



## Company Report: Binh Minh Plastics Joint-stock Company (HOSE:BMP)

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### BMP initiating report: Waiting for a new sunny day

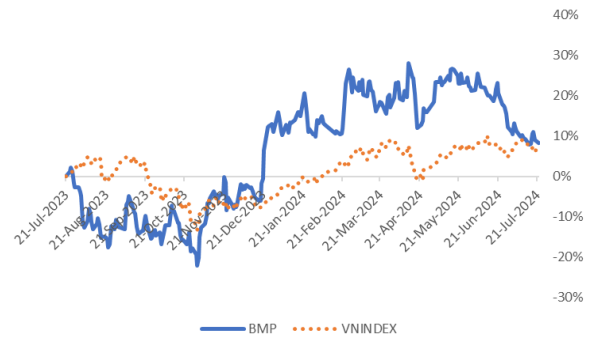
Binh Minh Plastic Joint Stock Company (HOSE:BMP) is one of the leading enterprises in the construction plastics industry in Vietnam, with the 2nd market share in the country and the top market share in the Southern region. The company has many advantages such as: (1) being a member of SCG Group, one of the largest and oldest construction materials corporations in the world; BMP's input costs are low thanks to purchasing raw materials from the parent corporation; (2) The company has built its brand, product distribution system, and position in the industry, especially holding the leading position in the Southern region; (3) the Company's finances are strong. BMP's business environment is also expected to have many improvements in the coming period: (1) input prices are expected to remain at a competitive level; (2) The recovery of the real estate and construction sectors is expected to boost sales of the Company's products. We give a 6-18 month target price for BMP stock of **VND101,000/share**. Based on the closing price on July 22, 2024 of BMP stock of VND96,500/share, we give a **NEUTRAL** recommendation for BMP stock (expected upside +4.66%). We assess that the current price of the stock has reflect the prospect of the Company.

Recommendation: **Neutral**

6-18m TP: **VND101,000**

Current price: VND96,500

Price performance (12M)



	1M	3M	12M
Price change			
%	-10.23%	-3.41%	+8.23%
% VNIndex change	-2.14%	+6.79%	+5.80%
Avg price (VND)	99,448	105,636	94,459

Sources: Guotai Junan (VN), FiinPro X

Year	Net Sales (VND b)	PATMI (VND b)	Assets (VND b)	Equity net MI (VND b)	EPS (VND)	ΔEPS (%)	DPS (VND)	ROAA (%)	ROAE (%)
2020A	4,685.6	522.6	3,022.8	2,471.5	6,384	23.63	5,960	17.8	21.2
2021A	4,552.8	214.4	2,838.0	2,293.5	2,619	-58.98	2,600	7.3	9.0
2022A	5,808.3	694.3	3,044.8	2,621.3	8,481	223.83	8,400	23.6	28.3
2023A	5,157.0	1,041.0	3,255.0	2,689.7	12,717	49.95	12,600	33.1	39.2
2024F	4,899.1	930.0	3,400.0	2,809.5	11,360.7	-10.67	N/A	27.9	33.8

Outstanding shares (in millions)	81.86	Major shareholders (%)	Nawaplastic Industry Co Ltd, 55.0 KWE Beteiligungen AG, 11.0
Market cap (VND b)	7,965	Free float (%)	45
10-day average volume (shares)	233,850	ROAA trailing 4Q (%)	28.1
52w high/low (VND)	114,140/69,440	ROAE trailing 4Q (%)	33.5

Sources: the Company, FiinPro X, Guotai Junan (VN)

