


**AN PHAT PLASTIC**

# INVESTORS' NEWSLETTER

## 2<sup>nd</sup> Quarter - 2018

**OVERVIEW**

Ticker:	AAA
ISIN Code:	VN000000AAA4
Industry (HSX classification)	Materials
Market Cap (23/07/2018):	VND 2,959.4 Bil
Trailing EPS:	VND 2,370/SHARE
EPS 2017:	VND 3,080 /SHARE
Dividend 2017 (fully paid):	VND 2,000 /SHARE
Outstanding shares:	167,199,976 SHARES
Current Foreign Ownership:	16.7%
Foreign Ownership remaining room:	32.3%
BV/share:	VND 14,490

**FINANCIAL RATIOS**

	2014	2015	2016	2017	1H18*
<b>% YoY Growth</b>					
Sales	34.8%	3.5%	32.8%	89.8%	93%
EBITDA	3.5%	18.4%	79.4%	90.2%	
Profit from operating	-21.2%	-3.0%	239.6%	97.0%	
Net Profit	-13.9%	-15.1%	252.5%	84.3%	-10%
EPS	-15.2%	-59.1%	190.2%	34.9%	
<b>Ratios</b>					
Debt/Equity	0.81	1.39	2.22	1.82	
Gross Margin	11.7%	11.8%	14.3%	13.5%	
ROE	7.1%	5.0%	16.0%	17.3%	
ROA	3.7%	2.4%	5.6%	5.8%	
EBITDA/Sales	8.5%	9.7%	13.1%	13.1%	
EBITDA/Profit from operating	72.2%	82.4%	91.4%	96.9%	

Source: AAA consolidated financial statement for 1H18

\* % growth compared to 1H2017

**HISTORICAL ADJUSTED PRICE**

 Current Price: 17,700 VND  
 52-week high: 26,100 VND  
 52-week low: 16,800 VND


Report Date: 23/07/2018

**VALUATION (30/3/2018)**

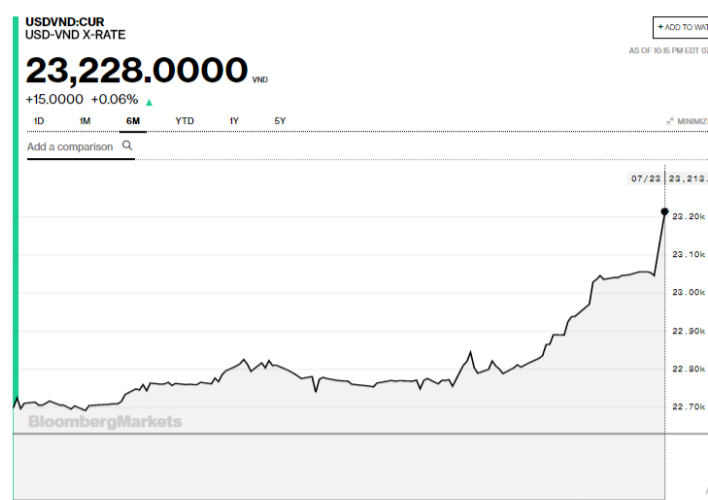
	2014	2015	2016	2017	1Q18
EV/Sales	0.76	0.91	1.36	1.01	3.7
EV/EBITDA	8.98	9.41	10.37	7.72	31.1
Diluted P/E	22.68	33.28	10.79	10.07	10.8
P/B	1.37	1.64	1.62	1.63	1.4
Dividend Yield		2.60%	7.43%	7.55%	8.1%

