

07/09/2022 – HOSE: BMP

Ngành: Nhựa

Recommendations

BUY

BINH MINH PLASTIC JSC (HSX: BMP)

BENEFITS FROM REDUCED MATERIALS PRICES

Current price	62,000	Report writing date:	07/09/2022	Shareholder structure	
Previous target price	N/A	Outstanding Shares (Million)	81.86	Nawaplastic Industries	54.4%
1 year target price	76,900	Market capitalization (billion VND)	5,075	KWE Beteiligungen AG	10.5%
Dividend yield	4.3%	Average liquidity of 10 sessions:	69,320		
Potential for price increase	24%	Foreign ownership	84.6%		

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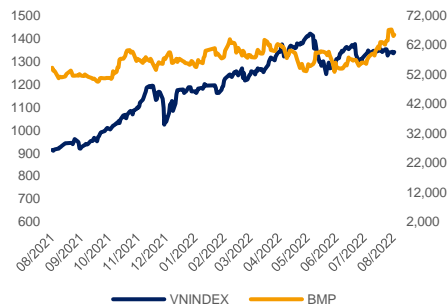
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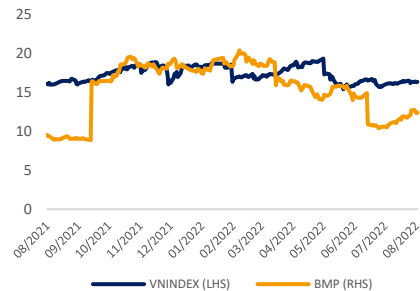
Recommended price : N/A

Stop lost price: N/A

Price comparison table of BMP and VN-Index



P/E and VN index comparison table



Valuation

- BSC recommends to **BUY** BMP stock with a target price of VND 76,900/share, equivalent to 24% upside compared to the price on September 7, 2022 based on two valuation methods PE and FCFF, ratio 50:50.

Forecasting business results

- BSC forecasts BMP's revenue and net profit in 2022 at VND 5,527 billion (+21.4% yoy) and VND 513 billion (+139.7% yoy) assuming: output +5.8% yoy, gross margin increase 23.6% thanks to +15% yoy selling price and flat raw material price compared to 2021.
- In 2023, BSC forecasts net profit and NPAT at VND5,937 billion (+7.1% yoy) and VND531 billion (+3.5% yoy) respectively**, assuming sales volume recovers to 105-110 thousand tons before the pandemic, approaching the maximum power level.

Investment perspective

- Consumption output gradually recovered to maximum capacity thanks to the control of the epidemic and the dominant advantage in the market share of plastic pipes in the South.
- Gross margin improved thanks to a downward trend in input prices, while selling prices decreased more slowly than cost of goods sold.
- High and regular dividends. Valuation (P/E) drops to historical average.

Risk

- Material price fluctuations;
- Declining demand for plastic pipes..

Business Update

- Accumulated 6M2022, BMP's revenue is 2,905 billion VND (+11% yoy) and EAT is 273 billion VND (+117% yoy). Gross profit margin recovered to 24.4% (+930 bps).
- Cumulative sales volume in 6M2022 -12% yoy, reaching 48,988 thousand tons.

	2020	2021	2022F	VN-Index
PE (x)	10.2	25.0	10.4	13.3
PB (x)	2.2	2.3	2.3	2.1
PS (x)	1.1	1.2	1.0	3.7
ROE (%)	21.1%	9.3%	21.8%	17.6%
ROA (%)	17.3%	7.5%	17.8%	6.4%

	2019	2020	2021	2022F
Revenue	4,337	4,686	4,553	5,527
Gross profit	988	1,247	704	1,292
Profit after tax	423	523	214	513
EPS	5,164	6,384	2,619	6,269
EPS growth	N/A	23.6%	-58.9%	139.3%

07/09/2022 – HOSE: BMP

EV/ EBITDA (x)

5.8

10.0

6.3

27.2

Nợ gộp/ VCSH

2.3%

2.2%

2.5%

2.7%

BUSINESS UPDATE

In Q2/2022, BMP's revenue increased slightly (+7% yoy) but NPAT grew strongly (2.5x svck) benefiting from lower raw material prices.