COMPANY OVERVIEW



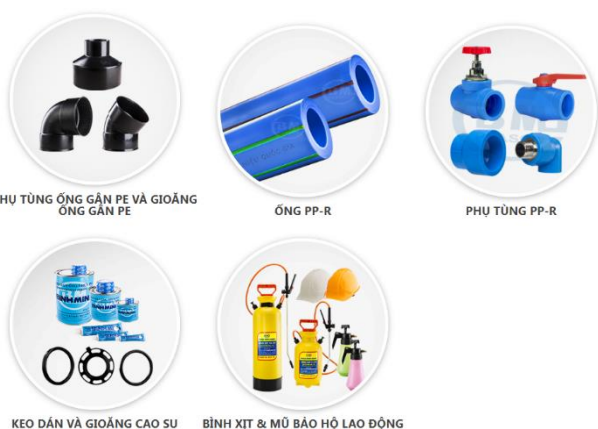
Binh Minh Plastic Joint Stock Company (HOSE:BMP) was established in 1977. The company specializes in manufacturing rigid PVC pipe, PEHD (ribbed pipes and smooth pipes), pipe fittings, pesticide sprayers, labor helmets, and other plastic technical products. BMP has operated under the joint stock company model since 2004. BMP shares were listed on HOSE in 2006. With nearly half a century of accompanying the country's development, the Company has built a brand and is one of the leading companies in the construction plastics industry in Vietnam. The Company's current headquarters is in Ward 9, District 6, Ho Chi Minh City.

BMP became a subsidiary of The Nawaplastic Industries (Saraburi) Co., Ltd and became a member company of SCG Thailand Group since 2018. Currently, BMP has 2 major shareholders with an ownership ratio of over 5%: the parent company, The Nawaplastic Industries (Saraburi) Co., Ltd (54.99%), and KWE Beteiligungen AG (11.02%), according to FiinPro X data on July 17, 2024.



BMP's products (Sources: BMP)

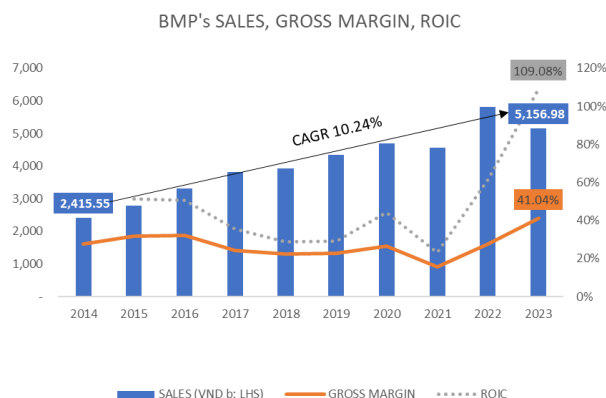
BMP's products are consumed nationwide. The company has 4 production factories in Ho Chi Minh City, Binh Duong, Long An, and Hung Yen with capacity of 150,000 tons/year, meeting the needs of the national market. BMP's product distribution system is also increasingly expanding. By the end of 2023, the Company has more than 2,158 distributors/stores across the country, ensuring quick and timely supply of goods according to customer requirements. According to the data we collected, BMP has a market share of about 50% in the Southern region and nearly 30% nationwide. Currently, Tien Phong Plastic Joint Stock Company (HOSE: NTP) is the company with the largest construction plastic market share nationwide (30%), and BMP is ranked 2nd.



BMP's products (cont.; Sources: BMP)

## OPERATING RESULTS AND FINANCIALS

95% of BMP's revenue comes from selling finished products. Revenue grew with a CAGR of 10.24% from 2014 to 2023. The average gross margin is about 27%, except for 2021 and 2023. In 2021, gross margin was just over 15%. This was the year the conflict between Russia and Ukraine took place, causing the price of crude oil, natural gas, and the price of BMP's main input material, PVC (accounting for about 70% of inputs), to increase sharply. In 2023, gross margin increased to 41%. ROIC generally fluctuates with gross margin. BMP's 9-year average ROIC is over 45%, at a high level, indicating good operating efficiency. Revenue in 2023 reached about VND 5,157 billion, down more than 11% compared to 2022.



Sources: GTJASVN Research, FiinPro X



BMP price movements in last 12m (Sources: BigCharts)

BMP's management said that 2023 was a difficult year for the construction and construction materials industry. The real estate market was "frozen" leading to a significant decrease in demand for construction plastics. Construction demand mostly came from the Government's infrastructure investment projects, with a focus on road transport infrastructure. However, on the other hand, there were positives for BMP in 2023. The world's surplus supply of input materials (PVC) and competitive input prices helped improve gross margin in 2023. Besides, the company also had many additional advantages to help improve input costs when compared with other businesses in the same industry.

