

Vietnam

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HOLD (no change)

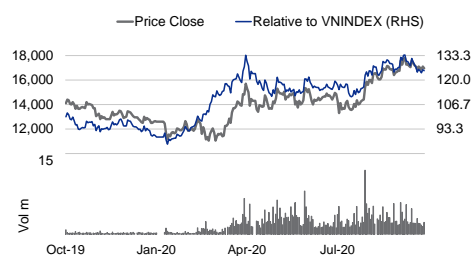
Consensus ratings*: Buy 3 Hold 3 Sell 0

Current price:	VND16,950
Target price:	VND17,100
Previous target:	VND17,100
Up/downside:	0.9%
CGS-CIMB / Consensus:	2.8%
Reuters:	DPM.HM
Bloomberg:	DPM VN
Market cap:	US\$286.1m
	VND6,633,116m
Average daily turnover:	US\$2.23m
	VND51,410m
Current shares o/s	391.4m
Free float:	28.5%

*Source: Bloomberg

Key financial forecasts

	Dec-20F	Dec-21F	Dec-22F
Net Profit (VNDb)	768.3	675.4	536.8
Core EPS (VND)	1,963	1,726	1,371
Core EPS Growth	103%	(12%)	(21%)
FD Core P/E (x)	8.63	9.82	12.36
Recurring ROE	9.39%	7.93%	6.15%
P/BV (x)	0.79	0.77	0.75
DPS (VND)	1,000	1,000	1,000
Dividend Yield	5.90%	5.90%	5.90%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.4	15.7	15.7
Relative (%)	0	6.7	20.2

Major shareholders	% held
PetroVietnam	59.6
Edgbaston	4.9
Nghe An Agricultural Materials and Food JSC	3.9

Analyst(s)

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PetroVietnam Fertilizer and Chemicals

Positive 3Q20 as expected

- DPM reported an impressive 3Q20 net profit growth of 201% yoy, fueled by strong sales volumes, low gas input price and effective cost-cutting efforts.
- 9M20 net profit jumped four-fold yoy to VND590bn, in line at 76.8% of our full-year forecast.
- Maintain Hold rating and TP, based on a 40:30:30 weighting of DCF, target FY20F P/E of 8.0x and target FY20F P/BV of 0.7x.

No major surprises in 3Q20 results

- On 20 Oct, DPM released its 3Q financial reports, with net revenue increasing 3.3% yoy to VND1,955bn but net profit surging 200.5% yoy to VND182bn.
- Net revenue still recorded a positive growth as the 16% yoy increase in urea sales volume outweighed the estimated 12% yoy decrease in urea ASP. In 3Q, a temporary surge in demand from foreign markets (India, Brazil) helped DPM expand its market abroad. The company reported an export volume of 60,000 tonnes of urea in Sep 20 at a slightly higher selling price than the domestic price, which contributed to the revenue growth.
- 3Q20 net profit increased 200.5% yoy on the back of (1) an estimated 21.3% yoy slide in gas input price with the 34.3% yoy fall in the benchmark Singapore fuel oil price, (2) a 21.8% yoy decrease in G&A expenses, thanks to continuous cost-cutting efforts, and (3) 33.5% higher financial income on higher short-term investments and FX gains.

9M20 in line with our expectations

- 9M20 net revenue rose 8.0% yoy as the plants restored normal operations after the 72-day maintenance shutdown in 1H19. Urea sales volumes jumped 41.5% yoy while average 9M selling price fell 16% yoy.
- The 9M bottomline recovery was supported by the sales volumes growth, a 39.7% decline in benchmark oil price, and aggressive cost-control initiatives, which helped boost 2Q and 3Q results.
- 9M net profit was largely in-line at 76.8% of our full-year forecast. We believe global oil prices would stay relatively flat qoq at US\$42-43/bbl in 4Q20F (Brent crude oil price), which would help the company achieve our FY20F net profit forecast of VND768bn.

Risks

- Upside risks to our forecast: (1) A change in VAT policy applied to fertiliser products; the Resolution on which is at the final stage of preparation to be submitted at the current National Assembly meeting (20 Oct to 17 Nov). If the VAT policy is approved and takes effect from 1 Jan 2021, we estimate DPM could receive a tax deduction of VND300bn-350bn, translating to 15-17% upside to our target price. (2) Possible one-off insurance claim for the 2019 operational issues at the plants.
- Downside risks are lower-than-expected urea and NPK selling prices.

