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# Sector report **CONSTRUCTION & CONSTRUCTION MATERIALS**

## Outlook 2024: **Promising**

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## CONTENT

- Sector's operating results overview
- Public investment and key projects
  - Infrastructure construction: HHV, VCG, C4G
  - Industrial park & Residential construction: CTD, HBC, FCN



## The industry net revenue and net profit of 2023 decreased 12% and 26% yoy respectively

Unit: trillion VND

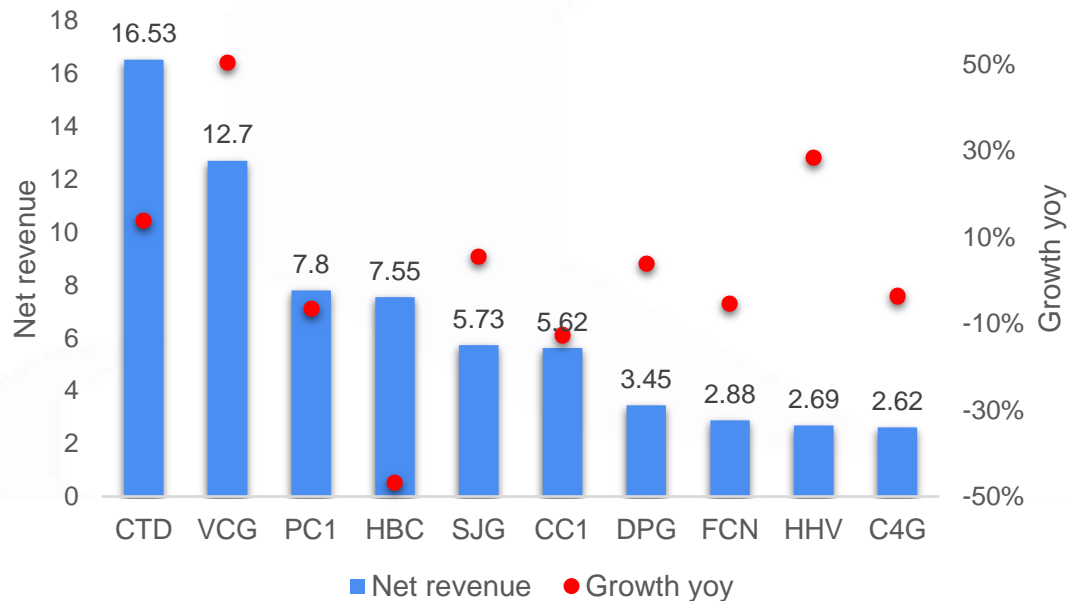
	Q1.23	Q2.23	Q3.23	Q4.23	2023	2022
Net revenue	46.4	64.7	61.9	86.8	260.8 (↓ 12%)	296.3
Net profit	1.16	2.97	2.73	3.42	10.59 (↓26%)	14.35
Inventory	82.2	82.4	89.5	86.1	86.5	90.9

During our research time, there are **129 listed and 469 unlisted** construction and building materials companies on the stock exchange. In this sector, we will only consider listed firms and firms trading on UPCOM.

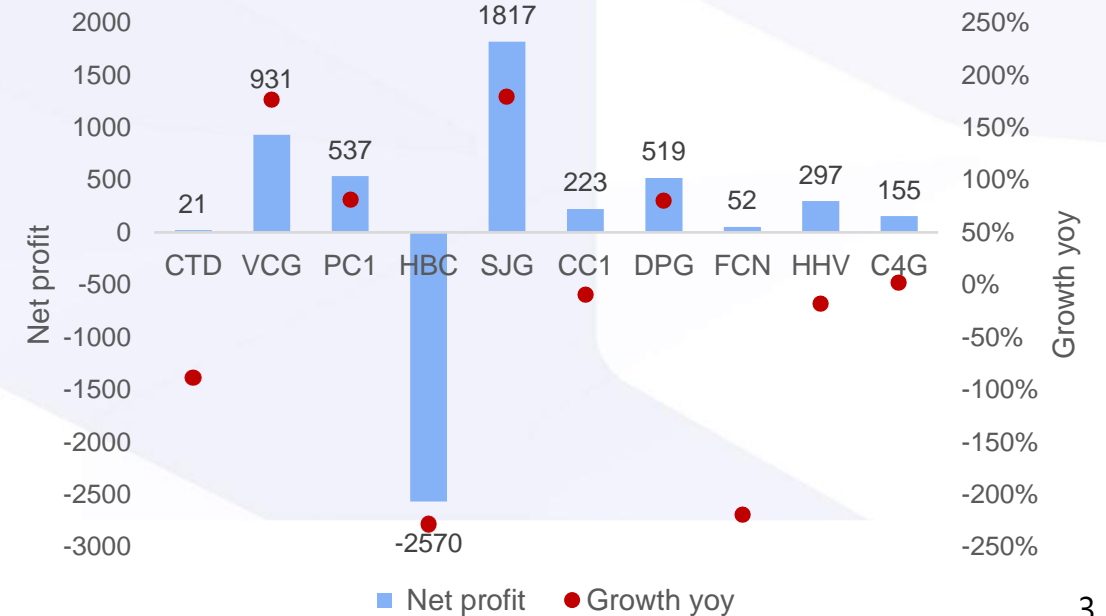
Overall, the majority witnessed decline in their performance results (even the top ones like HBC, CC1 and FCN). Other top companies remain strong growth, namely VCG, SJG and DPG). The differentiation of performance relies on their constructing sectors and harsh competition among firms which work in the same sector. While most of residential and industrial zone construction witness severe decline, majority of infrastructure firms showed stability or slight decline in their performance results.

Source: GTJASVN, FiinPro

Net revenue of top firms in 2023 (trillion VND)



Net profit of top firms in 2023 (billion VND)



## Disbursement of public investment continues to be a top priority in 2024, which infrastructure construction sector will benefit from

Public investment disbursement in 2023 (billion VND)



**Public investment disbursement value** in 2023 reached 81.8% of the disbursement plan. The low capital disbursement results is mainly due to: (1) Lack of drastic policy mechanisms on implementation, (2) Difficulties in determining land prices for compensation and site clearance, (3) Problems with backfill soil mining permits according to the 2010 Mineral Law as well as other construction material increased in price and transportation distances are longer, causing a large economic disadvantage for contractors.

Although the number didn't reach the government plan of 95%, this was the highest ratio since 2020. We believe this will be a motivation for continuous growth of public investment value in 2024.

### Key national infrastructure projects

Long Thanh Airport is one of the key projects with total investment value of 336,630 billion VND and is expected to be able to compete with major airports in Southeast Asia such as Changi (Singapore), Suvarnabhumi (Thailand). The goal of this project is to launch an international airport with a large capacity and a transit point for international flights.

Other key projects expressway like North – South Expressway, Ring Road 3, Ring Road 4 help to reduce traffic pressure on city's inner roads. They also promote the formation of new satellite cities, drawing population from the central urban area to the suburb and form a vital transportation network in the country.

Project	Investment value (billion VND)	Estimate time
Long Thanh International Airport	336,630	2014 – 2025
North-South Expressway	147,000	2023 - 2025
Ring Road 3 - Ho Chi Minh City	75,400	2023 - 2026
Ben Luc – Long Thanh Expressway	31,000	2021 - 2035
Ring Road 4 - Hanoi	86,000	2023 - 2027
Khanh Hoa - Buon Ma Thuot Expressway	21,900	2023 - 2026

## Major contractors constructing North- South Expressway projects include HHV, VCG, C4G, etc.



Project components	Investment value (billion VND)	Estimate implementing time	Contractor
Quảng Ngãi - Hoài Nhơn	20,400	Jan 2023- 2025	HHV
Hậu Giang - Cà Mau	17,152	Jan 2023- 2025	PVV, 620, Hai Dang, etc.
Quy Nhơn - Chí Thạnh	14,802	Jan 2023- 2025	CC1, SDT
Vũng Áng - Bùng	12,548	Jan 2023- 2025	Hai Son, VCG
Hoài Nhơn - Quy Nhơn	12,401	Jan 2023- 2025	Hai Son
Vân Phong - Nha Trang	11,808	Jan 2023- 2025	Hai Son, VCG
Diễn Châu - Bãi Vọt	11,000	May 2021- 2024	C4G
Chí Thạnh - Vân Phong	10,700	Jan 2023- 2025	HHV
Cần Thơ - Hậu Giang	10,230	Jan 2023- 2025	G36
Vạn Ninh - Cam Lộ	9,919	Jan 2023- 2025	CC1, Truong Son, Truong Thinh, etc.
Hàm Nghi - Vũng Áng	9,734	Jan 2023- 2025	Xuan Truong, Tu Lap, C71
Bùng - Vạn Ninh	9,361	Jan 2023- 2025	C4G
Cam Lâm - Vĩnh Hảo	8,900	Sep 2021- 2024	HHV
Bãi Vọt - Hàm Nghi	7,643	Jan 2023- 2025	VCG
Nghi Sơn - Diễn Châu	7,293	Jul 2021- 2023	Hai Son, HHV, C4G

Source: GTJAS VN, baogiaothong.vn

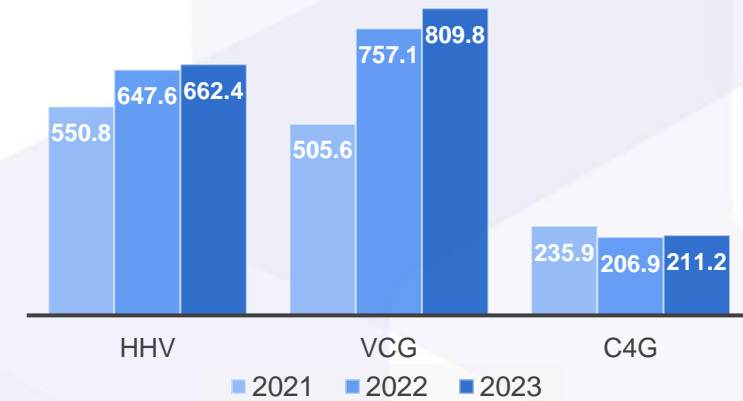
## Operating results of top infrastructure firms showed slight decline in 2023 but expected to recover in 2024 thanks to key public investment projects

Interest expenses of the top 3 infrastructure construction companies increased, (VCG's interest expenses are 2.4 times higher than net profit in 2023, at HHV it is 1.8 times, at C4G it is 1.4 times). Rising interest costs have reduced net profit margin, especially for VCG.

