

PETROVIETNAM CA MAU FERTILIZER JSC

INVESTOR NEWSLETTER

QUARTER II - 2023

Issue date: August 02nd, 2023

Stock information

Ticker symbol:	DCM
Stock exchange:	HOSE
Listing date:	31/03/2015
Sector:	Fertilizer

Statistics (August 02nd, 2023)

Stock price	32,450
Shares outstanding (million)	529.4
Market capitalization	17,179.03
High	38,400
Low	23,100
Volume 3M (million)	3.303
Beta (1Y)	0.82
State-owned	75.56%
Foreign-owned	10.05%

Ratios

	2021	2022
EPS (dong)	3,444	8,153
P/E	10.1	3.3
P/B	2.5	1.3
EV/EBITDA	6.1	2.0
ROA (%)	26.5	47.8
ROE (%)	18.5	34.2

I. Message to Investors

PetroVietnam Ca Mau Fertilizer Joint Stock Corporation (PVCFC - Ticker symbol: DCM) reported a downturn in Q2/2023 performance compared to the same period last year, attributed primarily to a sharp drop in Urea prices. However, production and business results in the quarter continued to remain stable. Urea production and consumption, although not matching the historic peak of 2022, are still higher than the average figures of previous years.

2022 was a year of milestones for PVCFC, with both revenue and profit soaring to unprecedented heights. The Company's total revenue hit 16,240 billion VND, surpassing the target set for the year 2025. This achievement further reinforces the company's financial position.

Entering 2023, the Company set its revenue target at 13,458 billion VND, profit after tax at 1,383 billion VND, down 17% and 67% respectively compared to 2022. In the first half of 2023, PVCFC reported total revenue of 6,286 billion VND, profit after tax of nearly 520 billion VND, down 25.4% and 79.5% respectively compared to the same period in 2022. The significant downturn in both revenue and profit in the period is largely attributed to the major drop in fertilizer prices. In Q2/2023, the average selling price of Urea products saw a steep decline of over 40% compared to the same period last year, while cost of goods sold and selling expenses experienced an uptick.

By the end of Q2/2023, the Company achieved 46.5% of target revenue and 37% of target gross profit. Fertilizer prices, which had been on a gradual decline since late 2022, have now stabilized and are showing signs of an upward trend.

II. PVCFC's performance results in current period:

1. Production output Q2/2023

No.	Production target (Thousand tons)	2023 Plan	Performance results			Jul 2023 Plan
			May 2023	Jun 2023	Accumulated over 1H2023	
A	B	1	2	3	4	5
1	Production					
-	Ca Mau Fertilizer (converted-to-urea- output)	882.00	84.08	81.95	492.43	81.29
	<i>Of which: - Nitrogen fertilizers</i>	100.00	6.01	11.40	41.48	5.15
-	NPK	160.00	26.11	4.94	83.52	15.08
2	Consumption	-	-	-	-	
-	Urea	759.91	92.14	56.42	441.25	60.00
	<i>Of which: - Domestic consumption</i>	534.91	72.87	36.25	298.79	50.00
	<i>Of which: - Exports</i>	225.00	19.27	20.17	142.46	10.00
-	<i>Of which: - Nitrogen fertilizers</i>	100.00	16.51	8.11	34.39	6.30
-	NPK	160.00	9.53	38.25	55.70	11.00
-	<i>Of which: - Self-trading fertilizers</i>	211.00	21.74	5.30	82.56	18.70

Ca Mau Urea: Production output in 1H2023 reached 492.43 thousand tons, a 3.8% increase over the same period in 2022. Achieved 55.8% of the annual production target.

NPK Ca Mau: Production output in 1H2023 reached 15.08 thousand tons, achieved 9.4% of the annual production target.

Urea-based products: Production output in 1H2023 reached 41.48 thousand tons, achieved 41.5% of the annual production target.

2. Production and business consumption in Q2/2023

The first half of 2023 saw fertilizer market fluctuations due to a sharp drop in Urea prices and changes in supply and demand. The resumption of Urea export activities by Russia and China post-Covid-19 contributed to a surge in global Urea production. In addition, a marked decrease in gas prices compared to 2022 has enabled numerous European fertilizer producers to resume their production and business operations, leading to intense competition within the industry.

Fertilizer business operations in Q2/2023:

Ca Mau Urea: Consumption in the first half of 2023 reached **441.25 tons**, of which domestic consumption at **298.79 thousand tons**, exports at **142.46 thousand tons**. Achieved 58.1% of the annual Urea trading target.

NPK Ca Mau: Consumption in the first half of 2023 reached 55.7 thousand tons, achieved 34.8% of the business target for 2023.

