

# Binh Minh Plastics (BMP)

## Increased sales on greater distributor discounts

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Analyst Nguyen Duong Nguyen  
nguyend1@kbsec.com.vn

**BMP recorded 3Q2024 NP after MI of VND290 billion (+3% QoQ)**

In 3Q2024, revenue grew by 22% QoQ thanks to a 19% increase in sales volume and a 2% QoQ rise in the average selling price (ASP). This growth followed BMP's proactive strategies, including greater distributor discounts, enhanced sales promotion programs, and payment discounts for partners.

**Sales volume is projected to grow by 12% in 2025 and 7% in 2026, fueled by the real estate market recovery**

CBRE projects a 32% increase in apartment supply in Ho Chi Minh City in 2025 and 38% in 2026. We expect further growth in residential construction in 2025, driven by a recovering real estate market, accelerated site clearance, and regulatory easing following the amended Land and Real Estate Laws.

**PVC resin prices in China are expected to rebound in 2025**

Following the announcement of economic support measures, we expect China's manufacturing activity to recover, stimulating PVC resin demand and driving up selling prices, which will increase BMP's COGS. However, KBSV believes BMP's dominant market share and ability to pass on cost increases to buyers will maintain gross profit margins of 40% and 37% in 2025F and 2026F, respectively.

**The dividend payout ratio remains steady, offering an attractive yield**

KBSV expects BMP to distribute the second tranche of its 2024 dividend in 1H2025, with an estimated cash dividend yield of 5.2%. Also, we project relatively attractive cash dividend yields of 9.8%/9.2% for 2025F/2026F, respectively.

**We downgrade BMP to NEUTRAL with a target price of VND117,500 per share**

KBSV downgrades BMP to NEUTRAL with a target price of VND117,500 per share, 1.7% below the closing price on November 22, 2024. After adjusting for the second tranche of the 2024 dividend, the estimated return stands at 3.7%.

## Neutral change

**Target price VND 117,500**

Downside	-1.7%
Current price (Nov 22, 2024)	VND119,500
Consensus target price	VND 124,800
Market cap (VNDtn/USDbn)	9.8/0.4

### Trading data

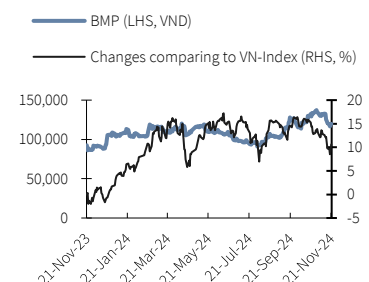
Free float	44.1%
3M avg trading value (VNDbn/USDmn)	31.1/1.2
Foreign ownership	84.2%
Major shareholder	Nawaplastic (54.9%)

### Share price performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	-10.0	13.6	8.8	34.3
<b>Relative</b>	-8.0	18.0	11.5	22.2

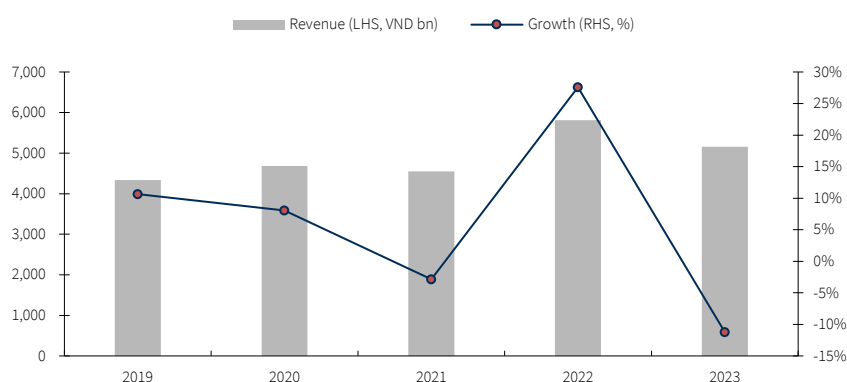
### Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	5,808	5,157	4,935	5,535
Operating income/loss (VNDbn)	868	1,304	1,256	1,237
NPAT-MI (VNDbn)	694	1,041	1,012	990
EPS (VND)	8,481	12,717	12,360	12,090
EPS growth (%)	224%	50%	-3%	-2%
P/E (x)	7.1	8.2	9.7	9.9
P/B (x)	1.9	3.2	3.6	3.6
ROE (%)	28%	39%	37%	36%
Dividend yield (%)	9.5%	11.3%	10.0%	9.8%



