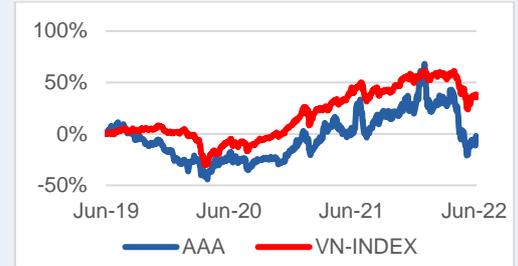


Industry:	Plastics		2019	2020	2021
Report Date:	June 13, 2022	Rev Growth	15.6%	-19.8%	76.9%
Current Price:	VND12,800	EPS YoY	196.5%	-54.9%	-6.7%
Dividend Yield:	0%	GPM	11.3%	10.5%	9.9%
		NPM	5.0%	3.5%	2.2%
		EV/EBITDA*	4.6x	7.7x	7.5x
		ROE	14.8%	7.2%	6.1%
		PER*	6.7x	16.7x	15.9x

* Valuations based on historical share prices — except 2021, which is based on current share price



			AAA	Peers	VNI
Market Cap:	USD180.3mn	PER (ttm)	13.0x	18.0x	13.9x
Foreign Room:	USD175.9mn	P/B (curr)	0.9x	1.6x	2.2x
ADTV30D:	USD4mn	Net D/E	0.2x	0.4x	N/A
State Ownership:	0.0%	ROE (ttm)	7.2%	10.2%	15.8%
Outstanding Shares:	326.43mn	ROA (ttm)	3.1%	4.4%	2.6%

Company Overview

An Phat Bioplastics JSC (HOSE: AAA) is a leading manufacturer of thin plastic packaging in Vietnam. AAA also participates in plastic manufacturing, trading plastic resins & additives, and industrial park (IP) development.

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Biodegradable packaging, IPs to drive earnings growth

- We provide an update on AAA — a leading manufacturer of thin plastic packaging in Vietnam. AAA also participates in industrial park (IP) development with two IPs in Hai Duong Province.
- Manufacturing is AAA's core segment in terms of gross profit. In 2021, manufacturing accounted for 61% of total gross profit, followed by trading (27%), IPs (9%) and others (3%).
- Q1 2022 gross revenue surged 76% YoY, which was primarily driven by significant sales growth from trading. However, Q1 2022 NPM dropped YoY due to rising expenses (e.g., logistics costs and net financial expenses), while Q1 2022 NPAT-MI increased 17% YoY to VND88bn.
- AAA guides for 2022G NPAT of VND527bn (+63% YoY), which we believe is achievable given our positive outlook for Vietnamese plastic manufacturers in 2022F and an additional contribution from the An Phat 1 IP that is set to launch in Q3 2022.
- AAA is currently trading at a TTM PER of 13.0x — a 28% discount vs our selected peer group blended median of 18.0x (see page 15).
- AAA announced it will pay 2022 DPS of VND1,000 — either as a cash or stock dividend.
- Key risks: (1) Prolonged shipping disruptions; (2) volatile material prices.

We expect AAA's packaging margin to improve due to higher contributions from industrial and biodegradable packaging. While the company anticipates it will stabilize its production of traditional thin packaging, a larger sales contribution from industrial packaging — which is a newly expanded segment with a higher profit margin — will support AAA's packaging margin in 2022F, in our view. AAA also targets to increase the contribution of biodegradable products to 50% of revenue by 2024F. AAA's parent company An Phat Holdings is developing a polybutyrate adipate terephthalate (PBAT) material manufacturing plant and expects to put it into operation in 2024F. Upon completion, this factory will be able to provide 100% of AAA's biodegradable material demand. AAA has also invested in a biodegradable packaging factory with a designed capacity of 9,600 tonnes p.a. while gradually transferring its existing production lines to biodegradable packaging. Management estimates that increased biodegradable packaging capacity and supply from the PBAT material manufacturing plant will help to boost the annual revenue growth of biodegradable segment from 10% to 40% while reducing production costs by 20%-30% of their current levels.

An Phat 1 IP will drive IP revenue starting in 2022. The An Phat 1 IP has an area of 180 ha for its first phase (73% is leasable) and is in Nam Sach District, Hai Duong Province. As AAA expects to start this IP's operation in Q3 2022, we believe An Phat 1 will benefit from the wave of multinational corporations shifting their production to Vietnam — especially amid the current IP land shortage in Hai Duong Province.

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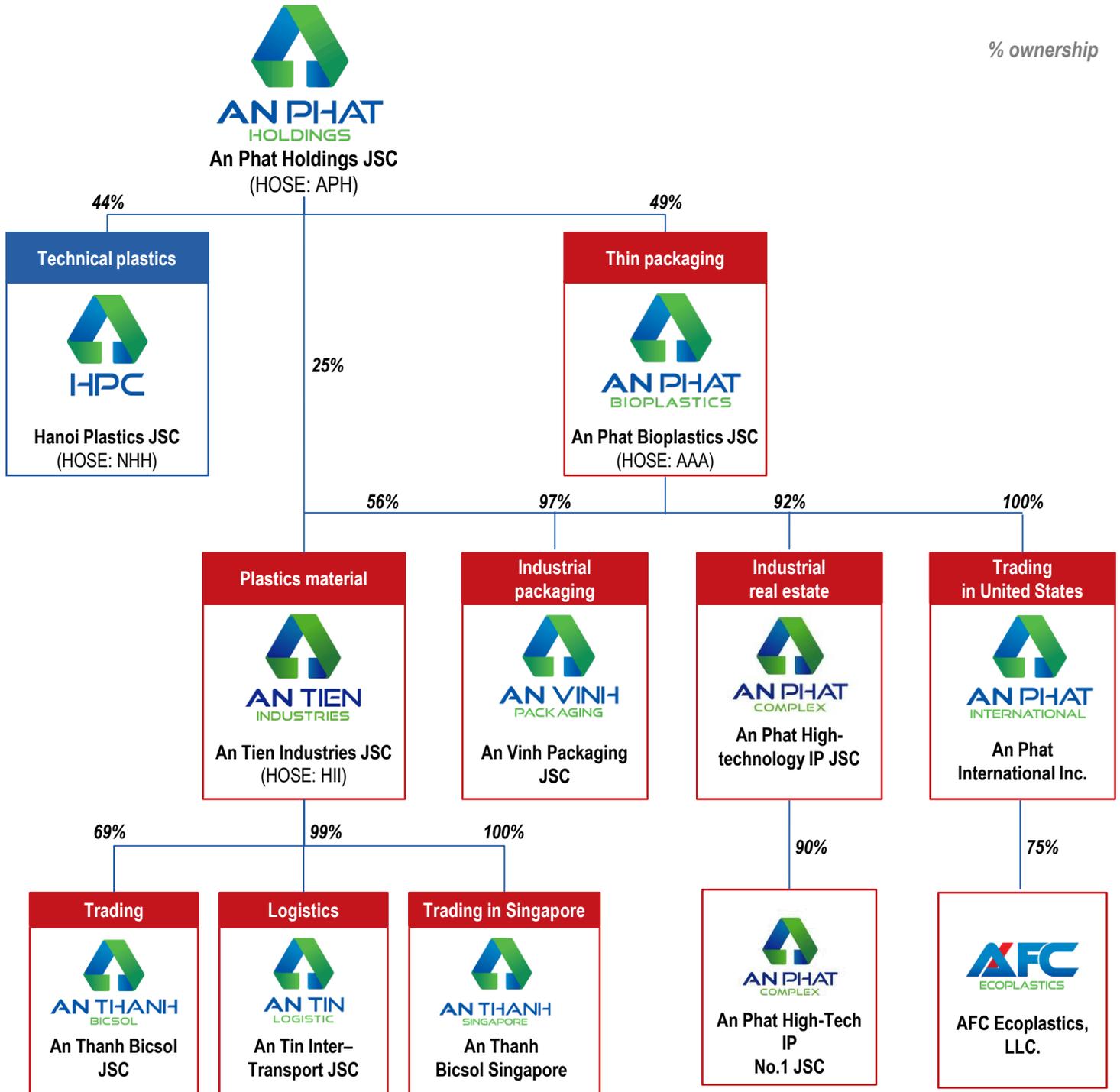
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Company Overview

Established in 2002, An Phat Bioplastics JSC (HOSE: AAA) is the leading manufacturer of thin plastic packaging in Vietnam. We provide an update on the company following our last report, [AAA: Pioneer in sustainable plastic packaging](#), dated October 16, 2019. We again provide a brief company background and history up to 2021; new developments are discussed starting on page 8.

AAA is a member of An Phat Holdings. An Phat Holdings (HOSE: APH) is one of the leading plastic manufacturers in Southeast Asia. APH has 16 subsidiaries, with AAA being the core member that operates in the packaging and IP segments (**Figure 1**). As of end-Q1 2022, APH held a 48.7% stake in AAA.

Figure 1: AAA's corporate structure



Source: AAA, VCSC (data as of Q1 2022)

Manufacturing is the core segment in terms of gross profit (Figure 2). While the revenue contributions between the manufacturing and trading segments vary from year to year depending on market conditions and the company’s strategies, manufacturing consistently plays a critical role in AAA’s overall gross profit. In 2021, trading accounted for more than 60% of total revenue but only accounted for 27% of overall gross profit; conversely, manufacturing contributed more than 61% of AAA’s overall gross profit, but its revenue contribution was only 34%.

In 2018, AAA expanded into industrial real estate development with the An Phat Complex IP. AAA started to record revenue from this IP in 2019. In 2021, revenue from the IP was VND413bn — equivalent to 3% of AAA’s total revenue.

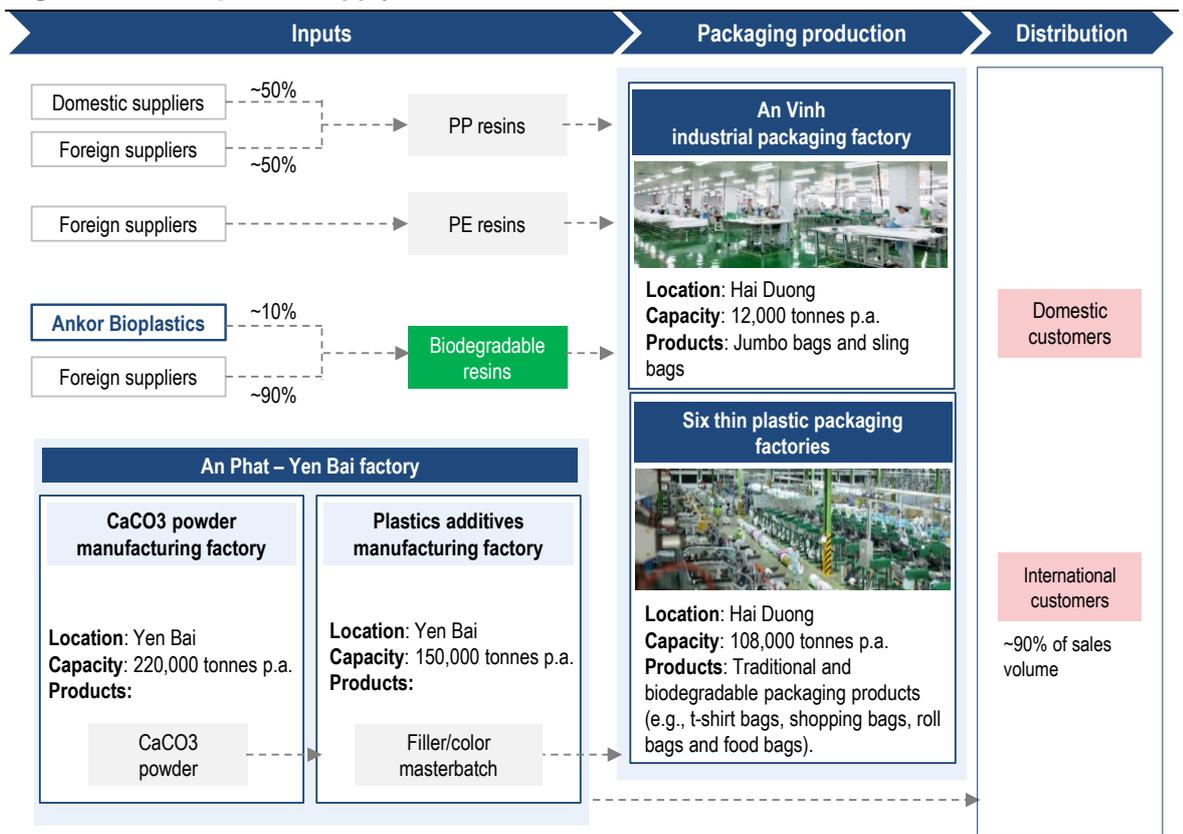
Figure 2: AAA’s business overview

BUSINESS OVERVIEW				
VND bn	An Phat Bioplastics JSC (HOSE: AAA)			Net revenue in 2021 = 13,143
				Gross profit in 2021 = 1,301
				NPAT-MI in 2021 = 290
Main segments	Manufacturing	Trading	IP	Others
Net revenue in 2021	4,528	7,913	413	301
% total revenue	34.4%	60.2%	3.1%	2.2%
Gross profit in 2021	795	353	119	34
% total profit	61.1%	27.1%	9.2%	2.6%

Source: AAA, VCSC

Stable growth of core manufacturing and trading

Figure 3: AAA’s plastic supply chain



Source: AAA, VCSC. PP resins = Polypropylene resins, PE resins = Polyethylene resins

Reinforcing the packaging business by expanding into industrial packaging

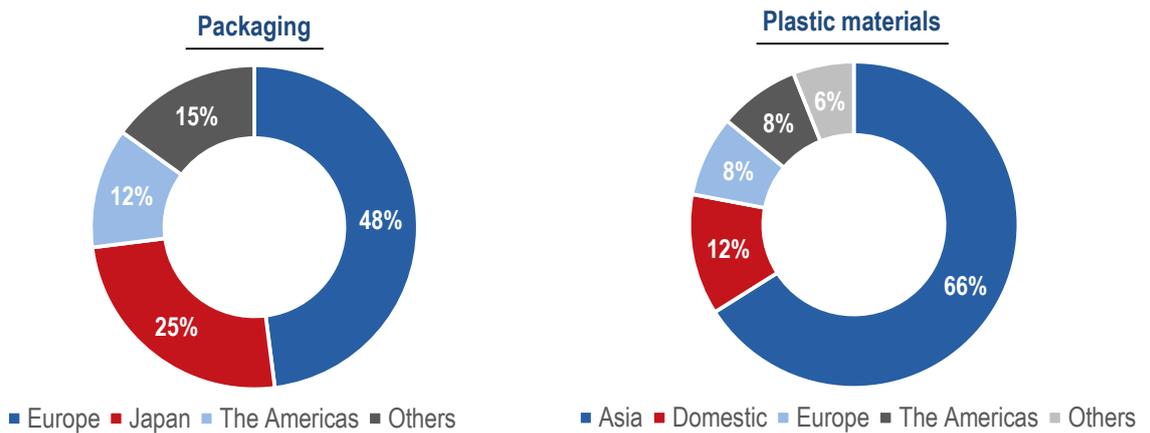
In 2020, AAA expanded into the industrial packaging segment with the acquisition of An Vinh Plastics Packaging JSC. With an additional capacity of 12,000 tonnes p.a. from An Vinh’s

industrial packaging factory, AAA reinforced its core packaging business as its total packaging capacity increased from 108,000 tonnes p.a. to 120,000 tonnes p.a. in 2020 (**Figure 3**). In 2021, industrial packaging sales volume was around 6,400 tonnes — equivalent to more than 6% of AAA’s total packaging volume.

Packaging sales volume in 2021 was the highest since AAA’s establishment. Despite the fourth wave of COVID-19 in Vietnam that resulted in social distancing measures in Q2-Q3 2021, AAA was able to maintain stable production activities in 2021. Notably, the company’s packaging sales volume hit an all-time high of over 103,400 tonnes (+1% YoY) in 2021.

Europe remains the largest export market for packaging products. The majority of AAA’s revenue came from exports, with Europe being the largest export market for packaging. In 2021, Europe contributed 48% of packaging revenue, followed by Japan (25%) and the Americas (12%) (**Figure 4**).

Figure 4: Manufacturing revenue breakdown by market in 2021



Source: AAA, VCSC

Shifting the product structure toward biodegradable products

AAA is the first company in Vietnam be certified for the OK COMPOST HOME standard — one of the world’s most stringent standards for biodegradability. In late 2018, AAA introduced biodegradable products under the AnEco brand. Per AAA, AnEco products are made from eco-friendly materials including corn (also known as polylactic acid (PLA)) and fossil-based biodegradable materials such as PBAT. AnEco products can completely decompose into water, CO₂ and biomass within six to 12 months. According to management, AnEco products are qualified with the most well-known compostability certificates required by the US, Europe and Australia, including BPI Compostable (US Standard ASTM D6400), TUV OK Compost HOME (EU Standard), Seedling Logo (Australian Standard 4736-2006).

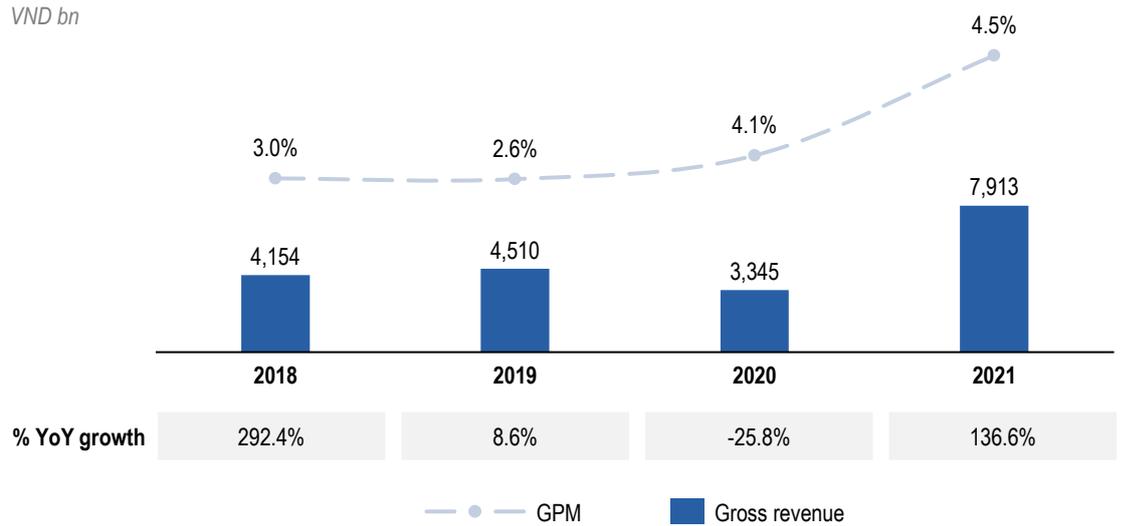
In 2021, AAA registered the AnEco trademark in the US. This trademark registration allows AnEco to be protected by US law from any infringement for at least 10 years, paving the way for future business cooperation and bringing AnEco products to American customers. Following the trademark registration, AnEco products have become available on Amazon US and Amazon Canada.

Maintaining its position among the top two plastic materials manufacturers & suppliers in Vietnam

AAA is one of the largest plastic materials manufacturers in Vietnam in terms of production capacity. AAA produces CaCO₃ powder and filler masterbatch from CaCO₃ at its An Phat – Yen Bai factory with respective production capacities of 220,000 tonnes p.a. and 150,000 tonnes p.a. (**Figure 3**). As material costs normally contribute to over 80% of total packaging costs, the material supply from the An Phat – Yen Bai factory allows AAA to ensure stable production and improve profit margins. Annually, AAA’s purchasing value accounts for 10%-20% of the An Phat – Yen Bai factory’s revenue.

AAA also participates in trading plastic resins and other plastic additives. In 2021, revenue from trading activities skyrocketed 137% YoY thanks to increased plastic resin prices (**Figure 5**).

Figure 5: Revenue of trading segment in 2018-2021



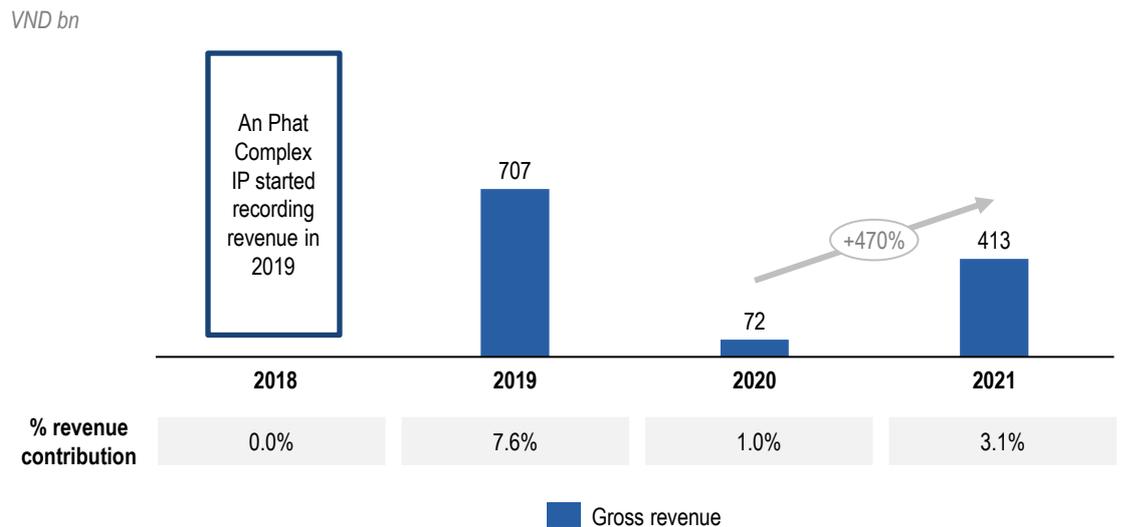
Source: AAA, VCSC

Strategic move to expand into IP real estate development

An Phat Complex IP is fully occupied

Revenue from the IP segment in 2021 was nearly six times higher than in 2020. In 2018, AAA stepped up its efforts in expanding into IP development with the An Phat Complex IP (total area of 46 ha). Adapting to the “new normal” amid COVID-19, the company recorded 2021 IP revenue of VND413bn — up 470% YoY from a low base (**Figure 6**). Per AAA, that An Phat Complex IP was 100% occupied by end-2021.

