

Recommendations

Target price	N/A
Close price	97,000
Upside	N/A

Market Statistics

Floating Shares (million shares)	82
Market Cap (VND Bill.)	7,826
52-week highest price	116,111
10-day average volume (shares)	908,819

Major Shareholders (%)

STATE CAPITAL INVEST	29.52
FRANKLIN RESOURCES	10.32
VIETNAM HOLDING LTD	4.87
DRAGON CAPITAL MANAG	2.32
NORGES BANK	1.92

Price movement

	1M	3M	1Y
BMP	29%	30%	-12%
VN-Index	14%	22%	44%

Tuoi Tran
tuoith@bsc.com.vn

Company overview: BMP is the largest plastic pipe manufacturer in Vietnam, with a total capacity of 150,000 tons per year.

Valuation

On 04nd, December, 2017, BMP share was traded at VND 97,000 per share, equivalent to P/E FW 2017 and P/E FW 2018 of 21x and 19x respectively.

Business Update

- Sales volume reached 64,500 tonnes in 9T2017 (+ 8% yoy). BMP target to get a full-year production growth of 9.7%, reaching 90,000 tonnes and a further increase of 10% in 2018.
- Adding 4% basic discount, applied from 9th, Oct to 16th, Nov, /2017.
- The average price of resin increased by 8.5% in 9M2017 compared to 2016 on average. It is expected that plastic resin price will increase by 8.5% YoY in 2017.
- BMP estimates EBT of 2017 reaching VND 600 billion.
- BSC forecasts the net sales and PAT in 2017 would reach VND 3,479 billion (+ 5% YoY) and VND 438 billion (-30% YoY) respectively. In 2018, these numbers would be VND 4,016 billion (+15 YoY) and VND 452 billion (+2 YoY), equivalent to EPS of VND 5,030 / share.

Catalysts:

- SCIC continues to complete the BMP divestment application in December 2017.

Basic information	2014	2015	2016	2017F	2018F
Net sales (VND bill.)	2416	2792	3309	3479	4,016
% growth	16%	16%	19%	5%	15%
Total asset (VND bill.)	1,929	2,438	2,885	3,239	3,835
% growth	15%	26%	18%	12%	18%
Total equity (VND bill.)	1,718	2,015	2,297	2,469	2,425
NPAT (VND bill.)	377	519	627	438	452
% growth	2%	38%	21%	-30%	2%
Basic EPS (VND/share)	8,285	11,410	13,796	4,666	5,030
Book value (VND/share)	-	44,313	50,516	30,157	29,624
P/E				20.79	19.29
P/B				3.22	3.27

Source: BSC research,

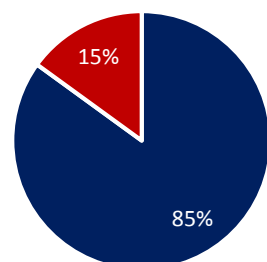
Company Update

Business results of 9M2017. Net sales and NPAT were VND 2,619 billion (5.6% YoY) and VND 34.8 billion (-36% YoY) respectively. The decline of earnings in 2017 is due to the increase in plastic resin prices (by 8.5% compared to 2016 average prices), the basic discount has increased by 4%.

Sales rose by 8% YoY, reaching 64,500 tonnes. Of which pipe parts accounted for 15%, the remaining tubes accounted for 84%, spray 1%. In 9M2017, BMP directly sells about 9% of the total output of pipes and spare parts (The rate was 11-12% in the previous years). The projects of this year are mainly water supply and drainage projects of Binh Duong and Vung Tau, a sharp decline in the apartment building (only small amounts for Thuan Viet and Sala). BMP estimated that 70% of the output is sold to the public as the diameter of this group is usually less than 200mm.

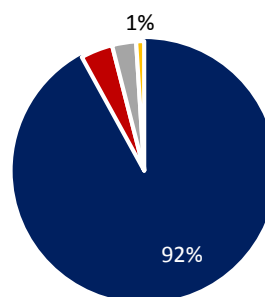
In terms of product lines, PVC accounted for 92% (increasing by 7.5% YoY), HDPE accounted for 4% (growth over 20% YoY) and PPR accounted for nearly 3% (growth of 30-35% YoY). With HDPE, BMP is preparing the technology, producing a product having diameter of 1.2m. Besides, PPR's spare parts are increasing rapidly. This year, BMP has imported a variety of molds to produce parts. On the occasion of the 40th anniversary of the company, BMP launched much design of PPR accessories (formerly Blue Ocean made PPR accessories for BMP).

