

TON DONG A JOINT STOCK COMPANY (Upcom: GDA)

Attractive Valuation & Potential from New Factory

We have made an initial valuation for GDA stock. In our conservative view, the current share price does not fully reflect the long-term growth prospects and business position. We estimate the fair value at **VND 38,700**, equivalent to a projected P/B of 1.1x in 2025.

- **The company has a strong position in the field of galvanized steel production:**

- With a cautious investment strategy, focusing on product quality, GDA gradually increased its market share and maintained its position among the top 3 largest galvanized steel companies (together with HSG and NKG). In particular, the domestic market share continuously maintained at the 2nd position in the period 2016-2023 with an average market share of 15%.
- In the period 2025-2029, for the galvanized steel market, we believe that the domestic market will lead the growth with a growth rate of 10%/year (expecting the real estate market to recover and the demand for construction materials). In particular, we expect GDA to achieve an average domestic output growth rate of 11%/year, coming from the operation of the new factory (phase 01 operating from 2026).

- **Long-term growth potential from new plant:**

- It is expected that from 2026, the Company will put into operation phase 01 of the new flat steel factory (total capacity of 1.2 million tons/year, of which phase 01 is 300 thousand tons/year). In the long term, in addition to galvanized steel for construction, the Company has enough capacity to participate in the steel production market for industrial equipment - a potential for double-digit growth that no domestic company can participate in.
- For phase 01 in particular, we expect the factory to increase its operating efficiency to ~100% in 2028. Thereby, GDA can maintain a relatively good market share (accounting for 17% of total market consumption in 2029). Revenue in the period 2024-2029 is expected to grow at a compound annual growth rate (CAGR) of 10.2%.
- Along with the expectation that the steel price cycle will recover from 2025 onwards, we forecast that GDA's NPAT will grow at a CAGR of 18% in the 2024-2029 period.

Risks

- GDA operates in a manufacturing industry that is highly sensitive to input material prices (hot rolled steel - HRC), negative fluctuations in raw material prices will have a significant impact on the Company's profit margin and business results.
- The operation of new plant is slower than expected, weighed down by a weaker-than-expected industry recovery outlook.

Key financial ratios

Y/E Dec (VND billions)	FY2021	FY2022	FY2023	FY2024F	FY2025F	FY2026F
Net revenue	25,262	21,614	17,435	19,051	19,735	21,822
Growth (%)	104%	-14%	-19%	9%	4%	11%
EBITDA	1,813	140	647	806	962	1,329
NPAT	1,210	(277)	284	391	423	479
Growth (%)	322.9%	-122.9%	-202.6%	37.9%	8.2%	13.1%
Net margin (%)	4.8%	-1.3%	1.6%	2.1%	2.1%	2.2%
ROA (%)	13.1%	-0.4%	5.1%	6.2%	6.1%	6.4%
ROE (%)	41.2%	-8.0%	8.0%	10.4%	10.5%	11.0%
Basic EPS (VND)	10,089	(2,466)	2,472	3,138	3,396	3,840
Book Value (VND)	33,736	30,068	31,556	33,846	36,426	39,475
Cash dividend (VND)	1,000	1,000	1,000	1,000	1,000	1,000
P/E (x)	3.4	(16.6)	10.2	8.9	8.2	7.3
P/BV (x)	1.2	1.3	0.8	0.8	0.8	0.7

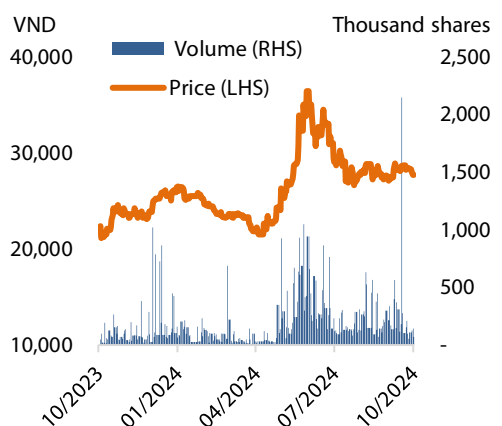
Source: GDA, RongViet Securities. Based on the closing price on November 01st, 2024.

BUY +41%

Market price (VND)	28,200
Target price (VND)	38,700
Cash dividend	VND 1,000

Stock Info

Sector	Materials
Market Cap (VND Bn)	3,177
Share O/S (Mn)	115
Beta	1.7
Free Float (%)	38
52 weeks high	36,400
52 weeks low	20,800
Average trading volume (20 sessions)	242,814



Performance (%)

	3M	1Y	2Y
GDA	-4.7	26.0	N/A
VN30 Index	5.3	21.9	38.6
VN-Index	3.1	16.2	28.9

Major shareholders (%)

Nguyen Thanh Trung (together with relevant parties)	41.9
Le Thi Phuong Loan	12.9
JFE Shoji Viet Nam	7.4
Others	37.8
Remaining Foreign Room (%)	28.4

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VALUATION
LONG-TERM VALUATION USING FCFF METHOD

DCF Assumptions	Value	Valuation Summary	Unit: VND billion
WACC 2024	11.9%	DCF forecast time	5 years
Effective tax rate	20%	Discounted free cash flow	6,352
Cost of equity	20.3%	+ Cash & Equity at valuation date	5,948
Risk-free rate	3%	- In debt	3,883
Equity risk premium	10%	Equity value	4,287
Beta	1.73	Number of outstanding shares (million shares)	115
Exit EV/EBITDA	5.0	Equity value per share (VND)	37,300

Table 1: Sensitivity scenario for GDA's Equity Value per Share (VND)

	Exit EV/EBITDA					
		3	4	5	6	7
	WACC	9.9%	25,064	33,900	42,737	51,574
	10.9%	23,124	31,554	39,984	48,414	56,844
	11.9%	21,286	29,331	37,300	45,423	53,468
	12.9%	19,544	27,225	34,907	42,589	50,271
	13.9%	17,892	25,229	32,567	39,904	47,242

SHORT-TERM VALUATION USING P/B METHOD

Company	Capitalization	Net Revenue 2023	EBITDA 2023	Gross margin	Net margin	P/E 2023	PB 2023
Jiangsu Shagang (China)	1,180	2,167	91	5.9	1.3	41.9	0.5
Hyundai Steel (Korea)	3,781	19,844	1,869	8.2	1.8	10	0.2
SeAH Steel Corp (Korea)	303	1,425	201	17	10.1	2.0	0.4
Kyoei Steel (Japan)	637	2,631	183	9.6	3.7	6.3	0.5
Nam Kim (Vietnam)	267	780	31	5.9	0.6	55.2	1.2
Average of flat steel producers (2018-2023)						30.2	0.9

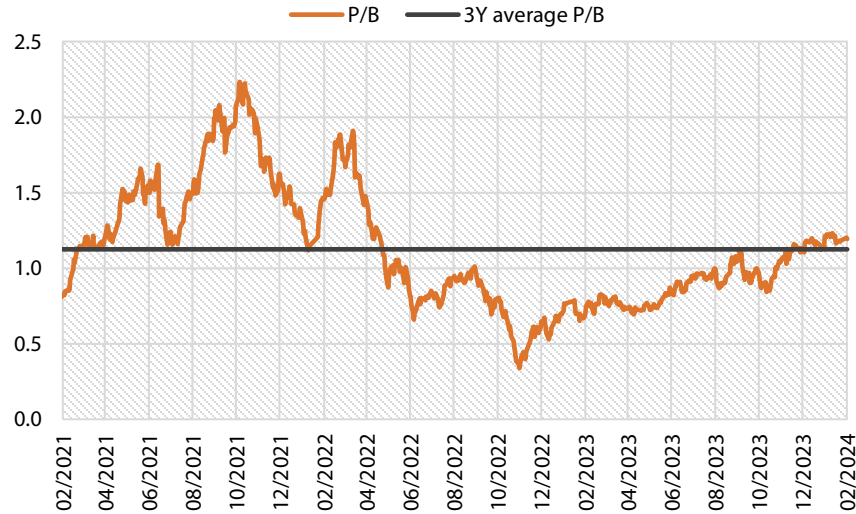
We prefer to use the P/B method to value short-term cyclical companies (including steel companies) as 1/ The earnings and P/E ratios of cyclical companies are highly volatile, 2/ The P/B ratio more accurately reflects the market's bid - when expecting a recovery period for the industry. Combined with the average P/B level in the period 2018-2023 of domestic companies (NKG), we believe that a P/B level of 1.1x is appropriate for: 1/ A company with a position in the domestic galvanized steel industry such as GDA, 2/ Long-term ROE cycle maintained at 16% (after Phu My factory - phase 01 is put into stable operation).

Table 2: Sensitivity Table for GDA Equity Value per Share (VND)

BVPS (VND)	P/B							
	BVPS	0.8	0.9	1.0	1.1	1.2	1.3	1.4
	2024	33,846	27,077	30,461	33,846	37,231	40,615	44,000
2025	36,426	29,141	32,784	36,426	40,069	43,711	47,354	50,997

Source: RongViet Securities

Figure 1: Historical P/B of NKG stock



Source: Bloomberg, RongViet Securities

By combining the long-term valuation method (FCFF cash flow discount method) and the short-term valuation method (P/B comparison method), each weighted at 50%, we give the target price of GDA stock as **VND 38,700/share**.

Table 3: Summary of GDA valuation

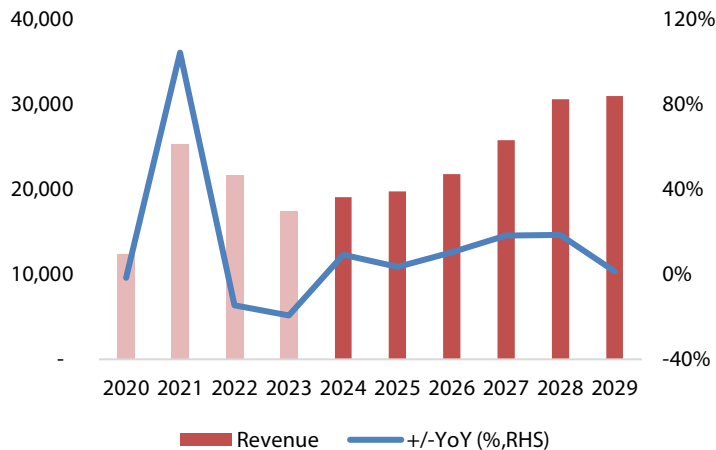
Method	Weight	Price	Contribute
FCFF	50%	37,300	18,700
P/B (1.1)	70%	40,100	20,000
Target price			38,700

In both the short term and the long term of 5 years, based on the closing price as of Oct 23rd, 2024, we believe that the current market price of GDA does not fully reflect the company's asset value or its current and future position. Using the combination of two valuation methods, the fair value for each GDA share is **38,700 VND**, with projected 2025 PE and PB of 11.4x and 1.1x, respectively. Investors can use our sensitivity analysis to make investment decisions that align with their risk appetite for this stock.

