

Binh Minh Plastics (BMP)

Demand should recover from 2H24

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After 1H24, BMP completed 46% of the full-year plan

Binh Minh Plastics (BMP) 1H24 net profit dropped 18% YoY to VND470 billion due to an estimated 24% YoY decrease in sales volume. However, 2Q net profit surged 48% QoQ thanks to (1) an estimated 23% QoQ increase in sales volume and (2) a 146bp-increase in GPM after a decline in PVC resin prices.

Consumption output should start recovering from 2H24

Domestic demand for construction materials has gradually recovered since the beginning of the year, so we expect plastic pipe sales volume to recover more strongly in 2H24, especially when the end of the year is the peak season for the industry. BMP's sales volume in 2H24 should reach 44,625 tons (+25% YoY).

PVC prices stay low, helping BMP maintain high GPM

PVC resin prices should remain at the bottom from mid-2023 in the next six to nine months due to low demand in the Chinese sluggish real estate market. This creates an opportunity for BMP to continue to maintain a GPM in the coming time. KBSV forecasts BMP's GPMs in 2024/2025 to reach 42.5%/40%.

Attractive cash dividend yield

In the past five years, BMP has always maintained a high cash dividend payout ratio (from 97%–99%) with attractive yields (9.5%/11.3% in 2022/2023). We assume that BMP will continue to maintain a ratio of 97% in 2024/2025 and forecast dividend yields for respective year to reach 11.6%/11.2%.

Valuation: BUY rating – Target price VND118,500

KBSV gave a BUY recommendation for BMP with a target price of VND118,500, corresponding to a return of 15% compared to the closing price on August 20, 2024.

Buy change

Target price	VND118,500
Upside	15%
Current price (Aug 19, 2024)	VND102,600
Consensus target price	VND110,000
Market cap (VNDtn/USDbn)	0.83/0.33

Forecast earnings & valuation

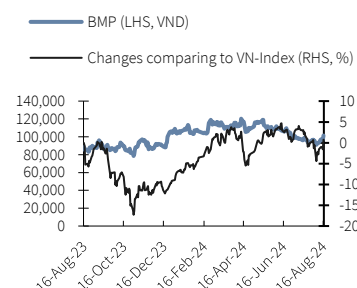
FY-end	2022	2023	2024	2025
Net revenue (VNDbn)	5,808	5,157	4,744	5,351
Operating income/loss (VNDbn)	868	1,304	1,254	1,219
NPAT-MI (VNDbn)	694	1,041	1,005	975
EPS (VND)	8,481	12,717	12,272	11,913
EPS growth (%)	224%	50%	-4%	-3%
P/E (x)	7.1	8.2	8.4	8.6
P/B (x)	1.9	3.2	3.1	3.1
ROE (%)	28%	39%	37%	36%
Dividend yield (%)	9.5%	11.3%	11.6%	11.2%

Trading data

Free float	45%
3M avg trading value (VNDbn/USDmn)	17.74/0.70
Foreign ownership	82.66%
Major shareholder	Nawaplastic (54.99%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	3	-15	-2	19
Relative	4	-13	-7	17



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Business operation

Binh Minh Plastics (BMP) is a leading enterprise in the field of plastic pipe manufacturing with a leading market share in the domestic market (27% by the end of 2023). Its main market is concentrated in the Southern region. BMP has four factories with a total capacity of 150,000 tons/year.

Source: Binh Minh Plastics, KB Securities Vietnam

Investment Catalysts

Notes

Consumption volume will gradually recover from 2H24. We believe that the demand for plastic pipes will improve in 2H24, which is also the peak season for construction every year. BMP's 2H24 product sales output should rise 25% compared to 1H24.

Please find more details [here](#)

GPM should remain high. PVC resin prices are expected to remain low in the next six to nine months due to low consumption prospects as the Chinese real estate market recovers slowly, helping BMP to maintain high GPMs.

