securities

Chairman Dao Huu Huyen and his family are the largest shareholder group, holding 39.1% of the shares. Mr. Huyen alone holds over 69 million shares, equivalent to 18.4% of the charter capital.

Regarding institutional shareholders, foreign investors currently hold 17.6% of the Company's shares. Among them, the Dragon Capital foreign fund group is the largest, holding 6.1% of the shares through its seven member funds.

**Regarding its corporate structure**, DGC owns eight subsidiaries, five of which are 100% owned (established by the Company itself). Duc Giang Lao Cai Chemical One Member Limited Company (headquartered in Tang Loong Industrial Park in Bao Thang, Lao Cai) is the unit that manages the main production and business activities, including P4, chemicals, and agricultural products.

Two new projects, Caustic Soda-Chlorine (Duc Giang Nghi Son Chemical One Member Limited Company) and Duc Giang Residence real estate (Duc Giang Real Estate One Member Limited Company), are still in implementation phase and have not yet recorded revenue in 2024.

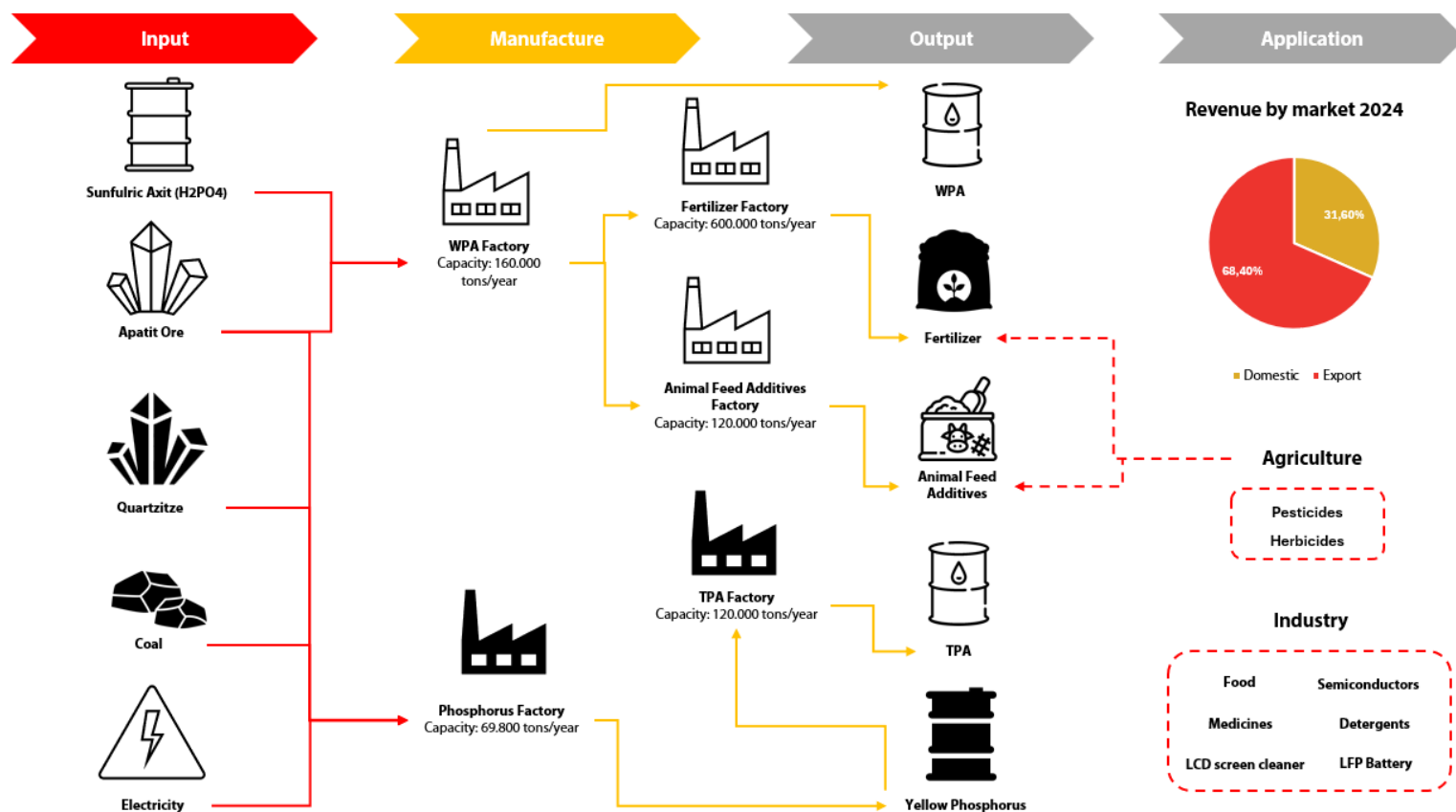
**Table 1: DGC's Subsidiaries and Branches**

| Company Name                                   | Ownership/Interest (%) | Charter Capital (Billion VND) | Business Area/Main Products                           |
|------------------------------------------------|------------------------|-------------------------------|-------------------------------------------------------|
| <b>Subsidiaries</b>                            |                        |                               |                                                       |
| Duc Giang Lao Cai Chemical Single-Member Ltd.  | 100                    | 998                           | P4, WPA, TPA, fertilizers, animal feed additives      |
| Duc Giang Nghi Son Chemical Single-Member Ltd. | 100                    | 1,000                         | NaOH, HCL, PAC, Javen...                              |
| Duc Giang Real Estate Single-Member Ltd.       | 100                    | 500                           | Construction and real estate business                 |
| Duc Giang Dak Nong Chemical Single-Member Ltd. | 100                    | 600                           | Fertilizers, alcohol, basic chemicals                 |
| Duc Giang Dinh Vu Chemical Single-Member Ltd.  | 100                    | 60                            | Chemical trading, warehousing services                |
| Duc Giang Chemical Sports Single-Member Ltd.   | 100                    | 5                             | Women's volleyball                                    |
| Vietnam Apatit Phosphorus JSC (PAT)            | 51                     | 250                           | P4                                                    |
| Tia Sang Battery JSC (TSB)                     | 51                     | 67                            | All types of batteries                                |
| <b>Directly Affiliated Branches</b>            |                        |                               |                                                       |
| Lao Cai                                        |                        |                               | Apatite ore mining                                    |
| Hung Yen                                       |                        |                               | Production of detergents, cleaning agents & chemicals |
| Binh Duong                                     |                        |                               | Sales and distribution of Group products              |

Source: DGC, RongViet Securities

## BUSINESS OPERATIONS ANALYSIS

Figure 2: DGC's Phosphorus Segment Value Chain



Source: DGC, RongViet Securities

### • Phosphorus

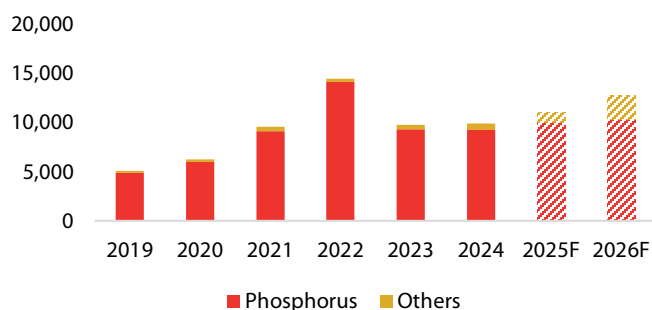
- Yellow Phosphorus** contributed 43% to DGC's revenue in 2024. Currently, DGC's total designed P4 production capacity currently stands at 70,000 tons/year – equivalent to 50% of Vietnam's total capacity. All factories are located in Lao Cai province and have quite a stable production efficiency (71%-110%). The main input materials for P4 production are electricity, apatite ore, and coke. DGC's P4 products are mainly exported to Japan, Taiwan, South Korea, and India (accounting for 90% of 2024 revenue). For Japan, Taiwan, and South Korea (65% of 2024 revenue), yellow phosphorus is primarily used to produce electronic-grade TPA (pure TPA) for semiconductor manufacturing. For the Indian market (23% of 2024 revenue), yellow phosphorus is used to produce fertilizers, pesticides, herbicides, and some other industrial chemicals.

**Thermal-process Phosphoric Acid (TPA):** Contributed 15% to DGC's revenue in 2024. This is a mid-stream product produced directly from P4 (called thermal process because P4 production requires a large amount of heat). DGC's TPA production capacity is 100,000 tons/year, however, production efficiency is still highly variable due to unstable demand. India (40% of 2023 revenue) and some Southeast Asian countries (Indonesia, Thailand, and Malaysia) are the Company's main TPA export markets. The main demand for this DGC product comes from the agricultural and food industries.

Although DGC's electronic-grade TPA plant (with a designed capacity of 30,000 tons/year) has been operational since 2022, this product currently only meets the requirements for LCD screen production (LCD phosphoric acid) and cannot yet be used for semiconductor manufacturing.

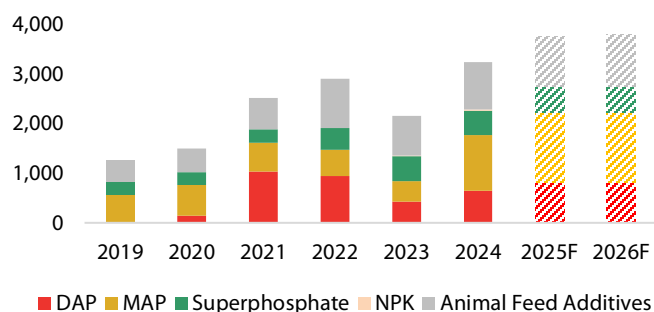
- **Wet-process Phosphoric Acid (WPA):** During 2019-2023, this segment contributed 9-19% of DGC's net revenue; however, in 2024 alone, this figure decreased to only 2.7% due to plant maintenance. This product has similar chemical properties to TPA but the production process does not require electricity. DGC's total WPA production capacity is 160,000 tons/year, with quite high production efficiency.  
India is the DGC's main WPA export market (68% of 2023 revenue). This product is often used in fertilizer production. However, in 2025, DGC does not plan to export WPA, instead using it internally to produce fertilizers.
- **Fertilizers and Animal Feed Additives):** Accounted for 32.7% of net revenue in 2024. DGC's total production capacity for fertilizers and animal feed additives is 600,000 and 150,000 tons/year respectively. For fertilizers, the Company produces three main types: DAP, MAP, and Superphosphate. During 2019-2024, DGC's fertilizer sales volume reached approximately 20-50% of total designed capacity and all of which was consumed in the domestic market. The Company's two main products for animal feed additives are Dicalcium Phosphate (DCP) and Monocalcium Phosphate (MCP) (DCP has a higher calcium content and a lower phosphorus content than MCP). Currently, DGC is the largest producer of animal feed additives in Vietnam with several large customers such as Cargill, Newhope, De Heus, Con Co, etc...
- **Other Product Segments besides Phosphorus**
  - **Detergents, Cleaning Agents, and Other Chemicals:** Accounted for 4.2% of net revenue in 2024. In general, the main annual growth driver for this segment comes only from cleaning agents and some other chemicals as the detergent industry is saturated.
  - **Batteries:** Accounted for 1.8% of net revenue in 2024. In 2023, DGC acquired 51% of Tia Sang Battery JSC (TSB) with the goal of producing LFP batteries for export. TSB's revenue in 2024 reached VND 182 billion, an increase of 15.2% compared to the same period, but this is only on par with previous years' levels. Currently, TSB's LFP battery products are still in the research phase and the Company has only offered them to some partners from South Korea, EU, etc
  - **Alcohol:** Accounted for 0.2% of net revenue in 2024. DGC's Dai Viet alcohol plant has a designed capacity of 50,000 tons/year and began trial operations in October 2024. This project is divided into two development phases, with the key product of phase 1 is 96-degree food-grade alcohol (Ethanol 96%), an important raw material in the food, pharmaceutical, and medical industries.