Urea-based products: Consumption in the first half of 2023 reached 34.39 thousand tons, achieved 34.4% of the business target for 2023.

Self-trading fertilizers: Consumption in the first half of 2023 reached 82.56 thousand tons, achieved 39.1% of the business target for 2023.

Production and business results of PVCFC nitrogen fertilizers

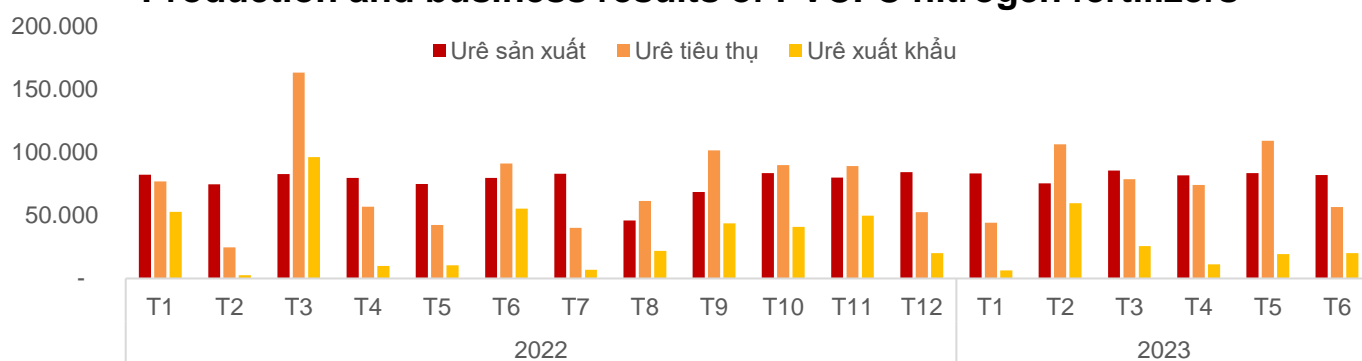


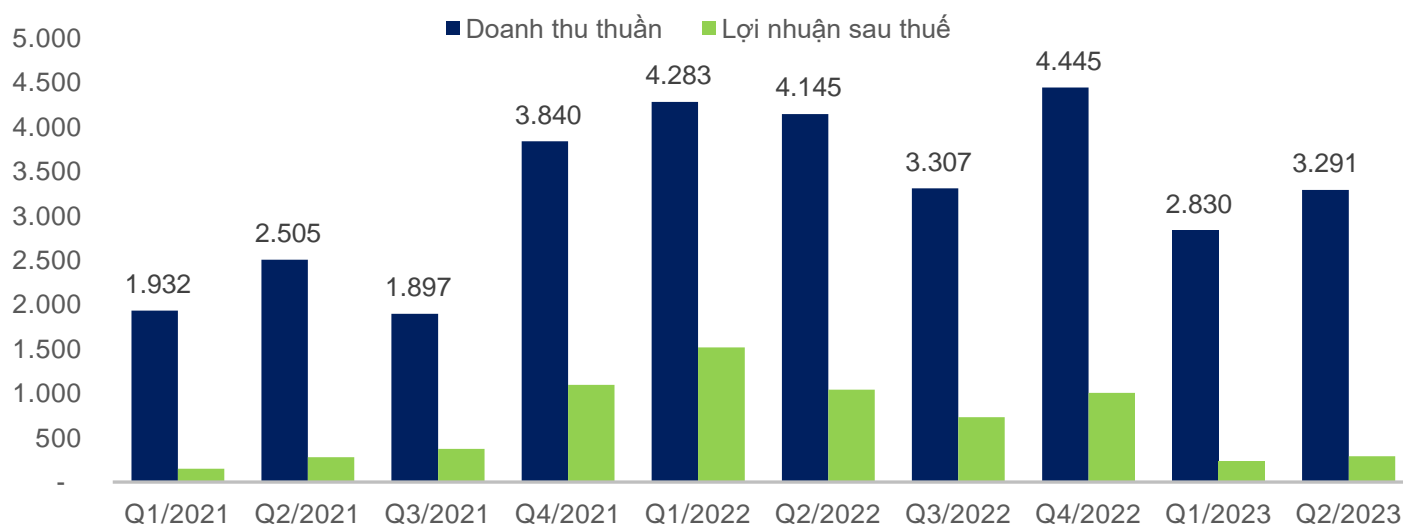
Chart 1: PVCFC Fertilizer Production and Business Results by Month 2022-2023, thousand tons.

4. Business results and financial performance indicators in Q2/2023

Business results: Revenue in Q2/2023 reached 3,456 billion VND, achieved 25.7% of the 2023 plan and down 16.6% compared to the same period in 2022. Profit after tax reached 290 billion VND, down 72% compared to the same period in 2022.

