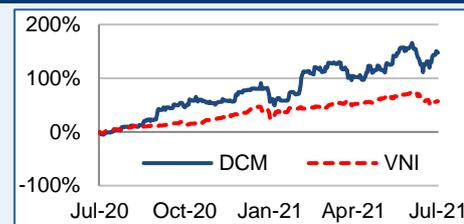


PetroVietnam Ca Mau Fertilizer (DCM)

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



			DCM	VNI
Market Cap:	USD438.7mn			
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.			

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.

(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

Tram Ngo
 Manager
tram.ngo@vcsc.com.vn
 +84 28 3914 3588 ext. 135

Duong Dinh
 Senior Manager
duong.dinh@vcsc.com.vn
 +84 28 3914 3588 ext. 140

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
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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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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Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 2 Hai Trieu Street
District 1, HCMC
+84 28 3914 3588

Transaction Office

10 Nguyen Hue Street
District 1, HCMC
+84 28 3914 3588

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Tu Hoang, Analyst, ext 139
- Ngoc Huynh, Analyst, ext 138

Consumer and Pharma

Phap Dang, Associate Director, ext 143

- Ha Dao, Senior Analyst, ext 194
- Son Tran, Senior Analyst, ext 185
- Vinh Bui, Analyst, ext 191

Real Estate, Construction and Materials

Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Manager, ext 147
- Duc Pham, Analyst, ext 174

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Institutional Sales and Brokerage

& Foreign Individuals

Dung Nguyen

+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office

236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588

Alastair Macdonald, Head of Research, ext 105

alastair.macdonald@vcsc.com.vn

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Nghia Le, Analyst, ext 181
- Duc Le, Analyst, ext 196

Industrials and Transportation

Nam Hoang, Manager, ext 124

- Dang Thai, Senior Analyst, ext 149
- Huy Phan, Analyst, ext 173

Retail & Corporate Brokerage

Ho Chi Minh & Hanoi

Quynh Chau

+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn