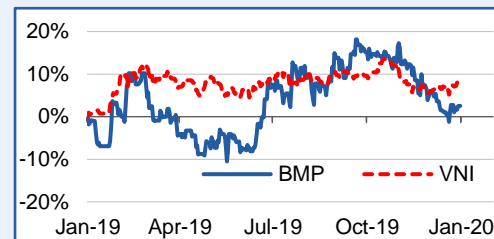




## Binh Minh Plastics (BMP)

## Earnings Flash

Industry	Plastics	2018	2019
<b>Report Date</b>	<b>January 21, 2020</b>		
Current Price	VND45,400	Rev y/y	2.5%
Last Target Price	VND62,300	EPS y/y	-7.0%
Upside	+37.2%	GPM	22.2%
Dividend yield	4.4%	NPM	10.9%
TSR	+41.6%	EV/EBITDA	4.0x
Last Rating	BUY	P/B	1.5x
		P/E	9.6x



Market Cap	USD161.6mn	BMP	Peers*	VNI
Foreign Room	USD31.5mn	P/E (ttm)	9.7x	14.8x
ADTV30D	USD79,300	P/B (curr)	1.5x	1.5x
State Ownership	0.0%	Net D/E	-25.7%	-9.0%
Outstanding Shares	81.9 mn	ROE	17.0%	10.8%
Fully Diluted O/S	81.9 mn	ROA	15.0%	6.4%

\* foreign peers

### Company Overview

Established in 1977, BMP is the pioneer of Vietnam's plastic pipe industry. In March 2018, BMP's largest shareholder, State Capital Investment Corporation (SCIC), divested its 29.5% holding to Nawaplastic. Subsequently, Nawaplastic raised its holding to a controlling stake of 54.4%.

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## Q4 growth comes in slower than expected

BMP released Q4 2019 results that slightly trailed our forecasts with lower-than-expected revenue growth and gross margin. Q4 2019 total revenue dropped by 5.5% YoY (VND1.2tn/USD50.4mn) while NPAT-MI grew 8.6% YoY (VND95bn/USD4.1mn). The discrepancy between the top and bottom line growth rates was due to a gross margin expansion in Q4 2019 despite slower revenue.

Given this result, BMP's Q4 2019 NPAT-MI growth of 8.6% YoY continued to show improvement from 4.0% YoY growth in Q3 2019; however, the full-year 2019 result still undershot our expectation. For full-year 2019, BMP's total revenue grew 5.2% (VND4.3tn/USD188.6mn) while NPAT-MI stayed flat (VND423bn/USD18.6mn). As 2019 earnings trailed our expectation, we anticipate downside risk to our 2020F forecast for BMP, pending a fuller review. Details of our current forecast for BMP can be found in our last update report, [BMP \[BUY +24.2%\] - Focused on building long-term advantages](#), dated November 13, 2019.

Figure: BMP's 2019 results

VND bn	Q4 2018	Q4 2019	Growth	2018	2019	Growth	2019F	2019 as % of 2019F
<b>Total revenue</b>	<b>1,229</b>	<b>1,161</b>	<b>-5.5%</b>	<b>4,130</b>	<b>4,343</b>	<b>5.2%</b>	<b>4,522</b>	<b>96%</b>
Revenue deduction *	59	2	-96.2%	210	6	-97.3%	7	83%
<b>Net revenue</b>	<b>1,170</b>	<b>1,159</b>	<b>-0.9%</b>	<b>3,920</b>	<b>4,337</b>	<b>10.7%</b>	<b>4,515</b>	<b>96%</b>
<b>Gross profit</b>	<b>229</b>	<b>254</b>	<b>11.0%</b>	<b>872</b>	<b>988</b>	<b>13.3%</b>	<b>1,042</b>	<b>95%</b>
SG&A expenses *	-102	-121	18.3%	-264	-387	46.8%	-390	99%
<b>EBIT</b>	<b>127</b>	<b>133</b>	<b>5.1%</b>	<b>608</b>	<b>601</b>	<b>-1.2%</b>	<b>652</b>	<b>92%</b>
Financial income	15	16	6.2%	25	37	47.9%	24	156%
Financial expense	-32	-30	-6.0%	-105	-111	5.2%	-115	96%
Net other income	0	0	-193.9%	2	2	12.4%	0	N/M
PBT	110	119	8.6%	530	529	-0.1%	560	94%
<b>NPAT-MI</b>	<b>87</b>	<b>95</b>	<b>8.6%</b>	<b>428</b>	<b>423</b>	<b>-1.1%</b>	<b>448</b>	<b>94%</b>
<b>Standardized (calculated using net revenue)</b>								
Gross margin	19.6%	21.9%		22.2%	22.8%		23.1%	
SG&A exp./Sales	8.7%	10.4%		6.7%	8.9%		8.6%	
EBIT margin	10.8%	11.5%		15.5%	13.9%		14.4%	
NPAT-MI margin	7.4%	8.2%		10.9%	9.7%		9.9%	
<b>Adjusted (calculated using total revenue)</b>								
Gross margin	18.6%	21.9%		21.1%	22.7%		23.0%	
SG&A exp./Sales	8.3%	10.4%		6.4%	8.9%		8.6%	
EBIT margin	10.3%	11.5%		14.7%	13.8%		14.4%	
NPAT-MI margin	7.1%	8.1%		10.4%	9.7%		9.9%	

Source: BMP financial statements, VCSC forecast.

Note: (\*) As noted in our last update report, starting from 2019, BMP changed its recognition method for trade discounts from being classified under revenue deduction to SG&A expenses.

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OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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