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# MARKET OUTLOOK

## USD/VND rise



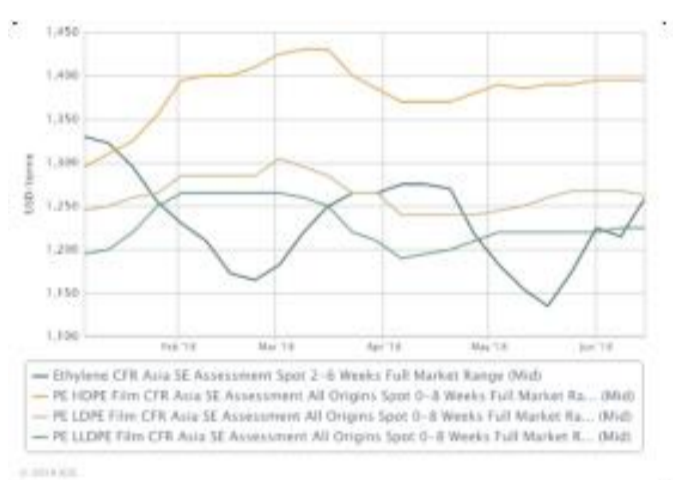
Source: Bloomberg

The USD/VND exchange rate has been rising in recent months and caused widespread concerns over the market. The dollar's appreciation has been contributed by both domestic and foreign factors. In the international market, positive signals from the US economy, the US's tightening monetary policy with the Fed's plan to raise the interest rate at least two more times in 2018, coupled with the rise in US government bond yields have made the dollar stronger against other major currencies. Notably, trade tensions between US and China or with other countries such as Canada and European Union members are likely to escalate, spreading gloomy outlook over the emerging and frontier economies, leading to investors' outflow from these markets (estimated to reach USD300-400 million in the second quarter of 2018 in the stock market) and put further upward pressure on the USD/VND exchange rate.

In domestic market the supply of foreign currency was likely to be less favorable as the trade balance in 2Q18 only reached a surplus of USD 1.01 billion, much lower than the USD 2.73 billion in 1Q18 (Vietnam Customs' data). Besides the exchange rate difference between the unofficial rate and the interbank rate was large, ranging between VND150 and VND200. In the medium term, these above are still factors that can strongly affect the market performance, especially in the remaining of 2018 as upward pressure from enterprises' rising exchange demand for debt repayment, contract and inventory settlements will be fortified.

The USD/VND exchange rate increase has posed great difficulties for enterprises as increasing raw materials import costs and borrowing costs in foreign currency. In general, the Vietnam plastics industry will be adversely affected by exchange rate movement because the raw material supply of the industry depends approximately 80% on imports.

## Resin prices are likely to slightly decrease



Source: ICIS

Southeast Asia PE import spot prices remained stable in the week amid bearish sentiment. There was sparse price discussion in key southeast Asian markets amid limited offers for July shipments while some buyers were still away on Eid-ul Fitr holiday. Some offers and selling indications for July shipment cargoes were largely stable although most producers opted to announce their firm offers in the following week. Thus, trade activity is expected to pick up in the following week with some price movement when businesses resumed as per normal. Buying appetite remains muted as most importers expect lower prices in July, owing to a persistent price downtrend in key China market. Thus, they were not in a hurry to take any position and stock up on their inventory. In Vietnam, competitively priced southeast Asian cargoes, particularly for HDPE film, were made available which exert downward pressure on prices.

In Southeast Asia, regional supply might tighten in July amid several plant shutdowns although overall supply is expected to be longer in the later part of the year on the back of looming US-China trade war. Availability of competitively priced cargoes for certain PE grades from India and North America, might dampen market sentiment further and, in turn, weigh on market prices. Demand might improve in the later part of the third quarter should orders for year-end end-products pick up.

## CORPORATE NEWS

### AAA was awarded the Top 50 Best Growth Businesses of Vietnam in 2018



Mr. Nguyen Le Trung, AAA CEO, was awarded

On April 18th, 2018, at the National Convention Center in Hanoi, An Phat Plastic and Green Environment Joint Stock Company was honored to receive the FAST500 - TOP 500 Fastest Growing Company in Vietnam in 2018 and TOP50 Best Growth Business in Vietnam 2018.

Organized annually since 2011, for eight years of publication, FAST500 - Vietnam's fastest growing 500 Ranking is one of the prestigious rankings held by VietnamNet, the Ministry of Information and Communications together with experts and advisory councils in Vietnam and abroad. The ratings are based on the independent research and evaluation of Vietnam Report. Additionally Vietnam Report also organizes the annual ranking of the Top 50 Best Growth Companies in Vietnam (Top 50 Vietnam Best Growth) to recognize and honor the Vietnam Top 50 Best Growth Companies, which only experience impressive growth but maintain stable and sustainable business performance.