Please see more details below

BMP offers attractive dividend yields. KBSV forecasts BMP's 2024/2025 cash dividend ratio will reach 97%, corresponding to a cash dividend yield of 11.7%/11.3%

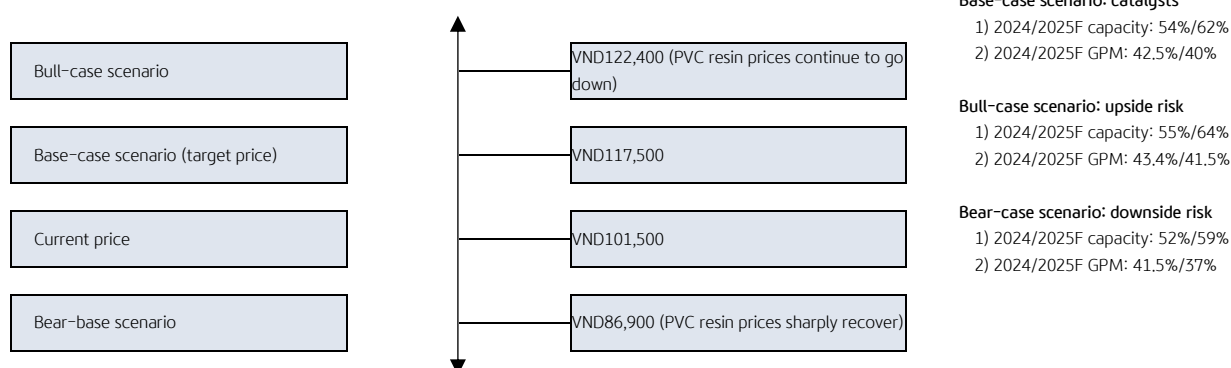
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,744	5,351	-	-	4,875	5,118	-2.7%	4.5%
EBIT	1,312	1,284	-	-	1,313	1,199	-0.1%	7.1%
NP after MI	1,005	975	-	-	1,015	923	-1.0%	5.7%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



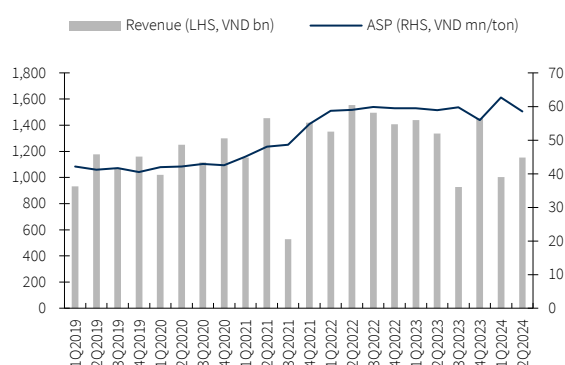
2Q24 performance updates

Table 1. BMP – 1H24 updated results

(VNDbn, %)	2Q23	2Q24	+/-%YoY	1H23	1H24	+/-%YoY	Notes
Revenue	1,336	1,153	-14%	2,776	2,156	-22%	1H24 revenue decreased 22% YoY due to a 24% YoY decrease in sales volume. However, 2Q24 sales volume increased 23% QoQ. According to management, the average price in 2Q did not change much compared to 1Q.
Gross profit	573	506	-12%	1,127	931	-17%	
<i>Gross profit margin</i>	42.8%	43.8%	99bps	40.6%	43.2%	256bps	2Q24 GPM gained 99bps YoY or 146bps QoQ thanks to (1) PVC resin prices continuing to decline and (2) depreciation costs optimization with improved capacity in 2Q.
Financial income	34	17	-50%	57	36	-37%	
Financial expenses	-37	-33	-12%	-77	-61	-21%	Payment discount costs in 1H24 dropped 23% YoY, helping financial costs decrease by 21% YoY.
Profits from affiliates	0	0		-1	0		
SG&A	-202	-141	-30%	-388	-320	-18%	Discount costs for the distribution system in 1H24 fell 25% YoY, helping SG&A decrease by 18% YoY
Operating profit/loss	367	349	-5%	718	586	-18%	
Other income	1	1	27%	1	2	37%	
Profit before taxes (PBT)	368	350	-5%	719	588	-18%	
Profit after taxes (NPAT)	295	280	-5%	575	470	-18%	BMP completed 46% of the 2024 plan.
NP after MI	295	280	-5%	575	470	-18%	
<i>NPAT margin</i>	22.0%	24.3%	226bps	20.7%	21.8%	108bps	

