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# Out look report 2H.2024 Construction & Material sector Promising

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## CONSTRUCTION

- BUSINESS ENVIRONMENT
- OUTLOOK 2H.2024 FOR CONSTRUCTION COMPANIES
  - STOCK RECOMMENDATION: **CTD, HHV, VCG, CII**

## STEEL

- STEEL PRODUCTION WORLDWIDE UPDATES
  - PRICES OF STEEL AND INPUT MATERIALS
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## OTHER MATERIALS: CEMENT

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## OVERVIEW

Infrastructure construction continues to benefit from the trend of FDI flowing into Vietnam, along with the government's plan to accelerate public investment disbursement. A large backlog in the medium and long term strengthens the business prospects of the construction sector

We believe that the signs of recovery in the real estate market will only become clear in 2025, when new regulations begin to take effect. Specifically, the 2024 Land Law and the 2023 Real Estate Business Law will address legal obstacles, particularly those related to land valuation, compensation, and site clearance. These changes will help investors accelerate project implementation, thereby increasing market supply. Consequently, the outlook for the residential construction and construction materials sectors in 2024 will be one of slight recovery, with no significant breakthroughs expected.

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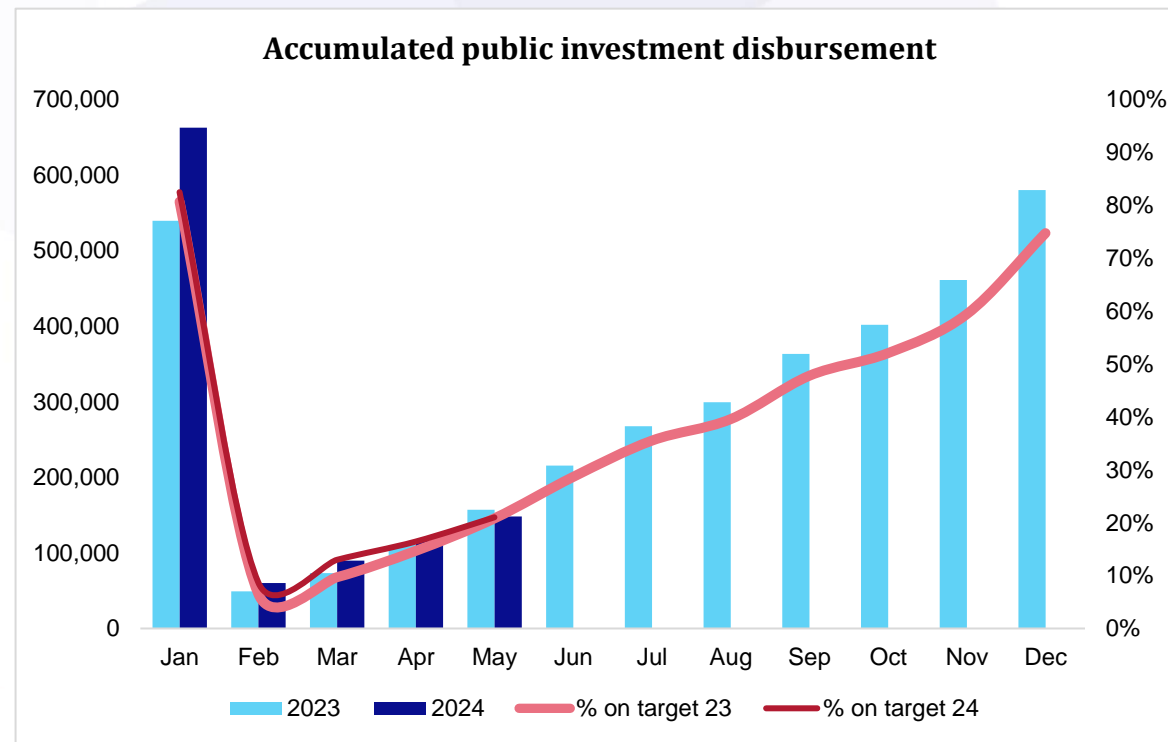
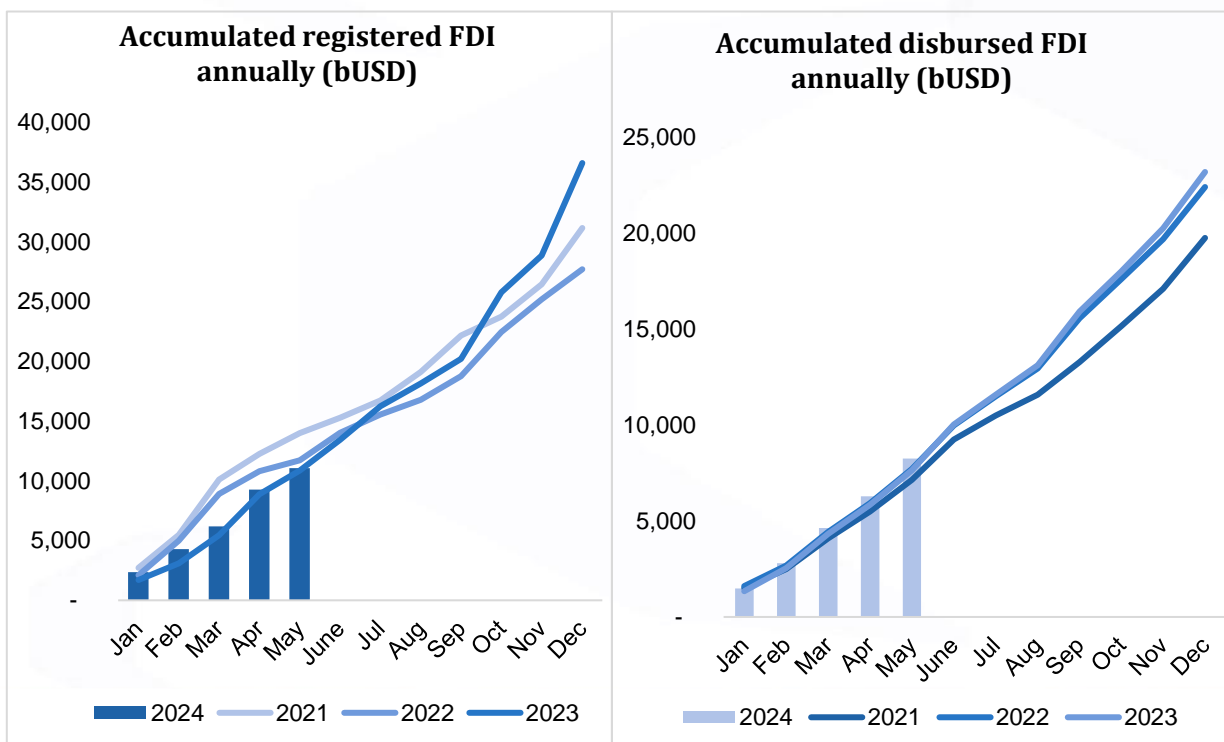


## FDI capital continues to grow steadily

FDI disbursement capital continues to increase, accompanied by a high demand for infrastructure construction. Besides public infrastructure construction, the industrial park construction sector also promises significant growth potential. In May, registered FDI saw a slight increase, adding approximately 1,797 billion USD. FDI disbursement in the first five months of the year reached 8.25 billion USD, up 7.8% compared to the same period in 2023. The positive growth of FDI investment continues to affirm that Vietnam is an increasingly attractive destination for global supply chains and serves as a foundation for achieving the government’s industrialization and modernization goals by 2030.

## Disbursement progress of public investment has not met expectations

According to the Ministry of Finance's report, the disbursement in the first half of the year has not met expectations, reaching only 28% of the plan and 30% of the target set by the Prime Minister (compared to 28.63% of the plan and 30.49% of the Prime Minister's target in the same period in 2023). Obstacles affecting disbursement progress include policy mechanisms, land clearance, and construction materials, which have not been resolved. The disbursement rate for national important projects, key transportation sector projects, and inter-regional transportation projects managed by local authorities remains low.



## Key public investment projects are expected to be completed ahead of schedule in the 2025-2028 period

### The Long Thành International Airport project is ahead of schedule

Phase 1 includes the runway (package 5.10), the passenger terminal (package 4.6), and auxiliary items (connecting roads, control tower, etc.). The deputy director of the Project Management Board stated that after 9 months, two components of the Long Thành project are ahead of schedule:

- The terminal is ahead of schedule by 10 days and is expected to complete 100% of the third-floor by July
- The runway 1 is ahead of schedule by 2 months and is expected to be ready for technical operations by April 2025
- The connecting road reached 37% contract value and is expected to complete embankment before December



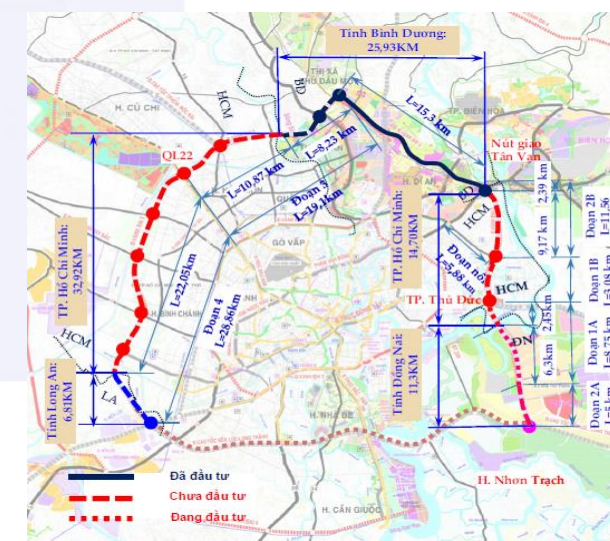
### North-South expressway basic completion by 2025

The entire North-South expressway 2,064 km in length, with 1,226 km currently in operation (an increase of 148 km since the beginning of the year). There are still 4 sections under construction: Pháp Vân - Lạng Sơn; Bãi Vọt - Cam Lộ; Quảng Ngãi - Khánh Hòa; and Cần Thơ - Cà Mau. The construction progress has been delayed due to various difficulties such as land clearance, forest land use conversion procedures, complex resettlement processes for residential areas, and issues related to electricity infrastructure involving multiple agencies and units. According to the Management Board of Construction Investment (Ministry of Transport), as of the end of May 2024, nearly 708 km of land has been handed over to the project, achieving over 98% completion.

### Ring Road 3

With a total investment of nearly 75.4 trillion Vietnamese dong, the Ring Road 3 in Ho Chi Minh City is the largest investment project in southern transportation infrastructure. The entire route is expected to be completed by 2026, creating opportunities for industrial development zones, connecting multiple seaports, reducing travel time, and lowering logistics costs. After completion, Vinhomes Grand Park will provide convenient transportation connections between District 1 and Long Thanh Airport. According to reports from the Department of Transport, Department of Natural Resources and Environment of Ho Chi Minh City, four localities including Thu Duc City, Cu Chi District, Hoc Mon District, and Binh Chanh District have achieved land recovery areas totaling 335 hectares out of 410 hectares (81.5%, exceeding the set target of 70%).