**Figure 3: DGC's Net Revenue by Business Segment (VND Billion)**



Source: DGC, RongViet Securities

**Figure 4: Net Revenue of Phosphorus Segment (VND Billion)**



Source: DGC, RongViet Securities

## BUSINESS OUTLOOK FOR 2025

**Revenue:** In 2025-2026, we forecast DGC's revenue to reach **VND 11,033 billion** (+12% YoY) and **VND 12,700 billion** (+15% YoY), respectively. The main growth drivers come from the agricultural segment (fertilizers & animal feed additives) and the Nghi Son Caustic Soda-Chlorine project (expected to start recording revenue from Q2/2026).

### 1. Phosphorus Segment Revenue

#### 1.1. Yellow Phosphorus (P4)

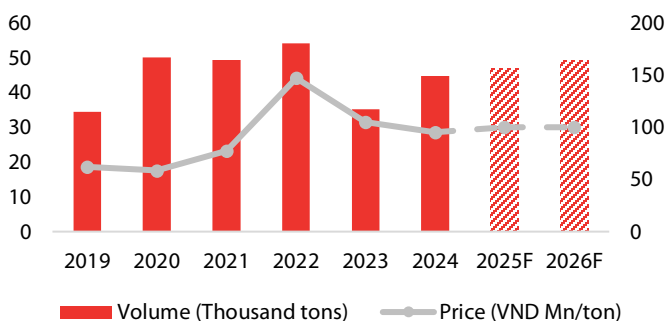
We forecast DGC's yellow phosphorus output to grow by 5% annually during 2025-2026. This projected growth is nearly equivalent to the CAGR of 2019-2024 (5.5%). According to IDC's forecast, the global semiconductor market will grow by 20% in 2025 and approximately 10% in 2026-2028, mainly driven by AI technology and integrated circuit (IC) demand from the Asia-Pacific market.

**DGC may face profit risks due to the new export tax rate on P4.** Vietnam's yellow phosphorus (P4) will officially be subject to an export tax increase from 5% to 10% starting January 1, 2026 (and further to 15% from January 1, 2027). Thanks to Vietnam's free trade agreements with Japan and the EU (accounted for ~30% and 6% of DGC's P4 export value in 2024, respectively), these markets will continue to enjoy a 0% export tax. Currently, DGC's P4 selling prices in markets such as India, Taiwan, and South Korea are around USD 4,000–4,500 per ton, ~40-50% higher than the price from Kazakhstan (the world's second-largest P4 exporter, primarily exporting to India and Europe).

However, under the base-case scenario, we expect that DGC will be able to pass on the additional tax costs to selling prices due to: 1/ Vietnam being the world's largest supplier of P4, making it difficult for countries to find alternative sources in the short term and 2/ DGC's strong position in the domestic P4 industry. If market share is affected, DGC could bear part of the tax cost, as the annual gross margin of its P4 segment remains relatively high (~40%). As a result, net profit after tax may be impacted by around 3-5% compared to our 2026 forecast.

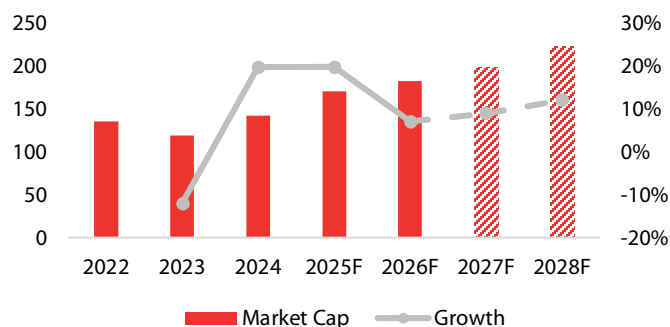
**P4 selling prices are also expected to grow by 5% in 2025 amid an upward trend in P4 prices in the Chinese market due to supply shortages.** Additionally, as DGC is the largest producer in Vietnam – the world's largest P4 exporter, we also expect the Company to be able to pass on increased electricity costs to product selling prices.

**Figure 5: DGC's P4 Production Volume and Selling Price 2019-2026**



Source: DGC, RongViet Securities

**Figure 6: Forecasted Global Semiconductor Market Size (Billion USD)**



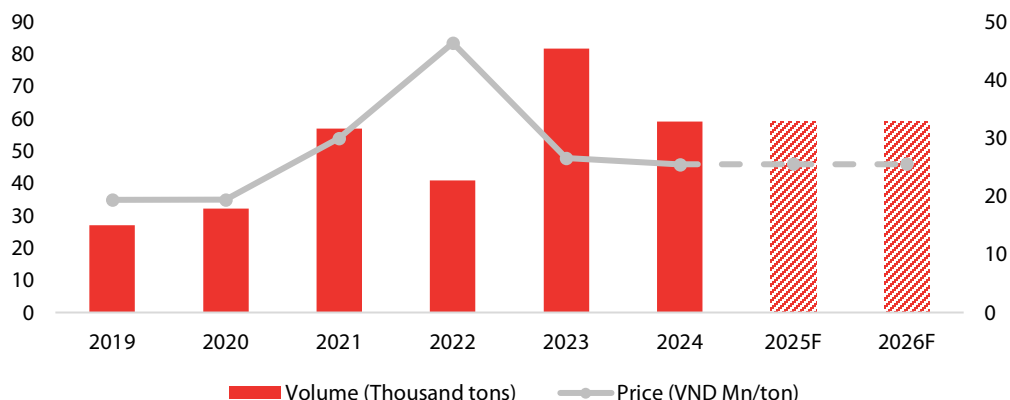
Source: IDC, RongViet Securities

#### 1.2. TPA

**Demand for DGC's TPA remains unstable.** After a period of strong exports to Southeast Asian markets (Thailand, Malaysia, Indonesia, etc.) and the US, the Company's TPA sales growth slowed down in 2024 (reaching only 60,000 tons – a 27% decrease YoY) due to declining demand for downstream products.

This indicates that demand for DGC's TPA products is still unstable, especially since the Company's TPA production technology is primarily at an industrial and food grade level, unable to meet the needs of the semiconductor industry. Therefore, we forecast the Company's TPA revenue for 2025-2026 to be equivalent to 2024, reaching VND 1,507 billion.

**Figure 7: DGC's TPA Production Volume and Selling Price 2019-2026**



Source: DGC, RongViet Securities

### 1.3. WPA, Fertilizers, and Animal Feed Additives

**DGC has no plans to export WPA in 2025. Instead,** the Company intends to use its entire WPA output for internal fertilizer production. We believe this policy stems from (1) a fertilizer supply shortage from China and (2) positive forecasts regarding the impact of amended tax laws.

- The first factor that could lead to good growth in DGC's phosphate fertilizer consumption in 2025 is China's policy of restricting DAP fertilizer exports. In 2024, China exported 282,000 and 320,000 tons of DAP and MAP, respectively to Vietnam (corresponding to 78% and 87% of total imported volume). Since late 2024, China has restricted exports of urea and some phosphate fertilizers to control prices and enhance food security; we assess that the supply shortage (from China) will be compensated by domestic producers.
- Regarding the new tax law, effective July 1, 2025, fertilizers will officially become subject to a 5% output Value Added Tax (VAT). This means that fertilizer manufacturers will be able to deduct VAT input, thereby potentially reducing production costs and alleviating pressure to pass these costs onto selling prices. The new tax law will have varying impacts on different types of domestic fertilizers. Specifically for phosphate fertilizer producers like DGC, the difference between the deductible input VAT on sulfur (currently at 10%) and the output VAT could help improve gross profit margins. With current input material norms, we estimate DGC could recover VND 60-100 billion in cost of goods sold under the new tax law.

**Table 2: Impact of New VAT Law**

| Product              | Company                      | Output VAT | Input Materials                                             | Input VAT |
|----------------------|------------------------------|------------|-------------------------------------------------------------|-----------|
| Urea                 | DPM, DCM, DHB                | 5%         | Coal, natural gas                                           | 10%       |
| Phosphate fertilizer | LAS, SFG, VAF, NFC, DDV, DGC | 5%         | Apatite ore, sulfur                                         | 5%, 10%   |
| NPK                  | DPM, DCM, BFC, LAS           | 5%         | Urea fertilizer, Phosphate fertilizer, Potassium fertilizer | 5%        |

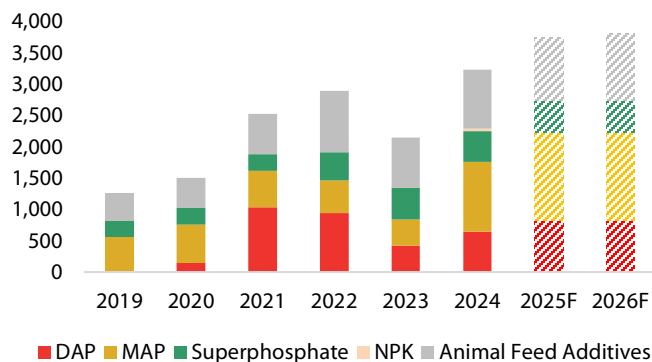
Source: VAT Law No. 48/2024/QH15, RongViet Securities.



We forecast DGC's DAP and MAP fertilizer consumption volume in 2025 to increase by 6,600 and 12,400 tons respectively compared to 2024 (+15% YoY). Based on favorable price developments in the fertilizer market, we also expect DGC's average fertilizer selling price in 2025 to increase by 10% YoY. In Q1 2025, both DGC's DAP and MAP fertilizer consumption volumes showed good growth YoY (+26.5% QoQ and +7% QoQ, respectively), while selling prices also saw a similar trend (+8.4% QoQ and +16% QoQ).

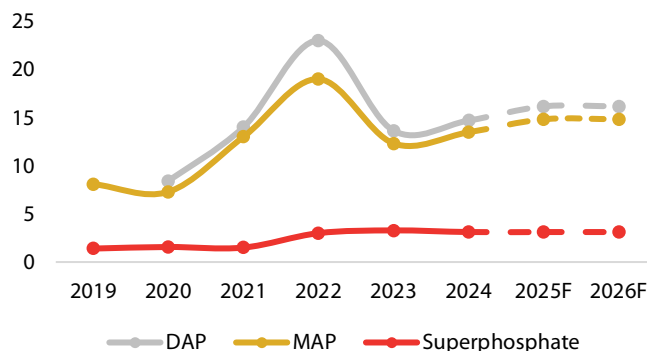
For the animal feed additives segment, we estimate its revenue growth of 5.8%/year (according to Mordor Intelligence's forecast) based on the assumption of continued stable growth in demand for processed livestock products.

**Figure 8: DGC's Fertilizer and Animal Feed Additives Revenue for 2019-2026 (VND Billion)**



Source: DGC, RongViet Securities

**Figure 9: DGC's Forecasted Phosphate Fertilizer Selling Price (VND Billion)**



Source: DGC, RongViet Securities

## 2. Revenue from Other Product Segments besides Phosphorus

### 2.1. Detergents, Cleaning Agents, and Other Chemicals

We use DGC's business production plan revenue (VND 415 billion) as our forecast for fiscal years 2025 and 2026, which is not significantly different to the 2024 forecast (VND 414 billion).