Figure 1: 3Q20 and 9M20 results overview

FYE Dec (VND bn)	3Q20	3Q19	% yoy	9M20	9M19	% yoy	% of FY20F forecasts
Brent crude oil (US\$/bbl)	43.3	62.0	-30.1%	42.5	64.8	-34.3%	
Gas input price (est., US\$/mmbtu)	4.6	5.8	-21.3%	4.4	6.0	-25.7%	
Urea sales volume (k tonnes)	224	193	16.3%	642	454	41.5%	
Net revenue	1,954.9	1,893.3	3.3%	5,832	5,399	8.0%	73.0%
Gross profit	433.2	314.1	37.9%	1,342.5	845.1	58.9%	71.1%
Gross profit margin	22.2%	16.6%	+5.6% pts	23.0%	15.7%	+7.4% pts	
SG&A expenses	235	248	-5.1%	680	672	1.1%	69.7%
Operating income	198.0	66.4	198.3%	662.5	172.7	283.6%	72.7%
Net financial income	21.2	7.7	174.8%	44.3	(0.7)	NA	55.7%
Profit before tax	224.2	61.9	262.4%	717.6	177.1	305.3%	71.7%
Net profit	182.1	60.6	200.5%	589.7	143.7	310.3%	76.8%

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Fatima Fertilizer Co Ltd	FATIMA PA	NR	31	NA	395.6	4.8	5.8	0.7	0.7	17.1	12.8	NA	NA	6.5	6.5
Engro Fertilizers Ltd	EFERT PA	NR	67	NA	549.8	8.0	8.0	2.0	2.0	24.8	23.7	4.7	5.3	11.2	9.6
Chambal Fertilizers and Chemicals Ltd	CHMB IN	NR	166	NA	937.3	5.9	5.6	1.5	1.2	26.3	22.8	NA	NA	3.0	3.9
Fauji Fertilizer Co Ltd	FFC PA	NR	108	NA	846.7	7.9	7.5	NA	NA	47.7	47.9	NA	NA	11.1	12.0
Engro Corp Ltd	ENGRO PA	NR	312	NA	1,108.4	8.5	7.5	1.2	1.1	12.6	13.4	4.4	3.2	7.4	8.4
Hubei Xinyangfeng Fertilizer Co Ltd	000902 CH	NR	12	NA	2,447.8	19.8	15.7	2.3	2.1	11.8	13.5	11.9	9.4	1.9	2.5
Average					1047.6	9.1	8.3	1.5	1.4	23.4	22.4	7.0	6.0	6.9	7.2
Median					892.0	7.9	7.5	1.5	1.2	20.9	18.2	4.7	5.3	7.0	7.5
PetroVietnam Fertilizer and Chemicals	DPM VN	HOLD	16,950	17,100	286.1	8.6	9.8	0.8	0.8	9.4	7.9	2.3	2.0	5.9	5.9

SOURCES: VND RESEARCH, CGS-CIMB RESEARCH, BLOOMBERG (DATA AS AT 21 OCT)

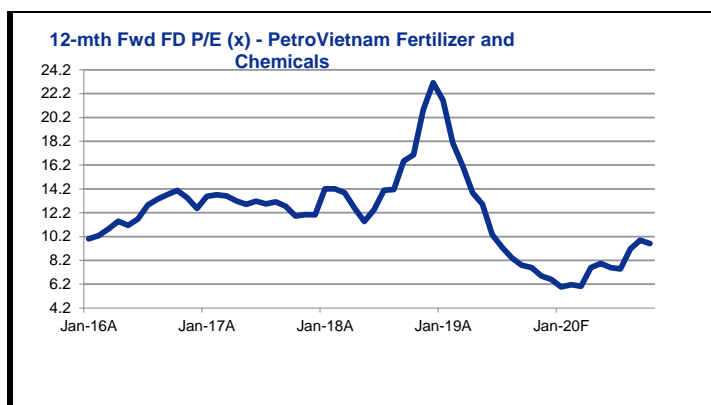
BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	7,684	7,990	8,730	9,140
Gross Profit	1,402	1,888	1,806	1,621
Operating EBITDA	994	1,474	1,306	1,083
Depreciation And Amortisation	(562)	(562)	(562)	(562)
Operating EBIT	432	912	744	521
Financial Income/(Expense)	32	79	116	149
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	3	9	12	13
Profit Before Tax (pre-EI)	467	1,000	872	683
Exceptional Items				
Pre-tax Profit	467	1,000	872	683
Taxation	(78)	(214)	(179)	(133)
Exceptional Income - post-tax				
Profit After Tax	389	787	693	550
Minority Interests	(11)	(18)	(18)	(14)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	378	768	675	537
Recurring Net Profit	378	768	675	537
Fully Diluted Recurring Net Profit	378	768	675	537

