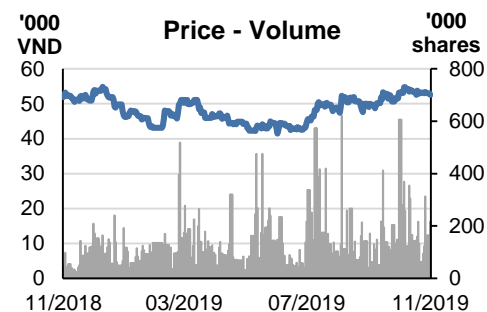


**BMP (HOSE) 3Q2019 not bad but fully-realized valuation**

**Rating NEUTRAL**

**Building Material/Plastic**

Market price (VND)	52,600
1-Y target price (VND)	51,300
1-Y price return (%)	-2.5%
1-Y dividend yield (%)	7.6%
1-Y total return (%)	5.1%



**Stock performance (%)**

	YTD	1M	3M	12M
Absolute	6%	-1%	8%	1%
Relative	-10%	-5%	4%	-11%

Source: Bloomberg, compare to VNIndex

**Stock Statistics 04-Nov-19**

52-week range (VND)	41.5k-54.9k
Shares o/s (m)	82
Mkt cap (VND bn.)	4,306
Mkt cap (\$m)	186
% Foreign owned	79.3%
Est. free float (ml. shares)	36.2
3m avg. daily vol. (shares)	161,229
VND/USD	23,200
Index: VN-Index/HNX	1,022/107

Source: Bloomberg, KIS

**Ownership 04-Nov-19**

Saraburi Co., Ltd	54.4%
Templeton Frontier Markets Fund	8.9%

Source: Bloomberg

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**3Q2019 not bad**

In 3Q2019, net revenue was reported at VND1,070bn, increasing by 5.0% YoY and of which PVC, HDPE and PPR accounted for 91%, 7% and 2% respectively. Revenue breakdown was quite similar to that of 2018.

Sales volume were 25.7k tons, up to +5.7% YoY, which was lower than 10% YoY of 2Q2019 and 40% YoY of 1Q2019. The contribution from project channel remained stable at 2%, much lower than 10% of last year, showing the focus of BMP is shifting to retail channel.

Gross margin was 23.4%, flat compared to 2Q2019 but 2.2% lower than 3Q2018, which we estimate is because of increasing input material. According to BoD, PVC resin bought from TPC Vina – another subsidiary of Saraburi Co., Ltd accounted for around 55% of total material cost, which was higher than around 41%-47% of 2018 that we estimate. BoD expects margin may continue being squeezed in the coming years.

As a result, net profit was VND120bn, increasing by 4.0% YoY, and net margin was 11.2%, 0.1% lower than 3Q2018.

**IT investment improves efficiency**

Binh Minh Plastic is applying new modern technology to replace its traditional operation and management method:

- The company finished the inspection of Customer Relationship Management (CRM) platform on 17<sup>th</sup> Oct so that the company is now able to connect the ERP system and CRM system for smoother operation and management.
- Pre-ordering platform: After 4 months of operation, 80% of Binh Minh's transaction with distributors is ordered through the new platform.

**NEUTRAL recommendation**

We see that focusing on retail channel is a big plus for BMP. However, we remain cautious about BMP because (1) sales continue to slow down because of the dim outlook of construction sector and the current over-supply market, (2) increasing input material will contract margin and (3) share price valuation is expensive compared to other building material sector.

In 2020, we estimate revenue and net profit of Binh Minh Plastic can reach VND4,566bn and VND408bn, up 4.4% YoY and 2.3% YoY.

Using the average EV/EBITDA of 5x and P/E of 10x, we evaluate the BMP share at **VND51,300** by the end of 2020. Including VND4,000 cash dividend per share, total expected return is 5.1%. Recommend **NEUTRAL**.

