

10 Feb 2025

Fertilizer

Boost exports amid sluggish domestic demand

Non-rated

4Q24: Mekong Delta led demand

In 4Q24, domestic fertilizer supply remained constrained amid weak local demand. Fertilizer demand was primarily concentrated in the Mekong Delta, where the Winter-Spring crop season began in Nov-24, while demand in the North was low, leading fertilizer producers to boost exports. Domestic fertilizer prices continued to decline in line with global trends, except for DAP prices. Meanwhile, domestic DAP prices persisted lower than import ones, enhancing the competitive advantage of domestic producers.

4Q24: Unimpressive earnings growth of listed players

In 4Q24, the aggregated revenue of 24 listed fertilizer companies stayed stable at VND21,498bn (+2.5% yoy/ +11.3% qoq), driven by higher production volume in the peak season but offset by declining selling prices, except for DAP, which recorded an upward trend. Meanwhile, NPAT-MI (aggregate 24 companies) plummeted to VND1,494bn (-55.8% yoy/ +6.0% qoq), primarily due to the absence of an extraordinary profit of VND1,802bn from DHB recognized in 4Q23.

4Q24 GPM remained unchanged at 17.3% (+0.5%p yoy/ +0.95%p qoq), primarily due to declining selling prices (urea prices dropped while Phosphate and DAP prices rose, and NPK prices varied by company) and rising costs (higher phosphate and DAP production costs, and higher gas input costs for DCM due to sourcing from Petronas). In contrast, 4Q24 NPM dropped significantly to 7.0% (-9.2%p yoy/ -0.3%p qoq), mainly due to (1) costlier SG&A expenses seen major fertilizer producers as they ramped up advertising activities (2) DHB's lack of other income recorded in 4Q23.

2025F: Margins could benefit from the 5% VAT law

In 2025F, fertilizer prices could decrease in line with global prices, amid expectations of lower agricultural commodity and oil prices. The oil price slump may offset expensive gas material costs for Urea producers. We expect gas prices to decline more than fertilizer prices, which could expand GPM for businesses. Additionally, China's continued export restrictions on fertilizers could be viewed in favour for Vietnam to expand its export markets. A proposed 5% VAT on fertilizers starting in 2025 aims to lower production costs and improve competitiveness against imports.

Research Dept

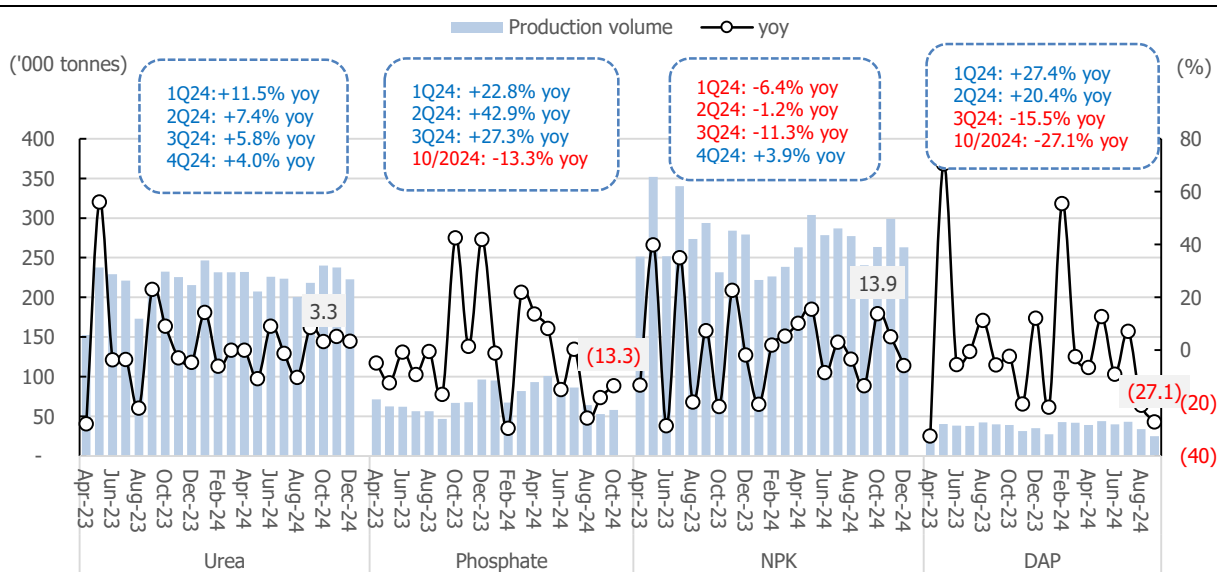
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I. Market remained muted in 4Q24

1. Supply tightened in 4Q24

Domestic production: In 10M24, fertilizer supply remained tight as total domestic production held steady at over 6mn tonnes (+3.8% yoy). However, with domestic demand sluggish, suppliers curbed deliveries to distributors, further tightening market availability. In 4Q24, Urea and NPK production—Vietnam’s key fertilizer products—inched up +4.0% yoy and +3.9% yoy, respectively, but the overall market remained muted.

