

06/05/2024

RECOMMENDATION	HOLD
Fair price	118,800
Current price	122,500
Upside/downside	-3.0%

STOCK INFORMATION

Outstanding shares (mil)	379.8
Free float (mil)	64%
Market cap. (billion VND)	45,308
3m avg. volume (shares)	3,116,639
Foreign ownership (%)	19.94%
First listing date	08/26/2014

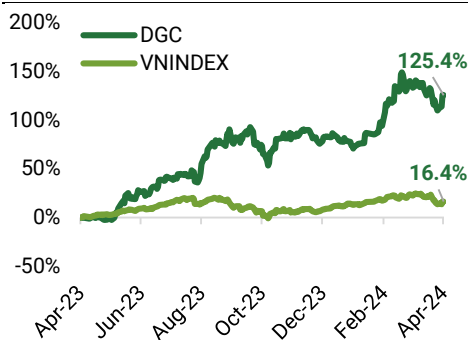
SHAREHOLDER STRUCTURE

Dao Huu Huyen	18.4%
Ngo Thi Ngoc Lan	6.6%
Dao Huu Kha	6.0%
Others	69.0%

KEY ATTRIBUTES

TTM EPS (VND)	7,389
BVPS (VND)	32,033
Debt/Equity (%)	7.36%
ROA (%)	21.58%
ROE (%)	24.51%
P/E	15.71
P/B	3.62
Dividend yield (%)	5.17%

PRICE PERFORMANCE



COMPANY PROFILE

Duc Giang Chemicals JSC provides chemical products. The Company offers fertilizers, phosphorus, phosphoric acid, and animal feed additives. Duc Giang Chemicals serves customers in Vietnam.

ANALYST(S)

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SHORT-TERM HEADWINDS, LONG-TERM TAILWINDS

- DGC stands out globally as one of the enterprises capable of manufacturing yellow phosphorus, phosphoric acid products, and synthetic fertilizers like MAP and DAP, that comply with international export requirements.
- DGC - a leader in phosphorus chemical production - represents Vietnam's P4 manufacturing capacity, reaching up to 80,000 tons of products annually.

Investment thesis: (1) Phosphorus - A vital and valuable asset of Vietnam: Phosphorus is a vital—and finite— resource in agricultural and industrial products particularly in high-tech sectors like semiconductors and energy cells. Vietnam holds the top position as the world's leading exporter of phosphorus (2022).

(2) DGC - A unique corporation of Vietnam chemical industry: DGC stands out as one of the global enterprises capable of manufacturing products derived from phosphorus, such as yellow phosphorus (P4), phosphoric acid products, and synthetic fertilizers, meeting export standards. Representing almost the entire phosphorus industry of Vietnam, DGC's P4 production capacity reached up to 80,000 tons of products per year by YE23, while also accounting for ~one-third of the world's P4 export value in 2022.

(3) DGC is also the best fit one for promising but unquantified future key projects of Vietnam: We assess DGC as a capable and suitable investor for future National Key Projects, such as the Bauxite Project in the Central Highlands or lithium battery production for EVs in the near future.

Valuation & Recommendation: Applying the DCF method, we estimate the fair value of DGC to be **118,800 VND per share**. The valuation also excludes a very small real estate project in a subsidiary, the Chlo-Alkali Nghi Son, the Tay Nguyen Bauxite Project and the Lithium Battery projects due to the uncertainty regarding their implementation timeline, total investment, and business efficiency. In the context of a solid business foundation, we believe that any market adjustments in the future will present opportunities to accumulate DGC shares, expecting it to be a stock with very good fundamental factors and significant future potential if key investment projects can be implemented successfully. Thus, we recommend to **HOLD with a potential upside of (-3.0%)**.

Risks: (1) Economic downturn risk (cyclical risk and the recent sign of stagflation in the U.S.); (2) on going increase in electricity price; (3) operational maintainance may impact the business result.

Financial Results	2021A	2022A	2023A	2024F	2025F
Net revenue (VND bn)	9,550	14,444	9,748	10,443	11,208
Net profit (VND bn)	2,514	6,037	3,242	3,428	3,864
Gross profit margin (%)	33.32%	46.73%	35.29%	37.18%	38.11%
Net profit margin (%)	26.3%	41.8%	33.3%	32.8%	34.5%
ROA (%)	34.9%	55.0%	22.4%	21.0%	20.7%
ROE (%)	48.34%	70.34%	28.36%	25.74%	24.00%
Cash dividend (%)	10%	40%	30%	23%	23%