[FLASHNOTE]

Ducgiang Chemicals JSC.

12/01/2021

Shinhan Securities

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RATING	BUY
Current price (VND)	51,500

Analyst:	Trung Hoang
Email:	trung.ht@shinhan.com
Điện thoại:	☎ (84-28) 6299-8025

COMPANY INFORMATION

Industry	Chemicals L3
Ticker	DGC
Stock Exchange	HOSE

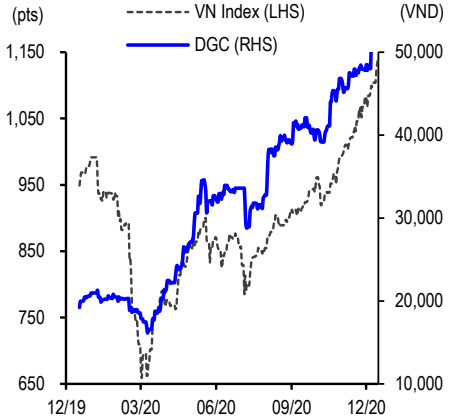
STOCK TRADING DATA

VN INDEX	1,139.6
Market Cap. (bn VND)	7,661.5
Outstanding Shares (1mn)	148.8
Free Floating Shares (1mn)	85.6
52-week High (VND)	52,600
52-week Low (VND)	16,000
Avg. Trading Volume (mn)	0.90
Avg. Reading T/O (bn VND)	37.5

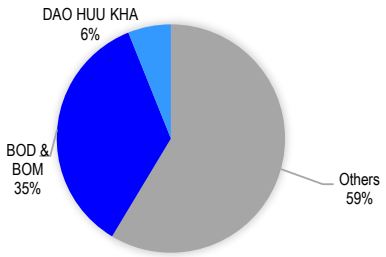
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	21.2	45.2	148.8
Percentage	(3.3)	12.8	129.6

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Business position

- Customers: foreign and domestic businesses (B2B), 70% revenue of yellow phosphorus from export market
- Competitors: 1) Phosphorus: private companies in Lao Cai, 2) Fertilizer: Binh Dien, Dam Phu My, etc., 3) Washing powder: LIX, NET, Unilever, etc.
- Substitutes: phosphorus is an irreplaceable product in the manufacturing sector such as electronics, semiconductors, pesticides and fertilizers, etc.

2. Investment catalysts

- Duc Giang Chemicals is a leading enterprise in Vietnam's chemical industry, especially with products from apatite ores. DGC's main business supplies phosphorus-containing products, which are essential ingredients in many industries.
- DGC holds an outstanding technology that can process deeply in the value chain from apatite ores to end products. The Company is the only entity in Vietnam that can produce some high-value products in the niche market such as biocides Chloramine B and DAP fertilizer from ores.
- The Company is preparing to launch the Duc Giang Nghi Son Chemical in 1Q21 (expected to test running in 1Q21). The project has great potential thanks to: 1) it participates in deeper processing of high-value-added products from raw material of yellow phosphorus and 2) their products are essential raw materials for other industries, of which Vietnam currently have to import 100%.
- DGC's Khai Truong 25 apatite mine will come into operation from 2021, expected to help reduce 30% of raw material costs. It will allow the Company to further strengthen its competitive advantage of prices against domestic and foreign competitors.
- Accumulated profit in TTM to 3Q20 recorded impressive growth of 148% YoY as global demand for phosphorus sharply increased while China restricted its production for export to protect environment. Besides, DGC also applies many cost-saving projects and technologies. We believe that P/E of 9x is reasonable for investment into such a leading business with strong growth prospect in the near future.

3. Risks

- Vienam government is proposing to enhance tax for export of yellow phosphorus material. In order to reduce this risk, the Company is promoting to upgrade their position in the value chain thanks to Nghi Son project and others like production of Phosphoric Acid for electronics. Thus, they can shift to midstream and downstream products with higher profit margins.
- There always exist high environmental risks in the chemical industry when problem occurs.
- In 2021, DGC will probably proceed the issuance for private placement to finance the complex project of Chlorine Soda (Nghi Son phase 2 in 2022). The potential partner may be a Japanese enterprise that is expertized in this sector.

FINANCIAL INFORMATION

	2016	2017	2018	2019	4Q TTM
Sales (tr VND)	**2,622**	**626**	**6,090**	**5,091**	**6,102**
OP (tr VND)	242	50	939	592	906
Pre-tax (tr VND)	342	140	907	599	925
NP(1mn VND)	**242**	**128**	**870**	**567**	**839**
EPS(VND)	3,437	1,825	9,368	3,688	5,316
BPS(VND)	15,318	10,073	21,342	22,344	26,194
PER(x)	9.1	13.6	3.7	5.8	9.7
EV/EBITDA(x)	8.4	25.4	4.9	3.8	5.2
PBR(x)	2.0	2.5	1.6	0.9	2.0
ROE(%)	24.5	14.4	45.0	16.8	22.0

(*) Database information provided by Bloomberg

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