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. $FePO_4$ product quality approved by LFP manufacturers but profitability remains low

DGC's $FePO_4$ quality has been approved by partners in Japan, Taiwan, and South Korea. The company has started supplying $FePO_4$ to LFP battery manufacturers in these markets; however, profit margins remain low due to an oversupply of $FePO_4$ 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 1st 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

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