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Hoa Phat Group (HPG)

Updates on Hoa Phat Dung Quat Iron & Steel Complex

Construction steel consumption recovered thanks to rising demand from public investment projects (road, bridge, tunnel, airport construction)

- HPG management anticipated a 10–20% YoY increase in construction steel consumption in 2024, driven by rising demand from public investment projects utilizing significant amounts of construction steel such as bridges, tunnels, airports, etc.

Dung Quat 2 will come into operation from 1Q2025

- By the end of 2024, the production capacity of Dung Quat 1 (DQ1) should increase by an additional 400,000 tons (with construction steel and HRC output accounting for 50%/50%), raising HPG's total capacity to 8.9 million tons per year.
- Most plants in phase 1 of Dung Quat 2 (DQ2) have achieved 50–60% progress in construction and are expected to commence commercial operations from 1Q2025. Phase 2 is expected to start operations by the end of 2025. DQ2 comprises two blast furnaces with a capacity of 2.8 million tons each, producing 4.6 million tons of HRC and 1 million tons of high-quality steel products (structural steel, containers, car bodies, etc.) per year.
- HPG's new high-quality steel products have higher selling prices but better gross profit margins. However, due to low domestic consumption demand, it will require time for strong growth.

Promoting domestic consumption and export helps ensure DQ2's stable operations

- Once DQ2 is completed and operates at full capacity, management plans to consume domestically 5.6 million tons and export 3 million tons of HRC annually.
- Currently, production costs, including depreciation, have been optimized, enabling steel prices to remain competitive with those originating from China.

Anti-dumping duties on HRC could take effect from 3Q2025 at the earliest

- HPG and Formosa (FHS) have submitted proposals for the imposition of anti-dumping duties on HRC steel products imported from China and India to the Ministry of Planning and Investment, with the review and evaluation expected to take anywhere between 12 and 18 months.

HPG provided information to importers to meet ESG standards

- HPG has conducted reports and provided information on the production process of DQ1 and other steel mills to European partners in preparation for implementing the carbon border adjustment mechanism (CBAM) from 2026. In the future, HPG will also explore alternative methods to optimize emissions by reducing the use of coal in basic oxygen furnaces (BOFs), enhancing the use of scrap steel, and researching and adopting new technologies.

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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