The business is in good financial position, has almost no debt, the balance of money and financial investment accounts for 35% of total assets. In addition, large fixed assets are expected to be fully depreciated in 2024 and will add about VND200 billion to the company's annual operating profit.

Table 1: Summary of Q2/2022 results

Billion VND	Q2/2022	Q2/2021	% yoy	%qoq	6T2022	6T2020	% yoy	Note
Consumption								
Output (tons)	26,353	30,216	-13%	16%	48,988	55,800	-12%	
Net Revenue	1,555	1,452	7%	15%	2,905	2,606	11%	Revenue increased slightly due to average selling price +27% yoy
Gross profit	391	187	109%	23%	710	393	81%	
Gross margin	25.1%	12.9%			24.4%	15.1%		Gross margin recovered thanks to high anchor selling price while COGS fell svck
CPBH & Corporate Governance	180	114	58%	32%	316	205	54%	CPBH increased due to increased policy to support shipping fees to the construction site
% CPBH&QLDN/DTT	11.6%	7.8%			10.9%	7.9%		
EBIT	211	73	190%	15%	394	188	110%	
Interest	0	0	N/A	N/A	0	0	N/A	
Financial revenue	12	17	-29%	3%	24	36	-33%	Financial income decreased due to decrease in value of financial investment
NPAT	145	42	247%	14%	273	126	117%	
Some indicators of the balance sheet								
Short-term debt	55	55	0%	-4%				Borrowing at 0% interest rate with related parties
Long-term debt	0	0	N/A	N/A				
Inventory	684	620	10%	-5%				
Tangible fixed assets								Tangible fixed assets are almost fully depreciated
- Original price	1,925	1,849	4%	1%				
- Accumulated depreciation	(1,591)	(1,418)	12%	3%				
Cash, cash equivalents & Short-term investments	1,020	921	11%	7%				Value of financial investment decreased compared to the end of 2021

Source: BMP, BSC Research

07/09/2022 – HOSE: BMP

BUSINESS OUTLOOK 2022-2023

Consumption demand will recover to a stable level before the epidemic

Consumption of plastic pipes and fittings decreased slightly in the first 6 months of 2022. Consumption volume in 6M2022 -12% yoy, completing 48% of the consumption plan in 2022. We believe that consumption volume decreased due to slowing market demand when the price of construction materials increased in the first months of the year and the recent tightening of credit in the real estate sector affected the progress of construction works. build.

We expect sales volume to be +11.9% yoy in the second half of 2022, bringing the whole 2022 output to grow slightly, at +5.9% yoy thanks to a sharp increase in Q3/2022 output due to a lack of sales. affected by the epidemic, and the advantage of dominant market share in the South will help BMP's consumption volume recover to pre-epidemic levels.

Figure : Sales volume is forecasted to increase over the same period due to not being affected by the epidemic

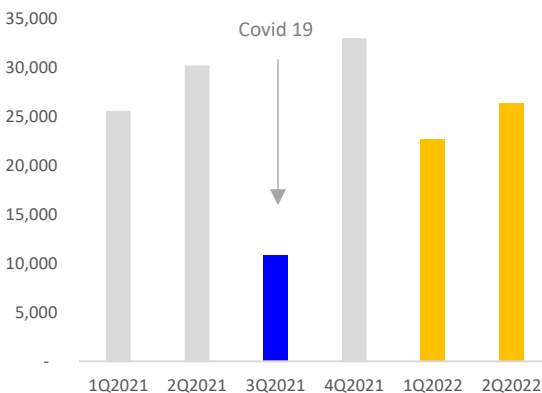
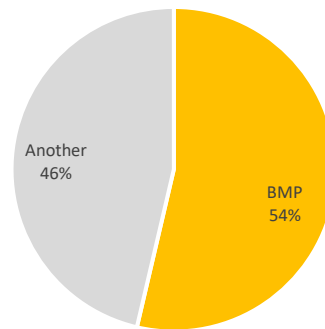


Figure : BMP has the majority of the market share of plastic pipes and fittings in the South region



Nguồn: BMP, BSC Research

We expect consumption volume to recover to 105 - 110 thousand tons from 2023: In fact, demand for plastic pipes in Vietnam is relatively stable, especially for enterprises with a dominant market share. like BMP. We believe that sales volume will return to the pre-epidemic average thanks to (i) the recovery of civil construction activity when the cost of construction materials is stable, in which steel price (accounting for 20%-30% of total expenditure). construction costs) have fallen sharply, and (ii) players in the industry have no plans to increase capacity next year.

