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LONG-TERM GROWTH POTENTIAL MINIMISES OVERSUPPLY

Protectionism creates difficulties for exporters

- ✓ Many large export markets have initiated investigation on Vietnamese steel.
- ✓ Possible affects on at least 45% of all steel export activities.

Country	Product	Duty	Proportion In Vietnam's export value 2018	Duration
Thailand	Prepainted sheets	4.3% - 60.26%	4%	2017-2022
	Galvalume sheets	6.2% – 40.49%		
Indonesia	Prepainted sheets	12.01%-28.49%	7%	2018- terminated
Malaysia	Galvanized sheets	2.66%-15.69%	9%	2019-2024
	Cold rolled coils	(Hoa Sen 0%. Nam Kim 2.66%)		
EU	Cold rolled coils	25% for exceeding quota	11%	2018-2019
	GI/GL			
	Stainless cold rolled coils			
Canada	Carbon steel pipe	3%-54.2%	1%	2018-2019
Brazil	Stainless steel pipe	17.72%-53.92%	4%	N/A
Australia	Rod in coils	Negative dumping	2%	None
U.S.	Stainless steel from China	199.76% + 256.44%	7%	N/A
	Cold rolled coils	199.43% + 39.05%		

Protectionism creates difficulties for exporters

- ✓ Vietnam imposes various tariffs to protect domestic suppliers.
- ✓ This protectionism trend creates volatility for exporters.

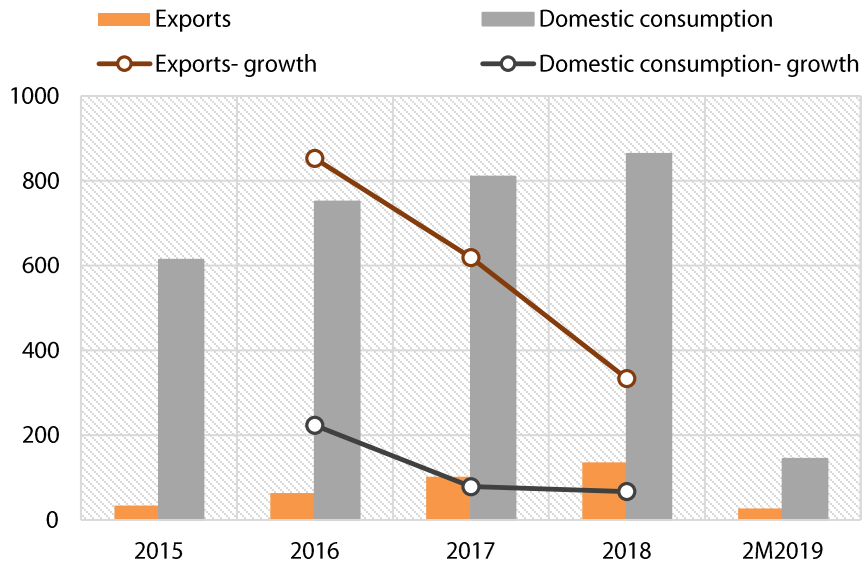
Product	Countries	Duty	Duration
Stainless cold rolled coils	China	6.64%-6.87%	2014-2019
	Indonesia	3.07%-10.71%	
	Malaysia	10.71%	
	Taiwan	13.79%-37.29%	
Flat rolled sheets	China	3.17%-38.34%	2017-2022
	Korea	7.02%-19.00%	
Billets Long steel	All countries	23.3% and decreasing every year	2016-2020
		14.2% and decreasing every year	
H beam	China	20.48%-29.40%	
Prepainted sheets	All countries	Quotas for China, Korea, Taiwan etc. 19.00% for all others	2017-2020
Rod in coils	All countries	Ongoing	
Prepainted steel	China	Ongoing	
	Korea		