### 2.2. Batteries & Alcohol

DGC's battery segment revenue is estimated at VND 203 billion during 2025-2026 according to the business production plan, as there is no clear information about the potential of the Company's LFP battery products.

For the alcohol segment, we forecast its revenue to reach VND 425 billion in 2025 (in line with the plan) and increase to VND 1,000 billion in 2026 (estimated consumption volume reaching 60% of designed capacity).

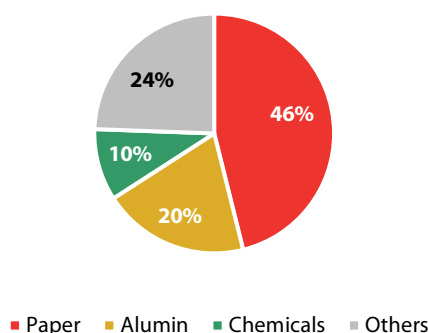
### 2.3. Caustic Soda (NaOH) and Chloride-based Chemicals

The caustic soda industry is considered one of the key sectors of the chemical industry, serving as an input material for many important industries such as paper production, detergents, aluminum, textiles, and dyeing. Among these, demand for paper and aluminum production is the largest, accounting for approximately 66% of Vietnam's total caustic soda consumption.

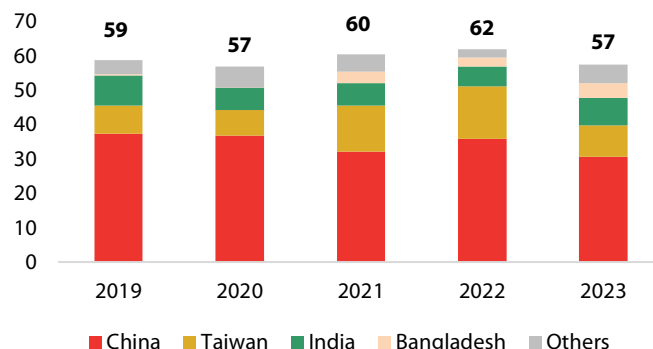
Currently, there are 5 large-scale caustic soda production facilities nationwide: Vedan Vietnam Co., Ltd., Southern Basic Chemical JSC (CSV), Viet Tri Chemical JSC (HVT), Dong A Chemical JSC, and Bai Bang Paper Company (under Vietnam Paper Corporation) with a total designed capacity of approximately 210,000 tons/year. Of these, caustic soda production at Vedan and Bai Bang plants is primarily for internal consumption. The remaining three companies, HVT, CSV, and Dong A, produce commercial caustic soda with a total capacity of approximately 110,000 tons/year.

According to VIRAC's estimates, domestic supply currently meets only 50% of demand. Most of the remaining shortage is mainly imported from China, Taiwan, India, and Bangladesh. During 2019-2023, Vietnam imported approximately 60,000 tons of caustic soda annually from these countries, with China being the largest supplier.

DGC's Phase 1 Duc Giang Nghi Son Chemical Complex project officially commenced construction in February 2025 after multiple delays due to land clearance issues. According to the plan, the complex will have a designed capacity for each product type: Caustic Soda (NaOH), PAC (Poly aluminum chloride), Calcium hypochlorite  $\text{Ca}(\text{OCI})_2$ , and  $\text{H}_3\text{PO}_3$ , at 50,000, 30,000, 20,000, and 10,000 tons/year, respectively.

**Figure 10: Caustic Soda Consumption Demand by Industry**


Source: VIRAC, RongViet Securities

**Figure 11: Annual Imported Caustic Soda Volume (Thousand tons)**


Source: ITC, RongViet Securities

**Table 3: Duc Giang Chemical Complex Project**

| Phase | Total investment (VND billion) | Capacity (tons/year) | Products                                                                          | Expected Operation Time |
|-------|--------------------------------|----------------------|-----------------------------------------------------------------------------------|-------------------------|
| 1     | 2,400                          | 151,000              | Caustic Soda (NaOH), PAC, $\text{Ca}(\text{OCI})_2$ , $\text{H}_3\text{PO}_3$ ... | Q2/2026                 |
| 2     | 6,000                          | N/a                  | PVC Plastic                                                                       | N/a                     |
| 3     | 3,600                          | 400,000              | Soda                                                                              | N/a                     |

Source: DGC, RongViet Securities

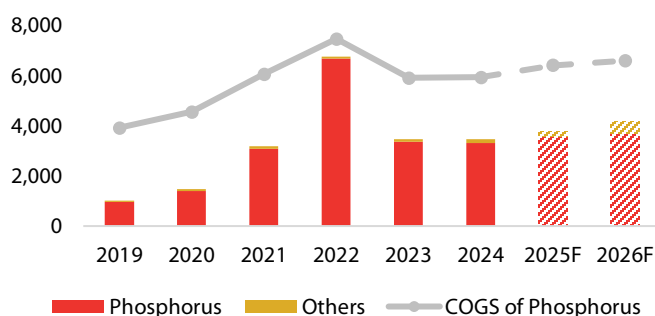
With an expected NaOH consumption volume (from Phase 1) of 25,000 tons in 2026 (50% of designed capacity), we estimate the Caustic Soda-Chlorine segment will bring approximately VND 782 billion in revenue to DGC.

### Gross Profit Margin (GPM)

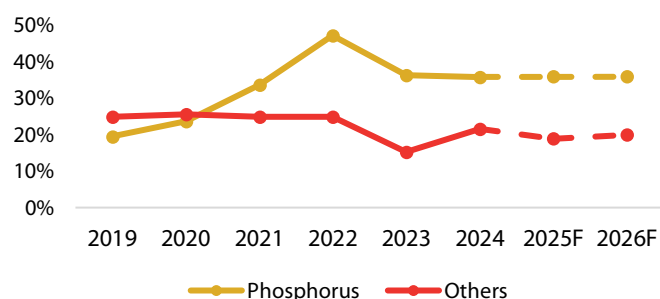
Gross margin was stable in the past and is expected to maintain at 35% in the future.

It was stable in the past and is expected to remain at 35% in the future. DGC's gross margin during 2021-2024 was quite good, supported by: 1) Strong growth in selling prices of phosphorus products and 2) Self-sufficiency in apatite from Mine Field 25. 2022 was a record year for DGC's gross profit margin (46.7%) due to strong YoY growth in the selling prices of P4 and TPA.



**Figure 12: DGC's Phosphorus Segment Gross Profit and Cost of Goods Sold (Billion VND)**


Source: DGC, RongViet Securities

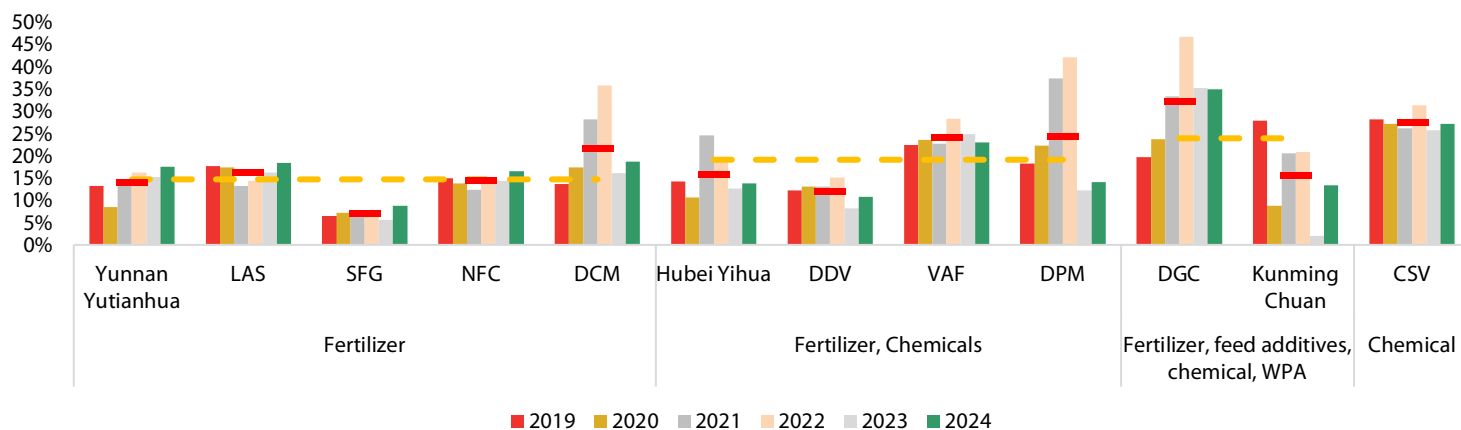
**Figure 13: DGC's Gross Profit Margin by Business Segment**


Source: DGC, RongViet Securities

Between 2023 and 2024, DGC's GPM decreased to 35% after P4 and TPA selling prices gradually cooled down. In 2025, we forecast DGC's gross margin to remain at 34% based on the assumption that the Company can increase yellow phosphorus selling prices to offset increased electricity costs. If DGC is unable to pass on the additional electricity costs to selling prices, the Company's gross margin is estimated to be affected by approximately 1-2%.

**DGC has a prominent gross profit margin compared to peers.** Besides contributions from yellow phosphorus, TPA, and WPA, DGC's gross profit margin is also supported by the fertilizer segment during favorable business production years for this segment. Thanks to its ability to self-produce WPA, the Company can flexibly produce fertilizers or WPA depending on the selling price situation of each product. Besides DGC, LAS (a superphosphate producer) can also be self-sufficient in input phosphate fertilizer. These two companies have quite large and stable gross profit margins in the fertilizer production industry, alongside NFC and VAF (fused phosphate fertilizer producers).

Compared to some global companies, including Kunming Chuan Jin Nuo (China), which has a value chain quite similar to DGC's, the Company's gross profit margin is higher and more stable because (1) unlike Chinese companies that have to import phosphate rock, apatite supply in Lao Cai is currently meeting production demand (no need to import apatite from abroad) and (2) electricity prices in Vietnam are cheaper.

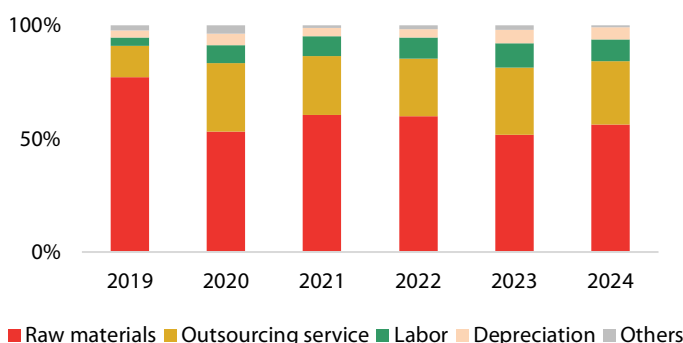
**Figure 14: DGC's Gross Profit Margin compared to similar companies in the industry**


Source: Bloomberg, Finnpro, RongViet Securities

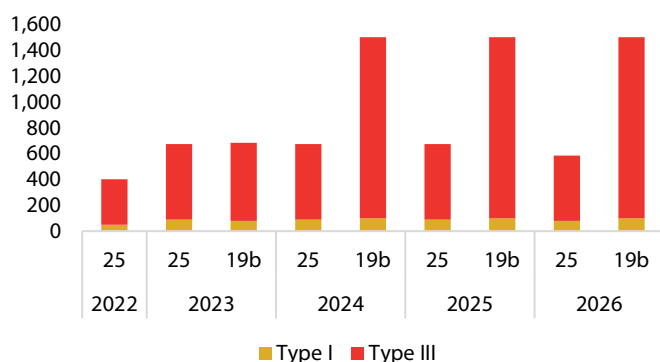
1. **Phosphorus Segment Gross Margin:** Raw materials and outsourced services account for the largest proportion of DGC's input costs. Among these, the cost of raw materials is the highest – at around 56.2% in 2024. The main raw materials for producing phosphorus-based products are apatite ore, coke, sulfur (for sulfuric acid H<sub>2</sub>SO<sub>4</sub> production), silica (from quartzite), and some other raw materials. Outsourced service costs, mainly electricity costs, account for the second largest proportion, at approximately 27.9% in 2024.

