

13 November 2023

RECOMMENDATION HOLD

Fair price	35,000 VND
Current price	32,100 VND
Upside/downside	9.0%

STOCK INFORMATION

Outstanding shares (mil)	391.3
Free float (mil)	176
Market cap. (billion VND)	12,562
3m avg. volume (shares)	3.9 million
Foreign ownership (%)	10.3%
First listing date	05/11/2007

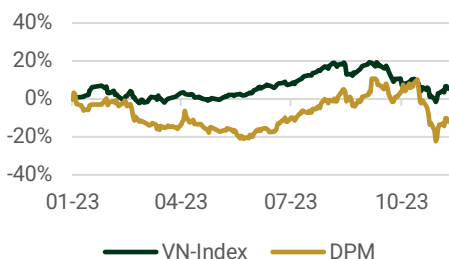
SHAREHOLDER STRUCTURE

PetroVietnam	59.6%
Agrimex Nghe An JSC	4.1%
Egdbaston Asian Equity Trust	3.9%
CTBC Vietnam Equity Fund	2.7%
Others	29.8%

KEY ATTRIBUTES

TTM EPS (VND)	4017.4
BVPS (VND)	28,975
Debt/Equity (%)	0%
ROA (%)	10.1%
ROE (%)	12.8%
P/E	7.8
P/B	1.2
Dividend yield (%)	22.3%

PRICE PERFORMANCE



COMPANY PROFILE

Established in 2003, Petrovietnam Fertilizer and Chemicals Corp. (DPM) produces urea fertilizer for local and Asian markets. It owns a urea plant with an 800-ton annual capacity and an NPK plant producing 250 tons per year. DPM also offers chemical additives like NH₃ and UFC85/Formalin,...

ANALYST(S)

Nguyen Thien Nhan
nhannnguyen@phs.vn

Fertilizer turmoil has gone

- In 9M2023, Net Revenue and NPAT witnessed a significant contraction of 31% YoY and 90% YoY, respectively, as the Urea prices declined much steeper than Input (gas) prices.
- The result could be better for the whole year ended 2023 thanks to supply shortage and increasing grain cultivation (Winter - East crop).
- The low-leverage financial structure and strong cash flow enable high dividend payout ratios going forward.
- Our recommendation is HOLD with potential upside of 9%

Forecast: We expect the revenue of the company will decrease heavily to VND12.3 trillion (-33.9% YoY) in 2023 when the chaos in fertilizer supply chain due to Ukraine war has gone. Intensely, the NPAT could plummet to VND0.9 trillion (-84% YoY). The efficiency would be deteriorating as the Urea prices could drop sharper than input (gas) prices, which have remained high due to being tied up to Fuel oil (FO) prices. Accordingly, we anticipate the gross margin to drop significantly from 42% in 2022 to 17% in 2023F and 2024F, equivalent to the pre-Ukraine-war-level.

Investment highlights: (1) Elevating fertilizer demand is driven the increasing grain cultivation due to the El Nino-induced rise in global grain prices

(2) Global urea fertilizer prices are escalating due to a surge in gas prices, influenced by geopolitical tensions and Europe's winter preparations. The tightening of supplies due to China's urea export ban further compounds this issue.

These seasonal factors could enhance the company's performance in late 2023 and early 2024.

(3) The low-leverage financial structure and strong cash flow enable company to maintain high dividend payout ratios in the coming years (20% in 2023 and around 6% in 2024F). The company has also focused on investing in new chemicals production facilities to diversify product portfolio as well as enable new growth drivers.

Valuation & recommendation: Using DCF and Multiple methods, we derive the fair price of VND35,000 per share. Thus, our recommendation is HOLD with a potential upside of 9%. Our valuation assumes that growth rate of cash flow after 2027 is 0% (g=0%) as the domestic fertilizer market is fragmented and approaching saturation without any new growth driver.

Investment risks: (1) The adverse fluctuation in input prices; (2) The recession risks come to forefront

Financial Results	2020	2021	2022	2023F	2024F
Urea Sale Vol. (k tons)	827	749	791	694	750
NPK Sale Vol. (k tons)	94	151	129	150	153
Net Revenue (VNDbn)	7,762	12,786	18,627	12,310	11,753
Gross Profit (VNDbn)	1,730	4,786	7,838	2,069	2,014
Net Profit (VNDbn)	702	3,172	5,585	900	815
Net Profit Margin (%)	9.0%	24.8%	30.0%	7.3%	6.9%
Book Value (VND)	21,018	27,317	35,759	30,435	30,494
Dividend (VND)	1,200	1,400	5,000	7,000	1,700