## Earnings projection

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19E	2018	2019E	2020E
<b>Sales</b>	<b>656</b>	<b>1,167</b>	<b>1,069</b>	<b>1,229</b>	<b>931</b>	<b>1,178</b>	<b>1,070</b>	<b>1,196</b>	<b>4,121</b>	<b>4,376</b>	<b>4,566</b>
Plastic pipe	614	1,089	989	1,145	901	1,132	1,024	1,150	3,836	4,207	4,397
Others	42	86	81	76	30	47	46	46	285	169	169
<b>Sales YoY Growth %</b>	<b>-21.1%</b>	<b>15.7%</b>	<b>10.7%</b>	<b>-1.6%</b>	<b>42.0%</b>	<b>1.0%</b>	<b>0.1%</b>	<b>-2.6%</b>	<b>1.6%</b>	<b>6.2%</b>	<b>4.4%</b>
Plastic pipe	-21.8%	14.2%	10.1%	-2.0%	46.8%	3.9%	3.6%	0.5%	0.8%	9.7%	4.5%
Others	-10.4%	55.6%	17.6%	-6.2%	-27.9%	-45.2%	-43.1%	-39.7%	13.2%	-40.6%	0.0%
<b>Gross profit</b>	<b>200</b>	<b>312</b>	<b>274</b>	<b>288</b>	<b>210</b>	<b>274</b>	<b>250</b>	<b>270</b>	<b>1,073</b>	<b>1,005</b>	<b>1,039</b>
Plastic pipe	192	313	265	279	210	275	250	269	1,074	1,003	1,038
Others	8	7	9	1	-	-	1	1	24	1	1
<b>Gross margin (%)</b>	<b>30.5%</b>	<b>26.7%</b>	<b>25.6%</b>	<b>23.4%</b>	<b>22.6%</b>	<b>23.3%</b>	<b>23.4%</b>	<b>22.5%</b>	<b>26.0%</b>	<b>23.0%</b>	<b>22.8%</b>
Plastic pipe	31.3%	28.8%	26.8%	24.3%	23.3%	24.3%	24.4%	23.4%	28.0%	23.9%	23.6%
Others	18.5%	7.6%	11.2%	1.3%	-0.2%	0.5%	1.3%	1.3%	8.5%	0.8%	0.8%
<b>Operating profit</b>	<b>145</b>	<b>262</b>	<b>216</b>	<b>187</b>	<b>136</b>	<b>167</b>	<b>166</b>	<b>117</b>	<b>608</b>	<b>586</b>	<b>602</b>
<i>Growth (%)</i>	-29.2%	25.7%	-14.8%	-14.6%	-6.4%	-36.5%	-23.1%	-37.4%	-8.2%	-3.7%	2.8%
<i>Margin (%)</i>	22.1%	22.5%	20.2%	15.2%	14.6%	14.2%	15.5%	9.8%	14.8%	13.4%	13.2%
<b>NPAT</b>	<b>116</b>	<b>201</b>	<b>165</b>	<b>146</b>	<b>91</b>	<b>118</b>	<b>120</b>	<b>98</b>	<b>428</b>	<b>399</b>	<b>408</b>
<i>Growth (%)</i>	-33.0%	27.3%	-19.0%	-12.2%	-21.5%	-41.3%	-27.4%	-33.3%	-8.0%	-6.8%	2.3%
<i>Margin (%)</i>	17.7%	17.2%	15.5%	11.9%	9.8%	10.0%	11.2%	8.2%	10.4%	9.1%	8.9%