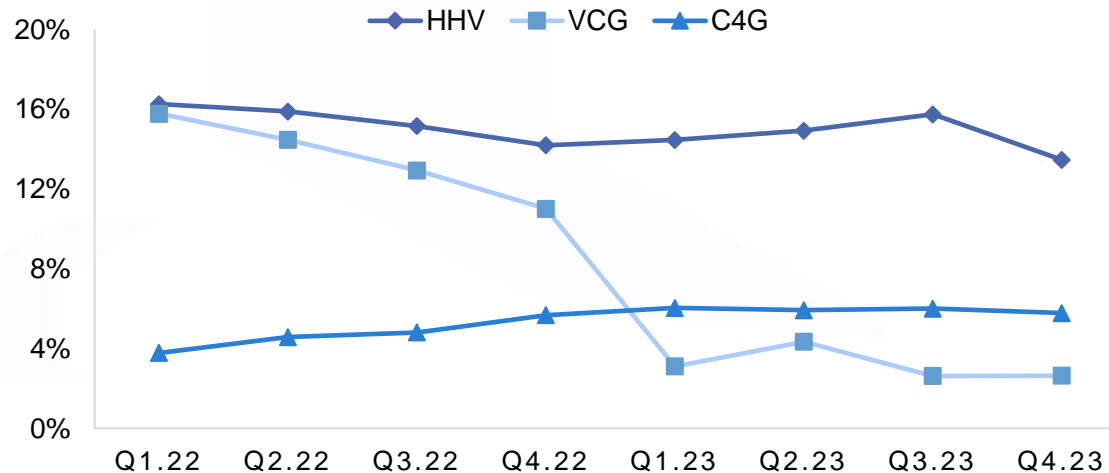
Rising raw material prices put pressure on the cost of goods sold, so the gross profit margin of most construction companies has decreased. VCG witnessed a sharp decline due to the increase in cost of construction activities from 5.9 trillion to 8.6 trillion VND. C4G shows better operating efficiency than the other two businesses, but the growth rate is still quite modest.

HHV's receivables turnover was very positive in H1.2023, however, this number begins to decline sharply at the end of the year. VCG has quite positive receivables turnover, on the contrary, C4G shows a slight decline.

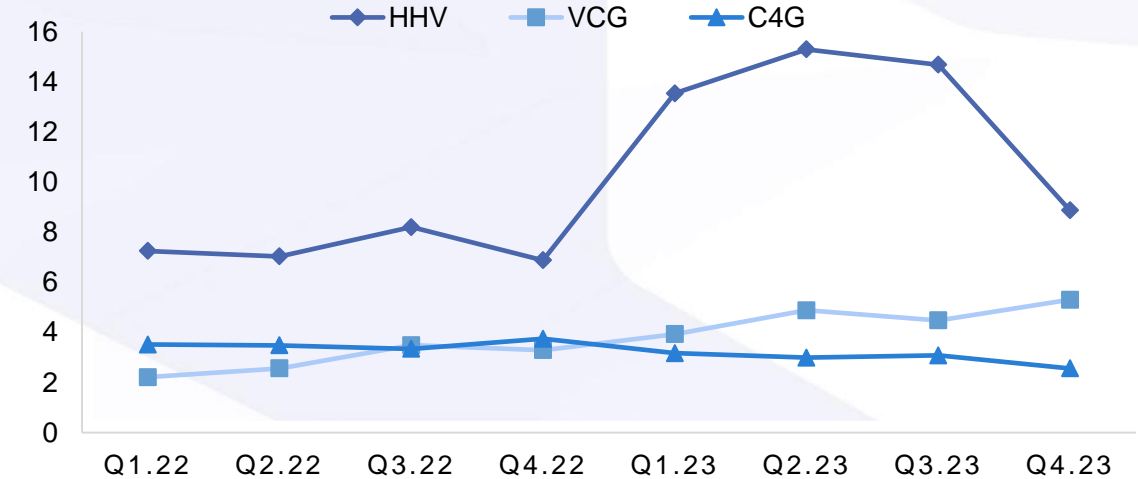
Interest expenses (billion VND)



NET PROFIT MARGIN TTM

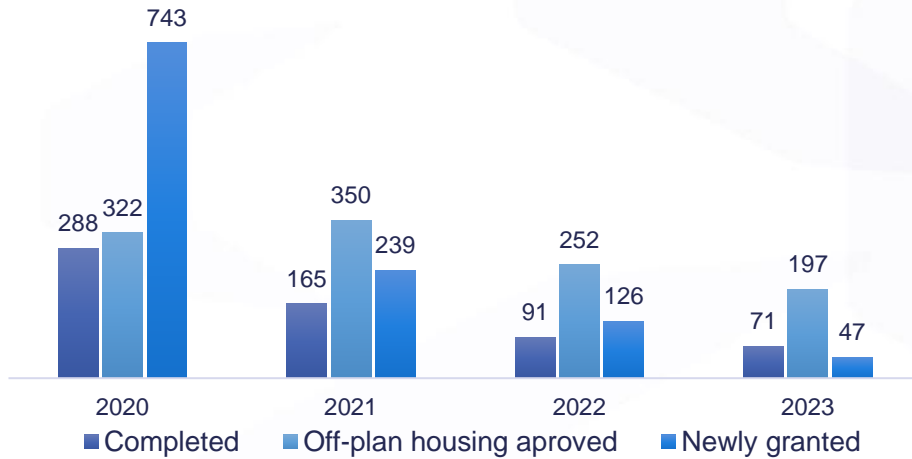


RECEIVABLES TURNOVER TTM

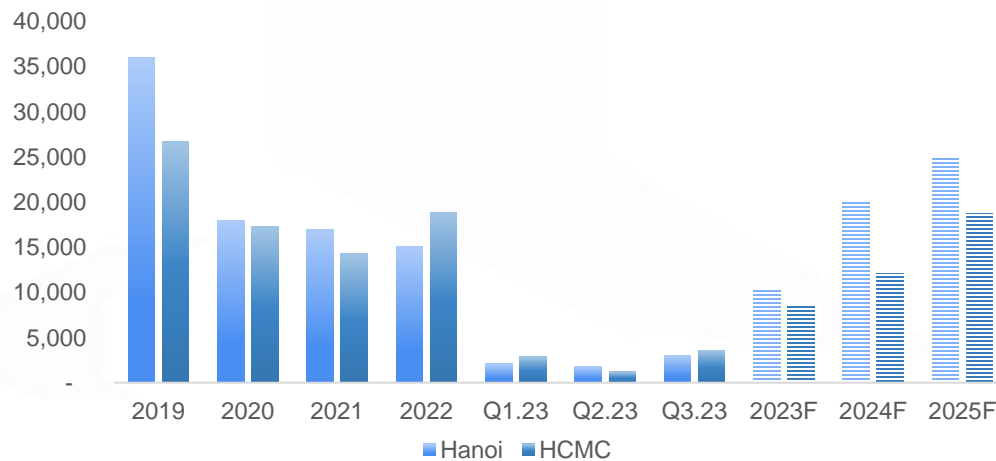


**Apartment prices reached a high in 2023 due to high input costs for materials, labor, and construction as well as lengthy legal and procedural costs. Supplies in 2024 might see a slow recover with supporting policies for real estate from the government**

**Number of commercial housing projects**



**APARTMENT SUPPLIES IN HANOI AND HCMC**



96% of Q3's new supply came from the high-end segment and the remaining 4% was in the luxury segment, from projects in Thu Thiem New Urban Area, The Mett and The Hallmark. New supply will see improvement in 2024, mainly from new urban areas in the East and South of Ho Chi Minh City, including An Hung Residence (Nha Be District) and Global City in the next stages. (Thu Duc City). The Land Law (amended) expects that the supply will soon be unlocked, when more than 50% of projects with legal problems come from difficulties in determining land prices. The law also emphasizes and provides more specific regulations on bidding for investor selection, making access to land funds fair for businesses with good financial foundation and implementation capacity. In addition, the extension of tightened implementation time will minimize the problem of investors massively gathering land but being slow to deploy.

Credit package of 120,000 billion VND for investors, social housing buyers, worker housing, by the end of February 2024, more than 500 billion VND will be disbursed. The State Bank (SBV) has issued official dispatches and directives, and will continue to direct credit institutions to actively deploy loans

Our research team predicts that the absorption rate in 2024 will reach a gradual growth rate because real housing demand of home buyers always remains there. The average housing price is likely to decrease as the proportion of affordable housing and social housing increases.