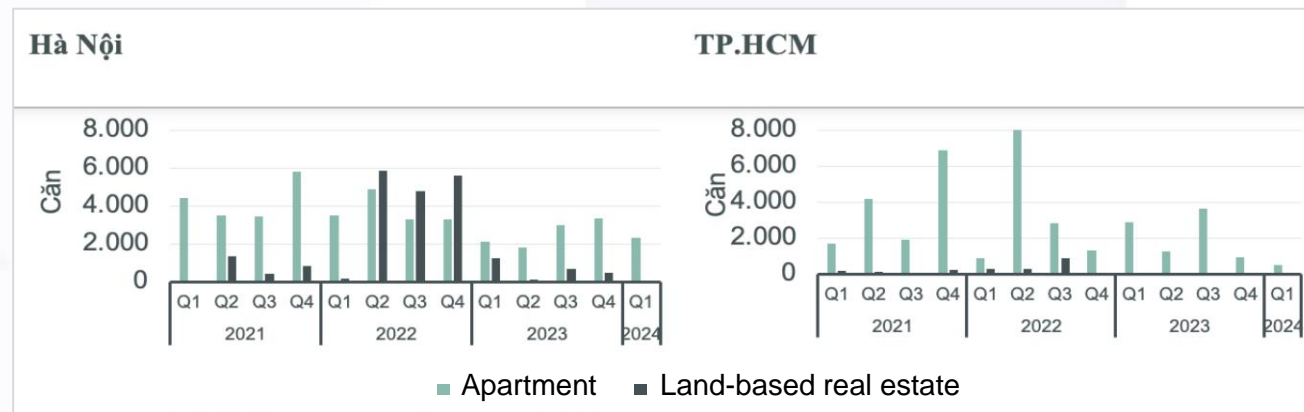
Source: [baochinhphu.vn](http://baochinhphu.vn), GTJASVN Research



## The residential real estate market supply will recover gradually thanks to upcoming effective laws

	2023				2024				2025	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Land Law</b>	Review				Pass through		Valid (estimate)			
<b>Real estate Law</b>	Review				Pass through				Valid	
<b>Housing Law</b>	Review				Pass through				Valid	
<b>Law on Credit Institutions</b>					Pass through		Valid			
<b>Law on real estate tax</b>							Review (estimate)		Pass through (estimate)	

### Hanoi and HCMC housing supply

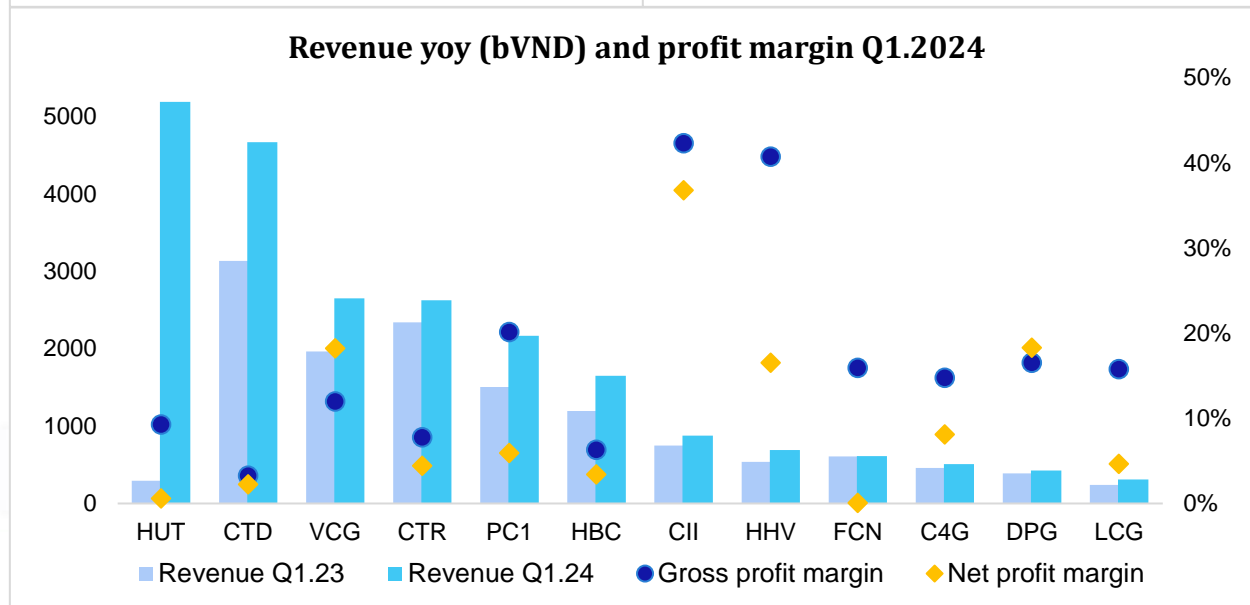
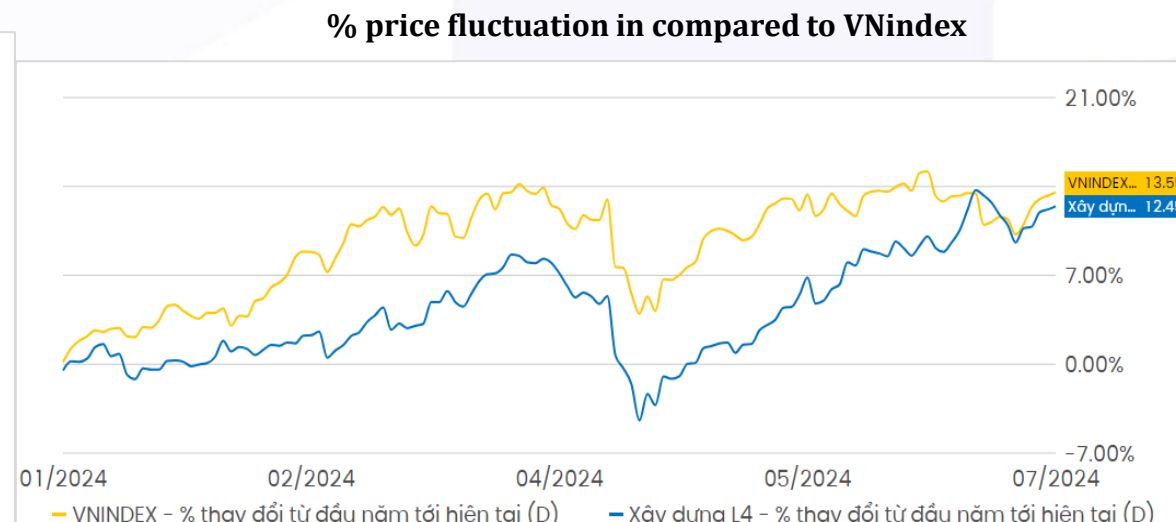
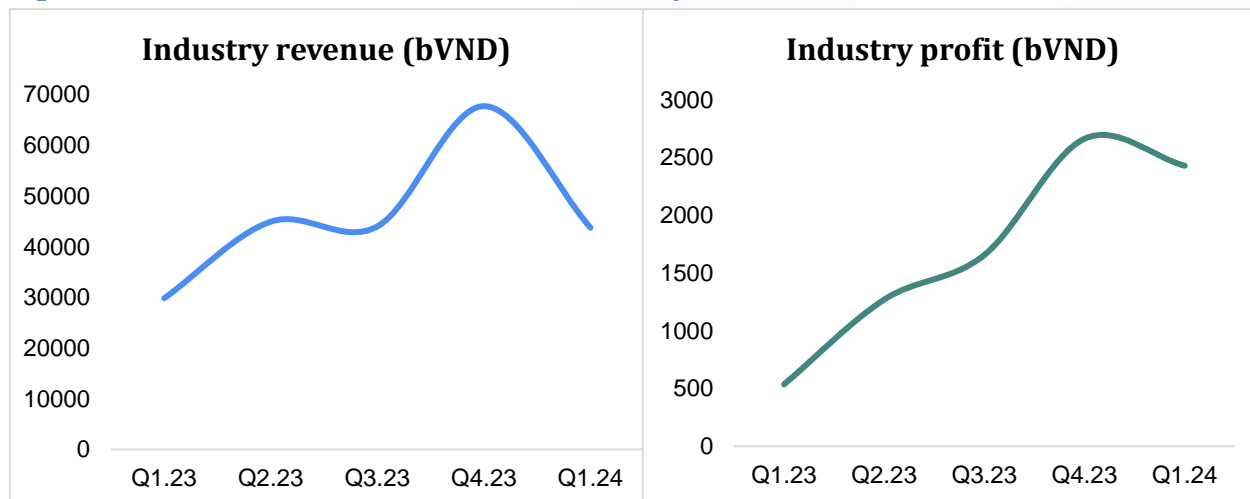


**However, overall, the short-term signals of recovery in the real estate market are still slow, thus not yet strongly impacting the construction industry**

According to CBRE's report, the first three months of 2024 continued to witness limited supply in the residential real estate market in Hanoi and Ho Chi Minh City. Specifically, in Hanoi, the supply of new condominiums in Q1/2024 increased by 11% year-on-year. However, this number remains relatively low compared to the 3,000 - 4,000 units typically launched in the first quarter of 2021 and 2022. In Ho Chi Minh City, the number of new condominiums launched was the lowest in a quarter in about 15 years, marking a decrease of approximately 17% compared to the same period last year.

We believe that clear signs of real estate market recovery will only become more evident from 2025 onwards as new regulations start taking effect. Specifically, the Land Law 2024 and the Real Estate Business Law 2023 will address legal obstacles in the real estate market, particularly those related to land valuation, compensation, and site clearance. This is expected to expedite project implementation for developers, thereby increasing housing supply in the market. Therefore, the prospects for the civil construction and building materials industries in 2024 are expected to see a modest recovery, with no significant breakthrough.

Revenue and profits of the industry have shown positive growth rates, reaching 46.6% and 352.3% respectively, expected to continue this upward trend in the second half of the year



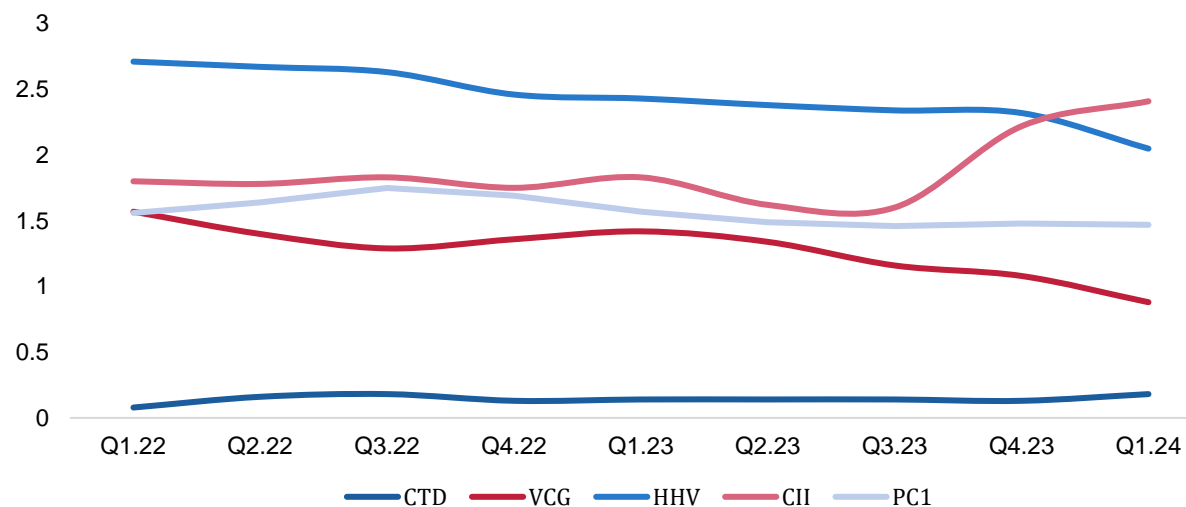
Overall, the construction industry is experiencing very strong growth in business performance. Leading companies like CTD, VCG, HUT, PC1, among others, are pioneering the industry with significant increases in their business results. CII and HHV have achieved outstanding profit margins, primarily from BOT toll collection activities. Regarding stock price movements, the growth of the construction sector since the beginning of the year has been lower compared to the VN-Index due to other sectors such as Telecommunications and Information Technology showing exceptional growth rates. **We believe that the business results of construction companies in the second half of the year will continue to be positive. The industry's profit is expected to increase by 2.5 times, driven by accelerated project execution during this period and revenue recognition in quarters 3 and 4.**

