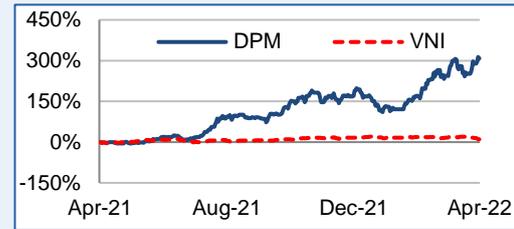


PetroVietnam Fertilizer & Chemicals (DPM)

Earnings Flash

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



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

*Recurring, **Reported

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.

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

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, 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 |
| 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, 15th Floor
2 Hai Trieu Street, District 1, HCMC
+84 28 3914 3588

Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor
10 Nguyen Hue Street, District 1, HCMC
+84 28 3914 3588 (417)

Transaction Office Dong Da

9 Nguyen Ngoc Doan,
Dong Da District, Hanoi
+84 24 6262 6999

Hanoi Branch

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

Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588 (400)

Transaction Office ABS

Sailing Tower, 8th Floor,
111A Pasteur Street, District 1, HCMC
+84 28 3914 3588 (403)

Research

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

Alastair Macdonald, Head of Research, ext 105
alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Consumer

Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

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

Real Estate and Infrastructure

Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

Materials and Industrials

Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

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

Brokerage and Institutional Sales & Trading

Tuan Nhan

Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107
tuan.nhan@vcsc.com.vn

Quynh Chau

Managing Director Brokerage

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

Dung Nguyen

Director Institutional Sales & Trading

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