CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

Company Report: Duc Giang Chemicals Group (DGC)

Research Department
Mail: research@gtjas.com
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Strengthen the value chain

KEY HIGHLIGHTS

DGC is a leading chemical enterprise in Vietnam, holding a dominant position in the supply of yellow phosphorus — a key raw material for modern industries. In addition, the company has demonstrated its ambition to move further up the industrial chemical value chain through large-scale projects in Nghi Son and Lam Dong.

In the short term (2025–2026), the ethanol project in Dak Nong, scheduled to commence operations in Q1/2025, and the Nghi Son – Phase 1 project, expected to be operational in Q2/2026, will add new capacity and enhance DGC's revenue and profit growth.

In the first half of 2025, DGC recorded net revenue of over VND 5,700 billion, up nearly 16.6% year-on-year. Net profit after tax increased by 9% to VND 1,728 billion. With this result, DGC has achieved approximately 54.9% of its full-year revenue target and 52.6% of its after-tax profit plan.

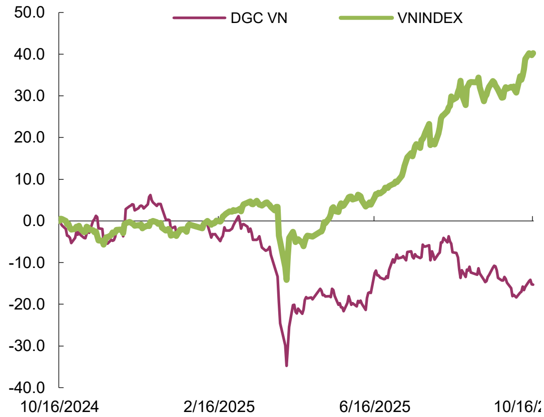
DGC currently maintains a healthy balance sheet with more than VND 12 trillion in cash and bank deposits, reflecting the company's strong financial capacity in preparation for upcoming large-scale projects.

RECOMMENDATION

Using the Free Cash Flow to Firm (FCFF) discounted cash flow valuation method, we determine a target price for DGC at **VND 120,000 per share**. We recommend a **"BUY"** rating for DGC with a target price of VND 120,000 per share, implying an **expected return of 27%** compared to the closing price on October 15, 2025.

Recommendation:	**Buy**
6-18m TP:	**120,000** *(+27%)*
Current price:	95,000

1-Year Share Return Performance



Price change	1 M	3 M	1Y
Change %	-4.5%	-7.9%	-15.4%
Vs VN index	-0.2%	10.1%	21.8%
Average (VND)	95,109	99,241	102,735

Sources: Bloomberg, Guotai Junan (VN)

Outstanding shares (million)	379.78	Major shareholder (%)	Đào Hữu Huyền 18.38%
Market Capitalization (VND b)	36,002.99	Free float (%)	60%
3-Month Average Trading Volume ('000)	2,288.86	Debt/Assets (%)	3%
Highest/Lowest Price 52w (VND)	119200 / 73100		

Sources: the Company, Guotai Junan (VN).

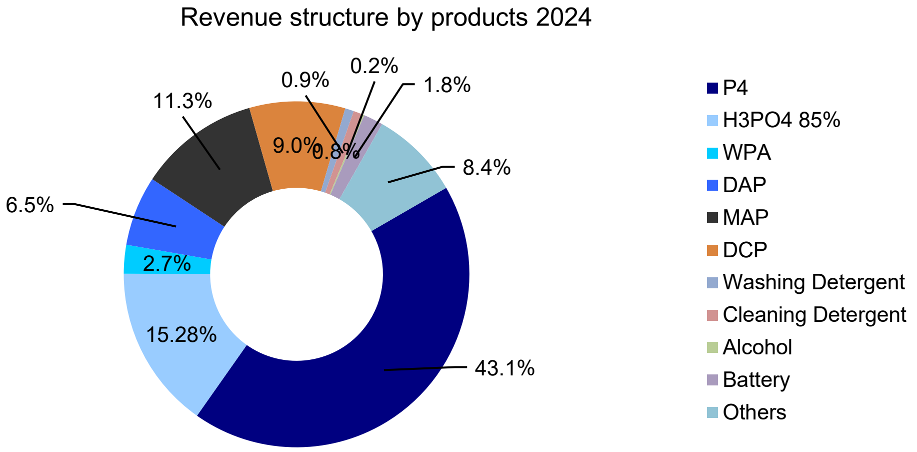
I. BUSINESS RESULTS UPDATES

In the first half of 2025, DGC recorded net revenue of over VND 5,700 billion, up nearly 16.6% year-on-year. Net profit after tax rose 9% to VND 1,728 billion. With this performance, DGC achieved approximately 54.9% of its full-year revenue target and 52.6% of its after-tax profit plan.