## Notable companies with positive growth

Ticker	Rating	Marcap (bVND)	P/E 2023	P/E 2024F	P/B 2023	P/B 2024F	ROE 2024F	ROA 2024F
CTD	Positive	7,425	35.08	26	0.79	0.9	3%	1.3%
HHV	Promising	5,228	13.96	10	0.69	1.0	4.5%	1%
CII	Neutral	5,212	24.78	12	0.81	0.75	6.5%	1.5%
VCG	Neutral	11,672	29.34	12	1.63	1.3	12%	2.7%
HBC	N/A	2,593	-1.80	-5	35.19	15	-80%	-2%
PC1	N/A	9,827	57.43	38	1.55	1.5	4%	1.2%

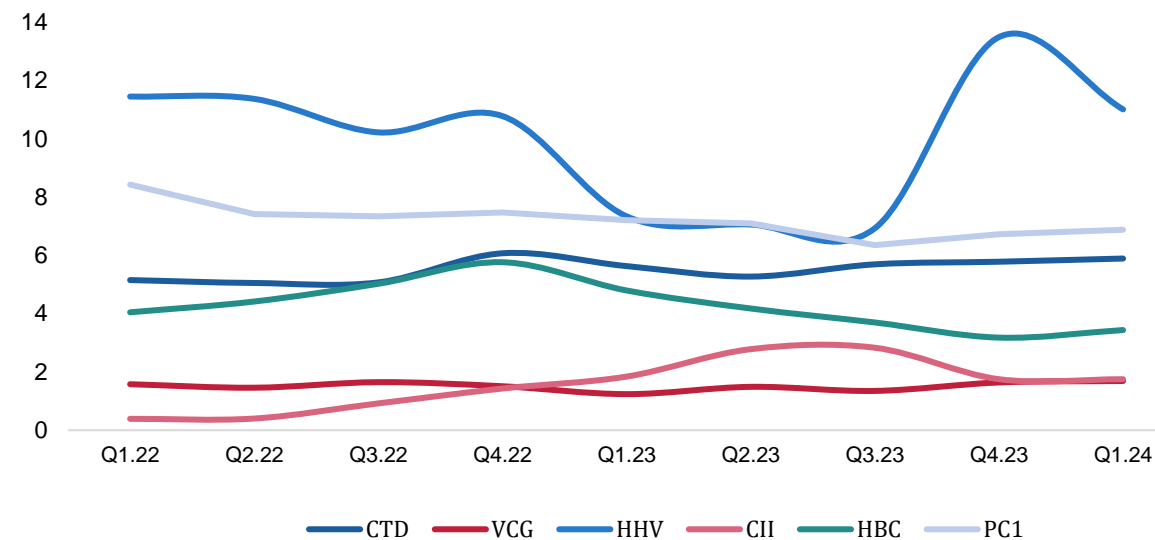
Ticker	Gross profit margin	EBITDA margin	PBT margin	Net profit margin
CTD	3.27%	0.68%	1.94%	1.50%
VCG	12.00%	13.94%	7.64%	5.98%
PC1	20.14%	24.73%	5.36%	4.09%
HHV	40.71%	49.98%	16.18%	13.85%
CII	42.31%	48.28%	22.11%	21.01%
HBC	6.31%	3.89%	-3.25%	-3.51%
Average	20.79%	23.58%	8.33%	7.15%

### Debt/Equity



Debt/equity ratio of HBC reached 50.5 in Q4.2023

### Inventory turnover



## Stock data

Price (VND)	74,300
Highest 52w	77,000
Lowest 52w	43,875
Shares outstanding (m)	99.93
Foreign own	46.91%
Foreign room	2,164,848
Market cap (bVND)	7,424.80

## Top shareholders

Name	Position	Volume	%
Kustocem Pte Ltd		18,542,221	17.90%
Công Ty TNHH Một Thành Viên Kinh Doanh Và Đầu Tư Thành Công		11,008,666	10.60%
The 8th Pte., Ltd.		8,256,500	10.42%
Indochina Capital Vietnam Holdings Ltd.		3,000,000	6.94%
Red River Holding		1,854,673	4.29%

## Company overview

CTD, established in 2004, operates in the construction and installation of civil, industrial, and infrastructure projects. The company has solidified its leading position in Vietnam's construction market and expanded globally with world-class projects such as the Landmark 81, the fast-paced VINFAST Manufacturing Plant, and large-scale projects worth around 4,000 – 7,000 billion VND like the Hoa Phat - Dung Quat Project, D'Capitale, and Casino Nam Hoi An.

## INVESTMENT THESIS

**1/ The company's strong position in the industry with a large backlog of projects.** We estimate that the backlog for 2024-2025 will remain high, reaching approximately 26,000 billion VND.

**2/ The potential for solid revenue growth is driven by the expansion into the industrial construction sector.** The industrial sector's backlog ratio has increased significantly from 10% during 2020-2022 to 35% in 2023, and is expected to reach 45% by the end of FY2025.

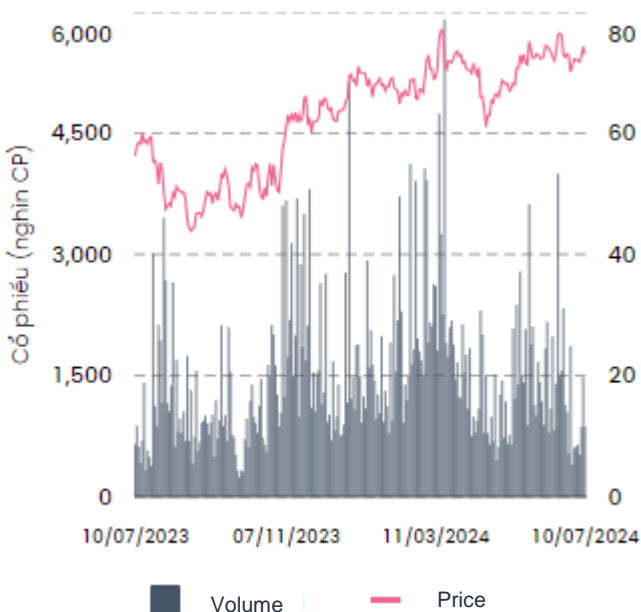
**3/ Strong financial base enhances competitiveness.** CTD holds 2,382 billion VND in cash, equivalent to 11% of total assets (Q3 FY24 financial statement). The debt-to-equity ratio is 0.13 times, one of the lowest in the industry, enhancing the company's competitiveness and ability to secure large contracts.

## RECOMMENDATION

Using the FCFE method, we estimate the target price for CTD's stock to be **83,500 VND/stock** (compared to the closing price on June 25, 2024). We recommend **BUY for CTD**.

## RISKS

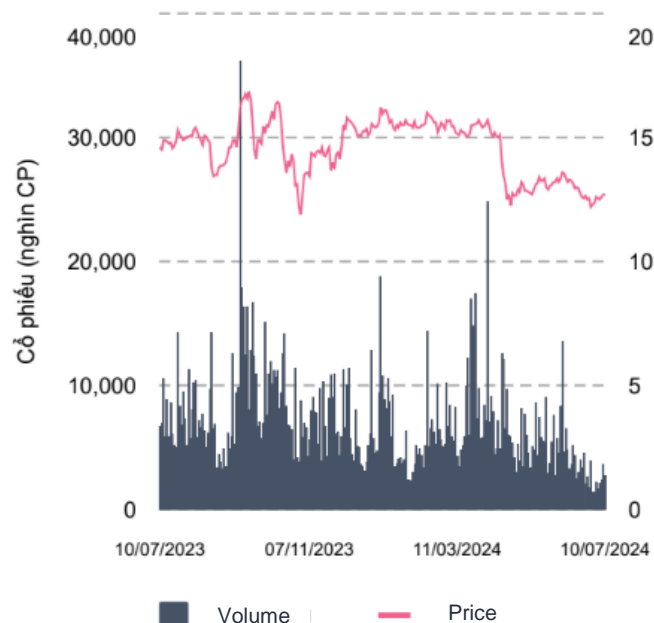
- 1/ The real estate market has not recovered as expected.
- 2/ Non-performing loans are increasing, and provisioning costs are high when signing low-priced contracts, with ineffective risk management.
- 3/ Rising construction material prices affects profit margins.





## Stock data

Price (VND)	12,700
Highest 52w	16,857
Lowest 52w	11,893
Shares outstanding (m)	411.68
Foreign own	8.26%
Foreign room	167,726,810
Foreign room	5,228.34
Market cap (bVND)	0.00%



## THEESIS STATEMENT

**1/ Simultaneously recording revenue from a series of projects:** In the first half of the year, Deo Ca Group completed the Cam Lam - Vinh Hao expressway with a total investment of 8,900 billion VND, the Dong Dang - Tra Linh expressway (phase 1), and the Huu Nghi - Chi Lang expressway with a total investment of 25,300 billion VND. They achieved revenue of 1,469 billion VND, a 28% increase YoY. Net profit is estimated at around 221 billion VND, a 15% increase, completing 55% of the annual profit.

**2/ Expectations for continued revenue and profit growth from BOT stations and new construction projects:** HHV has set a target for this year's revenue to increase by 17% to reach 3,146 billion VND, and profit to reach 404 billion VND, an 11% increase.

- BOT revenue reached 458 billion VND, up 18%. The growth was driven by a fee increase of 18% at 4 stations since the beginning of the year, coupled with a recovery in traffic volume through these stations.
- Deo Ca is about to commence construction on two railway tunnels in Khe Net, Quang Binh, with a total investment of over 2,000 billion VND. Construction revenue amounted to 200 billion VND, marking a 46% increase compared to Q1/2023.

**3/ There is a strong increase in PPP and PPP++ projects aimed at securing funding for construction activities, thus reducing the burden of financial costs:** HHV actively collaborates on traditional PPP projects and PPP++ models to diversify funding sources for infrastructure projects.

**4/ The prices of raw materials are supported:** State management agencies have implemented various measures to adjust standards and material prices to better reflect reality.

## RECOMMENDATION

Adjusting the target price for HHV from 18,000 VND per share down to **16,500 VND/stock** (upside 9% compared to closing price on April 10, 2024). We recommend **HOLD for HHV**.