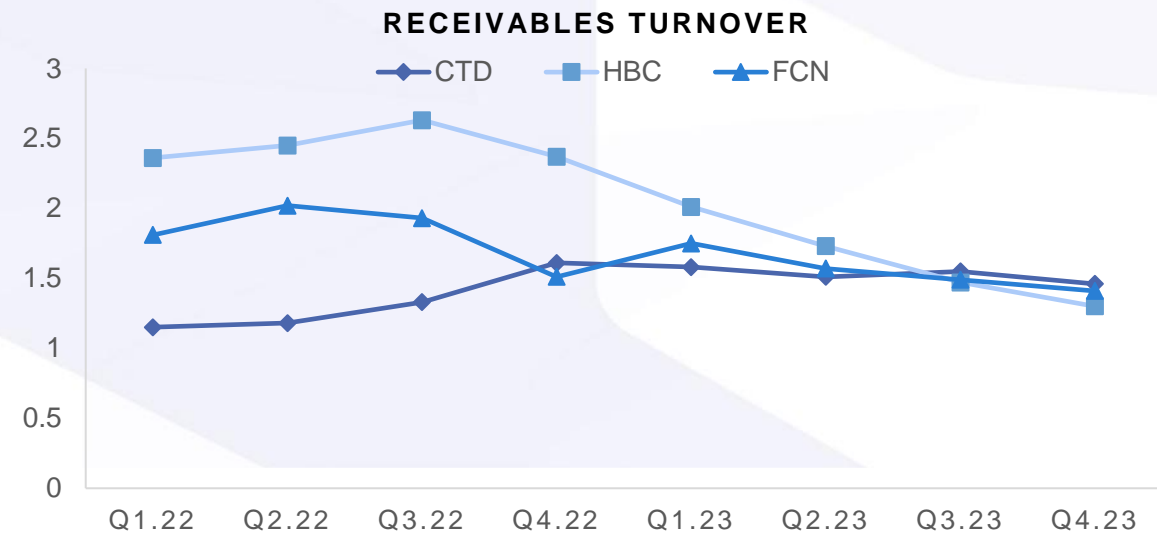
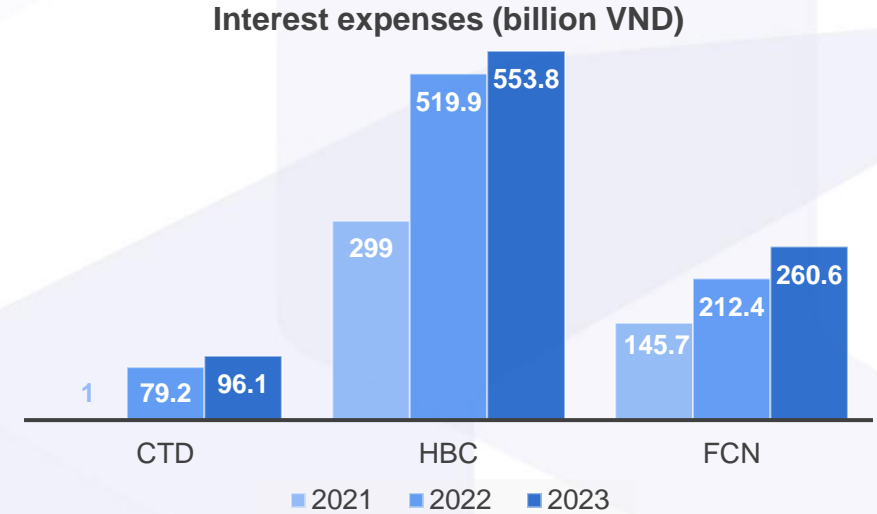
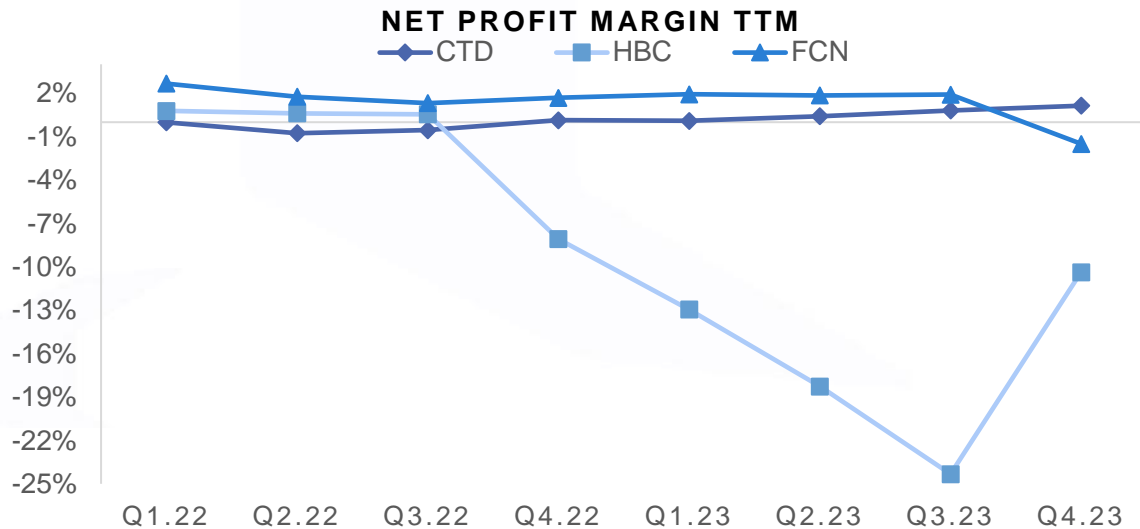
Source: GTJAS VN, moc, CBRE, Savills, Vnexpress.net



## Business results of residential and industrial parks construction firms in 2023 were gloomy, yet soon recover in 2024 with numeral new projects being launched

Net profit margins of HBC and FCN both decreased, only CTD maintained a slight increase. In Q4.23, HBC recorded a reversal of provision for bad debts of VND 310 billion, which helped restore profit margin at the end of 2023. In general, interest expenses increased, especially with HBC, the main reason is due to strong fluctuations in construction material prices during the year. Receivables turnover is also on the decline from the beginning to the end of the year.

The situation of civil construction and industrial parks is expected to be better in 2024 thanks to new projects being implemented by businesses. Namely, Dong Van III Industrial Park, total investment capital of 2,320 billion VND; Hoang Mai II industrial park, Nghe An province, total investment capital of the project is 1,900 billion. Industrial land recorded positive absorption, expected to maintain positive trend in 2024. In the first 9 months of 2023, tenants from China, Japan, America and Europe are active investors searching for industrial land, warehouses, factories in Vietnamese market. With Vietnam continuing to strengthen cooperation with comprehensive strategic partners such as the US, Korea, and China recently, tenants from these countries are expected to continue to lead industrial real estate market in the future.



Source: GTJAS VN, CBRE, companies reports



## Deo Ca Traffic Infrastructure Investment JSC (HSX:HHV)

Current price	15,400
High/Low 52 weeks	17,370/ 10,940
Target price	18,000
Capitalization (billion VND)	6,340
1 month avg. volume (million)	8.3
Outstanding shares (million)	411.68

### Top shareholders

Hai Thach BOT Investment JSC	20.11%
Nguyen Quoc Anh	17.64%

	HHV	Industry	VNI
P/E	16.8x	41.8x	14.9
P/B	0.8x	1.4x	1.8
ROE	4.9%	2.1%	12.3%
ROA	0.9%	0.7%	2.2%

## Price performance



## Investment thesis

### Policies promoting public investment disbursement will stimulate demand for infrastructure construction in 2024

We expect public investment disbursement in 2024 to continue to grow due to stronger disbursement around the end of 2023 and continued momentum in 2024.

### Large backlog value will boost HHV's business results in the 2024-2025 period

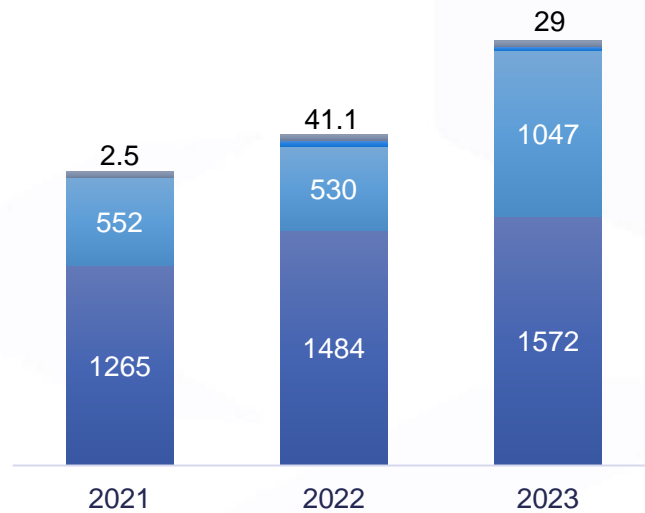
HHV's remaining projects include the Quang Ngai - Hoai Nhon route, the North-South Eastern Expressway component projects (Phase 2), the newly signed contracts will mainly come from Dong Dang - Tra Linh, Huu Nghi - Chi Lang and Tan Phu - Bao Loc with a total estimated construction value for HHV estimated at about 5,800 VND. With contracts worth VND 16 trillion expected to be completed in 2026, HHV will have stable business results.

**HHV is currently trading at a P/E of 16.8 times - lower than the industry average of 41.8 times, a reasonable P/B of 0.8 times**

## Company overview

HHV belongs to the ecosystem of Deo Ca Group - one of the leading corporations in transportation infrastructure with a total investment of projects to date of more than 50,000 billion VND, in charge of high technical requirements projects such as Deo Ca tunnel, Cu Mong tunnel, Hai Van tunnel, etc. The enterprise is currently managing 30km of traffic tunnels, 400km of expressways and national highways. The main revenue of the business comes from BOT stations, construction activities and maintenance activities.

## Revenue structure by business segment (billion VND)



## Profit structure by business segment (billion VND)



■ BOT fee ■ Construction ■ Maintainance ■ Others

Deo Ca Transport Infrastructure Investment Joint Stock Company (HHV) has revenue and profit coming from three main business activities:

- BOT fee collection (accounting for about 60-70% of revenue; 90% of profit)
- infrastructure construction (accounting for about 30-40% of revenue; 5-10% of profit)
- operation and maintenance (accounting for less than 2% of revenue and profit)

Revenue from the BOT segment has been on the rise in the past 3 years due to the significant increase in traffic volume at stations after the period affected by the Covid-19 pandemic. Currently, HHV owns shares in 4 BOT projects including (1) Deo Ca Tunnel; (2) Bac Giang - Lang Son Expressway; (3) Phuoc Tuong-Phu Gia Tunnel; (4) expanding National Highway 1A (NH1A) in Khanh Hoa province.

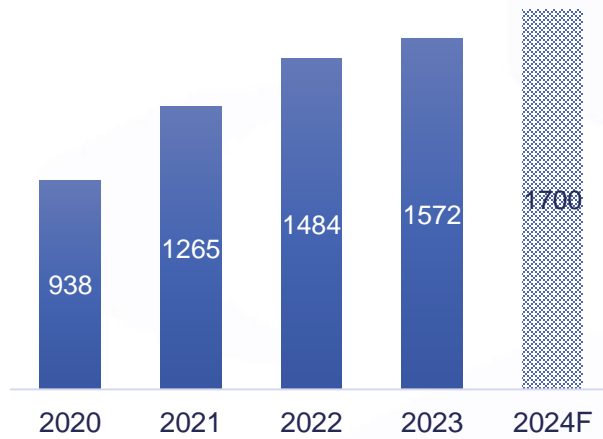
Most notably, the construction segment's profit will increase sharply in 2023 (+79% yoy) thanks to the continuous implementation and construction of infrastructure projects:

- Construction of Dong Dang - Tra Linh expressway project with a total investment of 21,615 billion VND
- General contractor of Cam Lam - Vinh Hao expressway with a total investment of 8,925 billion VND
- Binh Dinh coastal project with total contract value of more than 1,081 billion VND
- 3,800 billion VND bidding package of Quang Ngai - Hoai Nhon expressway project

## Capital mobilization plan

In January 2024, HHV issued an additional 82.3 million shares to existing shareholders at an offering price of 10,000 VND/share with an implementation ratio of 4:1. The number of shares registered to buy by existing shareholders reached 91.34% of the total number of shares offered. HHV has earned more than 752 billion VND, expected to be used to contribute capital to invest in project enterprises, supplementing capital to serve the company's activities.