Healthy financials: from 2014 to present, BMP has always had negative net debt; as of Q2/2024, BMP has a negative net debt balance of VND 1,698 billion. Net revenue in the first 6 months of 2024 reached 2,156 billion VND, down 22.33% over the same period and only reached 38.92% of the yearly plan. Pre-tax profit in the first 6 months of 2024 reached 587 billion VND, down 18.36% over the same period and reached 45.50% of the yearly plan. Targeted revenue and net profit before tax in 2024 are VND 5,540 billion and VND 1,290 billion, respectively. We assess that BMP may not achieve its annual targets in 2024 and revenue in 2024 is expected to have a negative growth. However, we also forecast that BMP's revenue will grow again from 2025.

## OUTLOOK #1: BMP'S GROSS MARGIN IS EXPECTED TO CONTINUE TO BE HIGH

Input prices are expected to be stable and competitive in the remainder of 2024 and the following years. PVC prices are at their lowest level in 5 years as demand from China slows down. PVC is produced from ethylene, and ethylene is produced from natural gas, crude oil, coal, or peat. In general, we forecast that the prices of the input materials for ethylene production will be stable and competitive in the medium term.

Crude oil prices are forecasted to remain stable for the remainder of 2024. The downward pressure on crude oil prices will come from reduced demand from the Chinese economy. Meanwhile, OPEC's expected supply cuts and still high crude oil demand in the US are expected to balance the downward pressure on prices.



PVC price in 10 years (Sources: Trading Economics)

Meanwhile, we also forecast coal prices to be stable. Coal prices will stabilize thanks to the balance between decreasing demand in developed countries and increasing demand in developing countries accompanied by decreasing supply. Natural gas alone is forecast to have increased demand worldwide, accompanied by risks of supply shocks, causing prices to have an increase trend. However, in a favorable scenario, natural gas prices will only increase at a moderate rate and remain competitive.



Some images of Long Son petrochemical complex (Sources: Industry and Trade Magazine)

In addition to the stable price of PVC input materials, the actual price of PVC will depend heavily on the supply and demand of this material. PVC demand from the Chinese economy is forecasted to remain low in the medium term due to China's crises in the real estate and construction



sectors, and, in our opinion, this will help keep Asia-Pacific's PVC prices stable and at a competitive level.

Not only will it benefit from the fact that PVC prices in the region will be kept at a competitive level in the medium term. Another factor that will help improve input costs for BMP in the medium and long term is the increasing level of localization of raw materials. Currently, BMP has an advantage in input costs thanks to it importing raw materials from its parent company, Thailand's SCG Group (indirectly owned BMP through Nawaplastic Industries). SCG Group is also the investor of the Long Son petrochemical complex (in Ba Ria - Vung Tau) with an investment value of more than USD 5 billion, considered the largest and most modern petrochemical complex in Vietnam. The project has an olefins factory that can produce intermediate materials used to produce plastic granules for the plastics industry. This complex will go into full commercial operation in Q3/2024. This will help BMP have a larger domestic supply of raw materials, avoiding import and long-distance transportation costs.

In addition, the domestic plastic materials production capacity has also improved significantly since 2019. According to the Vietnam Plastics Association, the production capacity for plastic materials in Vietnam are expected to be able to meet about 30 - 40% of domestic demand in the near future for the two main raw materials, PE and PP (which are also BMP's inputs, besides PVC, accounting for 30% total inputs). BMP's geographical location is also more favorable than its competitor, NTP, in accessing domestic supplies, as petrochemical plants are concentrated in the Southern region of Vietnam, especially in Vung Tau and Dong Thap. There is only 1 petrochemical factory, BSR, in the Central region and 1 factory, Nghi Son, in the North.



An image of BMP factory (Sources: BMP)

In the long term, BMP can also purchase PVC from DGC when the Duc Giang Nghi Son factory comes into operation, helping to increase the localization rate of raw materials. BMP also continuously makes improvements in the production process to optimize costs. The Company reports that the functions of the two departments, Supply Chain Management and Productivity Improvement, will continue to be improved in 2024, helping the Company improve operational efficiency and save costs. In 2023, BMP has a new investment in an automation system with a value of VND 55 billion, completely implemented in 2023. These pieces of information make us expect that BMP will maintain a high gross margin (>40%) in the medium term (over the next few years). Gross margin in the first 2 quarters of 2024 has reached more than 43%.