Figure 6: Revenue of IP segment in 2018-2021



Source: AAA, VCSC

New An Phat 1 IP to launch in 2022

Following the success of the An Phat Complex IP, AAA is working to develop the An Phat 1 IP. An Phat 1 — formerly known as the Quoc Tuan – An Binh IP — is a project of AAA’s subsidiary An Phat High-Tech Industrial Park No.1 JSC. This IP has an area of 180 ha for the first phase (73% is leasable) and 290 ha for the second phase. The total investment of the An Phat 1 IP is estimated at around VND2tn.

An Phat 1 IP possesses a strategic location in Hai Duong Province. Located in Nam Sach District, Hai Duong Province, the An Phat 1 IP is adjacent to National Highway 37 and the Kinh Thay River. The IP is 12 km from the An Phat Complex IP and central Hai Duong and around 50 away from Hai Phong’s Cat Bi International Airport and seaport (**Figure 7**). In order to develop the An Phat 1 into a high-tech eco-friendly IP, AAA will prioritize customers in supporting industries such as mechanical processing of metallic materials, manufacturing industries of new and high-tech materials, and producing electronic & electrical products, components and devices.

Figure 7: An Phat 1 IP



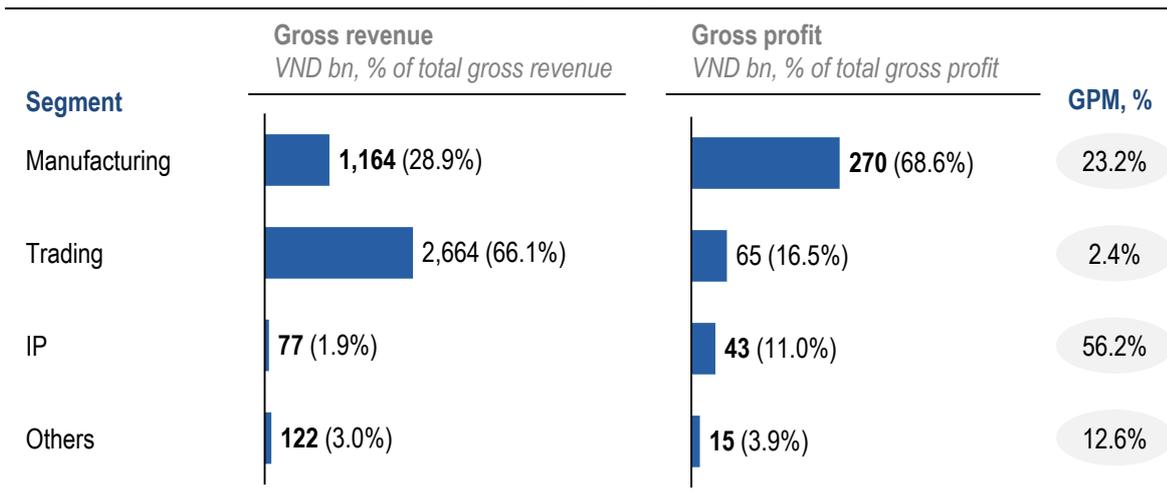
Source: AAA, VCSC

With rental prices ranging from USD85-100 per sqm, management forecasts this IP will generate total revenue of around VND2.6bn over the next five years. In March 2021, AAA received an investment registration certificate for the development of the An Phat 1 IP. AAA is working to finish the remaining construction to start the operation of An Phat 1 IP in 2022.

Actis will invest USD20mn to develop the An Phat 1 IP. Actis is a British investment fund with around 20 years of experience in real estate investment. The fund focuses on sustainable infrastructure and is well known as a developer of several green-certificated and energy-efficient real estate projects in Africa, India, South Korea and China. With more than USD20mn invested in the An Phat 1 IP, Actis owns 49% of the IP. In addition to the investment in the An Phat 1 IP, the fund will jointly develop a project related to ready-build factories/warehouses (RBF/RBW) for lease that is worth USD250mn. This partnership will open new opportunities for AAA to expand further into IP development, taking advantage of its local know-how in developing the hi-tech and eco-friendly An Phat Complex IP and Actis’ deep knowledge in developing world-class sustainable real estate.

Q1 2022 — Earnings increased 17% YoY

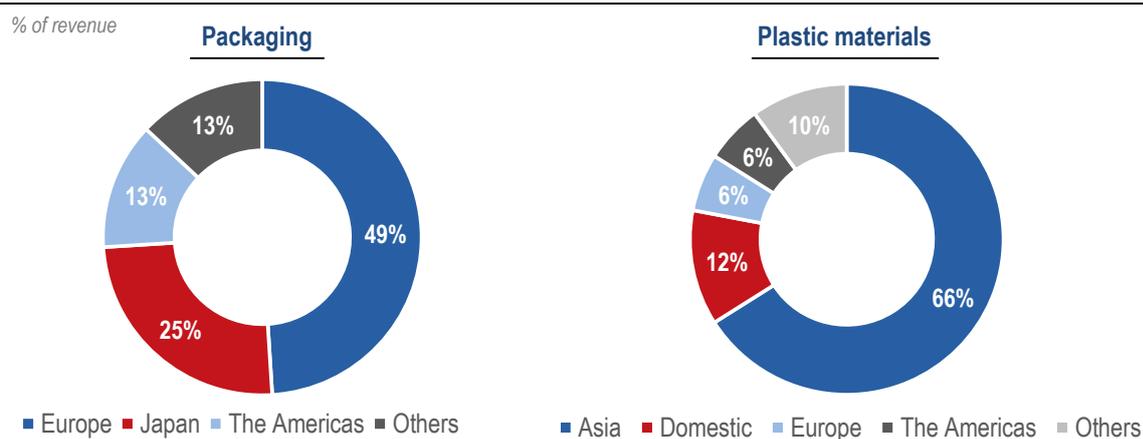
Figure 8: Breakdown of AAA's revenue and gross profit in Q1 2022



Source: AAA, VCSC

Q1 2022 gross revenue surged 76% YoY, which was primarily driven by significant revenue growth from trading activities. Thanks to increased plastic resin prices, AAA's trading revenue skyrocketed to VND2.7tn (+142% YoY). This segment contributed to more than 66% of AAA's total revenue in Q1 2022, followed by manufacturing (29%), IP (2%) and services (3%) (Figure 8). Packaging sales volume increased to 24,690 tonnes (+1% YoY). Europe and Japan were the largest export markets in Q1 2022, contributing 49% and 25% of total packaging sales revenue, respectively (Figure 9).

Figure 9: Manufacturing revenue breakdown by market in Q1 2022



Source: AAA, VCSC

While manufacturing GPM doubled YoY, AAA's overall GPM in Q1 2022 contracted. GPM of manufacturing in Q1 2021 was 23.2% (+10 pts YoY) (Figure 8). According to management, this GPM improvement was mainly due to the larger sales contribution from industrial packaging, which has higher profit margins than traditional thin packaging products. GPM of thin packaging also increased thanks to more effective expense management, according to AAA. Nevertheless, overall Q1 2022 GPM dropped 0.7 pts, which we attribute to a higher revenue contribution from the trading segment that normally has lower GPM compared with manufacturing. In Q1 2022, the GPM of trading was only 2.4% vs 23.2% for manufacturing.