Figure : Steel prices have fallen sharply since the peak, helping to reduce construction costs (VND/kg)

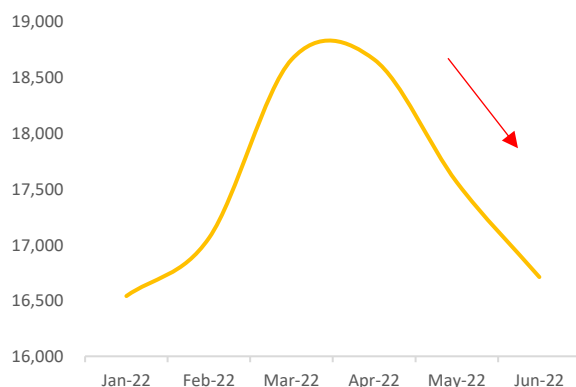
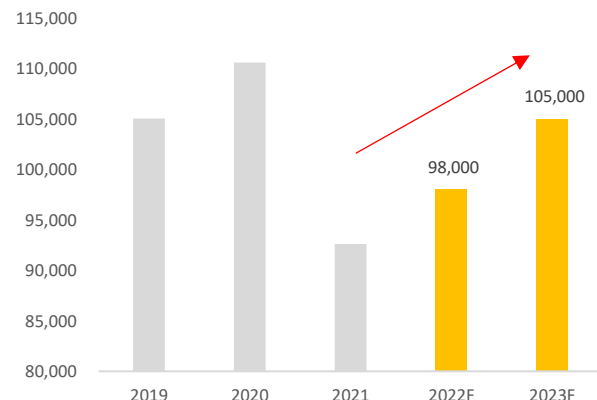


Figure : Consumption volume is forecasted to recover to the pre-epidemic average in 2023 (tons)



Nguồn: BMP, BSC Research

Gross profit margin increased sharply over the same period thanks to the decrease in plastic raw material prices

The price of plastic raw materials has fallen deeply since the end of June 2022. The main input material of BMP is PVC resin. PVC price was relatively stable in the first 6 months of 2022, 3.8% lower than the average level in 2021, but has decreased sharply since the end of June 2022, to around \$900/ton (-30% Ytd), following the decline in global commodity prices. We don't think PVC prices will rise back to their peak at the beginning of the year due to:

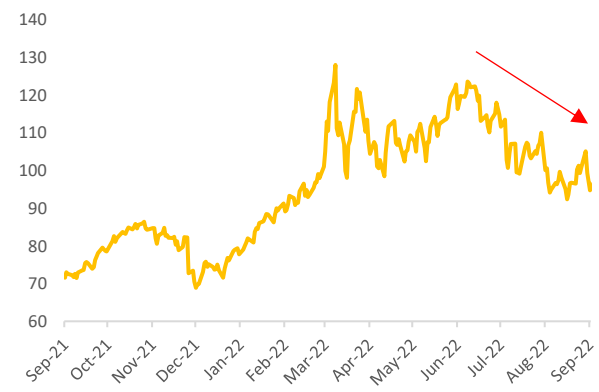
(i) China's PVC demand declines. China is the world's largest PVC consumer (accounting for 28.8% of global PVC consumption). Continuing to maintain the Zero Covid policy causes the demand for PVC for manufacturing and infrastructure construction in China to decline.

(ii) Oil prices have fallen sharply. In the past, there was a correlation between the price of crude oil and the price of plastic resin (a product of the refining process). Oil price dropped sharply due to concern that the economic recession will reduce consumption demand, so we believe that plastic resin price will not recover to the peak at the beginning of the year when oil price peaks.

