

05/12/2024

**RECOMMENDATION**      **OVERWEIGHT**

Fair price	127,900
Current price	109,100
Upside/downside	16.2%

**STOCK INFORMATION**

Outstanding shares (mil)	379.8
Free float (mil)	62%
Market cap. (billion VND)	41,434
3m avg. volume (shares)	1,594,222
Highest price 52W (VND)	131,800
Lowest price 52W (VND)	88,000

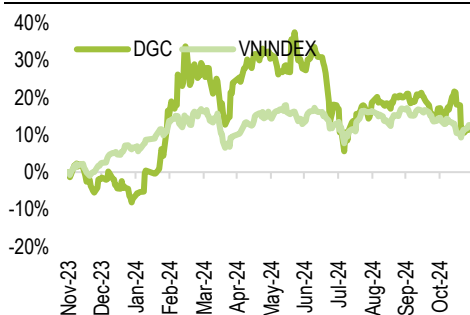
**SHAREHOLDER STRUCTURE**

Dao Huu Huyen	18.4%
NGO THI NGOC LAN	6.6%
DAO HUU KHA	6.0%
Others	69.0%

**KEY ATTRIBUTES**

TTM EPS (VND)	7,302
BVPS (VND)	36,206
Debt/Equity (%)	5.60%
ROA (%)	19.10%
ROE (%)	21.43%
P/E	14.94
P/B	3.01
Dividend yield (%)	2.75%

**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)**

Hoa Nguyen Thi Mai  
hoangnguyenmai@phs.vn

**QUARTERLY MISS DOES NOT DERAILED LONG-TERM GROWTH**

- 9M24 net revenue was VND7,451bn (+1.1% YoY), in-lined with our expectation, completing 71.4% of our forecast. 9M24 net profit was VND2,243bn (-6.6% YoY), completing 69.4% of our forecast.
- We expect the business results to be better in 2025 thanks to the higher demand of yellow phosphorus and the bright potentials of new projects
- We upgraded rating to OVERWEIGHT from NEUTRAL. Our TP is VND127,900, with an upside of 16.2%, increasing 7% from our last report. We rolled the earning point to 2025 and choose P/E of 16x higher than TTM P/E of 15.2x. We believe DGC should be traded at that P/E thanks to its bright outlook in 2025/26.

**Financial highlights**

Revenue slightly grew 3.9% YoY to VND2,559bn in 3Q24, and stayed flat at VND7,451bn in 9M24, an increase in domestic sales off-set a plummet in exports.

Net profit decreased 6.6% in 9M24. We believe it is resulted from higher operation expenses. Selling expenses increased 43.6% YoY due to higher logistics costs

We revised down our revenue and net profit forecast for 2024, we expect 4Q24 revenue and net profit to grow 11.2%/16.8% YoY. We expect revenue to grow 3.7%/10.0%/23.3% YoY in 2024/25/26, net profit to change -0.5%/+9.8%/13.6% YoY in 2024/25/26 thanks to its bright business potential.

**Investment thesis**

**Higher demand of yellow phosphorus bolsters revenue growth**

Revenue growth is bolstered by increasing global semiconductor demand, particularly in Asia. P4 sales volume is expected to grow by 27% YoY in 2024, and further increase 7% and 4% YoY in 2025/26, supported by expanding semiconductor manufacturing capacities across Asia. Prices are forecast to rebound in 2025/26 thanks to lower production costs but higher demand, further enhancing revenue growth.

**Phosphate fertilizers volume decline in 2025 but stay high thereafter**

We expect DGC's phosphate fertilizers sales volume to fall 10% YoY in 2025 when the large fertilizer export countries increase exports again, but still high compared to 2022-23. We estimate DGC's fertilizer sales volume grow with stable rate of 4-6%/year thanks to higher domestic demand.

**Diversification through strategic projects with high potentials**

DGC acquired Dai Viet Ethanol LTD, the ethanol plant is expected to operate in 2025, contributing VND1,000bn annually at full capacity. The ethanol business aligns with sustainable energy trends, providing potential for long-term growth.

Additionally, the Nghi Son Chlor-Alkali-Vinyl (CAV) project, set to begin operations in 2026, will add VND1,200bn to revenue annually. This project aligns with DGC's strategy to diversify its chemical product portfolio, also address the high domestic demand and supply gaps in Vietnam.

**Valuation & Recommendation**

Using the DCF and P/E methods to estimate target price VND127,900/share. We make recommendation OVERWEIGHT with a potential upside of 16.2%

**Investment risks**

P4 prices rebound lower than expected

P4 sales volume increase slower than expected

CAV Phase 1 project takes longer to operate than expected