Rising costs dragged down Q1 2022 NPM. In Q1 2022, AAA's SG&A expenses jumped 91% YoY, which we attribute to elevated logistics costs in the quarter. AAA also recorded net financial expenses of VND19bn that primarily came from interest expenses of nearly VND40bn.

AAA completed 18% of its 2022 NPAT target. At the company's May 2022 AGM, AAA guided for 2022G net revenue and NPAT of VND14.1tn and VND527bn, respectively. AAA has completed 29% and 18% of its respective 2021 revenue and NPAT targets.

Figure 10: AAA's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	VCSC's comments
Gross revenue	2,284	4,028	76.3%	Mainly driven by the trading business thanks to increased plastic resin prices.
Sales discount	-1	0	-77.6%	
Net revenue	2,284	4,028	76.4%	
COGS	-2,045	-3,634	77.7%	
Gross profit	239	394	64.7%	
SG&A expense	-141	-269	91.0%	Primarily due to elevated logistics costs.
Operating profit	98	125	27.0%	
Net financial income (expenses)	3	-19	N.M.	Higher interest expenses pushed up financial expenses.
Associates	4	16	316.4%	
Other income (expenses)	1	1	-13.4%	
PBT	106	123	15.9%	
Tax expense	-17	-26	59.8%	
NPAT before MI	90	96	7.8%	
Minority interest	-14	-8	-41.6%	
NPAT-MI	75	88	17.2%	
GPM	10.5%	9.8%	-0.7 pts	
NPM	3.3%	2.2%	-1.1 pts	

Note: Figures may not sum up due to rounding.

Source: AAA, VCSC

Outlook

In 2022F, we expect AAA’s earnings to surge. For the plastics segment, we anticipate stronger sales due to increasing global demand for plastics — especially bioplastics. Larger contributions from industrial and biodegradable packaging products will also help to expand AAA’s overall margins. In addition, while the An Phat Complex IP is fully occupied, we believe the An Phat 1 IP — which will start operation in Q3 2022 — will drive AAA’s IP earnings starting this year.

Plastics Market Outlook

Bright prospects for Vietnamese plastic exports

We have a positive outlook for Vietnamese plastic manufacturers in 2022F thanks to (1) our expectation for stable global demand growth for plastics and (2) Vietnam’s extensive free trade agreements (FTAs). In addition, Vietnam is getting a bigger slice of the global plastic export pie amid the production shift of manufacturers away from China.

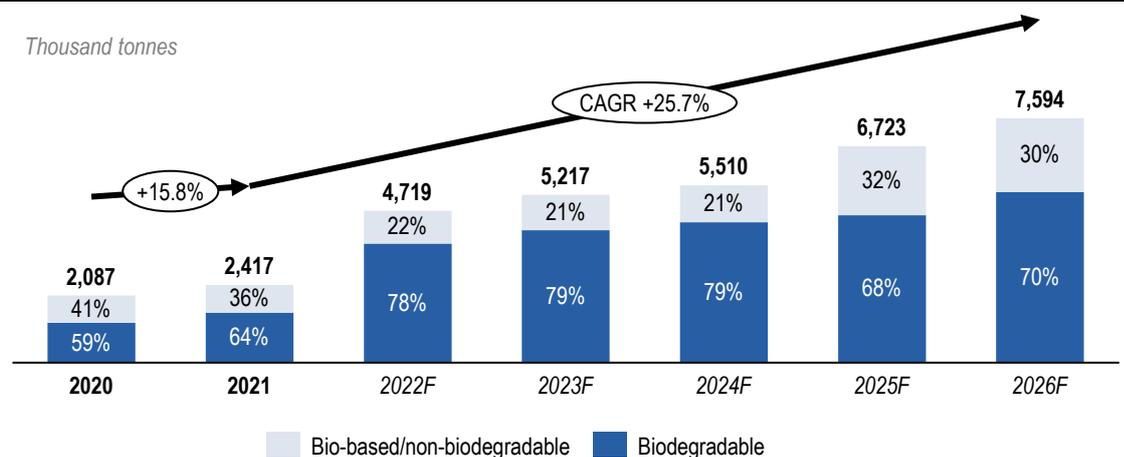
Global demand for plastics is forecast to grow consistently over 2022-2030. According to India & U.S.-based market research & consulting company Grand View Research, the global plastics market is expected to grow at a CAGR of 3.7% in 2022-2030. Packaging will remain the largest segment as it will primarily be driven by rising demand for packaging for healthcare products, groceries and e-commerce transportation post-COVID-19.

Major FTAs have increased Vietnam’s ability to expand its plastic export markets. Vietnam has signed 17 FTAs — of which 15 have taken effect. These include the Vietnam – Japan Economic Partnership Agreement in 2019, the Vietnam – Korea FTA in 2015, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2019, and the EU-Vietnam Free Trade Agreement (EVFTA), Regional Comprehensive Economic Partnership (RCEP) and United Kingdom - Vietnam Free Trade Agreement (UKVFTA) in 2020. These FTAs provide opportunities for Vietnamese plastic manufacturers to have easier access to their traditional export markets and expand to other markets where Vietnamese firms’ sales have historically been lower.

The global bioplastics market is growing

While global plastic production has edged down, the market for bioplastics has continued to grow. According to European Bioplastics (EB) — an association representing the bioplastics industry in Europe — despite bioplastic contributing to less than 1% of the more than 367 million tonnes of plastic produced globally in 2021, global bioplastic production increased 16% YoY. Thanks to consumer preferences for sustainable materials, the increased adoption of bioplastics by plastic manufacturers and new product developments that expand the range of bioplastic applications, EB forecasts global bioplastic production capacity to increase from 2.4 million tonnes in 2021 to 7.6 million tonnes in 2026F — equivalent to CAGR of 26% (Figure 11).

Figure 11: Global production capacity of bioplastics



Source: European Bioplastics, VCSC

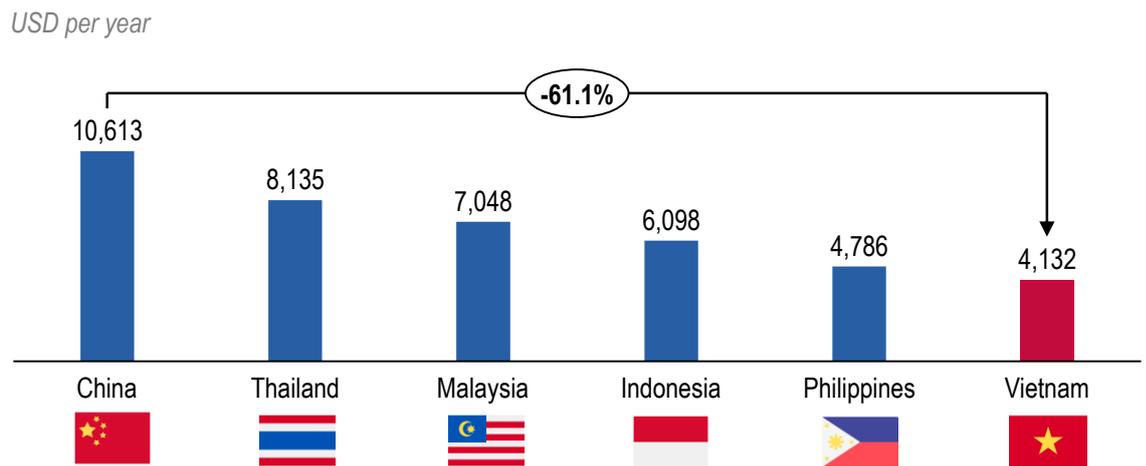
IP Real Estate Market Outlook

Vietnam to develop further as an Asian production hub

We expect Vietnam to develop further as a relatively new Asian production hub over the next five years, which is driven by (1) the country's competitive labor costs, (2) diversification of multinational corporations' manufacturing facilities out of China, and (3) Vietnam's extensive FTAs.

