

Vietnam

ADD (no change)

Consensus ratings*: Buy 4 Hold 2 Sell 0

Current price:	VND20,450
Target price:	VND23,400
Previous target:	VND23,100
Up/downside:	14.4%
CGS-CIMB / Consensus:	2.6%
Reuters:	DPM.HM
Bloomberg:	DPM VN
Market cap:	US\$344.9m
	VND8,002,786m
Average daily turnover:	US\$0.48m
	VND11,110m
Current shares o/s:	391.4m
Free float:	19.8%

*Source: Bloomberg

Key changes in this note

- FY19F EPS increased by 6%.
- FY20F EPS increased by 25%.
- FY21F EPS increased by 17%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-9.9	-2.4	-11.9
Relative (%)	-15.2	-11.5	0.1

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

Analyst(s)



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PetroVietnam Fertilizer and Chemicals

Margins to improve as gas input price softens

- In FY18, DPM's urea ASP rose 11.1% yoy which helped partially offset the 27.2% yoy increase in its gas input cost.
- We expect lower gas input cost and sustained selling prices to boost GPM in FY19F.
- In our view, smoother operation of the NH₃-NPK project should support long-term earnings growth. Maintain Add. We raise our TP to VND23,400.

Flat FY18 net profit

DPM's net profit edged up 0.7% to VND699.6bn in FY18 due to high oil price (+27.2% yoy) offsetting the 11.1% yoy rise in urea ASP and 8.5% yoy rise in ammonia (NH₃) ASP. High interest expenses as a result of recent borrowings to finance its NH₃-NPK project also pressured net margin. FY18 net profit was 6.7% above our full-year forecast.

GPM to improve in FY19F, thanks to lower gas input price

We forecast Brent crude oil price to stay around US\$65/bbl in 2019F (-8.7% yoy) and DPM's urea ASP to stay flat off a high 2018 base, supported by favourable global urea market conditions (further tightening of the demand-supply balance). Hence, DPM's gross margin could widen by 2.5% pts in FY19F, in our estimate.

NH₃-NPK complex to contribute more to DPM's earnings in 2019F

At 70% utilisation, we expect the NH₃-NPK project to contribute VND1,812bn to DPM's total revenue in FY19F. However, this project may incur a net loss of VND164bn as the company books a full-year of D&A expenses for the project. We estimate that the complex would start to be profitable from FY21F onwards as the plant approaches full utilisation rate.

VAT policy change still a potential share price catalyst

Although the change in VAT policy did not materialise in the Nov 2018 National Assembly meeting, we believe this could be approved in the near future to support the fertiliser industry. We expect the change to be approved in either the May or Nov 2019 National Assembly meeting and be effective from 2020F onwards. This could re-rate the stock.

Maintain Add

We keep our Add call in anticipation of the VAT policy change in 2019 and an improvement in gross margin. We raise our target price 1.3% to VND23,400 to reflect our upward revision in FY19-22F EPS on lower gas input price. Our valuation is still based on a 40:30:30 mix of a 5-year DCF valuation, 10.3x FY19F P/E and 0.95x FY19F P/BV. Downside risks to our call include delay in the VAT policy change, lower urea selling prices, and higher-than-expected oil prices.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (VNDb)	7,996	9,297	9,608	10,247	10,637
Operating EBITDA (VNDb)	862	1,334	1,553	1,864	1,802
Net Profit (VNDb)	694	700	756	1,069	1,074
Core EPS (VND)	1,774	1,787	1,932	2,731	2,745
Core EPS Growth	(39.4%)	0.7%	8.1%	41.4%	0.5%
FD Core P/E (x)	11.50	11.44	10.59	7.49	7.45
DPS (VND)	1,018	1,999	1,000	1,000	1,000
Dividend Yield	4.98%	9.78%	4.89%	4.89%	4.89%
EV/EBITDA (x)	6.44	5.05	3.67	2.58	2.20
P/FCFE (x)	NA	58.19	6.96	6.92	7.30
Net Gearing	(32.7%)	(17.4%)	(28.8%)	(36.4%)	(42.4%)
P/BV (x)	1.02	0.99	0.95	0.88	0.82
ROE	8.7%	8.8%	9.1%	12.2%	11.3%
% Change In Core EPS Estimates			5.8%	25.1%	17.3%
CIMB/consensus EPS (x)			1.11	1.37	1.30