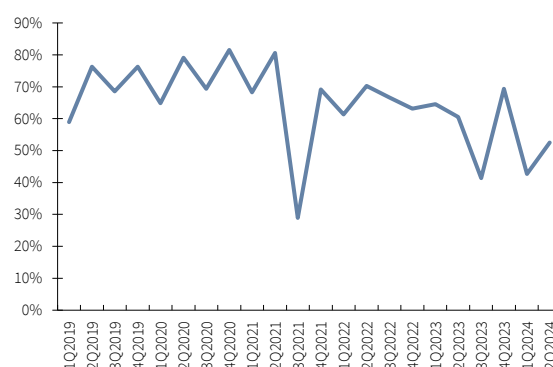
Source: Binh Minh Plastics, KB Securities Vietnam

Fig 2. BMP – Revenue & average product price (VNDbn, VNDmn/ton)



Source: Binh Minh Plastics, KB Securities Vietnam

Fig 3. BMP – Production capacity (%)



Source: Binh Minh Plastics, KB Securities Vietnam

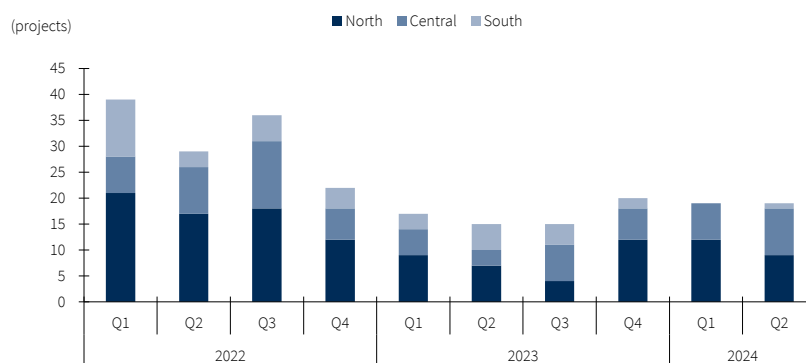
Investment catalysts

1. Consumption demand recovers from 2H24

The real estate market is gradually recovering, thereby raising the consumption of construction plastics

We expect the demand for construction plastics in general and plastic pipes in particular to improve from 2H24, driven by the gradual recovery of the residential real estate market and the construction industry: (1) The number of real estate projects licensed for new construction and resumption of construction in 2H24 is projected to improve compared to 1H24. (2) the Land Law (amended) and the Real Estate Business Law (amended) will be applied earlier, helping to shorten the time to complete legal procedures for projects, improve supply, and facilitate the real estate market to develop more sustainably. In the long term, we estimate the CAGR of the plastic pipe market at 6%/year in the period of 2025–2029.

Fig 4. BMP – Number of newly licensed construction projects (unit)

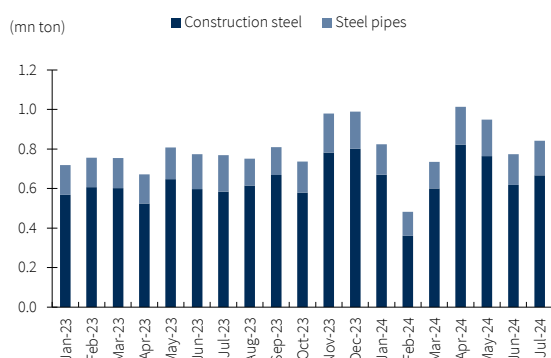


Source: Ministry of Construction, KB Securities Vietnam

2H24 consumption output of BMP increased by 25% compared to 1H24

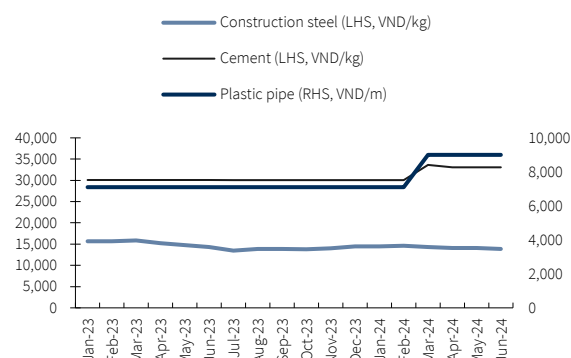
In 1H24, the industry's total plastic pipe sales output is estimated to reach 157 thousand tons (down 4% YoY) due to the difficulties of the housing market and slow recovery in 1H24. However, according to our observations, the consumption of construction materials in general in the domestic market has improved compared to the same period last year. To be more specific, the consumption of construction steel and steel pipes in 7M24 gained 7% YoY. We believe that the faster recovery rate of domestic construction material demand is a leading indicator for plastic pipe consumption demand in the coming time, showing that BMP's revenue has bottomed out in the recent past. KBSV estimates BMP's 2H24 consumption output to reach 44,625 tons (+25% compared to 1H24).