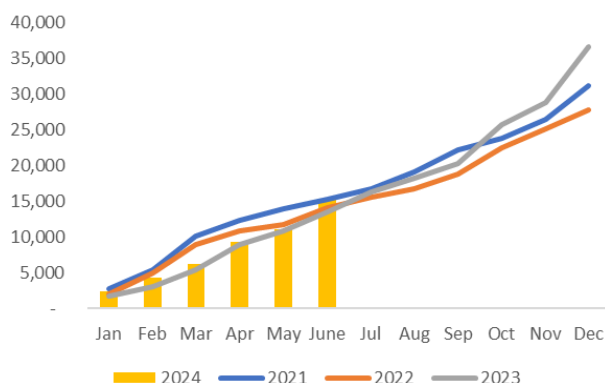
## OUTLOOK #2: BMP'S MEDIUM-TERM REVENUE GROWTH POTENTIAL IS STILL GOOD

BMP is expected to benefit from many public investment and FDI projects. Many key public investment projects such as the Long Thanh airport project are in the Southern market, which is BMP's main market. We forecast that in 2026 and 2027, BMP's revenue growth will have a boost thanks to the Long Thanh airport project. Besides, implemented FDI capital in Vietnam is still growing positively. Along with that is the need to build factories and to build industrial infrastructure.

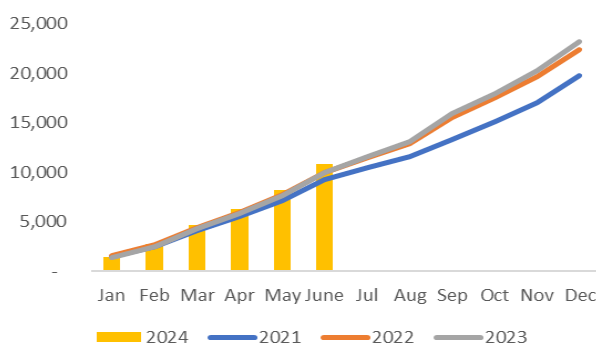


Current status of Long Thanh airport (Sources: Dan tri)

FDI đăng ký lũy kế tại VN (triệu USD)



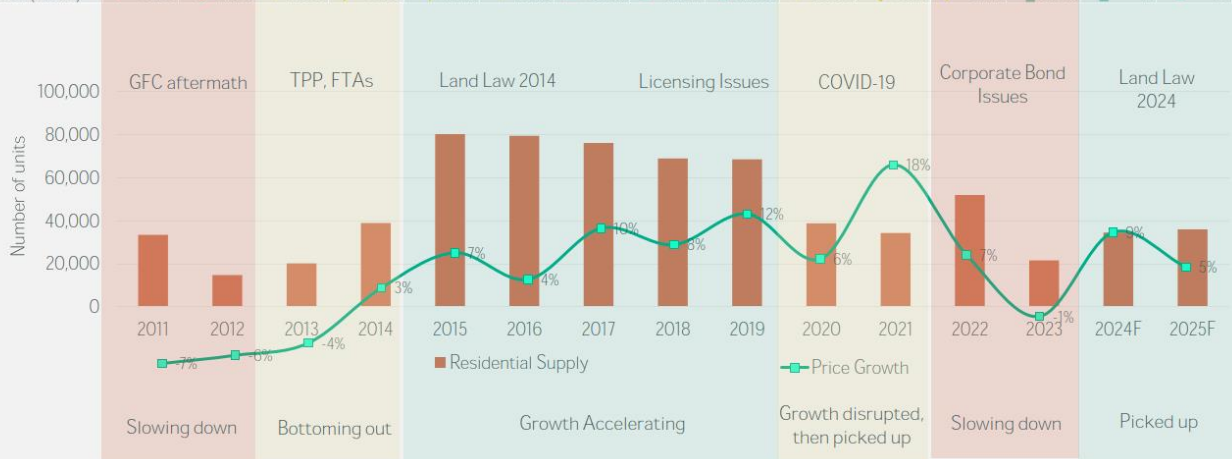
FDI thực hiện lũy kế hàng năm tại VN (triệu USD)



