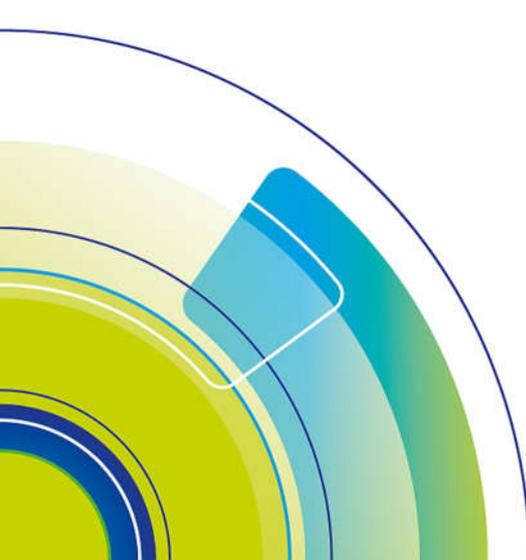




DCM Flash note – OUTPERFORM

May 3, 2024



Mr. Hung Phan

(+84 8) 3823 4159 - Ext: 354

hungpv@acbs.com.vn

Earnings Flash note

Recommendation **OUTPERFORM**

HSX: DCM

Fertilizer

Target price (VND) **34,700**

Market price (VND) **32,050**

Expected share price return 8.3%

Expected dividend yield 6.2%

Expected total return **14.5%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-1.2	-7.8	-2.0	48.5
Relative	-9.8	-2.3	-5.9	30.6

Source: Bloomberg



Ownership

PVN	75.56%
PVFC Capital	5.01%

Stock Statistics

2-May-2024

Bloomberg code	DCM VN
52-week range (VND)	23,150 - 37,900
Shares O/S (m)	529
Mkt cap (VND bn)	16,941
Mkt cap (USD m)	671
Est. Foreign room left (%)	40.8
Est. free float (%)	21.2
3m avg daily vol (shrs)	4,294,856
VND/USD	25,230
Index: VNIIndex / HNX	1223.44/228.51

Petro Viet Nam Ca Mau Fertilizer JSC (DCM VN)

DCM announced positive business results in Q1/2024 with NPATMI of VND346 billion (+51.2% YoY and -29.8% QoQ), quite similar to our expectations. With this result, DCM completed 43.9% of its annual plan and 27.7% of our new forecast (-8% compared to the forecast in the most recent report).

Quick comment: In April 2024, DCM's urea selling price is still in a downward trend from February 2024 due to poor domestic demand. In addition, Brent oil prices still maintains at a high level and will not support DCM's input gas prices. Therefore, we lower our forecast for 2024 business results by 8% compared to the most recent forecast, in which expected revenue reaches VND11,365 billion (-9.6% YoY) and NPATMI at VND1,248 billion (+12.6% YoY).

DCM recorded Q1/2024 revenue reaching VND2,744 billion (+0.3% YoY) and net profit VND346 billion (+51.2% YoY). In particular, the revenue of urea business increased by 9.8% YoY, compensating for the decrease of 66% YoY in the trading segment (importing and trading other types of fertilizers).

Total urea selling volume in Q1/2024 is estimated to increase 2.6% YoY thanks to the breakthrough of urea export segment while domestic urea business output is estimated to decrease 13% YoY due to the impact of El Nino. Urea selling price in Q1/2024 is estimated to increase by 6.7% YoY from the low base of Q1/2023 and increase 7% compared to Q4/2023. However, input gas prices increased by 3.3% YoY due to higher Brent oil price.

Urea segment gross profit margin increased from 27.7% over the same period to 30.3% thanks to improvements in selling price and output. However, the net profit growth over the same period is mainly due to the DCM factory being fully depreciated from September 2023, helping depreciation expense decrease by 84.5% YoY, equivalent to VND293 billion, or 11.6% difference in gross profit margin.