Fig 5. Vietnam – Domestic steel consumption (million tons)



Source: VSA, FiinProX, KB Securities Vietnam

Fig 6. Vietnam – Domestic steel, cement & plastic pipes prices (VND/kg, VND/m)



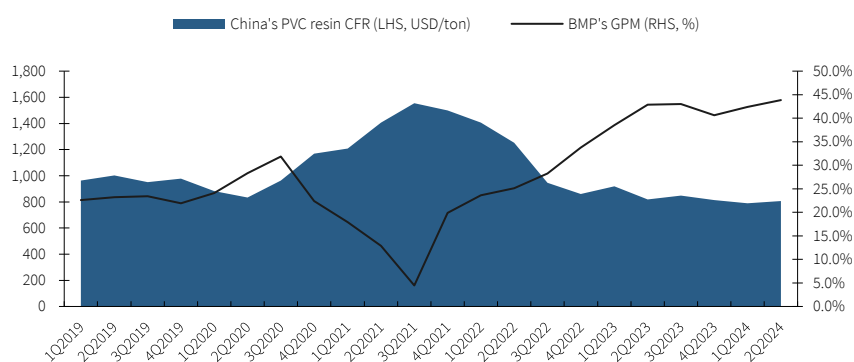
Source: HCMC Construction Department, FiinProX, KB Securities Vietnam

2. Low PVC resin prices help maintain high profit margins

PVC resin prices remain low

PVC resin prices stay low due to low demand in China amid the subdued real estate market in this country. We believe that BMP's input material prices may continue to remain low in the next six to nine months given the real estate industry in China recovering more strongly from 2025 and high geopolitical risks. KBSV forecasts BMP's GPM in 2H24 to reach 42% (down 116bps compared to 1H24, assuming BMP increases basic discounts for dealers to improve revenue), and 2024/2025 GPM should reach 42.5%/40%, assuming PVC resin prices climbing to USD950/ton in 2025.

Fig 7. BMP – PVC resin price & GPM (USD/ton, %)

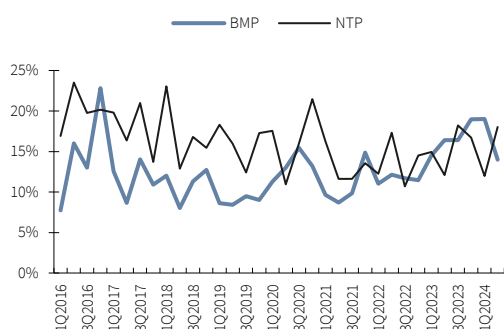


Source: Binh Minh Plastics, KB Securities Vietnam

Unlike competitors in the industry, BMP prioritizes maintaining business performance

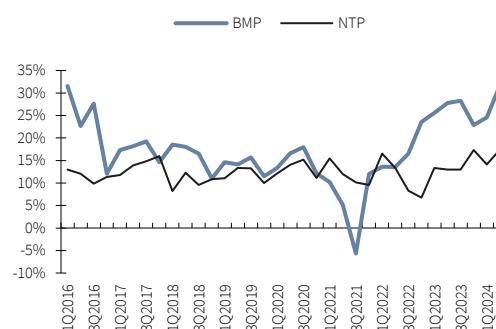
According to our observations, one of the factors that drives the sales performance of plastic pipe manufacturers is the sales policy, including basic discounts (deducted directly from the list price and sold to dealers), trade discounts, and payment discounts. We see that BMP's business strategy focuses on maintaining the profitability of its business operations in the context of the current saturated domestic plastic pipe industry and other competitors maintaining competitiveness with large basic discount programs for dealers. BMP's discount cost ratio for distribution channels tends to be lower than that of competitors in the industry, helping to optimize profitability. KBSV forecasts BMP's EBIT margin to reach 28%/24% in 2024/2025, declining due to (1) a decrease in GPM with the recovery of PVC resin prices and (2) increased selling expenses due to BMP boosting sales programs with dealers to increase revenue when consumption demand returns.

