

28 Apr 2023

## PetroVietnam Fertilizer (DPM)

### 1Q23 Minor earnings than estimated

- 1Q23 results below KIS earnings forecast
- Maintain HOLD and earnings are under review

#### Facts: 1Q23 inferior business results

- DPM released 1Q23 business results with a VND3,264bn revenue (-44% yoy, -17% qoq), lower by 16.3% than our estimate of VND3,900bn. 2022 boomed when fertilizer witnessed the highest all-time revenue growth in 2022 because China – the big fertilizer exporter pursued the “zero – covid” policy and the Russian – Ukraine war caused a shortage of fertilizer supply.
- Thus, gross profit only recorded VND523bn (-81.5% yoy) compared to high base in 1Q22. Gross margin (GM) also strongly shrank by 32%p yoy to 16% due to high input cost.
- Despite financial income splendidly rising VND70.2bn (+50% yoy), net profit merely posted VND262bn (-88% yoy, -77% qoq), substantially under our estimate of VND1,131bn. Net profit margin (NPM) narrowed by 28%p yoy to 8% caused mainly by 1) Gross margin significantly fell as mentioned previously; 2) SG&A/sales was up 2.7%p yoy to 8.2%.
- In conclusion, DPM's 1Q23 business results fulfilled 22%/6% our revenue/NPAT estimates.

#### Pros & cons: Dimming hope in a foggy sky

- We believe DPM will face a lot of challenges in the rest of 2023. In detail, export activities could not be rosy since 1) China is back on its export track after abandoning its zero – covid policy. 2) Urea exporting prices continuously fell 400 – 500 USD/tonne (compared to the peak of USD1,000/tonne in 2022), meanwhile urea domestic prices are trading around VND9,500 – 9,600/kg (-30% YTD) on 31<sup>st</sup> Mar.
- Even anticipating sluggish export growth, we think the 2Q23 business results may not be as worse as seen in 1Q23 thanks to the peak season of the plantation.

#### Action: Earnings are under review

- We maintain a HOLD rating on DPM stock as we see the outlook for the industry is not so bright, DPM's earnings are under review.

Below	In line	Above
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

#### Stock data

VNIndex (Feb 28, pt)	1,044
Stock price (Feb 28, VND)	33,650
Market cap (USD mn)	561
Shares outstanding (mn)	391
52-Week high/low (VND)	56,412/31,348
6M avg. daily turnover (USD mn)	2.98
Free float / Foreign ownership (%)	35.5/17.7
Major shareholders (%)	
Vietnam Oil Gas Corporation	59.58

#### Valuation

	2021A	2022A	2023F
PE (x)	4.2	2.3	5.0
PB (x)	1.2	0.9	1.2
ROE (%)	33.5	57.6	28.9
DY (%)	24.0	3.4	8.9
EV/EBITDA (x)	2.3	0.6	1.4
EPS (VND)	7,966	17,956	10,452
BPS (VND)	27,368	35,814	39,953

#### Performance

	1M	6M	12M
Absolute (%)	0.1	(14.3)	(40.4)
Relative to VNIndex (%p)	1.1	(16.6)	(18.1)

#### 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	5,829	5,013	3,885	3,900	3,246	(17)	(36)	N/A
OP	2,502	1,582	1,130	1,133	299	(74)	(84)	N/A
OP margin	42.9	31.6	29.1	29.1	9.2	(19.9)	(33.7)	N/A
EBT	2,522	1,634	1,213	1,277	301	(76)	(85)	N/A
NP	2,126	1,338	1,001	1,140	262	(77)	(84)	N/A

Source: Company data, KIS

### ■ Company overview

PetroVietnam Fertilizer and Chemicals (DPM) is the largest fertilizer company in Vietnam with a urea domestic market share of 35% and the urea capacity of 800,000 tonnes/year.