In addition, selling expenses increased by 21.8% YoY in accordance with DCM's strategy of increasing market share in the coming time to the Southeast and Central Highlands regions. This increase was partly offset by financial revenue increasing by 10.8% YoY and administrative expense decreasing by 20.5% YoY.

The company sets a modest 2024 business plan with NPAT of VND794.8 billion (-28.4% YoY) and a dividend payment plan of VND2,000/share. This plan may partly come from the acquisition of Han Viet fertilizer company; whose operations are still at a loss due to low operating capacity.

We continue to keep DCM's target price for 2024 at VND34,700/share, equivalent to a total profit margin of 14.5%.

	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	9,870	15,925	12,571	11,366	12,121
Growth (%)	31%	61%	-21%	-10%	7%
EBITDA (VNDbn)	3,220	5,744	1,770	1,151	1,358
EBITDA margin (%)	33%	36%	14%	10%	11%
Net Profit (VNDbn)	1,823	4,316	1,109	1,248	1,369
Growth (%)	176%	137%	-74%	13%	10%
EPS (bonus-adjusted, VND)	3,449	8,162	2,097	2,361	2,590
Growth (%)	176%	137%	-74%	13%	10%
ROE	26%	43%	13%	14%	15%
ROIC	18%	33%	5%	6%	7%
Net debt/EBITDA (times)	-1.8	-1.9	-6.8	-10.2	-9.5
PER (times)	9.3	3.9	15.3	13.6	12.4
EV/EBITDA (times)	6.8	3.8	12.4	19.0	16.1
PBR (times)	2.3	1.6	1.7	1.7	1.6
DPS (VND)	803	1,791	3,000	2,000	1,000
Dividend yield (%)	3%	6%	9%	6%	3%

CONTACTS

Ho Chi Minh City Head Office

117 Nguyen Dinh Chieu, Dist. 3, Ho Chi Minh City
Tel: (+84 28) 7300 7000
Fax: (+84 28) 7300 3751

Hanoi Office

10 Phan Chu Trinh, Hoan Kiem Dist., Ha Noi
Tel: (+84 4) 3942 9395
Fax: (+84 4)3942 9407

RESEARCH DEPARTMENT

Acting Head of Research

Trang Do

(+84 28) 7300 7000 (x1041)
trangdm@acbs.com.vn

Manager – Properties

Truc Pham

(+84 28) 7300 7000 (x1043)
trucptt@acbs.com.vn

Manager – Financials

Hung Cao

(+84 28) 7300 7000 (x1049)
hungcv@acbs.com.vn

Manager – Consumer-related, Technology

Chi Luong

(+84 28) 7300 7000 (x1042)
chiltk@acbs.com.vn

Associate – Oil & Gas

Hung Phan

(+84 28) 7300 7000 (x1044)
hungpv@acbs.com.vn

Associate – Industrials

Trung Tran

(+84 28) 7300 7000 (x1045)
trungtn@acbs.com.vn

Analyst – Utilities

Toan Pham

(+84 28) 7300 7000 (x1051)
toanpd@acbs.com.vn

Associate – Macro & Money Market

Minh Trinh Viet

(+84 28) 7300 7000 (x1046)
minhtvh@acbs.com.vn

Analyst – Technical

Huu Vo

(+84 28) 7300 7000 (x1052)
huvvp@acbs.com.vn

Associate – Logistics

Hung Nguyen

(+84 28) 7300 7000 (x1047)
hungnt@acbs.com.vn

Analyst – Market data

Anh Mai

(+84 28) 7300 7000 (x1110)
anhmd@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Director

Huong Chu

(+84 28) 7300 7000 (x1083)
huongctk@acbs.com.vn
groupis@acbs.com.vn

Associate

Huynh Nguyen

(+84 28) 7300 6879 (x1088)
huynhntn@acbs.com.vn

Associate

Dung Ly

(+84 28) 7300 6879 (x1084)
dungln.hso@acbs.com.vn

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Our Recommendation System

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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