Fig 8. BMP & NTP – Discount cost/sales revenue ratio, excluding basic discounts (%)



Source: Binh Minh Plastics, Tien Phong Plastic, KB Securities Vietnam

Fig 9. BMP – EBIT margin (%)



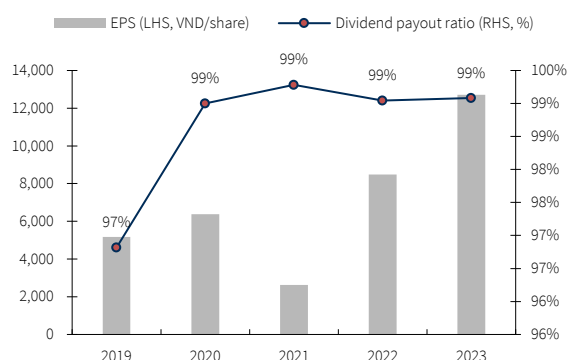
Source: Binh Minh Plastics, Tien Phong Plastic, KB Securities Vietnam

3. BMP offers attractive cash dividend yields

BMP Investment yield, attractive cash dividend yield

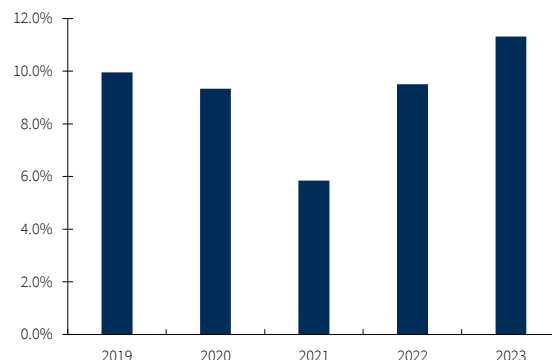
In the last five years, BMP has maintained a cash dividend payout ratio of 97%–99%, with a high cash dividend yield (2022/2023 reaching 9.5%/11.3% respectively). KBSV expects BMP's dividend policy to continue to be maintained at an average of 97% in the future, with an estimated cash dividend yield of 11.6%/11.2% in 2024/2025.

Fig 10. BMP – Dividend payout ratio (VND/share, %)



Source: Binh Minh Plastics, FiinProX, KB Securities Vietnam

Fig 11. BMP – Cash dividend yields (%)



Source: Binh Minh Plastics, KB Securities Vietnam

Table 12. BMP – Forecast EPS & DPS (VND)

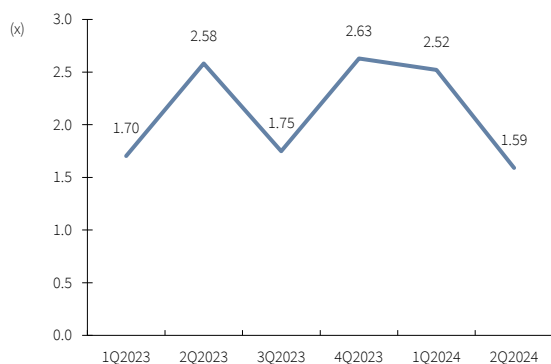
	2024	2025	2026
EPS	12,272	11,913	11,078
Cash dividend payout ratio	97%	97%	97%
DPS	11,900	11,500	10,700
Cash dividend yield	11.6%	11.2%	10.4%

Source: Binh Minh Plastics, KB Securities Vietnam

BMP has a healthy asset structure, and the business operations benefit from its reputation in the industry

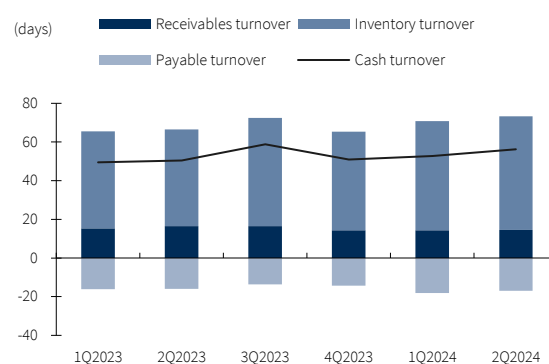
We expect BMP to continue to maintain a high dividend payout ratio thanks to its healthy asset structure and high business efficiency in 2024/2025 with a projected net profit margin of 21.5%/18.2%. Our projection is based on BMP's large industry position, with a capital utilization ratio of over 1.5x and a cash conversion cycle of less than 60 days from the beginning of 2023 to present. In addition, BMP does not rely on debt to maintain its business operations as the debt ratio only accounts for approximately 2% of the company's equity.