This growth was mainly driven by improved selling prices of key products such as yellow phosphorus, phosphoric acid, and fertilizers compared to 2024 — a period marked by significant price declines. At the same time, demand recovery in major export markets including India, China, and Europe also supported revenue growth.

Stable raw material costs and well-maintained production capacity helped slightly improve DGC's gross profit margin. Management expects the margin to remain stable in the second half of the year if favorable pricing trends persist.

Revenue breakdown by product in 2024

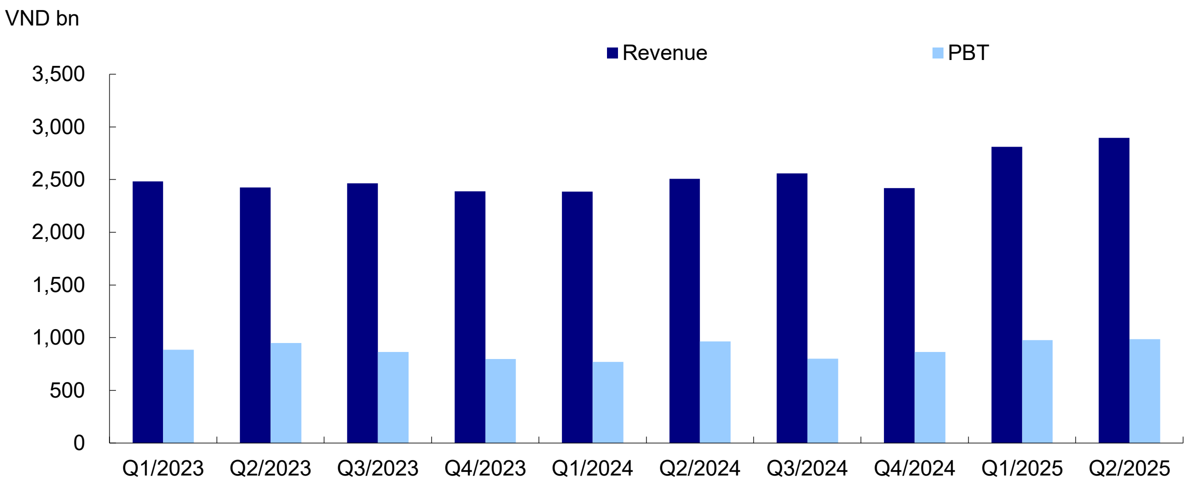


Breakdown revenue by market 6M2025

	2023	2024	6M2025	2023	2024	6M2025
DOMESTIC	21.90%	31.60%	33%	2,139	3,118	1,895
OVERSEAS	78.10%	68.40%	67%	7,609	6,746	3,809