Exporting is not as attractive as it used to be

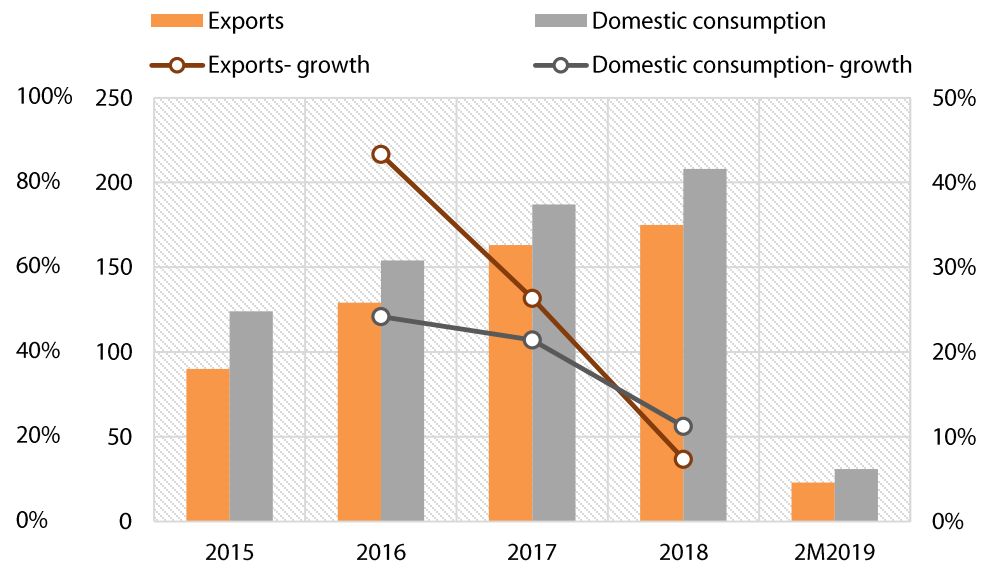
From volume

- Export growth rose strongly then dropped strongly as well.
- Vietnamese exporters managed to reach markets that they had never done before such as American countries, EU.
- While export is exogenous and difficult to control, domestic consumption is more stable and easier to monitor.

Construction steel sales volumes



Coated steel sheet sales volumes



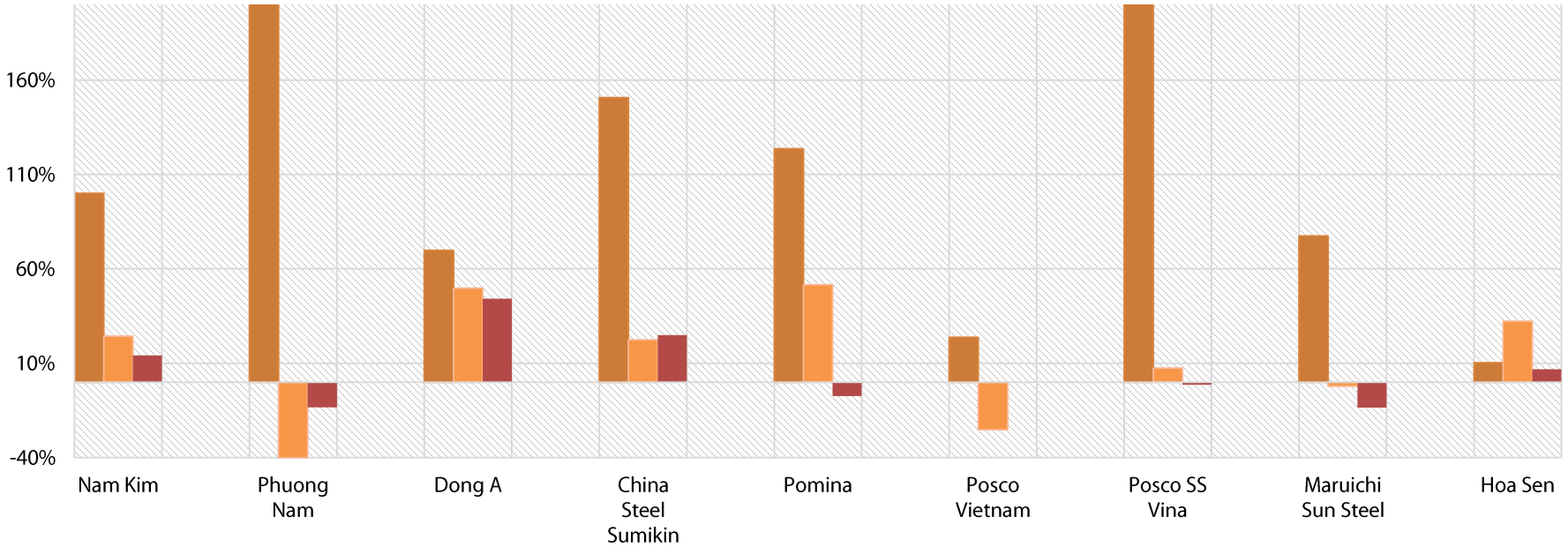
Exporting is not as attractive as it used to be