FINANCIAL ANALYSIS & FORECAST FOR THE PERIOD 2024-2029

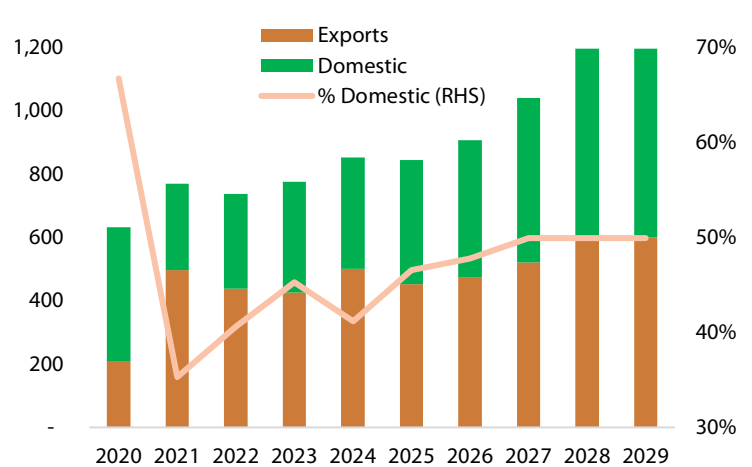
Revenue: Given GDA's current position in both domestic and export markets, along with its plan to invest in a new galvanized steel factory (Phu My factory - PMF, phase 01 set to begin operations in 2026), we expect GDA to maintain a solid market share (accounting for 17% of total market consumption in 2029). Revenue in the period 2024-2029 is expected to achieve a compound annual growth rate (CAGR) of 10.2%.

Figure 2: GDA's net revenue (VND billion)



Source: GDA, RongViet Securities forecast

Figure 3: GDA sales volume by market (thousand tons)



Source: VSA, RongViet Securities forecast

Note: We also visualize these data in tables. See the Appendix for more information [\(Refers to Page 22\)](#)

For our 2024-29 sales forecast, we make the following assumptions:

In the period 2024-2025 (before PMF becomes operational): With 02 existing factories (Song Than and Thu Dau Mot) and a total operating capacity of 850 thousand tons/year (with 04 GI/GL galvanized steel production lines), we believe that the factories will operate at near full capacity (~100%) during this period (notably, in 8M 2024 alone, the factory has operated at over 100% capacity. By 2025, domestic and export market shares are estimated to reach 16% and 18%, respectively, with GDA remaining one of the largest companies in the Vietnamese galvanized steel industry. However, considering the projected 7% CAGR for steel industry consumption (specifically galvanized steel products) during the 2024-2029 period [\(Refers to Page 14\)](#). We believe that GDA will focus on investing and constructing PMF (phase 01 with a capacity of 300 thousand tons/year) in 2025 and put it into operation in 2H 2026, thereby increasing operating capacity to 1.2 million tons/year (up 35% YoY).

Phase of putting PMF into operation until stable operation (2026-2029): In the base case, we expect PMF to commence operation in 2H 2026, in line with the company's plan. During the initial quarters, buyers (such as construction contractors, dealers,...) will need time to verify the product's quality, resulting in relatively low absorption capacity, with 60 thousand tons expected to be absorbed in 2026 (operating efficiency ~20%). In the following years, due to 1) GDA's strong position in the industry, and 2) the focus on high-quality steel grades (accompanied by high investment rates, [Refer to Page 17](#)). We expect the plant to improve its operating efficiency to ~100% by 2028, corresponding to PMF output in 2027-2028 reaching 190 thousand tons (+21%YoY) and 300 thousand tons (+58%YoY), respectively.

- **Domestic Market:** We highly value GDA's strong position in the domestic market, highlighted by: 1) an average market share maintained at 17-18% during the 2019-2023 period, and 2) dealer selling prices approximately 2% higher than the average for other galvanized steel companies, reflecting the recognition and reputation of Ton Dong A brand [\(Refers to Page 12\)](#). With the domestic market expected to maintain a CAGR of 10% from 2024 to 2029 (in terms of consumption output, [Refers to page 14](#)), and to reduce risks related to trade defense measures in export markets, we assume that 60% of PMF's output will be consumed domestically, equivalent to domestic output reaching 126

thousand tons in 2027 and 203 thousand tons (+61% YoY) in 2028. GDA's domestic market share could reach 18% by 2028-2029, when PMF is in stable operation.

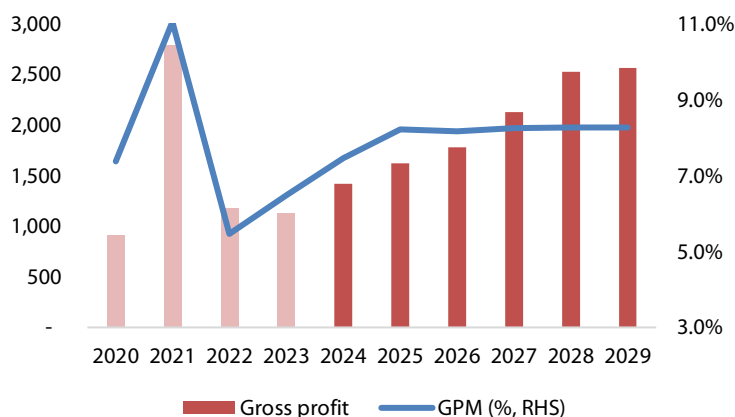
- **Export market:** With anti-dumping and trade protection investigation activities in major export markets (US, EU,...), we expect the export market growth to be slower than the domestic market (CAGR 2024-2029 of 5% in terms of consumption volume). We expect that protectionist policies will ease from 2026 onward, as demand recovers and pressure from the Chinese steel market eases ([Refers to Page 14](#)).

Since the cost of production depends on the price of the main raw material, hot-rolled coil (HRC), which accounts for roughly 85% of production costs, we assume that the selling price will fluctuate in line with the price of HRC. Detailed assumptions regarding HRC price fluctuations are discussed in the section on the recovery cycle of steel prices ([Refers to Page 18](#)).

Net profit: During the steel market recovery period (2025-2028), we expect the gross profit margin to remain at 8.2%, given the company's position in the industry and its cautious inventory policy, in line with the business model of a galvanized steel company.

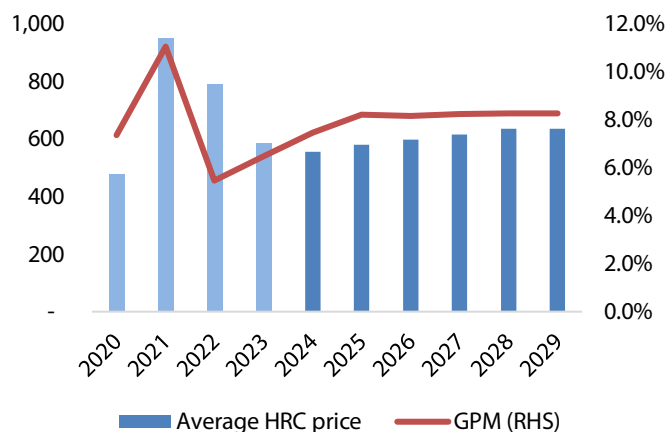
Gross profit: Due to the nature of galvanized steel production, the main raw material (HRC), which accounts for 85% of the cost of production. Thus, HRC prices will be the main factor in estimating GDA's cost of goods sold over the years (assumptions on HRC price - [Refer to Page 18](#)). Under the following scenarios: 1/ Steel price recovery cycle in the period 2025-2028, 2/ The company maintains a cautious inventory policy (average raw material inventory level of about 2.6 months, equivalent to raw materials for one production quarter), we believe that GDA's gross profit margin (GPM) will remain at 8.2-8.2% for the period 2025-2029 (in line with the business model of a galvanized steel company, which does not have its distribution channel).

Figure 4: GDA's gross profit (VND billion)



Source: GDA, RongViet Securities forecast

Figure 5: GDA's gross profit margin compared to average HRC price (USD/ton, base case) (%)



Source: GDA, RongViet Securities

Note: We also visualize these data as tables. More details are available in the Appendix. ([Refers to Page 22](#)).

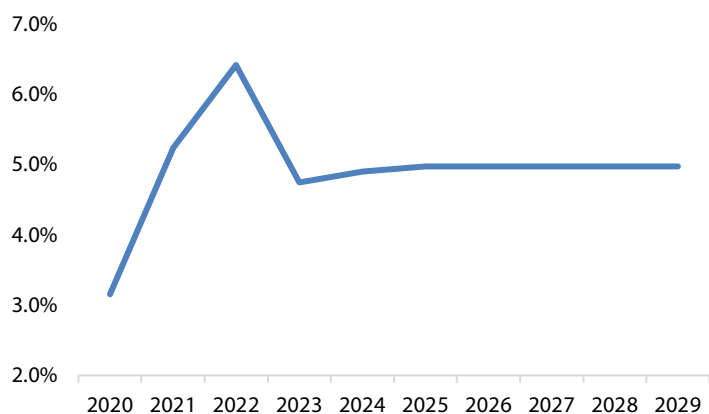
Selling and business management expenses: accounting for 4.5% and 0.4% of total revenue in 2023, respectively. We assume that GDA can manage its selling expenses/net revenue ratio at 4.5% throughout the 2024-2029 period; given GDA's position in the industry, the company can maintain its discount policy (with agents, importers, etc.) without increasing the sales discount rate, even when the new factory becomes operational.

Net profit: The company's NPBT comes from 1/ Profit from core business activities (galvanized steel production, as analyzed in the previous section), and 2/ Net profit/loss from financial activities. In which, we note that net profit/loss from financial activities is relatively low as 1/ The company simultaneously records interest on deposits (average at 6%/year) and interest on loans (mainly short-term loans at an average interest rate of 5.3%/year), 2/ The minimal impact of exchange rate fluctuations, as the company

generates foreign currency revenue from its export activities. Additionally, PMF is expected to benefit from corporate income tax incentives (0% for the first two years and 8.5% for the next two years). As a result, GDA's NPAT for the period 2024-2029 is projected to grow at a CAGR of 18%.