SOURCES: VND RESEARCH, COMPANY REPORTS

Margins to improve as gas input price softens

Market recovery continued in 2018

Revised 2016-2017 business results ►

In Nov 2018, DPM announced that it is revising its 2016 and 2017 financial statements following the state's audit request, as the company recorded certain maintenance expenses (VND111bn in FY17) as one-time expenses instead of booking into PP&E. Management said that after the revisions, FY16 net profit could increase VND2bn (0.2%) and FY17 net profit could increase VND187bn (26.4%).

However, as the new 2017 P&L statement has not been released, we use the old 2017 numbers for comparison in the following sections of the report. We will update accordingly when the revised numbers are out. Note that DPM's 2018 results already reflect the adjustments made to its production costs, PP&E and depreciation.

Flat net profit despite impressive revenue increase ►

DPM posted its highest revenue growth in five years in FY18, on the back of a significant recovery in product ASPs (urea ASP: 11.1% yoy, NH₃ ASP: 8.5% yoy, UFC85 ASP: 28.5% yoy. UFC85 is a chemical used in urea production). These increases more than offset the flat urea selling volume. This led to a 16.3% yoy rise in DPM's FY18 net revenue which beat our forecast by 3.6%.

However, FY18 net profit only edged up 0.7% yoy, driven by lower gross margin (due to the 27.2% yoy rise in gas input cost) and a spike in interest expense.

Figure 1: Results comparison

FYE Dec (VND bn)	4Q18	4Q17	% yoy	FY18	FY17	% yoy	vs. FY18 forecast	Comments
Brent crude oil (average, US\$/bbl)				71	54	31.5%	97.7%	
Gas input price (est., US\$/mmbtu)				5.8	4.6	27.2%	99.6%	DPM's gas input price is linked to Marine Fuel Oil (MFO) price in Singapore by the formula 46% MFO + transportation tariff (0.98 US\$/mmbtu in 2018). MFO price surged approx. 32% in 2018 (similar to Brent crude price growth), leading to subsequent increase in DPM's gas input price.
Urea ASP (VND/kg)				7,042	6,339	11.1%	105.5%	Urea prices surged towards the end of 2018, in line with global price movements.
Urea selling volume (thousand tonnes)				803	794	1.1%	97.9%	
Net revenue	2,321.5	1,532.4	51.5%	9,297.1	7,995.8	16.3%	103.6%	ASPs of urea, NH ₃ and UFC85 outgrew our forecast, hence leading to better-than-expected revenue.
Gross profit*	479.7	434.2	10.5%	1,899.5	2,111.4	-10.0%	105.2%	
<i>Gross profit margin</i>	<i>20.7%</i>	<i>28.3%</i>	<i>-7.6% pts</i>	<i>20.4%</i>	<i>26.4%</i>	<i>-6.0% pts</i>	<i>+0.3% pts</i>	GPM declined sharply mainly due to the gas input price hike and the contribution of the self-produced NPK product line (which yielded lower margins than the traditional product urea) starting from Aug 2018.
Selling expenses	180.0	206.4	-12.8%	612.3	802.5	-23.7%	105.2%	SG&A fell both absolutely and as % of net revenue as a result of DPM's continuing efforts to cut expenses.
G&A expenses	111.8	185.1	-39.6%	485.7	638.7	-24.0%	96.0%	
Operating profit	187.9	42.7	339.9%	801.4	670.2	19.6%	111.8%	
Financial income	49.3	65.5	-24.8%	123.7	164.6	-24.9%	93.6%	Interest expense shot up from VND186m in 2017 to VND63bn in 2018, while financial income declined 24.9% yoy, due to lower cash balance and higher long-term debt to finance the NH ₃ -NPK project.
Financial expenses	32.6	0.7	4264.7%	73.8	1.4	5250.4%	120.8%	
Pre-tax profit*	214.9	119.7	79.6%	870.6	852.9	2.1%	108.1%	
Net profit*	148.8	102.8	44.8%	699.6	694.5	0.7%	106.7%	Higher effective tax rate mostly due to higher deferred tax expense than expected.