Source: KIS forecasts

(\*): KIS estimate

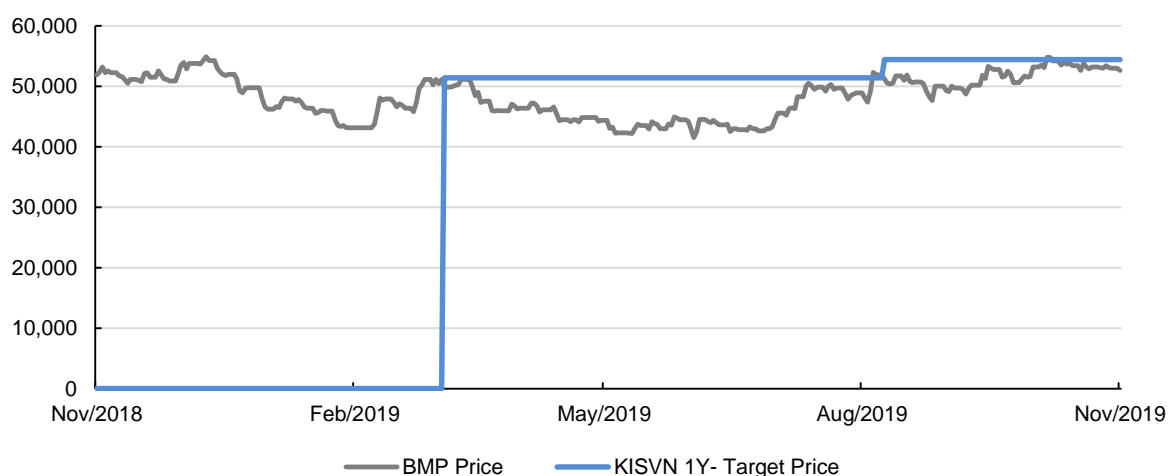
## Valuation

VNDbn	2019E	2020E	Remarks
EV/EBITDA multiple (x)	5.0	5.0	Historical 1-Y average EV/EBITDA
<b>Enterprise Value (A)</b>	<b>3,925</b>	<b>4,081</b>	
Minorities Interests (B)	-	-	
Net debt (C)	-704	-722	
<b>Equity Value D = A-B-C</b>	<b>4,629</b>	<b>4,803</b>	
Common outstanding shares (mn. shares)	82	82	
<b>Fair price (VND) (E)</b>	<b>50,900</b>	<b>57,600</b>	<b>2020</b>
P/E multiple (x)	10	10	Historical 1-Y average P/E
Bonus-Adjusted EPS (VND)	4,428	4,530	
<b>Fair price (VND) (F)</b>	<b>44,000</b>	<b>45,000</b>	<b>2020</b>
<b>Target Price (VND) G = 50%xE + 50%xF</b>		<b>51,300</b>	<b>2020</b>
Annualized price return		-2.5%	
Expected dividend yield		7.6%	
<b>Total expected return</b>		<b>5.1%</b>	<b>2020</b>

## Changes to recommendation and price target

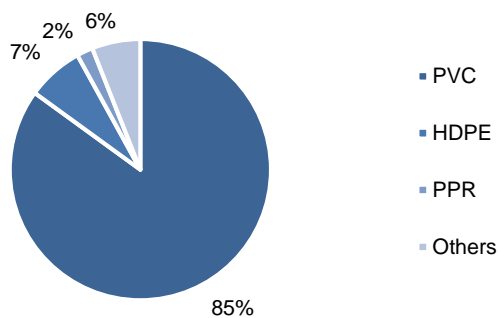
Company	Date	Recommendation	Price target (VND)	Consensus
<b>BMP</b>	12 Aug 2019	NEUTRAL	54,400	56,510
	08 Mar 2019	NEUTRAL	51,400	55,150