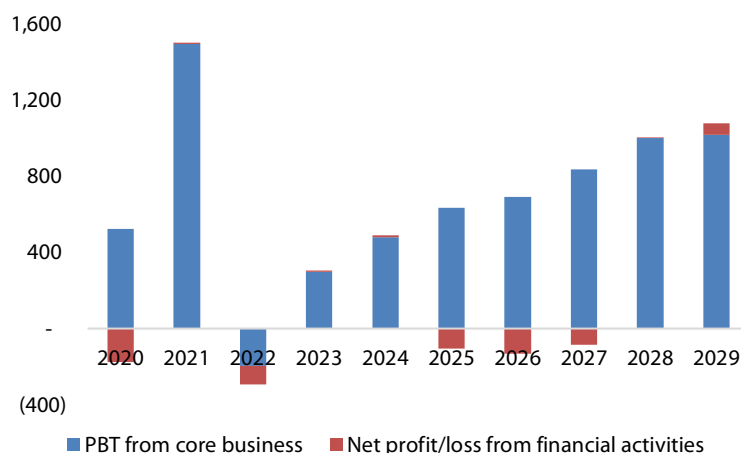
Efficiency of capital use: We expect the Company's return on equity (ROE) to improve and reach 16% in 2028-2029 when PMF operates stably. This comes from 1/ enhanced asset turnover (up to 1.6x) due to revenue growth from the operation of PMF phase 01, and 2/ maintained high financial leverage (Asset/Equity ratio at 3.5x) to finance investment activities in fixed assets and working capital.

Figure 6: Selling and business management Expenses/Net Revenue of GDA (%)



Source: GDA, RongViet Securities

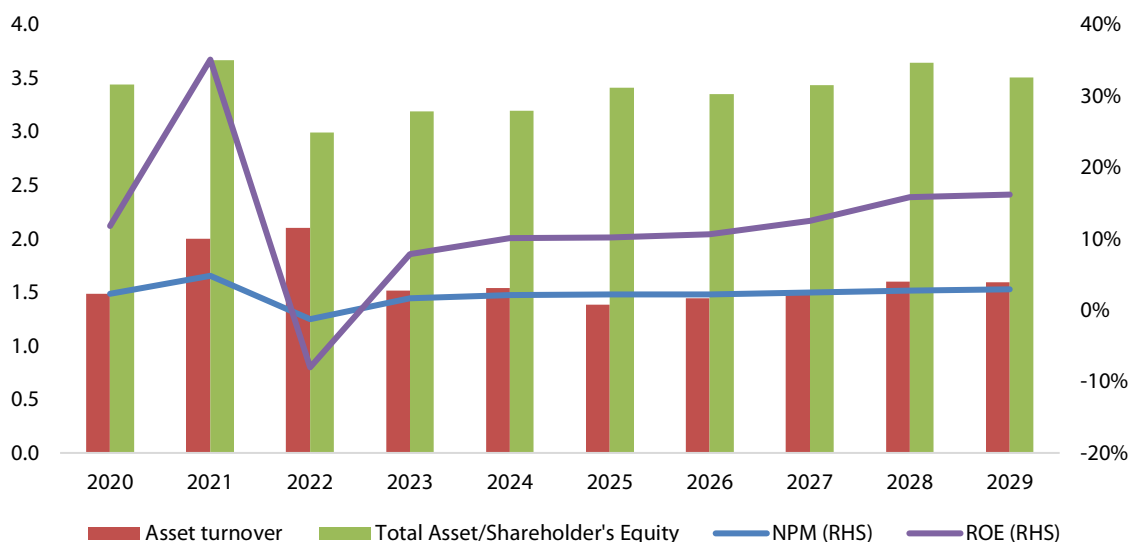
Figure 7: NPBT of GDA, by business activities (billion VND)



Source: GDA, RongViet Securities

Note: We also visualize these data as tables. More details are available in the Appendix. ([Refers to Page 23](#))

Figure 8: ROE analysis using the Dupont method



Source: GDA, RongViet Securities

Asset Highlights

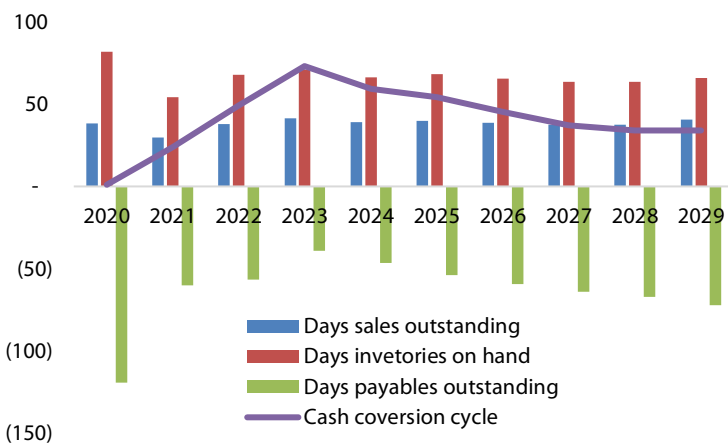
Fixed Asset Investment: GDA is expected to start construction of a new galvanized steel factory with total capacity of 1.2 million tons/year in late 2024. The main products will include flat steel, specifically galvanized steel for construction activities and steel for industrial production (industrial equipment, automobiles, etc.).

PMF will be divided into 03 phases. Phase 01 has a total investment of 3,000 billion VND (details of the phases can be found on [Page 17](#)), with the main product will be galvanized steel for construction activities, which has been included in the pricing model. The following phases have not been included in the model due to the relatively long implementation time and the lack of specific development strategies for industrial product lines. For PMF phase 01, we believe that about 70% of the total investment capital (VND 2,300 billion) will be disbursed in 2025, focusing on purchasing and installing equipment.

Debt: For PMF phase 01, we assume that GDA will mobilize 50% of the loan capital to finance the factory (VND 1,500 billion, optimistic due to the company's strong position in the industry). The loan interest rate is expected to be 9%/year with the principal will be repaid within 03 years from the time of disbursement. The short-term loan balance is stable in the period of 2024-2026, before increasing to VND 8,000 billion in the period of 2027-2028 onwards (to finance working capital needs, mainly inventories). The quick liquidity ratio remains at 0.8x (equivalent to galvanized steel companies such as HSG, NKG), showing that the company maintains short-term debt at an appropriate level, avoiding the risk of short-term default.

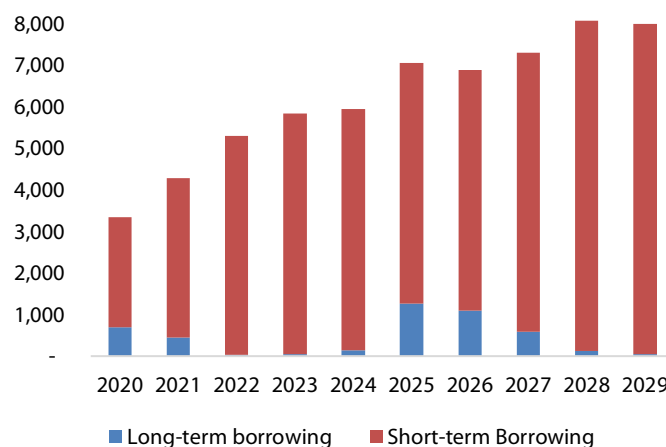
Working capital: We assume that working capital turnover (inventory, receivables, etc.) will remain stable from 2024 to 2029, supported by the company's prudent management policy, which aims to mitigate the risk of raw material price fluctuations, similar to those experienced in 2021-2022. This stability is especially important as the business expands significantly with PMF coming into operation. Additionally, the company's strong position in the industry, coupled with a large deposit balance of VND 2,156 billion as the end of 2023, provides a significant advantage. This allows the company to fully finance its working capital needs through short-term debt at competitive interest rates, averaging 5% per year.

Figure 9: Projected efficiency ratios



Source: GDA, Bloomberg, RongViet Securities forecast.

Figure 10: Total debt forecast (billion VND)

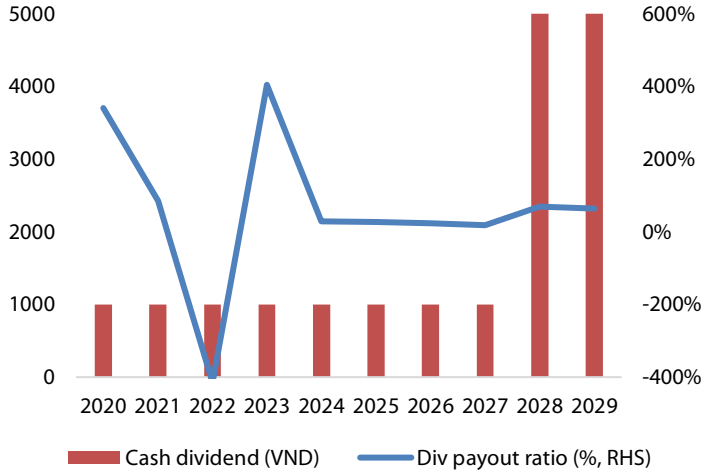


Source: GDA, RongViet Securities forecast.

Note: We also visualize these data as tables. The Appendix provides more details ([Refers to Page 23](#))

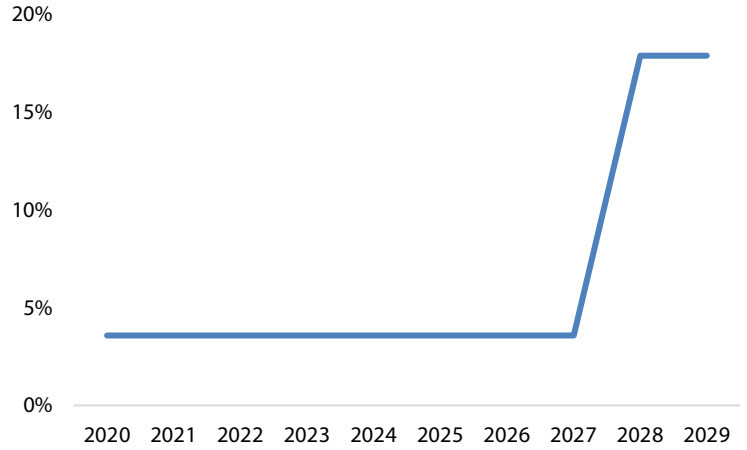
Cash dividend policy: For the period 2024-2027, with the focus on investing in PMF, we expect GDA to maintain its current annual cash dividend policy (fixed cash dividend policy of VND1,000/share), equivalent to a dividend yield of 3-4%/year. This yield is relatively unattractive compared to the average bank deposit interest rate of 4-5%/years. From 2028 onwards, with stable operation of PMF phase 01, we believe that GDA will increase the dividend payout to VND5,000/share. However, due to the potential fluctuations in GDA's profits, largely driven by changes in raw material prices, we believe that GDA may not be suitable for a dividend-focused investment strategy.

Figure 11: GDA cash dividend (VND)



Source: GDA, RongViet Securities forecast
In 2022, the company recorded a net loss

Figure 12: GDA Dividend Yield (%)



Source: GDA, RongViet Securities

Note: We also visualize these data in tables. More details are available in the Appendix ([Refers to Page 23](#)).