*Reallocation of 2017 expenses could boost 2017 results and lead to lower 2018 gross profit and earnings growth.

SOURCES: VND RESEARCH, COMPANY REPORTS

GPM may improve in FY19F, thanks to lower gas input price

We expect 2019F oil price to moderate from 2018's level, boosting urea margin ➤

Global oil prices have corrected steeply in 4Q18, owing to concerns over swelling supply and lower demand, especially in China. However, as Russia and the Organisation of the Petroleum Exporting Countries (OPEC) have agreed to cut oil output, we believe the global oil market will remain balanced in 2019F.

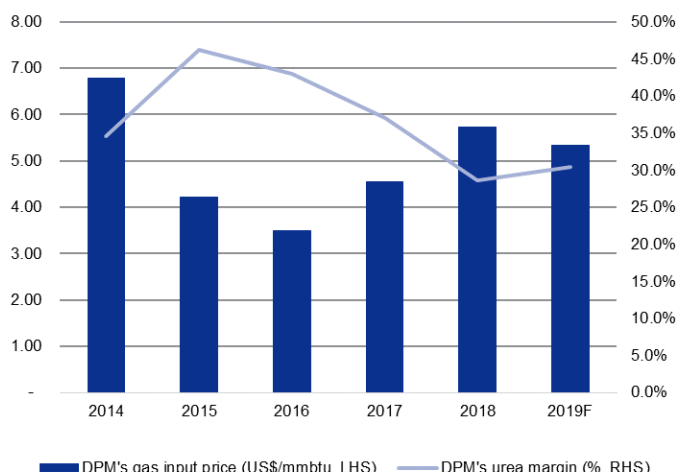
We expect crude oil prices to be in the US\$60-US\$70/bbl range in FY19-22F, i.e. lower than the 2017 average price of US\$71/bbl. Assuming 2019F Brent crude price at US\$65/bbl (-8.7% yoy), we forecast a 6.9% decrease in DPM's average gas unit cost in FY19F. This could help boost its urea GPM by 1.9% pts, and overall GPM by 2.5% pts, with urea accounting for over 70% of DPM's total gross profit in FY19-22F.

Figure 2: Urea price vs. crude oil price and anthracite price



SOURCES: VND RESEARCH, BLOOMBERG

Figure 3: DPM's gas input price and urea margin

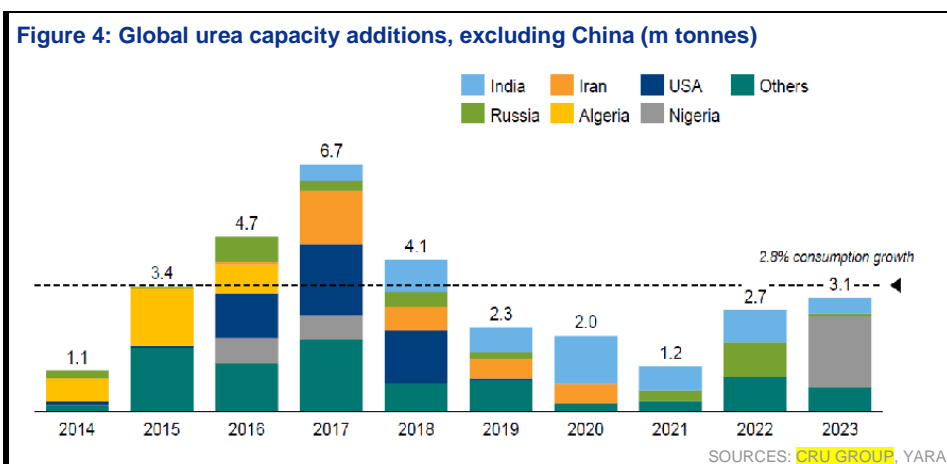


SOURCES: VND RESEARCH, COMPANY REPORTS

Domestic urea prices supported by favourable global prices

According to large fertiliser producers of the world such as CF Industries (CF US, Not Rated), Yara (YAR NO, Not Rated) and OCI NV (OCI NA, Not Rated), the global urea market in 2019F will remain supported by the following factors: 1) the continuation of the strict environmental regulations in China which could limit Chinese urea exports, 2) the global urea demand-supply balance would be tightened further as global urea capacity additions are expected to be slower than demand growth of 2-3% p.a. This could support global and domestic urea price levels.