Figure 1. Domestic fertilizer production remained sluggish in 4Q24

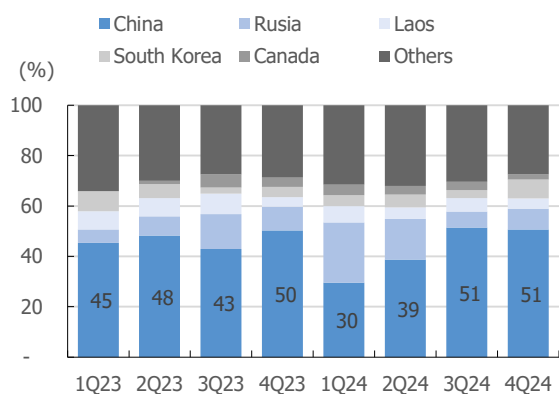


Source: MoIT, GSO, FiinproX, KIS Research

Fertilizer import: Competitive pressure from import fertilizers picked up in 4Q24, amid relatively lower import prices. While Vietnam produces enough Urea, NPK, and DAP, the country fully depends on imports for Potash and SA and partially relies on DAP imports due to a lack of domestic Potash ore.

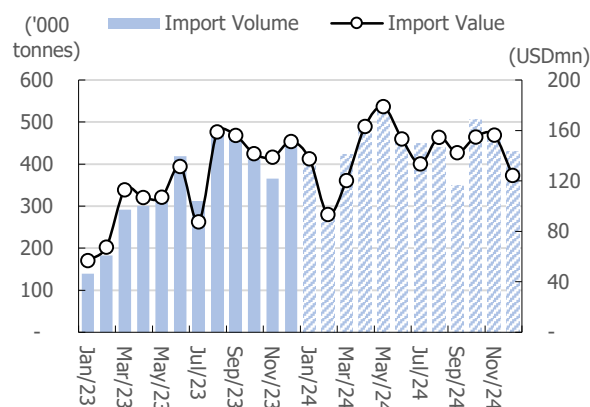
In 4Q24, fertilizer import volume and value climbed to 1.4mn tonnes (+14.8% yoy) and USD436mn (+0.9% yoy), respectively with China maintaining its dominance, accounting for 51% of total import value (+0.3%p yoy). Urea and NPK imports surged to 112,504 tonnes (+37.1% yoy) and 198,797 tonnes (+34.9% yoy), respectively. Meanwhile, SA imports soared to 477,246 tonnes (+70.1% yoy), driven by higher demand for NPK production inputs. In contrast, DAP imports plunged to 120,417 tonnes (-32.2% yoy) following China’s export ban on DAP/MAP on 01-Dec-24. Similarly, Potash imports slipped to 173,409 tonnes (-12.8% yoy) due to weak demand and high inventories.

Figure 2. China accounted for 51% of Vietnam's import share in 4Q24



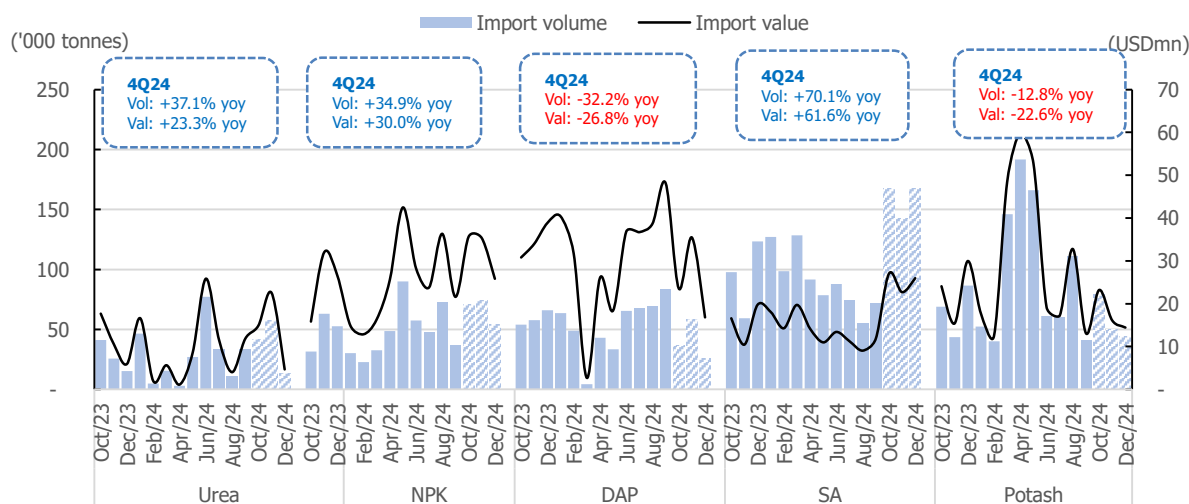
Source: Vietnam Customs, FiinproX, KIS Research

