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# An Phat Bioplastics (AAA)

## Lackluster 4Q but benefits from EV-FTA

### 4Q earnings inch up 14% YoY to VND 64 billion despite 17% YoY drop in sales

- Better 4Q earnings were achieved from: 1) expansion of GPMs in plastic resins distribution (up 0.9%p) and plastic bag production (up 1.2%p) after the change in pricing policies; 2) cost savings from the change in delivery method to free-on-board (FOB) from cost, insurance and freight (CIF) amid improved conditions for sales commissions; & 3) doubling of financial income to VND44 billion from higher cash balances.
- However, plunging plastic resin prices during the quarter led to the sharp 17% YoY drop in 4Q net revenue to VND1,833 billion, with sales of plastic resins down 25% and plastic bags down 11%.

### Management guides 10% increase in earnings & revenue for 2020

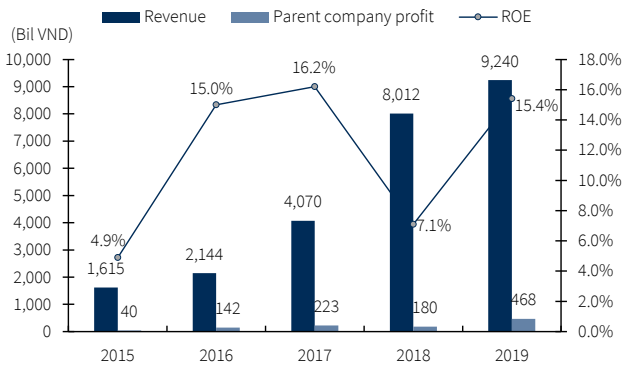
- Earnings target for 2020 at VND550 billion or a 10% increase on revenue of VND10,000 billion (+10% YoY). Management expects to boost plastic bag production to 100,000 tons (+4.4% YoY) from 2019's 95,800 tons and increase the occupancy of the industrial park to 100% in 2020 from 60% currently.
- Exports should benefit from the EV-FTA, when tariffs are removed for plastic bags from 3% now. The EU represents about 50% of plastic bag export revenue and management expects the lower tariff burden to improve net margins from the 6% level currently. Moreover, AAA is also less exposed to the coronavirus like their counterparts in China given raw material imports from the Middle East.

### Largest shareholder – An Phat Holdings Group – plans May IPO & July listing

- Market capitalization of An Phat Holdings valued at USD250 million after IPO in May and listing for July. After listing, the parent plans to increase ownership in AAA to 65% from the current 48.1% to strengthen ownership.

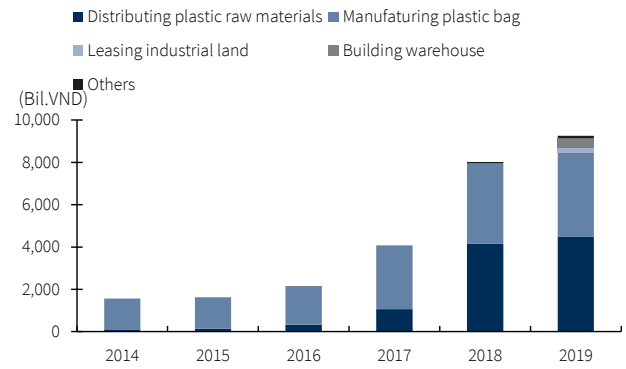


**Fig 1. An Phat Bioplastics – Sales, earnings & ROE, 2015–2019 (VNDbn, %)**



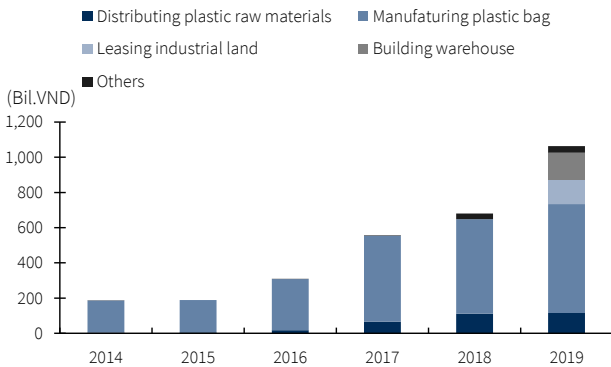
Source: An Phat Bioplastics, KB Securities Vietnam

**Fig 2. An Phat Bioplastics – Revenue breakdown, 2014–2019 (VNDbn)**



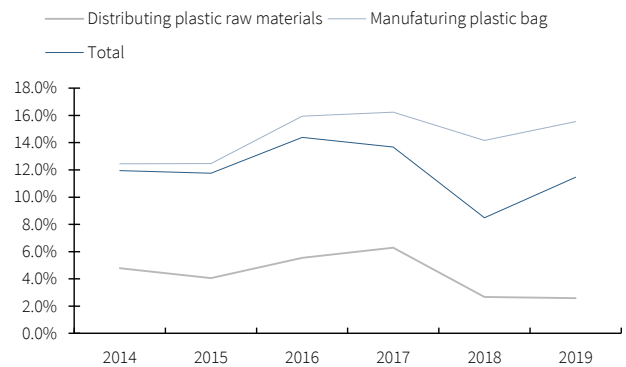
Source: An Phat Bioplastics, KB Securities Vietnam

**Fig 3. An Phat Bioplastics – Gross profit breakdown, 2014–2019 (VNDbn)**



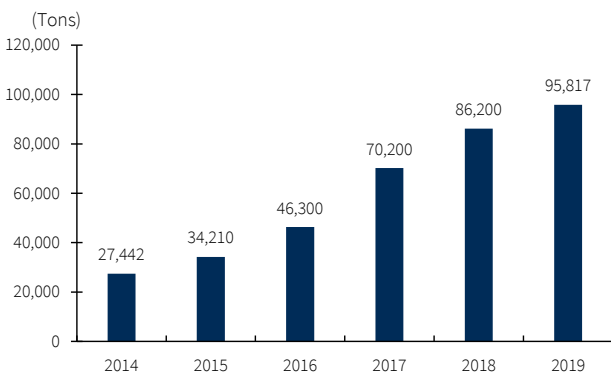
Source: An Phat Bioplastics, KB Securities Vietnam

**Fig 4. An Phat Bioplastics – Gross profit by segment, 2014–2019 (%)**



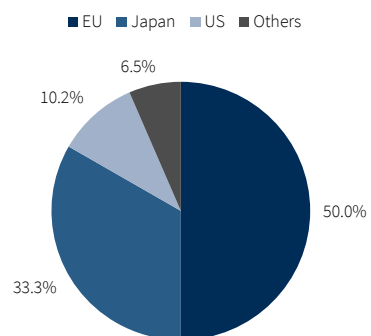
Source: An Phat Bioplastics, KB Securities Vietnam

**Fig 5. An Phat Bioplastics – Plastic bag volumes, 2014–2019 (tons)**



Source: An Phat Bioplastics, KB Securities Vietnam

**Fig 6. An Phat Bioplastics – Plastic bag exports, 2019 (%)**



Source: An Phat Bioplastics, KB Securities Vietnam

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### Investment Ratings for Stocks

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

Buy:	Hold:	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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