**Balance sheet**

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
Current assets	6,314	9,520	13,579	15,106	17,383
Cash & cash equivalents	4,214	5,979	8,964	11,809	13,997
Accounts & other receivables	341	489	458	684	661
Inventory	1,468	2,776	3,872	2,162	2,308
Non-current assets	4,986	4,398	4,120	3,385	2,898
Fixed assets	4,283	3,717	3,255	2,880	2,408
Investment assets	417	429	461	235	225
Others	576	528	688	720	681
<b>Total assets</b>	<b>11,300</b>	<b>13,918</b>	<b>17,699</b>	<b>18,491</b>	<b>20,281</b>
Advances from customers	123	124	72	124	124
Unearned revenue	0	0	0	0	0
Trade payables	453	771	869	810	884
Others	1,426	1,410	2,033	1,394	1,485
ST debt & due bonds	191	200	202	177	177
LT debt & bonds	859	701	505	347	170
<b>Total liabilities</b>	<b>3,052</b>	<b>3,206</b>	<b>3,681</b>	<b>2,852</b>	<b>2,840</b>
Controlling interest	8,085	10,515	13,831	15,235	16,965
Capital stock	3,914	3,914	3,914	3,914	3,914
Capital surplus	21	21	21	21	21
Other reserves	3,497	3,497	3,497	3,497	3,497
Retained earnings	655	3,085	6,401	7,805	9,535
Minority interest	163	197	186	403	475
Shareholders' equity	8,248	10,712	14,017	15,638	17,440

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
Sales	7,762	12,786	18,627	15,042	14,895
COGS	6,032	8,001	10,789	9,450	9,899
<b>Gross profit</b>	<b>1,730</b>	<b>4,786</b>	<b>7,838</b>	<b>5,592</b>	<b>4,996</b>
SG&A expenses	1,064	1,244	0	903	894
<b>Operating profit</b>	<b>666</b>	<b>3,543</b>	<b>6,853</b>	<b>4,690</b>	<b>4,102</b>
Financial income	180	176	365	317	327
Interest income	172	159	159	309	319
Financial expenses	95	75	85	47	35
Interest expenses	89	69	65	43	31
Other non-operating profit	95	153	19	0	0
Gains (Losses) in associates, subsidiaries and JV	2	3	3	0	0
<b>Earnings before tax</b>	<b>95</b>	<b>3,800</b>	<b>6,646</b>	<b>4,960</b>	<b>4,394</b>
Income taxes	146	628	1,041	744	791
<b>Net profit</b>	<b>702</b>	<b>3,172</b>	<b>5,605</b>	<b>4,216</b>	<b>3,603</b>
Net profit of controlling interest	691	3,118	7,099	4,132	3,531
<b>EBITDA</b>	<b>1,216</b>	<b>4,079</b>	<b>6,819</b>	<b>5,237</b>	<b>4,653</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
C/F from operations	787	2,358	4,961	5,092	3,881
Net profit	702	3,172	5,605	4,216	3,603
Dep'n & Amort'n	550	537	515	0	0
Net incr. in W/C	(465)	(1,351)	(1,159)	876	278
C/F from investing	(1,066)	(1,174)	(3,227)	240	250
Capex	(82)	(79)	(78)	(69)	(69)
Incr. in investment	(984)	(1,095)	(3,149)	309	319
C/F from financing	(669)	(693)	(2,177)	(2,243)	(1,943)
Incr. in equity	0	0	0	0	0
Incr. in debt	(190)	(145)	(1,259)	(177)	(177)
Dividends	(479)	(548)	(1,977)	(2,066)	(1,766)
C/F from others	0	0	0	0	0
<b>Increase in cash</b>	<b>(948)</b>	<b>491</b>	<b>(442)</b>	<b>3,089</b>	<b>2,189</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
Per-share data (VND, adj.)					
EPS	1,766	7,966	17,956	10,452	8,931
BPS	21,073	27,368	35,814	39,953	44,558
DPS	1,225	1,400	9,794	5,279	4,511
Growth (%)					
Sales growth	1.0	64.7	45.7	(24.3)	(1.0)
OP growth	54.2	431.8	121.3	(33.1)	(12.5)
NP growth	83.0	351.0	127.7	(31.0)	(14.5)
EPS growth	77.4	351.0	125.4	(31.0)	(14.5)
EBITDA growth	54.2	431.8	121.3	(30.7)	(11.2)
Profitability (%)					
OP margin	8.6	27.7	42.1	31.2	27.5
NP margin	9.0	24.8	38.2	28.0	24.2
EBITDA margin	8.6	27.7	42.1	34.8	31.2
ROA	6.2	25.2	45.0	24.0	18.6
ROE	8.6	33.5	57.6	28.9	21.8
Dividend yield	27.5	24.0	3.4	8.9	10.4
Dividend payout ratio	69.3	17.6	68.4	49.0	49.0
Stability					
Net debt (VND bn)	(3,164)	(5,078)	(8,257)	(11,285)	(13,650)
Net debt/equity (%)	(40.0)	(50.0)	(60.0)	(70.0)	(80.0)
Valuation (x)					
PE	19.1	4.2	2.3	4.4	5.1
PB	1.6	1.2	0.9	1.2	1.1
EV/EBITDA	15.2	2.3	0.6	1.4	1.1

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