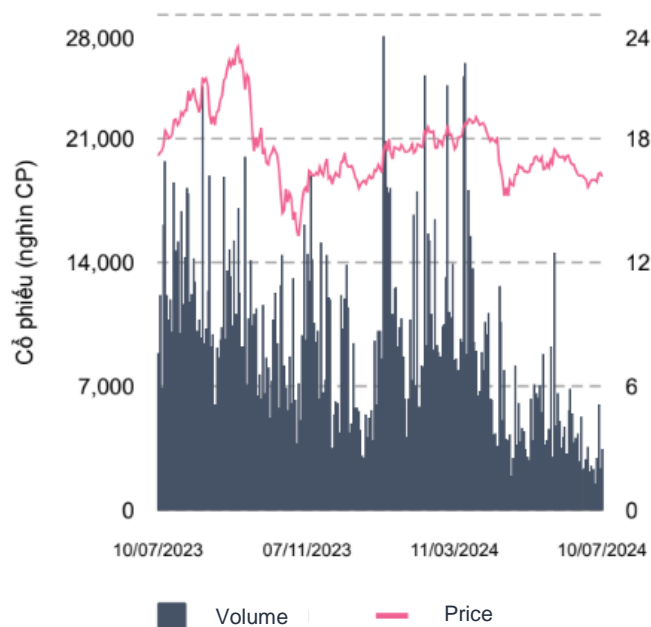
## RISKS

- 1/ The construction progress is slower than expected
- 2/ Large financial costs and the risk of delayed debt repayment with BOT enterprises like HHV are very high
- 3/ Rising construction material prices affects profit margins



## Stock data

Price (VND)	16,350
Highest 52w	22,450
Lowest 52w	13,288
Shares outstanding (m)	318.78
Foreign own	5.72%
Foreign room	109,274,172
Market cap (bVND)	5,212.02
	0.00%



## Top shareholders

Name	Position	Volume	%
Công ty TNHH MTV Đầu tư Tài chính Nhà nước Thành phố Hồ Chí Minh		24,049,215	7.55%
Công ty Cổ phần Đầu tư Tân Tam Mã		10,900,270	4.56%
KIM Vietnam Growth Equity Fund		9,263,000	3.88%
Norges Bank		7,668,010	3.21%
Công ty Cổ phần Chứng khoán Thiên Việt		6,425,000	3.02%

## INVESTMENT THESIS

**1/ BOT revenue is the main driver of growth:** In the first half of this year, BOT fees brought in over 1,309 billion VND for CII, an increase of nearly 84% YoY. Estimated BOT revenue for this year is expected to increase by 60-70% compared to 2023, reaching approximately 2,800-2,900 billion VND. CII is planning to acquire a BOT project connecting 6 provinces in the Southeast with an investment of 1,650 billion VND. This new project could generate between 500 - 600 billion VND annually for CII.

**2/ Progress in real estate projects is sluggish due to legal paperwork issues:** In Q2.2024, real estate business activities decreased sharply from 708 billion VND to just over 211 billion VND YoY, a 70% decrease.

**3/ Total liabilities have increased significantly, reaching 2.9 times the equity**

**4/ The revenue target has decreased slightly YoY:** CII has set a revenue target of 4,194 billion VND, with a net profit attributable to parent company shareholders of 430 billion VND.

## RECOMMENDATION

We value CII at a fair price of **17,500 VND/stock**. We recommend **OBSERVE** for **CII**.

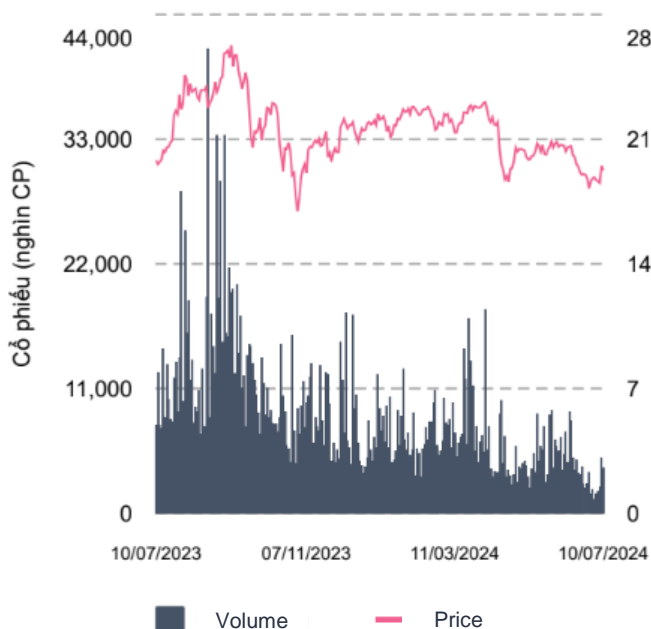
## Company overview

CII was established by three founding shareholders: HIFU Fund, VYC Company, and INVESCO Company. Some notable projects by CII include the Binh Trieu Bridge project, the expansion of Hanoi Highway, the Thu Duc Water Plant project, among others. The company has expanded its business operations into real estate investment with projects such as the luxury apartment project Thủ Thiêm Marina Bay, the Diamond Riverside high-rise project, and the upscale Thủ Thiêm Lakeview project. Currently, CII manages and operates 4 stations: Ca Na Station, DT741 Station, Rach Mieu Station, and Hanoi Highway Station.



## Stock data

Price (VND)	19,500
Highest 52w	26,251
Lowest 52w	16,965
Shares outstanding (m)	598.59
Foreign own	9.86%
Foreign room	209,177,568
Market cap (bVND)	11,672.57
	0.00%



## Top shareholders

Name	Volume	%
Công ty Cổ Phần Đầu Tư Pacific Holdings	241,254,129	45.14%
Vietnam Enterprise Investments Limited	12,094,656	2.02%
VanEck Vietnam ETF	9,464,697	2.14%

## INVESTMENT THESIS

**1/ Real estate has become a new growth driver for VCG:** In Q1, VCG achieved net revenue of 2,650 billion VND, a 35% growth compared to the same period last year. Gross profit margin improved from 16% to 28%. Vinaconex's net profit after tax in Q1/2024 was 482.6 billion VND, completing 50% of the annual plan and nearly 26 times higher year-on-year, driven by robust real estate business operations with significantly higher gross profit margins compared to traditional construction activities.

**2/ VCG is currently the main contractor for several projects with large investments:** The Dong Anh Industrial Park project has a total investment of 6,338 billion VND, and the expansion package for Terminal 2 at Noi Bai International Airport is nearly 5,000 billion VND, among others.

**3/ The revenue plan for 2024 is expected to increase significantly:** Revenue and net profit after tax reached 15,000 billion VND and 950 billion VND respectively, marking a 115% and 240% YoY increase. The dividend yield is 12%.

## RECOMMENDATION

We value VCG at a fair price of **19,000 VND/stock**. We recommend **OBSERVE** for **VCG**.

## RISKS

- 1/ Real estate market remains doomy
- 2/ The slow progress in project implementation has led to the revenue not meeting the planned targets
- 3/ Rising construction material prices affects profit margins



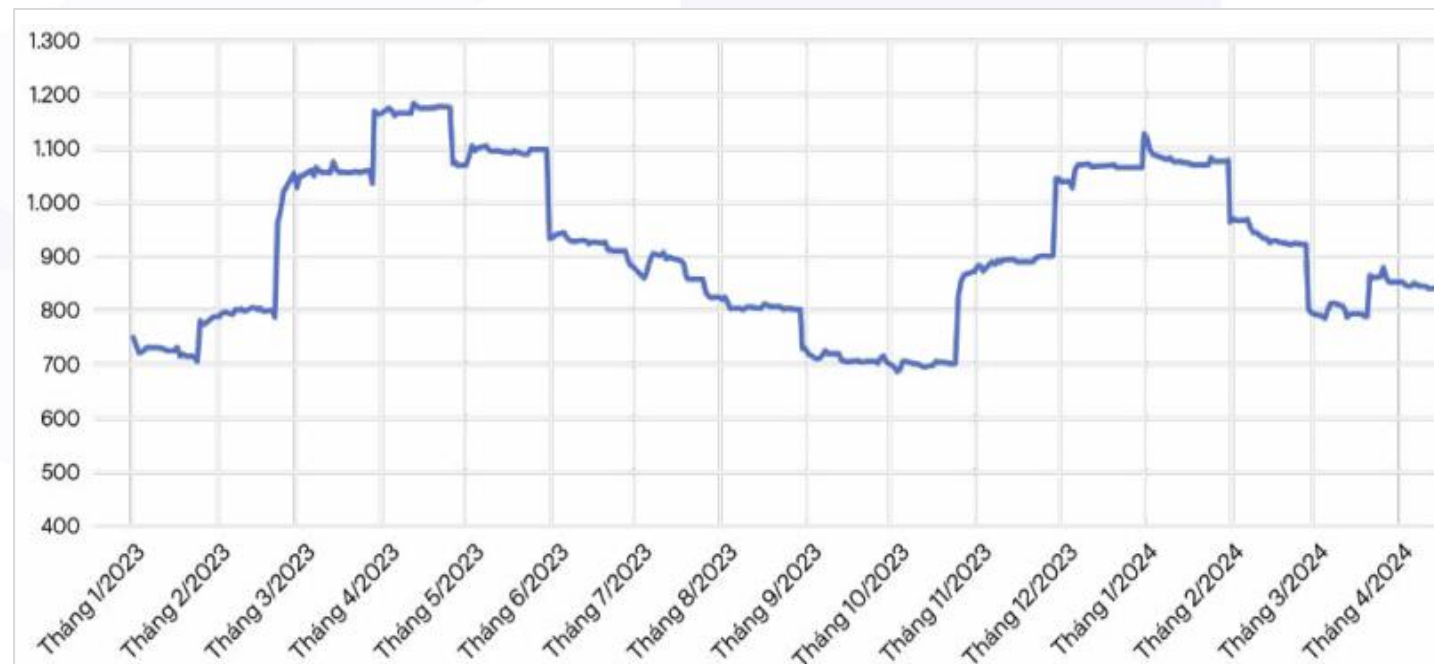
**Materials  
Outlook  
2H.2024**

**STEEL: PROMISING**

According to WSA (World Steel Association), global steel production in the first 5 months of 2024 decreased slightly by 0.1% YoY.

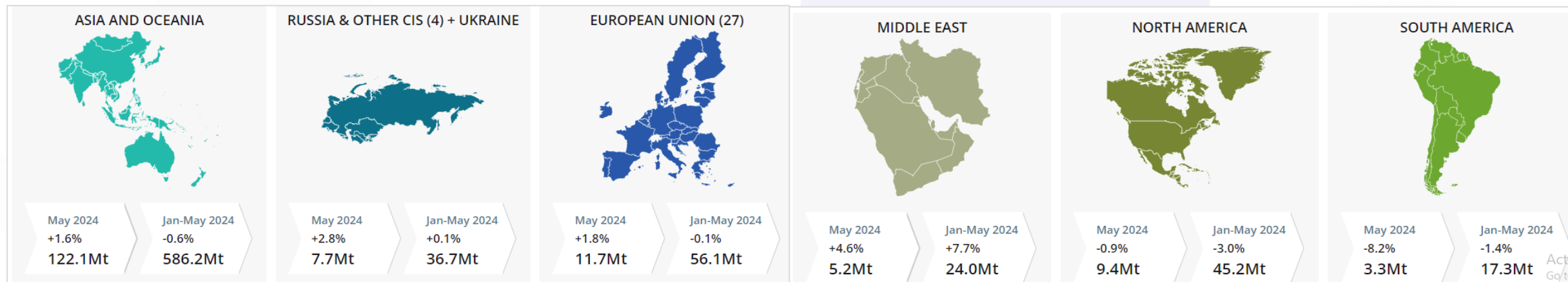
The tightening monetary policy cycle is gradually ending as inflation data has cooled, increasing market expectations for Fed to lower interest rates. However, global steel demand growth may remain weak due to the impact of tight monetary policies, high costs, and political instability. **We forecast that global steel production will slightly recover, but decrease slightly in China compared to 2023 due to the continued sluggish real estate market.**

HRC USA price (USD/tonne)



Production growth YoY (%)

Countries	May 2024	Jan-May 2024
China	2.7	-1.4
India	3.5	7.7
Japan	-6.3	-2.3
United States	-1.5	-2.4
Russia	-0.9	-2.5



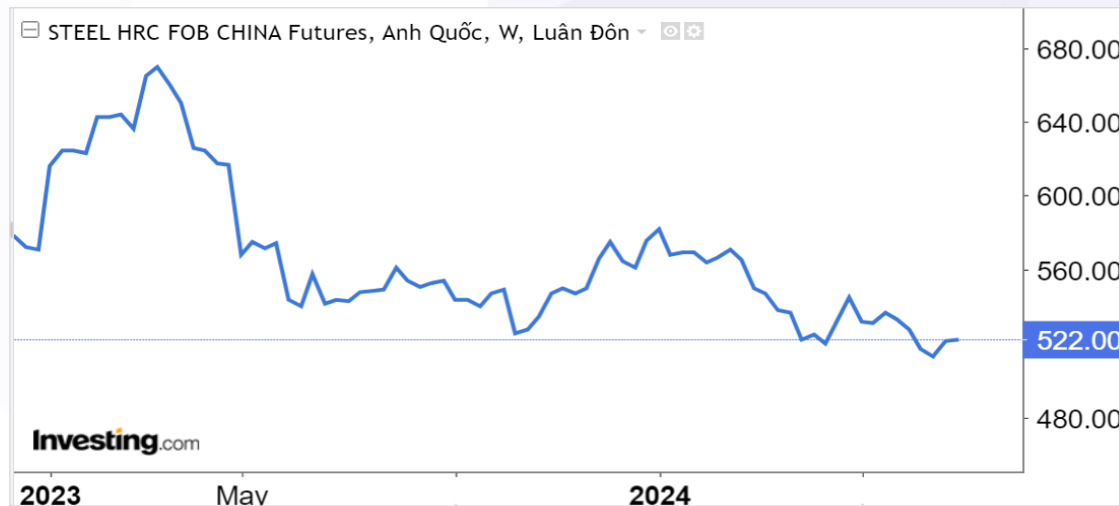
## The outlook for steel price recovery remains bright; however, it takes longer to alleviate the pressure from importing steel from China.