However, since DPM's urea ASP climbed in 2018, we cut our assumption for FY19F urea price growth to nil, and maintain our ASP growth assumption of 2.1% p.a. for FY20-23F.



NPK production ramp-up could lift revenue, and later, profitability ➤

DPM's nitrogen (N), phosphorus (P) and potassium (K) NPK plant commenced operation in Aug 2018, much later than the planned 1Q18, hence its lower-than-expected contribution to FY18 earnings. We maintain our assumptions on the utilisation rate of the NH₃-NPK plants and sales volumes of the products in FY19-22F (see Figure 5), as 2018 NPK sales volume reached over 140,000 tonnes. We expect DPM to replace all imported NPK with in-house products starting from FY19F.

We expect the NH₃-NPK project to contribute VND1,812bn to DPM's net revenue in 2019F (19% contribution vs. 5% in 2018), yet incur a net loss of VND164bn as the company books the full-year D&A expenses for the project. We estimate that the complex would start to contribute to profit from 2021F onwards as the plants approach full utilisation.

Our new projections for the NH₃-NPK project are as in Figure 5.

Figure 5: Our projections for DPM's NH₃-NPK complex

	2019F	2020F	2021F	2022F	2023F
Utilisation rate (%)					
NPK	70%	80%	90%	100%	100%
NH ₃	70%	100%	100%	100%	100%
Volumes ('000 tonnes)					
NPK	175	200	225	250	250
NH ₃ *	63	90	90	90	90
Internal use for NPK production	28	32	36	40	40
External sales	35	58	54	50	50
ASP (USD/tonne)					
NPK	390	397	405	413	422
NH ₃	333	339	346	353	360
Financial projections (VNDbn)					
Revenue	1,812	2,251	2,494	2,747	2,802
Gross profit	228	373	429	488	503
D&A	(508)	(508)	(508)	(508)	(508)
EBIT	(95)	27	71	117	130
Pretax profit	(164)	(28)	26	81	103
Income tax	-	-	(3)	(8)	(10)
Net profit**	(164)	(28)	23	73	93

*Volumes including the amount used for producing NPK
**Assuming SG&A equal to 5% of estimated revenue
SOURCES: VND RESEARCH

Positive signals from PVTex ►

In Apr 2018, DPM's affiliate PVTex (Unlisted) resumed partial operation of its plant (three out of 25 assembly lines). In Jul 2018, PVTex signed a co-operation agreement with An Phat Holdings (which represents a JV of three corporations) in terms of technology, financial and sales support. The JV consists of three partners, namely An Phat Holdings (which will focus on financial support and management support), Reliance Group India (the second-largest yarn manufacturer in the world) and Fortrec Singapore (experienced in petrochemicals and logistics sectors). PVTex expects to raise its utilisation from 10 assembly lines in Jan 2019 to all 25 lines in 3Q19.

Although we see this as positive for PVTex, we think it is still too early for the affiliate to turn around in the near term for the following reasons: (1) The plant needs time to yield products with sustainably high quality that meets the market's needs, (2) PVTex's products may not be as competitive in terms of pricing compared to other current products on the market due to its high production cost. Therefore, we maintain our assumption regarding DPM's debt guarantee obligations to PVTex's debts in our DCF valuation (see Figure 6).

Earnings revision ►

We raise our FY19F EPS to reflect a 12% downward revision of FY19F oil price from US\$73.7/bbl to US\$65.0/bbl, which offsets the addition of VAT expenses on input materials in the FY19F COGS. We also raise our FY20-21 EPS forecast in light of lower oil price assumed for the period.

