



# **DPM Flash note – BUY**

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## Earnings Flash note

Recommendation

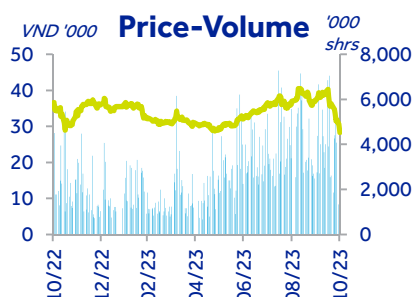
**BUY**  
**HSX: DPM**  
**Fertilizer**

Target price (VND)	34,200
Market price (VND)	28,400
Expected share price return	20.6%
Expected dividend yield	10.6%
Expected total return	31.2%

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-21.1	-23.0	-22.2	-21.7
Relative	-23.2	-12.1	-6.3	-21.7

Source: Bloomberg



## Ownership

PVN	59.59%
Dragon Capital	8.95%

## Stock Statistics 31-Oct-2023

<b>Bloomberg code</b>	<b>DPM VN</b>
52-week range (VND)	30,500 - 45,650
Shares O/S (m)	391
Mkt cap (VND bn)	11,114
Mkt cap (USD m)	450
Est. Foreign room left (%)	37.5
Est. free float (%)	36.8
3m avg daily vol (shrs)	3,662,206
VND/USD	24,720
Index: VNIIndex / HNX	1028.19/405.02

## PetroVietnam Fertilizer and Chemicals Corp (DPM VN)

DPM recorded a sharp decline in the Q3/2023, with revenue reaching VND3,215 billion (-17.2% YoY) and NPAT-MI of VND64 billion (-93.5% YoY, -36.5% q/q), lower than our expectations. Accumulated in 9M2023, NPAT-MI decreased by 90.4% YoY, completing 18.8% of DPM's annual plan and 39% of our previous forecast.

Compared to Q2/2023, the decrease of NPAT-MI in Q3 came from a sharp decline of 85.3% q/q in financial revenue to VND27.2 billion, of which, primarily attributed to a decrease in interest income from deposits and loans, while cash balance + deposits only decreased 11% q/q. As this can be related to the booking timing of bank deposits interest income. Therefore, a big increase in interest income is expected in Q4.

Meanwhile, we have witnessed a recovery in core business operations with a gross profit margin increasing to 12.7% from the previous margin of 10.5% in Q2/2023. Despite a 25% q/q decrease in urea selling volume, this decline is seasonal as it reflects low domestic fertilizer demand during this period. The average urea selling price in Q3 saw a healthy increase of 7% q/q as China's requirement for some fertilizer companies to temporarily halt urea exports to ensure a stable domestic supply. Additionally, the imported fertilizer business segment has improved, recording a positive gross profit of VND36 billion, compared to a gross loss of VND48 billion in Q2/2023.

Compared to last year, Q3/2023 revenue and net profit decreased by 17.2% and 93.5% YoY, respectively. Despite a 12% increase in urea selling volume, the main reason for the decline in revenue and net profit is the 35% decrease in urea selling price and a 59% decrease in NH3 selling price. These reductions are compared to the historical peak levels in 2022. Moreover, despite a 14% YoY decrease in oil prices, the cost of gas inputs has not decreased. This is because DPM has increased the proportion of gas usage from high-priced gas fields as the reserves of low-priced gas fields are decreasing. As a result, the gross profit margin in Q3/2023 has decreased to 12.7% from 38% in Q3/2022.

**Quick comment:** DPM's revenue for 9M2023 reached VND10,187 billion (-30.8% YoY), and NPAT-MI at VND424.9 billion (-90.4% YoY), achieving 73% and 51% of our full-year projections, respectively. We have adjusted our forecasts for DPM's business results in 2023 and 2024 down by 24% and 25% respectively compared to the latest projections. Looking ahead to 2024, we forecast DPM to achieve revenue of VND12,751 billion (-8.4% YoY) and NPAT-MI of VND604 billion (-27.6% YoY). **Our target price for DPM by the end of 2024 is VND34,200/ share, equivalent to a total return of 31.2%.** Further details will be provided in the next update report.

	2021	2022	2023F	2024F	2025F
Net Sales (VNDbn)	12,786	18,627	13,927	12,751	13,218
Growth (%)	65%	46%	-25%	-8%	4%
EBITDA (VNDbn)	4,080	6,819	1,095	971	1,118
EBITDA margin	32%	37%	8%	8%	8%
Net Profit (VNDbn)	3,117	5,565	834	604	721
Growth (%)	351%	79%	-85%	-28%	19%
EPS (bonus-adjusted, VND)	7,811	13,992	2,025	1,465	1,750
Growth (%)	398%	79%	-86%	-28%	19%
ROE	33%	45%	6%	5%	6%
ROA	25%	34%	3%	3%	4%
Net debt/EBITDA (times)	-1.3	-1.2	-6.1	-6.6	-5.8
EV/EBITDA (times)	3.6	2.0	14.0	19.4	16.2
PER (times)	1.5	0.9	5.5	6.2	5.4
PBR (times)	1.0	0.8	0.9	1.0	1.0
DPS (VND)	3,000	5,000	7,000	3,000	3,000
Dividend yield (%)	11%	18%	25%	11%	11%

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**BUY:** Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

**OUTPERFORM:** Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

**NEUTRAL:** Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

**UNDERPERFORM:** Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

**SELL:** Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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