In the first quarter, steel prices and input material costs recorded a sharp decline, with the price of hot-rolled coil (HRC) in China dropping by about 13% to 3,662 yuan/ton. Domestic steel prices have continued the upward trend from the end of last year and remained stable, with a slight decrease at the end of Q1 due to challenging consumption prospects. Steel companies that accumulated inventory at the end of March are expected to show growth in the coming period as steel prices are anticipated to rise again.

### Iron ore and Coal prices

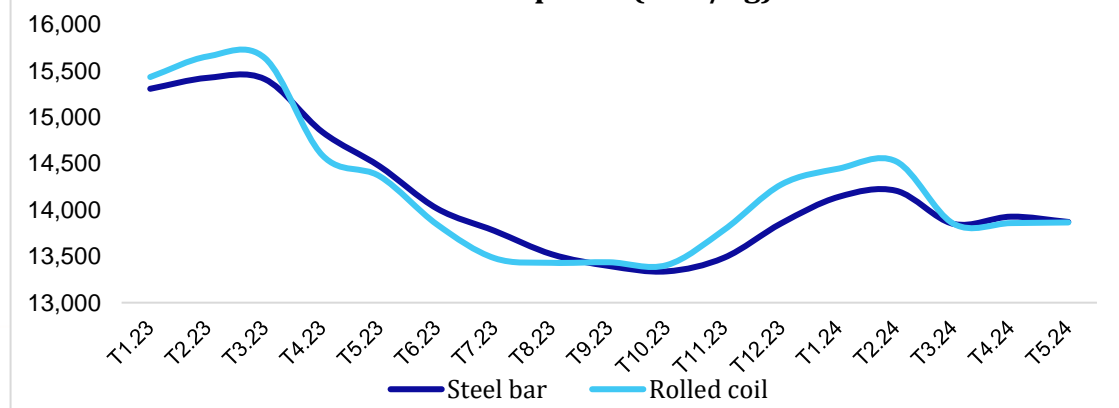


### China HRC price



On June 14, 2024, the Ministry of Industry and Trade initiated an anti-dumping investigation on galvanized steel products from China and South Korea. We estimate that the Ministry will reach a preliminary tax conclusion in about 6-8 months from the initiation date. Until then, steel prices may experience a slight recovery and are expected to increase significantly by 2025.

### Vietnam steel prices (VND/kg)



**Given 8.2% increase in Vietnam's steel production in the first 5 months, the 2H2024 outlook for domestic companies may not be too bright, but output is expected to still grow at 7%.**

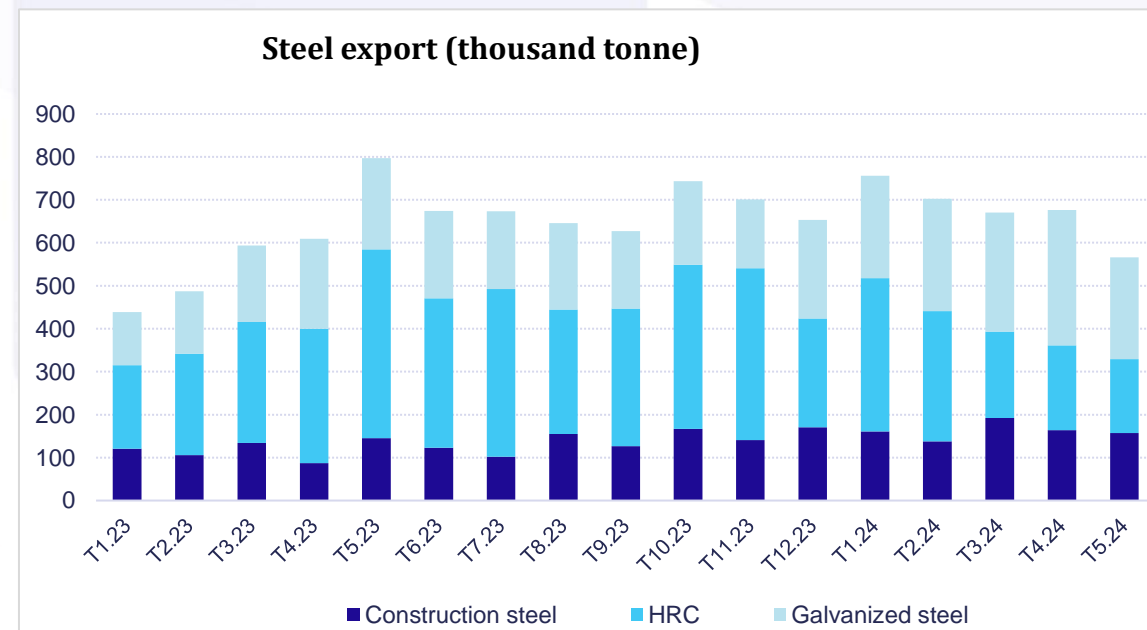
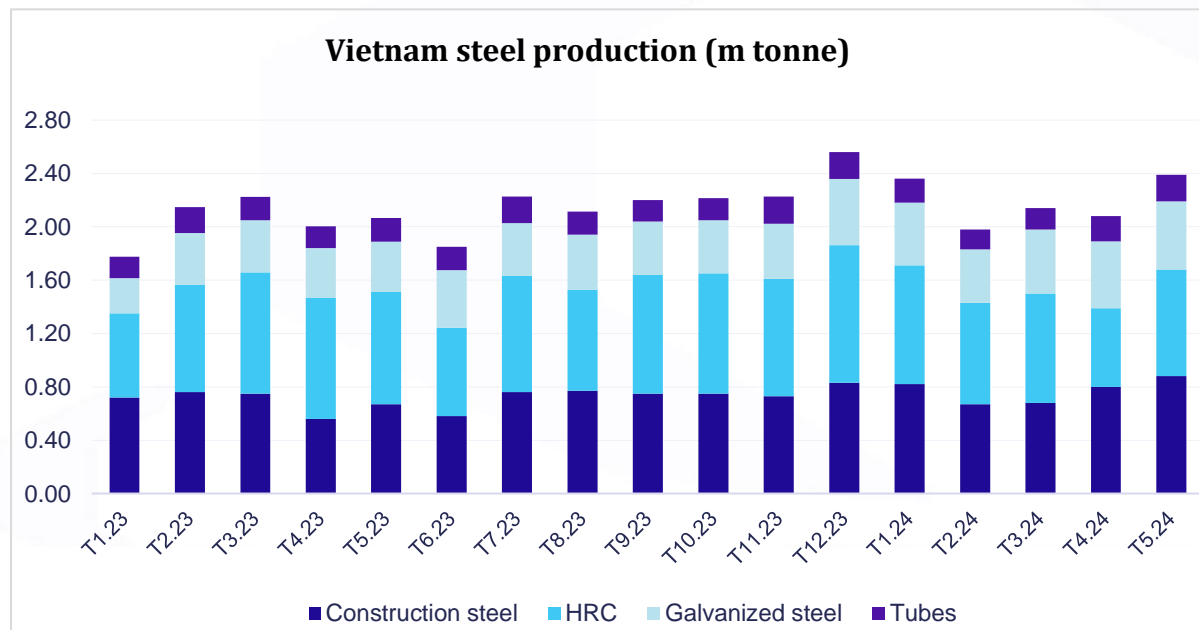
- Crude steel production reached 10.95 million tons, up 8.2% YoY
- Consumption reached 10.9 million tons, an increase of 14.7% YoY
- Imports reached 7.8 billion USD, an increase of 27%

**With the current recovery momentum, we forecast that finished steel production in 2024 can reach 30 million tons, an increase of 7%.** However, the recovery may face many difficulties when steel businesses also face many other objective problems:

(1) China continues to increase steel exports, creating pressure on the domestic market. According to Chinese Customs statistics, in the first 5 months of 2024, China exported 45 million tons of steel, an increase of 25% in quantity. Vietnam imported 3.7 million tons of steel from China - equivalent to 4.7 billion USD, an increase of 53.8% YoY