Source: Bloomberg, KB Securities Vietnam

## Revenue performance during 2019–2023



Source: Binh Minh Plastics, KB Securities Vietnam

## Business operation

Binh Minh Plastics (BMP) is a leading enterprise in the plastic pipe manufacturing sector, holding a dominant 27% market share in the domestic market as of the end of 2023, with its primary market concentrated in the southern region. BMP operates four factories with a total production capacity of 150,000 tons per year.

## Investment Catalysts

**Sales volume is expected to grow by 12%/7% in 2025F/2026F, respectively.** CBRE projects apartment supply in Ho Chi Minh City to increase by 32% in 2025 and 38% in 2026, supporting a brighter outlook for residential construction and driving demand for plastic pipes.

**Gross profit margins are estimated to reach 40%/37% in 2025F/2026, even though PVC resin prices are forecast to rebound.** We anticipate PVC resin prices to rise starting from 2H2025, driven by the recovery of manufacturing activity in China. However, we believe BMP can adjust selling prices and pass part of the cost increases to buyers, supported by (i) its large market share and (ii) recovering demand.

**Dividend yields remain attractive.** KBSV estimates the yield for the second tranche of the 2024 dividend at 5.2% (based on the closing price on November 22, 2024). For 2025 and 2026, expected yields stand at 9.8% and 9.2%, respectively.

## Notes

Please find more details below

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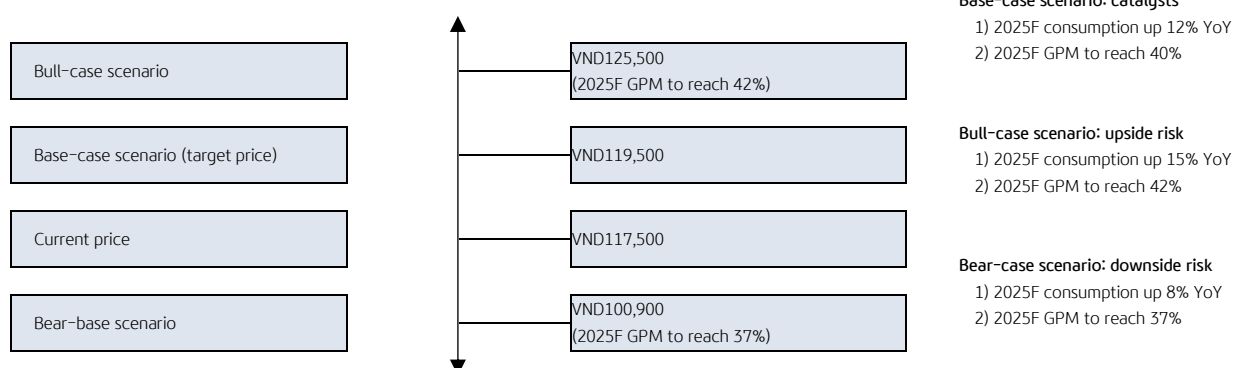
Please find more details below

## Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	4,935	5,535	4.0%	3.4%	5,044	5,393	-2.1%	2.6%
EBIT	1,383	1,328	5.4%	3.5%	1,383	1,386	0.0%	-4.1%
NP after MI	1,012	990	0.7%	1.5%	1,039	1,047	-2.6%	-5.5%