The main reason for the decline in revenue and profit can be attributed to a sharp decrease in Urea prices compared to the historical peak in 2022, in addition to a 22% YoY rise in cost of goods sold.

DCM Net revenue and Profit after tax



Financial structure

ROA and ROE: sharp decrease compared to the same period in 2022, 3.3% and 4.7% respectively. This is attributed to a major decline in net profit.

Operating situation: stable business operations

Solvency: DCM is capable of paying short-term and due debts, meeting financial obligations for production and business operations. The Company continues to maintain sufficient short-term receivables and inventory, with no significant changes compared to the end of 2022.

Basic financial indicators for the first half of 2023 (Pre-audit financial statements):

No.	Indicator	1H2023	1H2022	% increase/ decrease
I.	PROFITABILITY RATIOS			
1	Return on assets ROA (NPAT/Total assets)	3.33%	18.21%	-81.71%
2	Return on equity ROE (NPAT/Equity)	4.69%	25.40%	-81.54%
3	NPBT/ Revenue, income	9.72%	33.12%	-70.65%
II.	SOLVENCY RATIOS			
1	Debt ratio (Total debt/Total assets)	28.97%	28.29%	2.40%
2	Quick ratio (Current assets – Inventory)/ Current liabilities	2.89	2.54	13.78%
3	Current ratio (Current assets/ Current liabilities)	3.49	3.32	5.12%
4	Debt-to-Equity Ratio (Liabilities/Equity)	0.41	0.39	5.13%

The ROE and ROA indices saw a significant decline compared to the same period last year, primarily due to a steep 79.53% drop in net profit after tax, which consequently dragged down the targets over the same period.

- Total assets: As of June 30th, 2023, total assets are at 15,599 billion VND, up by 10.11% compared to the beginning of the year.
- Short-term debts: As of June 30th, 2023, short-term debts are at 3,822 billion VND, up 32.98% compared to the beginning of the year.
- Long-term debts: As of June 30th, 2023, long-term debts are at 697 billion VND, up 1.51% compared to the beginning of the year.
- Equity: As of June 30th, 2023, equity is at VND 11,079 billion, up 4.47% compared to the beginning of the year.

II. Market information in the first half of 2023:

1. Domestic fertilizer market

Production: Domestic urea production is projected to reach 1,250.2 thousand tons in the first half of 2023, down 4.1% (50.9 thousand tons) compared to the same period in 2022. In particular, PVCFC’s urea production output has maintained a stable level, reaching approximately 492.43 thousand tons, with the average cumulative capacity reaching 111% of design capacity.

NPK output produced by domestic plants is projected to reach 1,808.6 thousand tons, up 11.9% compared to 2022 (216 thousand tons). Urea output is forecast to increase in the second half of 2023, driven by a surge in domestic demand for the Winter-Spring crops.

Urea and NPK production output of Vietnam 2023

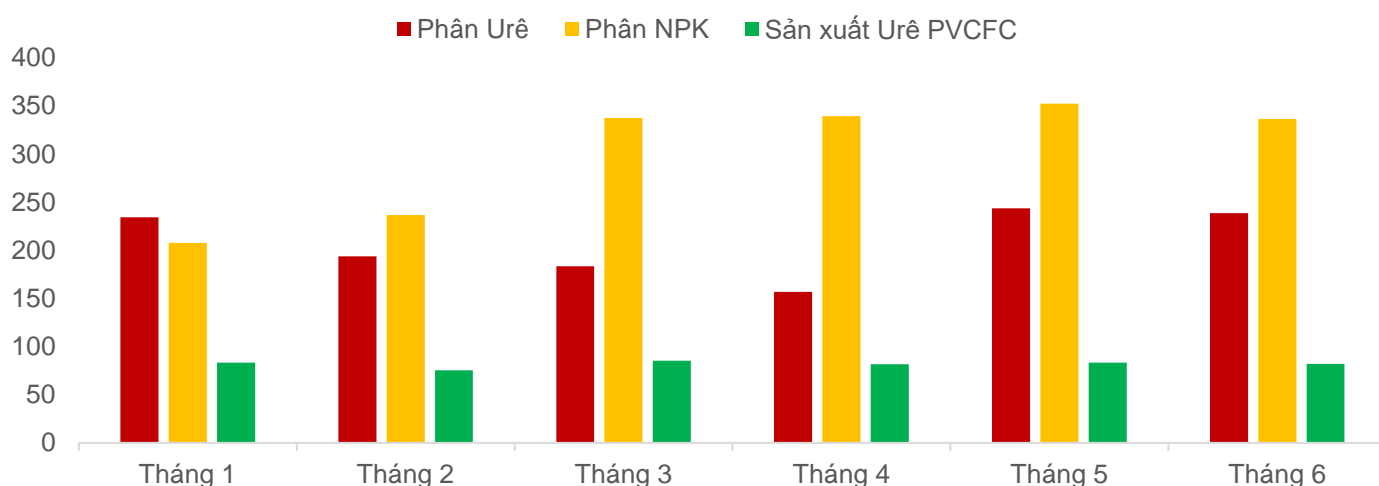


Chart 2: Urea and NPK Production Output of Vietnam and PVCFC by Month 2021-2022, unit: thousand tons