*We forecast DGC's phosphorus segment gross margin to remain at 36% during 2025-2026.*

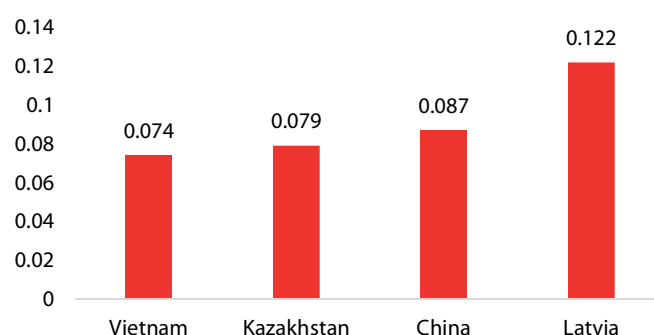
- **Electricity Cost:** Accounts for ~25% of cost of goods sold in 2024. Although DGC's total electricity consumption has not changed significantly since 2021, the average retail electricity price has shown a slight upward trend since 2022, with the most recent adjustments in May 2023 (+3%), November 2023 (+4.5%), October 2024 (+4.8%), and May 2025 (+4.8%). Currently, the average retail electricity price is VND 2,103/kWh, with retail prices for production industries with voltage levels of 110 kW or higher ranging from VND 1,811-3,266/kWh depending on the time of day. From August 7, 2024, the Ministry of Industry and Trade changed the mechanism for determining monthly contract output in a way that benefits EVN. Although this policy only affects electricity generation companies, there is still a very high risk of retail electricity prices increasing during the forecast period. During 2025-2026, we forecast DGC's average production electricity price to increase at a rate of 5% per year.
- **Apatite Ore Cost:** Accounts for ~29% of cost of goods sold in 2024. DGC is approximately 80% self-sufficient in input apatite ore. In early 2020, DGC was granted a licence to exploit apatite at mine field 25 (Bat Xat district, Lao Cai province), with an output of approximately 3.7 million tons (including 491,880 tons of Type I ore and 3.2 million tons of Type III ore) over 6 years from 2021. Additionally, DGC has an off-take agreement with Lao Cai Chemical Industry JSC for mine field 19b. As the term of these contracts extends until the end of 2026, we estimate that DGC's apatite cost of goods sold will not change compared to 2024.
- **Coke Cost:** Accounts for ~9% of cost of goods sold in 2024. Coke is purchased by DGC from both domestic and imported markets. According to Australia's Department of Industry, Science and Resources, metallurgical coal export volume & prices will continue to decline in fiscal year 2024-2025 (July 2024-June 2025). In the long term, the trend of reduced use and replacement of coke with other materials (in steelmaking technology) may make it difficult for coke prices to recover. We forecast DGC's coke purchase price to decrease slightly by 2% in fiscal year 2025 and remain at this level in 2026.
- **Sulfur Cost:** Accounts for approximately 5% of cost of goods sold in 2024. Sulfuric acid (H<sub>2</sub>SO<sub>4</sub>) is imported by the Company from some Chinese suppliers. Additionally, the Company imports sulfur to produce this acid itself. In the first two quarters of 2025, sulfur and sulfuric acid (H<sub>2</sub>SO<sub>4</sub>) prices in China increased sharply YoY. As this is a hazardous chemical, strict regulations on emissions and environmental protection in the future could greatly impact the supply side. Based on the expectation that DGC will continue to import H<sub>2</sub>SO<sub>4</sub> due to insufficient inventory, we forecast the cost of sulfur (converted to 98% sulfuric acid price) in 2025 to increase by 80% YoY.

**Figure 15: DGC's production and business costs by factor (VND billion)**


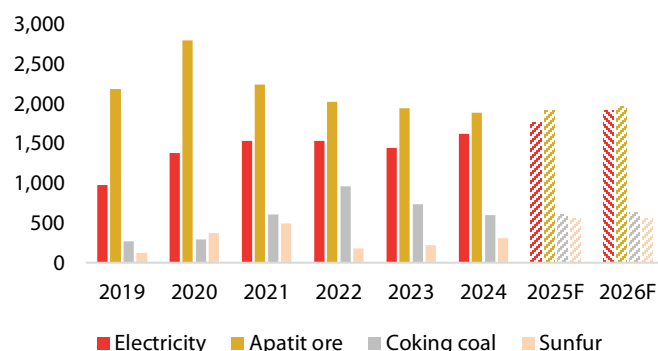
Source: DGC, RongViet Securities

**Figure 17: Apatite ore output mined and off-taken at mining sites 25 and 19b**


Source: DGC, RongViet Securities

**Figure 16: Vietnam's industrial electricity cost advantage (USD/kwh)**


Source: Globalpetrolprices, RongViet Securities

**Figure 18: Main raw material costs of DGC (VND Billion)**


Source: DGC, RongViet Securities Estimate

## 2. Gross Margin for Other Product Segments besides Phosphorus

### 2.1. Detergents, Cleaning Agents, and Other Chemicals

We estimate DGC's gross profit margin for this segment to be approximately 25%, similar to some companies in the industry like NET and LIX. During 2025-2026, the gross margin for this segment is estimated to have little fluctuation as the industry is already saturated.

### 2.2. Batteries, Alcohol

DGC's Tia Sang Battery plant currently has a relatively small gross profit margin (~14%). According to DGC, the Company intends to limit production to FePO<sub>4</sub> rather than producing complete batteries due to the risk of increased production costs (requiring the import of many other raw materials).

We forecast the 14% gross margin to be maintained during 2025-2026 based on the fact that information about the potential of the Company's LFP battery products is currently unclear. For the alcohol segment, we temporarily estimate the Dai Viet plant's gross margin during the forecast period to be 15% based on comparison with some beer, wine & beverage companies and will update when more information is available.

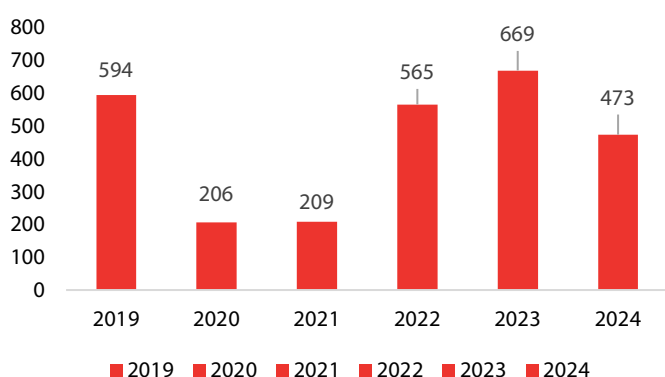
## 3. Caustic Soda and Chloride-based Chemicals

The main raw materials for producing caustic soda are industrial salt (NaCl) and electricity

- **Industrial Salt (NaCl):** Accounts for around 73% of raw material costs. Due to poor quality domestic salt, most industrial salt in Vietnam is imported from India. However, to protect the local salt industry, the Ministry of Industry and Trade enforces an annual import quota, which is allocated to domestic enterprises. In 2024, the quota for salt and refined sodium chloride is set at 88,000 tons (~18% of total imports). Any imports beyond this quota are subject to a 50% import tariff.
- **Electricity:** Accounts for about 27% of raw material costs. Like phosphorus, Vietnam has a cost advantage in electricity prices compared to major caustic soda exporting countries. As of the end of 2024, Vietnam's industrial electricity prices are approximately 15%, 58%, and 41% lower than those in China, Taiwan, and India, respectively

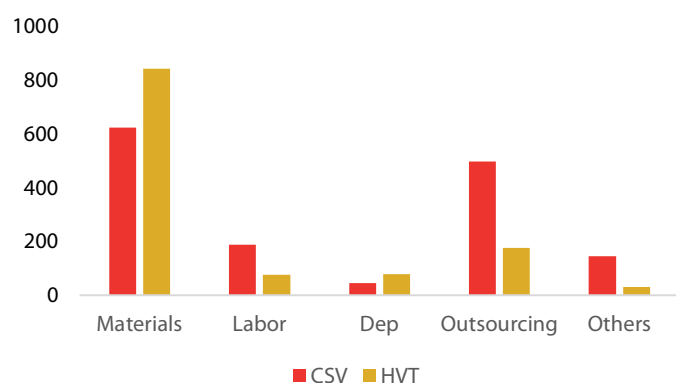
We forecast this segment's gross margin to reach 25% in 2026.

**Figure 19: Annual Import Volume of NaCl Salt from India (Thousand tons)**



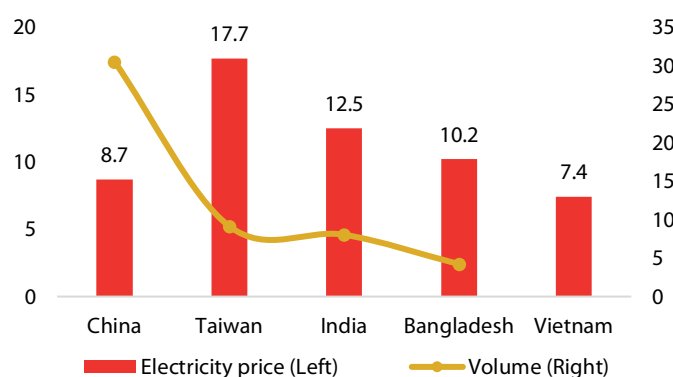
Source: VIRAC, RongViet Securities

**Figure 21: Cost Structure by Component of CSV and HVT in 2024 (VND Billion)**



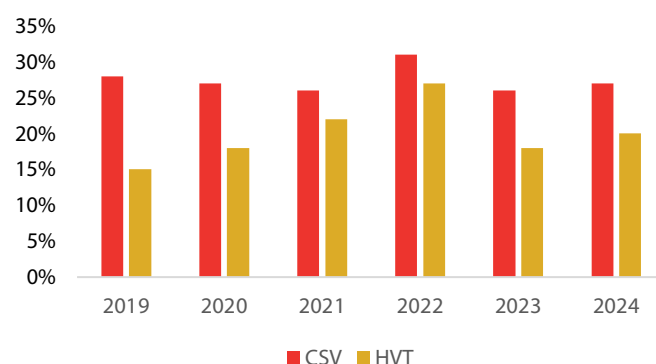
Source: CSV, HVT, RongViet Securities

**Figure 20: Electricity Prices (USD/kWh) and Caustic Soda Output (Thousand tons) of Key Exporting Countries to Vietnam**



Source: Globalpetrolprices, ITC, RongViet Securities

**Figure 22: Annual Gross Profit Margin of CSV and HVT**



Source: Fiinpro, RongViet Securities

### Selling and Administrative Expenses (SG&A)

The ratio of SG&A to revenue at DGC has slightly increased since 2022. The ratio fell to a low of 5.2% in 2022 due to strong revenue growth. Although it rose slightly in 2023 and 2024, it remained below the 2019–2021 average. Given that 70% of DGC's revenue comes from international markets, transportation accounts for a large portion (over 70%) of the Company's selling expenses.

