

31 Jan 2023

## Ca Mau Fertilizer (DCM)

### 4Q22 Satisfied earning results

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

#### Facts: sell volume led 4Q22 revenue to a new high record

- DCM's 4Q22 revenue upped 14% yoy to VND4,458bn (+35% qoq) but NPAT downed 8% yoy to VND1,004bn (+37% qoq), above 146%/269% our 4Q22F estimation. We estimate the urea selling volume in 4Q22 was 210,000 tonnes (+40% yoy, +17% qoq), while the urea average selling price was VND15,000/kg (-12% yoy, and stayed at the same level as 3Q22). Thanks to the export demand in Cambodia, urea export turnover accounted for 49% of urea revenue and surged 124% yoy to VND1,563bn (+67% qoq). Moreover, NPK contributed VND380bn to total revenue in 4Q22 (+225% yoy and +16% qoq).
- Despite the significant improvement in revenue, gross margin (GM) fell 9%p yoy to post 29% in 4Q22 due to the increase in input costs. The net margin (NM) escalated by 5% yoy to 23% in 4Q22 regardless of the SG&A/revenue declined by 3%p yoy to 6%.
- In 2022, DCM posted VND15,924bn revenue (+61% yoy) and VND4,280bn NPAT (+134% yoy). The 2022 results fulfilled 110%/117% of our revenue/NPAT forecasts.

#### Pros & cons: selling prices are our main concern

- Selling prices are our main concern in 1Q23F as we think the first quarter is often a low season so selling prices will not be supported. In Jan 2023, urea domestic selling prices are about VND12,000/kg (-17% mom).
- Although DCM has the advantage in the Cambodia market, the risk of urea supply from China can not 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 in Jan-2023 drop sharper than our forecast, DCM's earnings are under review.

Below	In line	<b>Above</b>
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vs. KIS forecast

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

#### Stock data

VNIndex (Jan 31, pt)	1,090
Stock price (Jan 31, VND)	27,850
Market cap (USD mn)	629
Shares outstanding (mn)	529
52-Week high/low (VND)	45,725/24,632
6M avg. daily turnover (USD mn)	5.81
Free float / Foreign ownership (%)	20.3/11.8
Major shareholders (%)	
Vietnam Oil Gas Corporation	75.6
PFI Fund	8.5

#### Valuation

	2021A	2022F	2023F
PE (x)	8.4	4.4	4.9
PB (x)	2.2	1.6	1.5
ROE (%)	27.8	48.8	31.4
DY (%)	38.0	16.9	7.6
EV/EBITDA (x)	3.7	1.6	1.2
EPS (VND)	3,622	6,790	5,211
BPS (VND)	14,126	19,270	20,609

#### Performance

	1M	6M	12M
Absolute (%)	5.1	(4.9)	9.7
Relative to VNIndex (%p)	(3.2)	4.2	34.9

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 4Q22 earnings**

(VND bn, %, %p)

	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY	Consensus
Sales	3,907	4,075	4,084	3,307	4,458	34.8	14.1	N/A
OP	1,134	1,556	1,048	708	999	41.1	(11.9)	N/A
OP margin	29.0	38.2	25.7	21.4	22.4	1.0	(6.6)	N/A
EBT	1,176	1,607	1,118	786	1,054	34.1	(10.4)	N/A
NP	1,096	1,518	1,039	731	1,004	37.3	(8.4)	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	2022F	2023F	2024F
Current assets	3,978	7,276	11,914	14,190	16,523
Cash & cash equivalents	2,812	4,790	7,841	11,426	13,677
Accounts & other receivables	217	188	523	338	325
Inventory	834	2,204	3,376	2,266	2,376
Non-current assets	4,739	3,796	2,547	1,325	360
Fixed assets	3,955	3,406	2,418	1,166	156
Investment assets	761	66	0	0	0
Others	138	419	302	318	348
<b>Total assets</b>	<b>8,718</b>	<b>11,072</b>	<b>14,461</b>	<b>15,515</b>	<b>16,883</b>
Advances from customers	118	286	145	124	124
Unearned revenue	0	0	0	0	0
Trade payables	709	795	1,275	1,016	851
Others	742	1,821	2,151	2,775	3,233
ST debt & due bonds	685	689	689	689	689
LT debt & bonds	137	3	0	0	0
<b>Total liabilities</b>	<b>2,391</b>	<b>3,594</b>	<b>4,260</b>	<b>4,604</b>	<b>4,897</b>
Controlling interest	6,300	7,451	10,089	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	970	970	970
Retained earnings	584	1,188	3,826	4,468	5,481
Minority interest	26	27	113	179	242
Shareholders' equity	6,326	7,478	10,202	10,910	11,986