Figure 6: Forecast revision

Unit: VNDbn, otherwise noted	2019F			2020F			2021F			Note
	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ	
Brent crude oil (average, US\$/bbl)	73.7	65.0	-12%	73.7	67.0	-9%	73.7	68.6	-7%	As oil prices showed sharp correction in 4Q18, we revise down 2019 average oil price to US\$65/bbl.
Urea ASP (VND/kg)	6,817	7,020	3%	6,960	7,167	3%	7,106	7,318	3%	We adjust 2019 ASP assumption (0% growth in 2019 ASP vs. the old forecast of 2%) as 2018 price level was higher than our expectation and we expect the market conditions to remain supportive of urea consumption.
Urea volume ('000 tonnes)	820	811	-1%	828	819	-1%	828	819	-1%	We adjust the 2019 sales volume to be in line with the company's 2019 target.
Revenue from chemicals (petrochemicals, CO ₂ , UFC85)	312	272	-13%	324	275	-15%	338	277	-18%	We adjust revenue from petrochemicals downward as 2018 revenue from this segment trailed our expectation with lower sales volumes.
Net revenue	9,541	9,608	1%	10,183	10,247	1%	10,582	10,637	1%	
Gross profit	2,127	2,202	4%	2,309	2,587	12%	2,378	2,582	9%	DPM's transportation tariff increases from US\$ 0.98/mmbtu in 2018 to US\$ 1/mmbtu in 2019, as stated in gas supply contract with PVN. We also adjust the gas cost in 2019 to include the 10% VAT charged on natural gas, as the VAT law amendment has not been approved. The VAT expenses remain excluded from COGS from 2020 onwards.
Selling expenses	703	708	1%	729	733	1%	746	749	0%	
G&A expenses	626	630	1%	649	653	1%	665	668	0%	
Operating profit	798	864	8%	931	1,201	29%	968	1,166	20%	
Pre-tax profit	878	933	6%	1,049	1,320	26%	1,123	1,324	18%	We update DPM's financial income and expense to reflect higher long-term debt balance in 2018 than expected.
Net profit	715	756	6%	854	1,069	25%	933	1,074	15%	
Basic EPS (VND/share)	1,826	1,932	6%	2,183	2,731	25%	2,339	2,745	17%	
Adjusted EPS (VND/share)	1,552	1,642	6%	1,855	2,321	25%	1,989	2,333	17%	

SOURCES: VND RESEARCH

Valuation

Sensitivity analysis ►

Figure 7: Sensitivity of DPM's EPS to 2019F oil price and ASP growth

ASP growth	2019 oil price				
	62	64	65	66	68
	-4.0%	1,732	1,629	1,524	1,419
-2.0%	1,934	1,831	1,726	1,620	1,513
0.0%	2,140	2,037	1,932	1,827	1,719
2.0%	2,346	2,243	2,138	2,033	1,926
4.0%	2,556	2,453	2,348	2,243	2,136

SOURCES: VND RESEARCH

Figure 8: Sensitivity of DPM's target price to 2019F oil price and ASP growth

ASP growth	2019 oil price				
	62	64	65	66	68
	-4.0%	21,898	21,116	20,318	19,519
-2.0%	23,403	22,621	21,824	21,026	20,212
0.0%	24,938	24,157	23,360	22,563	21,749
2.0%	26,472	25,692	24,895	24,098	23,285
4.0%	28,036	27,256	26,460	25,663	24,851

SOURCES: VND RESEARCH

Based on our analysis, a 2% change in the oil price will result in a 4% change in EPS forecast for 2019F, but a 2% change in ASP growth could lead to 6-7% change in EPS forecast. This implies that changes in ASP would have a higher impact on the company's earnings (and valuation) than changes in the oil price.

Valuation ►

We increase our target price by 1.3% to VND23,400, to reflect the upward revision in our FY19-22F EPS on lower gas input price, which should support a higher urea GPM. Our target price is based on a 40:30:30 weighting of: (1) a DCF valuation over 5-year period from FY19-23F, (2) target FY19F P/E of 10.3x, equal to 1 s.d. above historical 6-year average P/E of 7.2x, as DPM's recovery cycle remains well on track, and (3) target FY19F P/BV of 0.95x, using the historical 6-year average P/BV. The DCF valuation also takes into account DPM's potential debt obligation to PVTex.