Table 4: GDA's Annual Financial Report

INCOME STATEMENT	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Revenue	25,262	21,614	17,435	19,051	19,735	21,822	25,805	30,570	31,003
Cost of goods sold	(22,470)	(20,433)	(16,305)	(17,630)	(18,112)	(20,040)	(23,677)	(28,043)	(28,439)
Gross profit	2,792	1,181	1,129	1,421	1,623	1,781	2,128	2,527	2,565
Insurance and Management Costs	(1,321)	(1,386)	(827)	(934)	(981)	(1,085)	(1,283)	(1,520)	(1,541)
Depreciation expense	(316)	(344)	(320)	(319)	(320)	(632)	(632)	(631)	(631)
EBITDA	1,787	139	622	806	962	1,329	1,477	1,639	1,655
Other net income	(6)	(1)	(10)	(7)	(6)	(6)	(7)	(6)	(6)
Financial income	266	407	378	440	382	400	487	628	699
Financial costs	(258)	(504)	(371)	(431)	(489)	(533)	(572)	(627)	(638)
Earnings before taxes (EBT)	1,503	(293)	306	489	529	558	754	1,002	1,078
Tax provision	(296)	(1)	(23)	(98)	(106)	(79)	(129)	(171)	(184)
Profit/loss in joint ventures/associated companies	-	-	-	-	-	-	-	-	-
Minority interest	-	-	(0)	-	-	-	-	-	-
Net profit	1,210	(277)	284	391	423	479	625	831	894
Net margin	4.8%	-1.3%	1.6%	2.1%	2.1%	2.2%	2.4%	2.7%	2.9%
Earnings per share (VND/share)	10,089	(2,466)	2,472	3,138	3,396	3,840	5,012	6,664	7,172

Table 5: GDA's annual balance sheet

BALANCE SHEET	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
ASSET									
Operating cash	544	830	1,194	757	830	1,029	1,274	1,363	1,420
Short term investment	1,625	1,162	2,156	3,125	2,737	2,949	4,219	5,266	6,424
Accounts Receivable	2,520	1,965	1,984	2,157	2,235	2,471	2,922	3,462	3,511
Inventory	4,427	3,291	3,127	3,381	3,473	3,843	4,541	5,378	5,028
Other current assets	165	163	209	230	253	279	307	337	371
Current assets	9,281	7,410	8,670	9,652	9,528	10,571	13,262	15,806	16,754
Tangible fixed assets	2,717	2,423	2,129	2,011	3,993	3,862	3,231	2,602	1,972
Intangible assets	120	122	130	129	127	126	124	123	121
Long-term investment assets	200	31	271	271	271	271	271	271	271
Other long-term assets	330	320	322	322	322	322	322	322	322
Long-term assets	3,367	2,895	2,852	2,733	4,712	4,580	3,948	3,317	2,686
Total assets	12,648	10,306	11,522	12,384	14,240	15,151	17,210	19,122	19,440
LIABILITIES PAYABLE									
Short-term debt	3,828	5,266	5,804	5,804	5,804	5,804	6,717	7,956	7,956
Accounts Payable	4,900	1,444	2,041	2,507	2,937	3,651	4,787	5,670	5,750
Other short-term payables	18	112	34	46	59	73	92	117	143
Current Liabilities	8,745	6,822	7,879	8,357	8,800	9,528	11,595	13,742	13,849
Long-term liabilities	451	35	44	144	1,260	1,094	594	127	44
Total liabilities	9,196	6,857	7,923	8,500	10,060	10,622	12,189	13,869	13,893
MINORITY INTERESTS	-	-	2	2	2	2	2	2	2
EQUITY									
Preferred stock	-	-	-	-	-	-	-	-	-
Common stock	1,488	1,981	1,981	1,981	1,981	1,981	1,981	1,981	1,981
Retained earnings	1,959	1,462	1,630	1,876	2,150	2,476	2,936	3,127	3,376
Other equity accounts	5	5	5	25	46	70	101	143	188
Equity	3,452	3,449	3,617	3,882	4,178	4,527	5,019	5,251	5,545
Total capital	12,648	10,306	11,540	12,382	14,238	15,149	17,208	19,120	19,438

Source: GDA, RongViet Securities

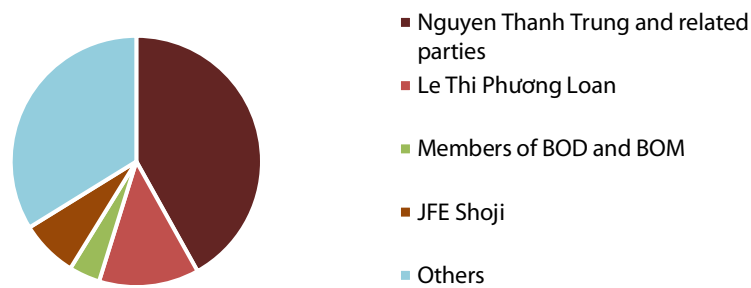
BUSINESS VALUE CHAIN ANALYSIS

Company overview

Ton Dong A Corporation (GDA) was established in 1998 as a limited liability company, primarily producing and trading of steel products, with a focus on coated steel. In 2004, the company invested in its first coated steel production line at the Song Than plant (with a capacity of 40,000 tons per year). For 2004 - 2018, GDA focused on expanding its coated steel production lines and completing its second plant (Thu Dau Mot plant) in 2018, increasing the company’s total production capacity to 850,000 tons per year.

GDA is largely owned by insiders and related parties, accounting for 58.8% of the outstanding shares. The key shareholders include: 1) Chairman – Mr. Nguyen Thanh Trung – and related parties (41.9%), 2) Ms. Le Thi Phuong Loan (BOD member, 12.9%), and 3) other BOD members and the Executive Board (3%). GDA has a strategic shareholder in JFE Shoji Vietnam Trading Co., Ltd., the second largest flat steel enterprise in Japan, which holds 7.4% of the outstanding shares.

Figure 13: GDA’s major shareholders



Source: GDA, RongViet Securities

Figure 14: Application of coated steel - civil construction (%)



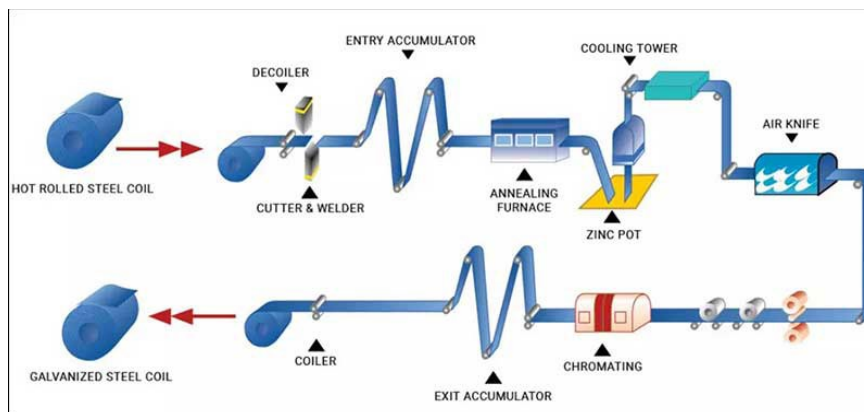
Source: RongViet Securities

Figure 15: Application of coated steel - industrial construction (%)



Source: RongViet Securities

Figure 16: The production process of coated steel from hot-rolled coil (HRC)



Source: Shanghai AIYIA, RongViet Securities

Core business operations

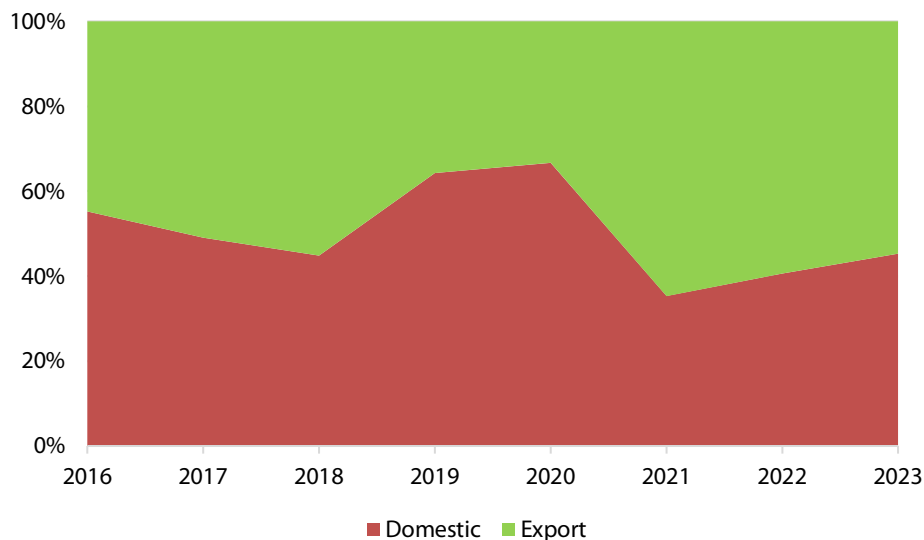
Product structure: GDA's core products include coated steel (Zn-coated, Al-Zn coated, and color-coated steel) primarily used in construction (residential, industrial buildings, etc.). Additionally, the company fulfills orders for steel used in home appliances (LG and Samsung's back panels of refrigerators and washing machines....) with low volumes, averaging 500 tons per month.

Raw materials: GDA mainly relies on hot-rolled coil steel (HRC), sourced from both domestic suppliers (HPG, Formosa) and imports (primarily from Japan, supported by its strategic partner JFE Shoji). The company diversifies its raw material sources to 1) ensure product quality and 2) avoid risks associated with AD investigations, which require traceable raw materials in major import markets (North America, EU, etc,...).

Market strategy: GDA adopts a flexible approach to order allocation, dedicating at least 40% of its output to the domestic market. Apart from the 2019-2020 period, when tighter U.S trade policies, affecting major export market, prompted GDA to increase domestic orders to 60%. GDA's primary sales method involves distributing through agents (domestic) and exporters, avoiding direct distribution channels to reduce costs and avoid inventory risks in the face of fluctuating raw material prices.

- **Domestic market:** Approximately 80% of GDA's domestic output is concentrated in the southern market, the primary area for coated steel companies. Due to differing construction practices between northern and southern Vietnam, coated steel is more widely consumed in the south, where roofs made of coated steel are more common, given the lower frequency of typhoons compared to the north. GDA currently partners with about 1,700 steel distributors across Vietnam.
- **Export market:** North America and Europe are the company's main export markets, accounting for 80% of total production. The order allocation by country is adjusted based on market's demand in these regions. According to the company, its production lines are imported from European countries, mainly from Danieli, a leading manufacturer of steel production equipment. This ensures that GDA's products are high quality and competitive in export markets. GDA primarily exports on an FOB (Free On Board) basis, delivering directly to major importers such as DUFERCO SA, USP HOLDINGS INC, and STEELFORCE FAR EAST LIMITED,...).