Figure : PVC price on Dalian trading floor, China (USD/ton) has fallen sharply since the end of June 2022



Figure : Brent oil price has -23% since the peak at the beginning of the year (USD/barrel)



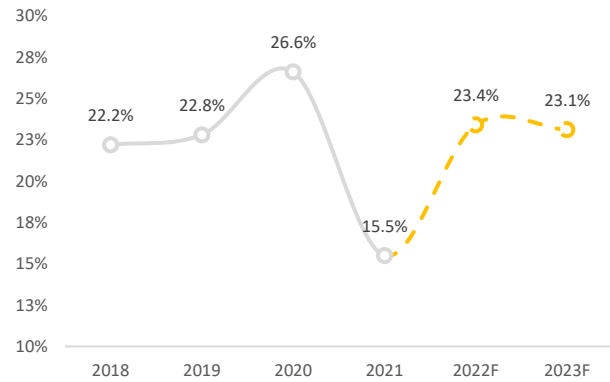
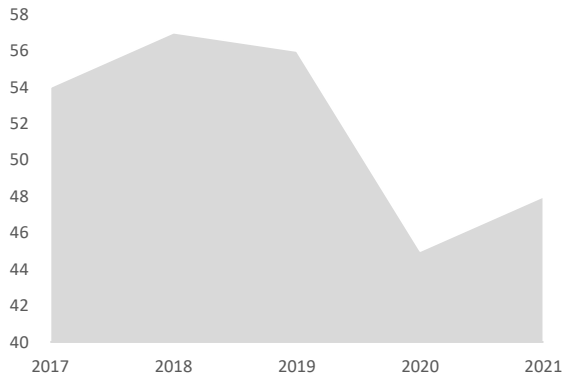
Nguồn: Bloomberg, BSC Research

We estimate 2022 gross margin to grow to 23.4% (+790 bps Yoy). The sharing business does not carry out bulk inventory, so we expect the decrease in input material prices in the second half of 2022 to have an impact on COGS right in the third quarter, helping increase the gross profit margin of the enterprise.

Figure : Relatively short inventory cycle (days)

Figure : BMP's gross margin is forecast to recover in 2022

07/09/2022 – HOSE: BMP



Nguồn: BMP, BSC Research

Selling expenses are forecasted to increase sharply due to the policy of supporting shipping fees

BSC forecasts a sharp increase in selling expenses in 2022. The company still maintains a non-competitive policy by increasing the sales discount rate for agents, instead applying a policy to support shipping fees. Works apply to orders reaching a certain payment value. Gasoline prices have fallen sharply since the peak but are still much higher than the average in 2021, so we forecast the ratio of selling expenses to net sales to increase to 8.3% in 2022.

Figure : The ratio of selling expenses to net sales is forecasted to increase sharply in 2022

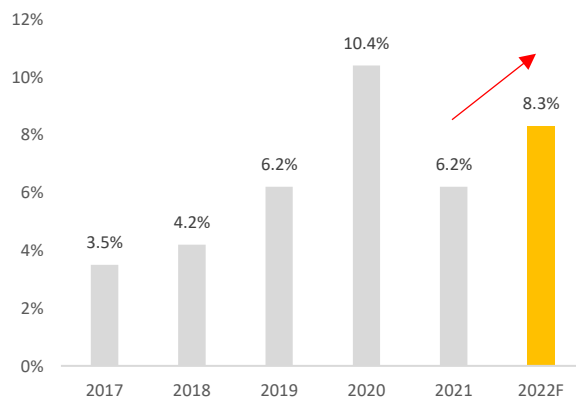
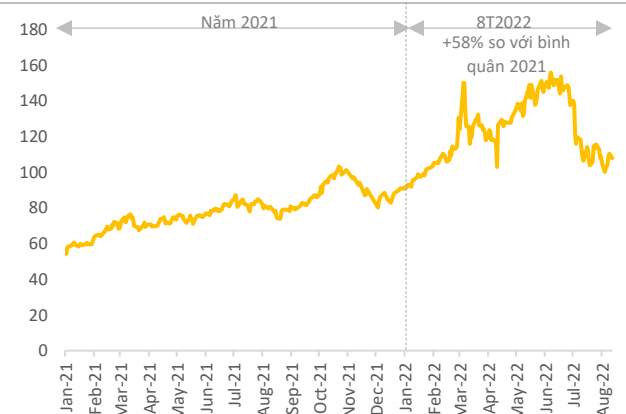


Figure : Gasoline prices have fallen sharply since the peak, but still increased sharply compared to the average level in 2021



Source: BMP, Platts, BSC Research

High and stable cash dividend

BMP pays high and regular cash dividends. The normal cash dividend payment is at 40%-60%, even in a difficult business period like 2021, the business still pays a dividend of 26%. In 2022, the enterprise plans to pay a dividend of at least 50% of the company's after-tax profit. However, we also emphasize that in the past 5 years, BMP has paid dividends at an average rate of 88% of profit after tax, and we expect BMP to continue to pay dividends at a high rate in 2022 due to The company is still operating near maximum capacity and has no plans to invest in increasing capacity, which equates to a dividend yield of 7.6% in our estimation.