Exports:

According to the statistics figures of the General Department of Customs, in the first half of 2023, the country exported 800,372 tons of various fertilizers, equivalent to 335.78 million USD, average

price 419.5 USD/ton, a decrease of 19.8% in volume, 48% in turnover, and 35.3% in price compared to the same period in 2022.

Vietnam’s fertilizer exports are mainly to the Cambodian market, which alone accounts over 36% of the country's total fertilizer export turnover. Besides Cambodia, Korean market emerges as the next significant importer, accounting for 6% of the total volume and 5.3% of the country's total fertilizer export turnover. Exports to the Malaysian market reached 48,838 tons, accounting for 6.1% of the total volume and 4.8% of the total export turnover.

Export 2023

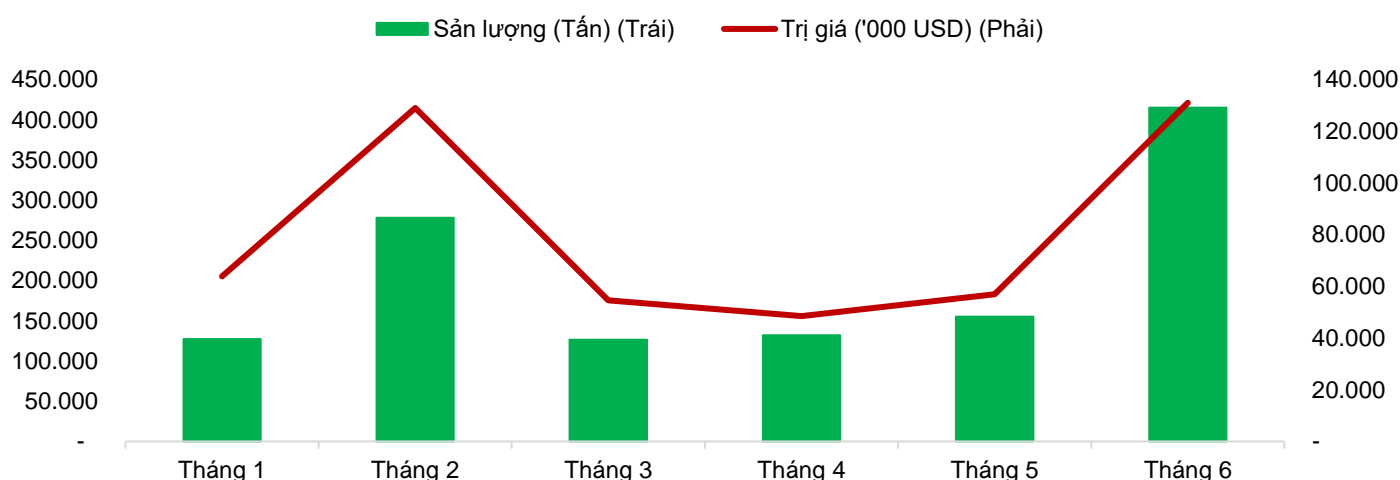


Chart 3: Vietnam’s Fertilizer Export Volume by Month 2023.

Imports:

According to the statistics figures of the General Department of Customs, in June 2023, the country exported 415,200 tons of fertilizers, equivalent to 131 million USD, a significant increase of 79.4% in volume and 21.9% in turnover compared to the same period. In the first half of 2023, Vietnam’s fertilizer imports amounted to over 1.7 million tons, with a total value exceeding 589 million USD, a decrease of 4.4% in volume and 30.4% in value.

In the first half of 2023, the average fertilizer import price stood at 346 USD/ton, a 27.3% decrease compared to the first half of 2022.

For the Urea market, the country is experiencing a surplus situation (production capacity at approximately 3 million tons/year, while demand is estimated at only 1.8 million tons/year). Given the situation, domestic Urea supply has remained stable. Consequently, local Urea producers have shifted their focus towards exporting.