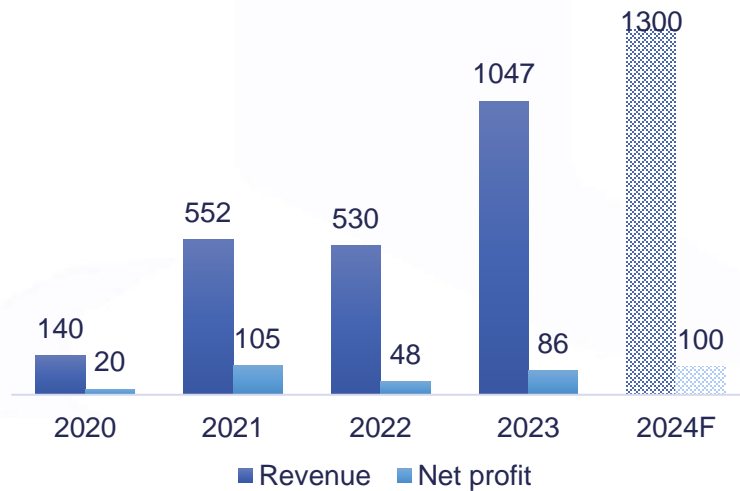
Expected revenue of BOT segment (billion VND)



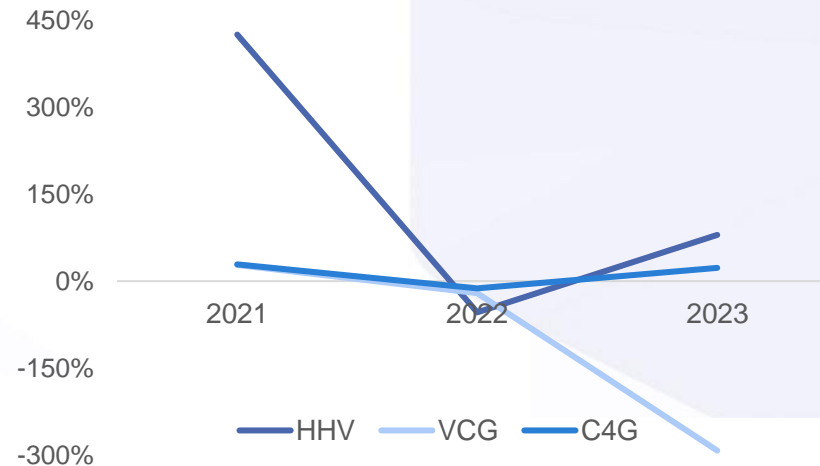
We expect construction revenue to increase by 24% to VND 1,300 billion in 2024 with the Cam Lam - Vinh Hao, Quang Ngai - Hoai Nhon, Dong Dang - Tra Linh, and Binh Dinh coastal road projects. Construction segment net profit will recover from the bottom in 2022, equivalent to companies in the same industry, and is expected to maintain a 4-year average growth rate, equivalent to 2024 growth of +16% svck.

We recommend **BUY** with HHV shares, valuing P/E at 16.9 times, forward P/B at 0.8 times. Target price for 6-18 months is 18,000 VND/share, purchase price 15,000-15,500 VND, expected profit rate is 20%.

Estimated revenue and profit of construction segment (billion VND)



Gross profit of construction segment - compared with other companies (billion VND)



**Potential:** 1) signing other bidding projects with high investment levels; 2) Successfully mobilized capital for investment in Public Private Partnership (PPP) projects.

**Risks:** 1) construction progress is slower than planned; 2) construction material prices increased higher than expected

### CONTENT

→ Overview

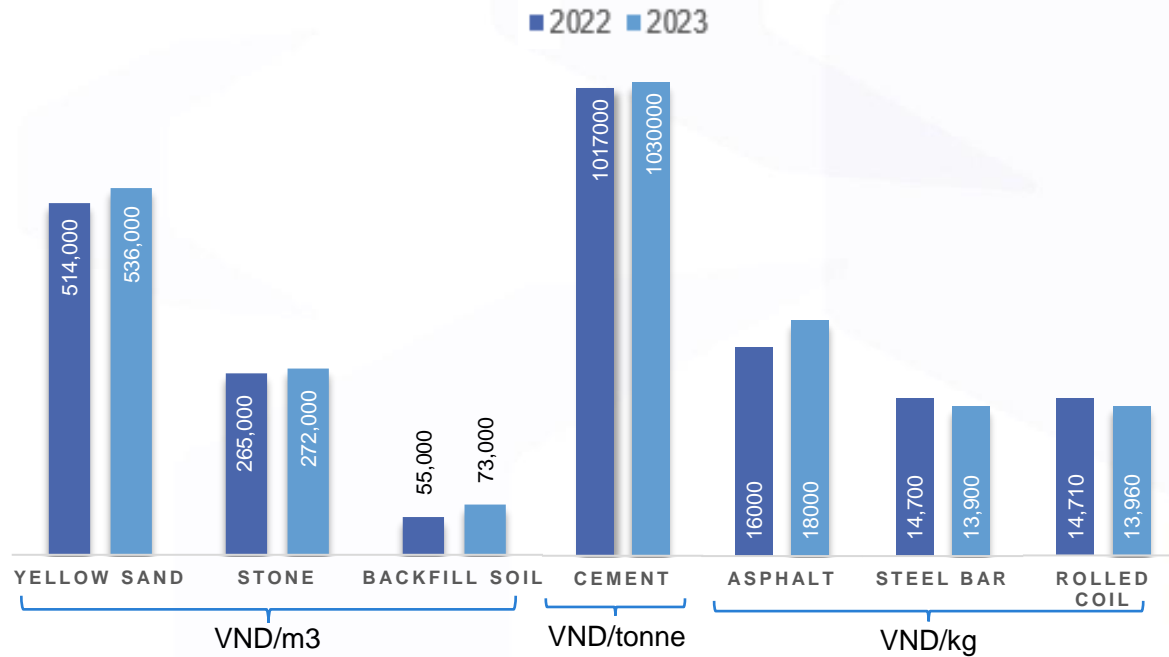
→ Steel industry outlook

→ Other materials outlook



## Prices of construction materials are expected to continue to rise in 2024 due to large demand from key infrastructure projects

Average prices of some main construction materials in Hanoi



Construction Price Index of Da Nang in December 2023 (based on 2020=100%)



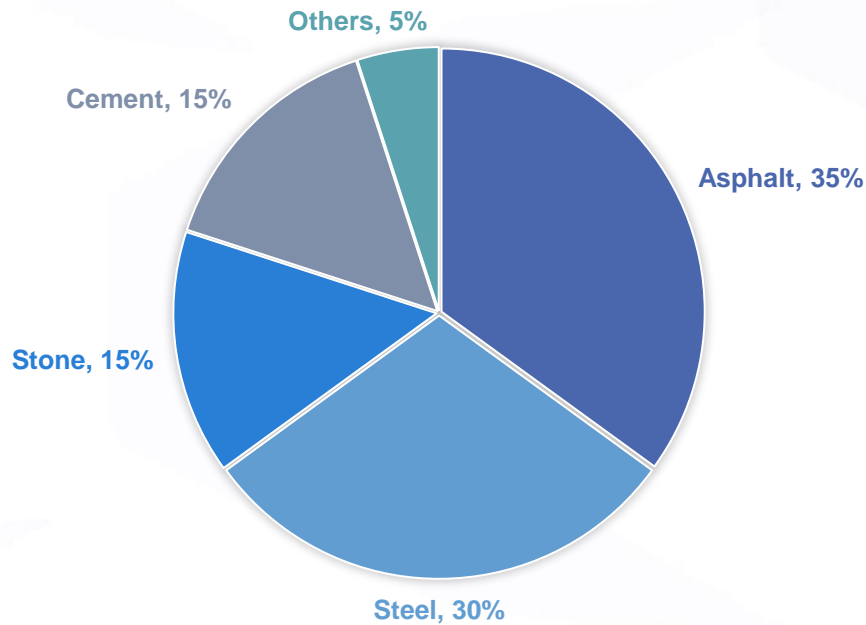
According to the GSO, construction material prices index in June 2023 increased 6.6% yoy. The price of sand and construction stone fluctuated strongly due to the scarcity of supply and increased construction demand (the average price of sand in 2023 increased by 4.3%). According to the Ministry of Construction, construction stone prices in the first quarter of 2023 increased by 2.7% compared to the end of 2022. Steel prices dropped sharply during Q2 and Q3 of 2023 due to a serious decline in domestic consumption, as well as the real estate market has not yet stabilized. As for Q4.2023, steel prices recorded a slight increase due to high input materials and renting houses prices.

The prices of main construction materials like sand, asphalt and stone witnessed increases compared to 2020 and are expected to continue to increase in 2024 due to large demand from key infrastructure projects that have been started simultaneously across the country in 2023.

## Construction materials firms will benefit from public investment stimulation in 2024, especially asphalt, steel and stone companies

In the cost structure of transport infrastructure, the cost of asphalt used is about 35%, construction steel is 30%, cement and construction stone are both about 15%, the remaining is backfill soil and other costs (calculated based on the provisions for construction of reserve costs in Information 09/2019/TT-BXD and the cost configuration of high-speed projects that have been implemented in the period 2015-2018 ).

MATERIAL CONSTRUCTION COST STRUCTURE FOR BUILDING INFRASTRUCTURE DURING 2015-2018



2024 is considered a pivotal year to complete the medium-term public investment plan for the period 2021 - 2025 and also start building a medium-term public investment plan for the period 2026 - 2030 (there are expected to be 6 more airports by 2030 and by 2050 there will be 31 airports). Investment bottlenecks of previous years have been removed, the contracting process has been accelerated, the exploitation of new soil and rock mines has been licensed, etc. Our research team expects businesses in the asphalt, steel, stone and cement industries to benefit from this trend.

Main asphalt producing firms in Vietnam include PLC, ADCo, ICT. Among those, PLC is the only listed firm in the stock exchange and accounted for about 30% market share.