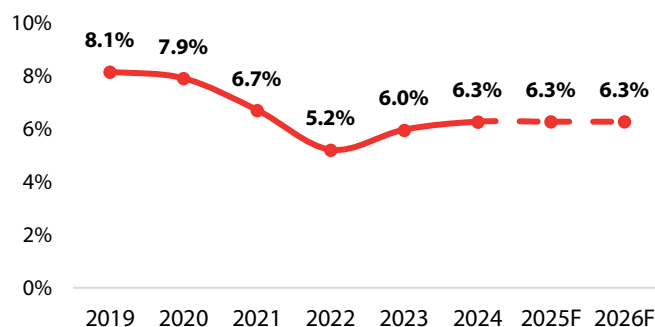
DGC owns a subsidiary, Dinh Vu Duc Giang Chemical One-Member LLC, which provides warehousing and port services for the group's chemicals and fertilizers. This allows DGC to better control transportation and outsourcing costs during periods of high logistics expenses. In 2022, transportation costs peaked at VND 437 billion (+16.5% YoY) due to rising fuel costs, especially diesel, stemming from supply shortages from Russia. In 2023 and 2024, transportation expenses stabilized at around VND 310 billion, accounting for 73% of total selling expenses.

*We forecast that SG&A as a percentage of revenue will remain stable at around 6.3% during 2025–2026.*

### Net Profit

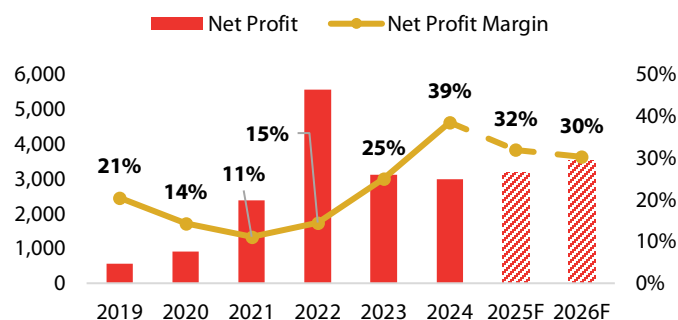
DGC's net profit margin remained high and stable from 2021 to 2024, supported by low leverage and tax incentives for certain plants. We forecast net profit to reach VND 3,263 billion in 2025 (+9.3% YoY) and VND 3,588 billion in 2026 (+10% YoY). The 2025 profit growth will mainly stem from yellow phosphorus revenue growth (+10.25% YoY) and agricultural products (+17% YoY). However, net margin is expected to be lower than in 2024 due to lower gross margins in the ethanol and caustic soda-chloride segments compared to phosphorus products.

**Figure 23: SG&A/Revenue Ratio of DGC for 2019–2026**



Source: DGC, RongViet Securities

**Figure 24: Net Profit (Billion VND) and Net Profit Margin of DGC for 2019–2026**



Source: DGC, RongViet Securities

### Asset Highlights

DGC holds a significant proportion of high-interest bank deposits, which are expected to fund large future projects.

*In 2025–2026, we expect DGC's working capital metrics to remain consistent with 2024 levels (Figure 25) due to (1) 2024 figures being close to the company's 2019–2024 average and (2) revenue fluctuations in line with projection assumptions.*

### Cash, Cash Equivalents, and Short-term Financial Investments

Since 2018, DGC has maintained large short-term bank deposits thanks to abundant operating cash flows. In 2022, operating cash flow surged to over VND 5,900 billion (+126% YoY), with around VND 7,200 billion subsequently deposited at interest rates of 5–6% per annum.

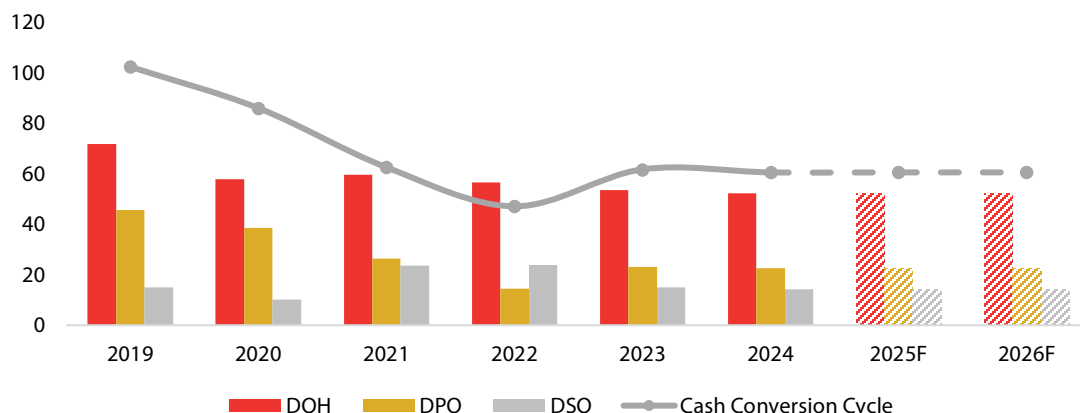
### Working Capital

**Inventory:** Raw materials and finished goods account for 80–90% of total inventory. Inventory levels spiked in 2021 when DGC ramped up apatite mining at Site 25 amid favorable market conditions for phosphorus products. Inventory does not show strong seasonality, and days inventory outstanding remained stable at 200–250 days between 2019 and 2024..

**Receivables:** DGC offers extended payment terms to some long-term clients like Mitsubishi (Japan, electronics), UNID Global (Korea, fertilizers/chemicals), Agrifield DMCC (Dubai, fertilizers), and UPL (India, chemicals).

**Payables:** Between 2019 and 2024, payables ranged from VND 130–683 billion, peaking in 2021 with Fagro (UAE) and Lao Cai Fused Phosphate Fertilizer JSC as major suppliers. In 2023–2024, average days payable remained steady at 14 days.

**Figure 25: Operating Efficiency Metrics of DGC (Days)**



Source: DGC, RongViet Securities

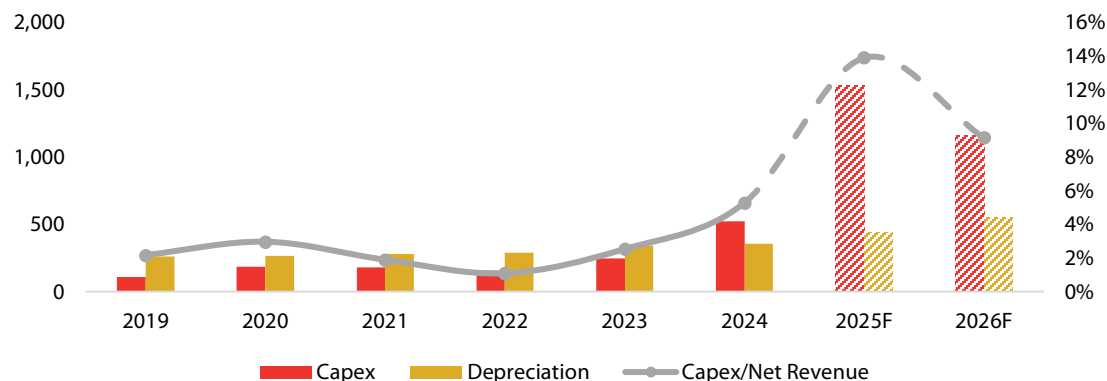
### Capital Expenditures

Some of the Group's major capital investments during the 2019–2024 period include the Mine Field 25 project, the Dak Nong NPK plant, and the expansion of electronic-grade TPA production capacity by 30,000 tons. In addition, in 2023, DGC also acquired the Tia Sang Battery Plant and Phosphorus Plant 6 for a total value of VND 138 billion and VND 635 billion, respectively.

### DGC plans to disburse VND 1,200 billion for the Nghi Son Caustic Soda-Chloride project in 2025.

Phase 1 of this chemical complex involves total investment of VND 2,400 billion and is expected to begin operation in Q2/2026. We estimate fixed and working capital needs at VND 2,000 billion and VND 400 billion, respectively—all self-financed. The fixed asset investment will be recorded as construction-in-progress in 2025 and transferred to tangible fixed assets in 2026.

**Figure 26: Capex Trends of DGC during 2019–2026 (VND Billion)**



Source: DGC, RongViet Securities



**Table 4: Key Investment Projects of DGC**

| Type        | Project                 | Location  | Investment (Billion VND) | Expected Operation |
|-------------|-------------------------|-----------|--------------------------|--------------------|
| New Build   | Nghi Son Chemical Plant | Thanh Hoa | 2,400                    | 2026 (expected)    |
| Acquisition | Dai Viet Ethanol Plant  | Dak Nong  | 253                      | 2024               |
| Upgrade     | Electronic-grade TPA    | Lao Cai   | 79.4                     | 2023               |
| New Build   | Dak Nong NPK Plant      | Dak Nong  | 176                      | 2023               |
| Acquisition | Tia Sang Battery Plant  | Hai Phong | 138                      | 2023               |
| Acquisition | Phosphorus Plant 6      | Lao Cai   | 635                      | 2023               |
| New Build   | Site 25 Mine            | Lao Cai   | 210                      | 2020               |
| New Build   | Aluminum Project        | Dak Nong  | n/a                      | 2028 (expected)    |
| New Build   | Real Estate             | Hanoi     | n/a                      | n/a                |

Source: DGC, RongViet Securities

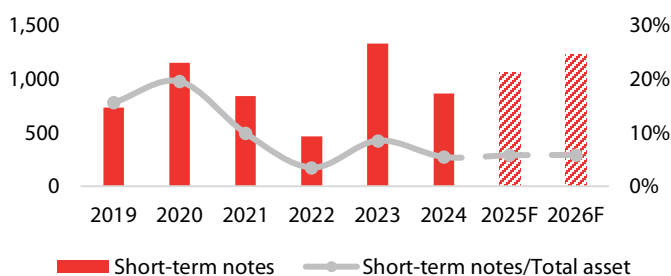
### Capital Structure Highlights

DGC maintains low leverage with no long-term debt. The company is not expected to raise capital in the near term due to a large cash reserve.

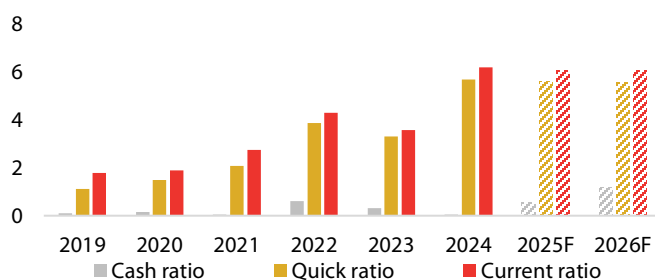
### Debt

Between 2019 and 2024, DGC only used short-term loans for working capital. The debt-to-total-asset ratio remained below 24%.

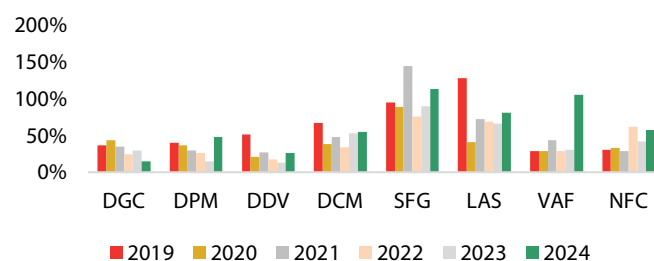
Current short-term borrowing rates average 2.5% per year—lower than peers like DDV, SFG, and LAS. As of end-2024, DGC's short-term loan interest rates ranged from 2.1% to 3.4%. We use 3.6% as the assumption for 2025–2026 interest expenses.