Cumulative registered (left chart) and implemented (right chart) FDI capital in VN in USD millions (Sources: MPI, GTJASVN Research)

### Where are we in the Real Estate growth cycle?

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024F	2025F
GDP Growth	6.2%	5.3%	5.4%	6.0%	6.7%	6.2%	6.9%	7.1%	7.0%	2.9%	2.6%	8.0%	5.1%	5.8%	6.3%
Lending Rates	17.0%	13.5%	10.4%	8.7%	7.1%	7.0%	7.1%	7.4%	7.7%	7.6%	7.8%	8.0%	9.3%	6.5%	N/A
CPI	18.1%	6.81%	6.60%	1.8%	0.6%	2.66%	3.71%	3.5%	2.8%	3.23%	1.84%	3.2%	3.3%	4.0%	4.0%
FDI registered (US\$b)	15.60	16.35	22.35	21.92	24.12	26.89	35.88	35.47	38.02	28.53	31.15	27.72	36.61	40	40



Source: CBRE Research, World Bank, Trading Economics, Oxford Economics, IMF, GSO, MPI  
Residential supply includes Hanoi's and HCMC's (condo and landed property); Residential price growth is average of y-o-y secondary price growth of residential products in Hanoi and HCMC

CBRE Vietnam forecasts that the real estate sector in VN will gradually recover and enter a growth cycle this year (Sources: CBRE, WB, Trading Economics, Oxford Economics, GSO, MPI)

The real estate market is expected to be in the process of recovery. New real estate laws about to come into effect and guiding circulars about to be issued will speed up the project approval and construction licensing process but will also increase developer responsibility and protect the interests of buyers, helping the residential real estate market in Vietnam develop towards a more sustainable direction. Real estate businesses' ability to access capital will improve in 2024, accompanied by interest rate support from the banking system, helping many real estate businesses in difficulty gradually return to normal operations. We believe these things will also improve the sentiment of home buyers. The low interest rate environment and important transport infrastructure projects being implemented will also stimulate people's demand for home buying. We think that positive information from the real estate sector in the near future will also be a driving force for a price increase of BMP shares.

The Northern market can also be a potential driving force for medium and long-term revenue growth for BMP. The company reports it is continuously expanding new distribution networks in the provinces of Lang Son, Bac Giang, Quang Ninh, Ha Nam, Phu Tho, and investing in the infrastructure of Binh Minh Plastics Northern Branch. However, the Northern market is also being firmly held by BMP's competitor, NTP (NTP is accounting for about 55%-60% of the Northern market share and 30% of the nationwide market share according to NTP's 2023 Annual Report). Therefore, we do not expect BMP to quickly capture a part of this market.



*NTP, BMP's competitor, is accounting for more than 50% of the Northern market share  
(Sources: NTP)*

The potential from the agricultural market segment can also be a long-term revenue growth driver for BMP. BMP's products are not only used in industry and civil use. The agricultural sector also uses plastic pipes, for example in irrigation systems. BMP reports that the Company's plastic pipe products have many advantages to be applied in agricultural irrigation systems, such as long life, durability against environmental impacts, mold resistance limiting water contamination, not leaking during use, etc.

*(continued on the next page)*

## OUTLOOK #3: CONTINUE TO STRENGTHEN POSITION AS ONE OF THE LEADING ENTERPRISES IN THE CONSTRUCTION PLASTIC INDUSTRY

### Reputable brand with high market presence

Binh Minh Plastic brand is considered by us to be famous, reputable and a leading brand in the plastic materials industry. The company reports that its products are positioned in the high-quality segment, in accordance with international standards. BMP has a distribution system spread across the country, including 4 central warehouses and more than 2,158 distributors/stores. Overall, the business has firmly grasped the leading position in the Southern market and we assess that BMP can protect this market against domestic competitors.

### Strong financials

The business has a healthy financial situation, almost no borrowing, and cash and bank deposits at the end of Q2/2024 amounted to 1,753 billion VND, nearly 57% of total assets. This not only makes the business more secure, but can also help it take advantage of the favorable environment in the near future to boost production.