Sources: DGC, GTJASVN RS

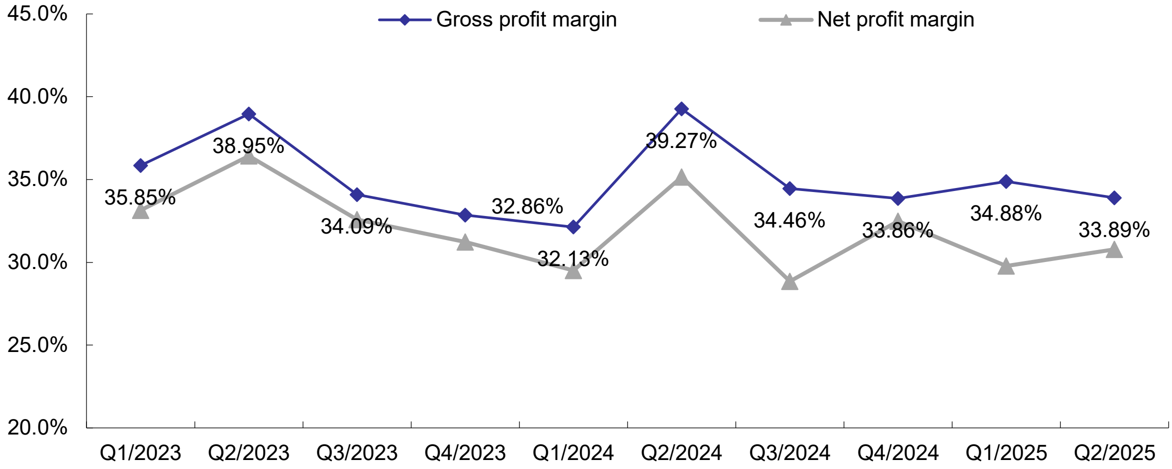
Revenue and profit



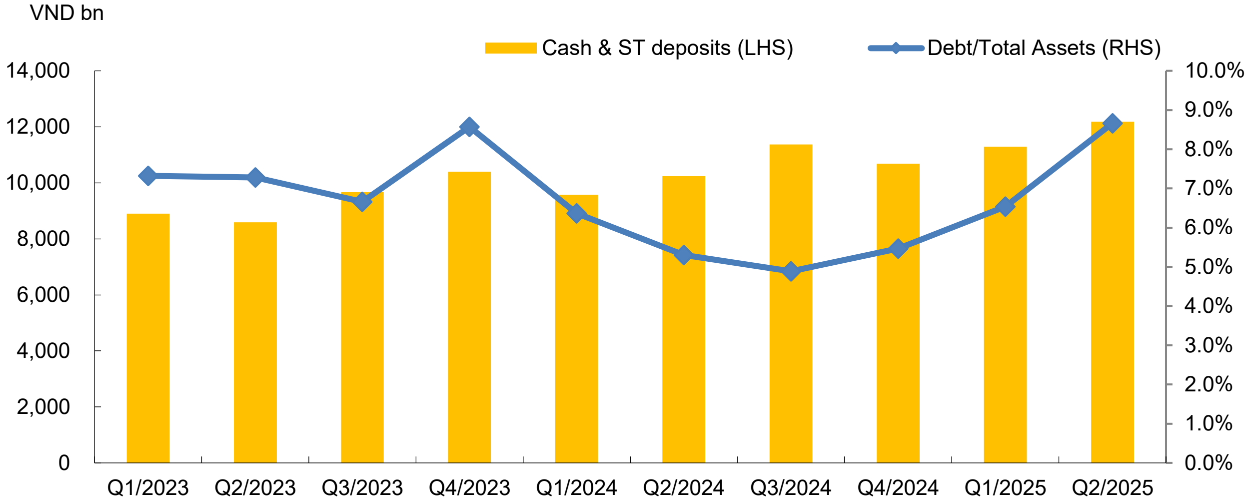
Oct 16, 2025

DGC

Company Report



Asset quality remains outstanding, with over VND 12 trillion in cash and cash equivalents, and total debt of just over VND 1.5 trillion.



Sources: FiinproX, GTJASVN RS

Profit margin supported by self-sufficiency in Apatite supply

DGC currently secures about 70–80% of its Apatite ore — the key raw material for production — through in-house sourcing, and continues to enhance and expand supply capacity via plans to upgrade and enlarge mining areas 25 and 19b in Lao Cai.

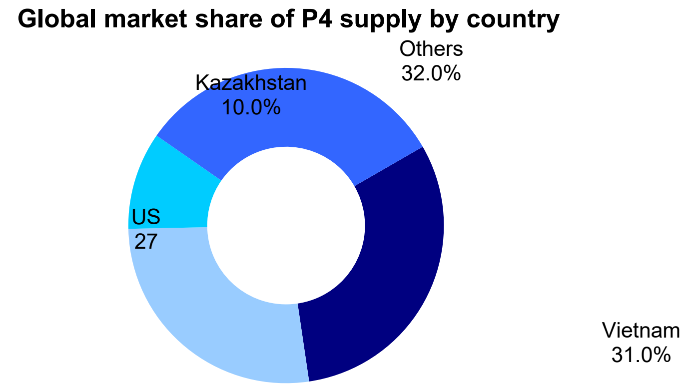
At the 2025 Annual General Meeting held in April 2025, Duc Giang Chemicals' management also announced its intention to participate in bidding for mining licenses for areas 20, 22, and 23 in Lao Cai province. If successful, the company would gain access to an additional 30 million tons of Apatite ore, ensuring supply stability for at least the next 20 years.