We maintain our Add rating for DPM, in anticipation that the company will benefit the most among all listed fertiliser producers in Vietnam once the VAT policy change is approved. This is also on the back of lower gas input cost (thus higher margins), and improving contribution from the NH₃-NPK project.

Our valuation model incorporates the potential effect of a change in VAT policy from 2020F. In the event the VAT policy does not come through, DPM will not receive tax deductions; this will reduce our FY20-23F net profit by 20% p.a., and our target price by 10%.

Figure 9: DCF model - key assumption and inputs, based on our estimates

General assumptions (in VND bn, otherwise noted)	2019F	2020F	2021F	2022F	2023F	Terminal
Net income	756	1,069	1,074	1,105	1,095	
Tax rate (%)	17.5%	17.5%	17.4%	17.1%	16.9%	
Interest expense	69	55	45	36	27	
-Changes in working capital	203	(72)	(106)	(111)	(15)	
-Net Capex	(350)	(360)	(370)	(381)	(392)	
+Depreciation & Amortisation	689	662	636	610	561	
FCFF	1,355	1,345	1,272	1,254	1,272	11,699
PV of FCFF	1,198	1,051	879	766	688	6,323
PV of DCF (5 years)	4,583					Risk free rate (10-year VGB yield) 5%
PV of Terminal value	6,323					Equity risk premium 11%
Enterprise Value	10,907					Beta (Source: BB, adj. beta) 0.8
Less: Total debt	1,234					WACC 13%
Less: Total liability relating to PVTex investment	1,311					Terminal growth rate 2%
Less: Minority interest	168					
Plus: Cash and Cash equiv.	2,672					
Implied EV	10,866					
No. of o/s shares (m)	391					
Implied value per share (VND)	27,761					

SOURCES: VND RESEARCH

Figure 10: P/E and P/BV valuation - key inputs

	FY19F
EPS (VND)	1,932
Target multiple (based on historical 6-year average P/E + 1 s.d.)	10.3x
Implied value per share (VND)	19,896
BVPS (VND)	22,058
Target multiple (based on historical 6-year average P/BV)	0.95x
Implied value per share (VND)	20,955

SOURCES: VND RESEARCH

Figure 11: Blended target price

Valuation method	Implied value per share (VND)	Weight (%)	Weighted value per share (VND)
DCF	27,761	40%	11,105
P/E	19,896	30%	5,969
P/BV	20,955	30%	6,287
Fair value			23,360
Target price (rounded up)			23,400