Import 2023

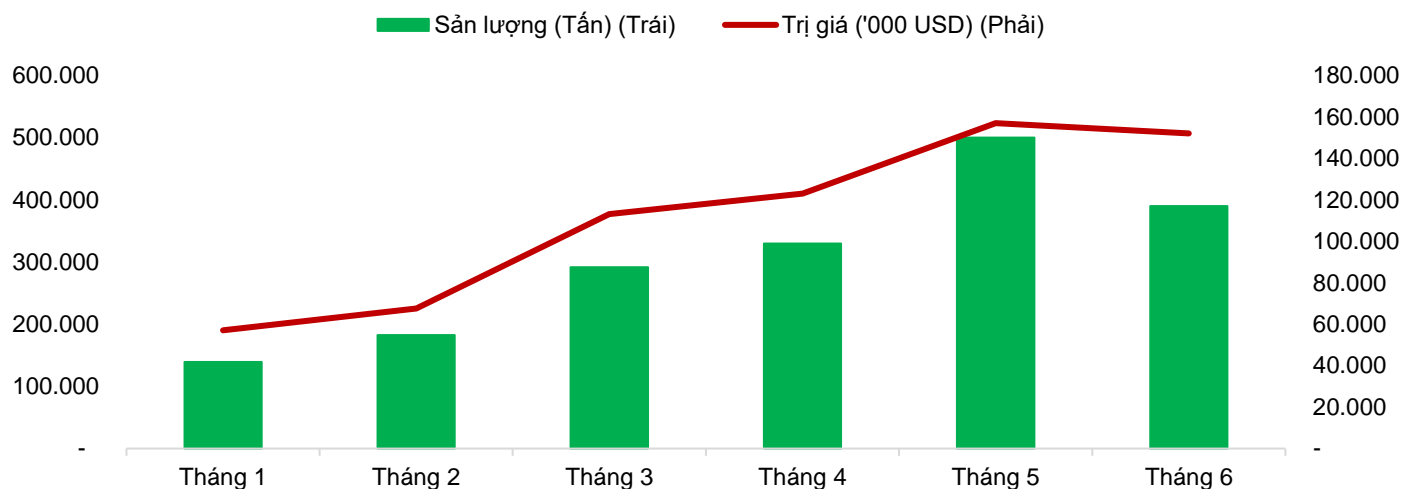


Chart 4: Vietnam’s Fertilizer Import Volume by Month 2023.

Situation of urea fertilizer market in Q2/2023:

Vietnam’s urea market experienced a downturn in Q1 2023, mainly due to lower demand during the low season. However, starting from quarter 2, Urea demand is expected to improve with the onset of the new planting season, which can help increase Urea consumption. In the Mekong Delta region, sowing and fertilizing will begin in April, while specific areas like Dong Thap, Kien Giang, and Can Tho will start planting autumn-winter rice seeds at the end of June. In the Central region, Urea demand is expected to rise as farmers prepare for the summer-autumn crops. In the Northern region, demand is low as farmers prepare for the Winter-Spring rice crops harvest. Given the ample supply, it is anticipated that prices will recover gradually, and trading activities may remain subdued.

Fertilizer import and export correlation in 2023

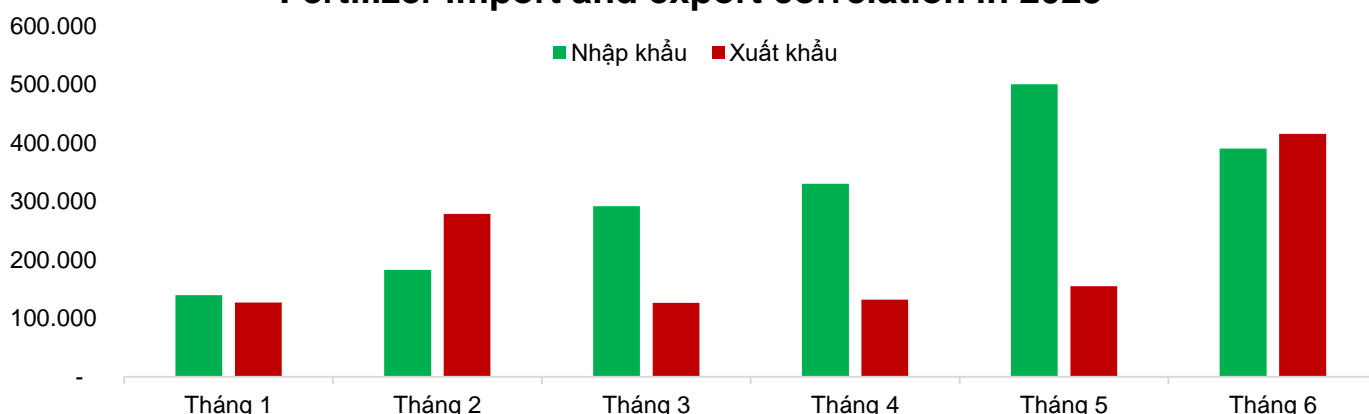


Chart 5: Correlation between Vietnam’s Urea Exports and Imports by Month in 2023, tons.