Figure 3. 4Q24 import volume and value climbed by +14.8% yoy and +0.9% yoy, respectively.



Source: Vietnam Customs, KIS Research

Figure 4. Rising fertilizer imports in 4Q24 intensified competition for domestic producers.



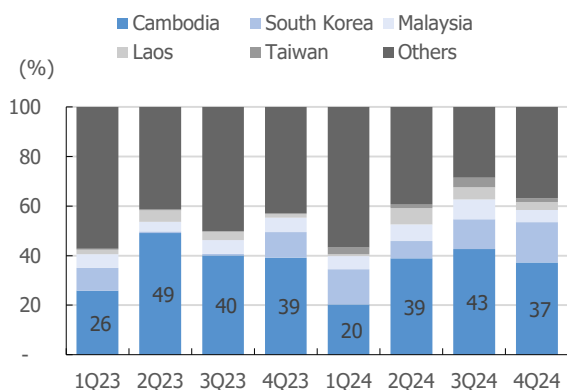
Source: Vietnam Customs, FiinproX, KIS Research

2. Boosting exports amid weak domestic demand

Domestic demand: In 4Q24, fertilizer demand remained concentrated in the Mekong Delta (South), where the Winter-Spring crop season began in Nov-24, while demand in the North stayed weak.

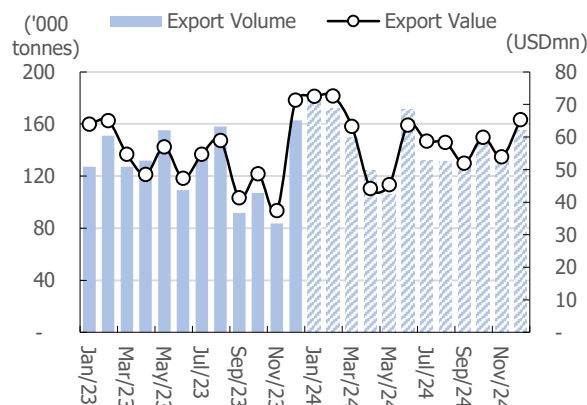
Fertilizer export: Producers ramped up exports to offset weak domestic demand. In 4Q24, export volume and value jumped to 434,000 tonnes (+22.7% yoy) and USD179mn (+13.8% yoy), respectively. Cambodia remained the top export destination, accounting for 37% of total exports (-2%p yoy). Meanwhile, Vietnam gained traction in South Korea and other new markets. However, since China imposed restrictions on Urea and Phosphate fertilizer exports in Dec-23, Vietnamese fertilizer exporters benefited from the shift in global trade flows.

Figure 5. Cambodia accounted for 37% of Vietnam's export share in 4Q24



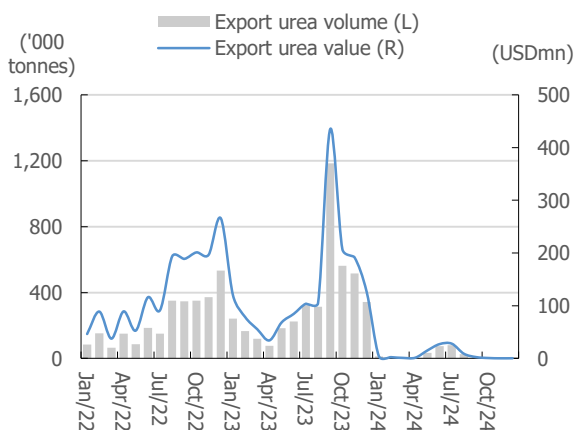
Source: Vietnam Customs, FiinproX, KIS Research

Figure 6. 4Q24 export volume and value soared by +22.7% yoy and +13.8% yoy, respectively.