Source: Bloomberg, KB Securities Vietnam

## Investment opinion &amp; risks



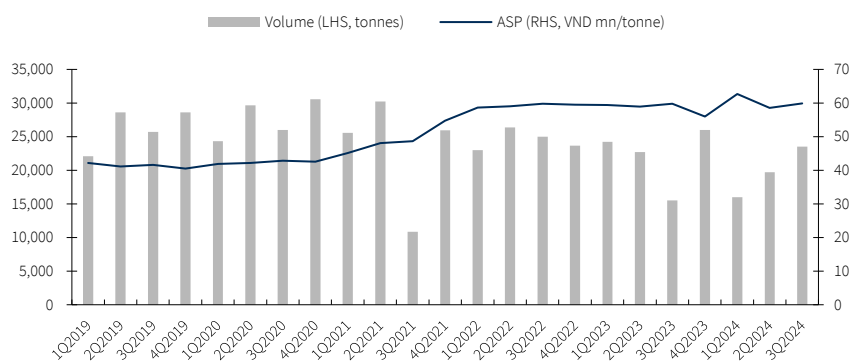
## Business performance

Table 1. BMP – 9M2024 business performance

(VNDbn)	3Q2023	3Q2024	+/-%YoY	9M2023	9M2024	+/-%YoY	Notes
Revenue	926	1,407	52%	3,703	3,563	-4%	3Q2024 sales volume reached 23,500 tons (up 52% YoY).
Gross profit	398	606	52%	1,526	1,537	1%	
Gross profit margin	43.0%	43.1%	6bps	41.2%	43.1%	192bps	9M2024 gross profit margin improved by 192bps, supported by PVC resin prices remaining at low levels compared to the same period last year.
Financial income	32	20	-38%	89	56	-37%	
Financial expenses	-26	-71	180%	-103	-132	29%	BMP increased payment discounts for distributors, leading to a 180% YoY rise in 3Q2024 financial expenses.
Profits from associates	0	0	-124%	-1	0	-71%	
SG&A	-134	-200	50%	-522	-520	0%	Sales promotion activities were intensified, resulting in a 39% YoY increase in 3Q2024 selling expenses.
Operating income/loss	271	354	31%	989	940	-5%	
Other income	-2	8		-1	10		BMP recorded gains from the disposal of fixed assets in 3Q2024.
Profit before taxes (PBT)	269	362	35%	988	950	-4%	
Profit after taxes (NPAT)	209	290	39%	784	760	-3%	NPAT achieved 74% of the full-year objective.
NP after MI	209	290	39%	784	760	-3%	
NPAT margin	22.5%	20.6%	-196bps	21.2%	21.3%	15bps	

Source: Binh Minh Plastics, KB Securities Vietnam

Fig 2. BMP – Sales volume & average selling price (tons, VNDmn/ton)



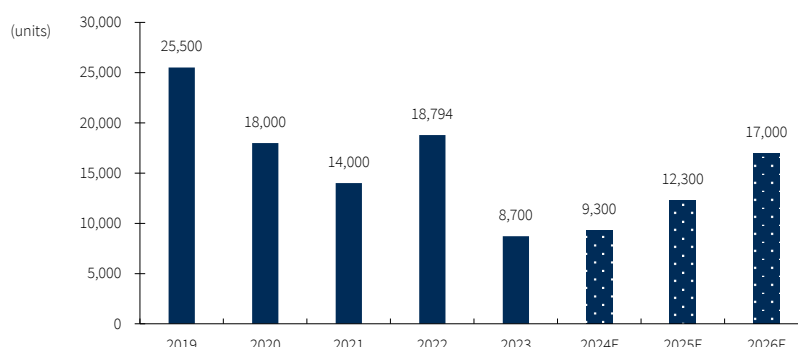
Source: Binh Minh Plastics, KB Securities Vietnam

**Sales volume is projected to grow by 12% in 2025 and 7% in 2026, fueled by the real estate market recovery**

From our observations, large real estate projects nationwide are receiving rapid support in resolving legal issues, demonstrating consistency with the government's commitment to backing the real estate sector. Additionally, KBSV expects the residential real estate market to pick up further in 2025-2026, following the implementation of the amended Land Law and Real Estate Law, which will help expedite compensation, site clearance, and legal procedures for developers. This will foster sustainable market development and improve supply. CBRE's latest report forecasts that apartment supply in Ho Chi Minh City will increase by 32%/38% in 2025/2026, which is expected to boost BMP's plastic pipe sales.