Top stone mining firms in Vietnam include KSB, DHA and VLB. These firms are owning core stone quarries near key infrastructure projects like Long Thanh Airport and Ring Road 3.

# Construction materials

## Steel

Outlook:

**Promising**



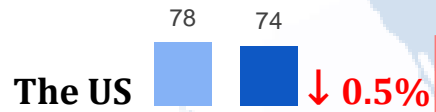
## Content

- 👁️ **World steel production overview and Demand outlook**
- 👁️ **Global steel trade**
- 👁️ **Prices of steel products**
- 👁️ **Production results and consumption outlook for Vietnam**
- 👁️ **Top steel companies in Vietnam**

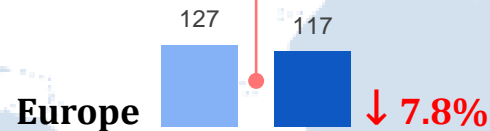
The World Steel Association forecasts that steel demand will grow by 1.9% to 1,849.1 Mt in 2024



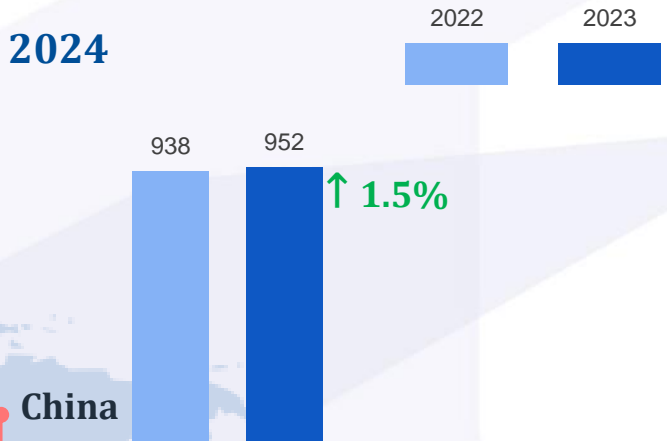
In 2024, Russia will see a deteriorating economic environment due to restrictions on the import of spare parts. The steel use in Ukraine is helped by relocation of businesses, and development of new logistics routes. Forecasts 2024 have been revised upwards for both Russia and Ukraine, but significant revisions are possible depending on the course of the war.



Residential construction is expected to contract in 2024. However, commercial building sector, infrastructure and automotive sector is expected to continue its post-pandemic recovery. Steel demand is expected to grow by 1.6% in 2024.

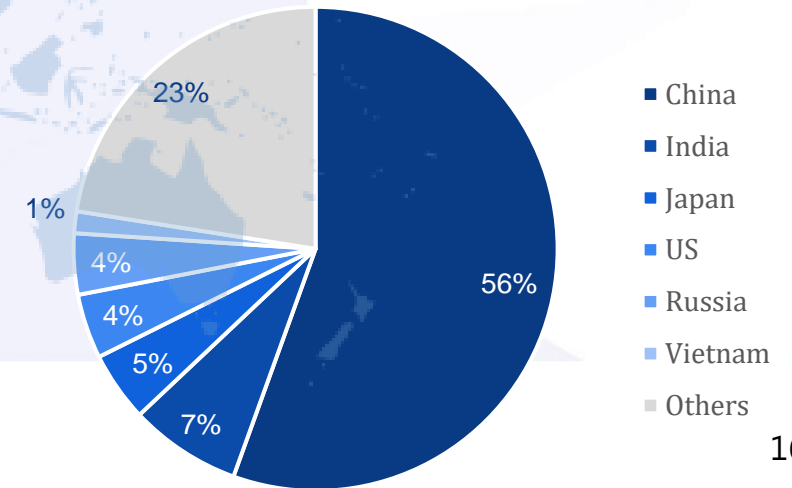


With monetary policy expected to remain tight, a rebound in real demand is not foreseen, but as destocking cycles end, a technical rebound will enable positive growth in steel demand in 2024 (5.8%)



Key real estate indicators like land sales, housing sales and new construction will continue to suppress steel demand in 2024. The outlook for 2024 is uncertain.

Steel production 11M.2023





## China and Vietnam's net export in 2023 has increased whereas other top exporting countries in 2022 witnessed decline

Net steel export by countries in 2022 (million tons)



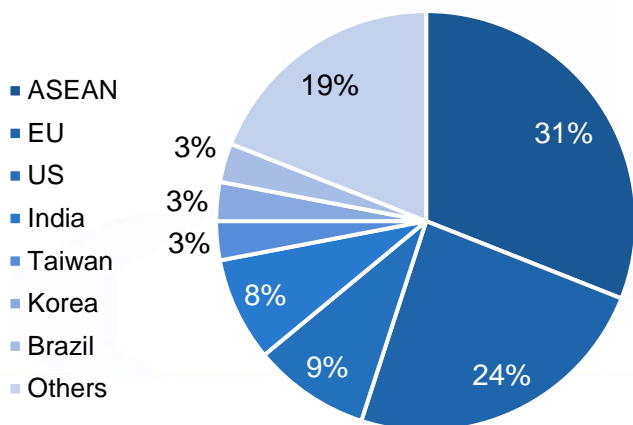
### Overview

- In 2023, Chinese increased their exports by 36.2% yoy, reaching 90.3 million tons – the highest level since 2016. Net export reached 82.7 million tons. High rate exports in 2023 was caused by (1) low prices for steel products compared to other exporting countries, and (2) weak domestic demand throughout the year.
- Vietnam exported 11.1 million tons of steel in 2023, +32.6% yoy. Imports reached 13.3 million tons, +14.1% yoy.
- ASEAN is Vietnam's largest steel export market, accounting for 31% of the export market share in 2023.

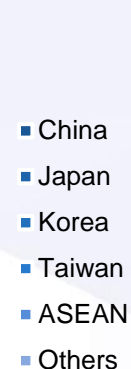
### Outlook

- Chinese strong exports likely to sustain as (1) Chinese materials being price competitive, (2) elevated steel production but sluggish domestic property new home demand.
- ASEAN's steel demand is expected to increase by 5.2%. Export output will also improve in the first quarter of 2024 due to the increasing difference between steel prices in North America and Europe and steel prices in Vietnam.
- There are several new steelmaking facilities coming on stream in Southeast Asia and India. This could lead to more competition for local supply in these markets. Emerging economies in Asia, including Vietnam, are expected to be resilient in demand growth.

Main export markets of Vietnam in 2023



Main import markets of Vietnam in 2023



Source: GTJASVN, CISA, VSA

### Prices of input materials from 2022-2023



## Overview

- Iron ore and coking coal account for BOF's main operating expenses (27%; 17% respectively). While scrap steel is EAF's main cost (70%).
- Rebars and rolled coil prices of HPG witness increases during the last 3 months of 2023.

## Outlook

- UBS forecasted iron ore price at US\$120 per ton for 2024. As for coking coal, we forecast its price is expected to average at \$USD300 per ton in 2024 as slowing steel production growth in importing nations (except India) will cap coking coal demand, and thus prices. That being said, Fitch does not expect a full price collapse as supply will remain tight globally.

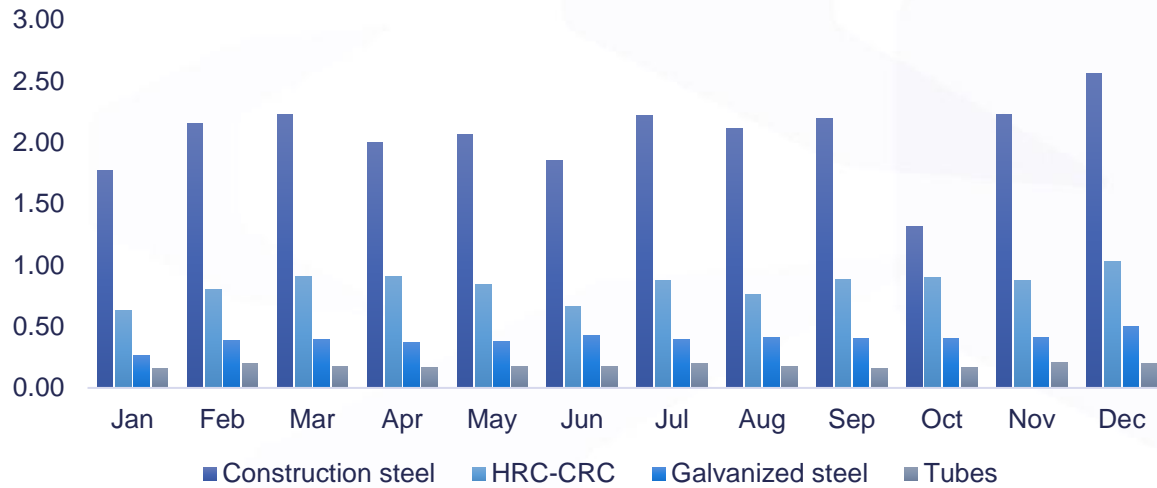
### Prices of steel bar and rolled coil of HPG



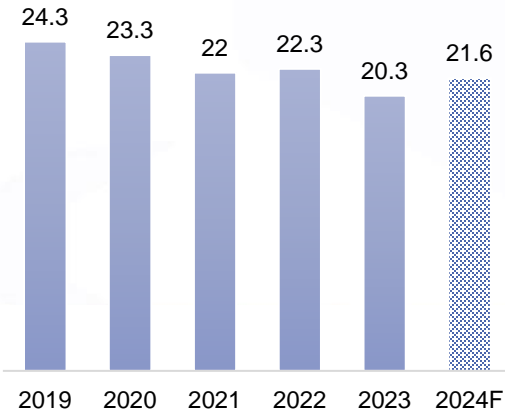
- Decreasing input price come from weakening demand. The medium-term outlook reflects the longer time needed for additional capacity to come on line, which means there will be no oversupply until then.
- In the long term, coking coal prices are expected to decrease in tandem with global blast furnace production growth. As green hydrogen rises to prominence, reliance on coking coal with drop.

