



# DCM Flash note – NEUTRAL

October 30, 2024

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## Earnings Flash note

Recommendation

**NEUTRAL**
**HSX: DCM**
**Fertilizer**
**Target price (VND)** 36,700

**Market price (VND)** 38,100

**Expected share price return** -3.6%

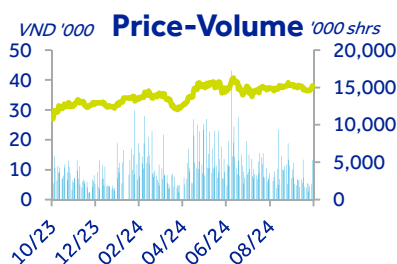
**Expected dividend yield** 2.6%

**Expected total return** -1.0%

## Stock performance (%)

|          | YTD  | 1M   | 3M   | 12M  |
|----------|------|------|------|------|
| Absolute | 24.2 | -0.4 | 0.4  | 41.2 |
| Relative | 11.6 | 2.3  | -1.8 | 25.2 |

Source: Bloomberg



## Ownership

PVN 75.56%

PVFC Capital 5.01%

## Stock Statistics 29-Oct- 2024

**Bloomberg code** DCM VN

**52-week range (VND)** 25,700 - 41,800

**Shares O/S (m)** 529

**Mkt cap (VND bn)** 20,170

**Mkt cap (USD m)** 792

**Est. Foreign room left (%)** 41.6

**Est. free float (%)** 21.2

**3m avg daily vol (shrs)** 3,657,974

**VND/USD** 25,473

**Index: VNIndex / HNX** 1252.35/224.54

## PETRO VIET NAM CA MAU FERTILIZER JSC (DCM VN)

DCM announced 9M2024 results with NPAT of VND1,056 billion (+71.3% YoY), completing 133% of its annual plan. We revised DCM's 2024 NPAT forecast up by 14% YoY to VND1,422 billion (+28% YoY) due to the recognition of extraordinary financial gains. Looking ahead to 2025, NPAT is projected to decrease by 11.4% YoY, driven by the prospect of lower urea selling prices and a gradual reduction in low-cost gas supply. We maintain a **NEUTRAL** rating on DCM with a target price of VND36,700/share, up by 5.7% from our prior update.

DCM recorded Q3/2024 revenue of VND2,634 billion (-12.5% YoY) and NPAT of VND121 billion (+62.7% YoY).

**The decline in Q3 revenue was mainly due to a 40.8% YoY drop in urea revenue, despite strong growth in the NPK segment.** Of which, total urea sales volume plunged by 44.3% YoY (in both domestic and export markets) to 138,000 tons, owing to plant maintenance from August 16 to September 1 and adverse weather conditions during July and August 2024.

Thanks to DCM's acquisition of Han-Viet Fertilizer Co., Ltd. (effective April 1, 2024) which enlarged the total NPK capacity from 300,000 tons to 660,000 tons/year, the NPK segment's revenue surged by 76% YoY to VND 617 billion, driven by a 41% YoY increase in output and a 24.7% YoY rise in selling price.

**The growth in Q3/2024 NPAT would have not been seen had it not been for the impact of DCM's factory fully depreciated from September 2023**, which helped reduce depreciation expenses by 79% YoY to VND67.7 billion. A decline in COGS, due to an estimated 7% YoY reduction in gas input prices, also fueled the result.

**In 9M2024, DCM recorded revenue of VND9,242 billion (+2.3% YoY) and NPAT of VND1,056 billion (+71.3% YoY)**, exceeding our expectations due to a profit of VND167 billion from the acquisition of KVF in Q2. An 81.6% YoY reduction in depreciation expenses also contributed to the NPAT growth. Meanwhile, the revenue upturn was driven by a 39.3% YoY increase in NPK output, offsetting a 13.4% YoY decrease in urea sales volume.

**Looking to Q4/2024, urea sales volume is expected to recover well compared to Q3** as the Winter-Spring crop begins. However, for 2025, urea prices may face pressure from China's removal of restrictions on fertilizer exports and India's plans to halt urea imports by the end of 2025.

|                           | 2022   | 2023   | 2024F  | 2025F  | 2026F  |
|---------------------------|--------|--------|--------|--------|--------|
| Net Sales (VNDbn)         | 15,925 | 12,571 | 12,641 | 13,348 | 14,522 |
| Growth (%)                | 61%    | -21%   | 1%     | 6%     | 9%     |
| EBITDA (VNDbn)            | 5,744  | 1,770  | 1,390  | 1,239  | 1,236  |
| EBITDA margin (%)         | 36%    | 14%    | 11%    | 9%     | 9%     |
| NPAT (VNDbn)              | 4,316  | 1,109  | 1,420  | 1,258  | 1,291  |
| Growth (%)                | 137%   | -74%   | 28%    | -11%   | 3%     |
| EPS (bonus-adjusted, VND) | 8,162  | 2,097  | 2,686  | 2,379  | 2,443  |
| Growth (%)                | 137%   | -74%   | 28%    | -11%   | 3%     |
| ROE                       | 43%    | 13%    | 15%    | 14%    | 13%    |
| ROIC                      | 33%    | 5%     | 8%     | 6%     | 5%     |
| Net debt/EBITDA (times)   | -1.9   | -6.8   | -8.3   | -10.1  | -10.9  |
| PER (times)               | 4.2    | 16.5   | 12.8   | 14.5   | 14.1   |
| EV/EBITDA (times)         | 4.0    | 13.1   | 16.7   | 18.7   | 18.8   |
| PBR (times)               | 1.7    | 1.8    | 1.8    | 1.7    | 1.6    |
| DPS (VND)                 | 1,791  | 3,000  | 2,000  | 1,000  | 1,000  |
| Dividend yield (%)        | 5%     | 9%     | 6%     | 3%     | 3%     |

| DCM business results           | Q3/2024      | Q3/2023      | YoY           | 9M2024       | 9M2023       | YoY          |
|--------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| <b>Revenue (billion VND)</b>   | <b>2,634</b> | <b>3,010</b> | <b>-12.5%</b> | <b>9,241</b> | <b>9,036</b> | <b>2.3%</b>  |
| Urea fertilizer                | 1,205        | 2,053        | -41.3%        | 5,552        | 6,325        | -12.2%       |
| NPK fertilizer                 | 617          | 350          | 76.3%         | 1,832        | 1,052        | 74.1%        |
| <b>Gross profit margin (%)</b> | <b>14.2%</b> | <b>5.9%</b>  |               | <b>18.4%</b> | <b>12.4%</b> |              |
| Urea fertilizer                | 17.9%        | 10.0%        |               | 26.1%        | 18.4%        |              |
| NPK fertilizer                 | 14.3%        | 4.2%         |               | 16.1%        | 12.7%        |              |
| <b>SG&amp;A expenses</b>       | <b>276</b>   | <b>277</b>   | <b>-0.4%</b>  | <b>981</b>   | <b>870</b>   | <b>12.8%</b> |
| <b>NPAT</b>                    | <b>121</b>   | <b>74</b>    | <b>63.5%</b>  | <b>1,056</b> | <b>617</b>   | <b>71.2%</b> |

Source: DCM, ACBS

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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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