Valuations are returning to historical averages

We estimate the PE forward in 2022-2023 at 9.9x and 9.6x, lower than BMP's 5-year average PE (~12.5x). We think this valuation is attractive based on the prospect of profit in 2022 recovering to the level of 2020, and with stable industry characteristics and industry leading position, BMP's stock valuation deserves to be a worthy investment. past average.

07/09/2022 – HOSE: BMP

Figure : Dividend/EAT ratio has remained high in recent years

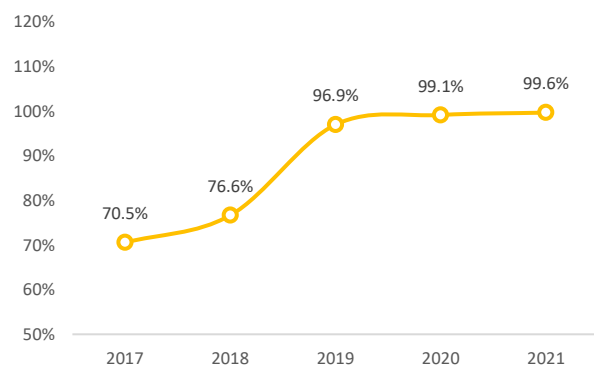
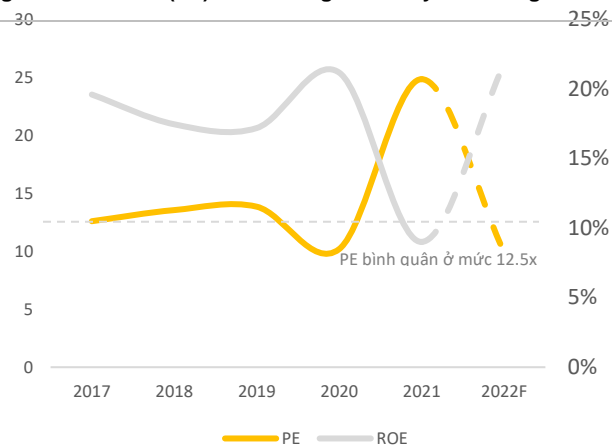


Figure : Valuation (PE) is returning to the 5-year average



Source: BMP, Fiiipro, BSC Research

07/09/2022 – HOSE: BMP

RISK

Price fluctuations of raw materials: Raw materials account for about 75% of the enterprise's production expenditure structure. Therefore, fluctuations in the price of plastic raw materials (mainly PVC) have a great impact on COGS. In addition, we note that BMP's plastic raw material source mainly comes from suppliers owned by the major shareholder SCG Group (Thailand), so the price of BMP's input materials will depend largely on to the prices offered by these suppliers.

Figure : SCG holds dominant ownership in BMP

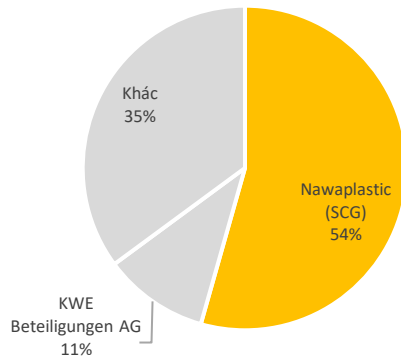
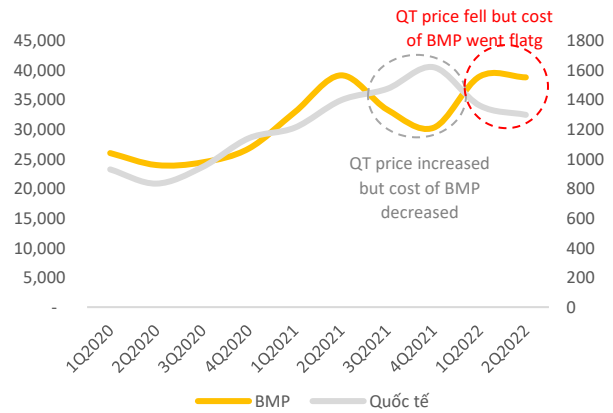


Figure : Correlation of international PVC prices and input prices of BMP



Source: BMP, Bloomberg, BSC Research

Declining demand: low sales volume increases fixed costs per unit. However, we assess this risk is not large because: (i) the disease is currently well controlled in Vietnam and the demand for plastic pipes is relatively stable; (ii) the percentage of depreciation expense in the production cost structure is relatively low, at only 5% for BMP.

