FERTILIZER SECTOR / X-POINT

# DCM: Corporate Access 2026

## Selling Prices, Turnaround & Growth-Target Pressure

### EVENT HIGHLIGHTS

Business outlook: (1) The September 2026 scheduled turnaround has been shortened to around 12 days (versus a 16-day average in prior years), limiting the impact on H2 output; (2) Middle East fertilizer prices have bottomed out and recovered to near US$500/tonne. Risks: pressure to meet the Group's VND19,000bn revenue target, shifts in China's export policy, and competition from small-bag informal cross-border trade.

**1. Business Results & Near-Term Drivers (Turnaround, Revenue & Selling Prices)**

- **Selling Prices & Sales Policy:**
  - **Exports**: The company stepped up exports in late Q1–early Q2. Despite week-to-week volatility, DCM's average export price came in higher thanks to good timing.
  - **Domestic:** Domestic selling prices track world prices closely. When world prices fall, the company avoids cutting the list price directly (to prevent distributors from hoarding stock to profit from the gap) and instead issues discount vouchers redeemable by farmers when bags are opened.
  - **Versus imports:** Domestic prices are adjusted flexibly, kept slightly below import prices to discourage importers from bringing fertilizer in to sell.
- **Turnaround Plan (September 2026):**
  - This year's scheduled turnaround falls in September (usually August in prior years).
  - The turnaround has been shortened to around 12 days (~1 day to shut down, ~8 days of actual maintenance work, ~2 days to restart), versus a 16-day average in prior years.
  - The shorter duration reflects the company's long-term rotating turnaround plan: large, complex equipment is opened for inspection once every two years, while smaller items are serviced annually.

**2. Governance Plan, Growth-Target Pressure & State Ownership Ratio**

- **Pressure from Petrovietnam's Target:** The Group has set a double-digit growth target. The revenue plan the company submitted to its AGM was VND17,600bn, while the Group's statutory target is VND19,000bn; full-year estimated results are already close to this target**.**
- **Divestment Direction:** The likelihood of state divestment from DCM is very low. Under the new orientation, the State/Petrovietnam will maintain a minimum stake of 65% or above (the Group currently holds around 75%). The fertilizer segment continues to contribute strong cash flow and profit to the Group.

**3. Fertilizer Market**

- **Impact of China's Policy:** China continues to tighten/restrict formal-channel exports to prioritize consumption of its high domestic inventory. However, this policy is highly flexible: when world prices rise sharply or India tenders at attractive prices, China is willing to grant quotas to reopen exports.
- **Informal Cross-Border Trade Competition:** Traders in the northern region often order small-bag Chinese product (5kg, 10kg, 25kg) smuggled in via informal cross-border trade (no formal import licensing required) at low prices, creating some competitive pressure in the northern market.
- **International Fertilizer Prices:** Middle East fertilizer prices have bottomed out and recovered, nearing US$500/tonne.

**4. Overall View & Factors to Watch**

- **Valuation:** DCM shares have corrected sharply from their peak (from VND50,000 to around VND30,000), and valuation is now seen as cheap; fund flows are starting to show renewed interest.
- **Factors to watch:**
    1. Progress in restarting the plant after the September turnaround.
    2. The extent to which the Group-mandated VND19,000bn revenue target is met in Q4/2026.
    3. Movements in world urea prices and China's moves to loosen/tighten exports (particularly small-bag informal cross-border supply).

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