**Figure 27: DGC's Short-term Debt for 2019–2026 (VND Billion)**


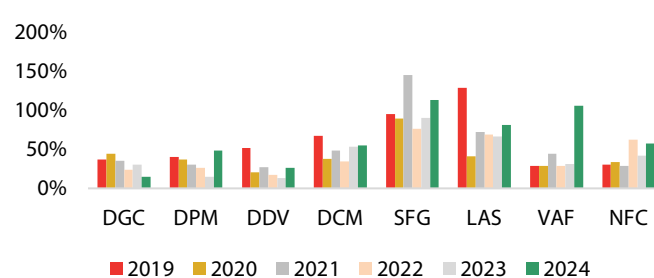
Source: DGC, RongViet Securities

**Figure 29: Liquidity Ratios of DGC for 2019–2026**


Source: DGC, RongViet Securities

**Figure 28: Debt-to-Equity Comparison – Chemical & Fertilizer Companies**


Source: DGC, RongViet Securities

**Hình 30: Interest Rate Comparison – Chemical & Fertilizer Companies**


Source: DGC, RongViet Securities

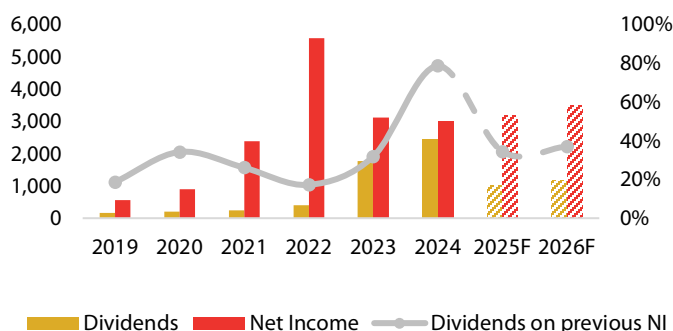
## Equity

As of end-2024, DGC's retained earnings exceeded VND 7,200 billion, despite a VND 2,000 billion capital increase in 2022. We expect the company to fund future investments with these retained earnings, keeping leverage low.

## Dividend Policy

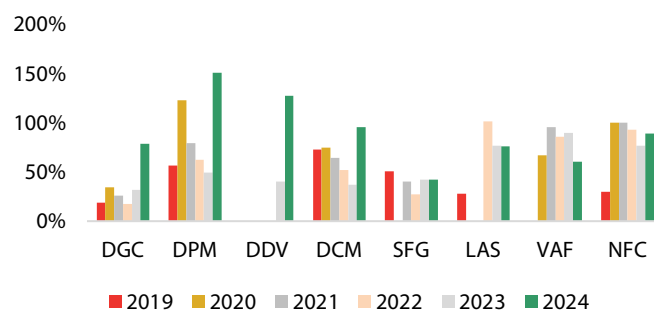
From 2019–2024, DGC maintained regular dividend payments with an average payout ratio of 34.4%. This is relatively low compared to peers like DPM, DCM, VAF, and NFC, due to DGC's aggressive expansion plans. For 2025–2026, we assume the company will maintain a stable cash dividend of VND 2,700/share (34% payout ratio) using available cash and short-term investments.

**Figure 31: DGC's Dividend Payout Ratio for 2019–2026**



Source: DGC, RongViet Securities

**Figure 32: Dividend Payout Comparison – Chemical & Fertilizer Companies**

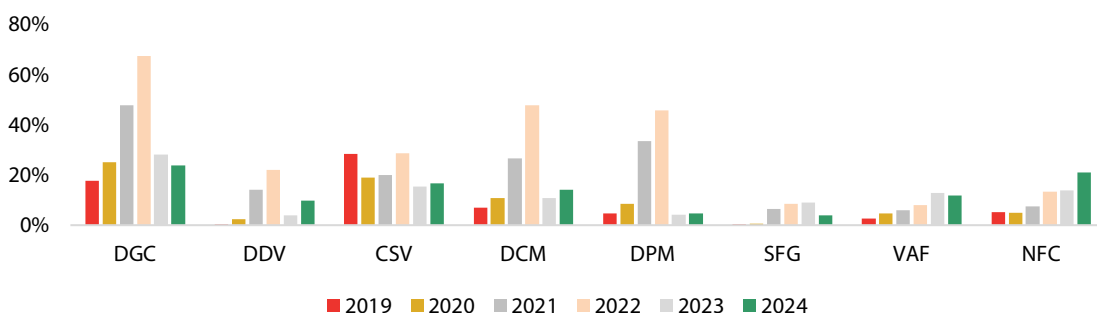


Source: DGC, RongViet Securities

## Profitability

DGC's average ROE from 2019–2024 was 35%, significantly higher than most chemical and fertilizer peers. This was supported by high and stable margins due to integrated apatite mining. We forecast ROE at 20% for 2025, largely unchanged YoY.

**Figure 33: ROE – Chemical & Fertilizer Companies**



Source: Fiinpro, RongViet Securities

**Table 5: DuPont Analysis of Selected Chemical & Fertilizer Companies**

| Company | Indicator            | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  |
|---------|----------------------|-------|-------|-------|-------|-------|-------|
| DGC     | Net profit margin    | 11.2% | 15.2% | 26.3% | 41.8% | 33.4% | 31.5% |
|         | Total asset turnover | 1.1   | 1.2   | 1.3   | 1.3   | 0.7   | 0.6   |
|         | Leverage             | 1.4   | 1.4   | 1.3   | 1.2   | 1.3   | 1.2   |
| DDV     | Net profit margin    | 0.3%  | 1.5%  | 6.6%  | 11.0% | 2.2%  | 5.0%  |

|     |                      |       |       |       |       |       |       |
|-----|----------------------|-------|-------|-------|-------|-------|-------|
|     | Total asset turnover | 0.9   | 1.1   | 1.7   | 1.6   | 1.6   | 1.6   |
|     | Leverage             | 1.5   | 1.2   | 1.3   | 1.2   | 1.1   | 1.3   |
| CSV | Net profit margin    | 16.0% | 13.5% | 13.8% | 19.4% | 14.5% | 13.9% |
|     | Total asset turnover | 1.3   | 1.0   | 1.1   | 1.3   | 0.9   | 1.0   |
|     | Leverage             | 1.4   | 1.3   | 1.3   | 1.2   | 1.2   | 1.2   |
| DCM | Net profit margin    | 6.1%  | 8.8%  | 18.5% | 27.1% | 8.8%  | 10.6% |
|     | Total asset turnover | 0.7   | 0.8   | 1.0   | 1.3   | 0.9   | 0.9   |
|     | Leverage             | 1.7   | 1.4   | 1.5   | 1.3   | 1.5   | 1.5   |
| DPM | Net profit margin    | 5.1%  | 9.0%  | 24.8% | 30.0% | 3.9%  | 4.1%  |
|     | Total asset turnover | 0.7   | 0.7   | 1.0   | 1.2   | 0.9   | 0.9   |
|     | Leverage             | 1.4   | 1.4   | 1.3   | 1.3   | 1.2   | 1.5   |
| SFG | Net profit margin    | 0.1%  | 0.2%  | 1.7%  | 2.5%  | 3.6%  | 1.6%  |
|     | Total asset turnover | 1.4   | 1.3   | 1.7   | 1.6   | 1.3   | 1.2   |
|     | Leverage             | 2.0   | 1.9   | 2.4   | 1.8   | 1.9   | 2.1   |

Source: Fiinpro, RongViet Securities

**Table 6: Projected Revenue by Business Segments (VND Billion)**

| NET REVENUE                               | 2019         | 2020         | 2021         | 2022          | 2023         | 2024         | 2025F         | 2026F         |
|-------------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|---------------|
| <b>Total Revenue</b>                      | <b>5,091</b> | <b>6,236</b> | <b>9,550</b> | <b>14,444</b> | <b>9,748</b> | <b>9,865</b> | <b>11,018</b> | <b>12,681</b> |
| Phosphorus                                | 4,874        | 5,957        | 9,134        | 14,135        | 9,280        | 9,254        | 9,975         | 10,281        |
| Detergents, Cleaning Agents               | 217          | 277          | 417          | 309           | 348          | 414          | 415           | 415           |
| Batteries                                 |              |              |              |               | 157          | 182          | 203           | 203           |
| Alcohol                                   |              |              |              |               |              | 16           | 425           | 1,000         |
| Caustic Soda and Chloride-based Chemicals |              |              |              |               |              |              | -             | 783           |
| <b>% YoY</b>                              | <b>23%</b>   | <b>53%</b>   | <b>51%</b>   | <b>-33%</b>   | <b>1%</b>    |              | <b>12%</b>    | <b>15%</b>    |
| Phosphorus                                |              | 22%          | 53%          | 55%           | -34%         | 0%           | 8%            | 3%            |
| Detergents, Cleaning Agents               |              | 28%          | 50%          | -26%          | 13%          | 19%          | 0%            | 0%            |
| Batteries                                 |              |              |              |               |              | 16%          | 12%           | 0%            |
| Alcohol                                   |              |              |              |               |              |              | 2556%         | 135%          |
| Caustic Soda and Chloride-based Chemicals |              |              |              |               |              |              |               |               |
| <b>% tổng doanh thu</b>                   | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  | <b>100%</b>   | <b>100%</b>  | <b>100%</b>  | <b>100%</b>   | <b>100%</b>   |
| Phosphorus                                |              | 96%          | 96%          | 96%           | 98%          | 95%          | 94%           | 91%           |
| Detergents, Cleaning Agents               |              | 4%           | 4%           | 4%            | 2%           | 4%           | 4%            | 3%            |
| Batteries                                 |              |              |              |               |              | 2%           | 2%            | 2%            |
| Alcohol                                   |              |              |              |               |              |              | 4%            | 8%            |
| Caustic Soda and Chloride-based Chemicals |              |              |              |               |              |              |               | 6%            |

Source: Fiinpro, RongViet Securities

**Table 7: Gross Profit by Business Segments (VND Billion)**

| GROSS PROFIT | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         | 2025F        | 2026F        |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total</b> | <b>1,006</b> | <b>1,479</b> | <b>3,182</b> | <b>6,750</b> | <b>3,437</b> | <b>3,449</b> | <b>3,773</b> | <b>4,168</b> |
| Phosphorus   | 953          | 1,408        | 3,079        | 6,673        | 3,366        | 3,318        | 3,576        | 3,689        |

Please refer to important disclosures at the end of this report

|                                           |            |            |            |            |            |            |            |            |
|-------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Detergents, Cleaning Agents               | 54         | 69         | 104        | 77         | 87         | 104        | 104        | 104        |
| Batteries                                 |            |            |            |            | 21         | 26         | 29         | 29         |
| Alcohol                                   |            |            |            |            |            | 2          | 64         | 150        |
| Caustic Soda and Chloride-based Chemicals |            |            |            |            |            |            | -          | 196        |
| <b>GPM</b>                                |            |            |            |            |            |            |            |            |
| <b>Total</b>                              | <b>20%</b> | <b>24%</b> | <b>33%</b> | <b>47%</b> | <b>35%</b> | <b>35%</b> | <b>34%</b> | <b>33%</b> |
| Phosphorus                                | 20%        | 24%        | 34%        | 47%        | 36%        | 36%        | 36%        | 36%        |
| Detergents, Cleaning Agents               | 25%        | 25%        | 25%        | 25%        | 25%        | 25%        | 25%        | 25%        |
| Batteries                                 |            |            |            |            | 14%        | 14%        | 14%        | 14%        |
| Alcohol                                   |            |            |            |            |            | 15%        | 15%        | 15%        |
| Caustic Soda and Chloride-based Chemicals |            |            |            |            |            |            |            | 25%        |

Source: Fiinpro, RongViet Securities Estimate

## 5. Business Risks

### Input Cost Risk

Electricity costs (accounting for ~25% of DGC's cost of goods sold in 2024) pose a risk of continued increase in the future. Additionally, apatite ore prices may also rise if the Group cannot maintain self-supplied sources (mining licenses for sites 25 and 19b will expire in 2026). In case of cost increases without the ability to pass them onto selling prices, we estimate that the gross margin could be negatively impacted by approximately 1–2%.