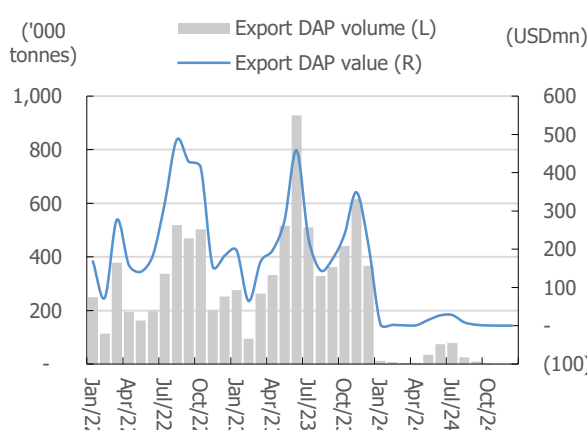
Source: Vietnam Customs, KIS Research

Figure 7. China restricted Urea fertilizer exports at the end of 2023



Source: China Customs, FiinproX, KIS Research

Figure 8. China restricted DAP fertilizer exports at the end of 2023



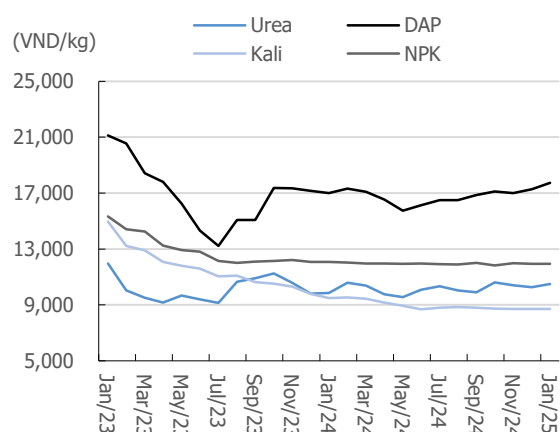
Source: China Customs, KIS Research

3. Fertilizer prices declined overall, except for DAP

In 4Q24, domestic fertilizer prices followed global trends, with most prices declining, except for DAP, which saw an increase. Urea and Potash prices dropped by 3.0% yoy and 14.6% yoy, respectively, due to weak demand, limited Urea supply, and abundant Potash availability. Meanwhile, NPK prices edged down by 3.6% yoy. In contrast, DAP prices rose by +1.7% yoy due to concerns about the temporary export suspension of DAP/MAP starting 01-Dec-24. Notably, domestic DAP prices (DAP Dinh Vu) increased by +6.1% yoy, while import DAP prices (DAP Van Thien Hoa) declined by 6.1% yoy, with domestic prices remaining lower than import ones, supporting the performance of local producers.

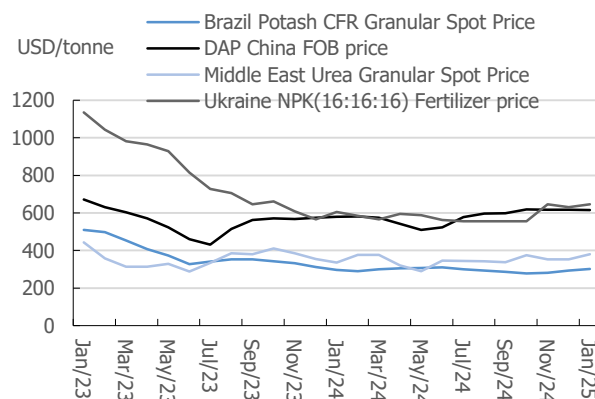
As for input costs, gas prices, a key raw material for urea fertilizer producers, in 4Q24 shrank (with gas prices linked to oil, MFO and Brent prices falling by 1.3% yoy and 10.5% yoy, respectively), helping to partially offset the decline in selling prices. Meanwhile, domestic apatite ore, a key raw material for phosphate and DAP fertilizers, is in short supply and contains lower phosphorus pentoxide (P2O5) levels. As a result, manufacturers sourced alternative high-nutrient P2O5 materials at higher prices. Rising sulfur and ammonia prices further escalated production expenses. For NPK fertilizer producers, the reduction in straight fertilizer prices (urea, SA, potash) helped lower input costs.