Figure 17: Production contribution by market



Source: GDA, RongViet Securities

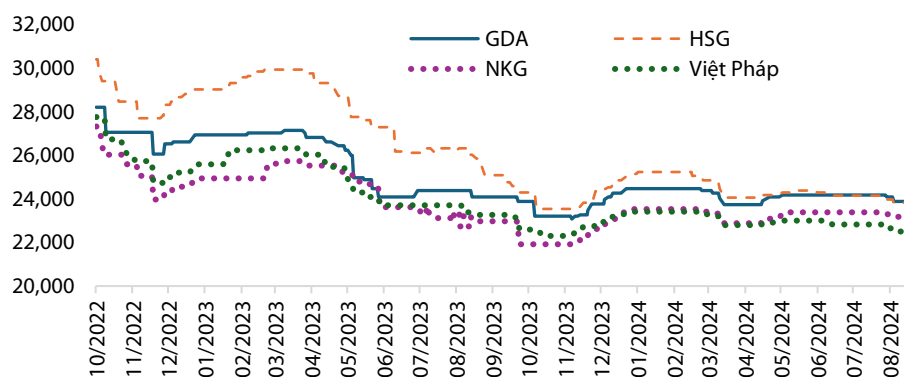
Company position: GDA has steadily increased its market share and maintained a position among the top three coated steel companies (alongside HSG and NKG) through its cautious investment strategy and focus on product quality. In 2023, GDA's market share in the domestic and export markets reached 17% and 19%, respectively. Due to high quality products, Ton Dong A's products are priced 2-3% higher at distributors compared to those of other brands (such as Nam Kim, TVP, etc.). The company's careful approach is also reflected in the investment strategy for its plants (Song Than and Thu Dau Mot), where each production line was brought online progressively, ensuring the market's capacity to absorb the output. [\(Back to page 4\)](#)

Table 6: List of GDA's factories

Factory	COD	Capex (mn USD)	Capacity (thousand ton/year)	Investment phases
Song Than	2004	10	100	- Galvanizing line no 01 (2004): 40 thousand ton/year - Galvanizing line no 02 (2008-2010): 60 thousand ton/year
Thu Dau Mot	2013	160	750	- Phase 01 (2013-2015): 400 thousand ton/year - Phase 02 (2016-2017): 400 thousand ton/year
Phu My factory	2026 (Expected)	400	1,200	Expected construction period of 2024-2032, with 03 phases

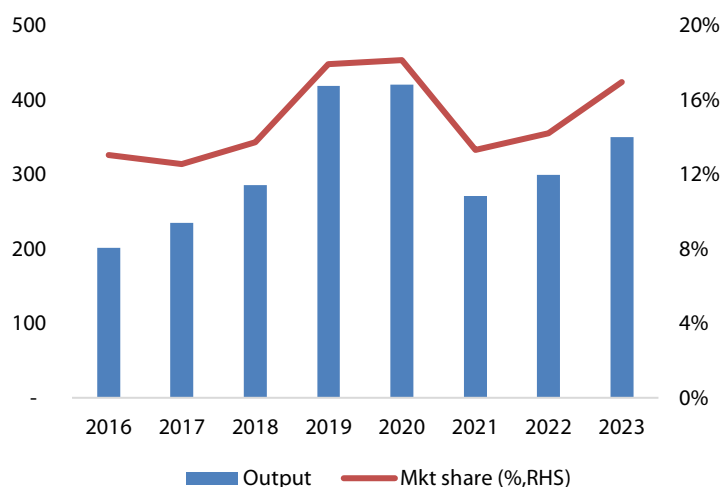
Source: GDA, RongViet Securities

Figure 18: Dealer prices of coated steel companies (VND/kg, for 0.35mm thick Al-ZN coated steel)



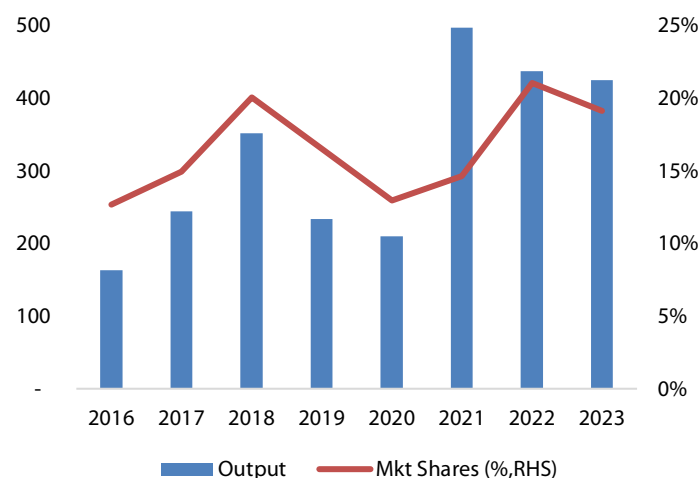
Source: GiatontheP, RongViet Securities

Figure 19: GDA's domestic sales volume, 2016-2023 (thousand tons)



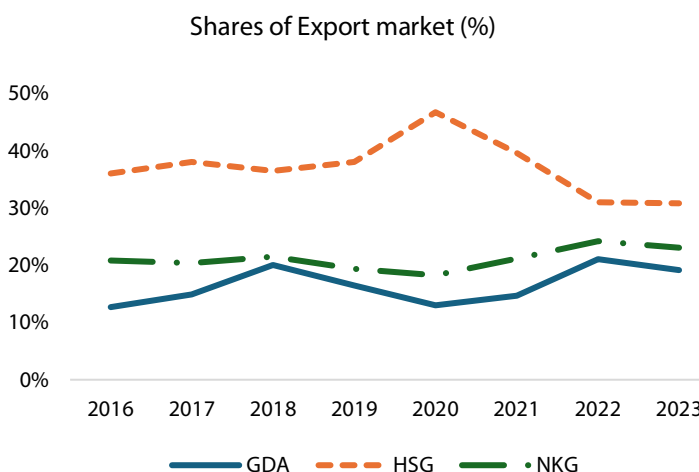
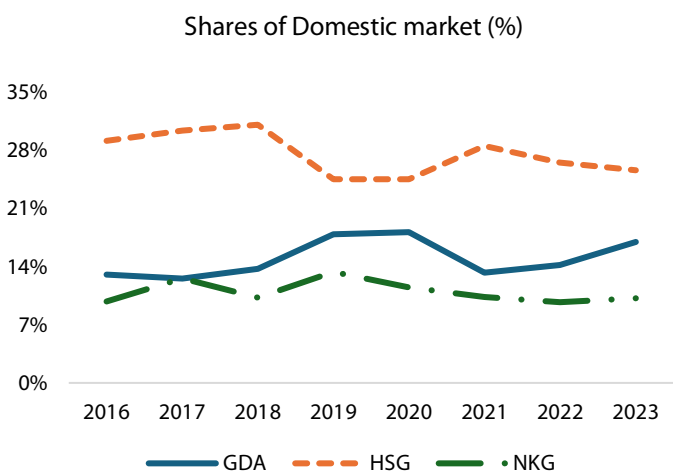
Source: GDA, VSA, RongViet Securities

Figure 20: GDA's export sales volume, 2016-2023 (thousand tons)



Source: GDA, VSA, RongViet Securities

Figure 21: GDA has maintained its position in the coated steel market (particularly in the domestic market) compared to competitors such as HSG and NKG



Source: VSA, RongViet Securities

Source: VSA, RongViet Securities

Table 7: Comparison of GDA with other coated steel manufacturers – position in the domestic market

Peers	Capacity (*) (mn tons/year)	No of dealers/stores	% domestic output (05-year average)	ROA (%) 05-year average	ROE (%) 05-year average
HSG	2,2	500 stores	43	7	15
NKG	1,2 (**)	500 dealers	36	7	12
GDA	0,85	1,700 dealers	50	5	11

Source: RongViet Securities.

(*) Only for galvanized steel production lines

(**) NKG plans to build a new flat steel plant with an expected capacity of 500 thousand tons/year, and put it into operation in 2026.

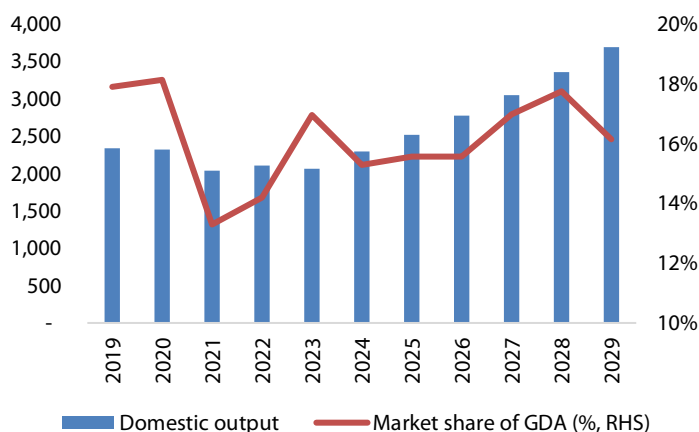
INDUSTRY OUTLOOK – RECOVERY IN DEMAND AND NECESSARY PROTECTIVE MEASURES

Domestic Market: We see strong growth potential in the domestic steel market, driven by the demand for construction materials, with an expected clearer recovery in both the residential and industrial real estate (RE) sectors starting in 2025. [\(Back to page 4\)](#)

- Following a challenging period for the residential RE market (2023-2024), the government is implementing reforms aimed at stabilizing the residential RE market and boosting industrial RE growth. Key measures include: 1) Three revised laws (the Land Law, the Real Estate Business Law, and the Housing Law, along with their corresponding decrees) took effect in August 2024, expected to gradually resolve legal challenges for ongoing projects and accelerate construction activities once permits are granted; 2) Maintaining interest rates at low levels; and 3) Continuing to attract FDI companies to industrial zones, which will drive demand for factory leasing.
- Looking further ahead, Vietnam’s urbanization rate remains relatively low compared to other developing Asian countries, leaving ample room for the development of urban clusters. This represents a key long term growth driver for construction steel products.

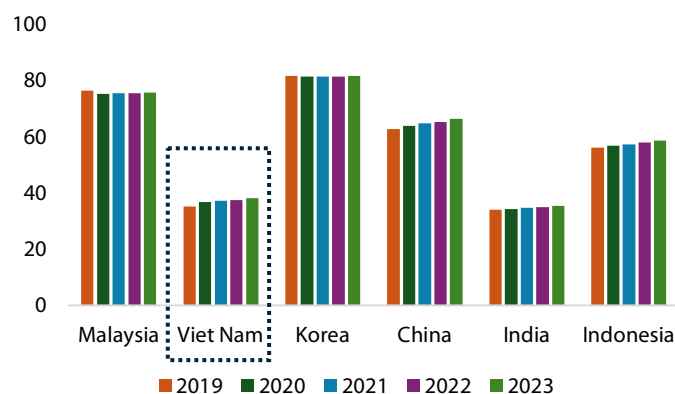
In our base case, we expect domestic coated steel output to grow at a CAGR of 10% from 2024 to 2029, in line with projected growth rates in India by Worldsteel (8.5% per year). GDA's PMF (Phu My factory) is expected to help the company maintain a domestic market share of 16% by 2029.