Consumption structure in 9M2017



■ Plastic pipe ■ Spare parts

9M2017 volumes by products

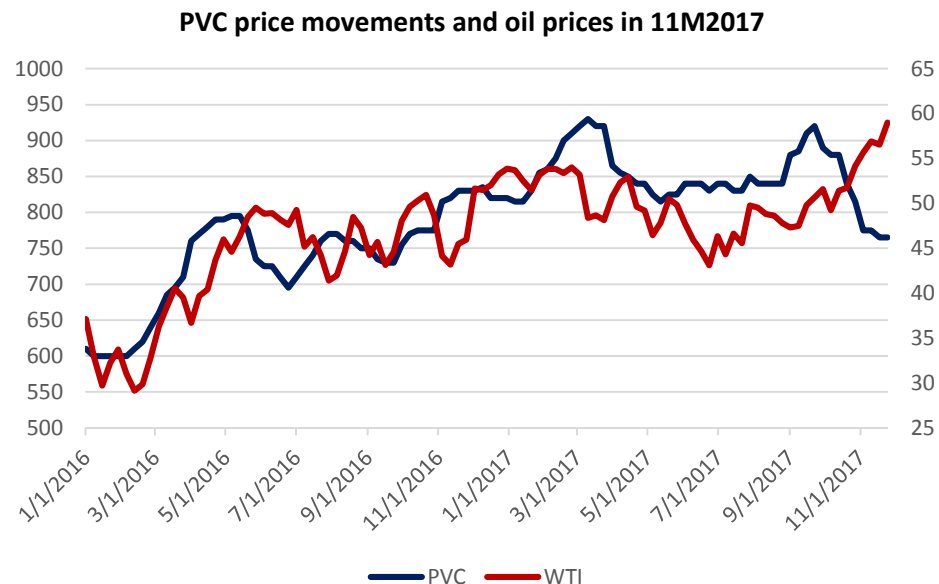


■ PVC ■ HDPE ■ PPR ■ Spray

Source: BMP

Increased basic discount by 4% since 2Q2017. The basic discount is 15%, the total discount rate is 21% -23%. On the occasion of the company's 40th anniversary, BMP added more 4% on the basic discount (applied from 9th Oct, to 16th Nov, 2017).

In 9M2017, plastic resin price rose by 8.5% compared to the average price in 2016. Price in Q4 is still keeping at the high level from Q3, so the full year average price would be 8.5% higher than 2016. In 2018, many large organizations forecast that the average Brent oil prices would range from \$55 to \$58 a barrel, well above the 2017 average (\$54.07 per barrel). As a result, PVC prices might remain high. This may continue to impact negatively on profitability of BMP.



Source: Bloomberg

Plan in 2017. BMP targets to sell 90,000 tonnes of pipes and spare parts in 2017 (+ 9.7% YoY). The firm expects that Q42017's production increases by 10% YoY. The company currently holds about 23-24% of the market share in Vietnam. The company estimates that 2017 PBT will reach VND 600 billion. In 2018, the company hope that sales and output growth increase about 10% YoY.

Earnings forecast in 2017. We forecast net sales and NPAT in FY2017 will be VND 3,479 billion (+ 5% YoY) and VND 438 billion (-30% YoY) respectively with the following assumptions:

- Total sales volume reaches 24,000 tons, equivalent to 91 thousand tons (+ 11% YoY)
- The selling price of the output remains unchanged. The firm increases discount rate by 4% over the previous quarter, due to the promotion of the company's 40th anniversary.
- Cost of plastic resin in quarter 4/2017 is equal to 2017Q3
- Selling expenses increase by 6.8 billion dong from the previous quarter due to the organization of customer conferences and the company's 40th-anniversary.
- Operating profit margin decreases to 14%.