Figure 9. Domestic fertilizer prices generally declined in 4Q24, except for DAP



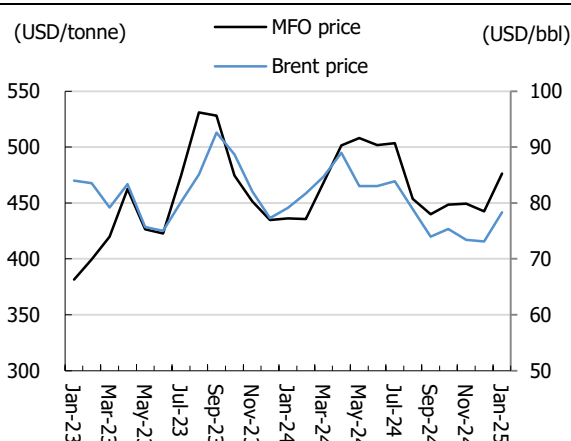
Source: Agromonitor, KIS Research

Figure 10. Domestic fertilizer prices followed global trends



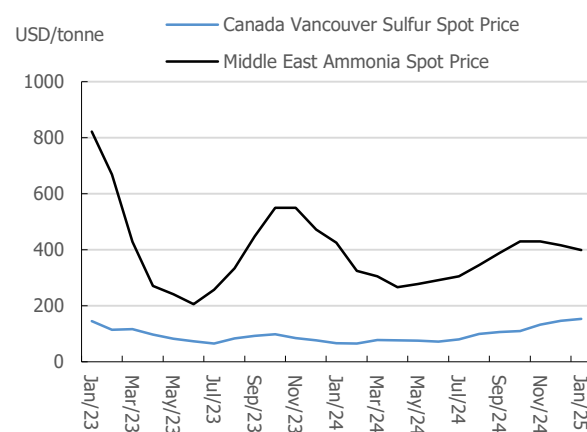
Source: Bloomberg, KIS Research

Figure 11. Oil prices trended downward in 4Q24



Source: Bloomberg, KIS Research

Figure 12. Ammonia price inched down while sulfur price shoot up in 4Q24



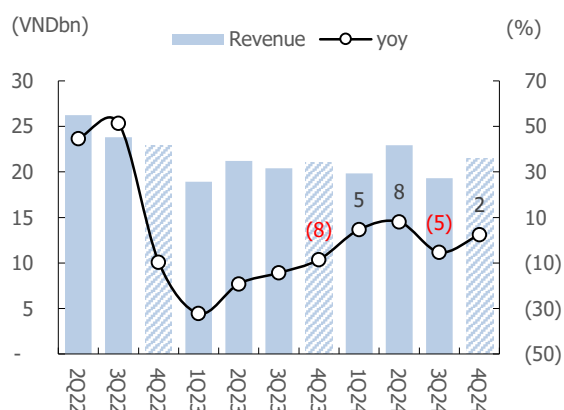
Source: Bloomberg, KIS Research

II. Unimpressive 4Q24 earnings of listed players

In 4Q24, the aggregated revenue of 24 listed fertilizer companies remained stable at VND21,498bn (+2.5% yoy/ +11.3% qoq), driven by higher production volume entering the peak season but offset by declining selling prices, except for DAP, which recorded an upward trend. Meanwhile, NPAT-MI (aggregate 24 companies) plummeted to VND1,494bn (-55.8% yoy/ +6.0% qoq), primarily due to the absence of an extraordinary profit of VND1,802bn from DHB recognized in 4Q23.

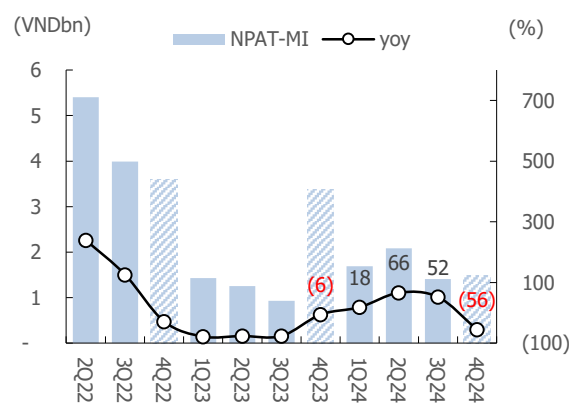
4Q24 GPM remained stable at 17.3% (+0.5%p yoy/ +0.95%p qoq), primarily due to declining selling prices (urea prices dropped significantly, while Phosphate and DAP prices rose, and NPK prices showed variation by company) and rising costs (higher phosphate and DAP production costs, and higher gas input costs for DCM due to sourcing from Petronas). In contrast, 4Q24 NPM dropped significantly to 7.0% (-9.2%p yoy/ -0.3%p qoq), mainly due to (1) higher SG&A expenses recorded by major fertilizer producers as they ramped up advertising activities (2) DHB lacking high other income as in 4Q23.