Vietnam's large labor force and competitive labor costs compared with other regional countries have positioned it as one of the most appealing hubs for labor-intensive businesses. According to the General Statistics Office of Vietnam (GSO), Vietnam has a labor force (individuals 15 years old and older) of 55.7 million people. Furthermore, the annual cost of a manufacturing worker (as of December 2021) in Vietnam remains competitive at USD4,132 — lower than other countries in the region such as China, Thailand, Malaysia, Indonesia and the Philippines, according to the Japan External Trade Organization (JETRO) (Figure 12).

Figure 12: Total cost of a manufacturing worker in East and Southeast Asia in 2021*



Source: JETRO, VCSC. * Note: Data as of December 2021. Annual cost includes annual base salary, benefits, social security, overtime allowances and bonuses — excluding severance benefits. A manufacturing worker is a regular worker with three years of work experience.

Global manufacturers are seeking alternative destinations to China due to that country's rising costs, "Made in China 2025" strategy and the effects of COVID-19. China is gradually losing its cost advantages and competitiveness compared with neighboring countries. As wages for Chinese workers have tripled over the past decade and as the country has decided to move up the value chain according to its "Made in China 2025" strategy, manufacturing companies are looking to shift production out of China. In 2020, the disruptions caused by COVID-19 revealed the vulnerability of relying on a sole base of production, which again motivated manufacturers to shift their production out of China. As a result, Vietnam — which offers (1) more competitive costs, (2) relaxed COVID-19 restrictions compared with China's zero-COVID strategy and (3) the geographical advantage of sharing a border with China — has become an ideal alternative manufacturing destination.

We believe the factors in above paragraph — combined with Vietnam's long list of FTAs — make the country well positioned to become an attractive destination for foreign investors.

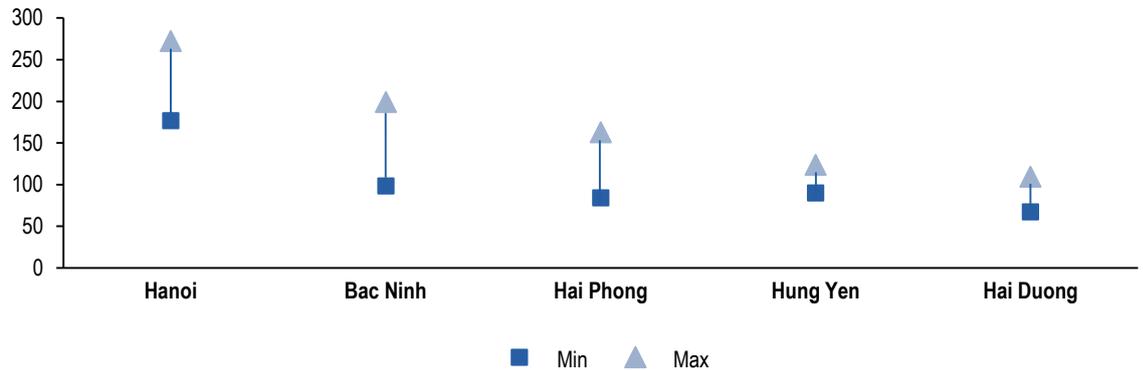
Increasing demand for IP land in Hai Duong Province

Hai Duong Province is emerging as an attractive destination for IP development. Located in the middle of the Northern Key Economic Zone near the Hai Phong International Seaport, Cat Bi and Noi Bai International Airports, and the city of Hai Phong and Quang Ninh Province, Hai Duong Province forms a key economic triangle for the northeast region to develop supporting industries, shipbuilding engineering, export-oriented manufacturing plants, transportation and ICD/logistics services. Due to its proximity to the Chinese border — along with its improving infrastructure and several investment policies that support IP development — Hai Duong Province will surely benefit from the wave of shifting production to Vietnam. In addition, while IP land banks in neighboring

municipalities/provinces such as Hanoi, Hai Phong and Bac Ninh are becoming exhausted, Hai Duong Province will be a bright spot for IP development in the short term due to its more competitive rental prices (Figure 13).

Figure 13: Average IP land asking prices in major northern provinces/municipalities

USD/sqm/remaining term



Source: CBRE, VCSC (data as of Q1 2022)

Company Outlook

To complete the bioplastics value chain by self-supplying biodegradable materials

AAA's parent company APH is investing in biodegradable input material production. AAA currently imports over 90% of its biodegradable materials. As Ankor Bioplastics Co., Ltd — a biodegradable material manufacturer of APH — can only provide one-tenth of AAA's material demand, the company is highly dependent on imported materials (Figure 3). With APH's investment in the PBAT material manufacturing plant, we believe AAA will be a beneficiary.

The PBAT material manufacturing plant will provide 100% of AAA's biodegradable materials.

The factory is in Hai Phong and has a designed capacity of 30,000 tonnes p.a. PBAT is a synthetic polymer that is similar to what is produced from fossil fuels and completely biodegradable. Per AAA, PBAT-based products are preferred thanks to their similarity in terms of prices and production costs compared with traditional plastic products. Compared with other biodegradable materials, PBAT has a high number of applications in plastic packaging manufacturing — the core segment of AAA. According to management, the PBAT material manufacturing plant in Hai Phong will provide 100% of AAA's biodegradable materials upon its completion — equivalent to around 70% of the factory's production volume. The remaining 30% will serve domestic and export markets, specifically the US., Europe, Canada, South Korea and Australia. An end-to-end bioplastics supply chain will help to reduce biodegradable material costs by 20%-30% of their current levels, according to management's estimation. The factory started construction in March 2022, and management expects it will become operational in 2024F.

Packaging margin to improve due to higher contributions from the industrial and biodegradable segments

AAA will focus on higher-margin products. According to management, when the An Vinh industrial packaging factory runs at full capacity, the profit margin of industrial packaging products will be higher than that of traditional thin packaging. While the company expects to stabilize the production of traditional thin packaging, the higher sales contribution from industrial packaging will support AAA's packaging margin over the short term. With an aim to become a leading high-tech and environmentally friendly plastic manufacturer in Southeast Asia, biodegradable products with profit margins 4%-6% higher than traditional products will be a long-term profit driver for AAA.