### AAA's member was elected in the Executive Committee of VPA for 2018 - 2023 term



Mr. Nguyen Huu Long (2nd left) with the 6th Executive Committee of VPA.

At the General Assembly of Vietnam Plastics Association (VPA) 2018 - 2023 took place on 11/4/2018 at the Grand Saigon Hotel, Ho Chi Minh city, AAA has been honored to receive two awards for "Prestigious Exporter" and "Enterprises making positive contribution to the plastics industry". The "Prestigious Exporter of 2017" award is given to companies that meet the criteria set by the Ministry of Industry and Trade, such as meeting export quotas, no tax arrears, no violation of environment law, not subject to export suspension....

Also at the General Meeting, Mr. Nguyen Huu Long - General Director of An Thanh Bicsol (member of An Phat Group) was officially elected to be in the Executive Committee of VPA Term VI (2018 -2023) as the Vice President in charge of promoting import-export activities.

### AAA attended Asia Frontier Forum during 9th -11th May 2018 in Colombo, Sri Lanka



AAA's representatives and foreign investors

In Asia Frontier Forum from 9th May to 11 May 2018 in Colombo, Sri Lanka, An Phat Plastic and Green Environment Joint Stock Company (HSX: AAA), the only representative from Vietnam, impressed worldwide investors over frontier market. AAA participated in private discussions with 12 investment funds namely FundSmith (EUR 14 billion), Lazard Asset Management (USD 226.1 billion), Nordea (EUR 216.5 billion), Sumitomo Mitsui Asset Management (USD 102 billion),... The AAA's presentation focused on long-term vision and business strategy of An Phat Group, the plans to expand the production chain, enhance the plastic value chain, develop environmentally friendly, high technology plastic and petrochemical products.

### AAA successfully raised VND1,170.4 billion, increasing its chartered capital to VND1,672 billion

According to the report of share offering sent to the Securities Commission of Vietnam, 98.2% right to purchase shares were exercised. The remaining shares (1.5 million) were right distributed to other investors, but with transfer restriction within 1 year to protect existing shareholders. Thus, AAA has successfully sold 83.6 million shares, raising its chartered capital from VND826 billion to VND1,672 billion, mobilizing over VND1,170 billion to finance the Factory No.8 and No.9 projects.

### AAA raised contributed capital at An Phat High Technology Industrial Park Ltd



On 16th May 2018, the Board of Directors of An Phat Plastic and Green Environment Joint Stock Company issued the resolution approving AAA increasing contributed capital at An Phat High Technology Industrial Park Co., Ltd from VND 216 billion to VND 875 billion, accounting for 96.15% charter capital. The additional capital (658 billion VND) will be mobilized from the recent share offering to existing shareholders in 2018. The procedures for capital contribution is expected to be completed in June 2018.

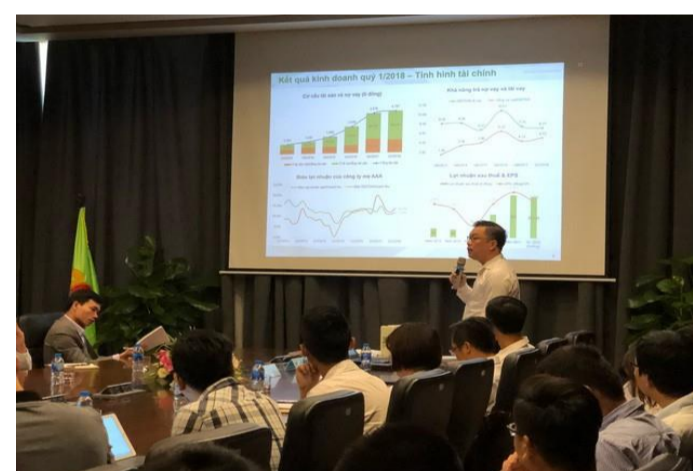
### AAA attended Vietnam Investment Day on 17th May 2018 in Hongkong