### Adopting the trend of "green development" in the plastic industry, aiming for sustainable development through the ESG strategy

In an effort with the Government to reduce emissions, BMP reports being one of the pioneers in green production. The company has been devoting a lot of enthusiasm, effort, and budget to research and development, improving quality to ensure the long life of the product. In addition, BMP reported using 100% virgin materials in the production process, not using outside recycled materials. In addition to environmental protection solutions and initiatives, responsible activities with the community are also given special attention by BMP. In 2023, BMP reported that the business is proud to have successfully implemented a project to provide pipes of clean water to the people of Vinh Long province. Specifically, BMP has provided 1,700m of HDPE plastic pipes, providing clean and safe drinking water for 1,250 people in near-poor households, who was still using river water for living.

### Continue to receive support and inherit the technology and management platform from SCG Group

One of BMP's big advantages compared to domestic construction plastic manufacturing companies is that BMP enjoys support from SCG Group. Mr. Chaowalit, CEO of BMP, said that as BMP is a member of SCG, BMP employees are trained in knowledge sharing sessions from the group, from which the company's staffs better understand production coordination, harmonizing product inputs and outputs, and the links between different departments. BMP also reported that it inherits the management platform from SCG Group, one of the largest and oldest construction materials corporations in the world. SCG Group was the 2nd largest corporation in Thailand and ranked 604th among the world's largest corporations according to Forbes in 2016.

## PROJECTIONS AND VALUATION

Based on some assumptions about the company's future business operations, we give a 6-18 month price target for BMP stock of **VND101,000/share**. This price is equivalent to an upside +4.66% compared to the closing price on July 22, 2024 of BMP stock of VND96,500/share. With the current market price of the stock, we give a **NEUTRAL** recommendation for BMP stock. In



short, we assess that although the Company's future prospects are positive, the current price of the stock has priced in these prospects.

<i>(unit: VND b)</i>	2023	2024F	2025F	2026F	2027F	2028F	2029F
<b>Sales</b>	5,156.98	4,899.14	5,242.07	6,290.49	6,982.44	7,471.21	7,958.78
<b>%Sales growth</b>	-11.21%	-5.00%	7.00%	20.00%	11.00%	7.00%	6.53%
<b>Gross profit</b>	2,116.42	2,008.65	2,149.25	2,579.10	2,862.80	3,063.20	3,263.10
<b>%Gross margin</b>	41%	41%	41%	41%	41%	41%	41%
<b>SG&amp;A</b>	783.17	826.60	872.43	920.81	971.87	1,025.76	1,082.64
<b>EBIT</b>	1,333.25	1,182.05	1,276.82	1,658.29	1,890.93	2,037.44	2,180.47
<b>Average capital</b>	977.85	865.17	1,087.34	1,143.69	1,199.83	1,253.65	1,311.31
<b>WACC</b>	15%	15%	15%	15%	15%	15%	15%
<b>ω</b>	N/A	N/A	N/A	N/A	N/A	N/A	0.89

*Financial projections for BMP (Sources: GTJASVN Research)*

## INVESTMENT RISKS

The risk of input material prices (especially PVC) increasing more than expected, affecting the enterprise's gross margin. Risk of product sales being lower than expected due to the slow recovery of the real estate and construction sectors. Competition risks. Operational risks (fire, explosion, labor safety, etc.).

Risks related to recent senior personnel change. BMP announced on March 17, 2024 that Mr. Nguyen Thanh Hai resigned from the position of Deputy CEO in charge of sales and marketing. Mr. Nguyen Thanh Hai is a senior officer who has been with BMP for a long time and BMP is currently looking for a suitable person to replace this position.

Valuation risk: Our stock valuation is based on several assumptions about the Company's operations. These assumptions cannot be completely correct. In addition, the company's ever-changing internal and external environments may cause the information and assumptions used in the valuation process and our valuation results in this report to no longer be appropriate after the report is published./.

**COMPANY RATING DEFINITION**

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

<b>Rating</b>	<b>Definition</b>
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

**SECTOR RATING DEFINITION**

Benchmark: VN – Index

Time Horizon: 6 to 18 months

<b>Rating</b>	<b>Definition</b>
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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JUL 2024



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BMP

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