## KIS 1Y-Target Price History



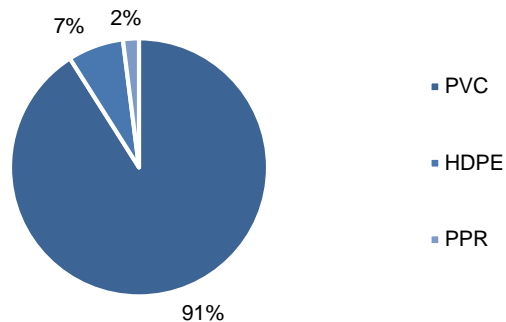
Source: Bloomberg, KIS

Fig 01. Revenue structure of Binh Minh Plastic in 2018



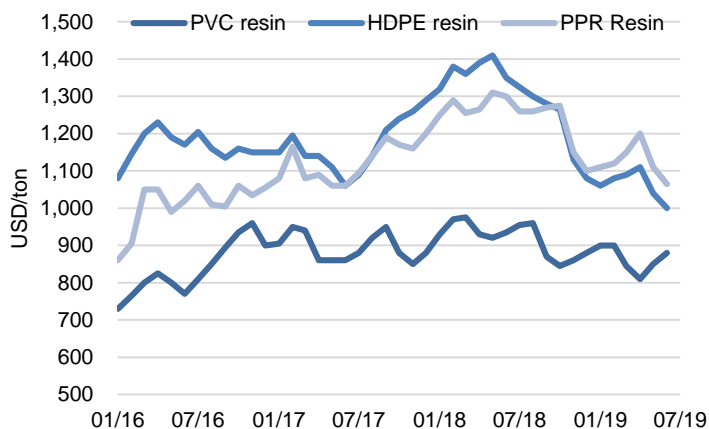
Source: BMP, KIS

Fig 02. Volume structure of Binh Minh Plastic in 2018



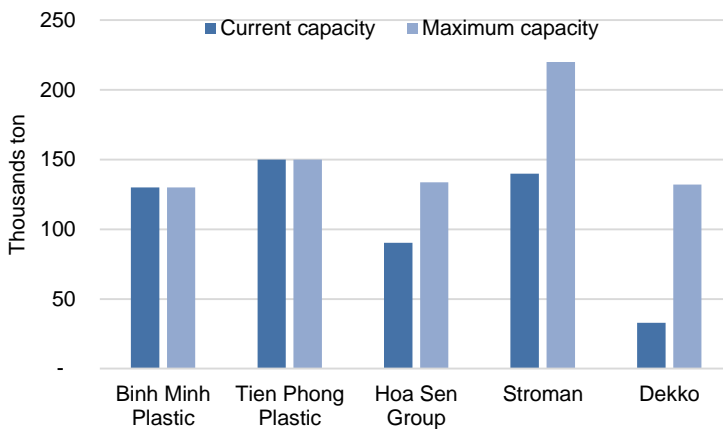
Source: BMP, KIS

Fig 03. Input material price, 2016-2019



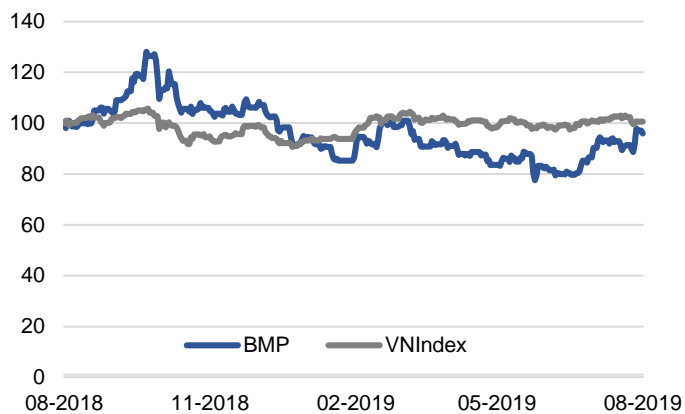
Source: Bloomberg, KIS

Fig 04. Design capacity of main competitors



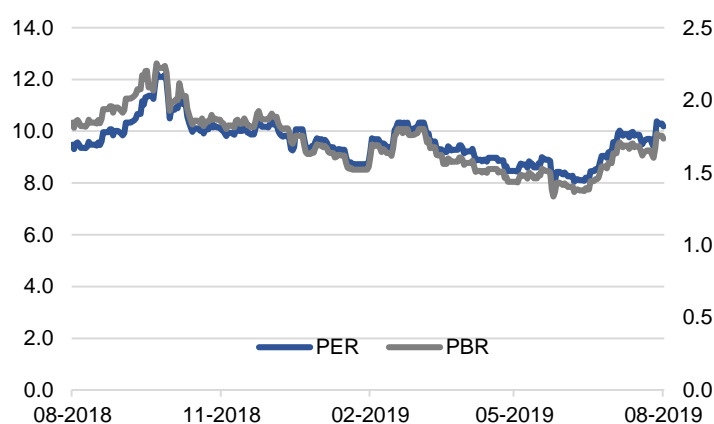
Source: BMP, NTP, HSG, KIS

Fig 05. 1Y Performance compared to VN-Index



Source: Bloomberg, KIS

Fig 06. 1Y Historical PER & PBR



Source: Bloomberg, KIS

BMP FINANCIAL MODEL						BS & CF ITEMS (VNDbn)					
Unit: VNDbn	2016	2017	2018	2019E	2020E	2016	2017	2018	2019E	2020E	
<b>Net Revenue</b>	<b>3,677</b>	<b>4,055</b>	<b>4,121</b>	<b>4,376</b>	<b>4,566</b>	Increase in WC	320	-294	385	-103	55
Sales growth (%)	23.8%	10.3%	1.6%	6.2%	4.4%	Capex	315	416	98	150	150
PVC	2,794	3,491	3,473	3,809	3,999	Other cash flow items	-3	92	69	69	69
HDPE	156	239	280	307	307	<b>Free cash flow</b>	<b>82</b>	<b>350</b>	<b>47</b>	<b>468</b>	<b>334</b>
PPR	54	74	82	90	90	Share issues	-	-	-	-	-
Others	304	252	285	169	169	Dividends paid	273	305	327	327	327
<b>COGS</b>	<b>2,248</b>	<b>2,902</b>	<b>3,048</b>	<b>3,371</b>	<b>3,527</b>	Increase in net debt	191	-45	280	-140	-7
Gross margin (%)	38.9%	28.4%	26.0%	23.0%	22.8%	<b>Net debt, end of year</b>	<b>-789</b>	<b>-834</b>	<b>-554</b>	<b>-694</b>	<b>-701</b>
SG&A	651	491	465	419	437	Enterprise value	3,607	3,562	3,842	3,702	3,695
<b>EBITDA</b>	<b>865</b>	<b>762</b>	<b>781</b>	<b>772</b>	<b>803</b>	<b>Total equity</b>	<b>2,297</b>	<b>2,400</b>	<b>2,454</b>	<b>2,489</b>	<b>2,532</b>
EBITDA margin (%)	23.5%	18.8%	18.9%	17.6%	17.6%	Minority interests	-	-	-	-	-
Depr'n & Amort'n	87	99	172	186	201	<b>Shareholder's equity</b>	<b>2,297</b>	<b>2,400</b>	<b>2,454</b>	<b>2,489</b>	<b>2,532</b>
<b>Operating profit</b>	<b>778</b>	<b>663</b>	<b>608</b>	<b>586</b>	<b>602</b>	BVPS (VND, bonus-adjusted)	50,516	29,317	29,973	30,402	30,932