### Technology Risk

Apart from the traditional WPA production process, a new trend is emerging in the form of high-purity WPA production using technologies that do not require P4. This process has lower production costs than the thermal method but involves more complex techniques. Currently, this technology is mainly adopted in China, where around 75% of high-purity WPA is produced from total annual industrial H<sub>3</sub>PO<sub>4</sub> output.

### Project Delay Risk

The Nghi Son Caustic Soda & Chlorine Chemical Plant project has faced multiple delays due to land clearance issues. With a fairly large design capacity, the construction delay may cause revenue recognition to be later than currently planned (Q2/2026).

### Short-Term Valuation

We apply the comparative P/E and P/B valuation methods for DGC. The target price of DGC is shown in the table below.

**Table 8: Estimated Target Price of DGC in 2025**

|                              | 2025F          |
|------------------------------|----------------|
| <b>P/E Comparison Method</b> |                |
| EPS                          | 8,333          |
| Target P/E (x)               | 13.5x          |
| Target Price (VND/share)     | 112,492        |
| <b>P/B Comparison Method</b> |                |
| BVPS                         | 41,702         |
| Target P/B (x)               | 2.5x           |
| Target Price (VND/share)     | 104,254        |
| <b>Blended Valuation</b>     | <b>108,400</b> |

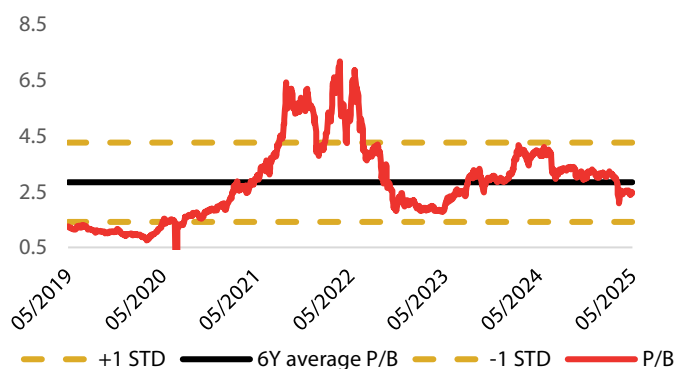
We estimate DGC's 1-year target price at 108,400 VND per share based on 2025 forward P/E and P/B of 13.5x and 2.5x respectively. This reflects (1) strong growth in P4 revenue, (2) favorable fertilizer market conditions, and (3) potential from the Nghi Son Caustic Soda-Chlorine plant. The forward P/E and P/B multiples are derived using weighted averages from DGC's historical data from 2019–2024 (P/B adjusted from 3.0x to 2.5x). This valuation level aligns with 2024 figures and falls within  $\pm 1$  standard deviation of the 2019–2025 range.

**Table 9: Average P/E, P/B Ratios of Peer Companies**

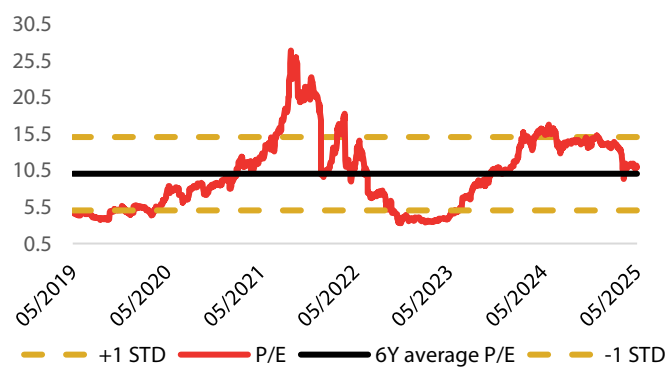
| Ticker         | Market Cap<br>(VND Million) | 2024 Revenue<br>(VND Billion) | 2024 NPAT<br>(VND Billion) | GPM (%) | NPM (%) | ROE (%) | P/E 2024 | P/B 2024 |
|----------------|-----------------------------|-------------------------------|----------------------------|---------|---------|---------|----------|----------|
| DGC            | 35,509                      | 9,865                         | 2,986                      | 35      | 31.5    | 23.8    | 12.7     | 2.7      |
| Kunming Chuan  | 13,817                      | 11,200                        | 614                        | 13.2    | 5.5     | 25.9    | 22.5     | 1.6      |
| Hubei Yihua    | 46,604                      | 59,200                        | 2,278                      | 13.7    | 3.8     | 9.36    | 1.8      | 1.2      |
| DDV            | 3,378                       | 3,365                         | 211                        | 10.8    | 5%      | 9.7     | 22.3     | 1.9      |
| CSV            | 3,950                       | 1,856                         | 327                        | 27.2    | 13.9    | 16.5    | 18.2     | 2.6      |
| DCM            | 17,893                      | 13,456                        | 1,323                      | 18.7    | 10.6    | 14.14   | 12.6     | 1.8      |
| DPM            | 13,405                      | 13,496                        | 665                        | 14.6    | 4.1     | 4.81    | 33.4     | 1.2      |
| SFG            | 507                         | 1,600                         | 26                         | 8.7     | 1.6     | 3.9     | 19.8     | 0.8      |
| VAF            | 785                         | 1,220                         | 61                         | 23      | 5       | 11.9    | 14.3     | 1.5      |
| NFC            | 818                         | 915                           | 44.7                       | 16.6    | 4.9     | 20.9    | 20.3     | 3.7      |
| 5-year Average |                             |                               |                            |         |         |         | 16.8     | 1.4      |

**Table 10: Sensitivity Table for DGC's Per-Share Value and P/B Ratio**

|      |      |        | P/E     |         |         |         |         |
|------|------|--------|---------|---------|---------|---------|---------|
|      |      |        | 11.5    | 12.5    | 13.5x   | 14.5    | 15.5    |
| EPS  | 2025 | 8,333  | 95,827  | 104,159 | 112,492 | 120,825 | 129,158 |
|      | 2026 | 9,264  | 106,540 | 115,804 | 125,068 | 134,333 | 143,597 |
|      |      |        | P/B     |         |         |         |         |
|      |      |        | 1.5     | 2.0     | 2.5x    | 3.0     | 3.5     |
| BVPS | 2025 | 41,702 | 62,553  | 83,403  | 104,254 | 125,105 | 145,956 |
|      | 2026 | 47,877 | 71,816  | 95,755  | 119,693 | 143,632 | 167,571 |

**Figure 34: DGC 6-year P/B Ratio**


Source: Fiinpro, RongViet Securities

**Figure 35: DGC 6-year P/E Ratio**


Source: Fiinpro, RongViet Securities

## APPENDIX - COMPARABLE COMPANIES TO DGC

In this report, we use 12 companies, including diversified companies in the chemical and fertilizer sector, with business models closely similar to DGC as references for analysis and forecasting

### **Kunming Chuan Jin Nuo Chemical Co., Ltd. (SZSE: 300505)**

Kunming Chuan Jin Nuo operates in the production of phosphate fertilizers and industrial chemicals. Established in 2005, Kunming Chuan Jin Nuo currently owns a modern production plant system in Yunnan province (China), specializing in providing high-quality fertilizer and chemical products for domestic and international markets. Key products include phosphate fertilizers (DAP, MAP), technical phosphoric acid, and phosphate compounds used in the battery industry.

### **Yunnan Yuntianhua Co., Ltd. (SSE: 600096)**

Yunnan Yuntianhua is a Chinese group in the field of fertilizer and industrial chemical production, currently owning a large-scale production plant system in many provinces and cities in China with a total capacity of millions of tons of products per year. Key products include DAP, MAP, urea fertilizers, and industrial chemical products such as phosphoric acid, ammonium polyphosphate, etc.

### **Hubei Yihua Co., Ltd. (SZSE: 000422)**

Hubei Yihua was established in 1996. Currently, Yihua Chemical operates a large-scale production system in Hubei province, specializing in producing key products including urea, DAP, NPK fertilizers, and industrial chemicals such as PVC, industrial soda, etc...

### **Lam Thao Superphosphate and Chemicals JSC (HNX: LAS)**

Lam Thao Superphosphate and Chemicals JSC was formerly Lam Thao Superphosphate factory, established on June 24, 1962. The company's main activities are production and trading of fertilizers, chemicals, electricity, water, cement, gasoline, oil, and grease ; designing and constructing works; designing, manufacturing, and installing chemical production equipment and lines; hotel and restaurant business, etc.

### **Southern Fertilizer JSC (HOSE: SFG)**

Southern Fertilizer Joint Stock Company was formerly a State-owned enterprise under the Ministry of Industry and Trade - Vietnam National Chemical Group, established on April 19, 1976. On October 1, 2010, Southern Fertilizer Joint Stock Company officially transformed its production and business management model into a joint-stock company after 34 years of establishment. The company's main business areas are: Production of fertilizers and nitrogen compounds; Production of cement, lime, and gypsum; Production of basic chemicals; Wholesale of machinery, equipment, and other spare parts

### **Ninh Binh Phosphate Fertilizer JSC (HNX: NFC)**

Ninh Binh Phosphate Fertilizer Joint Stock Company was established in 1977 , NFC is one of the four largest phosphate fertilizer producers in Vietnam and a member of the Vietnam National Chemical Group. The company has a production capacity of 300,000 tons/year of fused phosphate fertilizer (FMP) and 200,000 tons/year of various NPK multi-nutrient fertilizers, with quality conforming to national standards and international regulations. The company's product consumption market is maintained and expanded annually. Specifically, the company's products are present in all 50 provinces and cities nationwide and are exported to foreign markets such as Japan, South Korea, Laos, and Cambodia.

### **Ca Mau Petroleum Fertilizer JSC (HOSE: DCM)**

Ca Mau Petroleum Fertilizer Joint Stock Company (HOSE: DCM), formerly Ca Mau Petroleum Fertilizer One Member Limited Company, directly under Vietnam National Oil and Gas Group, was established in 2011 to manage and operate Ca Mau Fertilizer Plant. The main business area is production, trading, and import-

export of fertilizers, petrochemicals, mainly serving the agricultural sector. Currently, the company's key product is granular urea, mainly distributed in the Mekong Delta, Southeast, Central Highlands, and Cambodia.

#### **DAP-VINACHEM JSC (UPCOM: DDV)**

In 2008, DAP-VINACHEM Joint Stock Company, formerly DAP-VINACHEM One Member Limited Company, was established. The company's main business areas include production of fertilizers, nitrogen compounds, and basic chemicals. DDV is also the first company in Vietnam to produce DAP fertilizer

#### **Van Dien Fused Phosphate Fertilizer JSC (HOSE: VAF)**

Van Dien Fused Phosphate Fertilizer Joint Stock Company's main business is the production and trading of fertilizers, with prominent products being fused phosphate fertilizer and various NPK fertilizers, mainly serving the domestic market

#### **Petrovietnam Fertilizer and Chemicals Corporation JSC (HOSE: DPM)**

Petrovietnam Fertilizer and Chemicals Corporation is a member unit of Vietnam National Oil and Gas Group. Established in 2003, DPM's main business activities are production and trading of fertilizers and chemicals. Currently, the Corporation's key products are granular urea fertilizer, NPK, Kali, SA, and DAP. Additionally, the company also produces liquid ammonia, UFC85/Formaldehyde chemicals, H<sub>2</sub>O<sub>2</sub>, chemicals used in oil and gas exploration activities, etc. DPM's main production activities are carried out at Phu My Fertilizer Plant, a direct subsidiary of the Corporation, located in Phu My 1 Industrial Park (Ba Ria – Vung Tau).

