

1 Feb 2023

PetroVietnam Fertilizer (DPM)

Below	In line	Above
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vs. KIS forecast

Looking forward to the dividend policy

12M rating **HOLD (Maintain)**

12M TP *from N/A*

Up/Downside

Stock data

VNIndex (Feb 01, pt)	1,108
Stock price (Feb 01, VND)	43,850
Market cap (USD mn)	732
Shares outstanding (mn)	391
52-Week high/low (VND)	69,175/34,550
6M avg. daily turnover (USD mn)	4.90
Free float / Foreign ownership (%)	35.5/19.3
Major shareholders (%)	
Vietnam Oil Gas Corporation	59.59
Dragon Capital	8.95

Valuation

	2021A	2022F	2023F
PE (x)	3.4	4.4	5.0
PB (x)	1.7	1.4	1.2
ROE (%)	33.5	50.4	28.9
DY (%)	33.5	5.7	8.9
EV/EBITDA (x)	3.8	1.4	1.4
EPS (VND)	7,966	15,148	10,452
BPS (VND)	27,368	34,565	39,953

Performance

	1M	6M	12M
Absolute (%)	2.1	(3.5)	18.1
Relative to VNIndex (%p)	(8.0)	5.9	42.0

Stock price



Source: Bloomberg

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

Facts: 4Q22 business results was lag behind

- DPM posted 4Q22 business results with a VND3,900bn revenue (-23% yoy, +0.4% qoq) and a VND1,140bn NPAT (-32% yoy, +14% qoq), fulfilling 76%/123% of our revenue/NPAT forecast. In which, sales in the domestic market accounted for 87% of total revenue. We estimate the urea export turnover was about VND503bn (-45% yoy), with more than 32,000 tonnes (-41% yoy), while those in 4Q21 were VND914bn and 54,000 tonnes. The domestic urea selling price in 4Q22 was estimated at VND14,100/kg (-17% yoy), while the total sales volume was estimated at 174,000 tonnes (-24% yoy). However, sales from NPK made up for these shortfalls with an increase of 43% yoy.
- As a result, gross margin (GM) fell by 5%p yoy to 42% in 4Q22 due to the increase in input costs, but it was still an improvement when compared to 3Q22 with a 4%p qoq expansion. SG&A/sales upped by 4%p yoy to 13% in 4Q22. Thereby, net margin (NM) downed significantly by 7%p yoy to 29%.
- In 2022, DPM recorded VND18,627bn in revenue (+46% yoy) and VND5,605bn in NPAT (+87% yoy). The 2022 results fulfilling 94%/104% of our revenue/NPAT forecasts.

Pros & cons: Attractive dividend policy

- A healthy balance sheet with no significant CAPEX plan could support DPM's pursuit of a dividend payout ratio of 50-60% in 2022-23F. However, urea domestic selling price in Jan 2023 was about VND12,000/kg (-17% mom). Based on the drop in both export turnover and the selling price downtrend, we think the outlook of the company may not so bright in 1Q23F. However, in the domestic market, DPM is still a formidable opponent and also has a certain position that it is hard for the other producers to beat.

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. As the selling prices in Jan-2023 drop sharper than our forecast, DPM's earnings are under review.

Research Dept

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Table 1. 4Q22 earnings

(VND bn, %, %p)

