

29 Jul 2022

PetroVietnam Fertilizer (DPM)

Non - rated

No miracles happen

2Q22: Unimpressive business results

- Petro Vietnam Fertilizer (DPM) issued 2Q22's business results on Jul 28, featuring a VND5,103bn (-14% qoq and +71% yoy) revenue and a VND1,291bn (-39% qoq and +86% yoy) net profit.
- We estimated that sale volume was nearly 220,000 tonnes, -11% qoq while the average urea selling price was VND16,900/kg, -1% qoq.
- In 2Q22, gross margin upped 7%p yoy but downed 9%p qoq to 39%. As a result, the net margin fell dramatically from a peak of 36% in 1Q22 to 26% in 2Q22.
- SG&A to sales was kept at a low level in 2Q22, around 7%, lower than the average rate of 10% in 2021.
- 1H22 revenue and PBT were VND10,842bn/VND4,156bn (+122% yoy/304% yoy), fulfilling 63%/101% of their annual guidance.

2H22F looks resilient

- We think DPM could leverage their sales volume in 2H22F due to 1) increasing domestic demand for the Winter-Spring crop, and 2) accelerating export to India in the Kharif season, the most important crop (Jun-Oct). The crop is mainly planted with rice, corn, and soybeans.
- On average, the gas price in 2Q22 was USD351/tonne, +45% qoq. However, the average July gas price fell by 17% vs June, at around USD277/tonne. If the downtrend of gas prices could persist, the gross margin of urea producers could expand in the next quarters.

Valuation

- DPM is trading at 3.3x TTM PE, far below 2-yrs average of 9.4x, and 1.4x PB, nearly the same as 2-yrs average of 1.2x. We think this valuation is attractive at present based on the company's performance in 1H22 and their potential catalyst in 2H22F.

	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)	1,787	1,805	996	1,766	7,965
chg. (% YoY)	(38.7)	1.0	(44.8)	77.4	351.0
EBITDA (VND bn)	862	1,321	994	1,216	4,079
PE (x)	27.1	26.8	48.6	27.4	6.1
EV/EBITDA (x)	2.6	2.6	2.6	2.6	2.6
PB (x)	2.4	2.3	2.3	2.3	1.8
ROE (%)	8.7	8.7	4.7	8.6	33.5
Dividend yield (%)	46.1	23.5	45.7	38.3	33.5

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

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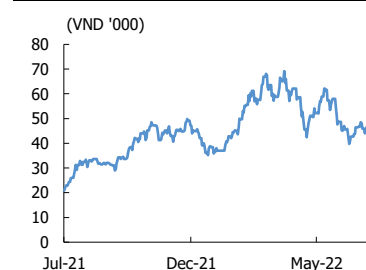
Stock Data

VNIndex (Jul 28, pt)	1,208
Stock price (Jul 28, VND)	46,950
Market cap (USD mn)	786
Shares outstanding (mn)	391
52-Week high/low (VND)	69,175/21,835
6M avg. daily turnover (USD mn)	14.61
Free float / Foreign ownership (%)	35.4/16.0
Major shareholders (%)	
Petro Vietnam	59.59

Performance

	1M	6M	12M
Absolute (%)	3.9	26.4	123.4
Relative to VNIndex (%p)	4.4	44.0	127.3

Stock price trend



Source: Bloomberg

Ngan Le

Ngan.lk@kisvn.vn

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Prepared by: Ngan Le

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