Fig 13. BMP – Capital appropriation (x)



Source: Binh Minh Plastics, KB Securities Vietnam

Fig 14. BMP – Working capital turnover (day)



Source: Binh Minh Plastics, KB Securities Vietnam

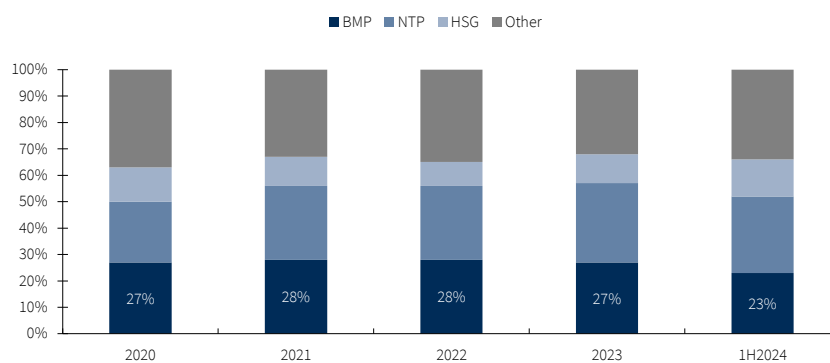
Risks

In the long term, BMP's market share may continue to decline due to its uncompetitive sales policy

As of 1H24, BMP's market share was recorded at 23% (compared to 29% in 1H23). The decline in market share is predictable as BMP focused on maintaining high profitability to increase cash dividends, making the company's discount policy often less competitive than Tien Phong Plastic (NTP) and Hoa Sen Group (HSG). In the long term, continuing to maintain low discount programs will cause BMP's market share loss, which may directly impact revenue in the context of the plastic pipe market being saturated and facing oversupply.

MMP's market share plunged in 1H24

Fig 15. BMP, NTP, HSG – Market share (%)



Source: KB Securities Vietnam

Forecast & valuation

Table 16. BMP – 2024–2025F results

(VNDbn, %)	FY2023	FY2024	+/- %YoY	FY2025	+/- %YoY	Assumptions
Revenue	5,157	4,744	-8%	5,351	13%	Consumption demand gradually improves from 2H24. BMP's projected capacity in 2024/2025 reaches 54%/62%.
Gross profit	2,116	2,018	-5%	2,140	6%	
<i>Gross profit margin</i>	41.0%	42.5%	149bps	40.0%	-253bps	GPM declines due to PVC resin price recovery in 2025 amid better consumption demand in China and recovery of the real estate market.
Deposit interests	117	74	-37%	88	20%	
Interest expenses	0	-2		-3	102%	
Exchange gains/losses and payment discounts	-144	-127	-12%	-150	18%	Payment discounts in 2025 increase 18% due to revenue recovery.
Profits from affiliates	-2	0	-100%	0		
SG&A	-783	-708	-10%	-856	21%	SG&A in 2025 increases by 21% due to BMP promoting sales promotion programs for agents to boost revenue.
Operating profit/loss	1,304	1,254	-4%	1,219	-3%	
Other income	3	2	-40%	0	-100%	
Profit before taxes (PBT)	1,307	1,256	-4%	1,219	-3%	
Profit after taxes (NPAT)	1,041	1,005	-4%	975	-3%	
NP after MI	1,041	1,005	-4%	975	-3%	
<i>NPAT margin</i>	20.2%	21.2%	99bps	18.2%	-295bps	

Source: Binh Minh Plastics, KB Securities Vietnam

Valuation: BUY rating – Target price VND118,500

BMP's stock price has increased by 3.2% since the beginning of the year, including a 22% decline from the peak in April 2024 to early August 2024, reflecting the decline in business results in the context of weak consumption output in 1H24. We believe that BMP's business results have bottomed out and will gradually recover from 2H24 thanks to (1) an estimated 23% QoQ increase in sales volume and (2) a high GPM given low PVC resin prices and low consumption in China.

Using the FCFF method, KBSV recommends BUY for BMP with a target price of VND118,500, equivalent to an expected return of 15% compared to the closing price on August 20, 2024. The above target price corresponds to a projected P/E valuation for 2024/2025 of 9.6x/9.9x, respectively, lower than the five-year average of 11x.