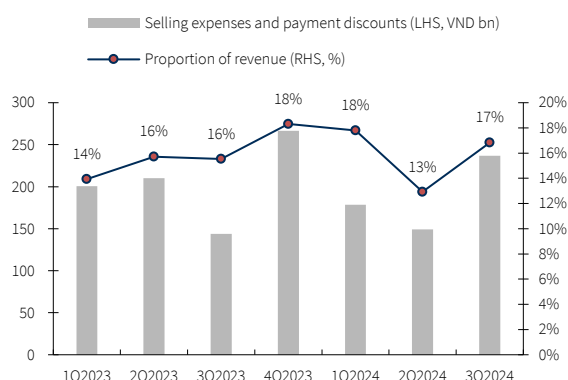
On the company side, we note that BMP has proactively increased distributor discounts and intensified sales promotion programs in 3Q2024, leading to a 19% QoQ increase in sales volume. We expect BMP to continue these discount programs, which will support market share growth, projected at 27%/28% in 2024F/2025F. KBSV estimates BMP's sales volume at 82.1/92.3/98.3 thousand tons in 2024F/2025F/2026F (-7%/+12%/+7% YoY).

**Fig 3. Vietnam – Apartment supply in Ho Chi Minh City (units)**



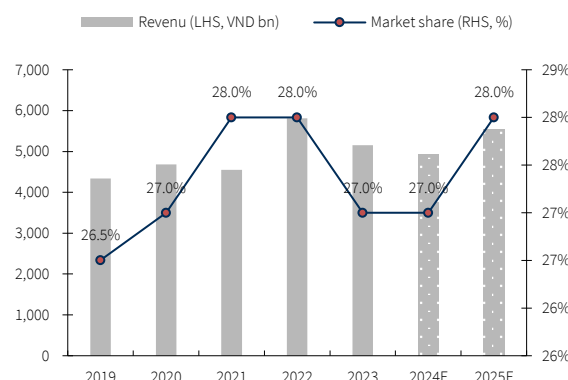
Source: CBRE, KB Securities Vietnam

**Fig 4. BMP – Selling expenses and payment discounts, net revenue proportion (VNDbn, %)**



Source: Binh Minh Plastics, KB Securities Vietnam

**Fig 5. BMP – Revenue, market share (VNDbn, %)**

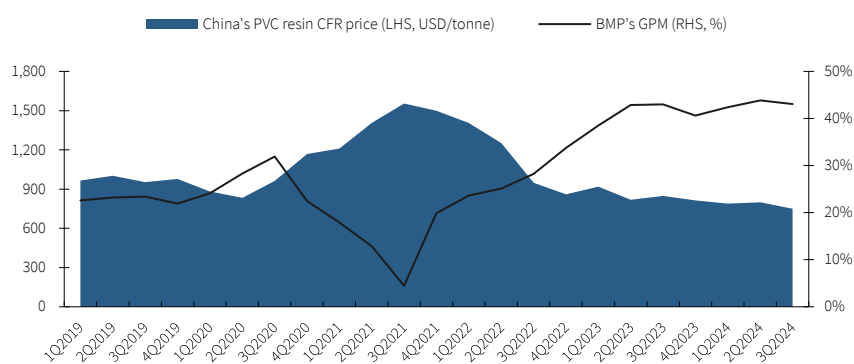


Source: Binh Minh Plastics, KB Securities Vietnam

**The recovery in China's manufacturing activity is expected to lead to a resurgence in PVC resin demand in 2025**

PVC resin prices in China decreased by an average of 5.9% in 3Q2024 compared to the previous quarter due to falling oil prices, which enabled BMP to maintain strong gross profit margins during the period. We continue to expect PVC resin prices to remain low in 1H2025, with a gradually increase starting in 2H2025 as demand picks up with the recovery of business activity. However, the recovery pace is anticipated to be relatively slow. Given BMP's strong market share and the expected recovery in demand, we believe the company will be able to pass on part of any cost increases (should input material prices rise) to buyers. KBSV estimates BMP's gross profit margins will reach 40% in 2025F and 37% in 2026F.