Meanwhile, coke and sulfur — which DGC sources externally — remain subject to market price fluctuations.

II. OUTPUT MARKET SECURED BY DGC'S LARGE MARKET SHARE IN YELLOW PHOSPHORUS SUPPLY — A CORE MATERIAL FOR SEMICONDUCTOR AND HIGH-TECH INDUSTRIES

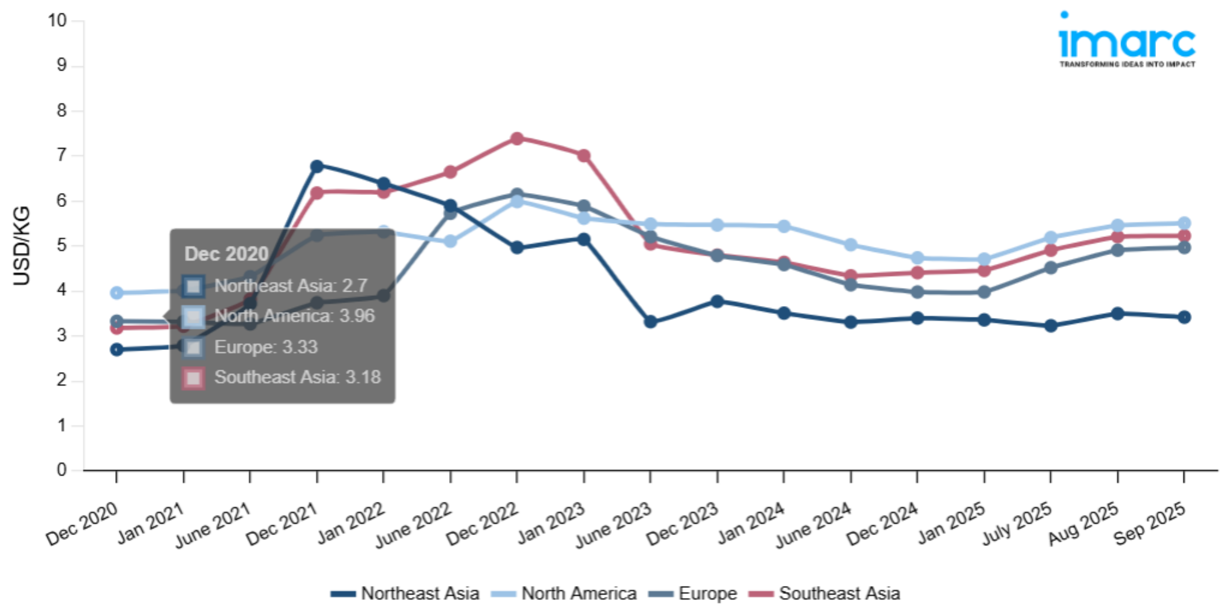
With an annual capacity of 70,000 tons, DGC currently accounts for one-third of global yellow phosphorus (P4) exports, following China's export ban on this product since 2018.

In addition, DGC is moving further up the semiconductor supply chain by expanding production of phosphoric acid products used in chip manufacturing, thereby strengthening the company's long-term growth outlook.