Figure 13. 4Q24 aggregated revenue climbed by +2.5% yoy/ +11.3% qoq, to VND21,498bn



Source: Company data, FinproX, KIS Research

Figure 14. Otherwise, 4Q24 aggregated NPAT-MI plummeted to VND1,494bn (-55.8% yoy/ +6.0% qoq)



Source: Company data, FinproX, KIS Research

Table 1. Business results of some notable listed companies in 4Q24

(VNDbn, %, %p)

Company	Revenue	yoy	GP	yoy	NPAT-MI	yoy	GPM	yoy	NPM	yoy
DPM	3,164.0	(6.4)	392.8	18.2	36.1	(66.4)	12.4	2.6	1.1	(2.0)
DCM	4,213.7	18.2	679.6	(21.5)	282.3	(42.8)	16.1	(8.2)	6.7	(7.1)
DHB	1,447.5	21.7	214.6	229.3	67.3	(95.9)	14.8	9.3	4.6	(134.0)
BFC	2,470.8	12.2	351.7	54.6	73.1	100.9	14.2	3.9	3.0	1.3
LAS	604.2	10.0	173.5	(9.3)	17.1	(68.5)	28.7	(6.1)	2.8	(7.1)
SFG	509.7	21.5	35.6	(17.2)	4.4	(63.4)	7.0	(3.3)	0.9	(2.0)
VAF	172.4	(2.6)	61.0	(2.4)	18.6	(36.1)	35.4	0.1	10.8	(5.7)
NFC	156.2	(24.8)	22.0	(4.2)	10.8	91.4	14.1	3.0	6.9	4.2
DDV	899.4	7.7	118.0	(2.9)	58.8	(6.0)	13.1	(1.4)	6.5	(0.9)
DGC	2,417.9	1.3	886.6	13.0	749.5	4.2	36.7	3.8	31.0	0.9

Source: Company data, FinproX, KIS Research

*Note: "Turnaround": rebound to positive NPAT-MI after yoy losses

Table 2. Business results of some notable listed companies in 2024

(VNDbn, %, %p)

Company	Revenue			NPAT-MI			% completed guidance	
	2023	2024	yoy	2023	2024	yoy	Revenue	NPAT
DPM	13,569.2	13,496.1	(0.5)	532.7	593.9	11.5	105.8	109.6
DCM	12,601.8	13,455.6	6.8	1,107.1	1,333.1	20.4	113.3	167.7
DHB	4,413.5	4,439.5	0.6	860.9	6.3	(99.3)	94.0	4.6
BFC	8,588.4	9,358.2	9.0	148.4	358.3	141.5	131.1	223.9
LAS	3,440.3	3,465.8	0.7	148.5	169.5	14.2	101.9	155.8
SFG	1,559.0	1,600.2	2.6	56.8	24.3	(57.3)	98.8	94.8
VAF	1,001.6	1,220.3	21.8	63.2	57.0	(9.7)	115.8	136.6
NFC	726.6	914.4	25.9	27.8	44.2	58.8	127.6	162.3
DDV	3,209.6	3,367.7	4.9	70.2	169.5	141.3	103.0	169.3
DGC	9,747.9	9,865.3	1.2	3,108.8	2,988.8	(3.9)	96.7	96.4

Source: Company data, FinproX, KIS Research

*Note: "Turnaround": rebound to positive NPAT-MI after yoy losses

Table 3. Selected companies' business performance in 2024

(VNDbn, %)