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- 2018 saw slowdowns in export volume growth.
- Oversea demand might have peaked for Vietnamese producers

Export volume growth of large Vietnamese exporters

■ 2016 ■ 2017 ■ 2018

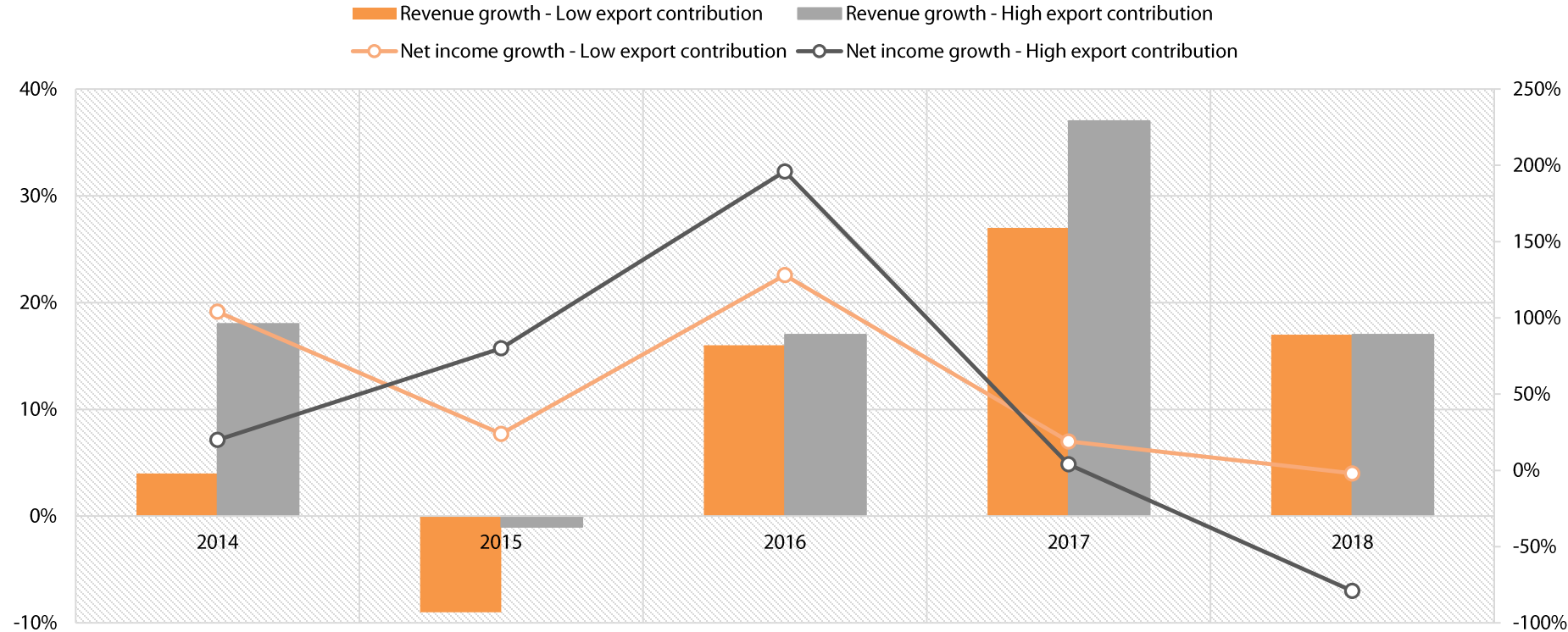


Profit growth is reliant on domestic market

To profit

- Firms with large export contribution saw revenue and profit growth rates swing more strongly during the last five years.
- Majority of listed companies with exports of >20% volume experienced negative profit growth in 2018.