Figure 22: Sales volume of coated steel in the domestic market, 2019-2029 (thousand tons)



Source: VSA, RongViet Securities forecasted

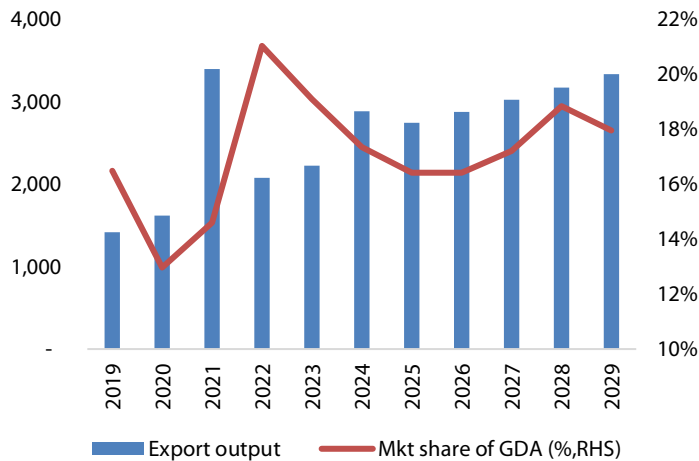
Figure 23: Urbanization rate in Asian countries, 2019-2023 (%)



Source: RongViet Securities summarized

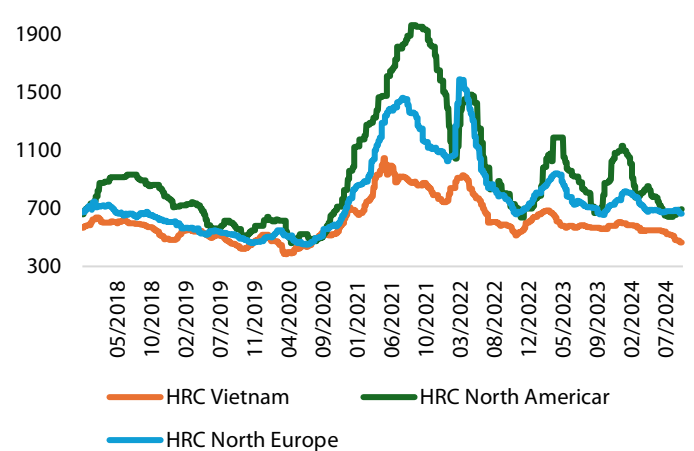
Export Market: Thanks to cost advantages (as evidenced by the price gap between Vietnamese HRC and HRC from North America and Europe), Vietnamese coated steel manufacturers continue to hold a competitive advantage in key export markets (North America, EU, etc.). However, these markets carry risks related to trade defense policies, particularly as many developed countries have yet to classify Vietnam as a market economy, raising concerns about potential government subsidies. Steel products originating from China could be imported into these countries via Vietnam, triggering investigations into the origin of raw materials and the imposition of anti-dumping duties. For 2023-2024, we have observed tighter trade defense measures in these markets against HRC and downstream products (including coated steel). As a result, export volumes are expected to remain stable through 2024-2025, before an expected average annual growth of 5% for 2026-2029 and beyond. This growth projection is based on the assumption that competitive pressures from imported steel, especially from China will decrease, and that countries will gradually relax import policies for steel from Asian nations (including Vietnam), while replacing them with mechanisms like the Carbon Border Adjustment Mechanism (CBAM), discussed further below. [\(Back to page 5\)](#)

Figure 24: Sales volume of coated steel in export markets, 2019-2029 (thousand tons)



Source: VSA, RongViet Securities forecasted

Figure 25: HRC prices in EU, North American, and Vietnamese markets (USD/ton)



Source: Bloomberg, RongViet Securities forecasted

Table 8: Trade defense measures (by importing countries) against coated steel products originating from the Vietnamese market, 2023-2024

Market	Status	Year	Details
EU	Officially	2024-2026	Extension of tariff quota (1.9 million tons/year). If the quota is exceeded, the import tax payable on the excess is 25%.
US	In process	2024	Anti-dumping and anti-subsidy investigation initiated on corrosion-resistant steel products (CORE) imported from Vietnam
Mexico	Officially	2023	AD duties at 0 – 10.84%
Malaysia	Officially	2020-2025	AD duties at 2.18 – 37.14%

Source: RongViet Securities

Protective measures:

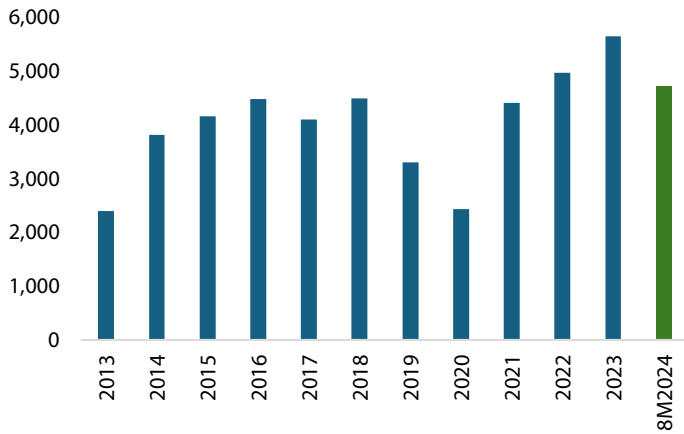
In Vietnam, the risk of increased steel exports from China during the 2023-2024 period poses competitive threats to domestic steel producers (including coated steel manufacturers). To reduce this risk, the Ministry of Industry and Trade (MoIT) has implemented protective measures. In June 2024, MoIT issued Decision No. 1535/QĐ-BCT to launch an AD investigation on coated steel products from China and South Korea. The preliminary dumping margins are 69.2% for Chinese coated steel and 3.4% for South Korean products. The investigation process is outlined in Figure 26 and typically takes 6 to 12 months to decide whether to impose AD duties. In our base case, we expect AD duties to be levied on coated steel products in early 2025 (similar to the 2016 investigation, which began in March and concluded in September 2016).

For export markets, beyond protective measures like quotas, the Carbon Border Adjustment Mechanism (CBAM)—with its transition phase set to end in December 2025—will be a key concern for Vietnamese coated steel exporters to the EU. Currently, Vietnamese coated steel companies are in the process of implementing necessary ISO standards, laying the groundwork to reduce greenhouse gas emissions in their production lines and minimize the cost of purchasing carbon credits. For companies with cautious investment plans and the advantage of European imported production lines (such as GDA), we believe they will optimize costs during CBAM compliance.

(*) EU will impose a carbon tax on imported goods based on the greenhouse gas emission intensity of the production process in the country of origin. Importers will be responsible for purchasing CBAM certificates and carbon credits based on their emission levels. [\(Back to page 4\)](#)

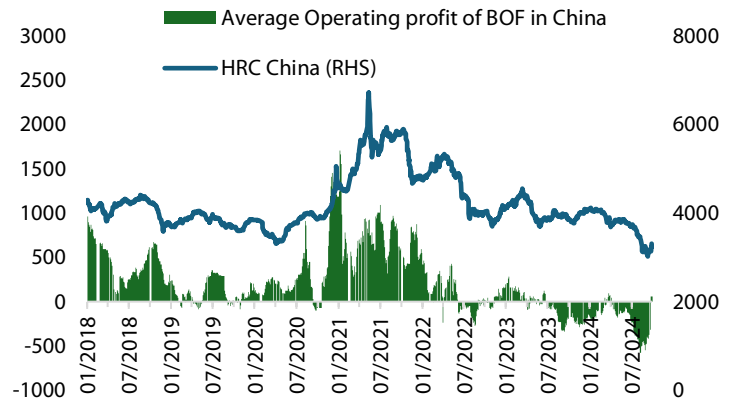
(**) ISO 14064-1:2018 is being implemented to report greenhouse gas emission sources, and ISO 14067:2018 is being used to report the carbon footprint of products during the production process.

Figure 26: Value of Chinese steel imports into Vietnam, 2013-2024 (USD million)



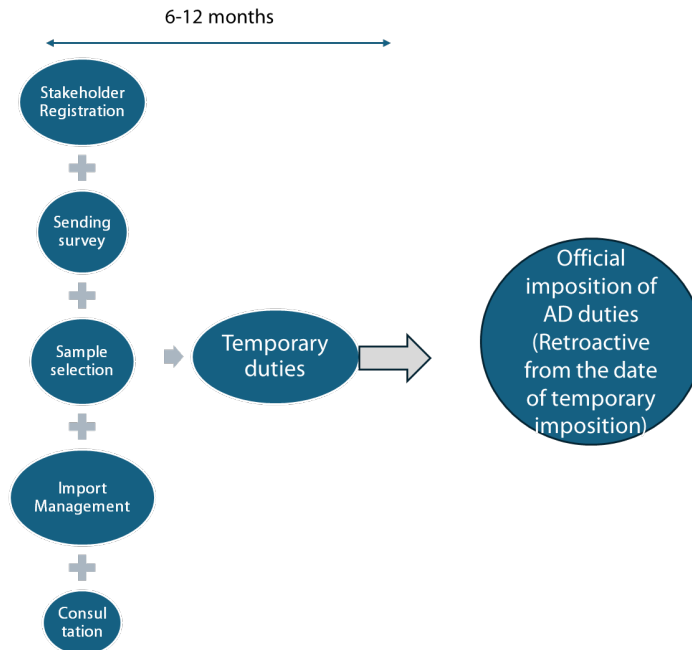
Source: Customs, RongViet Securities

Figure 27: HRC prices and average operating profit of BOF mills in China (CNY/ton)



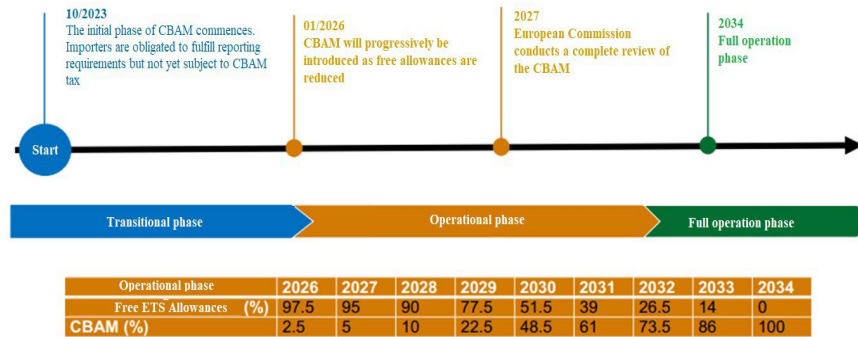
Source: Bloomberg, RongViet Securities

Figure 28: The AD investigation process, based on Ministry of Industry and Trade circulars.



