

26 Apr 2023

## Ca Mau Fertilizer (DCM)

### 1Q23 Inferior earning results as estimated

- 4Q22 results below KIS forecast
- Maintain HOLD and earnings are under review

#### Facts: Net profit after tax was at the lowest level since 2Q21

- DCM released their 1Q23 financial statements. In particular, revenue was down 33.8% yoy to VND2,829bn due to 1) Export activities strongly declined by 80% yoy to VND884bn; 2) Urea average selling price in 1Q23 plunged (Revenue from urea accounted for 81% of total revenue in 1Q23, posted VND2,290bn). Because of this, gross profit plummeted at -71% yoy to VND568.728bn.
- NPAT recorded only VND229.7bn (-85% yoy due to high base in 1Q22) despite financial income was up to VND118.6bn (+71% yoy).
- In conclusion, 1Q23 business results fulfilled 21%/7% our Revenue/NPAT forecasts (VND12,317bn and VND3,311bn, respectively).

#### Pros & cons: selling prices and export activities are continuously our main concern

- As we mentioned previously, selling prices not only fell by off - peak season, but also China's reopening partly solved the shortage of fertilizer supply. In detail, urea domestic selling prices were about VND9,500 – VND9,600/kg (-30% YTD) on 31<sup>st</sup> Mar. We expect urea prices will continuously fall as Russian and China come back to fertilizer exporting activities after geopolitical problems and "zero covid" policy.
- Although DCM has the advantage in the Cambodia market, the risk of urea supply from China cannot be underestimated when export restrictions are lifted in 2023 as we mentioned in our last sector in-depth report.

#### Action: Earnings are under review

- We maintain a HOLD rating on DCM stock as we see the outlook for the industry is not so bright. As the selling prices drop sharper than current, DCM's earnings are under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

#### Stock data

VNIndex (25 Apr, pt)	1,041
Stock price (25 Apr, VND)	23,100
Market cap (USD mn)	521
Shares outstanding (mn)	529
52-Week high/low (VND)	40,818/23,100
6M avg. daily turnover (USD mn)	3.37
Free float / Foreign ownership (%)	20.4/10.3
Major shareholders (%)	
Vietnam Oil Gas Corporation	75.6
PFI Fund	8.4

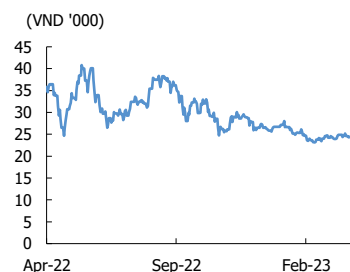
#### Valuation

	2021A	2022A	2023F
PE (x)	8.4	3.7	4.9
PB (x)	2.2	1.5	1.5
ROE (%)	27.8	47.8	31.4
DY (%)	38.0	16.9	7.6
EV/EBITDA (x)	3.7	1.3	1.2
EPS (VND)	3,622	6,929	5,211
BPS (VND)	14,126	20,033	20,609

#### Performance

	1M	6M	12M
Absolute (%)	(4.7)	(27.2)	(35.4)
Relative to VNIndex (%p)	(4.2)	(32.7)	(14.3)

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 1Q23 earnings**

(VND bn, %, %p)

	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY	Consensus
Sales	4,075	4,084	3,307	4,458	2,734	(38.6)	(33.0)	N/A
OP	1,556	1,048	708	999	257.2	(74.2)	(83.5)	N/A
OP margin	38.2	25.7	21.4	22.4	9.4	(13.0)	(28.8)	N/A
EBT	1,607	1,118	786	1,054	261.39	(75)	(83.7)	N/A
NP	1,096	1,518	1,039	731	229.68	(68)	(79)	N/A

Source: Company data, KIS

### ■ Company overview

Ca Mau Fertilizer (DCM) was established in 2011. The company's products include cloudy urea, mainly distributed in the Southwest, the South, and the Mekong Delta. The company's products are also exported to Asian markets, especially Cambodia. The company directly owns a urea factory with a design capacity of 800,000 tonnes/year.