Ticker	2024 Revenue	YoY	2024 NPAT-MI	YoY	Comments on 4Q24 performance
DPM	13,496.1	(0.5)	593.9	11.5	<p>In 4Q24, revenue declined to VND3,164bn (-6.4% yoy/ +2.8% qoq), with the manufacturing segment (Urea and NPK: accounting for 80% of total revenue) reducing by -8.3% yoy, while the trading segment inched up by +1.2% yoy. The revenue decline was caused by lower urea selling prices. 4Q24 GPM improved to 12.4% (+2.6%p yoy/ +0.8%p qoq) as input gas prices declined more than selling prices.</p> <p>4Q24 NPAT-MI plummeted to VND36bn (-66.4% yoy/ -42.6% qoq) due to (1) interest expenses reaching VND25.5bn (+4.83x yoy) and (2) higher administrative expenses following an R&D expense recognition of VND50bn, pushing SG&A/revenue up to 13.4% (+2.3%p yoy/ +0.5%p qoq). As a result, 4Q24 NPM fell to 1.1% (-2%p yoy/ -0.9%p qoq).</p>
DCM	13,455.6	6.8	1,333.1	20.4	<p>In 4Q24, revenue climbed to VND4,214bn (+18.2% yoy/ +59.9% qoq), mainly fueled by higher sales volumes of urea (+15% yoy), NPK (+18% yoy), and trading fertilizers (+58% yoy). Meanwhile, urea prices dipped by -6% yoy (domestic: -3% yoy/ export: -12% yoy), whereas NPK and trading fertilizer prices picked up by +20% yoy and +3% yoy, respectively. 4Q24 GPM narrowed to 16.1% (-8.2%p yoy/ +1.9%p qoq) as (1) urea prices fell and (2) gas costs rose due to DCM sourcing from Petronas, which had higher-priced gas, according to BOD.</p> <p>4Q24 NPAT-MI slumped to VND282bn (-42.8% yoy/ +1.35x qoq), while SG&A/revenue inched up to 11% (+1.0%p yoy/ +0.5%p qoq). Consequently, 4Q24 NPM plunged to 6.7% (-7.1%p yoy/ +2.1%p qoq).</p>
BFC	9,358.2	9.0	358.3	141.5	<p>In 4Q24, NPK fertilizer revenue climbed to VND2,471bn (+12.2% yoy/ +21.7% qoq), driven by higher volume as the market entered the peak season. BFC's NPK selling price dropped (-5.4% yoy for NPK Binh Dien 16-16-8+13S product), while input material prices (Urea, SA, Potash) declined more, leading to a 4Q24 GPM expansion to 14.2% (+3.9%p yoy/ equivalent to qoq).</p> <p>4Q24 NPAT-MI amounted to VND73bn (+100.9% yoy / +38.8% qoq), as higher gross profit offset the rise in SG&A expenses. SG&A/revenue rose to 8.9% (+3%p yoy/ -0.5%p qoq), ultimately supporting NPM at 3% (+1.3%p yoy/ +0.4%p qoq).</p>
LAS	3,465.8	0.7	169.5	14.2	<p>In 4Q24, revenue grew to VND604bn (+10% yoy/ -25.6% qoq), primarily driven by the phosphate fertilizer segment, which accounted for 44% of gross profit. Phosphate fertilizer volume rose by +38.2% yoy, while NPK fertilizer volume declined by 13.4% yoy. Meanwhile, selling prices for phosphate and NPK fertilizers edged up by +5.6% yoy and +7.8% yoy, respectively. 4Q24 GPM narrowed to 28.7% (-6.1%p yoy/ +13.4%p qoq), primarily due to (1) higher selling prices and (2) phosphate fertilizer production costs surging by 39.5% yoy, whereas NPK production costs declined by 4.4% yoy.</p> <p>4Q24 NPAT-MI amounted to VND17bn (-68.5% yoy/ -47.7% qoq), impacted by lower gross profit and other expenses of VND13.8bn (+8.16x yoy). 4Q24 SG&A/revenue remained stable</p>

at 23.4% (-0.8%p yoy / +13%p qoq), putting pressure on NPM, which narrowed to 2.8% (-7.1%p yoy/ -1.2%p qoq).

VAF	1,220.3	21.8	57.0	(9.7)	<p>In 4Q24, VAF's revenue (with phosphate fertilizers accounting for 90% of total consumption volume in 2024) edged down to VND172bn (-2.6% yoy/ +27.6% qoq), potentially due to lower sales volume. 4Q24 GPM stayed flat at 35.4% (+0.1%p yoy/ +14.8%p qoq), mainly due to higher selling prices and input costs, particularly apatite ore, sulfur.</p> <p>4Q24 NPAT-MI plummeted to VND19bn (-36.1% yoy/ +42.3% qoq), as the company did not recognize the VND4.97bn income from the sale of land assets related to the NPK Thai Nguyen project, which was recorded in 4Q23. Meanwhile, 4Q24 SG&A/revenue remained stable at 19.5% (+0.5%p yoy/ +4.8%p qoq), leading to NPM picking drop to 10.8% (-5.7%p yoy/ +5.3%p qoq).</p>
DDV	3,367.7	4.9	169.5	141.3	<p>In 4Q24, revenue climbed to VND899bn (+7.7% yoy/ +19.2% qoq), driven by growth across most business segments. Revenue from DAP/chemicals/services rose by +4.7% yoy/ +4.6x yoy/ +99.2% yoy, respectively. The improvement in DAP revenue was supported by persistently high DAP selling prices. 4Q24 GPM remained relatively flat yoy but enhanced qoq, reaching 13.1% (-1.4%p yoy/ +4.3%p qoq).</p> <p>4Q24 NPAT-MI diminished to VND59bn (-6% yoy/ +1.89x qoq), mainly due to (1) lower gross profit, (2) SG&A/ revenue inching down to 6.8% (-1.2%p yoy/ +0.8%p qoq), and (3) a tax expense of VND15bn (+79% yoy). As a result, 4Q24 NPM remained unchanged at 6.5% (-0.9%p yoy/ +3.8%p qoq).</p>
DGC	9,865.3	1.2	2,988.8	(3.9)	<p>In 4Q24, DGC's revenue remained flat at VND2,418bn (+1.3% yoy/ -5.5% qoq), while a larger reduction in COGs (-4% yoy/ -9% qoq) helped expand GPM to 36.7% (+3.8%p yoy/ +2.2%p qoq).</p> <p>4Q24 NPAT-MI edged up to VND749bn (+4.2% yoy/ +6.2% qoq), supported by higher gross profit. However, earnings were partially impacted by a decline in financial income, with interest income from deposits and loans falling to VND540bn (-13.8% yoy). Meanwhile, SG&A/revenue stayed flat at 7.2% (+1.1%p yoy/ -1%p qoq). As a result, NPM remained stable at 31% (+0.9%p yoy/ +3.4%p qoq).</p>