07/09/2022 – HOSE: BMP

FORECAST OF BUSINESS RESULTS

BSC forecasts BMP's revenue and NPAT in 2022 at VND 5,527 billion (+21.4% yoy) and VND 513 billion (+139.7% yoy) respectively, based on the following assumptions:

- Consumption volume increased slightly, +5.8% yoy as (i) production in Q3/2022 was no longer affected by the epidemic, however (ii) output in the remaining quarters decreased slightly due to construction activities. construction will slow down in 2022.
- Average selling price +15% yoy
- Average raw material prices are flat compared to 2021

In 2023, BSC forecasts net profit and net profit at VND 5,937 billion (+7.1% yoy) and VND 531 billion (+3.5% yoy) respectively, assuming sales volume recovers to 105-110 thousand tons before the pandemic. , approaching the maximum power level.

VALUATION

We use 2 methods of comparing **P/E and discounted cash flow FCFF** (ratio 50:50). We recommend a **BUY** for BMP stock with a **target price of VND 76,900/share, 24% upside from the closing price on September 7, 2022.**

Table : Target price (VND/share)

Valuation method	Target Price Ratio	Target Price Ratio
P/E	50%	78,360
FCFF	50%	75,354
Summary of valuations		76,857

Source: BSC Research

Table : Summary of valuations by P/E method

EPS 2022	P/E target	Price target
6,269 VND/Share	12.5x (*)	78,360

(*) 5 year average P/E level

Source: BSC Research

Table : FCFF . method of valuation summary

Beta	0.40x	Last year EBITDA (VND billion)	910
Market risk premium	8.0%	Target EV/EBITDA	5.5x
Risk-free rate	6.0%	Liquidation price (billion VND)	5,006
Cost of equity	9.2%	Discount value (billion VND)	5,999
Loan cost	10.0%	(-) Net debt (VND billion)	(170)
Debt/TTS . Ratio	19.0%	Reasonable enterprise value (billion VND)	6,169

07/09/2022 – HOSE: BMP

Tax	20.0%	Number of shares (million)	82
WACC (%)	8.98%	The target price	75,354

Nguồn: BSC Research

Figure : P/E ratio of BMP

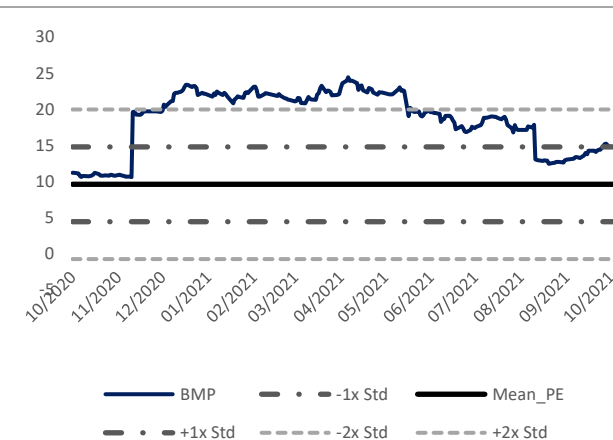
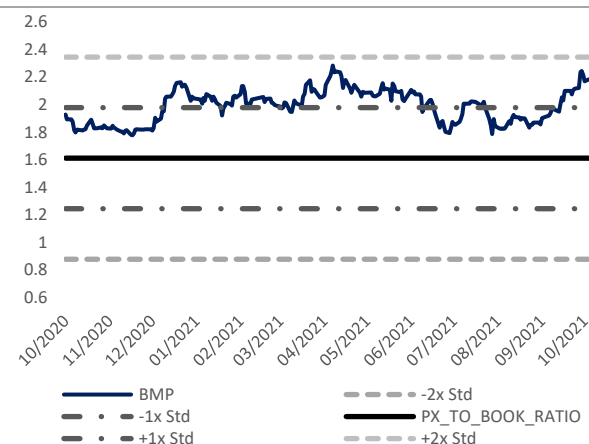


