

28 Apr 2022

Southern Basic Chemicals (CSV)

AGM Briefing: A flying start to 2022

- On Apr 28th, we attended CSV's AGM presentation briefing for the full-year 2021 results as well as the 2022F business plans.

PBT goes "backward" despite a 56% completion in 1Q22

- The company achieved a revenue of VND1,577bn (+18% yoy) and a NPAT of VND218bn (+21% yoy) in 2021 driven chemicals price rally amid global supply shortage. In 2022F, the company a VND1,742bn revenue (10% yoy) and VND251bn PBT (-8% yoy).
- CSV is going to pay a 15% cash dividend at par per year in 2022F-23F
- In 1Q22, CSV recorded spectacular growth with a VND483bn revenue (+64% yoy) and a VND140bn PBT (+198% yoy), fulfilling 28%/56% annual guidance.

Burden from the removal of Nhon Trach Chemical project

- At Dec 2021, the company signed a contract with a third party to study the feasibility of moving three factories in Bien Hoa 1 Industrial Park to Nhon Trach 6 Industrial Park according to the policy of the People's Committee of Dong Nai province. This is the company's key project in the next 6 years, with estimated initial investment of VND1,752bn. Funding sources for this project is loan and equity capital with the ratio of 70%/30%.

Other issues worth noting

- When it came to the issue of state divestment at CSV, the company could not give a specific time but said that they will find potential investors to hold a public auction.
- Currently, the import of industrial salt by chemicals producers such as CSV is subject to strict control by the Ministry of Industry and Trade (MoIT). As reported at the AGM meeting, the company said that quota granted by the MoIT to CSV is about 20,000 tonnes/year. This becomes a bottleneck when the company wishes to expand their output. However, CSV is still finding the domestic suppliers with the high quality of input material.
- The company added that, when large industrial groups enter into Viet Nam market, the demand for industrial chemicals will increase, creating opportunity for domestic industrial chemical sector in general and CSV in particular.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,466	1,588	1,566	1,339	1,577
chg. (% YoY)	-5%	8%	-1%	-14%	18%
Operating profit (VND bn)	232	291	287	310	226
Net profit (VND bn)	180	246	254	251	180
EPS (VND)	4,981	5,247	5,025	3,673	4,734
chg. (% YoY)	35%	5%	-4%	-27%	29%
EBITDA (VND bn)	331	313	342	272	318
PE (x)	9.8	9.3	9.8	13.3	10.4
EV/EBITDA (x)	5.5	6.7	6.5	8	6.5
PB (x)	2.7	2.6	2.4	2.2	1.9
ROE (%)	30.0	30.0	30.0	20.0	20.0
Dividend yield (%)	10%	10%	10%	0%	0%

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (27 Apr, pt)	1,354
Stock price (27 Apr, VND)	49,000
Market cap (USD mn)	98
Shares outstanding (mn)	44
52-Week high/low (VND)	69,600/25,780
6M avg. daily turnover (USD mn)	1.88
Free float / Foreign ownership (%)	35.0/1.6
Major shareholders (%)	
Vinachem	65.0
Vietnam Investment Property Holdings Ltd	6.87

Performance

	1M	6M	12M
Absolute (%)	15.2 (22.2)	6.5	
Relative to VNIndex (%p)	24.7 (12.6)	12.2	

Stock price trend



Source: Bloomberg

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Valuation

- Based on guidance of 2022F profit, 12MF PE is 11.0x and 12MF PB is 1.88x, higher than the 2-year average of 6.9x and 1.25x, respectively.

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