**Fig 6. BMP – BMP's GPM vs. China's PVC resin price (% , USD/ton)**



Source: Binh Minh Plastics, Bloomberg, KB Securities Vietnam

**The cash dividend yield for 2025F/2026F is projected to exceed 9% per year**

BMP has paid the first cash dividend of 2024, with a dividend payout ratio of 62% based on 9M2024 net profit. We expect BMP to distribute the second cash dividend of 2024 in 1H2025, with an estimated dividend yield of 5.2% based on the closing price on November 22, 2024. KBSV maintains the assumption that BMP's average dividend payout ratio will be 97% in the future and projects a cash dividend yield of 9.8%/9.2% for 2025F/2026F.

**Table 7. BMP – 2024F–2026F EPS, DPS**

	2024F	2025F	2026F
EPS	12,272	11,913	11,078
Dividend payout ratio	97%	97%	97%
DPS	11,900	11,700	11,000
Remaining cash dividend	6,160	11,700	11,000
Cash dividend yield	5.2%	9.8%	9.2%

Source: KB Securities Vietnam

## Forecast

Table 8. BMP – 2023A–2025F business performance

(VNDbn)	2023A	2024F	+/-%YoY	2025F	+/-%YoY	Notes
Revenue	5,157	4,935	-4%	5,535	12%	2025F sales volume is expected to increase by 12% YoY.
Gross profit	2,116	2,113	0%	2,214	5%	
Gross profit margin	41.0%	42.8%	178bps	40.0%	-282bps	The gross profit margin in 2025 is projected to decrease by 282bps due to a rebound in PVC resin prices as manufacturing activity in China recovers.
Deposit interest	117	80	-32%	103	29%	
Borrowing costs	0	0		0		
Foreign exchange gain/loss	-144	-193	34%	-194	0%	We assume that BMP will increase payment support for partners to stimulate consumption and strengthen market share.
Profits from affiliates	-2	0	-100%	0		
SG&A	-783	-740	-6%	-886	20%	We assume that BMP will enhance sales promotion programs to stimulate consumption and reinforce market share.
Operating income/loss	1,304	1,256	-4%	1,238	-1%	
Other income	3	10	207%	0	-100%	
Profit before taxes (PBT)	1,307	1,265	-3%	1,238	-2%	
Profit after taxes (NPAT)	1,041	1,012	-3%	990	-2%	
NP after MI	1,041	1,012	-3%	990	-2%	
NPAT margin	20.2%	20.5%	32bps	17.9%	-262bps	

Source: Binh Minh Plastics, KB Securities Vietnam

## Valuation

**We downgrade BPM to NEUTRAL  
with a target price of  
VND117,500/share**

BMP stock has increased by 23% (including the first dividend of 2024) compared to the price in our latest report, reflecting part of the recovery in sales volume due to (i) increased discounts for distributors and (ii) recovering demand. We apply two methods, FCFF and PER, to determine BMP's fair value at VND117,500 per share, a 1.7% decrease from the previous target price. After adjusting for the second dividend payment of 2024, the expected return is 3.7%.

**Table 9. BMP – Model assumptions**

Assumption	Value
Beta	0.78
Risk-free rate	4.7%
Market risk premium	7.9%
Average interest rate	6.0%
WACC	10.7%

Source: KB Securities Vietnam

**Table 10. BMP – Discounted cash flow model**

(VNDbn)	2024F	2025F	2026F	2027F	2028F
NP after MI	1,012	990	933	923	887
Depreciation costs	140	152	170	189	211
Change in working capital	-98	-128	-116	-101	-96
CAPEX	-117	-138	-150	-164	-178
FCF	938	875	837	847	824

Source: KB Securities Vietnam

**Table 11. BMP – FCFF valuation**

(VNDbn)	2024F	2025F	2026F	2027F	2028F
FCF	938	875	837	847	824
Terminal growth					1%
Terminal value					8,552
Present value of FCF	928	782	676	618	5,630
Enterprise value	8,635				
Cash & equivalents	1,753				
Total debt	-55				
Equity value	10,332				
Number of shares outstanding (million shares)	82				
Fair value per share	126,200				