Price developments: Due to China and Russia’s resumption of Urea exports, domestic Urea fertilizer prices have shown a modest recovery in early April after experiencing a drastic decline at the end of 2022. Specifically, domestic Urea prices have decreased by more than 32% to 9,000-9,500 VND/kg.

Currently, the global gas supply has become more abundant than before, leading to a decrease in natural gas prices and contributing to a surplus in Asia and Europe,

Urea price developments in Vietnam in 2021 - 2023

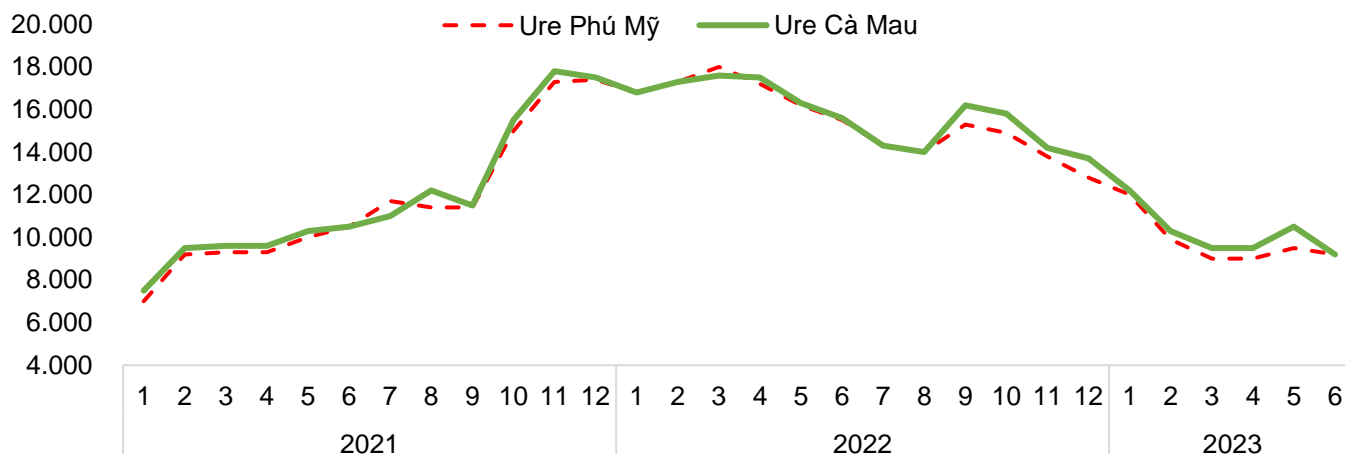


Chart 6: Urea Price Developments in Vietnam, 2021 - 2023, VND/kg

Vietnam is experiencing an oversupply of urea, with the production capacity from 4 plants of the Vietnam Oil and Gas Group (PVN) and Vietnam Chemical Group (Vinachem) providing a substantial supply for the Winter-Spring crop of 2022 - 2023, amounting to 2.5 million tons/year. Meanwhile, the domestic demand is estimated at only about 1.6 to 1.8 million tons/year.

Currently, urea fertilizer prices may have bottomed out and are not expected to decrease further, and it is anticipated to recover starting from the second half of 2023.