Revenue from biodegradable packaging will contribute to 50% of overall revenue by 2024F, per AAA. According to management, the current revenue growth of biodegradable packaging is around 10% p.a. While biodegradable packaging production is currently utilizing the company's existing thin packaging production lines, AAA is investing in a biodegradable factory with a total

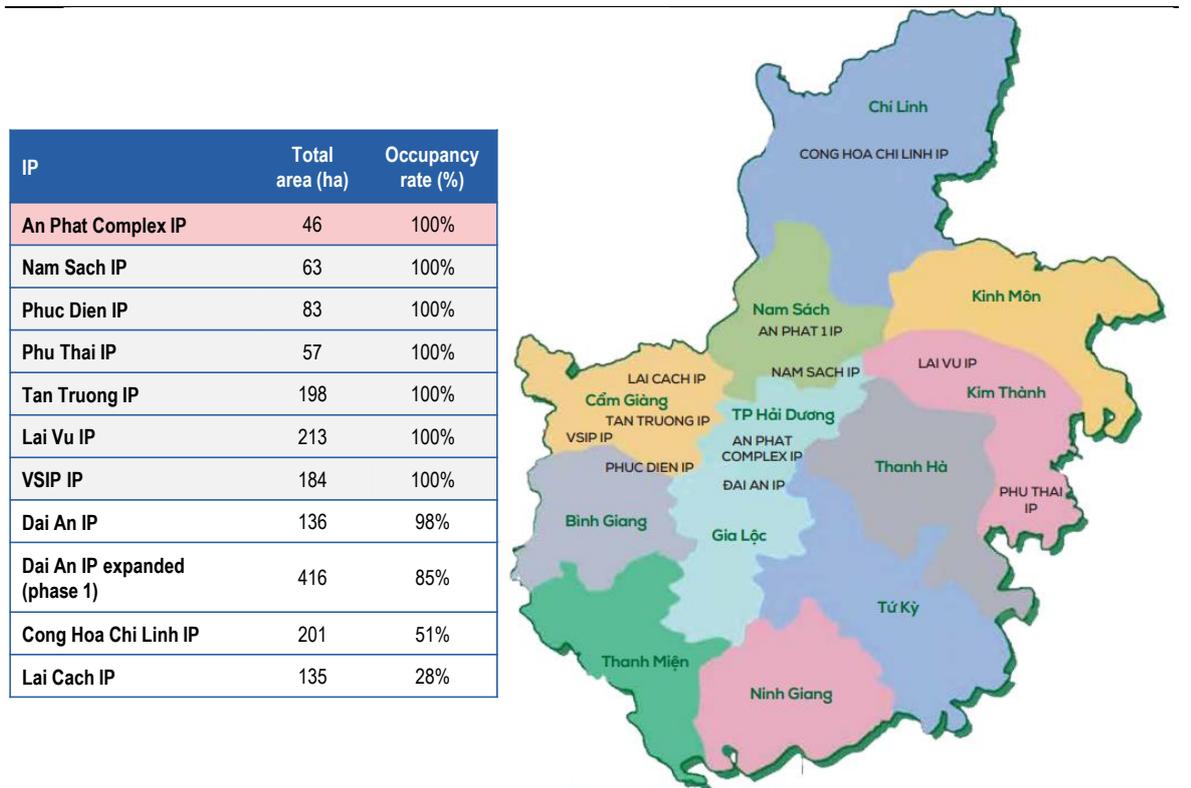
designed capacity of 9,600 tonnes p.a. This investment will enhance AAA’s competitiveness and capture rising global demand for bioplastic products. Management forecasts revenue growth of biodegradable packaging to reach 40% p.a. in 2024 after the PBAT material manufacturing factory enters operation.

Europe and the US will be the major export markets for biodegradable products. Per AAA, Europe and the US are currently the largest global consumers of bioplastic products. While demand in Europe — AAA’s largest export market — is recovering post-COVID-19, management targets to increase exports to the US from currently 10%-15% to 30% of AAA’s export value over the short term. In addition, AAA will expand its coverage to other markets such as Australia and Latin America, according to management.

An Phat 1 IP to drive IP revenue starting in 2022

An Phat 1 IP benefits from the IP land shortage in Hai Duong Province. Per AAA, among the 21 IPs that have been approved for investment in Hai Duong Province, only 11 IPs have become operational with nine of them being over 85% occupied (**Figure 14**). As other IPs are under construction and will not go into operation in the short term, the An Phat 1 IP — which is expected to launch in 2022 — is being looked at by investors.

Figure 14: IPs that have entered operation in Hai Duong Province



Source: Hai Duong Industrial Zones Authority, VCSC (data as of Q1 2022)

25 ha of the An Phat IP is already booked. While AAA expects to officially put the An Phat IP into operation in Q3 2022, nearly 20% of the IPs total leasable area has been booked. Management targets the IP to become fully occupied by 2024F. Over the next five years, AAA estimates its IP segment will contribute around VND250bn p.a. in term of revenue.

AAA to acquire additional 2,000 ha of IP land in Hai Duong Province

AAA targets to expand its IP land bank in Hai Duong Province. In order to capture the wave of shifting production to Vietnam, management expects to acquire an additional 2,000 ha of land in Hai Duong Province for IP development by 2030G. While details for this expansion are not available, we believe this target demonstrates AAA’s ambition to expand into IP development. Especially with its strategic partnership with Actis, IPs will soon be a major earnings contributor to AAA, in our view.

Company Guidance

Management is guiding for 2022G NPAT growth of ~63% YoY. While the company has set 2022G net revenue at VND14.1tn (+7.2% YoY), its 2022G NPAT target is VND527bn — equivalent to 62.6% YoY growth. In our view, this target is feasible given our positive market outlook. In addition, with the An Phat 1 IP entering operation in 2022, we expect a substantial contribution from the IP segment this year. AAA also expects to pay 2021 DPS of VND1,000 — equivalent to 10% of par value. The company has not yet determined whether to pay a cash or stock dividend.

Figure 15: AAA's guidance for 2022G

	Unit	2022G
Gross revenue	VND bn	14,100
%YoY growth	%	7.2%
NPAT	VND bn	527
%YoY growth	%	62.6%
Dividend	VND per share	1,000
Dividend	% par value	10%

Source: AAA, VCSC

Valuation

We select listed plastics companies and IP developers in Vietnam for peer references. As AAA currently focuses on IP development in Hai Duong Province, Kinh Bac City Development Holding Corporation (HOSE: KBC) and Viglacera Corporation JSC (HOSE: VGC) are chosen due to their exposure to IP developments in northern Vietnam.

AAA is currently trading at a 27.5% discount in terms of TTM PER compared with its peer group blended median. AAA's TTM PER is 13.0x — lower than 18.0x of its peer group blended median.

AAA also expects to pay 2022 DPS of VND1,000. The company has not yet determined to pay this in cash or stock, but it has a history of paying a cash dividend. In 2016-2021, AAA's DPS ranged from VND0-2,000 (which adjusts to VND0-1,999 due to stock dividend, ESOP and private placement) — equivalent to average DPS/EPS of 34% (Figure 17).

Figure 16: Peer comparison

Company	Mkt cap (USD mn)	TTM Sales Growth (%)	TTM EPS Growth (%)	ROE (%)	ROA (%)	Net D/E (x)	NPM (%)	LQ PBR (x)	TTM PER (x)
Plastics									
NTP VN Equity	220.6	6.6%	-2.9%	16.9%	10.4%	0.3x	10.1%	1.8x	10.9x
BMP VN Equity	206.6	-1.5%	-48.9%	10.7%	8.9%	-0.4x	5.4%	2.0x	18.6x
RDP VN Equity	19.2	7.3%	163.3%	6.3%	1.2%	2.4x	1.0%	1.0x	15.8x
DAG VN Equity	18.3	-4.7%	-61.3%	0.7%	0.2%	1.2x	0.2%	0.6x	92.0x
VBC VN Equity	11.3	13.6%	4.8%	16.4%	6.1%	0.9x	2.8%	1.7x	11.0x
TPC VN Equity	9.4	8.5%	-25.4%	4.9%	2.2%	0.3x	1.8%	0.6x	12.8x
Median	18.7	7.0%	-14.1%	8.5%	4.1%	0.6x	2.3%	1.4x	14.3x
IP									
KBC VN Equity	1,130.2	-18.4%	-13.7%	5.3%	2.3%	0.2x	22.6%	1.8x	39.4x
VGC VN Equity	910.1	34.5%	111.4%	22.9%	7.4%	0.0x	13.0%	2.7x	12.8x
Median	1,020.1	8.1%	48.8%	14.1%	4.9%	0.1x	17.8%	2.2x	26.1x
Blended*	326.5	7.3%	5.2%	10.2%	4.4%	0.4x	7.0%	1.6x	18.0x
AAA VN Equity	180.3	82.9%	8.7%	7.2%	3.1%	0.2x	2.0%	0.9x	13.0x