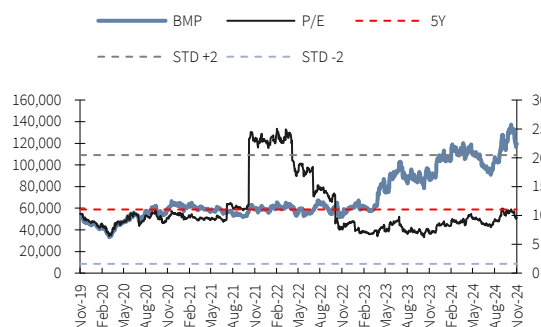
Source: KB Securities Vietnam

**Table 12. BMP – Valuation results**

Valuation method	Target multiple	Valuation	Weighting	Target price
FCFF		126,200	50%	63,100
2025 forward P/E	9	108,800	50%	54,400
Target price				117,500

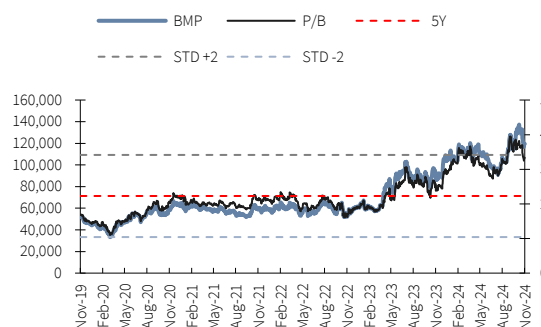
Source: KB Securities Vietnam

**Fig 13. BMP – PER in 2019–2024**



Source: FiinProX, KB Securities Vietnam

**Fig 14. BMP – PBR in 2019–2024**



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	4,935	5,535	TOTAL ASSET	3,045	3,255	3,079	3,387
Cost of Goods Sold	-4,201	-3,041	-2,822	-3,321	CURRENT ASSETS	2,215	2,594	2,477	2,799
Gross Profit	1,608	2,116	2,113	2,214	Cash and cash equivalents	359	821	350	514
Financial Income	53	117	75	103	Short-term investments	965	1,190	1,470	1,470
Financial Expenditure	0	0	0	0	Accounts receivable	279	174	221	233
Including: Cost of Borrowing	-156	-144	-193	-194	Inventories	577	364	388	534
SG&A	-632	-783	-740	-886	LONG-TERM ASSETS	830	661	602	589
Profit/(loss) from operating	868	1,304	1,256	1,238	Long-term trade receivables	20	20	20	20
Net Other Income	3	3	10	0	Fixed assets	368	286	269	256
Profit/(loss) from affiliated companies	-5	-2	0	0	Long-term incomplete assets	25	12	6	6
Profit/(loss) before tax	871	1,307	1,265	1,238	Long-term investments	66	64	64	64
Tax	-177	-266	-253	-248	Good will (before 2015)	0	0	0	0
Profit/(loss) after tax	694	1,041	1,012	990	TOTAL LIABILITIES	423	565	351	627
Minority Interest	0	0	0	0	Current liabilities	403	546	333	609
NPATMI	694	1,041	1,012	990	Trade accounts payable	91	154	128	158
EBIT	974	1,334	1,383	1,328	Short-term borrowings	55	55	48	55
EBITDA	1,144	1,506	1,523	1,480	Other short-term liabilities	257	337	157	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	2,727	2,760
					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	705	737
					State capital	0	0	0	0
					Interest of non-controlling shareholders	0	0	0	0
Operating Ratios					Main Ratios (x, %, VND)				
	2021	2022	2023F	2024F		2022	2023F	2024F	2024F
Gross Profit Margin	27.7%	41.0%	42.8%	0.0%	Valuation Ratios				
EBITDA Margin	20.6%	31.4%	32.2%	0.0%	P/E	7.1	8.2	9.7	9.9
EBIT Margin	17.6%	28.1%	29.4%	0.0%	P/E (diluted)	7.1	8.2	9.7	9.9
PBT Margin	15.0%	25.3%	25.6%	0.0%	P/B	1.9	3.2	3.6	3.6
Operating Profit Margin	14.9%	25.3%	25.4%	0.0%	P/S	0.0	0.0	0.0	0.0
Net Profit Margin	12.0%	20.2%	20.5%	0.0%	P/Tangible Book	13.6	30.5	37.1	39.1
					P/Cash Flow	6.1	5.3	10.8	7.8
					EV/EBITDA	4.0	5.2	6.2	6.3
					EV/EBIT	4.7	5.8	6.9	7.0
Cash Flow Statement (Standard Report)					Management Efficiency				
	2022	2023F	2024F	2024F		2022	2023F	2024F	2024F
PBT	871	1,307	1,265	1,238	ROE%	28%	39%	37%	36%
Depreciation	170	172	140	152	ROA%	24%	33%	32%	31%
Profit/(loss) from investing	-49	-118	0	0	ROIC%	28%	38%	37%	35%
Cost of borrowing	0	0	0	0	Financial Ratios				
Profit/(loss) before changes in WC	990	1,344	1,406	1,389	Cash Ratio	0.9	1.5	1.1	0.8
(Increase)/decrease in receivables	-9	107	-47	-12	Quick Ratio	4.0	4.0	6.1	3.6
(Increase)/decrease in inventory	36	229	-24	-146	Current Ratio	5.5	4.7	7.4	4.6
Increase/(decrease) in payables	-50	138	-27	30	Long-term borrowing/Owner's Equity	0.0	0.0	0.0	0.0
(Increase)/decrease in pre-paid expenses	-23	60	0	0	Long-term borrowing/Total Asset	0.0	0.0	0.0	0.0
Sellable securities, cost of borrowing, tax	-145	-275	-401	-8	Short-term borrowing/Owner's Equity	0.0	0.0	0.0	0.0