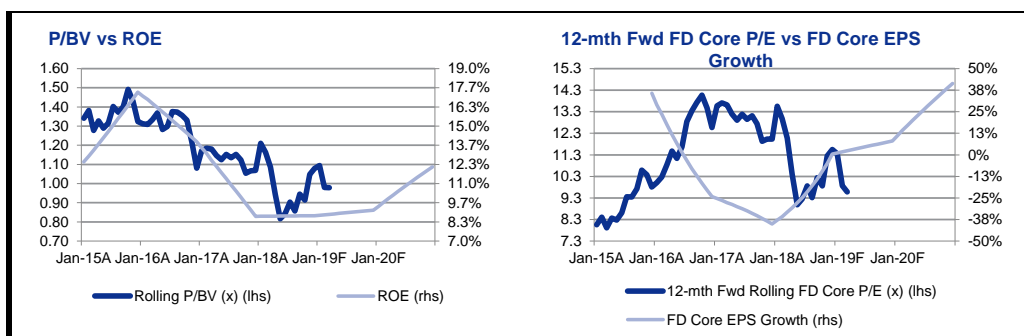
SOURCES: VND RESEARCH

Figure 12: Peer comparison for urea producers

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 (%)	
						FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F
Grupa Azoty Zaklady Azotowe Pulawy SA	ZAP PW	NR	108	N/A	540.2	16.6	6.6	0.0	0.0	3.9%	9.4%	4.7	2.5	5.5%	4.7%
Fatima Fertilizer Co Ltd	FATIMA PA	NR	31	N/A	468.0	4.9	4.7	0.9	0.8	18.6%	17.4%	N/A	N/A	10.2%	12.7%
Stanley Agricultural Group Co Ltd	002588 CH	NR	5	N/A	870.2	19.1	14.9	1.3	1.2	7.4%	10.3%	N/A	N/A	1.2%	1.5%
Engro Fertilizers Ltd	EFERT PA	NR	74	N/A	708.0	6.7	6.3	2.2	2.1	32.7%	33.3%	3.4	3.2	13.1%	13.7%
Fauji Fertilizer Co Ltd	FFC PA	NR	107	N/A	974.1	9.1	8.6	3.4	2.8	41.0%	42.1%	6.1	6.1	8.2%	8.9%
Engro Corp Ltd	ENGRO PA	NR	315	N/A	1,187.1	12.2	8.9	1.0	1.0	8.8%	11.9%	8.4	7.4	7.3%	8.7%
Hubei Xinyangfeng Fertilizer Co Ltd	000902 CH	NR	11	N/A	2,119.8	17.2	14.1	2.3	2.0	13.4%	14.7%	N/A	N/A	1.7%	2.2%
Average					981.0	12.2	9.2	1.6	1.4	18.0%	19.9%	5.7	4.8	6.8%	7.5%
Median					870.2	12.2	8.6	1.3	1.2	13.4%	14.7%	5.4	4.6	7.3%	8.7%
PetroVietnam Fertilizer and Chemicals	DPM VN	ADD	20,150	23,400	339.9	10.5	7.0	0.9	0.9	9.1%	12.8%	3.6	2.4	5.0%	5.0%

 DATA AS OF MAR 18
 SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	7,996	9,297	9,608	10,247	10,637
Gross Profit	2,303	2,432	2,891	3,249	3,218
Operating EBITDA	862	1,334	1,553	1,864	1,802
Depreciation And Amortisation	(191)	(533)	(689)	(662)	(636)
Operating EBIT	670	801	864	1,201	1,166
Financial Income/(Expense)	163	50	51	97	138
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	19	19	18	21	20
Profit Before Tax (pre-EI)	853	871	933	1,320	1,324
Exceptional Items					
Pre-tax Profit	853	871	933	1,320	1,324
Taxation	(145)	(158)	(163)	(231)	(230)
Exceptional Income - post-tax					
Profit After Tax	708	712	770	1,089	1,094
Minority Interests	(13)	(13)	(14)	(20)	(20)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	694	700	756	1,069	1,074
Recurring Net Profit	694	700	756	1,069	1,074
Fully Diluted Recurring Net Profit	694	700	756	1,069	1,074

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	862	1,334	1,553	1,864	1,802
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(681)	(298)	203	(72)	(106)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(11)	(153)	(1)	(1)	(1)
Other Operating Cashflow	(97)	(9)	7	10	9
Net Interest (Paid)/Received	158	64	62	108	149
Tax Paid	(150)	(144)	(163)	(231)	(230)
Cashflow From Operations	81	795	1,662	1,678	1,623
Capex	(1,392)	(1,325)	(350)	(360)	(370)
Disposals Of FAs/subsidiaries	24	0	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(680)	63	129	(15)	(9)
Cash Flow From Investing	(2,048)	(1,262)	(220)	(374)	(379)
Debt Raised/(repaid)	629	604	(292)	(147)	(147)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(398)	(783)	(391)	(391)	(391)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	230	(178)	(683)	(539)	(539)
Total Cash Generated	(1,737)	(645)	758	765	705
Free Cashflow To Equity	(1,338)	138	1,149	1,156	1,097
Free Cashflow To Firm	(1,967)	(404)	1,510	1,358	1,290

