

PV Fertilizer & Chemicals (DPM)

FY21 AGM Update

Business results outperformed in 1Q22 thanks to surging fertilizer prices

— At the FY21 AGM, the BOD of PV Fertilizer & Chemicals Corporation (DPM) approved the 2022 business plan with PBT of VND4,130 billion (+9.5% YoY) on consolidated revenue of VND17,239 billion (+34.8% YoY). Previously, the company announced its preliminary plan with PBT of VND1,130 billion and total revenue of VND11,058 billion, assuming the FO price of USD326/ton and crude oil price of USD60/barrel. The Russian-Ukraine war since the end of February 2022 has caused disruptions in fertilizer and gas supplies, pushing their prices higher over the past few months. It boosted fertilizer exports and business results of DPM in the first quarter of 2022. Specifically, net revenue tripled YoY to VND5,829 billion, gross profit margin improved significantly by 26 ppts YoY, and PAT jumped by 11.8x YoY to VND2,126 billion.

DPM's NPAT in 1H22 is forecasted to fulfill the whole-year plan

— Urea prices had witnessed a strong recovery after Russia extended restrictions on exporting urea until the end of 2022. However, they have dropped 30% from their peak in April 2022, dragging domestic prices down. In particular, urea prices have decreased by 10% from their peak to VND15,500-16,000/kg (still 67% higher than prices in 2021). Urea prices may continue to fall in the second half of 2022 when China ends its fertilizer export ban. Meanwhile, NPK prices stay high alongside the world price movement, fluctuating around VND16,500-18,000/kg. Besides, limited potassium supply will likely continue in the short term, further driving NPK prices in 2022.

— Input gas costs increased 13% QoQ and 54% YoY to USD10/MMBTU in 2Q22. With fertilizer prices cooling down, DPM's estimated profit is VND1,400-1,500 billion, lower than the previous quarter. Thus, DPM's NPAT may reach VND3,500-3,600 billion over the first half of 2022, fulfilling the full-year plan.

The BOD approved the plan to pay cash dividend at 50% for FY21

— At the FY21 AGM, the BOD approved the plan to pay cash dividend in 2021 at the rate of 50%. Accordingly, the business advanced a 10% cash dividend in 1Q22 and would pay for the rest in 3Q22. Also, DPM plans to pay cash dividend at VND5,000/share for FY22.



DPM would not pay additional transportation costs to GAS for the 2014–2018 period

— After receiving the inspection conclusion from the General Department of Taxation, PV Gas (GAS) sent a document to PetroVietnam (PVN) requesting DPM to pay the additional cost of gas transportation worth USD18.09 million as per Official Letter No. 79/KVN-TC dated January 16, 2022. In particular, data from Vietsovpetro showed that the Bach Ho – Rong Doi Moi field could not provide enough gas for DPM during 2014–2018, prompting GAS to collect and transport gas from Cuu Long to DPM at higher transportation costs. However, DPM would not pay for this VND420 billion worth since its BOD did not approve this proposal.

The BOD disclosed the development strategy to 2035 and orientation to 2045

— In the short term, DPM aims to maintain domestic market share of 35% in the 2022–2025 period. Also, the enterprise will gradually lift the capacity of the NPK plant to 100% and expand the NPK production capacity through joint ventures, affiliates, and M&A. In addition, DPM will focus more on research and development of organic and mixed fertilizers, which are environmentally friendly and convenient for users. Regarding the chemical segment, DPM will invest in producing potential chemicals such as H₂O₂, Melamine, DEF, Soda Ash,...

— In the long term, DPM will continue to develop urea products applying high tech in line with the world's tech trends and expand into the field of organic fertilizers. Moreover, the company plans to enter the petrochemical industry: working with the petrochemical complex to produce some products from NG/LNG & Condensate/Naphtha and working with the refinery to produce large olefins from Ethane cracker, Naphtha cracker.

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh
Head of Research
binhnx@kbsec.com.vn

Equity

Duong Duc Hieu
Head of Equity Research
hieudd@kbsec.com.vn

Nguyen Anh Tung
Senior Analyst – Financials & Information Technology
tungna@kbsec.com.vn

Pham Hoang Bao Nga
Senior Analyst – Real Estate, Construction & Materials
ngaphb@kbsec.com.vn

Luong Ngoc Tuan Dung
Analyst – Retails & Consumers
dunglnt@kbsec.com.vn

Tieu Phan Thanh Quang
Analyst – Oil & Gas, Utilities
quangtpt@kbsec.com.vn

Nguyen Duc Huy
Analyst – Banks, Insurance & Securities
huynd1@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh
Head of Macro & Strategy
anhtd@kbsec.com.vn

Le Hanh Quyen
Analyst – Macroeconomics & Banks
quyenlh@kbsec.com.vn

Thai Huu Cong
Analyst – Strategy & Mid cap Stocks
congth@kbsec.com.vn

Tran Thi Phuong Anh
Analyst – Strategy & Mid cap Stocks
anhttp@kbsec.com.vn

Support team

Nguyen Cam Tho
Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong
Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.