AAA made presentation on Vietnam Investment Day

On 17th May 2018 in Hong Kong, AAA had participated in the Vietnam Investment Day 2018, impressing foreign investors with its story of stunning growth, strategic vision and ambitious business plan. At the event, the representatives of AAA, FPT Retail, Fortress Tools, Ho Chi Minh City Infrastructure Investment Joint Stock Company (Ticker: CII) and Ocean Bank had made presentations for investors. AAA also made discussion with foreign investors participating in the conference, most investors appreciated the improvements and accomplishments AAA has achieved for the past 15 years since establishment. Vietnam Investment Day is the investment conference held by Viet Dragon Securities and Vina Capital. This year, with the participation of nearly 100 guests, the conference has created opportunities for Vietnamese enterprises to gain access to reputable regional institutional investors network, promoting foreign investment inflows into Vietnam stock market.

### AAA successfully held Investors Meeting on 15th June 2018



On 15th June 2018, at AAA's headquarter in Hai Duong province, AAA successfully held the Investor's Meeting, welcoming more than 50 representatives from securities companies and investment funds. AAA took this great opportunity to share its business results, growth strategies and promising projects under development. In 2018, AAA set a target of VND6,000 billion of consolidated revenue and VND330 billion of net profit and by 2025 achieving revenue of USD1 billion, up 400% from 2018.

To accomplish this ambitious business goal, AAA sets its strategy on six key areas: bioplastics, packaging, households plastics, engineering plastics, polyesters and petrochemicals. With new business areas, AAA aims to extend its value chain in the plastic industry, developing high-technology and environmentally-friendly products, which will serve as the driving force for sustainable growth of the Group. At present, AAA has been launching four projects: the biodegradable packaging and raw materials – AnBio; high technology building materials – An Cuong; premium industrial packaging– An Vinh; and engineering injection molding plastics – Dai An. These projects will be located at An Phat High Technology Industrial Park with infrastructure including eight ready-to-use blocks with internal road, electricity and water system with total area of 12.8ha. Also, An Phat still has an area of over 40ha (including 10ha in An Dong Industrial Park and more than 30ha of unused land in An Phat High-technology Industrial Park) which will be used for project development.

### Updates on the progress of new projects

Following the plan, An Vinh, the premium industrial packaging project, has carried out machinery installment and recruitment since late June. For 3Q18, employee training and trial run will be implemented. An Vinh expects to stabilize production in early 2019 and once at full capacity, it can provide 1,000



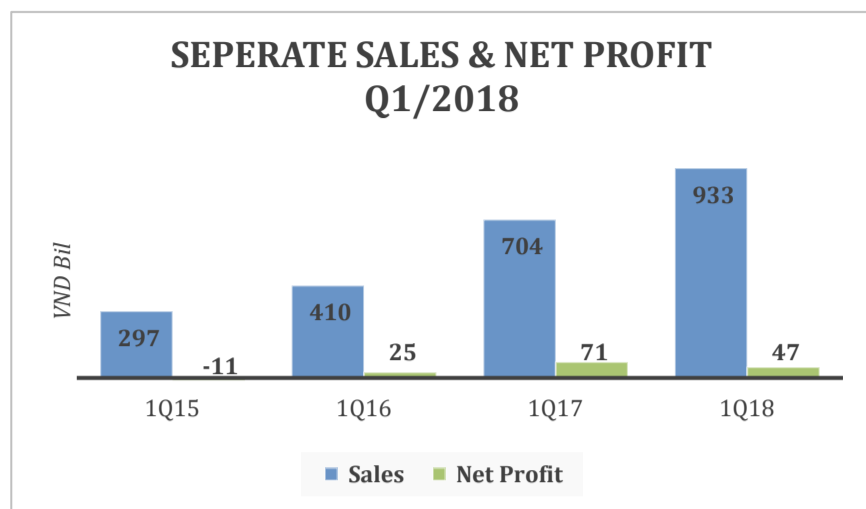
tons of products per month, mainly for exports to USA, Japan and European countries.