BSC forecasts net sales and NPAT in 2018 reaching VND 4,016 billion (+ 15% YoY) and VND 452 billion (+2% YoY) respectively. At that moment, EPS is forecasted at VND 5,030 per share. Our forecasts are based on assumptions:

- Consumption in 2018 reaches 100 thousand tons (+ 10% YoY)
- Selling price is the same, the basic discount rate back to 15%
- Plastic resin price in 2018 increased by 8% YoY, sharply lowering the net profit margin from the company's production to 15% (2017 operating margin is estimated at 17%)

Sensitivity analysis of 2018 EPS as a result of resin price fluctuations.

		Output growth					
		0%	5%	10.15%	15%	20%	25%
Resin price	2%	5,911	6,190	6,478	6,749	7,028	7,307
	4%	5,473	5,730	5,995	6,245	6,502	6,759
	6%	5,035	5,270	5,512	5,741	5,976	6,211
	8%	4,596	4,810	5,030	5,237	5,450	5,664
	10%	4,158	4,350	4,547	4,733	4,924	5,116
	12%	3,720	3,889	4,064	4,229	4,398	4,568
	14%	3,281	3,429	3,581	3,725	3,872	4,020
	16%	2,843	2,969	3,099	3,221	3,346	3,472
	18%	2,405	2,509	2,616	2,717	2,820	2,924

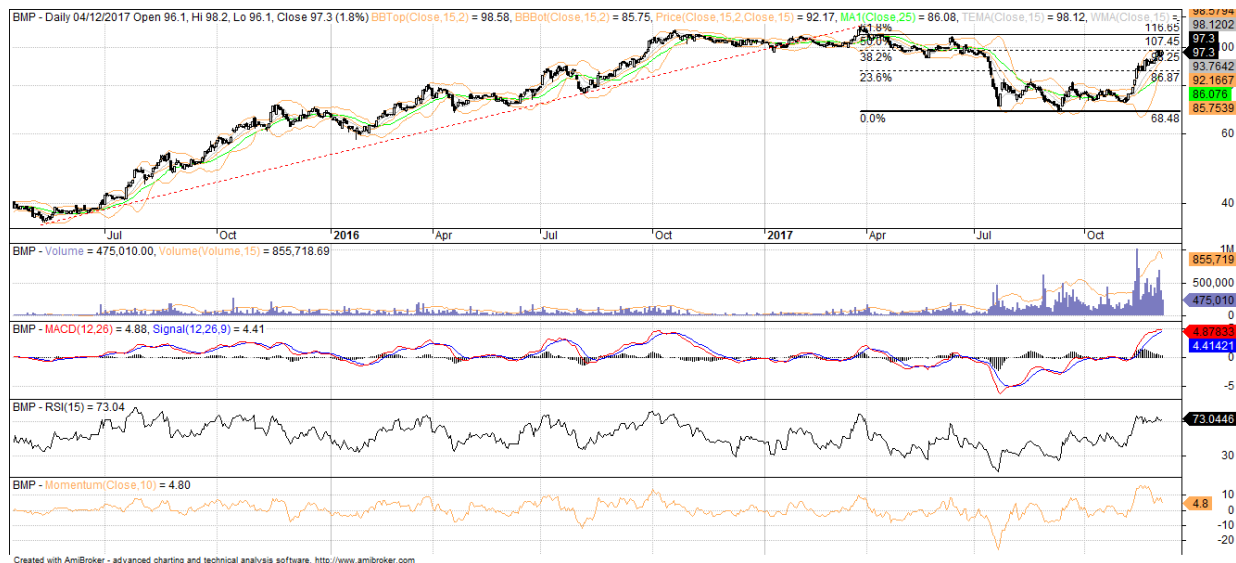
Source: BSC research

Technical analysis

Comment: After forming bottom, BMP had strongly recovered with news from SCIC divesting. As soon as the information was released, the RSI indicator reached overbought and maintained in this status until today session. With the "Cup with handle" model, BMP is likely to continue its uptrend momentum in the upcoming sessions after a short accumulation period.

Recommendation: Buy BMP with price less than 100, take profit at 118 and cutloss at 90.

Technical chart



Nguồn: Amibroker, BSC

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84 4 3935 2722
Fax: +84 4 2220 0669

BSC Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84 8 3821 8885
Fax: +84 8 3821 8510

Website: <http://www.bsc.com.vn>
Facebook: www.facebook.com/BIDVSecurities

Bloomberg: BSCV <GO>