Table 17. BMP – Assumptions

Assumptions	Value
Beta	0.78
Risk-free rate	4.7%
Risk premium	7.6%
Cost of debt	10.0%
WACC	10.6%

Source: PC1 Group, KB Securities Vietnam

Table 18. BMP – FCF

	2024	2025	2026	2027	2028
EBIT	1,005	975	907	872	823
Depreciation	153	156	158	160	162
Changes in working capital	-165	-87	-114	-39	-96
CAPEX	-90	-107	-114	-123	-131
FCF	903	937	837	870	758

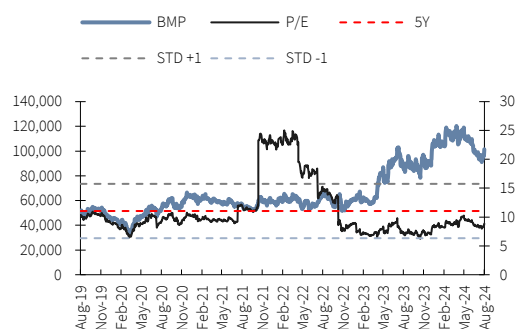
Source: PC1 Group, KB Securities Vietnam

Table 19. PC1 – FCFF estimates

	2024	2025	2026	2027	2028
FCF	903	937	837	870	758
Terminal growth					1%
Terminal value					7,988
Current value of FCF	858	806	651	612	5,081
Enterprise value	8,008				
Cash	1,753				
Debt	-55				
Equity value	9,706				
No. of shares (mn)	82				
Share price	118,500				
Discount applied to holding company	903	937	837	870	758
Target price					1%

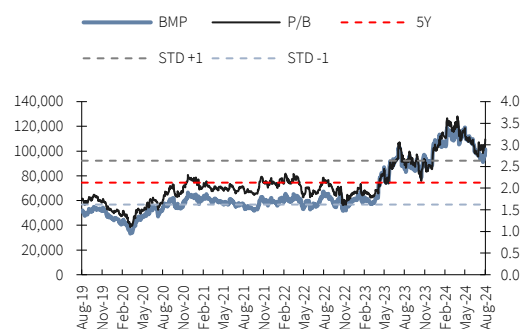
Source: PC1 Group, KB Securities Vietnam