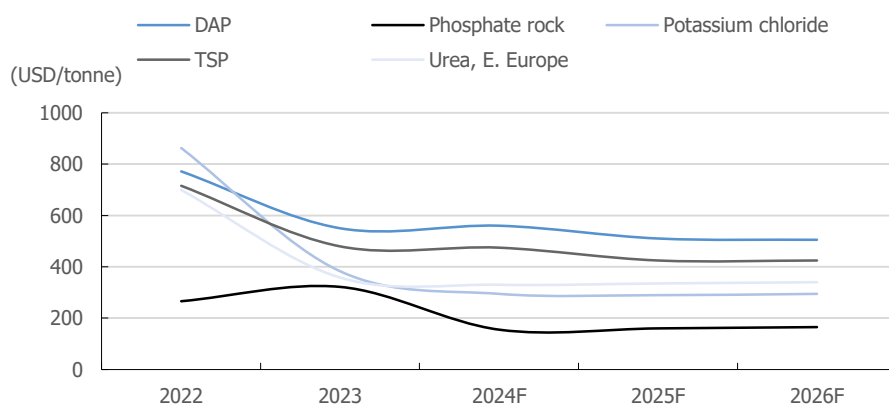
Source: Company data, KLS Research

III. 2025F – Margins could benefit from the 5% VAT law

In 2025F, fertilizer prices could decrease in line with global prices (Figure 15), amid expectations of lower agricultural commodity and oil prices (Figure 16, 17). The decrease in oil prices may offset some of the higher gas costs for Urea producers like DCM when purchasing from Petronas. We expect gas prices to decline at a faster rate than fertilizer prices, which will help expand GPM for businesses. Additionally, China's continued export restrictions on fertilizers will create opportunities for Vietnam to expand its export markets. The draft amendment to the Value-Added Tax (VAT) Law proposed by the Ministry of Finance suggests a 5% VAT rate for fertilizers, effective from 01-Jul-25. This is expected to (1) reduce production costs for businesses and (2) enhance the competitiveness of domestic fertilizers compared to low-priced imports. However, it will take time to assess the impact of the new law on fertilizer

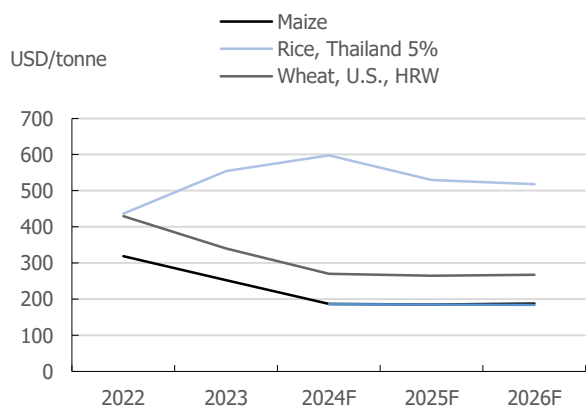
companies' performance due to pending circulars and decrees with specific guidelines.

Figure 15. Global fertilizer prices are projected to fall.



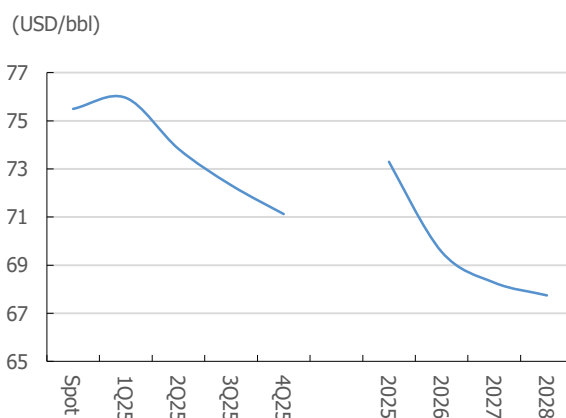
Source: Worldbank, KIS Research

Figure 16. Global agricultural prices could slide



Source: WorldBank, FiinproX, KIS Research

Figure 17. Global brent prices could decline



Source: Bloomberg, FiinproX, KIS Research

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- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
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- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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