**Balance sheet**

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
Current assets	3,978	7,276	11,624	14,190	16,523
Cash & cash equivalents	2,812	4,790	8,938	11,426	13,677
Accounts & other receivables	217	188	188	338	325
Inventory	834	2,204	2,283	2,266	2,376
Non-current assets	4,739	3,796	2,543	1,325	360
Fixed assets	3,955	3,406	2,207	1,166	156
Investment assets	761	66	33	0	0
Others	138	419	519	318	348
<b>Total assets</b>	<b>8,718</b>	<b>11,072</b>	<b>14,167</b>	<b>15,515</b>	<b>16,883</b>
Advances from customers	118	286	107	124	124
Unearned revenue	0	0	0	0	0
Trade payables	709	795	1,029	1,016	851
Others	742	1,821	2,421	2,775	3,233
ST debt & due bonds	685	689	3	689	689
LT debt & bonds	137	3	1	0	0
<b>Total liabilities</b>	<b>2,391</b>	<b>3,594</b>	<b>3,561</b>	<b>4,604</b>	<b>4,897</b>
Controlling interest	6,300	7,451	10,576	10,731	11,744
Capital stock	5,294	5,294	5,294	5,294	5,294
Capital surplus	0	0	0	0	0
Other reserves	423	970	2,264	970	970
Retained earnings	584	1,188	3,019	4,468	5,481
Minority interest	26	27	29	179	242
Shareholders' equity	6,326	7,478	10,605	10,910	11,986

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
Sales	7,561	9,870	15,925	13,264	13,164
COGS	6,244	7,016	10,221	8,621	8,877
<b>Gross profit</b>	<b>1,317</b>	<b>2,854</b>	<b>5,703</b>	<b>4,643</b>	<b>4,287</b>
SG&A expenses	673	934	1,351	1,327	1,316
<b>Operating profit</b>	<b>644</b>	<b>1,920</b>	<b>4,352</b>	<b>3,316</b>	<b>2,971</b>
Financial income	128	168	301	392	571
Interest income	112	131	262	392	571
Financial expenses	63	34	60	28	28
Interest expenses	43	8	10	28	28
Other non-operating profit	8	2	3	0	0
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
<b>Earnings before tax</b>	<b>717</b>	<b>2,056</b>	<b>4,596</b>	<b>3,680</b>	<b>3,514</b>
Income taxes	55	135	275	369	351
<b>Net profit</b>	<b>662</b>	<b>1,921</b>	<b>4,321</b>	<b>3,311</b>	<b>3,163</b>
Net profit of controlling interest	661	1,918	4,316	3,245	3,100
<b>EBITDA</b>	<b>1,962</b>	<b>3,306</b>	<b>5,750</b>	<b>3,316</b>	<b>2,971</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
C/F from operations	1,781	2,569	5,590	5,466	3,717
Net profit	662	1,921	4,321	3,311	3,163
Dep'n & Amort'n	1,318	1,386	1,398	0	0
Net incr. in W/C	(199)	(738)	(129)	2,155	554
C/F from investing	(462)	(2,102)	(2,347)	235	2,217
Capex	(273)	(157)	(159)	(157)	(415)
Incr. in investment	(189)	(1,945)	(2,188)	392	2,632
C/F from financing	(1,280)	(549)	(962)	(2,116)	(1,623)
Incr. in equity	0	0	0	0	0
Incr. in debt	(961)	(124)	(3)	0	0
Dividends	(320)	(425)	(959)	(2,116)	(1,623)
C/F from others	0	0	0	0	0
<b>Increase in cash</b>	<b>39</b>	<b>(82)</b>	<b>2,281</b>	<b>3,586</b>	<b>4,311</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,958	7,575	6,929	5,244	5,832
BPS	17,873	20,296	20,033	25,057	30,142
DPS	428	381	1,811	769	769
Growth (%)					
Sales growth	41.6	66.1	61.3	(4.2)	18.3
OP growth	75.7	120.0	126.6	(4.4)	12.6
NP growth	78.7	156.3	125.1	(7.9)	11.2
EPS growth	46.2	91.4	91.3	(7.9)	11.2
EBITDA growth	77.5	99.8	73.9	(0.6)	11.9
Profitability (%)					
OP margin	19.0	25.2	27.3	20.9	19.9
NP margin	15.0	23.1	27.1	17.9	16.8
EBITDA margin	24.3	29.2	36.1	25.5	24.1
ROA	11.6	22.3	34.2	13.5	13.3
ROE	25.2	46.0	47.8	23.2	21.3
Dividend yield	2.6	2.3	16.9	4.6	4.6
Dividend payout ratio	10.8	5.0	50.0	14.7	13.2
Stability					
Net debt (VND bn)	32,319	16,505	(8,934)	27,497	15,214
Net debt/equity (%)	50.0	20.0	(80.0)	20.0	10.0
Valuation (x)					
PE	4.2	2.2	3.7	3.2	2.9
PB	0.9	0.8	1.5	0.7	0.6
EV/EBITDA	4.0	2.1	1.3	2.9	2.3

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