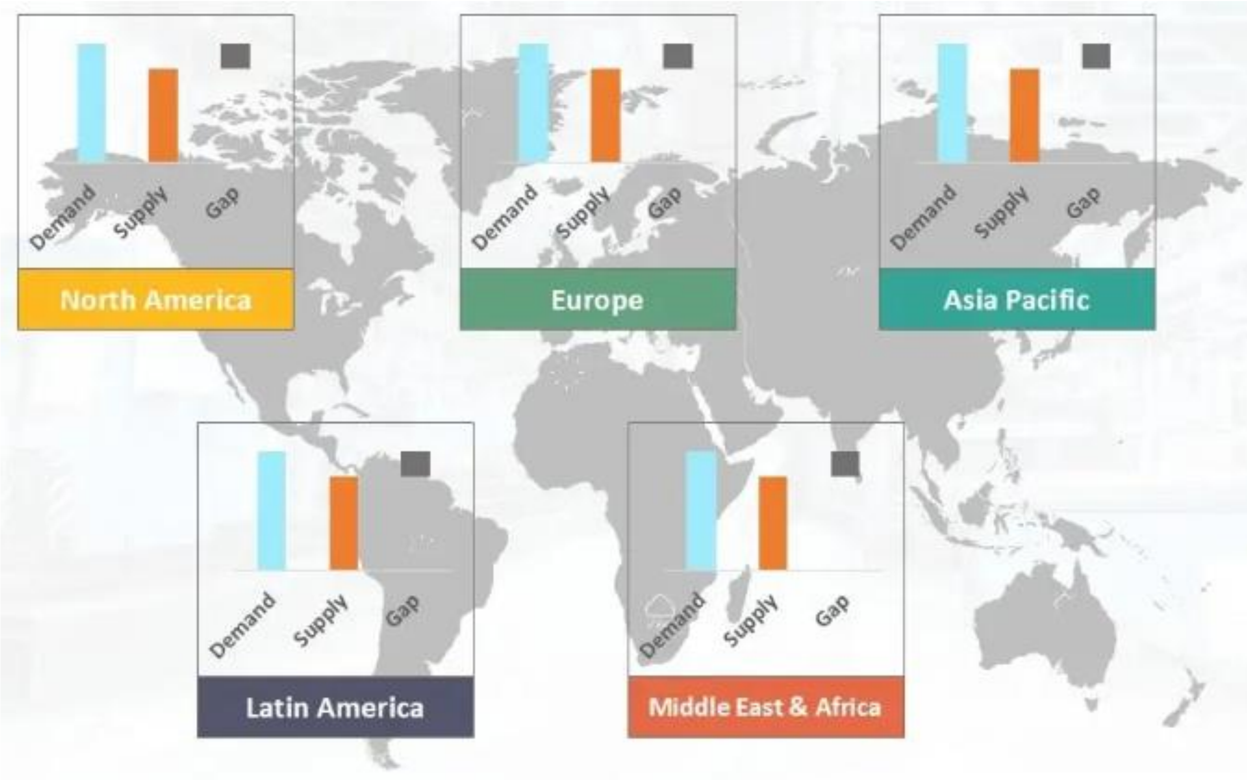
Source: volza.com, GTJASVN RS

P4 price



P4 prices have shown signs of recovery as demand from the electronics, metallurgy, and specialty chemical sectors rebounds, alongside a broader production recovery in China and the Asia–Pacific region. However, oversupply risks remain, particularly if Chinese producers do not cut capacity or if fertilizer demand stays weak in the upcoming planting season.

Negative supply-demand gap- Source: Imarc



Nevertheless, we expect prices to remain broadly stable compared to the current base level under a conservative scenario, thereby supporting DGC's growth outlook in the coming period.

III. STRENGTHEN THE VALUE CHAIN

Currently, DGC's product portfolio is becoming increasingly diversified, with new projects strategically designed to complement one another. For example, Phase 2 of the Nghi Son Chemical Complex will synergize with Phase 1, while the Caustic Soda Project will support the long-term Bauxite Project, as NaOH is a key input in the bauxite production process.

DGC's Key Products

Segment	**Products**	**Capacity**	**Note**
Industrial chemicals	P4,	70,000 tons/year	
	Caustic Soda (NaOH)	50,000 tons/year	Part of the **Nghi Son Project**, expected to commence operations in **2026**.
	Phosphoric Acid	- **Wet-process phosphoric acid (WPA 50%)**: 160,000 tons/year - **Food-grade phosphoric acid (H_3PO_4 85%)**: Designed capacity of 30,000 tons/year	
	Feed Additives (DCP & MCP, etc.)	150,000 tons/year	
Detergent	Detergent Products (powder detergent, liquid detergent, Javel water)		180 VND bn revenue/year
Ferrtilizer	DAP, MAP, NPK, Supe Lân	**High-grade superphosphate (P_2O_5)**: 200,000 tons/year - **MAP**: 100,000 tons/year - **DAP**: 100,000 tons/year - **NPK**: 200,000 tons/year - **Potassium sulfate (K_2SO_4)**: 4,800 tons/year	
Others	Battery Alcohol Others	Alcohol: 50,000 tons/year	**Ethanol Plant** operational since **Q1/2025**.