MARKET OUTLOOK AND BUSINESS PLAN 2023

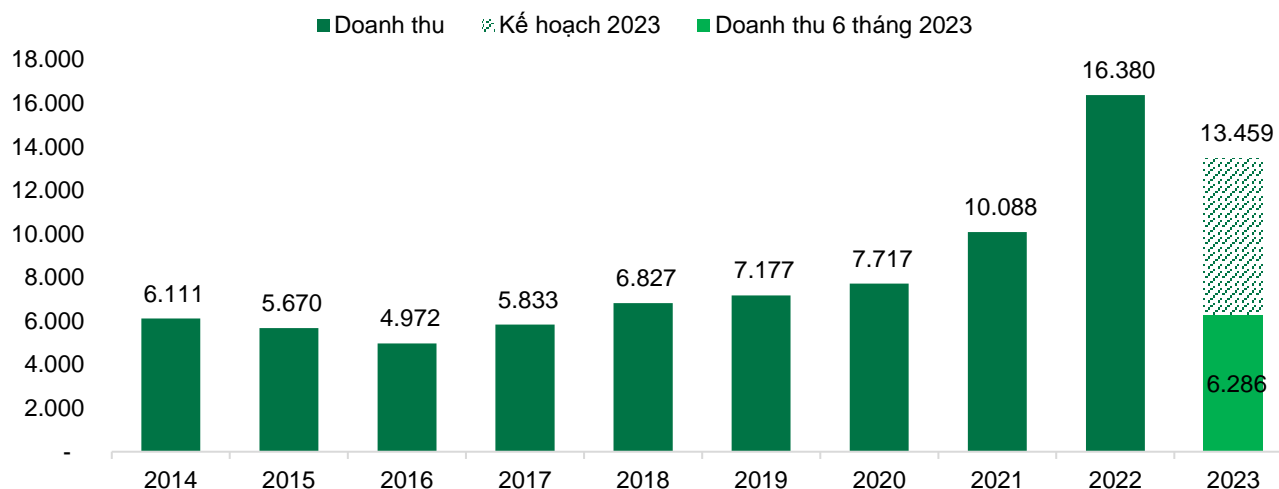
Urea prices are expected to bottom in the first half of 2023 and recover in the second half of the year

According to Worldbank forecasts (April 2023 report), Urea prices are projected to decline by 37% in 2023 and a further decrease by 7% in 2024. The significant drop in global Urea prices in Q1 2023 by 36% (mirrored by a 30.7% fall in Vietnam's Urea prices) is likely to halt further price adjustments and eventually lead to price stability.

The forecast for 2023 predicts favorable weather conditions for agricultural production. Additionally, the falling fertilizer prices also raise farmers' purchasing power. Fertilizer demand is expected to rise in Q2/2023 for the summer-autumn planting season. Amidst global political instability and the dampening effects of tightening monetary policies on consumer demand, the trade and export of agricultural products may also face difficulties.

Business plan 2023

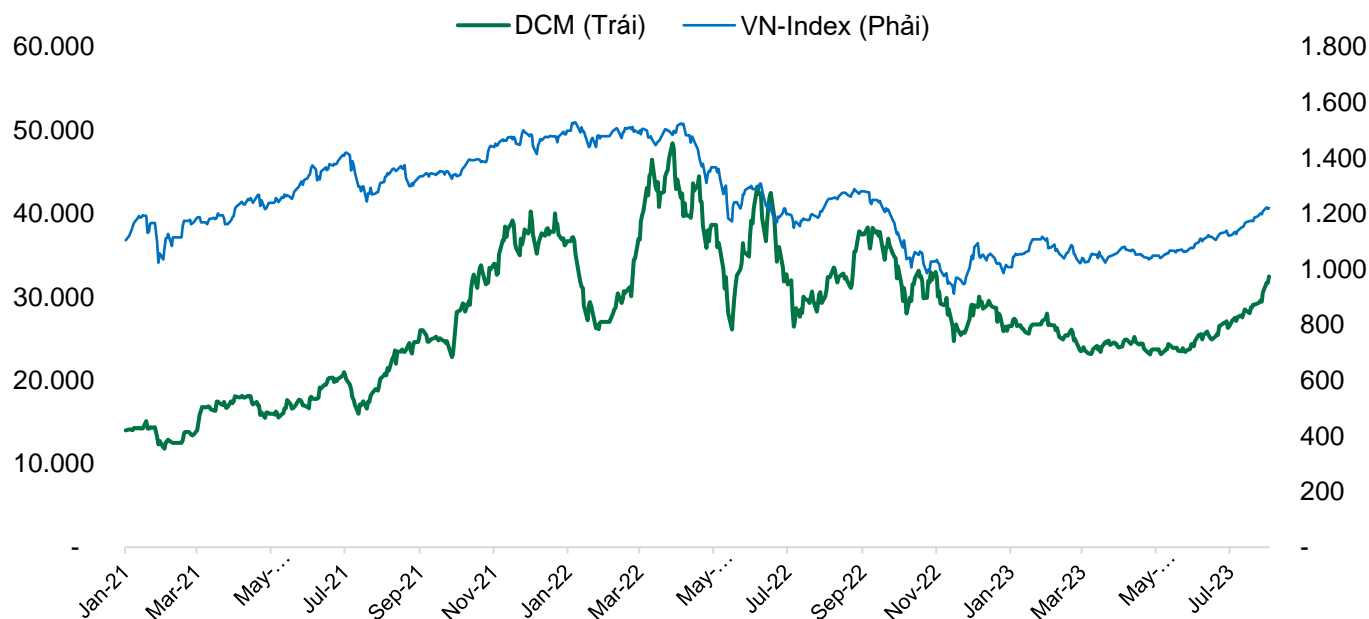
Revenue from 2014 - 2022 and plan for 2023



In light of the anticipated economic headwinds in 2023, both globally and for Vietnam specifically, the company has set a revenue target of 13,459 trillion VND (down 17.84% compared to 2022), net profit after tax of 1,383 billion VND (down 67.9% compared to 2022). However, even with these reduced expectations, the revenue target for 2023 remains 33.41% higher than the actual revenue in 2021 and is 97.94% higher than the average figures of the 2014-2020 period.