It is forecasted that in 2024, steel production and consumption may reach 29 million tons and 21.6 million tons, up 6.7% and 7.4% respectively compared to 2023

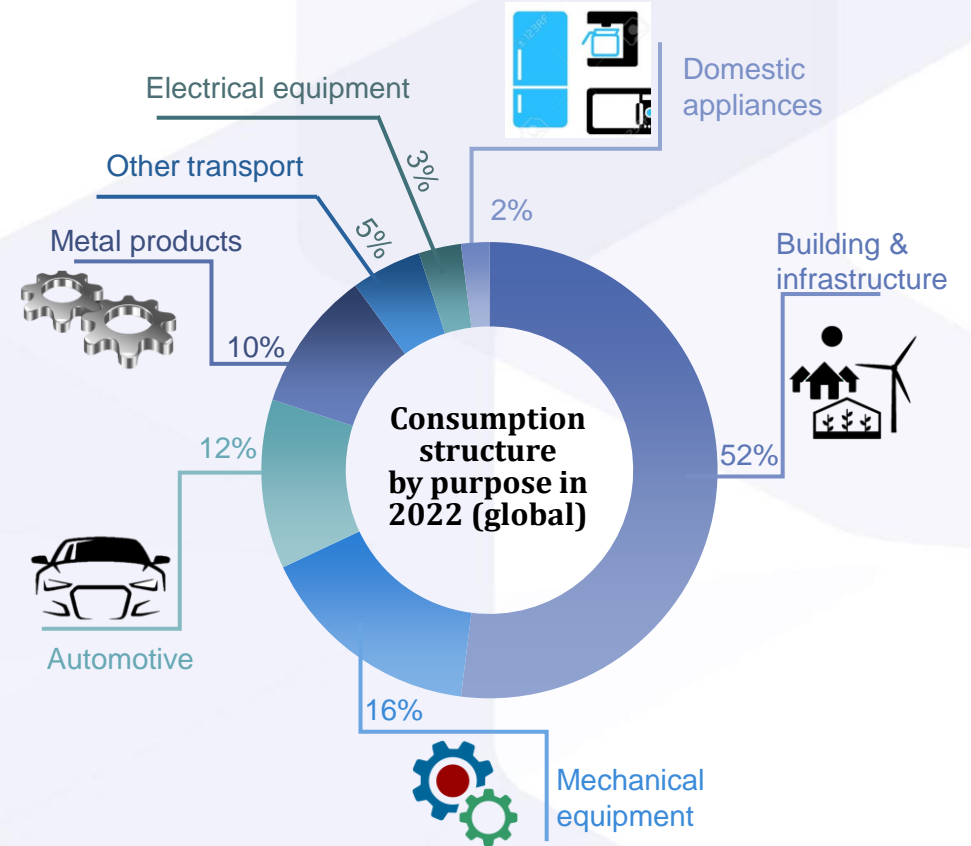
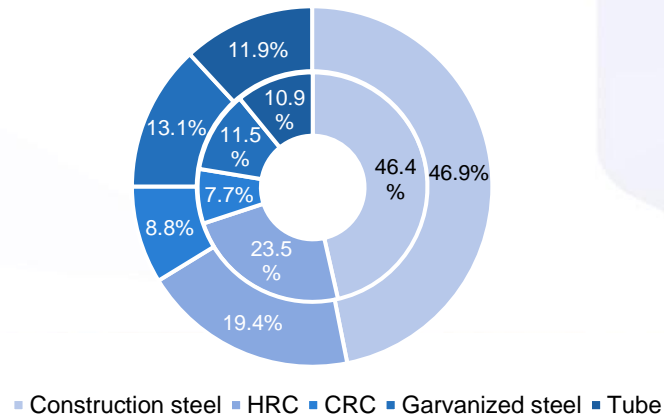
Steel production by types in Vietnam in 2023 (million tons)



Steel consumption in Vietnam 2023 (million tons)

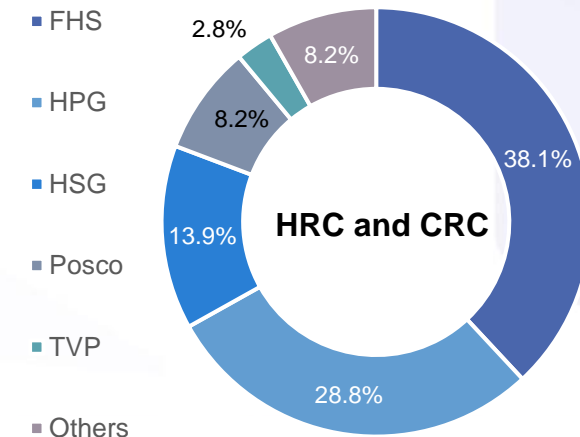
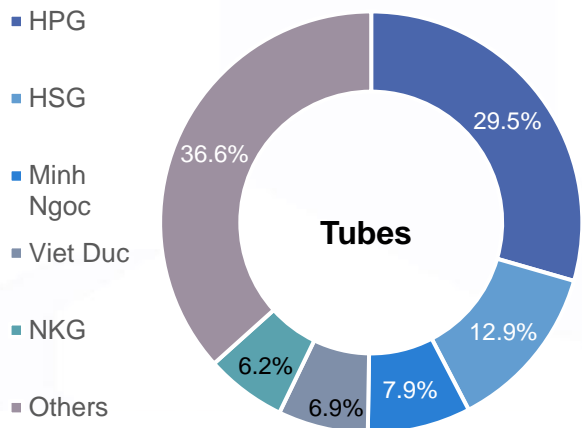
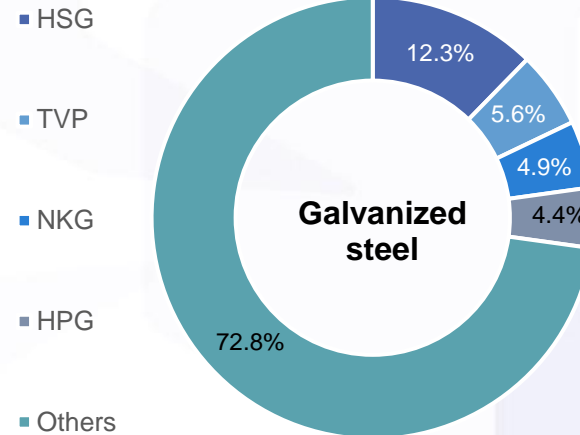
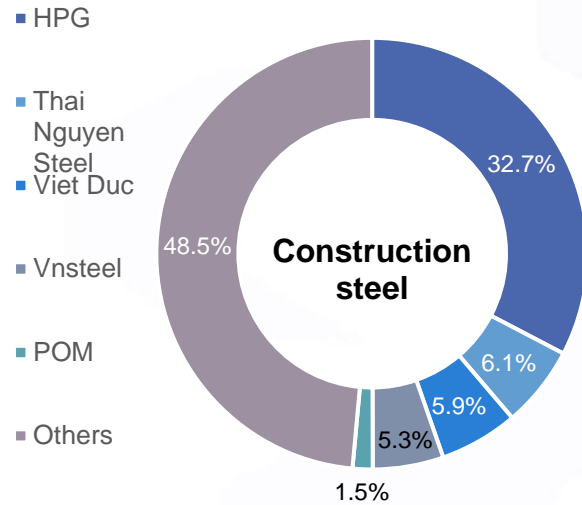


Consumption structure by products (inside: 2022, outside: 2023)



Source: World steel, VSA, Fiiipro, muathep.vn, GTJAS VN

## Top market shares by products in 2023 (domestic use only)



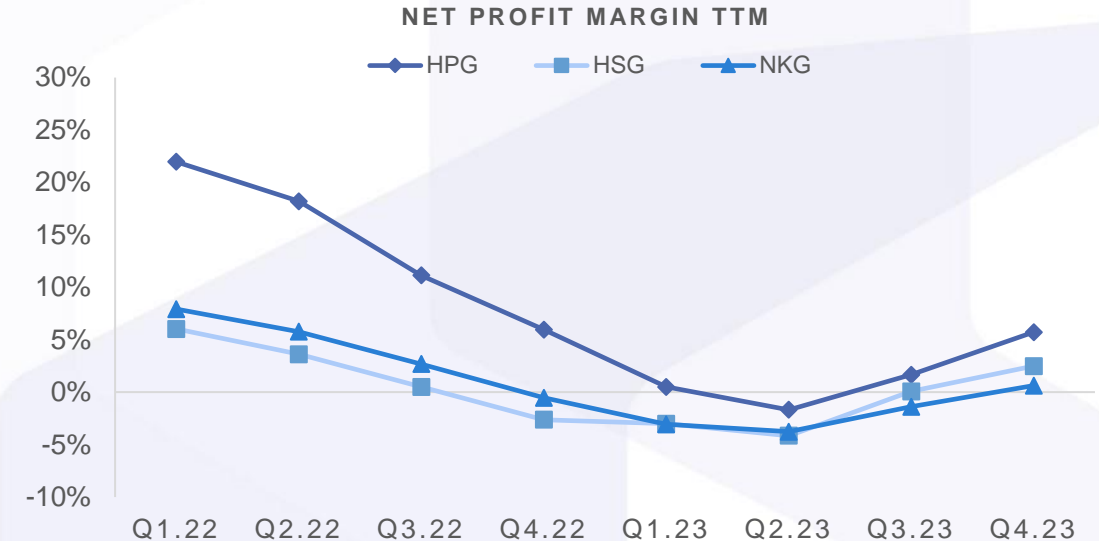
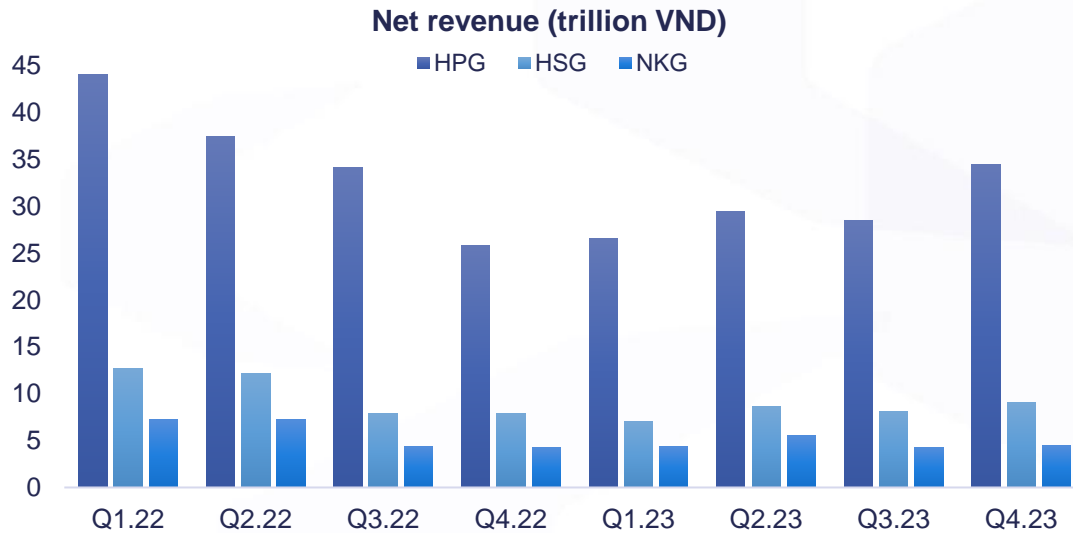
For businesses listed on the Vietnam stock exchange, HPG ranks first in the market share providing two types of construction steel products and steel pipes (holding 32.7% of the construction steel market share, 29.5% of the steel pipe market share) and at the same time far ahead of the remaining competitors in the industry.