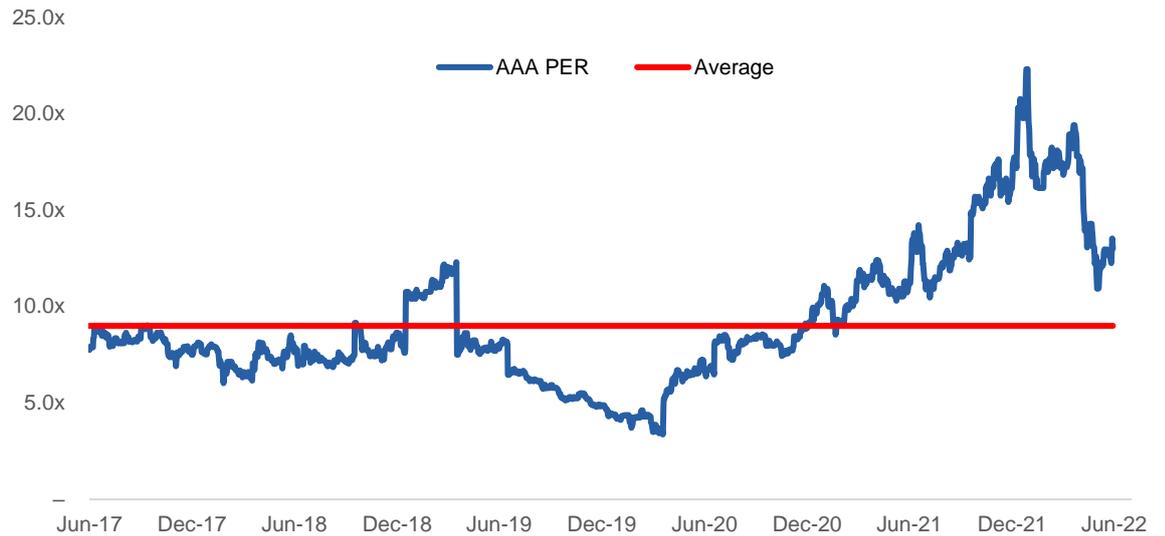
Source: Bloomberg, VCSC. Data as of June 11, 2022. * Note: *Weighted average by each segment's contribution to AAA's total 2021 gross profit.

Figure 17: AAA's EPS and DPS

	2016	2017	2018	2019	2020	2021
EPS (VND/share)	1,168	1,533	674	1,999	860	803
DPS (VND/share)	854	926	0	430	438	0
DPS/EPS (%)	73.1%	60.4%	0.0%	21.5%	50.9%	0.0%

Source: AAA, VCSC

Figure 18: AAA's TTM PER



Source: Bloomberg, VCSC

Investment Risks

Prolonged shipping disruptions could negatively impact the company's operations. In 2021, COVID-19 disrupted global logistics and supply chains as there was a global shortage of containers, shipping delays and elevated logistics costs. Despite AAA potentially being able to partially pass its shipping costs onto its customers, we believe the company's bottom line would be negatively affected if shipping problems continue.

Volatility in material prices could hurt AAA's businesses. With a relatively high dependency on imported raw materials, AAA bears a high risk from input costs that fluctuates correspondingly with crude oil prices and foreign exchange volatility. According to management, AAA is closely monitoring the market to have a timely response make flexible adjustments, if needed.

Financial Statements

P&L (VND bn)					B/S (VND bn)				
	2018	2019	2020	2021		2018	2019	2020	2021
Revenue	8,012	9,258	7,429	13,143	Cash & equivalents	645	292	964	1,988
COGS	-7,339	-8,216	-6,652	-11,842	ST investments	721	1,252	759	436
Gross Profit	673	1,042	777	1,301	Accounts receivable	1,613	2,079	1,669	1,795
Sales & Marketing exp	-157	-215	-256	-739	Inventories	863	1,222	947	997
General & Admin exp	-124	-149	-167	-195	Other current assets	147	127	158	137
Operating Profit	393	678	354	368	Total Current assets	3,989	4,971	4,496	5,355
Financial income	62	180	169	214	Fixed assets, gross	2,953	3,077	3,574	3,580
Financial expenses	-209	-268	-229	-200	- Depreciation	-754	-996	-1,249	-1,479
- o/w interest expense	-126	-225	-201	-152	Fixed assets, net	2,199	2,081	2,325	2,101
Associates	0	0	17	23	LT investments	48	124	488	570
Net other income/(loss)	8	7	8	-7	LT assets other	1,293	811	1,260	1,984
Profit before Tax	254	597	319	398	Total LT assets	3,540	3,016	4,073	4,655
Income Tax	-42	-106	-36	-74	Total Assets	7,529	7,987	8,569	10,010
NPAT before MI	212	491	283	324	Accounts payable	623	604	542	610
Minority Interest	-32	-31	-21	-34	Short-term debt	2,492	2,400	2,943	2,183
NPAT less MI, reported	180	460	262	290	Other ST liabilities	91	232	287	489
NPAT less MI, adjusted⁽¹⁾	143	423	216	262	Total current liabilities	3,206	3,237	3,773	3,282
EBITDA	646	944	649	677	Long-term debt	1,343	1,372	617	1,176
EPS reported, VND	674	1,999	860	803	Other LT liabilities	0	124	155	97
DPS, VND	0	430	438	0	Total Liabilities	4,549	4,732	4,545	4,555
DPS/EPS (%)	0.0%	21.5%	50.9%	0.0%	Preferred equity	0	0	0	0
⁽¹⁾ Adjusted for bonus & welfare					Paid-in capital	1,712	1,712	2,218	3,264
					Share premium	532	532	692	713
					Retained earnings	266	603	569	706
					Other equity	71	80	119	111
					Minority interest	399	328	426	660
					Total equity	2,980	3,255	4,024	5,454
					Liabilities & equity	7,529	7,987	8,569	10,010
					Y/E shares out, mn	171.2	171.2	221.8	326.4
					Y/E shares adjusted, mn ⁽²⁾	211.4	211.4	251.4	326.4
					CASH FLOW (VND bn)				
					Beginning Cash Balance	510	645	292	964
					Net Income	180	460	262	290
					Dep, & amortization	245	259	287	316
					Change in Working Cap	-400	-121	226	-10
					Other adjustments	13	-108	-163	-152
					Cash from Operations	39	489	613	444
					Capital Expenditures, net	-1,699	-504	-271	-669
					Investments, net	-930	-356	306	518
					Cash from Investments	-2,628	-860	35	-150
					Dividends Paid	-136	-97	-109	-149
					Δ in Share Capital	1,418	0	570	1,146
					Δ in ST debt	1,075	-92	543	-760
					Δ in LT debt	383	29	-754	559
					Other financing C/F	-14	178	-225	-57
					Cash from Financing	2,726	17	26	739
					Net Change in Cash	136	-354	672	1,024
					Ending Cash Balance	645	292	964	1,988

(Figures may not sum up due to rounding)

Source: Company data, VCSC. ⁽²⁾ Adjusted for stock dividend, ESOP and private placement

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Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
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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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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