Fig 20. BMP – PER



Source: FiinProX, KB Securities Vietnam

Fig 21. BMP – PBR



Source: FiinProX, KB Securities Vietnam

BMP – 2022A–2025F financials

Income Statement (bn. VND)					Balance Sheet (bn. VND)				
(Standard Report)	2021	2022	2023F	2024F	(Standard Report)	2021	2022	2023F	2024F
Net Revenue	5,808	5,157	4,744	5,351	TOTAL ASSET	3,045	3,255	3,044	3,397
Cost of Goods Sold	-4,201	-3,041	-2,727	-3,210	CURRENT ASSETS	2,215	2,594	2,456	2,858
Gross Profit	1,608	2,116	2,018	2,140	Cash and cash equivalents	359	821	474	737
Financial Income	53	117	73	88	Short-term investments	965	1,190	1,260	1,260
Financial Expenditure	0	0	-2	-3	Accounts receivable	279	174	206	233
Including: Cost of Borrowing	-156	-144	-127	-150	Inventories	577	364	462	574
SG&A	-632	-783	-708	-856	LONG-TERM ASSETS	830	661	588	539
Profit/(loss) from operating	868	1,304	1,254	1,219	Long-term trade receivables	20	20	20	20
Net Other Income	3	3	2	0	Fixed assets	368	286	227	179
Profit/(loss) from affiliated companies	-5	-2	0	0	Long-term incomplete assets	25	12	7	7
Profit/(loss) before tax	871	1,307	1,256	1,219	Long-term investments	66	64	64	64
Tax	-177	-266	-251	-244	Good will (before 2015)	0	0	0	0
Profit/(loss) after tax	694	1,041	1,005	975	TOTAL LIABILITIES	423	565	324	643
Minority Interest	0	0	0	0	Current liabilities	403	546	306	625
NPATMI	694	1,041	1,005	975	Trade accounts payable	91	154	118	171
					Short-term borrowings	55	55	49	57
					Other short-term liabilities	257	337	138	397
					Long-term liabilities	20	19	18	18
					Long-term trade payables	0	0	0	0
					Other long-term liabilities	0	0	0	0
					Long-term borrowings	20	19	18	18
					OWNER'S EQUITY	2,621	2,690	2,720	2,754
					Paid-in capital	819	819	819	819
					Share premium	2	2	2	2
					Other funds	1,202	1,202	1,202	1,202
					Undistributed earnings	599	667	698	732
					State capital	0	0	0	0
					Interest of non-controlling shareholders	0	0	0	0
Operating Ratios					Main Ratios				
	2021	2022	2023F	2024F	(x, %, VND)	2022	2023F	2024F	2024F
Gross Profit Margin	27.7%	41.0%	42.5%	0.0%	Valuation Ratios				
EBITDA Margin	20.6%	31.4%	32.3%	0.0%	P/E	7.1	8.2	8.4	8.6
EBIT Margin	17.6%	28.1%	29.1%	0.0%	P/E (diluted)	7.1	8.2	8.4	8.6
PBT Margin	15.0%	25.3%	26.5%	0.0%	P/B	1.9	3.2	3.1	3.1
Operating Profit Margin	14.9%	25.3%	26.4%	0.0%	P/S	0.0	0.0	0.0	0.0
Net Profit Margin	12.0%	20.2%	21.2%	0.0%	P/Tangible Book	13.6	30.5	37.7	47.9
					P/Cash Flow	6.1	5.3	10.6	6.4
					EV/EBITDA	4.0	5.2	5.4	5.4
					EV/EBIT	4.7	5.8	6.1	6.0
Cash Flow Statement (Standard Report)					Management Efficiency				
	2022	2023F	2024F	2024F	ROE%	28%	39%	37%	36%
PBT	871	1,307	1,256	1,219	ROA%	24%	33%	32%	30%
Depreciation	170	172	153	156	ROIC%	28%	38%	36%	35%
Profit/(loss) from investing	-49	-118	0	0	Financial Ratios				
Cost of borrowing	0	0	2	3	Cash Ratio	0.9	1.5	1.6	1.2
Profit/(loss) before changes in WC	990	1,344	1,411	1,378	Quick Ratio	4.0	4.0	6.3	3.6
(Increase)/decrease in receivables	-9	107	-31	-28	Current Ratio	5.5	4.7	8.0	4.6
(Increase)/decrease in inventory	36	229	-98	-112	Long-term borrowing/Owner's Equity	0.0	0.0	0.0	0.0
Increase/(decrease) in payables	-50	138	-36	52	Long-term borrowing/Total Asset	0.0	0.0	0.0	0.0
(Increase)/decrease in pre-paid expenses	-23	60	0	0	Short-term borrowing/Owner's Equity	0.0	0.0	0.0	0.0
Sellable securities, cost of borrowing, tax	-145	-275	-453	12	Short-term borrowing/Total Asset	0.0	0.0	0.0	0.0
Operating Cash Flow	799	1,603	792	1,303	Short-term payables/Owner's Equity	0.1	0.2	0.1	0.2
Purchases of fixed assets and other long term assets	-70	-58	-90	-107	Short-term payables/Total Asset	0.1	0.2	0.1	0.2
Proceeds from disposal of fixed assets	0	3	0	0	Total payables/Owner's Equity	0.1	0.2	0.1	0.2
Loans granted, purchases of debt instruments	-942	-1,660	-70	0	Total payables/Total Asset	0.1	0.2	0.1	0.2
Collection of loans, proceeds from sales of debts instruments	817	1,435	0	0	Operating Ratios				
Investments in other entities	0	0	0	0	Receivables turnover	17.9	22.8	25.0	24.4
Proceeds from divestment in other entities	0	0	0	0	Inventory turnover	7.0	6.5	6.6	6.2
Dividends and interest received	50	106	0	0	Payables turnover	20.9	22.2	20.0	22.2
Investing Cash Flow	-145	-174	-160	-107					
Proceeds from issue of shares	0	0	0	0					
Payments for share returns and repurchases	0	0	0	0					
Proceeds from borrowings	1	0	0	8					
Repayment of borrowings	-3	0	-6	0					
Finance lease principal payments	0	0	0	0					
Dividends paid	-467	-966	-974	-941					
Interests, dividends, profits received	0	0	0	0					
Financing Cash Flow	-469	-966	-980	-934					
Net increase in cash and cash equivalents	186	463	-347	263					
Cash and cash equivalents at the beginning of period	173	359	821	474					
Cash and cash equivalents at the end of period	359	821	474	737					

Source: Binh Minh Plastics, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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