The An Cuong high-technology building material project has completed factory repairs and ready for machinery installation in early July. An Cuong will supply the market with plastic wall panels, floor panels used in interior decoration under the brand name AnPro. The products have many physical and chemical advantages over current products on the market namely ceramic tiles, wood, etc... The installed capacity is estimated at 10,000 tons per year. AnBio, the biodegradable packaging and raw material project and Dai An, the engineering injection molding plastics project, have been completing factory layout and maintenance with advice from partners and expecting customers.

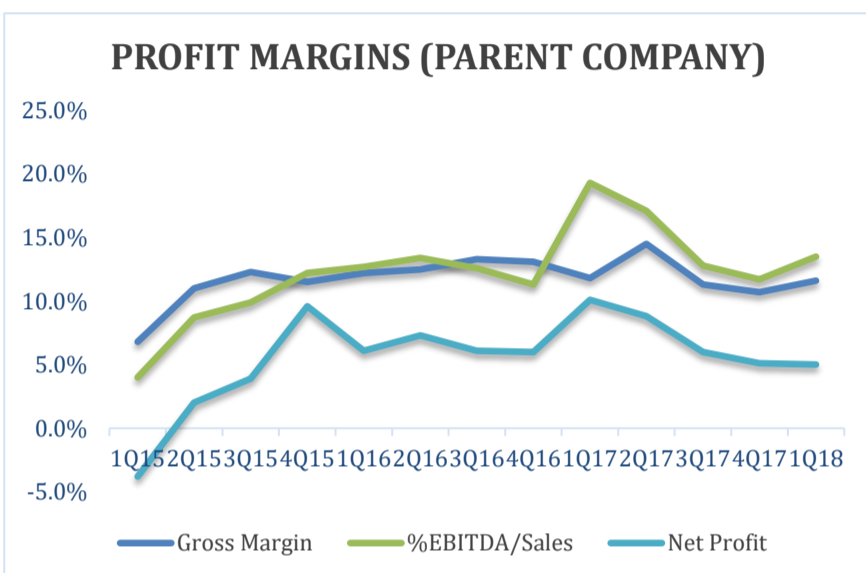
**AAA and HII are recognized as prestigious exporters by the Ministry of Industry and Trade**

On 17 July 2019, the Ministry of Industry and Trade issued Decision No. 2523 / QD-BCT approving the list of "Prestigious Exporters" in 2017. Based on the proposals of 51 agencies and organizations, including ministries, industry associations, provincial governments, 225 enterprises (24 sectors) will be selected by the Ministry of Industry and Trade. The criteria set by the Ministry of Industry and Trade are the minimum export turnover, foreign customers' feedbacks, the fulfillment of tax, customs and environment obligations towards the government, etc... The 1st and 9th ranks of AAA and HII respectively in terms of export turnover have fortified the group's influence and position in the plastics industry.

