

PetroVietnam Fertilizer & Chemicals (DPM)

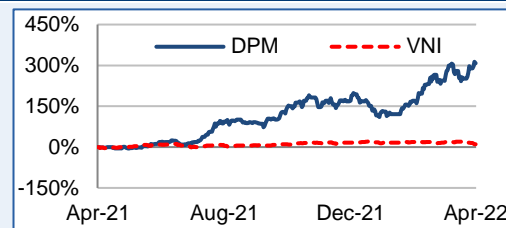
Earnings Flash

Industry:	Agrochemicals		2021	Q1 22	2022F
Report Date:	April 21, 2022				
Current Price:	VND71,600	Rev Growth	64.7%	199.7%	4.2%
Target Price***:	VND60,900	EPS Growth*	370.3%	1,886.6%	7.9%
Upside to TP:	-14.9%	EPS Growth**	350.8%	1,138.3%	-0.2%
Dividend Yield:	5.6%	NPAT (VND bn)**	3,117	2,114	3,111
TSR:	-9.4%	EV/EBITDA	3,500	N/A	4,000
Rating***:	BUY	P/Op CF	5.7x	N/A	5.1x
		P/E	10.9x	N/A	10.9x

*Recurring, **Reported

Market Cap:	USD1.2bn		DPM	VNI
Foreign Room:	USD1.1bn	P/E (ttm)	6.7x	15.6x
ADTV30D:	USD18.8mn	P/B (curr)	2.3x	2.4x
State Ownership:	59.6%	Net D/E	-62.2%	N/A
Outstanding Shares:	391.4 mn	ROE	41.5%	15.4%
Fully Diluted Shares:	391.4 mn	ROA	32.0%	2.5%

*** TP and rating last updated February 25, 2022



Company Overview

DPM is the leading urea producer in Vietnam and has ~35% market share. The company also trades other fertilizers, including NPK, SA and DAP. DPM owns the Phu My urea plant (capacity of 800,000 tonnes), an NPK-NH₃ plant (capacity of 250,000 tonnes) and a distribution network of 3,000 points of sale.

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Strong urea prices, volume bolster stellar Q1 2022 profit

- DPM released stellar Q1 2022 results with revenue tripling YoY and reported net profit surging 12.4x YoY, which were driven by 1) robust urea and NH₃ prices that increased 151.4% YoY and 172.6% YoY, respectively, and 2) strong sales volume growth of 30.5% YoY. Notably, these results occurred despite the negative impact of a 36.7% YoY increase gas input costs.
- Q1 2022 net profit climbed 28.6% QoQ as urea prices rose 11.5% QoQ and urea sales volume increased 16.5% QoQ. According to DPM, its urea sales volume was 247,000 tonnes in Q1 2022, which was driven by strong export demand (92,000 tonnes of urea exports in Q1 2022 vs only 6,000 tonnes in Q1 2021). Meanwhile, domestic demand was hurt by high urea prices.
- DPM's Q1 2022 results beat our expectations as revenue/net profit completed 43.8%/68.0% of our respective full-year forecasts mainly due to higher-than-expected urea selling prices.
- As stated in our [April 8, 2022 Energy Sector Update](#), we expect international gas prices to remain high until 2023, which should reduce global urea supply and continue to support global urea prices. We thus foresee potential upside to our net profit forecasts, pending a fuller review.

Figure 1: DPM's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY growth %	% of VCSC's 2022F
Fuel oil price (USD/tonne)	352	541	53.8%	N/A
Total input gas price (USD/MMBTU)	6.4	8.7	36.7%	N/A
DPM urea prices (VND/kg)	6,822	17,153	151.4%	N/A
DPM urea prices (USD/tonne)	297	746	151.4%	N/A
DPM urea sales volume (thousand tonnes)	189	247	30.5%	30.9%
Revenues	1,945	5,829	199.7%	43.8%
Gross profit	433	2,823	552.5%	55.0%
Sales & marketing exp	-150	-218	45.8%	24.2%
General admin (GA) exp	-78	-103	31.4%	17.6%
Operating profit	205	2,502	1,122.0%	68.7%
Financial income	29	47	62.7%	17.3%
Financial expenses	-18	-28	52.3%	31.0%
In which, interest expense	-18	-16	-11.7%	17.5%
Shared profit/loss from associates	0	0	N.M.	0.0%
Net other income/loss	0	2	324.9%	18.8%
PBT	215	2,522	1,071.0%	65.8%
Income tax expense	-36	-396	988.8%	60.8%
NPAT-MI, reported	171	2,114	1,138.3%	68.0%
NPAT-MI, recurring	104	2,073	1,886.6%	66.6%
EBITDA	339	2,631	675.2%	63.0%

Source: DPM, VCSC

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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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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