For galvanized steel products, HSG, TVP and NKG are the three big players in this field, led by HSG, providing 12.3% of galvanized steel to the market in 2023. HSG also provides a large amount of pipes. steel after HPG.

HRC and CRC steel are mainly supplied by FHS and HPG with market shares of 38.1%, 24.2% respectively. It is expected that with HPG's plan to build Dung Quat 2 factory, HRC output will increase sharply after optimizing the capacity of Hoa Phat Dung Quat 1 Iron and Steel Production Complex project from 4 million tons to 6 million tons. million tons/year, the total capacity of Hoa Phat Dung Quat 1 and 2 is 11.6 million tons/year, an increase of 48% of current capacity.

Regarding steel exports, the leader is HPG with export volume of 1 million tons of HRC and 0.8 million tons of construction steel. Following is the export volume of galvanized steel with HSG exporting 0.7 million tons and NKG exporting 0.5 million tons.

## Driving forces for steel industry to grow in 2024 include recovery of residential construction and Dung Quat 2 project of HPG to strengthen their position as the largest steel manufacturer in Southeast Asia



HPG's profit margin dropped sharply and had a slow recovery due to 1) Weak domestic construction demand led to falling steel prices and strong competition from imported Chinese steel; 2) High prices of input materials such as iron ore and coking coal; 3) Rising electricity costs put pressure on the steel manufacturing industry (accounting for about 10% of cost price). Although business results have bottomed out, the recovery process is taking place very slowly. According to a recent share from Hoa Phat Group Joint Stock Company, as of December 2023, the Hoa Phat Dung Quat 2 Iron and Steel Production Complex project has completed 40% of progress. Dung Quat 2 project has a scale of over 280 hectares, design capacity of 5.6 million tons of steel/year, including 4.6 million tons of HRC and 1 million tons of special steel. Total investment capital of the project is 85,000 billion VND. Once completed, Hoa Phat Group's steel production capacity will reach more than 14 million tons of crude steel/year, firmly consolidating its position as the largest steel manufacturer in Southeast Asia and among the Top 30 largest steel manufacturers in the world.

Profit margins of galvanized steel exporting enterprises such as HSG and NKG are showing good recovery momentum. The main reason is thanks to the strong recovery of steel imports from the EU and US in the context of domestic supply shortage.

The domestic real estate industry's gradual recovery is a foundation for industry demand in 2024. The real estate construction market is gradually removing difficulties thanks to revised policies. New apartment supply is forecast to increase again. This helps demand for construction materials to recover in the coming quarters. The driving force for growth largely comes from the recovery of the residential construction market.

## Hoa Phat Group (HSX: HPG)

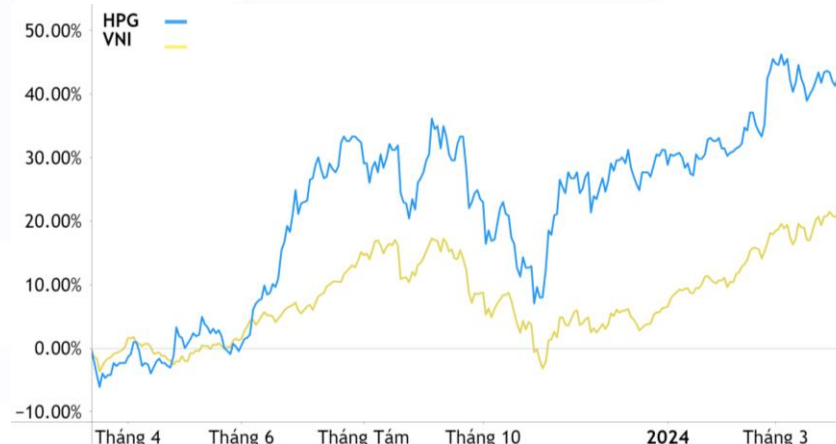
Current price	30,400
High/Low 52 weeks	31,400/ 20,350
Target price	33,000
Capitalization (billion VND)	176,769
1 month avg. volume (million)	28.7
Outstanding shares (million)	5,814

### Top shareholders

Trần Đình Long	25.8%
Vũ Thị Hiền	6.88%

	HPG	Industry	VNI
P/E	25.86	39.65	14.9
P/B	1.72	1.45	1.8
ROE	6.84%	-1.05%	12.3%
ROA	3.82%	0.64%	2.2%

## Price performance



## Company overview

Hoa Phat holds the No. 1 market share in Vietnam in construction steel and steel pipes, Top 5 manufacturers of galvanized steel sheets. In 2021, Hoa Phat Dung Quat iron and steel complex completed, increasing Hoa Phat's total crude steel capacity to 8.5 million tons/year - the largest in Southeast Asia. Hoa Phat is researching and developing difficult technical steel lines such as screws, rolled rebar steel bars... The goal is to master modern technology lines to meet the diverse needs of the market.

## Investment thesis

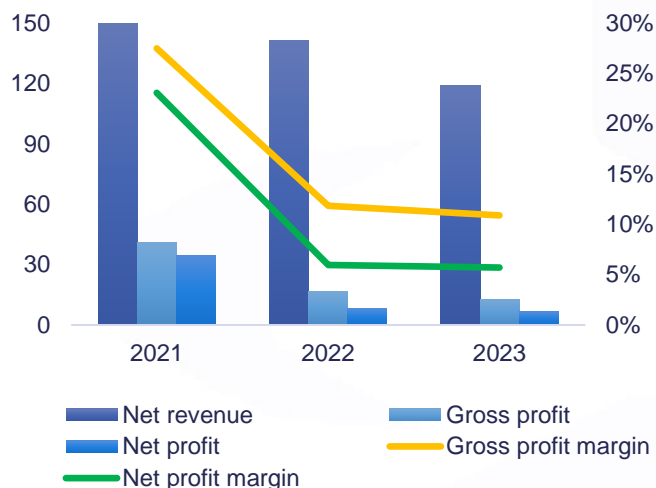
**In difficult market condition, businesses in the same industry reported net losses for the whole year 2022, Hoa Phat still maintained a positive profit margin of 6%**

The ratio of profit after tax to net revenue in 2022 reaches 6%. In a difficult market context, businesses in the same industry reported net losses for the whole year 2022; The above profit margin shows the Group's efforts in cost management and the advantages that come from its scale and closed production process from upstream.

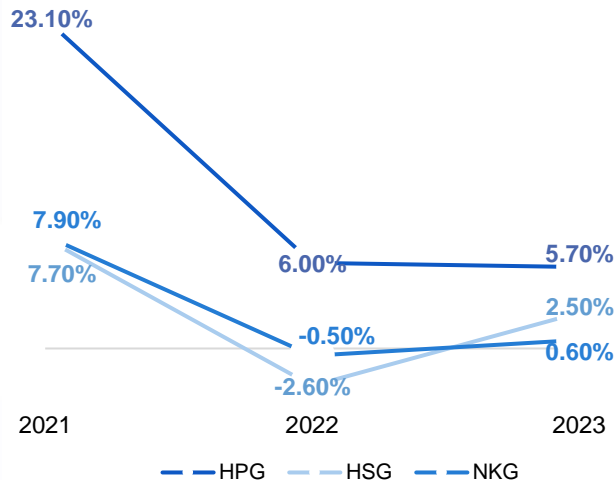
**Hoa Phat Dung Quat 2 iron and steel production complex is expected to increase its total capacity to 14.5 million tons/year, an increase of 70% of current capacity**

In early 2022, the group invested in the Hoa Phat Dung Quat 2 Iron and Steel Production Complex project, with a capacity of 5.6 million tons of hot rolled steel/year, increasing the total capacity to about 14.5 million tons/year, with the ambition to dominate HRC supply domestically, ranked in the Top 30 largest steel enterprises globally.

### HPG business results (trillion VND)



### NET PROFIT MARGIN



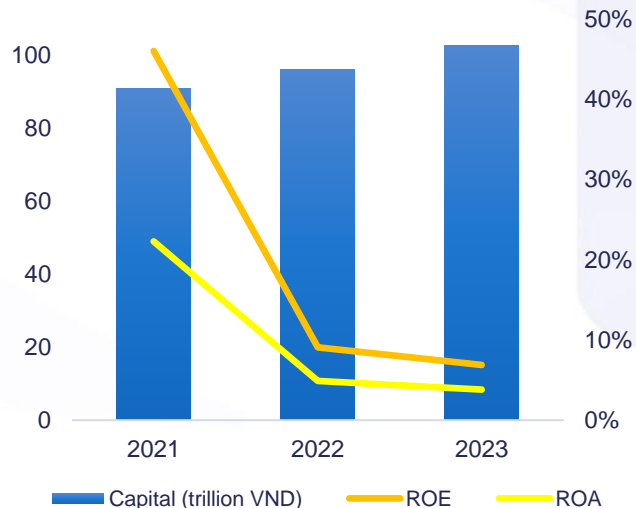
The ratio of profit after tax to net revenue in 2023 will reach 5.7%, down slightly compared to 6.0% in 2022. In a difficult market context, businesses in the same industry reported net losses for the whole year 2022, HPG still maintained get a positive profit margin. This shows the group's efforts in cost management and the advantages that come from its scale and closed production process from upstream.

The fact that profits of the entire steel industry declined sharply in 2022 and have not yet recovered in 2023 is a consequence of the decline in both demand and steel selling prices along with rising raw and fuel costs and developments at the beginning of the year. From mid-May 2022, construction steel prices began to plummet 25% compared to the high mark of the beginning of the year. By 2023, steel prices remained at the bottom of 14,000 VND/kg of construction steel. To minimize negative impacts from the market, the Group has implemented measures to cut production and reduce high-priced inventory.