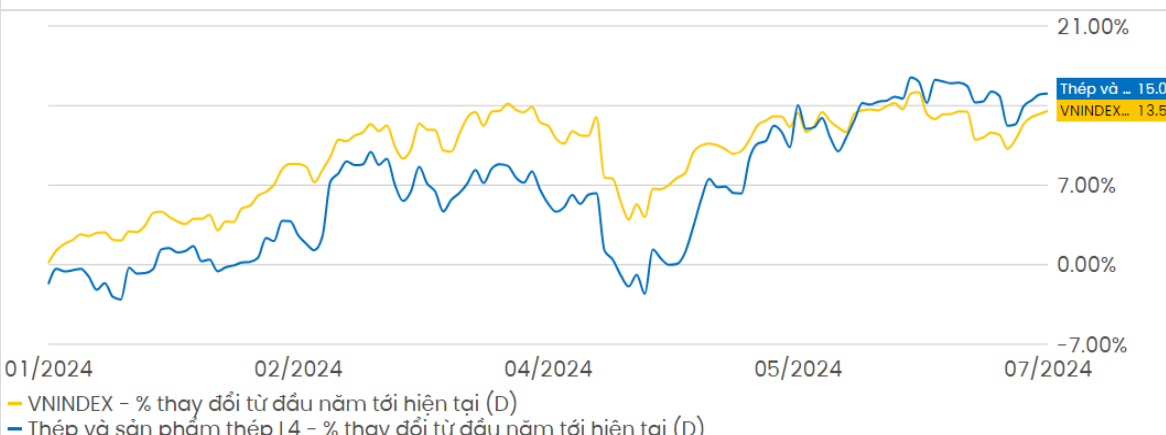
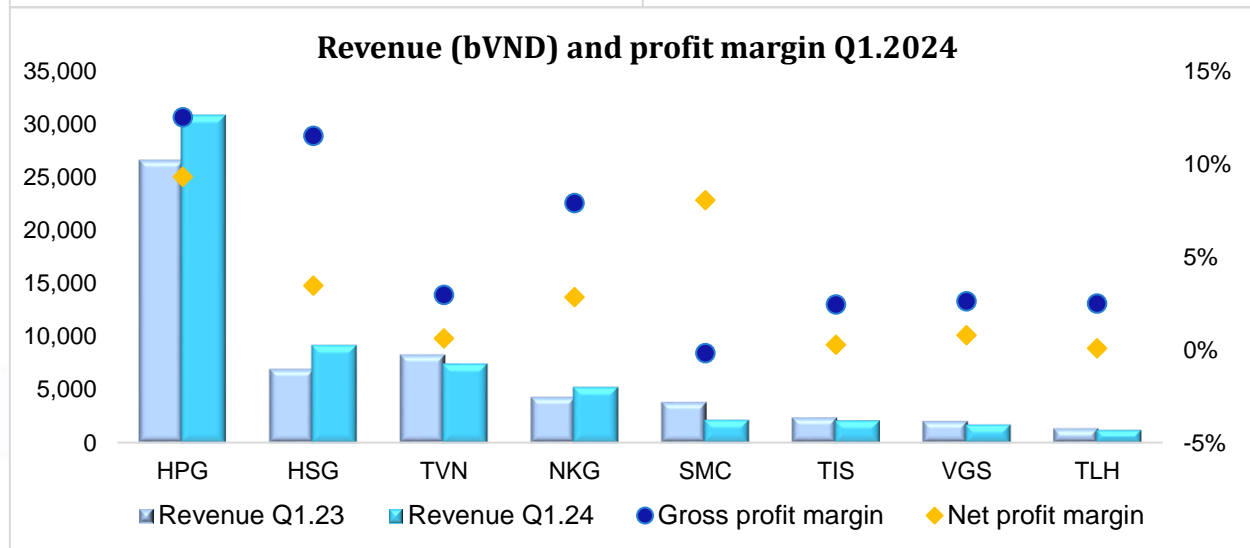
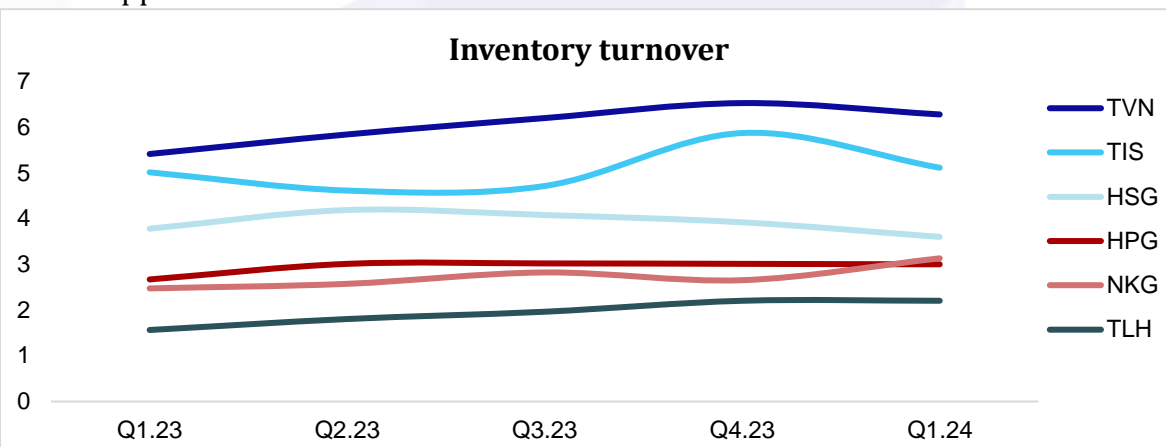
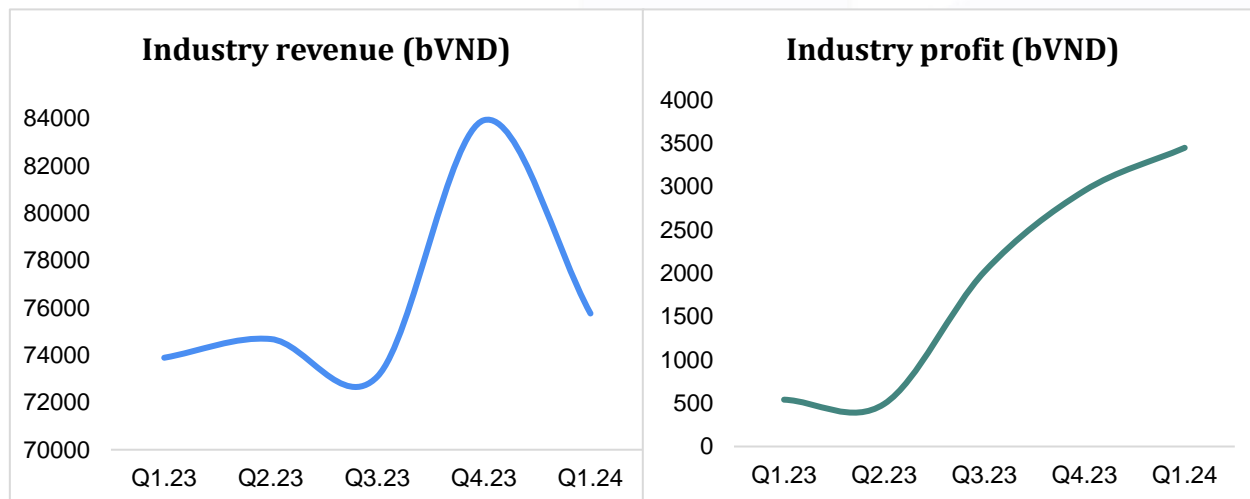
(2) The domestic "oversupply" situation and the increase in imported steel increase pressure on steel prices. Unstable world politics and rising international freight rates also pose many risks for businesses in the industry.

The main growth driver in the second half of 2024 will come from the construction steel category thanks to expectations of recovery in domestic housing supply. By 2025, we predict that the main driving force driving industry growth will be HRC, thanks to newly added capacity from HPG (2.8 million tons out of total designed capacity of 8.5 million).



**Profit increased 5 times YoY, average sales speed improved, creating momentum for growth in the second half of the year**

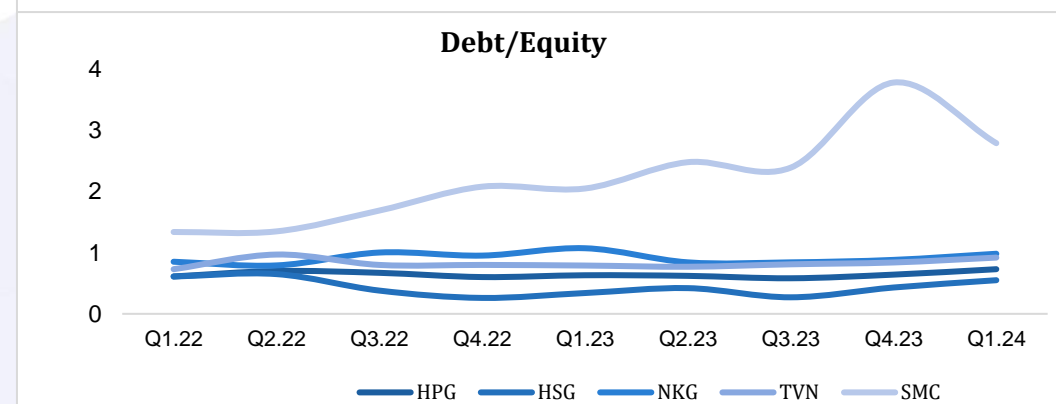
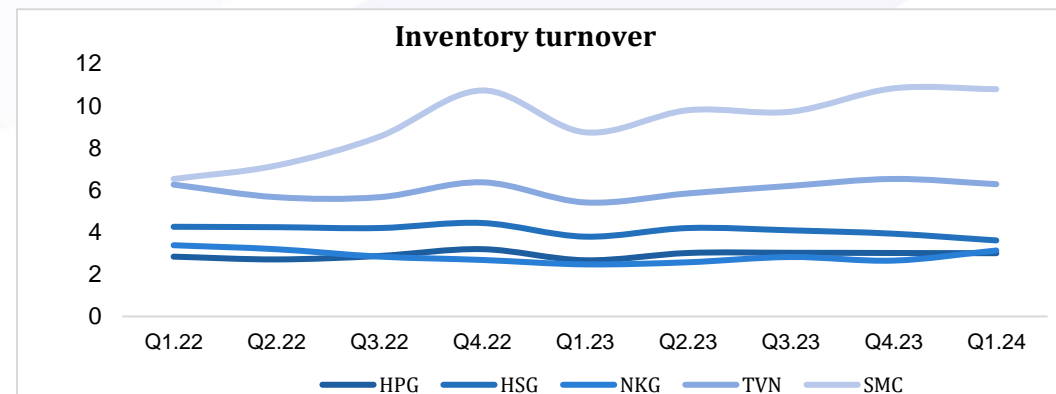
High growth business results are motivated mainly by higher steel demand for infrastructure and residential construction, comprised with low-base profit in 2023. Meanwhile, the residential housing market continues to be gloomy and has not contributed much to this strong growth, consistent with our assessment at the beginning of the year. In the second half of the year, the main driving force will still be infrastructure and industrial construction. However, we also expect that the housing real estate market will show clearer signs of recovery in the short term with support from new laws about to take effect.



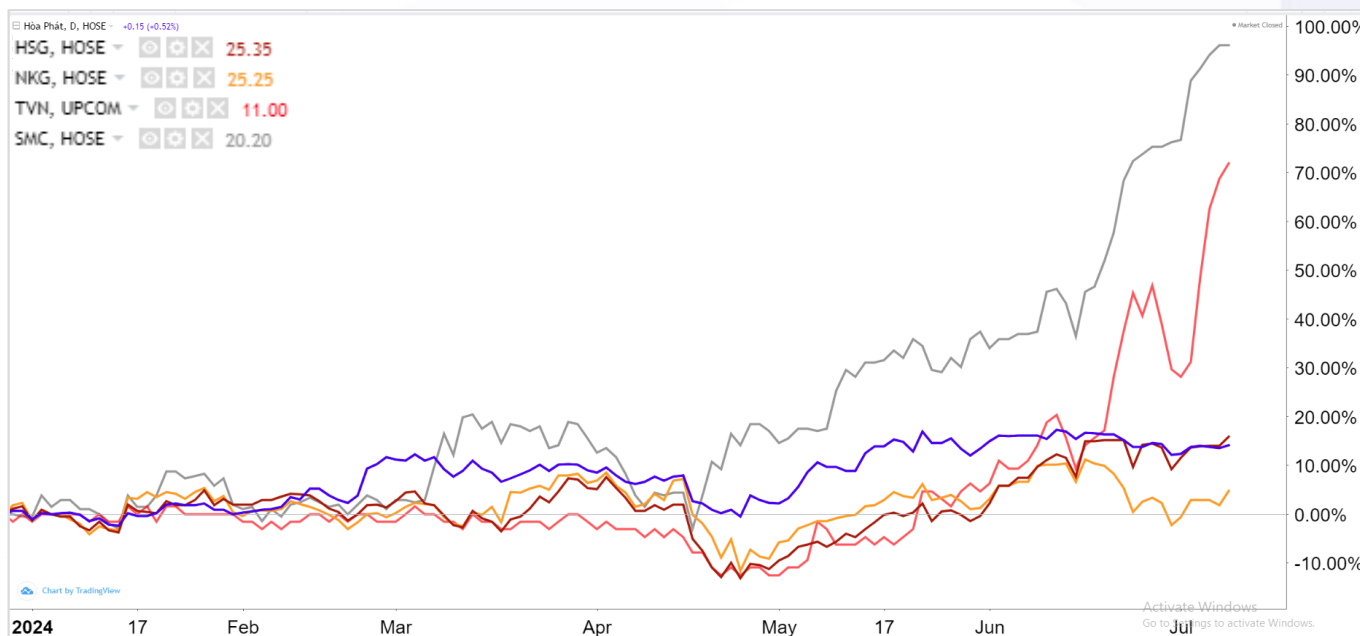


## Some companies with positive growth

Ticker	Rating	Mar cap (bVND)	P/E 2023	P/E 2024F	P/B 2023	P/B 2024F	ROE 2024F	ROA 2024F
HPG	Positive	183.252	248,69	13	1.6	1.6	15%	7%
NKG	Positive	6.463	-8,37	15	1.1	1.1	9%	4.5%
HSG	N/A	15.368	-10,99	25	1.1	1.2	6%	5%
TVN	N/A	7.377	-5,63	-5	0.5	0.7	-2%	-0.5%
SMC	N/A	1.486	-1,70	-1	1.1	1.5	-50%	-9%