Sources: DGC, GTJASVN RS compiled

DGC's Strategic Direction for Upcoming Major Projects:

3.1. Focus on the Domestic Caustic Soda and Industrial Chemical Market through the Nghi Son Chemical Complex Project

The Duc Giang Nghi Son Complex consists of three phases with a total investment of approximately VND 12,000 billion. Phase 1 of the project commenced on February 17, with an adjusted investment capital of VND 2,900 billion. The project's main outputs include caustic soda (NaOH) and other industrial chemicals.

Following Phase 1, the Group plans to proceed with Phase 2, which will require an estimated investment of VND 6,000 billion to produce PVC plastic. The third phase is expected to invest an additional VND 3,600 billion to develop a soda plant with a designed capacity of 400,000 tons per year.

Details of the Duc Giang Nghi Son Chemical Complex – Phase 1 (Adjusted Scope)

	Phase 1.1	**Phase 1.2**
Capacity	**51,000 tons of chemicals per year:** • **Caustic soda (NaOH 100%)**: 50,000 tons/year (converted to 100%)	**75,500 tons of chemicals per year:** • **Potassium sulfate (K_2SO_4)**: 20,000 tons/year

	• **Hydrochloric acid (HCL 31%)**: 15,000 tons/year • **PAC (Al_2O_3 30%)**: 30,000 tons/year • **Chlorine-based compounds**: 46,000 tons/year	• **Hydrogen peroxide (H_2O_2)**: 15,000 tons/year (converted to 100%) • **Pure/basic chemicals**: 500 tons/year (converted to 100%) • **Battery units**: 2,000,000 kWh/year (~40,000 tons/year)
Adjusted plan	The project scope has been **expanded in Phase 1.2** to include additional products based on market demand surveys. These new products are simple derivatives or by-products of Phase 1.1 outputs.	
Size	2,400 VND bn	adjusted to **VND 2,900 billion** (additional funding for Phase 1.2)
Progress	Groundbreaking in **February 2025**; completion and commissioning in **Q2/2026**.	• **Investment procedures:** From **Q3/2025 to Q3/2026**. • **Construction timeline: Q3/2026 – Q4/2027**, with expected operation starting in **Q4/2027**. **Battery production line rollout plan:** • **Phase 1:** Capacity of 10,000 tons/year, implemented from **Q3/2026 to Q3/2028** • **Phase 2:** From **Q1/2029 to Q4/2030** • **Phase 3:** From **Q1/2031 to Q1/2033**

Sources: DGC, GTJASVN RS compiled

DGC's target product portfolio focuses on industrial chemicals that are currently undersupplied in the domestic market and are expected to enjoy strong, sustained demand in the long term.

3.2. Growth Ambition through the Bauxite – Alumina – Aluminum Complex Project in Lam Dong

On October 12 in Da Lat, Lam Dong Province, during the Lam Dong Investment Promotion Conference 2025, Duc Giang Chemicals Group signed a Memorandum of Understanding (MoU) with the Lam Dong Provincial People's Committee to conduct research, surveys, and propose the development of a large-scale Bauxite – Alumina – Aluminum Complex Project.

According to the MoU, DGC commits to investing in a vertically integrated complex, covering the full production chain from bauxite to aluminum ingots, with the following key parameters:

- **Designed capacity**: 2 million tons of alumina per year and 500,000 tons of aluminum per year.
- **Estimated annual revenue**: approximately VND 37,000 billion.
- **Total investment capital**: around VND 58,000 billion.
- **Implementation timeline**: 2025–2030.

The complex will comprise two main subprojects:

1. **Bauxite – Alumina Complex Project** in Tuy Duc Commune, Lam Dong Province, sourcing raw materials from Mining Cluster No. 4 (formerly in Dak Nong, as per Planning Document No. 866).
2. **Aluminum Electrolysis Plant Project** located along the coastal area of former Binh Thuan Province, leveraging power supply advantages from thermal and renewable energy sources.

Local authorities are actively addressing regulatory and planning constraints related to bauxite exploration and mining to facilitate the implementation of alumina production projects.

Based on the current progress, DGC expects to obtain the investment license by the end of 2025, commence construction and installation in 2026, and begin revenue recognition by late 2028. According to the company's management, the project could contribute an additional VND 16,000 billion in revenue from the alumina phase (2 million tons per year) and a further VND 14,000 billion from aluminum production.