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	3,257	2,672	3,430	4,195	4,900
Total Debtors	257	521	315	364	406
Inventories	1,223	1,663	1,665	1,722	1,810
Total Other Current Assets	281	317	328	349	363
Total Current Assets	5,017	5,172	5,737	6,630	7,479
Fixed Assets	939	4,453	4,118	3,819	3,557
Total Investments	47	47	47	47	47
Intangible Assets	896	860	863	867	870
Total Other Non-Current Assets	3,366	602	466	473	475
Total Non-current Assets	5,247	5,962	5,493	5,205	4,948
Short-term Debt	0	202	0	0	0
Current Portion of Long-Term Debt					
Total Creditors	720	1,178	1,184	1,229	1,261
Other Current Liabilities	697	133	138	147	153
Total Current Liabilities	1,418	1,514	1,322	1,376	1,413
Total Long-term Debt	629	1,032	942	795	647
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	174	334	334	334	334
Total Non-current Liabilities	803	1,365	1,275	1,128	981
Total Provisions	0	0	0	0	0
Total Liabilities	2,221	2,879	2,597	2,504	2,394
Shareholders' Equity	7,872	8,087	8,452	9,129	9,812
Minority Interests	171	168	182	201	221
Total Equity	8,043	8,255	8,634	9,331	10,034

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	0.9%	16.3%	3.3%	6.6%	3.8%
Operating EBITDA Growth	(38.6%)	54.9%	16.4%	20.0%	(3.3%)
Operating EBITDA Margin	10.8%	14.4%	16.2%	18.2%	16.9%
Net Cash Per Share (VND)	6,713	3,674	6,357	8,687	10,866
BVPS (VND)	20,113	20,662	21,594	23,325	25,070
Gross Interest Cover	3,595	13	13	22	26
Effective Tax Rate	17.0%	18.2%	17.5%	17.5%	17.4%
Net Dividend Payout Ratio	57%	112%	52%	37%	36%
Accounts Receivables Days	5.87	11.11	12.09	8.39	9.44
Inventory Days	68.80	76.72	90.40	88.55	86.89
Accounts Payables Days	24.78	18.97	22.04	20.50	19.10
ROIC (%)	15.9%	14.5%	12.2%	18.7%	18.7%
ROCE (%)	9.8%	10.2%	10.4%	13.9%	13.1%
Return On Average Assets	5.49%	6.19%	6.43%	8.60%	7.88%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Oil Price (US\$/bbl)	54.2	71.2	65.0	67.0	68.6
Volume Growth (%)	-3.5%	1.1%	1.0%	1.0%	0.0%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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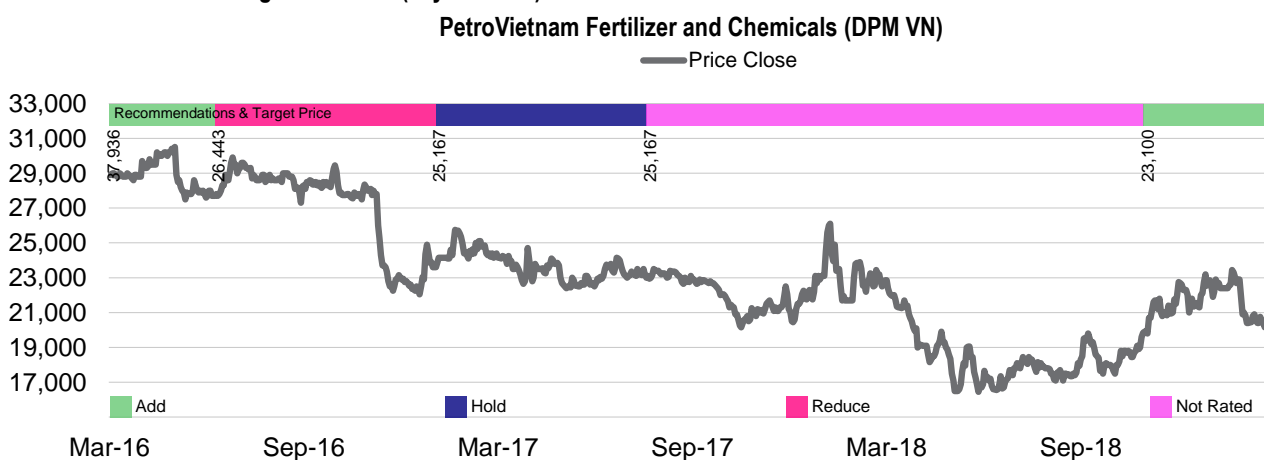
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – 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, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

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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