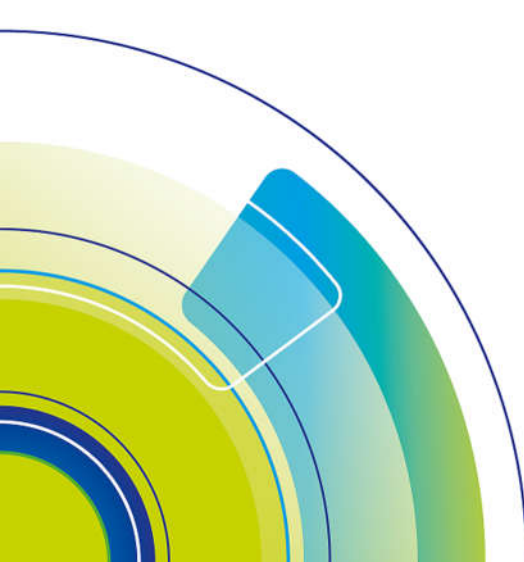




DCM Flash note – NEUTRAL

July 31, 2024



Mr. Hung Phan

(+84 8) 3823 4159 - Ext: 354

hungpv@acbs.com.vn

Earnings Flash note

Recommendation

NEUTRAL
HSX: DCM
Fertilizer
Target price (VND) 34,700

Market price (VND) 37,100

Expected share price return -6.4%

Expected dividend yield 0%

Expected total return -6.4%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	20,7	3,1	27,3	35,2
Relative	9,9	2,6	23,9	32,9

Source: Bloomberg



Ownership

PVN 75.56%

PVFC Capital 5.01%

Stock Statistics

31-Jul- 2024

Bloomberg code DCM VN

52-week range (VND) 25.600 - 40.700

Shares O/S (m) 529

Mkt cap (VND bn) 19.640

Mkt cap (USD m) 778

Est. Foreign room left (%) 41,2

Est. free float (%) 25

3m avg daily vol (shrs) 5.598.087

VND/USD 25,230

Index: VNIndex / HNX 1251,51/235,36

Petro Viet Nam Ca Mau Fertilizer JSC (DCM VN)

DCM announced business results in Q2/2024 with NPAT-MI of VND569 billion (+97% YoY and +64.3% QoQ), higher than our expectations. Cumulatively, NPAT-MI increased by 69.3% to VND914 billion in 1H2024, fulfilling 115.8% of DCM's annual plan and 68.2% of our forecast.

DCM recorded revenue of VND3,863 billion in Q2/2024 (+17.4% YoY) and NPAT-MI of VND569 billion (+97% YoY). This growth did not come from the core business- urea as revenue in this segment decreased by 8% YoY. In particular, although urea selling price increased by 4.7% YoY, urea selling volume in Q2/2024 decreased more sharply by 12.2% YoY (in both domestic and export markets) due to the impact of El Nino. Input gas price in Q2/2024 is also estimated to increase by 9% YoY. Explaining DCM's positive business performance:

- NPK fertilizer revenue increased by 76.2% YoY to VND1,114 billion thanks to 42.3% YoY increase in selling volume. This increase partly came from DCM's merger with Korea-Vietnam Fertilizer Co., Ltd KVF (from April 1, 2024), helping to increase NPK capacity to 660,000 tons/year. However, NPK segment's gross profit margin decreased to 13.7% from 18.2% in the same period.
- Other profits increased significantly from VND3.5 billion to VND176 billion, mainly due to the VND167 billion in profit from the acquisition of KVF.
- Depreciation expenses decreased sharply by 81.8% YoY to VND63.7 billion as DCM's urea plant was fully depreciated from September 2023. Meanwhile, the depreciation expense of the newly purchased KVF plant from April 2024 was estimated at VND6.4 billion/quarter.

Therefore, DCM recorded 6M2024 results with revenue of VND6,607 billion (+9.6% YoY) and NPAT-MI of VND915 billion (+69.3% YoY). The increase in 6M2024 also mainly came from the above factors as urea revenue only gained slightly by 1.5% YoY.

Regarding the urea price outlook, according to the World Bank (April 2024), the world urea price is forecast to decrease by 2.2% in 2024 and decrease by 7.1% in 2025 due to recovering supply, increased capacity from new factories and reduced input costs. In addition, the risk of China removing fertilizer export restrictions + India planning to stop importing urea by the end of 2025 will also negatively impact urea prices.

Quick comment: We are reviewing DCM's forecast and valuation in the next update report. The impact of the KVF acquisition on DCM's business results begin to be revealed from Q2/2024 and will become clearer in the coming time. In addition, the aforementioned extraordinary profit is also a factor that has not been taken into account in our previous financial model. The pre-adjusted valuation for DCM is VND34,700/share in 2024, currently 6.4% below the market price.

	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%

DCM business results	Q2/2024	Q2/2023	YoY	6T2024	6T2023	YoY
Revenue (billion VND)	3,863	3,290	17.4%	6,607	6,025	9.6%
Urea fertilizer	1,821	1,982	-8.1%	4,337	4,272	1.5%
NPK fertilizer	1,114	632	76.2%	1,179	701	68.2%
Gross profit margin (%)						
Urea fertilizer	25.4%	16.2%		28.2%	22.4%	
NPK fertilizer	13.7%	18.2%		14.4%	16.8%	
SG&A expense	292	195	49.7%	744	592	25.7%
NPAT-MI	569	289	97.0%	915	540	69.3%

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

Associate – Logistics

Hung Nguyen

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

Associate – Construction

Dat Do

(+84 28) 7300 7000 (x1048)
datdt@acbs.com.vn

Analyst – Market data

Anh Mai

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

Analyst – Technical

Huu Vo

(+84 28) 7300 7000 (x1052)
huvvp@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

Thanh Tran

(+84 28) 7300 6879 (x1120)
thanhtt@acbs.com.vn

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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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