Balance Sheet				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	4,012	4,450	5,075	5,348
Total Debtors	289	358	360	393
Inventories	1,351	1,372	1,510	1,640
Total Other Current Assets	292	304	332	347
Total Current Assets	5,944	6,483	7,277	7,728
Fixed Assets	3,932	3,497	3,063	2,631
Total Investments	45	45	45	45
Intangible Assets	858	855	852	848
Total Other Non-Current Assets	660	664	683	690
Total Non-current Assets	5,496	5,061	4,643	4,214
Short-term Debt	177	133	89	44
Current Portion of Long-Term Debt				
Total Creditors	1,375	1,269	1,492	1,534
Other Current Liabilities	509	529	578	605
Total Current Liabilities	2,061	1,931	2,158	2,184
Total Long-term Debt	1,064	912	760	608
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	155	145	143	134
Total Non-current Liabilities	1,218	1,057	903	741
Total Provisions	0	0	0	0
Total Liabilities	3,279	2,988	3,061	2,925
Shareholders' Equity	7,996	8,373	8,657	8,802
Minority Interests	165	184	202	215
Total Equity	8,161	8,557	8,859	9,018

Cash Flow				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	994	1,474	1,306	1,083
Cash Flow from Inv. & Assoc.				
Change In Working Capital	782	(186)	104	(108)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	29	(1)	(1)	(1)
Other Operating Cashflow	(28)	4	6	7
Net Interest (Paid)/Received	29	85	122	155
Tax Paid	(46)	(214)	(179)	(133)
Cashflow From Operations	1,759	1,162	1,358	1,003
Capex	(118)	(116)	(117)	(118)
Disposals Of FAs/subsidiaries	3	0	0	0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	61	(11)	(26)	(15)
Cash Flow From Investing	(54)	(127)	(144)	(133)
Debt Raised/(repaid)	(43)	(196)	(196)	(196)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(402)	(391)	(391)	(391)
Preferred Dividends				
Other Financing Cashflow	0	(9)	(2)	(9)
Cash Flow From Financing	(445)	(597)	(590)	(597)
Total Cash Generated	1,260	438	625	273
Free Cashflow To Equity	1,662	839	1,018	674
Free Cashflow To Firm	1,812	1,123	1,287	928

Key Ratios				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(17.4%)	4.0%	9.3%	4.7%
Operating EBITDA Growth	(24.7%)	48.3%	(11.4%)	(17.1%)
Operating EBITDA Margin	12.9%	18.4%	15.0%	11.8%
Net Cash Per Share (VND)	7,080	8,701	10,798	11,998
BVPS (VND)	20,429	21,392	22,118	22,489
Gross Interest Cover	4.04	10.42	10.27	9.07
Effective Tax Rate	16.7%	21.4%	20.5%	19.4%
Net Dividend Payout Ratio	106%	51%	58%	73%
Accounts Receivables Days	15.72	12.48	12.73	12.71
Inventory Days	87.55	81.63	75.95	76.46
Accounts Payables Days	25.98	26.46	23.64	24.50
ROIC (%)	6.1%	16.6%	14.2%	11.0%
ROCE (%)	6.0%	11.4%	9.7%	7.6%
Return On Average Assets	3.16%	6.15%	4.92%	3.36%



Key Drivers				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Oil Price (US\$/bbl)	64.2	43.0	50.0	55.0
Volume Growth (%)	-14.9%	14.9%	1.0%	1.0%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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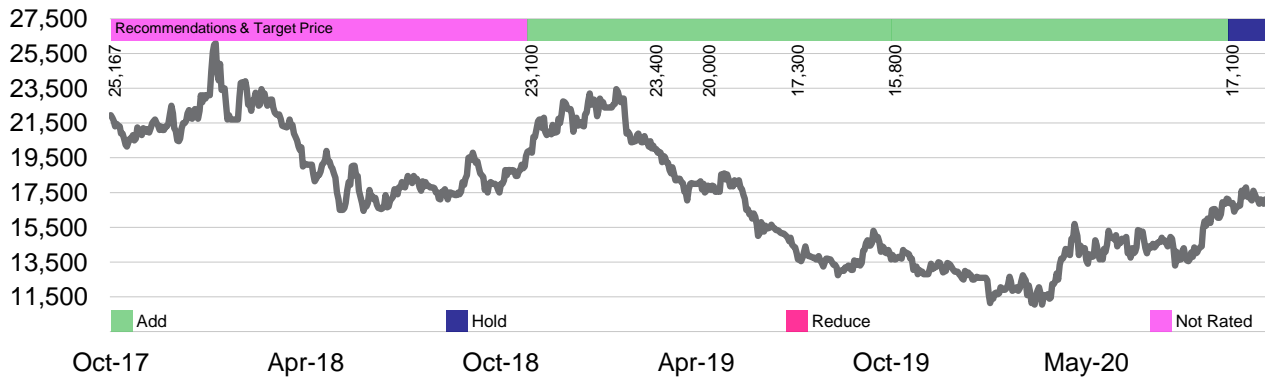
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2020		
795 companies under coverage for quarter ended on 30 September 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	63.0%	0.5%
Hold	25.2%	0.1%
Reduce	11.8%	0.3%

Spitzer Chart for stock being researched (2 year data)

PetroVietnam Fertilizer and Chemicals (DPM VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BPC** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

[1 CG Score 2019 from Thai Institute of Directors Association \(IOD\)](#)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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