Operating Cash Flow	799	1,603	907	1,253	Short-term borrowing/Total Asset	0.0	0.0	0.0	0.0
Purchases of fixed assets and other long term assets	-70	-58	-117	-138	Short-term payables/Owner's Equity	0.1	0.2	0.1	0.2
Proceeds from disposal of fixed assets	0	3	0	0	Short-term payables/Total Asset	0.1	0.2	0.1	0.2
Loans granted, purchases of debt instruments	-942	-1,660	-280	0	Total payables/Owner's Equity	0.1	0.2	0.1	0.2
Collection of loans, proceeds from sales of debts instruments	817	1,435	0	0	Total payables/Total Asset	0.1	0.2	0.1	0.2
Investments in other entities	0	0	0	0	Operating Ratios				
Proceeds from divestment in other entities	0	0	0	0	Receivables turnover	17.9	22.8	25.0	24.4
Dividends and interest received	50	106	0	0	Inventory turnover	7.0	6.5	7.5	7.2
Investing Cash Flow	-145	-174	-397	-138	Payables turnover	20.9	23.0	20.0	23.3
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	7					
Repayment of borrowings	-3	0	-7	0					
Finance lease principal payments	0	0	0	0					
Dividends paid	-467	-966	-974	-958					
Interests, dividends, profits received	0	0	0	0					
Financing Cash Flow	-469	-966	-981	-951					
Net increase in cash and cash equivalents	186	463	-471	164					
Cash and cash equivalents at the beginning of period	173	359	821	350					
Cash and cash equivalents at the end of period	359	821	350	514					

Source: Binh Minh Plastics, KB Securities Vietnam



## KB SECURITIES VIETNAM RESEARCH

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### Research Division

research@kbsec.com.vn

### Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

### Financials

#### Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

#### Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

### Consumer

#### Nguyen Duc Quan – Analyst

quannd@kbsec.com.vn

#### Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

### Real Estate

#### Pham Hoang Bao Nga – Manager

ngaphb@kbsec.com.vn

#### Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

### Industrials & Materials

#### Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

#### Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

### Macro & Strategy

#### Tran Duc Anh – Head of macro & strategy

anhtd@kbsec.com.vn

#### Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

#### Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

### Energy, Utilities & IT

#### Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

#### Nguyen Viet Anh – Analyst

anhnv3@kbsec.com.vn

### Support Team

#### Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

#### Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

**KB SECURITIES VIETNAM (KBSV)**

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**Head Office:**

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

**Hanoi Branch:**

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

**Ho Chi Minh Branch:**

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

**Saigon Branch:**

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

**CONTACT INFORMATION**

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)

Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

**Investment ratings & definitions**

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**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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