



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

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### BMP valuation update report



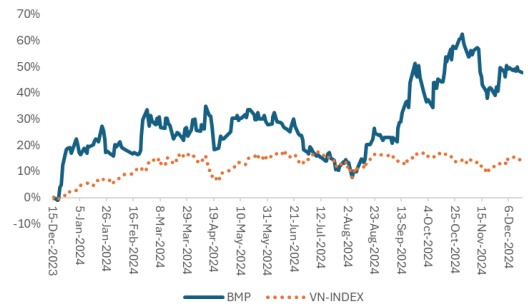
Recommendation: **REDUCE**

6-18m TP: **VND109,000**

Previous 6-18m TP (dividend-adjusted) **VND95,260**

Current price: **VND125,600**

Price performance (12M)



Price change	1M	3M	12M
%	2.95	9.12	48.57
% VNIndex change	1.85	1.88	14.54
Avg price (VND)	122,873	124,797	108,950

Sources: Guotai Junan (VN), investing.com

#### REPORT SUMMARY

In Q3/2024, BMP recorded a net revenue of VND 1,407 billion, up 52% compared to the same period last year and 22% compared to the previous quarter. Revenue in the first 9 months of the year reached VND 3,563 billion, a 4% decrease from the previous year. The revenue is forecasted to reach VND 5,340 billion in 2025, representing a 9% increase from 2024, driven by the recovery in demand from the construction and real estate sectors. PVC resin prices are expected to remain low, which will help BMP reduce production costs and maintain high profit margins in 2025. However, there are risks related to the slow recovery of the real estate and construction industries, as well as oil price fluctuations that could affect production costs.

We value BMP's stock at VND 109,000 per share on 16 Dec 2024. We recommend reducing the stock's weight based on the current price of VND 125,600 per share, with a forecasted downside of -13.2%.

Year	Net Sales (VND b)	PATMI (VND b)	Assets (VND b)	Equity net MI (VND b)	EPS (VND)	DPS (VND)	ROAA (%)	ROAE (%)
2021A	4,552.8	214.4	2,838.0	2,293.5	2,619	2,600	7.3	9.0
2022A	5,808.3	694.3	3,044.8	2,621.3	8,481	8,400	23.6	28.3
2023A	5,157.0	1,041.0	3,255.0	2,689.7	12,717	12,600	33.1	39.2
2024F	4,899.1	1020.0	3,300.0	2,725.0	12,600	N/A	31.1	37.7

Outstanding shares (in millions)	81.86	Major shareholders (%)	Nawaplastic Industry Co Ltd, 55.0 KWE Beteiligungen AG, 11.0
Market cap (VND b)	10,282	Free float (%)	45
10-day average volume (shares)	214,130		
52w high/low (VND)	131,360/80,060		

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

## BUSINESS PERFORMANCE AND FINANCIAL UPDATE

BMP recorded a net revenue of VND 1,407 billion in Q3/2024, up 52% compared to the same period last year and 22% compared to Q2/2024. This growth was driven by a large promotional program of BMP and the recovery of demand in the Vietnamese construction industry. Total net revenue for the first 9 months of the year reached VND 3,563 billion, a 4% decrease from the same period last year. This decline was mainly due to lower demand for construction materials in the first half of 2024. We maintain our 2024 revenue forecast for BMP at VND 4,899.1 billion, a 5% decrease from 2023.

Plastic raw material prices, including PVC resin, account for about 60-70% of BMP's total production costs. PVC resin prices have remained low in recent periods, even reaching their lowest levels in the past five years at times. This has significantly reduced the cost of goods sold compared to revenue, helping to improve gross profit margins. Specifically, in Q3/2024, the gross margin increased from 42.9% to 43.8% compared to the same period last year. The low price of PVC resin is mainly due to weak demand from the Chinese market. The real estate sector in China is currently in a slump, leading to reduced demand for construction plastics in this market. The oversupply of plastic materials in China has caused PVC resin prices to continuously fall to their lowest levels in years. Additionally, the recent decline in Brent oil prices, a key factor influencing plastic raw material costs, has also contributed to the drop in PVC prices.

Polyvinyl Chloride Futures ▼ 4,989.00 -24.00 (-0.48%)



Monthly PVC resin price (futures contracts) as of December 16, 2024, Unit: CNY, Source: investing.com

The after-tax profit in Q3 reached nearly VND 290 billion, an increase of 39% compared to the same period last year, marking the fourth consecutive quarter of profit growth for the company. Cumulative after-tax profit in the first 3 quarters reached VND 760 billion, a 3% decrease compared to the same period last year. The company has achieved approximately 64% of its annual revenue target and 74% of its profit target.