Figure : BMP's P/B Ratio



Source: Bloomberg, BSC Research

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APPENDIX

Income statement (Billion VND)	2020	2021	2022F	2023F	Cash flow statement (Billion VND)	2020	2021	2022F	2023F
Net Revenue	4,686	4,553	5,527	5,921	(Loss) / EBT	657	268	641	663
Cost of goods sold	3,439	3,849	4,235	4,553	Depreciation and replenishment	104	125	137	156
Gross profit	1,247	704	1,292	1,369	Change in capital flows	158	(424)	(208)	(195)
Selling expenses	485	281	457	489	LCTT from BCC	919	(31)	571	624
Management costs	64	88	106	114	Money spent to buy fixed assets	(96)	(159)	(192)	(21)
Operating profit/loss	698	335	729	765	Other private	(462)	450	85	(101)
Financial revenue	78	60	54	60	LCTT from HDDT	(558)	291	(107)	(122)
Financial expenses	124	125	140	161	Dividends paid	(478)	(285)	(409)	(409)
Interest expenses	0	0	0	0	Money from loan	(0)	2	6	5
Profit from CTLD/LK	2	2	2	2	Other money	0	0	(0)	-
Other profit/loss	2	(4)	(4)	(4)	LCTT from Finance Council	(479)	(283)	(404)	(405)
Profit before tax	657	268	641	663	Pre-linear stage	314	196	173	233
Corporate income tax	134	54	128	133	Printing money	(118)	(23)	60	98
Profit after tax	523	214	513	531	Last money line	196	173	233	331
CTS	-	-	-	-					
NPAT - Owners	523	214	513	531					
EBITDA	865	459	844	880					
EPS	6,384	2,619	6,269	6,481					
Balance sheet (Billion VND)	2020	2021	2022F	2022F	Ratio (%)	2020	2021	2022F	2023F
Money and DTTC	1,406	988	1,033	1,330	Solvency				
Short-term receivables	323	370	433	454	Short-term TT numbers	4.03	3.84	4.06	4.65
Inventory	396	619	597	637	Fast TT number	3.28	2.60	2.84	3.38
Other short-term TS	4	32	32	32					
Short-term assets	2,129	2,008	2,094	2,453	Capital structure				
Tangible fixed assets	487	373	358	162	Debt/TTS . Ratio	18%	19%	19%	18%
Intangible fixed assets	11	9	10	10	Debt/Equity Ratio	22%	24%	23%	22%
Financial lease fixed assets	-	-	-	-					
Long-term unfinished TS	15	20	20	20	Operational capacity				
Long-term phone	70	112	72	72	Number of HTK . days	45	48	52	51
Other long-term TS	311	316	336	307	Number of days receivable	23	20	20	20
Long-term assets	894	830	796	571	Number of days to pay	14	17	16	16
total assets	3,023	2,838	2,890	3,023	CCC	55	52	55	55
Short-term payable	150	200	187	194					
Short-term loans	55	57	63	68	Profit margin				
Other short-term debt	322	266	266	266	Gross profit	27%	15%	23%	23%
Total current liabilities	528	523	516	528	Profit after tax	11%	5%	9%	9%
Long-term loans	-	-	-	-	ROE	21%	9%	22%	21%
Other long-term debt	23	22	22	22	ROA	17%	8%	18%	18%
Total Long-term Debt	23	22	22	22					
Liabilities must pay	551	545	538	550	Valuation				
Capital	819	819	819	819	PE	10.2	25.0	10.4	10.1
Surplus equity	2	2	2	2	PB	2.2	2.3	2.3	2.2
Undistributed profit	449	271	375	496					
Other equity	1,202	1,202	1,157	1,157	Growth				
The contents of a presentation	-	-	-	-	GDP growth	8%	-3%	21%	7%
Equity	2,472	2,293	2,352	2,474	EBIT Growth	24%	-59%	139%	3%

07/09/2022 – HOSE: BMP

Total capital	3,023	2,838	2,890	3,023	EBT growth	24%	-59%	139%	3%
SLCP (million)	82	82	82	82	EPS growth	24%	-59%	139%	3%

Source: BMP, BSC Research

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).

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