

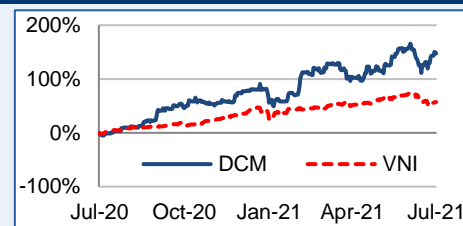


PetroVietnam Ca Mau Fertilizer (DCM)

Earnings Flash

Industry:	Agrochemicals		2020A	H1/2021	2021F
Report Date:	July 29, 2021	Rev Growth	7.4%	29.3%	13.5%
Current Price:	VND19,300	EPS Growth	55.4%	21.6%	-20.8%
Target Price ⁽⁴⁾ :	VND19,400	GPM	17.4%	18.5%	12.6%
Upside:	+0.5%	DPS (VND/sh) ⁽¹⁾	800	N/A	800
Dividend Yield:	4.1%	EV/EBITDA	4.2x	N/A	4.2x
TSR %:	+4.7%	P/E ⁽²⁾	16.7x	N/A	21.1x
Rating ⁽⁴⁾ :	OUTPERFORM	P/E ⁽³⁾	9.3x	N/A	10.7x

Market Cap:	USD438.7mn		DCM	VNI
Foreign Room:	USD205.1mn	P/E (ttm) ⁽²⁾	14.9x	17.0x
ADTV30D:	USD3.0mn	P/B (curr)	1.6x	2.6x
State Ownership:	75.6%	Net D/E	-58.5%	N/A
Outstanding Shares:	530 mn	ROE	11.9%	15.4%
Fully Diluted Shares:	530 mn	ROA	8.0%	2.5%
3-yr PEG	N.M.	(1) our forecasts; (2) reported; (3) adjusted P/E assuming a normal 20-year depreciation policy; (4) TP and rating last updated May 14, 2021		



Company Overview

DCM is one of the two largest urea producers in Vietnam and has ~32% market share. DCM owns a urea plant with an annual capacity of 800,000 tons of granular urea. In addition, DCM has invested in an NPK plant with a capacity of 300,000 tons.

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Strong urea prices, new NPK products drive Q2 earnings

- DCM released robust H1 2021 results with revenue and NPAT-MI rising 29.3% YoY and 21.6% YoY, respectively, driven by average urea price growth of ~25%-35% that outweighed the impact of a 45.8% YoY input cost increase and sales volume decrease of 2.5% YoY.
- In Q2 2021, DCM's revenue and NPAT-MI were up 22.5% YoY and 6.5% YoY, respectively. Q2 2021 NPAT-MI was almost double vs Q1 2021 due to a urea price rally — despite slightly lower volume compared to Q1 2021 — and a contribution from new NPK products.
- Due to COVID-19, the NPK plant has not finished the acceptance testing phase to officially enter operation in Q2 2021. Nevertheless, DCM delivered 18,000 tons of NPK produced in a trial run, which was welcome by farmers and supported DCM's Q2 2021 profit.
- General administration expenses in H1 2021 doubled YoY and completed 74.4% of our 2021F forecast as DCM allocated ~VND50bn (USD2mn) of expenses for the science fund in Q2 2021.
- These results were higher than our expectation with H1 NPAT-MI achieving 82.5% of our full-year forecasts, driven by stronger-than-expected urea prices. We foresee upside to our current forecast, pending a fuller review.

Figure 1: DCM's Q2 2021 results

VND bn	Q2 2021	YoY growth %	H1 2021	YoY growth %	% of VCSC's 2021F
Brent oil price (USD/bbl)	69	106.8%	65	54.4%	
Fuel oil price (USD/ton)	381	101.9%	366	60.4%	
Input gas price (USD/MMBTU)	6.0	69.3%	5.9	45.8%	
Urea sales volume ('000 tons)	205	-19.0%	422	-2.5%	45.9%
Revenues	2,364	22.5%	4,236	29.3%	49.3%
Gross profit	517	24.1%	784	27.2%	72.4%
Sales & marketing exp	-120	6.5%	-201	17.3%	51.5%
General admin (GA) exp	-119	181.2%	-172	106.5%	74.4%
Operating profit	278	6.3%	411	13.6%	89.2%
Financial income	34	13.8%	70	14.7%	49.1%
Financial expenses	-7	-25.6%	-16	-64.7%	41.8%
In which, interest expense	-2	-87.8%	-5	-82.5%	29.6%
Shared profit/loss from associates	0	N.M.	0	N.M.	N.M.
Net other income/loss	0	-93.9%	2	-68.7%	20.8%
NPAT-MI	282	6.5%	434	21.6%	82.5%
EBITDA	626	6.2%	1,088	6.8%	58.3%

Source: DCM, VCSC estimates

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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