DCM STOCK AND SECURITIES MARKET

DCM stock price movements and VNINDEX in the last 3 years



Source: Bloomberg

* Data updated as of August 02nd, 2023

Market movements

The year 2022 witnessed significant volatility across the global stock markets and Vietnam’s stock market (VNINDEX declined by 33.98%). As of August 02nd, 2023, the VNINDEX closed at 1220.43 points, recovering 21.2% compared to early 2023. Compared to the most recent plunge to 911.9 points on November 15th, 2022, VNINDEX has climbed by 33.8%. Market liquidity has been remarkable in July, with each trading sessions consistently exceeded over 1 billion USD.

The sharp decline in Vietnam’s stock market has been influenced not only by tightening monetary policies and concerns over a global recession but also by distinct issues affecting the real estate sector, bond issuance, etc. Despite these factors, many firms continue to maintain a positive long-term outlook for the Vietnam’s stock market.

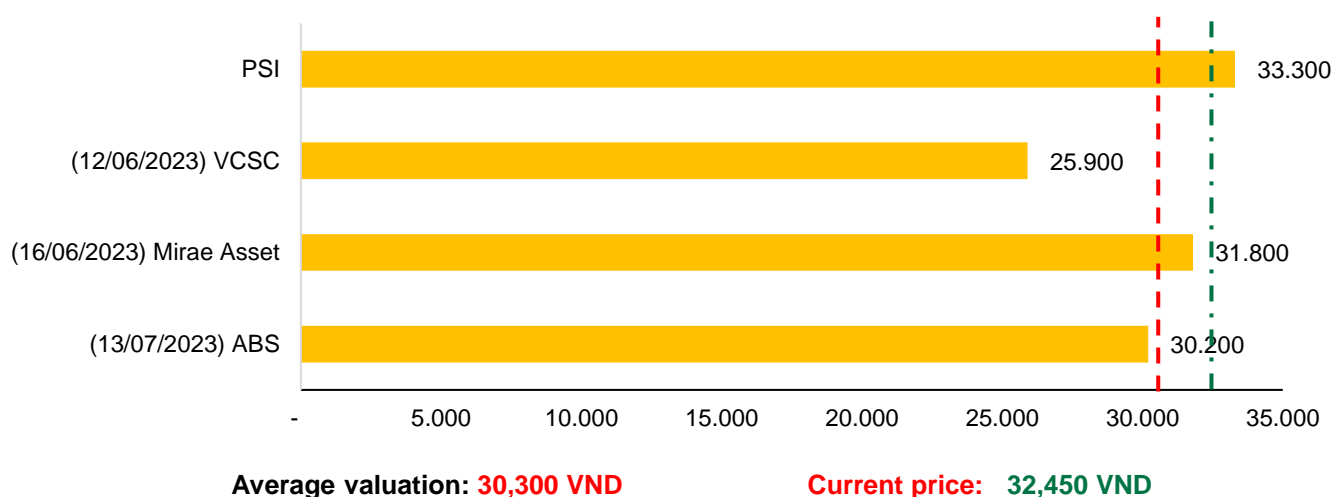
DCM stock price movements

In 2022, in addition to record high revenue and profit, DCM stock price also reached an all-time high of 48,450 VND/share. Despite this milestone, the stock later succumbed to general market trends, experiencing a sharp decline and significant volatility. Since January 2023, DCM stock price has reached the 23,000–24,000 VND threshold six times, each time managing a strong recovery. As of the trading session on August 02nd, 2023, DCM stock closed at 32,450 VND/share, with the average volume 3M of 3.3 million shares/session.

DCM stock from a fundamental perspective

Recent stock analysis reports in the last 3 months from securities companies have provided an average one-year target price for DCM stock at approximately 30,300 VND/share, 7.1% lower than the closing price recorded on August 02nd, 2023.

Summary of DCM stock valuation report



Source: Compiled from independent analysis reports of securities companies in the last 3 months.

CAUTIONARY NOTE

This newsletter contains forward-looking statements that are subject to risks, uncertainties, and unknown or inherent factors beyond the Company's control. Investors/readers are cautioned that these forward-looking statements are not guarantees or predictions of future performance.



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