IV. VALUATION AND RECOMMENDATION

GROWTH OUTLOOK FOR 2026 SUPPORTED BY CAPACITY EXPANSION

• Ethanol Plant in Dak Nong to Contribute an Additional VND 1 Trillion in Annual Revenue

Duc Giang Chemicals' business outlook for the second half of this year is further supported by the ethanol plant in Dak Nong (formerly Dai Viet Ethanol Plant, acquired by DGC in Q1/2024 for VND 253 billion). The plant officially commenced operations in Q1/2025, with a production capacity of 50,000 tons of ethanol per year. We expect the facility to operate at around 50% capacity in 2025 and reach 80% capacity in 2026, contributing approximately VND 1 trillion in annual revenue and VND 100 billion in annual profit to DGC.

• Growth Potential from the Nghi Son Project – Phase 1 upon Operation in Q2/2026

According to Duc Giang Chemicals' management, the PetroVietnam Chemical and Services Corporation (PVC) has signed an offtake agreement for 30% of Phase 1A's output. Other customers have also committed to purchasing an additional 20%, bringing the total contracted volume to 50% of Phase 1A's capacity.

With these commitments, it is expected that once operational, the Nghi Son Complex – Project No. 1 will run at around 80% capacity, generating approximately VND 1,200 billion in revenue in 2026 and VND 1,500 billion in 2027 for DGC.

BUSINESS RESULTS PROJECTION

VND bn	*Revenue*	*PBT*
2025F	11,506	13,010
2026F	3,864	4,420

We forecast that DGC will achieve **VND 11,506 billion in revenue** and **VND 3,864 billion in pre-tax profit** in 2025, representing year-on-year growth rates of **16.6%** and **13.6%**, respectively.

*(*) DGC currently has the **Duc Giang Residence Project**, which is still undergoing legal procedures; therefore, we have temporarily excluded it from our business projections.*

VALUATION

Using the **Free Cash Flow to Firm (FCFF)** discounted cash flow valuation method, we determine a target price of **VND 120,000 per share** for DGC. We issue a **"BUY" recommendation** for DGC with a target price of **VND 120,000 per share**, implying an **expected return of 27%** compared to the closing price on **October 15, 2025**.

Key Assumptions and Valuation Summary:

Free Cash Flow in 2030	4,163,654
WACC	12.5%
Perpetuity Growth Rate	3.0%
Perpetuity Value at End of Year 5	45,142,776
Present Value of Perpetuity	25,051,033
(+) Present Value of Free Cash Flows	10,413,107
(=) Current Enterprise Value	**35,464,141**
Short Term Debt	1,577,082

(+) Long Term Debt	-
(-) Cash and Marketable Securities	12,178,866
(-) Current Net Debt	(10,601,784)
(-) Current Preferred and Minority Interest	379,427
(=) Equity Value (VND mn)	45,686,498
Shares outstanding (mn)	380
Estimated Value per Share (VND)	**120,297.77**
Current Price (VND)	95,000.00
Estimated Upside	**27%**

V. INVESTMENT RISKS

- **Risks related to raw material price volatility** (Apatite, coke, sulfur, etc.) as well as **supply–demand** dynamics in the yellow phosphorus market could impact the Group's revenue outlook and profit margins.
- **Environmental regulation concerns** may pose challenges to the implementation timeline of DGC's upcoming large-scale projects, particularly the Bauxite Project in Lam Dong.

COMPANY RATING DEFINITION

Benchmark: VN – Index. Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

DISCLAIMER

GUOTAI JUNAN VIETNAM RESEARCH DEPARTMENT

Vũ Quỳnh Như	**Ngô Diệu Linh**
Research Analyst	Research Analyst
nhuvq@gtjas.com.vn	linhnd@gtjas.com.vn
(024) 35.730.073- ext:702	(024) 35.730.073- ext:705
Trịnh Khánh Linh	**Nguyễn Kỳ Minh**
Research Analyst	Chief Economist
linhtk@gtjas.com.vn	minhnk@gtjas.com.vn
(024) 35.730.073- ext:707	(024) 35.730.073- ext:706
	Trần Thị Hồng Nhung
	Deputy Director
	nhungtth@gtjas.com.vn
	(024) 35.730.073 - ext:703

CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1st Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	3rd Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: gtja@gtjas.com.vn Website: www.gtjai.com.vn	Fax: (024) 35.730.088	Fax: (028) 38.239.696