	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY	Consensus
Sales	5,086	5,829	5,013	3,885	3,900	0.4	(23.3)	N/A
OP	1,906	2,502	1,582	1,130	1,133	0.3	(40.6)	N/A
OP margin	37.5	42.9	31.6	29.1	29.1	0.0	(8.4)	N/A
EBT	2,009	2,522	1,634	1,213	1,277	5.3	(36.4)	N/A
NP	1,668	2,126	1,338	1,001	1,140	13.9	(31.7)	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	2022F	2023F	2024F
Current assets	6,314	9,520	12,833	15,106	17,383
Cash & cash equivalents	4,214	5,979	8,720	11,809	13,997
Accounts & other receivables	341	489	931	684	661
Inventory	1,468	2,776	2,547	2,162	2,308
Non-current assets	4,986	4,398	3,864	3,385	2,898
Fixed assets	4,283	3,717	3,348	2,880	2,408
Investment assets	417	429	245	235	225
Others	576	528	906	720	681
Total assets	11,300	13,918	16,697	18,491	20,281
Advances from customers	123	124	199	124	124
Unearned revenue	0	0	0	0	0
Trade payables	453	771	932	810	884
Others	1,426	1,410	1,334	1,394	1,485
ST debt & due bonds	191	200	177	177	177
LT debt & bonds	859	701	524	347	170
Total liabilities	3,052	3,206	3,166	2,852	2,840
Controlling interest	8,085	10,515	13,210	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	5,780	7,805	9,535
Minority interest	163	197	319	403	475
Shareholders' equity	8,248	10,712	13,529	15,638	17,440

Income statement

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	7,762	12,786	19,862	15,042	14,895
COGS	6,032	8,001	11,565	9,450	9,899
Gross profit	1,730	4,786	8,297	5,592	4,996
SG&A expenses	1,064	1,244	1,286	903	894
Operating profit	666	3,543	7,011	4,690	4,102
Financial income	180	176	211	317	327
Interest income	172	159	203	309	319
Financial expenses	95	75	104	47	35
Interest expenses	89	69	100	43	31
Other non-operating profit	95	153	0	0	0
Gains (Losses) in associates, subsidiaries and JV	2	3	0	0	0
Earnings before tax	95	3,800	6,400	4,960	4,394
Income taxes	146	628	1,007	744	791
Net profit	702	3,172	5,393	4,216	3,603
Net profit of controlling interest	691	3,118	5,989	4,132	3,531
EBITDA	1,216	4,079	7,555	5,237	4,653

Cash flow

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	787	2,358	5,961	5,092	3,881
Net profit	702	3,172	5,393	4,216	3,603
Dep'n & Amort'n	550	537	0	0	0
Net incr. in W/C	(465)	(1,351)	568	876	278
C/F from investing	(1,066)	(1,174)	1,483	240	250
Capex	(82)	(79)	10	(69)	(69)
Incr. in investment	(984)	(1,095)	1,473	309	319
C/F from financing	(669)	(693)	(3,434)	(2,243)	(1,943)
Incr. in equity	0	0	0	0	0
Incr. in debt	(190)	(145)	(200)	(177)	(177)
Dividends	(479)	(548)	(3,234)	(2,066)	(1,766)
C/F from others	0	0	0	0	0
Increase in cash	(948)	491	4,011	3,089	2,189

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	1,766	7,966	15,148	10,452	8,931
BPS	21,073	27,368	34,565	39,953	44,558
DPS	1,225	1,400	8,263	5,279	4,511
Growth (%)					
Sales growth	1.0	64.7	55.3	(24.3)	(1.0)
OP growth	54.2	431.8	97.9	(33.1)	(12.5)
NP growth	83.0	351.0	92.1	(31.0)	(14.5)
EPS growth	77.4	351.0	90.2	(31.0)	(14.5)
EBITDA growth	54.2	431.8	113.3	(30.7)	(11.2)
Profitability (%)					
OP margin	8.6	27.7	35.3	31.2	27.5
NP margin	9.0	24.8	30.8	28.0	24.2
EBITDA margin	8.6	27.7	38.0	34.8	31.2
ROA	6.2	25.2	39.9	24.0	18.6
ROE	8.6	33.5	50.4	28.9	21.8
Dividend yield	38.3	33.5	5.7	8.9	10.4
Dividend payout ratio	69.3	17.6	60.0	49.0	49.0
Stability					
Net debt (VND bn)	(3,164)	(5,078)	(8,019)	(11,285)	(13,650)
Net debt/equity (%)	(40.0)	(50.0)	(60.0)	(70.0)	(80.0)
Valuation (x)					
PE	26.6	5.9	3.4	4.4	5.1
PB	2.2	1.7	1.4	1.2	1.1
EV/EBITDA	23.0	3.8	1.4	1.4	1.1

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