Source: RongViet Securities

Figure 29: The implementation roadmap for CBAM



Source: VIOIT, RongViet Securities

NEW FACTORY – UNLOCKING GROWTH POTENTIAL

During its 2021-2022 IPO, GDA shared its plans to invest in a new flat steel plant with a total capacity of 1.2 million tons per year, as most of its existing production lines had reached full capacity. The company identified the potential of this new flat steel plant (which would increase operational capacity by 135%), supported by: 1) The growth potential in the coated steel market for construction, 2) Expanding its product range into higher value added segments (such as steel for industrial production and transportation), which offer higher profit margins and where domestic companies have yet to fully meet demand.

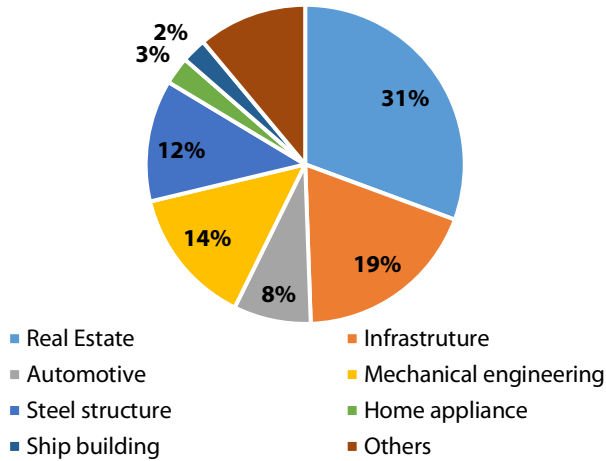
In long-term, this is a sound strategy for GDA. Within the steel industry value chain, flat steel is used in construction (coated steel), widely applied in industrial production (machinery, home appliances, automobiles, shipbuilding), and less affected by economic cycles compared to construction steel. According to steel consumption data from China (the world's largest steel consumer among developing countries), steel used in industrial production accounts for 40% of total consumption, highlighting the significance of this sector for steel manufacturers. With its experience in producing back panels for consumer appliances (on a small scale) and its phased investment plan, we believe GDA has the capacity to enter the industrial steel market—a sector with double digit growth potential in the long term. While we remain cautious and have not included the later phases of this investment in our model due to the distant timeline, we will consider incorporating it into our valuation model once the company unveils its product development strategy for phases 2 and 3 ([Back to Page 7](#)).

Table 9: The phased investment plan of GDA with PMF

Phase	Construction period	Capex (bn VND)	Capacity (thousand ton/year)	Expected products
01	2024-2026	3.000	300	- Galvanized construction sheet
02	2027-2029	700	310	- Galvanized construction sheet - Sheet for household appliances
03	2230-2035	7.300	600	- Steel for industrial production, automobiles,... - Sheet for household appliances

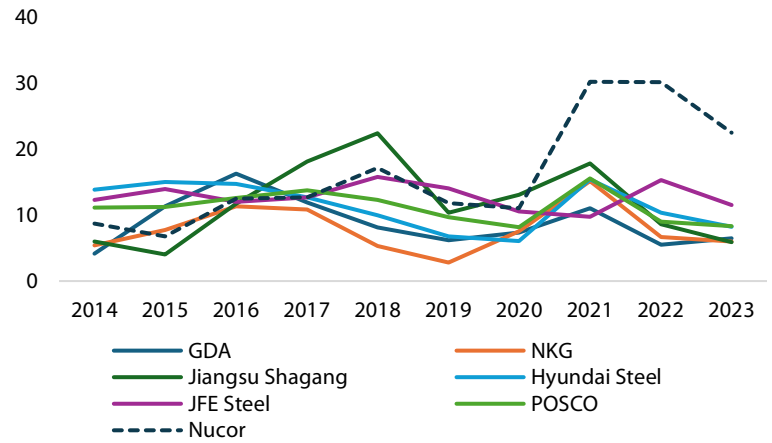
Source: GDA, RongViet Securities

Figure 30: Steel consumption by segment in China in 2023 (%)



Source: Mysteel, RongViet Securities

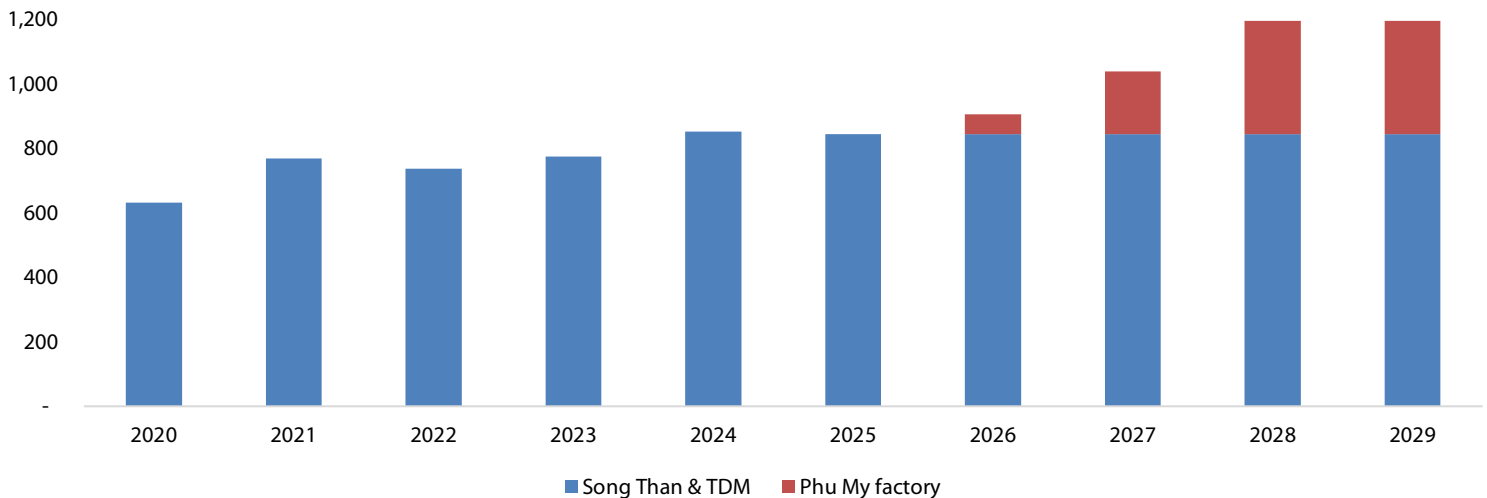
Figure 31: The profit margins of flat steel companies tend to converge (excluding companies focusing on high-quality steel products - Nucor (*))



Source: Bloomberg, RongViet Securities

(*) Nucor Corp (NUE US) – North American corporation, with 50% of its output from flat steel – serving industrial production (shipbuilding, equipment, cars, etc.)

Figure 32: Projected production volume of GDA by factory, 2020-2029 (thousand tons)

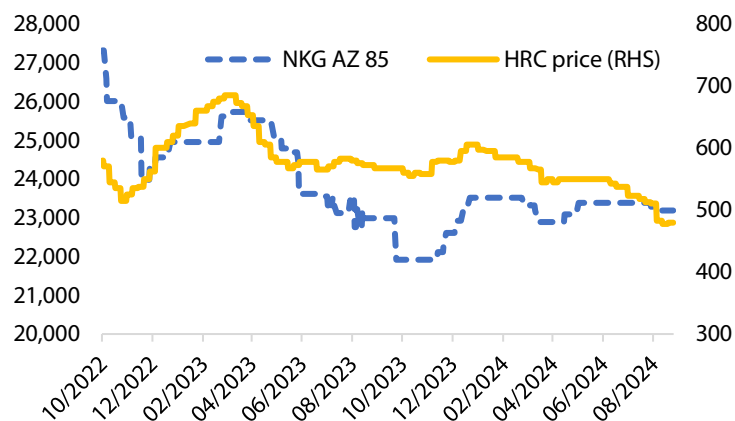


Source: GDA, RongViet Securities forecasted

STEEL PRICE RECOVERY CYCLE – RISKS AND OPPORTUNITIES (Back to Page 5)

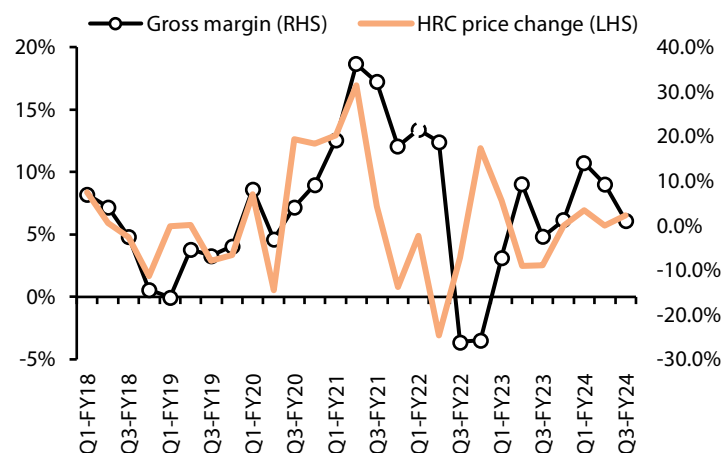
Current Risks: The coated steel industry is sensitive to fluctuations in raw material prices, with over 80% of COGS coming from the cost of hot-rolled coil (HRC) steel. The selling prices of finished products are correlated with raw material prices (Figure 30), meaning that volatility in raw material costs impacts the financial performance of coated steel companies. This is illustrated by the profit margins of NKG between 2020 and 2024 (Figure 31). For 2021-2024, HRC prices dropped by 32%, from an average of USD 850/ton in 2021 to USD 580/ton in 1H2024, negatively affecting the financial results of coated steel manufacturers. HRC prices (from mills) are locked in by manufacturers 2-3 months in advance before raw materials are delivered to coated steel companies. When HRC prices, along with the selling prices of finished products, drop significantly, the raw materials received by coated steel companies are priced higher, creating a risk of inventory write-downs at the end of the period. This was the main reason many companies reported losses in 2H2022).

Figure 33: The correlation between NKG's dealer prices (VND/kg) and Vietnam's HRC prices (USD/ton)



Source: Giatonthep, RongViet Securities

Figure 34: NKG's gross profit margin (%) and HRC price fluctuation (Qoq, %)



Source: NKG, Bloomberg, RongViet Securities

Future opportunities: Currently, HRC prices are trading at USD 500/ton, the lowest level for 2020-2024. This decline is mainly driven by: 1) Pressure from Chinese steel exports to other markets (weak domestic demand), forcing steel manufacturers to sell below cost, and 2) Increased stockpiling before AD investigations (in key export markets) take effect. However, we expect these bottlenecks to gradually be resolved from 2025 onward, similar to the 2015-2016 period, due to: 1) In China, measures to support the real estate market (*) are expected to take effect by mid-2025 (due to policy lags), which should stimulate demand for construction materials, reducing steel exports to other markets. 2) As global economies recover and steel inventories decrease in various countries (due to protective trade policies), this will support a new cycle of raw material price increases. In our base case, we expect HRC prices to grow at an average rate of 3% per year, with prices potentially reaching an average of USD 635/ton by 2028—equivalent to the price levels during 2018-2019.