#### **Southern Basic Chemical JSC (HOSE: CSV)**

Southern Basic Chemical Joint Stock Company (CSV, formerly Southern Basic Chemical Company) was established in 1976 by the General Department of Chemicals. CSV's main business is production of industrial chemicals serving the needs of industries such as food, pharmaceuticals, domestic water treatment, wastewater treatment, paper production, and oil and gas. Currently, CSV is one of the leading basic chemical producers in Vietnam. The company is a member of the Vietnam National Chemical Group, thus receiving active support from the Group. CSV also has several traditional strategic partners, always ensuring orders for production activities.



**Table 11: Financial metrics of DGC and its industry peers**

| INDICATOR                    | 2019       | 2020       | 2021       | 2022       | 2023       | 2024       | Industry Average |
|------------------------------|------------|------------|------------|------------|------------|------------|------------------|
| <b>Weight</b>                | <b>15%</b> | <b>15%</b> | <b>15%</b> | <b>15%</b> | <b>20%</b> | <b>20%</b> |                  |
| <b>GROSS PROFIT MARGIN %</b> |            |            |            |            |            |            |                  |
| DGC                          | 20%        | 24%        | 33%        | 47%        | 35%        | 35%        | 33%              |
| Average                      | 18%        | 19%        | 25%        | 31%        | 19%        | 21%        | 22%              |
| Median                       | 16%        | 20%        | 27%        | 34%        | 16%        | 18%        | 21%              |
| <b>NET PROFIT MARGIN %</b>   |            |            |            |            |            |            |                  |
| DGC                          | 11%        | 15%        | 26%        | 42%        | 33%        | 32%        | 27%              |
| Average                      | 7%         | 8%         | 16%        | 23%        | 12%        | 12%        | 13%              |
| Median                       | 6%         | 9%         | 16%        | 23%        | 8%         | 10%        | 12%              |
| <b>DEBT/EQUITY</b>           |            |            |            |            |            |            |                  |
| DGC                          | 21%        | 28%        | 13%        | 4%         | 11%        | 6%         | 13%              |
| Average                      | 26%        | 21%        | 11%        | 11%        | 9%         | 14%        | 15%              |
| Median                       | 26%        | 13%        | 9%         | 7%         | 8%         | 11%        | 12%              |
| <b>ROE %</b>                 |            |            |            |            |            |            |                  |
| DGC                          | 18%        | 25%        | 48%        | 67%        | 28%        | 24%        | 34%              |
| Average                      | 11%        | 12%        | 26%        | 39%        | 10%        | 13%        | 18%              |
| Median                       | 8%         | 10%        | 23%        | 37%        | 7%         | 12%        | 16%              |
| <b>ROA %</b>                 |            |            |            |            |            |            |                  |
| DGC                          | 12%        | 17%        | 33%        | 51%        | 21%        | 19%        | 25%              |
| Average                      | 8%         | 8%         | 19%        | 29%        | 8%         | 10%        | 13%              |
| Median                       | 5%         | 7%         | 17%        | 28%        | 5%         | 9%         | 11%              |
| <b>P/E</b>                   |            |            |            |            |            |            |                  |
| DGC                          | 12.7x      | 22.4x      | 4.3x       | 6.2x       | 13.4x      | 12.7x      | 12.1x            |
| Average                      | 53.3x      | 36.4x      | 5.6x       | 4.8x       | 20.2x      | 17.7x      | 22.6x            |
| Median                       | 18.2x      | 25.5x      | 4.9x       | 5.1x       | 14.7x      | 12.7x      | 13.5x            |
| <b>P/B</b>                   |            |            |            |            |            |            |                  |
| DGC                          | 2.1x       | 4.9x       | 1.6x       | 3.3x       | 3.5x       | 2.7x       | 3.0x             |
| Average                      | 1.6x       | 3.6x       | 1.5x       | 2.2x       | 2.5x       | 2.1x       | 2.3x             |
| Median                       | 1.6x       | 3.7x       | 1.6x       | 2.4x       | 2.7x       | 2.3x       | 2.4x             |

Source: Finnpro, RongViet Securites

VND bn

| INCOME STATEMENT     | FY2023       | FY2024       | FY2025F       | FY2026F       |
|----------------------|--------------|--------------|---------------|---------------|
| <b>Net revenue</b>   | <b>9,748</b> | <b>9,865</b> | <b>11,018</b> | <b>12,681</b> |
| COGS                 | 6,311        | 6,415        | 7,245         | 8,514         |
| <b>Gross Profit</b>  | <b>3,437</b> | <b>3,449</b> | <b>3,773</b>  | <b>4,168</b>  |
| SG&A expense         | 581          | 618          | 690           | 794           |
| Finance income       | 739          | 649          | 599           | 633           |
| Finance expense      | 32           | 22           | 34            | 41            |
| Other Profits        | -1           | -12          | -14           | -16           |
| <b>EBT</b>           | <b>3,495</b> | <b>3,400</b> | <b>3,581</b>  | <b>3,888</b>  |
| Corporate income tax | 243          | 293          | 308           | 272           |
| Minority of interest | <b>142</b>   | <b>121</b>   | <b>103</b>    | <b>88</b>     |
| <b>NPAT-MI</b>       | <b>3,110</b> | <b>2,987</b> | <b>3,170</b>  | <b>3,528</b>  |
| EBIT                 | 2,789        | 2,784        | 3,030         | 3,313         |
| EBITDA               | 3,141        | 3,161        | 3,476         | 3,871         |

| FINANCIAL RATIOS               | FY2023 | FY2024 | FY2025F | FY2026F |
|--------------------------------|--------|--------|---------|---------|
| <b>YoY growth</b>              |        |        |         |         |
| Net sales                      | -32.5% | 1.2%   | 11.7%   | 15.1%   |
| EBITDA                         | -48.9% | 0.6%   | 10.0%   | 11.4%   |
| EBIT                           | -52.4% | -0.2%  | 8.8%    | 9.3%    |
| NPAT-MI                        | -44.1% | -4.0%  | 6.0%    | 11.2%   |
| Total assets                   | 16.4%  | 1.4%   | 15.2%   | 14.9%   |
| Total equity                   | 11.1%  | 13.8%  | 15.6%   | 14.8%   |
| <b>Profitability ratios</b>    |        |        |         |         |
| Gross margin                   | 35.3%  | 35.0%  | 34.2%   | 32.9%   |
| EBITDA margin                  | 32.2%  | 32.0%  | 31.5%   | 30.5%   |
| EBIT margin                    | 28.6%  | 28.2%  | 27.5%   | 26.1%   |
| Net margin                     | 31.9%  | 30.3%  | 28.7%   | 27.7%   |
| ROA                            | 19.9%  | 18.9%  | 17.4%   | 16.8%   |
| ROE                            | 25.8%  | 21.8%  | 20.0%   | 19.4%   |
| <b>Efficiency ratios</b>       |        |        |         |         |
| Days AR on hands               | 23.1   | 22.5   | 22.5    | 22.5    |
| Days Inventory on hands        | 53.6   | 52.3   | 52.3    | 52.3    |
| Day AP                         | 14.9   | 14.3   | 14.3    | 14.3    |
| <b>Liquidity ratios</b>        |        |        |         |         |
| Current                        | 3.6    | 6.2    | 6.0     | 6.0     |
| Quick                          | 3.3    | 5.7    | 5.5     | 5.5     |
| <b>Solvency ratios</b>         |        |        |         |         |
| Total liabilities/Total equity | 0.3    | 0.2    | 0.2     | 0.2     |
| Short-term debt/Total equity   | 0.1    | 0.1    | 0.1     | 0.1     |
| Long-term debt/Total equity    | 0.0    | 0.0    | 0.0     | 0.0     |

VND bn

| BALANCE SHEET                  | FY2023        | FY2024        | FY2025F       | FY2026F       |
|--------------------------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents             | 1,061         | 116           | 1,141         | 2,967         |
| Short-term investment          | 9,342         | 10,570        | 10,570        | 10,570        |
| Receivables                    | 718           | 500           | 680           | 783           |
| Inventories                    | 855           | 985           | 1,039         | 1,221         |
| Tangible fixed assets          | 2,105         | 2,152         | 2,045         | 3,852         |
| Intangible fixed assets        | 356           | 374           | 431           | 431           |
| Long-term investment           | 0             | 0             | 0             | 0             |
| Other long-term assets         | 356           | 374           | 431           | 431           |
| <b>TOTAL ASSETS</b>            | <b>15,601</b> | <b>15,821</b> | <b>18,225</b> | <b>20,941</b> |
| Trade payables                 | 190           | 313           | 284           | 334           |
| Short-term debt                | 1,328         | 865           | 1,059         | 1,232         |
| Long-term debt                 | 0             | 0             | 0             | 0             |
| Other long-term payables       | 70            | 67            | 67            | 67            |
| Bonus & welfare funds          | 375           | 462           | 517           | 595           |
| Science and technology Fund    | 0             | 0             | 0             | 0             |
| <b>TOTAL LIABILITIES</b>       | <b>3,563</b>  | <b>2,120</b>  | <b>2,388</b>  | <b>2,758</b>  |
| Paid-in capital                | 3,798         | 3,798         | 3,798         | 3,798         |
| Treasury shares                | 0             | 1             | 2             | 3             |
| Retained earnings              | 5,999         | 7,205         | 9,342         | 11,687        |
| Other Funds                    | 1,268         | 1,281         | 1,281         | 1,281         |
| Investment & development funds | 973           | 1,417         | 1,417         | 1,417         |
| <b>TOTAL CAPITAL</b>           | <b>12,037</b> | <b>13,701</b> | <b>15,837</b> | <b>18,183</b> |
| Minority of interest           | 330           | 343           | 446           | 534           |

| VALUATION RATIOS   | FY2023 | FY2024 | FY2025F | FY2026F |
|--------------------|--------|--------|---------|---------|
| EPS (VND/share)    | 8,190  | 7,864  | 8,333   | 9,264   |
| P/E (x)            | 13.4   | 12.7   | 13.5    | 11.7    |
| BV (VND/share)     | 31,696 | 36,076 | 41,702  | 47,877  |
| P/B (x)            | 3.5    | 2.7    | 2.5     | 2.3     |
| DPS (VND/share)    | 4,671  | 6,437  | 2,707   | 3,089   |
| Dividend yield (%) | 2.8    | 3.2    | 2.5     | 2.5     |

| VALUATION MODEL                 | Price          | Weight | Average |
|---------------------------------|----------------|--------|---------|
| P/E                             | 112.492        | 50%    | 56.246  |
| P/B                             | 104.254        | 50%    | 52.127  |
| <b>Target price (VND/share)</b> | <b>108.400</b> |        |         |

| VALUATION HISTORY | PRICE | RECOMMENDATION | TIME |
|-------------------|-------|----------------|------|
|-------------------|-------|----------------|------|

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This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

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|------------------------------------------------------|------|------------|-------------|-------|
| Total Return including Dividends in 12-month horizon | >20% | 5% to 20%  | -20% to -5% | <-20% |

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