### Asset structure (trillion VND)



### Operating efficiency



The year 2022 recorded a decrease in short-term assets of 15%, mainly coming from a decrease in inventory value (accounting for 43% of current assets) due to Hoa Phat's tightened inventory management policy. By the end of 2023, the asset structure gradually be in balance, short-term assets accounting for 44%, long-term assets accounting for 56%. This is a suitable and typical asset structure of the heavy industrial manufacturing industry. The scale of total assets gradually increased thanks to investment in the construction of the Hoa Phat Iron and Steel Complex Project in Dung Quat.

In 2022 and 2023, Hoa Phat's ROE index reached 9% and 6.9% respectively, down from 46% in 2021. The decrease in ROE index reflects a difficult business year for the Group when the consumer market declines. The Group's ROA index also decreased to 3% while this coefficient in the same period in 2021 was 22.3%.

**Hoa Phat Dung Quat 1 complex** with a scale of nearly 400 hectares, total investment capital of 86,000 billion VND, design capacity of 6 million tons/year, including 3 million tons of hot rolled steel and 3 million tons of construction steel and high quality steel. The complex has been deployed since 2017 and will be in full operation from the first quarter of 2021.

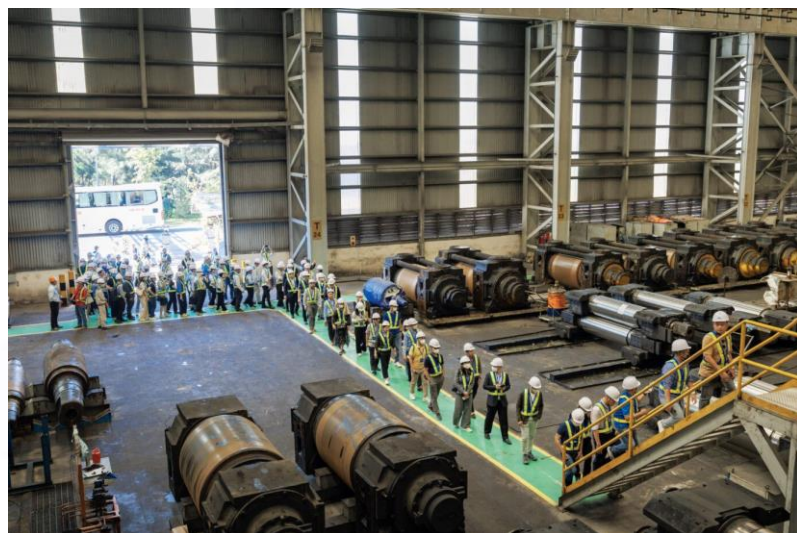
The absolute advantage of the Complex is having a deep-water seaport that allows ships of 200,000 tons to dock, easily transporting input materials and output products to domestic and foreign markets.

The Group is implementing the **Hoa Phat Dung Quat 2 Iron and Steel Complex** project (located next to Dung Quat 1 project) with a scale of over 280 hectares, total investment capital of 85,000 billion VND. Deployed from 2022, the project's design capacity is 5.6 million tons of high-quality hot-rolled steel coils/year.

With the progress of the Dung Quat 2 project, the Company's leaders said that by March 2024, the project has reached over 50% of all main items. Currently, Hoa Phat is focusing its efforts on synchronous implementation with hundreds of domestic and foreign contractors and partners, both constructing and installing equipment. It is expected that phase 1 of the project will go into synchronous operation from Quarter 1/2025.



*Hoa Phat Dung Quat specialized port*



*Project scale, modern production line of QSP steel rolling factory*

Expected to be completed in the first quarter of 2025, Hoa Phat's crude steel production capacity will reach over 14.5 million tons per year, including 8.6 million tons of HRC, contributing to helping Vietnam's mechanical engineering industry become self-sufficient. own the source of raw materials right in the domestic market. Hoa Phat will maintain stable construction steel output and promote cold-rolled steel production, making Hoa Phat the leading HRC manufacturer in Vietnam.

We recommend **BUY** with HPG shares with a 6-18 month target price of 34,500 VND/share, purchase price of 29,500-30,000 VND, expected profit rate of 15%.





## Other construction materials

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👁️ ASPHALT

👁️ CONSTRUCTION STONES

## PLC owned 7 factories producing asphalt widely distributed across the country. We expect the business's 2024 revenue to return to the same high level as in 2022

In the Vietnamese market, the main asphalt manufacturers include Asphalt Supply Company Limited (ADCo) (100% foreign capital), ICT Asphalt Trading Company, Transmeco Asphalt One Member Company Limited and Petrolimex Petrochemical Company (Sticker: PLC) - the only asphalt enterprise listed on the stock exchange and accounting for about 30% of Vietnam's asphalt market share (data published in 2021).

In PLC's revenue structure, the Asphalt segment accounts for the majority and tends to increase in 2022 and 2023, equivalent to 48% of the whole year's revenue.

The period 2023 - 2025 is forecasted to be a period of high growth for asphalt products because key transportation projects have accelerated construction progress and disbursement of capital, many highways will be completed and operate in April 30 - May 1, September 2. Faced with the above opportunity, PLC owned 7 factories producing synchronous asphalt products widely distributed across the country with a distance of one factory every 300km. We expect the business's 2024 revenue to return to the same high level as in 2022.

Sales structure of PLC (trillion VND)



Operating results



Source: GTJASVN, PLC reports

## The advantage will be for businesses owning quarries near Long Thanh international airport

### Important quarries position in Dong Nai



The Ministry of Transport estimates that the demand for construction stone in the period 2023 - 2025 is about 21.5 million m<sup>3</sup>. More specifically, the Long Thanh airport project and Ring Road 3 of Ho Chi Minh City are expected to use 2.04 million m<sup>3</sup> and 5.2 million m<sup>3</sup> of construction stone, respectively. Construction stone is a commodity with low value per product volume, which leads to transportation costs accounting for a large proportion of the selling price. Therefore, construction contractors will prioritize purchasing stone from quarries near the project to optimize transportation costs.

Taking a look at the key construction stone quarries in Vietnam, the first to mention is Tan Cang stone quarry - the main source of construction stone for Long Thanh Airport project, Ring Road 3 and a number of other projects. Next is Thach Phu stone quarry - the main source of construction stone for the Southwest region with large projects such as Can Tho - Hau Giang and Hau Giang - Ca Mau highways.

Currently, the above two quarries are exploited by VLB and DHA, and these are also two enterprises with top business activities in the stone mining industry.

Source: mot, GTJASVN research

## Bien Hoa Construction material (Upcom: VLB)

### Stock Data

Price (VND)	33,612
Highest 52W (VND)	42,834
Lowest 52W (VND)	27,187
Outstanding Share (mn Shares)	46.72
% Foreign Owned	0.02%
Foreign Current Room (Shares)	0
Marketcap (billion VND)	1,570.37
Dividend Yield	2.98%

### Stock Performance vs. Index



### Financial Ratios

	2021	2022	2023
P/E	9.04	-73.74	11.07
P/B	1.85	3.24	2.60
EPS (VND)	2,950	-494	3,037
BVPS	14,384	11,266	12,944
Gross Margin	21.40%	23.67%	21.15%
EBIT Margin	14.08%	17.57%	13.67%
EBITDA Margin	16.83%	19.46%	15.89%
Net Margin	13.42%	-1.82%	14.21%
ROE	18.23%	-3.86%	25.07%
ROA	14.26%	-2.94%	18.52%
Current Ratio	2.66	2.00	2.29
Quick Ratio	2.18	1.20	0.33
Total Liabilities/ Total Assets	0.22	0.26	0.26
Total Debts/ Equity	0.28	0.35	0.36

### Company overview

The company has more than 30 years of experience operating in the field of exploitation and processing of construction materials. VLB is managing, exploiting and trading 6 stone quarries in Dong Nai province, including Tan Cang 1 quarry (Bien Hoa City), Thanh Phu 1 mine, Thien Tan 2 mine, Doi Chua 1 (Vinh district). Cuu), Soklu 2 and Soklu 5 mines (Thong Nhat district). The total area licensed for exploitation is 394.3 hectares. During construction work, they are proactive in providing stone and construction materials, which save costs and shorten time compared to other contractors.

### Business strategy

Maintaining the company's leading position in the construction stone material supply in Dong Nai and expanding in the southern region;  
Invest in machinery to reduce input costs and increase productivity in quarries;  
Diversify revenue sources by direct investment in the fields of production and trading of other construction materials.

Nguồn : GTJAS VN, Fiin Pro

## Hoa An JSC (HSX: DHA)

### Stock Data

Price (VND)	46,650
Highest 52W (VND)	56,697
Lowest 52W (VND)	31,953
Outstanding Share (mn Shares)	14.73
% Foreign Owned	12.66%
Foreign Current Room (Shares)	5,494,657
Marketcap (billion VND)	686.97
Dividend Yield	6.43%

### Stock Performance vs. Index



### Financial Ratios

	2021	2022	2023
P/E	6.36	14.53	8.10
P/B	1.19	1.72	1.72
EPS (VND)	5,790	3,461	5,757
BVPS	30,991	29,257	27,167
Gross Margin	28.17%	26.52%	27.89%
EBIT Margin	23.46%	22.24%	19.76%
EBITDA Margin	26.27%	24.34%	21.96%
Net Margin	26.75%	13.49%	23.19%
ROE	20.12%	11.49%	20.41%
ROA	17.93%	10.23%	18.13%
Current Ratio	6.90	8.57	6.93
Quick Ratio	4.01	5.20	3.39
Total Liabilities/ Total Assets	0.12	0.10	0.12
Total Debts/ Equity	0.13	0.11	0.14

### Company overview

The company operates in the field of mining and processing stone and construction materials. DHA has officially operated as a joint stock company since 2000. DHA is currently managing and exploiting 03 quarries, including Nui Gio quarry, Tan Cang 3 quarry and Thanh Phu 2 quarry with a total mining capacity. Thac Dat 1,606,000m<sup>3</sup>/year. DHA has officially been traded on the Ho Chi Minh City Stock Exchange (HOSE) since 2004.

### Business strategy

Aiming to become the leading construction stone exploitation and production enterprise in the Southern region.

Enhance production and consumption capacity at Nui Gio, Tan Cang 3, Thanh Phu 2 quarries.



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