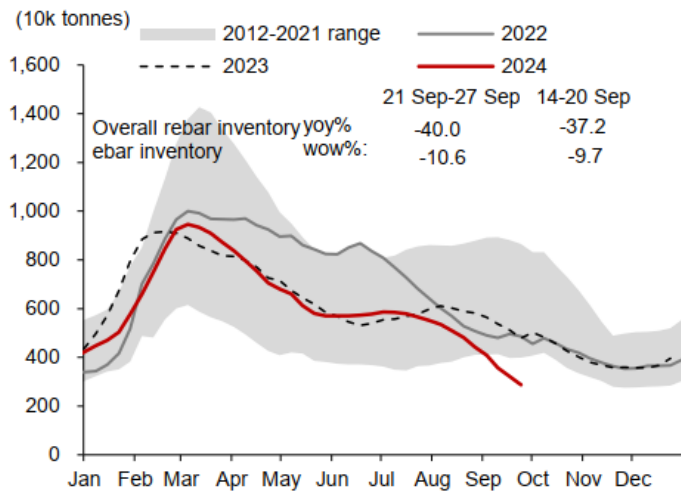
(*) Chinese policies to address real estate challenges in September 2024 include: 1) The People's Bank of China (PBOC) reduces mortgage loan interest rates by 0.5 percentage points for existing home loans and eases restrictions for second home buyers; 2) Chinese government agrees to disburse a RMB 300 billion (USD 42.3 billion) bailout package, allowing state-owned enterprises to acquire completed but unsold commercial projects, with a focus on second- and third-tier cities).

Figure 35: HRC prices, USD/ton, 2015-2024 (actual) and 2025-2029 (assumed)



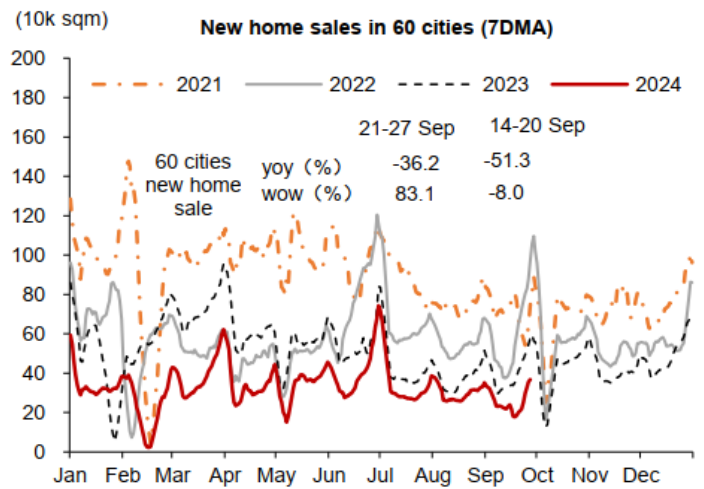
Source: Bloomberg, RongViet Securities forecasted

Figure 36: Construction steel inventory levels in China (thousand tons) – lowest levels during the period 2012-2024



Source: Huatai Research, RongViet Securities

Figure 37: Sales volume (by gross floor area – GFA, thousand m²) in 60 major cities in China, 2021-2024



Source: Huatai Research, RongViet Securities

[\(Back to page 1\)](#)

APPENDIX - COMPARABLE COMPANIES IN THE STEEL MANUFACTURING INDUSTRY

In this report, we use five companies specializing in coated steel production, with similar market positions to GDA, as references for analysis and forecasting.

Jiangsu Shagang Group (002075 CH): Established in 1975 in Jiangsu, China, Shagang is one of China's top three private steel manufacturers. After acquiring four steel companies in 2006, Shagang has rapidly expanded its products, including rebar, steel wire, billets, hot-rolled coils, stainless steel, and galvanized steel. Shagang's steel products are widely used in the aerospace, construction, infrastructure, petrochemical, automotive, and food packaging industries.

Hyundai Steel (004020 KS): As South Korea's first and second largest steel company (holding 29% of total domestic production), Hyundai Steel was founded in 1953 and is part of the Hyundai Group. The company is renowned for its H-Solution and H-Core product lines, which offer material solutions for the automotive and earthquake resistant steel sectors. Hyundai Steel's diverse product range, including H-beams, rails, rebar steel, hot-rolled steel, and ERW pipes, primarily serves the automotive, shipbuilding, and construction industries.

SeAH Steel (306200 KS): A major steel manufacturer in South Korea, SeAH Steel was established in 1960 and operates seven steel plants worldwide, with facilities in the U.S, Vietnam, the UAE, and Italy. SeAH Steel's products include steel plates, pipes, stainless steel, electrical steel, specialty steel, and iron powder.

Kyoei Steel (5440 JP): Founded in 1938, Kyoei Steel is a leading steel producer in Japan, with the largest market share in construction steel. The company also operates plants in Vietnam (Vietnam-Italy Steel – VIS) and North America (after acquiring AltaSteel Inc.).

Nam Kim Steel JSC (NKG VN): The second largest coated steel producer in Vietnam, with an annual capacity of 1.2 million tons, Nam Kim Steel exports 50-60% of its total output. The company is planning to invest in a new flat steel plant, with a total capacity of 1 million tons per year, focusing on high quality steel grades for industrial production, home appliances, and the automotive sector,...

Table 10: Flat steel manufacturers in Asia – Industry average calculated from the five companies mentioned above.

Steel producers	2018	2019	2020	2021	2022	2023	Average peers
EV/EBITDA	20%	20%	15%	15%	15%	15%	Proportion
Mean	5,8	6,8	7,4	4,2	6,6	9,7	6,7
Median	6,0	7,1	5,6	3,7	4,5	4,9	5,4
P/E	20%	20%	15%	15%	15%	15%	Proportion
Mean	13,1	56,8	67,0	5,8	5,9	23,1	29,2
Median	13,2	24,5	8,7	3,6	3,8	10,1	11,4
P/B	20%	20%	15%	15%	15%	15%	Proportion
Mean	1,0	0,8	1,2	0,9	0,6	0,7	0,9
Median	0,4	0,4	0,4	0,4	0,4	0,4	0,4

Source: Bloomberg, RongViet Securities

APPENDIX – FINANCIAL ANALYSIS AND ASSUMPTIONS FOR THE PERIOD 2024-29
Table 11: Forecasted revenue by markets (bn VND) ([Back to page 4](#))

Sales output (ton)	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Domestic	270,716	299,111	350,293	350,293	392,328	431,561	517,873	595,554	595,554
Growth YoY	-36%	10%	17%	0%	12%	10%	20%	15%	0%
Export	496,499	436,897	424,288	500,660	450,594	473,124	520,436	598,501	598,501
Growth YoY	136%	-12%	-3%	18%	-10%	5%	10%	15%	0%
Total output (ton)	767,215	736,008	774,581	850,953	842,922	904,685	1,038,309	1,194,055	1,194,055
Growth YoY	22%	-4%	5%	10%	-1%	7%	15%	15%	0%
Revenue – Domestic market	8,914	8,784	7,885	7,885	9,228	10,455	12,923	15,307	15,523
Growth YoY	8%	-1%	-10%	0%	17%	13%	24%	18%	1%
Revenue – Export market	16,348	12,830	9,550	11,167	10,507	11,366	12,882	15,263	15,480
Growth YoY	258%	-22%	-26%	17%	-6%	8%	13%	18%	1%
Total Revenue	25,262	21,614	17,435	19,051	19,735	21,822	25,805	30,570	31,003
Growth YoY	98%	-14%	-19%	9%	4%	11%	18%	18%	1%
Revenue by segment	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Domestic	35%	41%	45%	41%	47%	48%	50%	50%	50%
Export	65%	59%	55%	59%	53%	52%	50%	50%	50%
Market share	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Domestic	13%	14%	17%	15%	16%	16%	17%	18%	16%
Export	15%	21%	19%	17%	16%	16%	17%	19%	18%

Source: GDA, GFK, RongViet Securities forecasted

Table 12: Forecasted GPM by segments ([Back to page 5](#))

Assumptions for COGS	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
HRC price (USD/tấn)	950	790	585	556	581	598	616	635	635
Growth YoY	99%	-17%	-26%	-5%	4%	3%	3%	3%	0%
Production cost (thousand VND/kg)	29,4	27,7	21,0	20,7	21,5	22,2	22,8	23,5	23,8
Total COGS	(22,470)	(20,433)	(16,305)	(17,630)	(18,112)	(20,040)	(23,677)	(28,043)	(28,439)
Growth YoY	96%	-9%	-20%	8%	3%	11%	18%	18%	1%
Gross Profit by market	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Domestic	1,036	473	492	627	798	896	1,114	1,320	1,339
Export	1,755	708	637	794	825	886	1,014	1,207	1,226
Total Gross Profit	2,792	1,181	1,129	1,421	1,623	1,781	2,128	2,527	2,565
GPM (%)	11.1%	5.5%	6.5%	7.5%	8.2%	8.2%	8.2%	8.3%	8.3%
Peers average - GPM	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Mean	15%	10%	8%						
Median	15%	9%	8%						

Source: GDA, Bloomberg, RongViet Securities forecasted. Notes: projected gross margins are our assumptions, not GDA's sources.

Table 13: SG&A cost/revenue ([Back to page 6](#))

	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
SG&A cost/revenue	5.2%	6.4%	4.7%	4.9%	5.0%	5.0%	5.0%	5.0%	5.0%

Source: GDA, RongViet Securities forecasted

Table 14: Forecasted NPM ([Back to page 6](#))

Net Profit	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Total GDA	1,210	-277	284	391	423	479	625	831	894
<i>Growth YoY</i>	323%	-123%	-203%	38%	8%	13%	31%	33%	8%
NPM	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Total GDA	4.8%	-1.3%	1.6%	2.1%	2.1%	2.2%	2.4%	2.7%	2.9%

Source: GDA, RongViet Securities forecasted

Table 15: Projected efficiency ratios ([Back to page 7](#))

Working capital	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Days sales outstanding	29.6	37.9	41.3	39.1	40.1	38.8	37.6	37.6	40.5
Days inventories on hand	54.1	68.0	70.8	66.4	68.1	65.7	63.7	63.7	65.9
Days payables outstanding	60.0	56.7	39.0	46.4	54.1	59.2	64.1	67.1	72.3

Source: GDA, RongViet Securities forecasted

Table 16: GDA's cash dividend ([Back to page 7](#))

	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Cash dividend (VND/share)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	5,000	5,000
Dividend payout ratio	85%	-415%	404%	29%	27%	24%	18%	69%	64%
Dividend yield	3%	3%	3%	3%	3%	3%	3%	13%	13%

Source: GDA, RongViet Securities forecasted

Company Report

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

In some cases, we do not provide specific buy/sell recommendations but only offer some reference valuations to give investors additional information, classified under the **OBSERVE** recommendation

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