



DGC Flash Note - NEUTRAL

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Flash Note

Recommendation

NEUTRAL

HSX: DGC

Chemicals

Target price (VND)

111,000

Market price (VND)

110,500

Expected share price return

0.5%

Expected dividend yield

2.7%

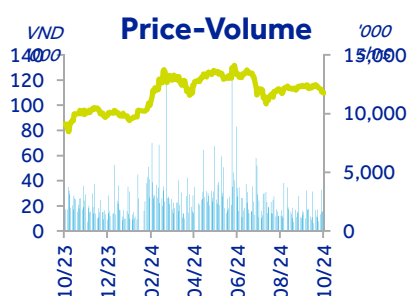
Expected total return

3.2%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	16.3	-4.3	0.5	26.9
Relative	3.3	-2.9	-1.7	10.9

Source: Bloomberg



Ownership

Dao Huu Huyen	18.4%
Ngo Thi Ngoc Lan	6.6%
Dragon Capital	6.1%

Stock Statistics

25-Oct-24

Bloomberg code

DGC VN

52-week range (VND) 76,500 - 134,000

Shares O/S (m) 380

Mkt cap (VND bn) 41,700

Mkt cap (USD m) 1,637

Est. Foreign room left (%) 30.8

Est. free float (%) 62.1

3m avg daily vol (shrs) 1,845,259

VND/USD 25,473

Index: VNIIndex / HNX 1257.20/224.91

DUC GIANG CHEMICALS GROUP JSC (DGC VN)

DGC announced Q3/2024 business results with NPAT reaching VND738 billion (-8% YoY and -15.2% QoQ), lower than our expectations. Cumulatively, NPAT decreased by 7.3% YoY to VND2,322 billion in 9M2024, fulfilling 74.9% of the annual plan and 69% of our full-year forecast. Maintain **NEUTRAL** recommendation.

DGC recorded revenue of VND2,558 billion (+3.8% YoY) and NPAT of VND738 billion (-8% YoY) in Q3/2024. Although yellow phosphorus price is estimated to fall by 4% YoY, a 23% YoY increase in yellow phosphorus sales volume substantially supported DGC's revenue. In addition, DGC also sharply reduced WPA output to increase production of DAP, MAP and other phosphate fertilizers in the context of an estimated 14% YoY hike in phosphate fertilizer prices.

However, NPAT reported a slide due to selling expenses outpacing revenue and lower financial revenue despite a slight improvement in gross profit margin. Specifically:

- Selling expenses inflated by 42.8% YoY to VND168 billion as a result of increased transportation costs.
- Financial revenue fell by 26% YoY to VND151 billion mainly due to lower interest income.
- DGC's gross profit margin enhanced slightly to 34.5% from 34% in Q3/2023 despite a 17% decline in coke prices, because price of sulfuric acid - one of materials for WPA production - is estimated to jump by more than 70% YoY.

Accumulated in 9M2024, DGC recorded net revenue of VND7,447 billion (+1.2% YoY) and NPAT of VND2,322 billion (-7.3% YoY). An estimated drop of 12% YoY in yellow phosphorus price together with increased raw material prices and selling expenses were the main reasons for weak performance in the net profit.

For Q4/2024 outlook, P4 spot price in China has not shown many positive signs as the price in October is flat compared to the average level in Q3/2024. However, selling expenses may experience less pressure compared to the previous quarter thanks to a dramatic decrease in transportation costs since the end of August.

Conclusion: We revise DGC's NPAT forecast for 2024 to VND3,328 billion (+2.7% YoY), down by 9.8% compared to the previous report. For 2025, we forecast the company may achieve VND3,436 billion in NPAT (+3.2% YoY) based on expectation of improved yellow phosphorus price, thanks to rising demand from the semiconductor industry, helping to offset an increase in electricity prices. Using DCF method, we value DGC at VND111,000/shr at the end of 2025, equivalent to a total return of 3.2%.

	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	9,550	14,444	9,748	9,776	9,891
Growth	53%	51%	-33%	0%	1%
EBITDA (VNDbn)	2,821	6,283	3,204	3,297	3,313
Growth	125%	123%	-49%	3%	0%
PAT (VNDbn)	2,514	6,037	3,242	3,328	3,436
Growth	165%	140%	-46%	3%	3%
EPS (bonus-adjusted, VND)	5,947	13,855	7,675	8,360	8,631
Growth	163%	133%	-45%	9%	3%
ROE	48%	70%	28%	26%	23%
ROIC	34%	53%	19%	17%	16%
Net debt/EBITDA (times)	(1.0)	(1.4)	(2.8)	(3.3)	(4.0)
EV/EBITDA (times)	14	5	10	10	9
PER (times)	19	8	15	13	13
PBR (times)	3	4	4	3	3
DPS (VND)	1,500	1,000	4,000	3,000	3,000
Dividend yield	1%	1%	4%	3%	3%

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DISCLAIMER

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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