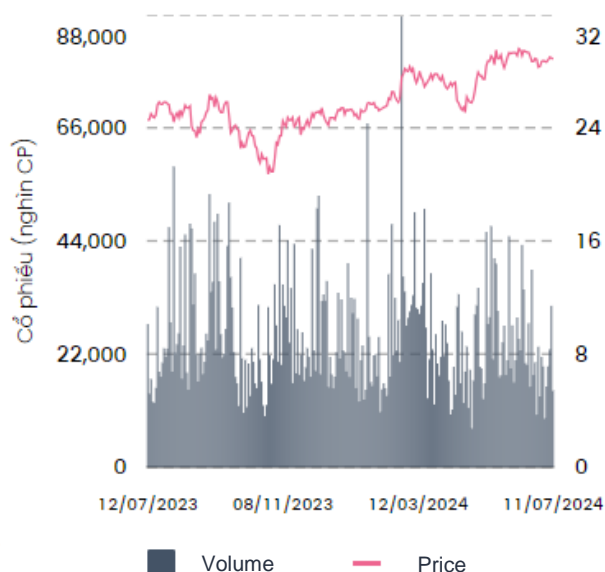
## Prices fluctuation of steel stock ticker



Ticker	Gross profit margin	EBITDA margin	PBT margin	Net profit margin
HSG	11.50%	5.35%	2.68%	2.50%
HPG	12.51%	15.25%	8.54%	7.54%
TVN	2.96%	1.05%	-1.51%	-1.60%
NKG	7.90%	4.98%	2.12%	1.65%
SMC	-0.18%	-5.54%	-6.24%	-6.27%
TIS	2.43%	0.86%	-1.63%	-1.66%
Average	6.19%	3.66%	0.66%	0.36%

## Stock data

Price (VND)	28,850
Highest 52w	29,600
Lowest 52w	20,727
Shares outstanding (m)	6,396.25
Foreign own	24.36%
Foreign room	1,575,819,239
Market cap (bVND)	184,531.82



## INVESTMENT THESIS

**1/ Business results remain positive thanks to increased exports:** Although the domestic civil construction market has not recovered, the export channel in the first 5 months of the year increased by 144%, positively contributing to HPG's business results. Q1 gross profit margin increased to 13.4% (Q1.2023 at 6.3%)

**2/ Focus on producing high quality steel, preparing to enter a new growth cycle:** HPG focuses on promoting high quality steel production, Q1/2024 HRC steel output increased to 805 thousand tons (+67% of output), the proportion of HRC steel in the total steel output of the enterprise reached 40% (same period 31%). The outlook will be clearer when Dung Quat 2 factory comes into operation in early to mid-2025

**3/ The anti-dumping law against steel imported from China has taken a new step:** The Ministry of Industry and Trade has begun to initiate an anti-dumping investigation into steel. This may take about 6 months - 1 year to produce results, but this is also a force to actively support HPG in reducing pressure on price competition

## Dung Quat 2 project progress

According to the plan, phase 1 of the project will go into operation at the beginning of the first quarter of 2025. Phase 2 will be completed and operational in the fourth quarter of 2025. By the end of the first quarter of this year, phase 1 of the project was 50% completed, expected to test run at the end of the third quarter of 2024, officially contributing output in the first quarter of 2025.

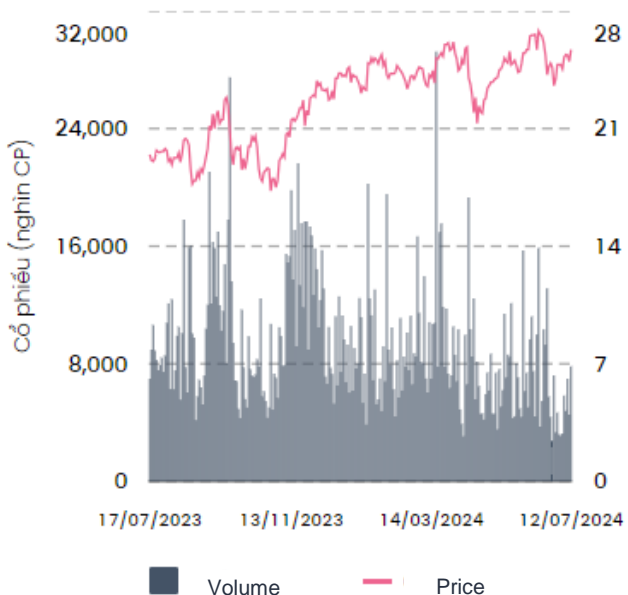
## RECOMMENDATION

We remain target price for HPG at **34,500 VND/stock** (from 29,500 VND/stock), recommend **HOLD**.



## Stock data

Price (VND)	25,700
Highest 52w	26,800
Lowest 52w	17,300
Shares outstanding (m)	263.28
Foreign own	15.37%
Foreign room	91,181,076
Market cap (bVND)	6,766.24



## Top shareholders

Name	Position	Volume	%
Hồ Minh Quang	Chủ tịch Hội đồng Quản trị	37,391,097	14.20%
Unicoh Specialty Chemicals Co., Ltd.		13,248,000	5.03%
Công ty TNHH Thép Trường Giang		2,481,008	4.95%
Vietnam Enterprise Investments Limited		8,946,460	4.92%
Võ Hoàng Vũ	Thành viên Hội đồng Quản trị	9,374,400	3.56%

## INVESTMENT THESIS

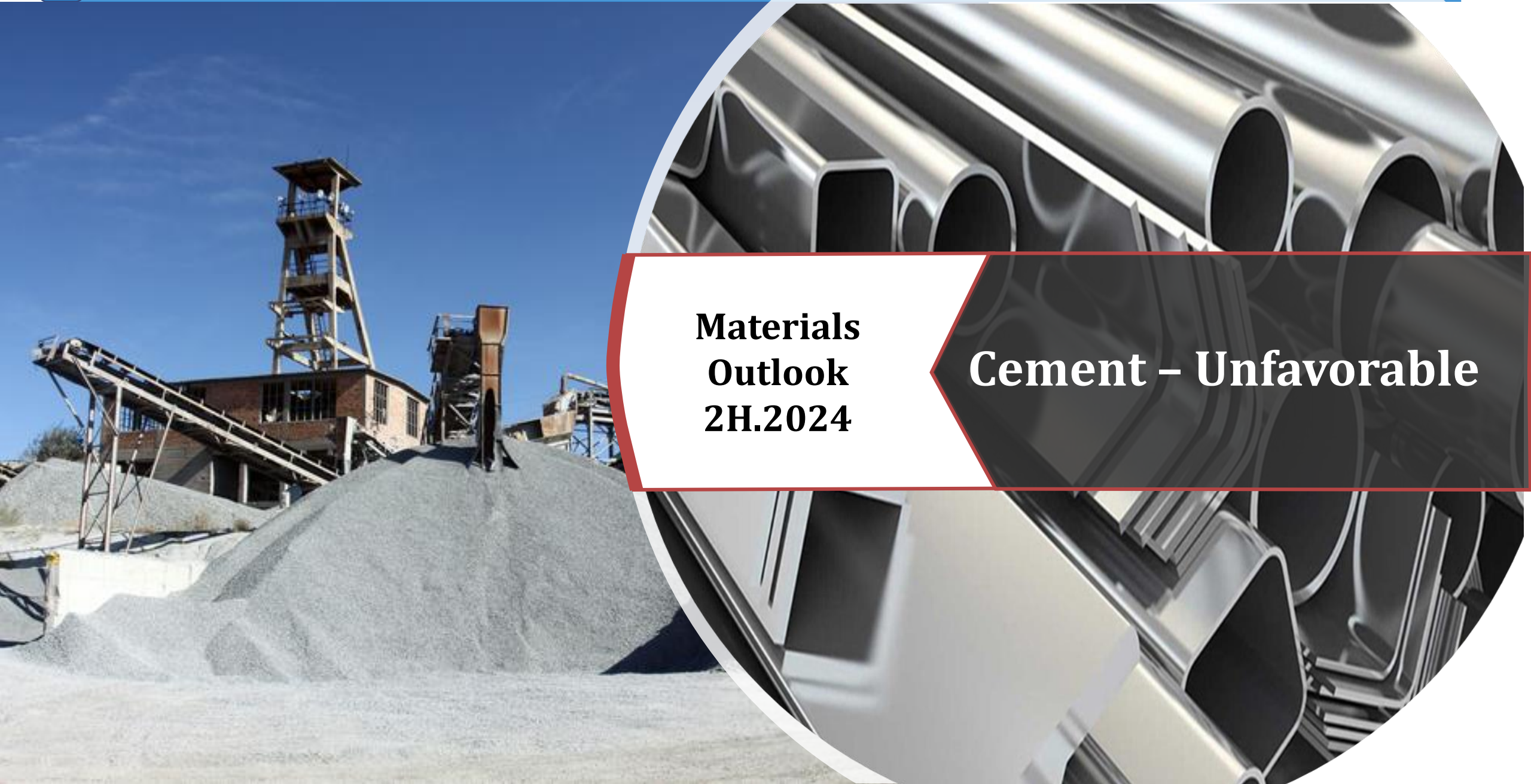
**1/ Nam Kim is a prominent figure in the galvanized steel in Vietnam, achieving promising business results:** Currently, Nam Kim manages and operates 4 factories with a total galvanizing capacity of 1.2 million tons per year, holding a 17.4% market share in galvanized steel sheets nationwide (second only to HSG). In the first quarter of 2024, their revenue reached 5,291 billion VND (+21% YoY), and pre-tax profit reached 188 billion VND, achieving 25% and 45% of the annual targets respectively.

**2/ Benefiting from exports due to competitive pricing advantages compared to the United States and European countries relative to Vietnam:** Export is the main market for NKG, accounting for approximately 60% of their revenue. Vietnam's steel prices are significantly lower, creating a competitive advantage in the market. Furthermore, in the second half of the year, North American and European markets simultaneously entered a period of monetary policy easing, which boosted the real estate market. We expect the export volume of galvanized steel in 2024 to increase by 20% YoY, reaching 615,000 tons, approaching pre-Covid-19 levels.

**3/ The Phu My factory project plans to increase its total capacity to 1.2 million tons per year, equivalent to 70% of its current capacity:** The Phu My factory project is expected to commence in 2024 and will be implemented in three phases, each with a capacity of 400,000 tons. The entire project is scheduled for completion by the end of 2026. The new product will be galvanized steel used in household electrical appliances, requiring higher manufacturing technicalities compared to Nam Kim's current galvanized steel products primarily used in construction.

## RECOMMENDATION

We set the target price for NKG at **27,500 VND/stock** (upside 10% compared to closing price on July 11st, 2024), recommend **BUY**.