As of the end of Q3/2024, BMP's total assets amounted to over VND 3,500 billion, with cash and cash equivalents reaching nearly VND 2,300 billion, reflecting the company's strong financials. BMP announced a cash dividend payout (57.4% of par value) for the 2024 interim dividend. Specifically, each share received VND 5,740. The record date for dividend distribution was November 14, 2024, with payment scheduled for December 5, 2024. With approximately 81.86 million shares outstanding, the company expectedly pay a total of around VND 470 billion for this dividend.

## OUTLOOK UPDATE

The outlook for BMP in 2025 is expected to be positive, although there are some challenges ahead. We forecast BMP's net revenue in 2025 to reach approximately VND 5,340 billion, a 9% increase compared to 2024 (up from our previous projection of 7% in the July report), driven by the recovery in demand for plastic pipes, particularly from the real estate and construction markets. The recovery of the domestic real estate market and fiscal policies, such as promoting public investment disbursement, will create momentum for the demand for plastic pipes. However, there remains a risk that the real estate and construction sectors may recover more slowly than expected.

Vietnam is highly dependent on imported plastic raw materials (70-80%), making BMP vulnerable to price fluctuations in the global market and supply chain issues. However, the stability in supply and pricing from the parent company SCG helps BMP mitigate this risk. Additionally, there is potential to increase the localization of supply from domestic material suppliers like TPC Vina and AGC, as well as from local petrochemical projects, along with the optimization of BMP's own production processes. These factors are expected to contribute to the company's business stability in the medium to long term.

PVC resin prices, the key raw material in BMP's production, are expected to remain low in the near future, helping the company reduce input costs and maintain high profit margins. BMP's business outlook is expected to be positive, benefiting from low PVC resin prices.

## RISK UPDATE

Although we anticipate that PVC resin prices may remain low in 2025 and potentially into 2026, we also believe that this situation will not last indefinitely. Recent economic stimulus measures from China, such as the large-scale stimulus package worth approximately 10,000 billion yuan (1,400 billion USD) in November and the strong monetary easing policy in December, could help the construction and real estate sectors in China begin a recovery phase starting from 2025.

In addition, there is the risk of increasing oil prices. PVC prices are often strongly influenced by input material prices, such as ethylene and chlorine, which are linked to oil prices. If oil prices increase in the near future (especially given the geopolitical risks in the Middle East), the cost of PVC production will also rise, pushing PVC prices higher. The risk of rising oil and PVC resin prices in the near future, impacting BMP's gross margin, is a key issue to monitor.

Another negative factor for BMP is the delayed operation of the Long Son petrochemical complex. The Long Son petrochemical complex significantly affects BMP by supplying input materials and influencing the plastics market in Vietnam. While the complex officially began commercial operations on September 30, 2024, it suspended commercial production in mid-October 2024. The reason given for the suspension was to control total production costs amidst challenges faced by the global petrochemical industry. This may affect BMP's progress in localizing its raw materials.

Additionally, competitive pressure on BMP is another factor to consider. Companies in the plastics industry, such as NTP, have adjusted their selling prices to maintain market share in the context of declining raw material prices. BMP itself has also implemented policies to increase discounts for its distributors in recent times. Therefore, even if PVC resin prices remain low for an extended period, BMP's product prices and gross margin will face some pressure.

## VALUATION UPDATE

Despite the positive outlook for BMP, we believe the market has reacted a little too optimistically to the company's developments, particularly during the period when PVC resin prices dropped significantly in September and October 2024. BMP's stock has increased by approximately 32.7% year-to-date, compared to the 11.7% increase of the VN-INDEX over the same period. As mentioned earlier, BMP still faces some challenges and risks in the near future, such as the risk of a slower-than-expected recovery of the real estate and construction sectors in Vietnam, the potential long-term recovery of PVC resin prices, and competitive pressures.

We update our valuation of BMP's stock on December 16, 2024, arriving at a target price of VND 109,000 per share. With an estimated 12-month EPS of VND 13,100 per share for BMP, this valuation corresponds to a forward P/E of 8.32x and a trailing P/E of 8.78x. We recommend reducing the stock's weight based on the current stock price of VND 125,600 per share, with a forecasted downside of -13.2%.

Our stock valuation is based on several assumptions regarding the company's business performance. These assumptions may not be entirely accurate, and both internal and external changes in the company's environment could render the information and assumptions used in this valuation report, as well as its results, outdated 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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Company Report