

# PetroVietnam Fertilizer (DPM)

Non - rated

## A peak season to come in 4Q22F

In 3Q22, Petro Vietnam Fertilizer (DPM) recorded a decent business result vs 3Q21 but still lags behind when compared with 2Q22.

### 3Q22: Earnings stayed brisk

- In 3Q22, DPM reported a revenue of VND3,885bn (+37.6% yoy, -22.5% qoq) and VND1,001bn NPAT (58.9% yoy, -25.2% qoq).
- We estimated urea sale volume was about 195,000 tonnes (+8% yoy, -11% qoq), while the average selling price was VND14,800/kg (+24% yoy, -12% qoq). The gas input price came in at USD260/tonne (+6% yoy, -26% qoq) in 3Q22.
- In detail, gross margin (GM) from trading products shrunk to only 8% (-10%p yoy) in 3Q22. GM of production segment inched by 1%p yoy to 41% in 3Q22. As a result, blended GM edged up to 38.3% (+1.4%p yoy, +0.2%p qoq) in 3Q22.
- SG&A to sales swelled to 9.3% (-1.73%p yoy, +2.29%p qoq) in 3Q22. Net margin went up by 3.45%p yoy to reach 25.8% in 3Q22.
- 9M22 revenue and PBT were VND14,727bn (+91% yoy) and VND5,369bn (+200% yoy), fulfilling 85%/130% of the full-year guidance.

### Chance to improve business results in 4Q22F

- We think DPM could leverage its sales volume in 4Q22F thanks to the domestic demand increase for the Winter-Spring crop.
- In Oct, urea's selling price is around VND15,000-15,800/kg. We think it could steadily increase until reaching a peak of VND16,500-17,000 in Nov-Dec 2022.
- We forecast DPM's average gas input price in 4Q22F could be USD227/tonne, -13% vs the 3Q22 level.
- As of end-3Q22, the balance of cash accounted for about 54% of total assets (above VND9,000bn). A healthy balance sheet with no significant CAPEX plan could facilitate DPM to pursue a dividend payout ratio of 50-60% in 2022F. Based on that, we think the stockholders could enjoy a dividend yield of 12-13% p.a.
- DPM is trading at 3.2x TTM PE, far lower than the 3-yrs average of 10.3x, and 1.4x PB, higher than the 3-yrs average of 0.95x.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	7,996	9,297	7,684	7,762	12,786
chg. (% YoY)	0.9	16.3	(17.4)	1.0	64.7
Operating profit (VND bn)	670	802	432	666	3,543
Net profit (VND bn)	695	700	378	691	3,118
EPS (VND)	1,532	1,667	774	1,765	7,959
chg. (% YoY)	(38.7)	8.8	(53.6)	128.0	350.9
EBITDA (VND bn)	862	1,310	983	1,206	4,071
PE (x)	26.3	26.0	47.2	26.6	5.9
EV/EBITDA (x)	2.6	2.6	2.6	2.6	2.6
PB (x)	2.3	2.2	2.3	2.2	1.7
ROE (%)	8.7	8.7	4.7	8.6	33.5
Dividend yield (%)	13.0	12.0	10.0	8.0	3.0

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

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### Stock Data

VNIndex (Oct 28, pt)	1,037
Stock price (Oct 28, VND)	45,850
Market cap (USD mn)	723
Shares outstanding (mn)	391
52-Week high/low (VND)	69,175/35,223
6M avg. daily turnover (USD mn)	8.51
Free float / Foreign ownership (%)	36.0/16.6
Major shareholders (%)	
Petro Vietnam	59.59

### Performance

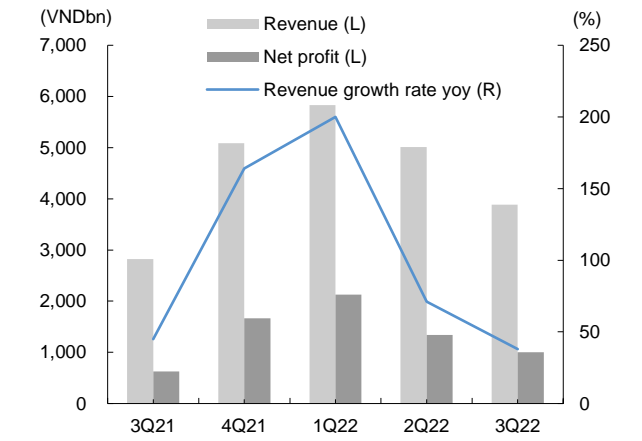
	1M	6M	12M
Absolute (%)	(3.1)	(25.3)	3.7
Relative to VNIndex (%p)	6.2	(2.8)	30.6

### Stock price trend



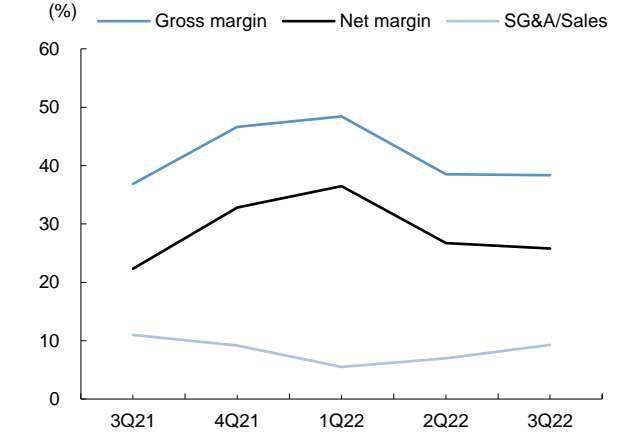
Source: Bloomberg

**Figure 1. Revenue and revenue growth rate yoy**



Source: Company data, KIS

**Figure 2. Gross margin and Net margin by quarters**



Source: Company data, KIS

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