**Materials  
Outlook  
2H.2024**

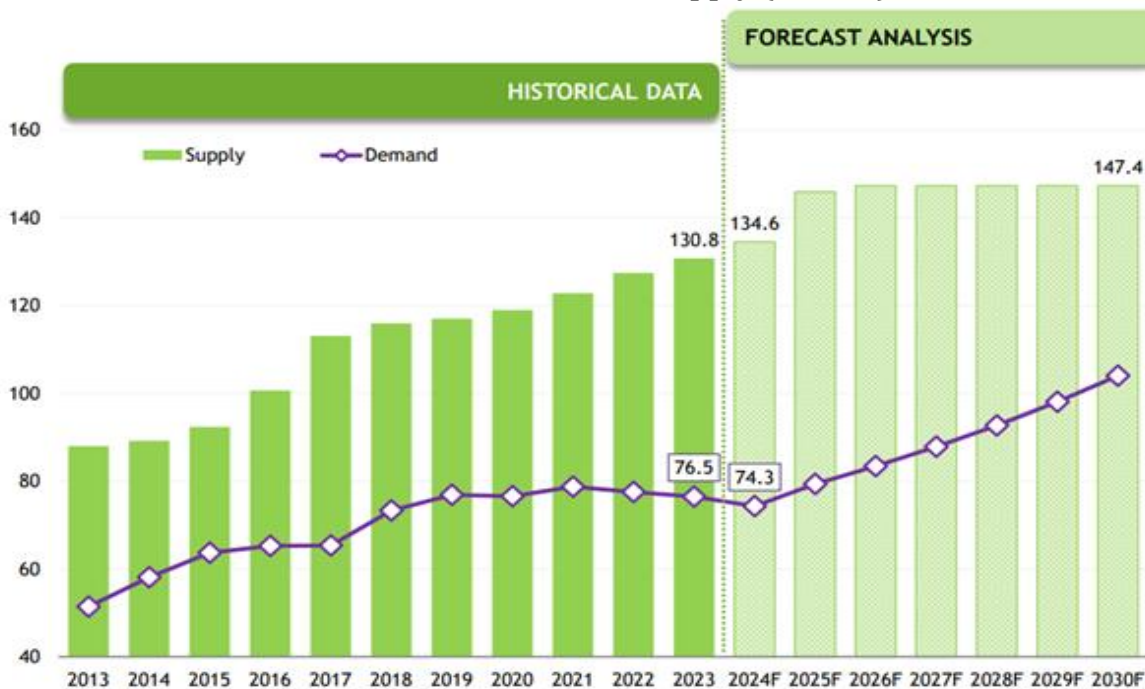
**Cement – Unfavorable**

## The outlook is unfavorable due to continued over supply situation

Total clinker & cement sales in Vietnam decreased by 6.5% in 2023 due to the weak demand from both domestic and overseas markets. Total clinker and cement sales in Vietnam witnessed a decrease of 6.5% (y-o-y) to 86.0mn tons in 2023, resulted from the shrinkage demand from both export markets and weak domestic consumption. Production capacity of cement and clinker is forecasted to be 147.4mn tons and 110.7mn tons per annum in 2026 given increasing cement facilities in coming time and improved utilization rate. We expect absorption rates to improve as public investment policies are promoted and the real estate market regains momentum.

In the short term, cement consumption remains low compared to supply due to slow activity in the residential real estate construction segment. Another contributing factor to the oversupply is China's cessation of cement imports from Vietnam since May 2022. As a result, the oversupply situation in Vietnam has worsened, with utilization rates predicted to be below 70% until 2029.

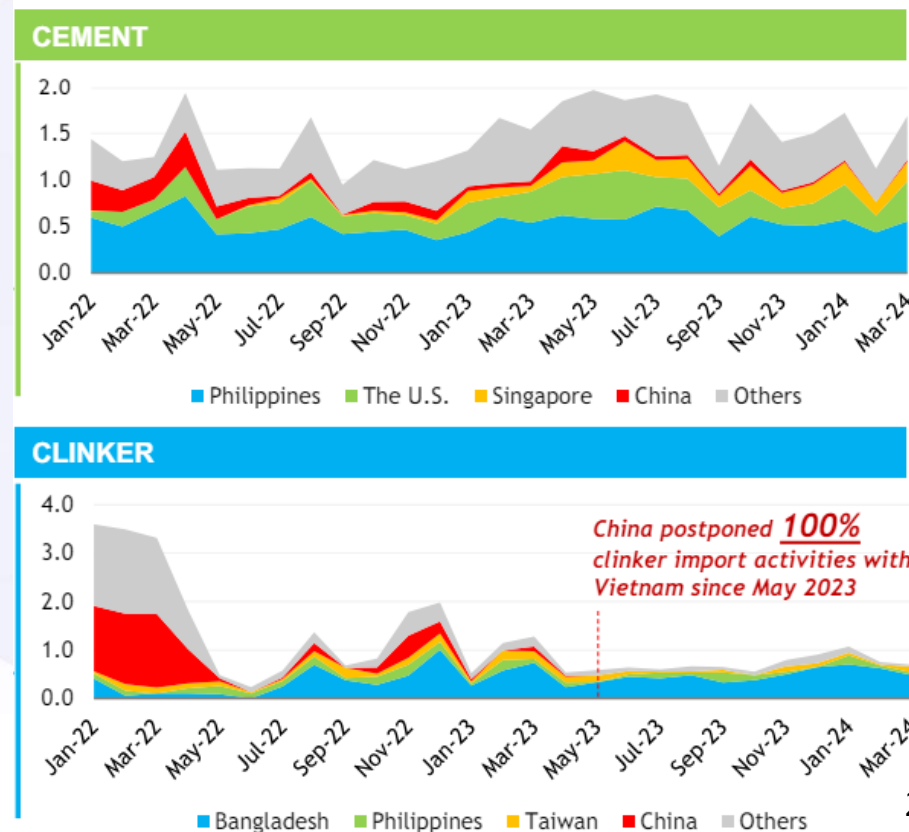
Forecasted demand and supply (mn ton)



Sources: Vicem, Fiinpro, GTJASVN

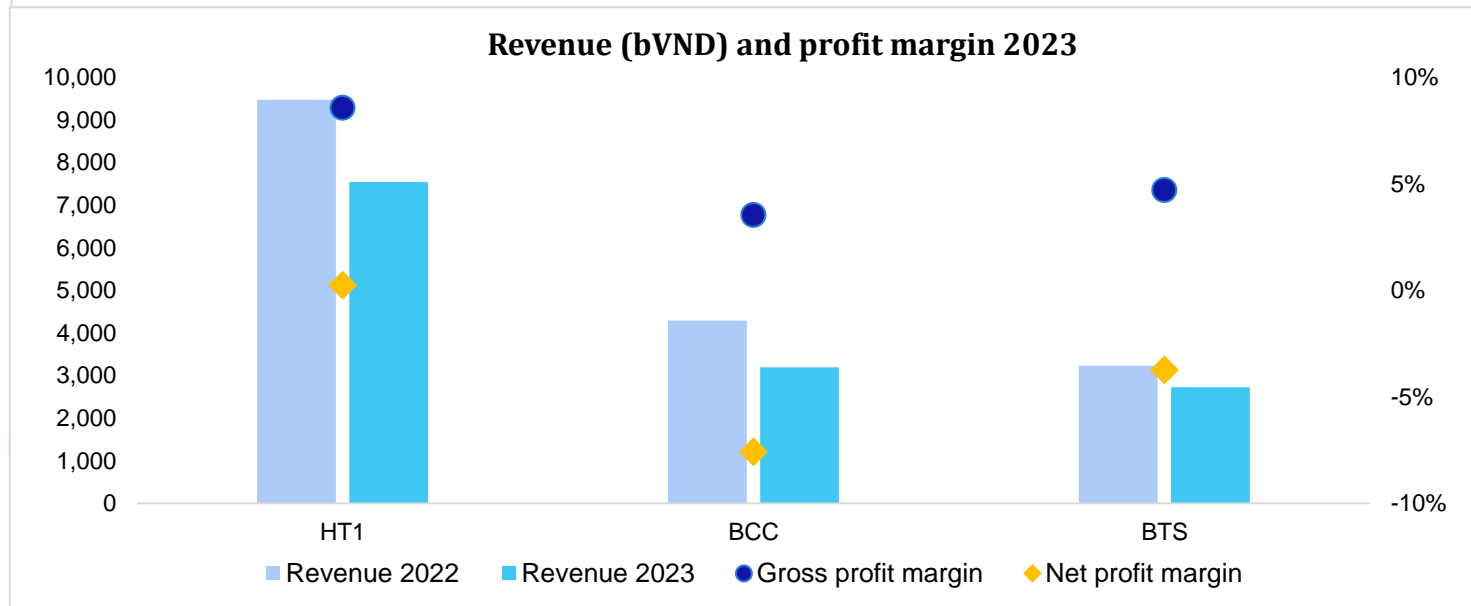
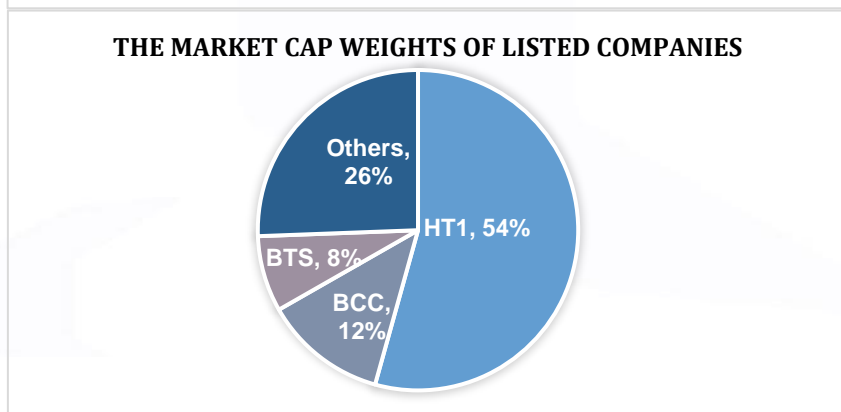
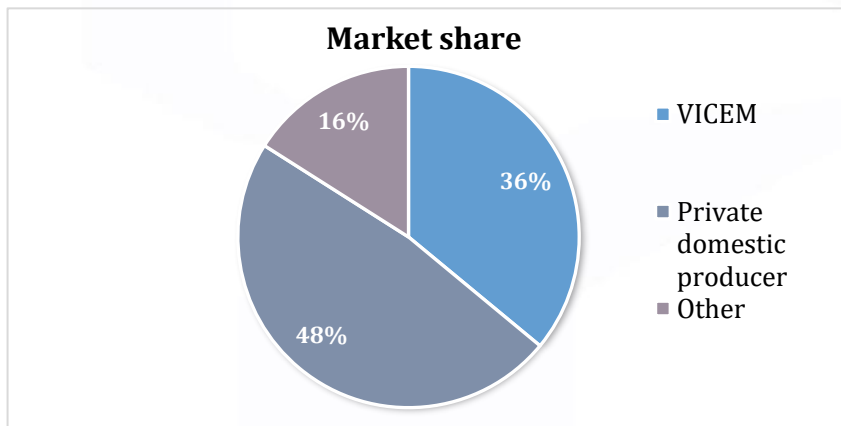
Cement prices have shown minimal fluctuations this year, maintaining between 1,500,000 and 1,800,000 VND per ton depending on the brand. In cases where coal prices increase, cement producers tend to stabilize or marginally increase their costs compared to the rise in coal prices. Therefore, post-stabilization revenue may not sufficiently offset input costs, leading to a decrease in gross profit margins.

Monthly export volume to major markets, mn tons



Some major companies in the industry include Ha Tien, Bim Son, and But Son. Profit margins continue to face challenges: the consumption rate as a percentage of total supply remains low, and there is a decreasing trend in demand from the Chinese market

Coal prices decreased by 37% YoY, reducing cement production costs by 13.7% in 2023, as coal accounts for a significant portion, around 35% to 40%, of total production costs. However, this reduction in raw material costs has not yet improved profit results due to persistent challenges such as low domestic consumption demand, reduced exports, etc.



Sources: Bloomberg, FiinX, GTJAS Research



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