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	7,561	9,870	14,525	13,264	13,164
COGS	6,244	7,016	9,179	8,621	8,877
<b>Gross profit</b>	<b>1,317</b>	<b>2,854</b>	<b>5,346</b>	<b>4,643</b>	<b>4,287</b>
SG&A expenses	673	934	1,016	1,327	1,316
<b>Operating profit</b>	<b>644</b>	<b>1,920</b>	<b>4,330</b>	<b>3,316</b>	<b>2,971</b>
Financial income	128	168	240	392	571
Interest income	112	131	240	392	571
Financial expenses	63	34	16	28	28
Interest expenses	43	8	16	28	28
Other non-operating profit	8	2	0	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>4,554</b>	<b>3,680</b>	<b>3,514</b>
Income taxes	55	135	237	369	351
<b>Net profit</b>	<b>662</b>	<b>1,921</b>	<b>4,317</b>	<b>3,311</b>	<b>3,163</b>
Net profit of controlling interest	661	1,918	4,231	3,245	3,100
<b>EBITDA</b>	<b>1,962</b>	<b>3,306</b>	<b>4,330</b>	<b>3,316</b>	<b>2,971</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	1,781	2,569	4,121	5,466	3,717
Net profit	662	1,921	4,317	3,311	3,163
Dep'n & Amort'n	1,318	1,386	0	0	0
Net incr. in W/C	(199)	(738)	(196)	2,155	554
C/F from investing	(462)	(2,102)	(109)	235	2,217
Capex	(273)	(157)	(349)	(157)	(415)
Incr. in investment	(189)	(1,945)	240	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>3,051</b>	<b>3,586</b>	<b>4,311</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,958	7,575	5,695	5,244	5,832
BPS	17,873	20,296	20,561	25,057	30,142
DPS	428	381	769	769	769
Growth (%)					
Sales growth	41.6	66.1	19.7	(4.2)	18.3
OP growth	75.7	120.0	(0.2)	(4.4)	12.6
NP growth	78.7	156.3	(3.4)	(7.9)	11.2
EPS growth	46.2	91.4	(24.8)	(7.9)	11.2
EBITDA growth	77.5	99.8	0.5	(0.6)	11.9
Profitability (%)					
OP margin	19.0	25.2	21.0	20.9	19.9
NP margin	15.0	23.1	18.6	17.9	16.8
EBITDA margin	24.3	29.2	24.5	25.5	24.1
ROA	11.6	22.3	16.8	13.5	13.3
ROE	25.2	46.0	31.8	23.2	21.3
Dividend yield	2.6	2.3	4.6	4.6	4.6
Dividend payout ratio	10.8	5.0	13.5	14.7	13.2
Stability					
Net debt (VND bn)	32,319	16,505	34,825	27,497	15,214
Net debt/equity (%)	50.0	20.0	30.0	20.0	10.0
Valuation (x)					
PE	4.2	2.2	2.9	3.2	2.9
PB	0.9	0.8	0.8	0.7	0.6
EV/EBITDA	4.0	2.1	3.0	2.9	2.3

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