Revenue and Profit growth of listed companies with Low vs High export contribution



Source: RongViet Research compiled from 21 listed steel producers, with "High export contribution" being export volume >20% total sales volume.

Domestic macroeconomics are favourable

There is room for growth in the domestic market

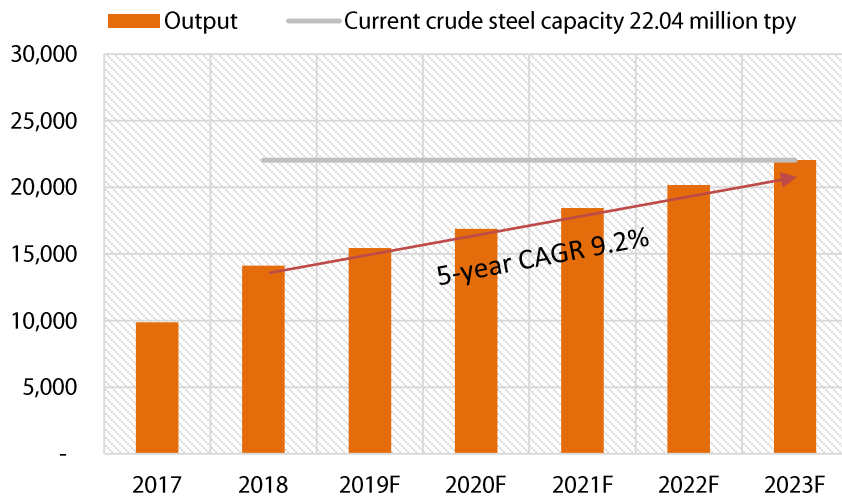
- Vietnam's GDP is maintained at a high level compared to regional peers
- Public disbursement is forecasted to pick up from Q3/2019
- Room for construction demand and building materials to grow
- Other applications for steel beside traditional products
- Upstream production and semi-final products to replace imports.

Oversupply might not be a long-term problem

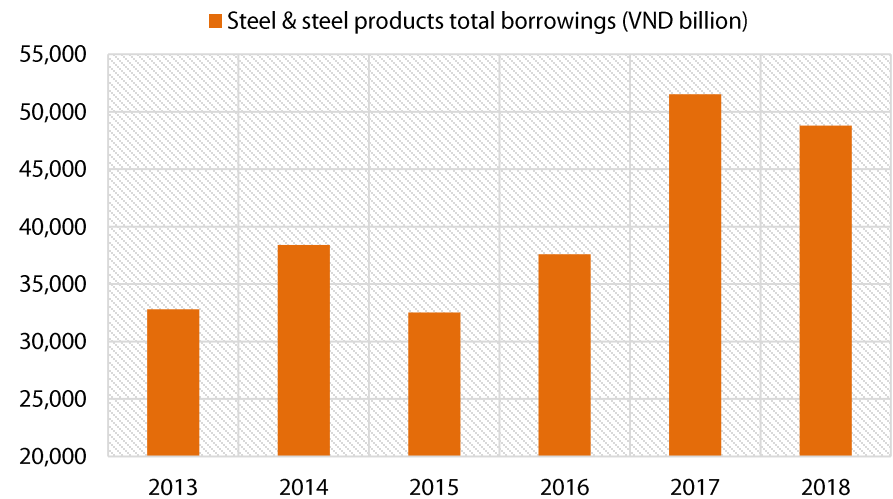
There is room for growth in the domestic market while new capacity is tightly controlled

- Permission for steel mill construction is limited from the government
- Downstream producers are slowing down capacity expansion
- Financial institutions also contribute into limiting new supply by controlling capitals to the steel industry
- Total capacity is sustainable for output to grow at 9.2% CAGR for the next 5 years.

Current capacity and future output simulation- crude steel



Borrowings of listed steel companies



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Thank you

