

Fertilizer turmoil have gone

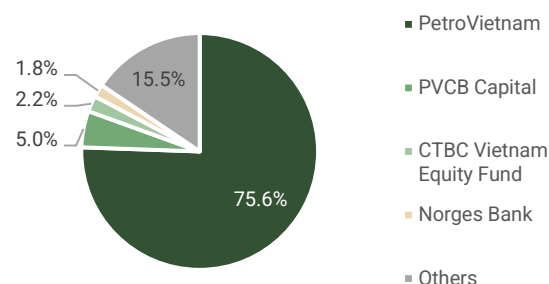
BUY [+19%]

Fair price 38,900 VND
Current price 32,750 VND

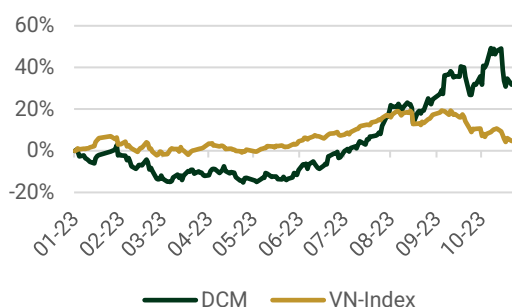
STOCK INFORMATION

Outstanding shares (mil) 529.4
Free float (mil) 132.4
Market cap. (billion VND) 18,158
3m avg. volume (shares) 4.7 million
Foreign ownership (%) 10.74%
First listing date 31/03/2015

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Company profile: Established in 2011, PetroVietnam Camau Fertilizer Joint Stock Company (DCM) transitioned to a joint stock company in 2015. It primarily produces urea fertilizer, which is distributed in South-east, Western and Mekong Delta regions as well as exported to Asian markets. DCM owns a fertilizer factory with an annual capacity of 800,000 tons and indirectly owns a packaging plant and a urea humate fertilizer production plant through its subsidiary, PetroVietnam Packaging Joint Stock Company. The company has been listed on the Ho Chi Minh City Stock Exchange since March 2015.

Forecast: We expect the revenue of the company will decrease moderately to VND12.9 trillion (-19% YoY) in 2023 when the chaos in fertilizer supply chain due to Ukraine war has gone. Intensely, the NPAT could plummet to VND1.8 trillion (-58% YoY). The efficiency would be deteriorating as the Urea prices could drop sharper than input (gas) prices, which have remained high due to being tied up to Fuel oil (FO) prices. Accordingly, we anticipate the Urea segment's margin to drop significantly from 46% in 2022 to 29% in 2023F. From 2025F onwards, the segment's margin and gross margin could be lifted up to 32% and 24%, respectively, as most of fixed assets will be fully depreciated.

Investment highlights: (1) Global urea fertilizer prices are soaring due to increased gas prices, driven by industrial action at major LNG (Liquefied Natural Gas) facilities in Australia and Europe's preparation for the winter heating season. China's ban on urea exports, aimed at stabilizing its domestic market, has further tightened supplies. On the demand side, the rise in global grain prices due to El Nino is expected to lead to increased grain cultivation in the upcoming Winter - Spring crop, resulting in a higher demand for fertilizers, especially Urea. These factors, although seasonal, are likely to support higher prices and empower the company's performance in late 2023.

(2) A debt-free structure and strong cash flow will support high dividend payouts (payout ratio might reach 80% going forward) and R&D investment to launch various new fertilizers, including organic fertilizers, biofertilizers... to gain an advantage over other local and regional competitors.

Valuation & recommendation: Using DCF and Multiple methods, we derive the fair price of VND38,900 per share. Thus, our recommendation is BUY with a potential upside of 19%. Our valuation assumes that growth rate of cash flow after 2027 is 0% (g=0%) as the domestic fertilizer market is fragmented and approaching saturated condition without any new growth driver.

Investment risks: (1) The adverse fluctuation in input prices; (2) The recession risks come to forefront

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	6,689	7,043	7,561	9,870	15,925	12,882
Net Profit (billion VND)	659	428	662	1,826	4,321	1,823
EPS (VND)	1,239	805	1,249	3,444	8,153	3,439
EPS Growth (%)	3%	-35%	55%	176%	137%	-58%
Book Value (VND)	11,841	11,534	11,950	14,126	20,033	20,009
P/E	30.13	56.00	33.11	10.94	4.38	11.32
P/B	2.86	2.93	2.83	2.39	1.69	1.94
Cash dividend (VND)	900	900	600	800	1,800	3,000