Operating margin (%)	21.2%	16.3%	14.8%	13.4%	13.2%	Net debt / equity (%)	-34%	-35%	-23%	-28%	-28%
Net interest expenses	-45	-23	-23	-24	-23	Net debt / EBITDA (x)	-0.9	-1.1	-0.7	-0.9	-0.9
As % of avg. net debt	5.1%	2.8%	3.4%	3.8%	3.4%	<b>Total assets</b>	<b>2,891</b>	<b>2,872</b>	<b>2,812</b>	<b>2,743</b>	<b>2,817</b>
Interest cover (x)	-17.4	-29.0	-25.9	-24.8	-25.7	<i>Net debt = debts – cash &amp; equivalent</i>					
Other profit/loss	-39	-103	-102	-109	-114	<b>Key ratios &amp; Valuation</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>
Settlement discount	-35	-96	-104	-109	-114	ROE (%) (excl minority interest)	29.1%	19.8%	17.6%	16.1%	16.2%
Others	-4	-6	2	-	-	ROA (%)	21.7%	16.2%	15.2%	14.5%	14.5%
Tax	157	118	102	101	104	ROIC (%)	46.5%	29.0%	23.6%	20.6%	21.5%
Effective tax rate (%)	20%	20%	19%	20%	20%	WACC (%)	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Net profit</b>	<b>627</b>	<b>465</b>	<b>428</b>	<b>399</b>	<b>408</b>	PER (x)	8.3	10.5	11.3	12.1	11.9
Net margin (%)	17.1%	11.5%	10.4%	9.1%	8.9%	PBR (x)	1.1	1.8	1.8	1.8	1.7
Minorities	-	-	-	-	-	PSR (x)	1.2	1.1	1.1	1.0	1.0
Net attributable profit	627	465	428	399	408	EV/EBITDA (x)	4.2	4.7	4.9	4.8	4.6
Number of shares (m)	45	82	82	82	82	EV/Sales (x)	1.0	0.9	0.9	0.8	0.8
<b>EPS (VND, bonus-adjusted)</b>	<b>6,447</b>	<b>5,109</b>	<b>4,750</b>	<b>4,428</b>	<b>4,530</b>	Dividend yield (%) (bonus-adjusted)	6.7%	6.5%	7.4%	7.4%	7.4%
EPS growth (%)	12.5%	-20.8%	-7.0%	-6.8%	2.3%						
DPS (VND)	6,500	3,500	4,000	4,000	4,000						
Payout ratio	101%	69%	84%	90%	88%						

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss

Payout ratio = Dividend paid / Net attributable profit

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## Recommendation System

**OVERWEIGHT:** where we believe prospective 12 months VND total return (including dividends) will be 15% or more.

**NEUTRAL:** where we believe it will be -5% to 15%.

**UNDERWEIGHT:** where we believe it will be -5% or less.

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