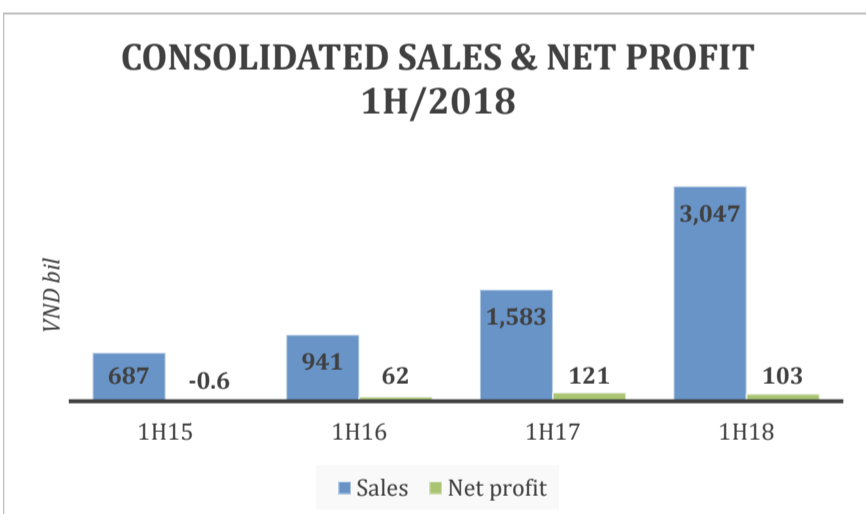
## BUSINESS RESULTS UPDATES



Source: Separate Financial statement



Source: Separate Financial statement



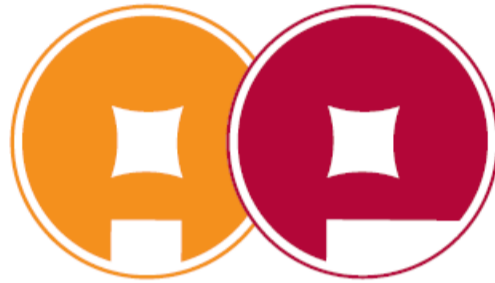
Source: Companies Data

AAA' separate sales of parent company for the first quarter of 2018 reached VND 932.88 billion, gross profit VND 107.83 billion, up 33% and 31% y-o-y. Sales growth was mainly contributed by higher sales volume of 18,134 tons, up 38.6% y-o-y. Gross margin of parent company stayed at 11.6%, relatively stable compared to 11.8% in 1Q17's. Consolidated sales volume for the first quarter of 2018 reached 25,015 tonnes, representing an increase of 29% over the same period last year. Consolidated revenue was VND1,298.3 billion, gross profit VND147.53 billion, up 78% and 45% y-o-y respectively. Consolidated profit after tax was VND 49.24 billion, down 26.4% from y-o-y. The decline in profit was largely due to the divestment of Vinh Plastics (Ticker: VBC) in 1Q17 resulting in financial income of VND35 billion. Excluding that financial income in 1Q17, the consolidated net profit for 1Q18 rose by 44% y-o-y.

In the second quarter, revenue and net profit were estimated at VND1,749 billion and VND43 billion, respectively, up 105% and down 10% yoy. The separate and consolidated sales volumes are expected to reach 20,411 tonnes and 34,369 tonnes respectively, up 24% and 38% respectively over the same period of 2017. Thus, consolidated revenue and net profit for the first half of 2018 are estimated at VND 3,047 billion and VND 103 billion, fulfilling 50.8% and 31.2% of revenue and net profit plan for 2018, up 93% and 6.7% y-o-y (net profit excluding financial income from the VBC divestment). Consolidated revenue growth was fueled by sales of the subsidiary of HII consolidated since 2Q17, An Thanh Bicsol. Net profit for 1H18 has not met expectation due to the negative impact of the USD appreciation. Although USD inflow has been collected through exports, it is still not enough to meet the USD payments for raw materials imports, loans and interest settlement and machinery investment. Consequently, higher financial expenses and foreign exchange losses (up 200% yoy) have eroded the six-month profit.

To sum up, for the first half of 2018, packaging business has continued to fortify its global competitive advantage through higher sales volume compared to the same period last year. Particularly regarding trading business, An Thanh Bicsol has successfully established network of suppliers and customers over the globe (more than 700 customers worldwide). However, the unfavorable movement of the exchange rate (the rise of USD) has caused certain difficulties as increasing raw material costs and interest expenses. Also, the restriction on the use of PE bags in European countries has negatively affected sales as consumers are not ready to switch from traditional PE bags to higher-cost biodegradable bags. The competitive landscapes of both AAA and HII also have become more adverse under increasing pressure from other suppliers. Meanwhile the competitive advantage of An Thanh Bicsol is based mainly on selling prices and selling policy, which may raise the risk of overdue and bad debts if not under tight control.

In the second half, regarding manufacturing business, AAA and HII with experienced and capable sales teams will continue to penetrate new markets (AAA to further get into Americas mono-layer film market, HII to enter China market). In terms of trading business, An Thanh Bicsol is expanding its branches and representative offices worldwide (in Singapore, France, USA ...) to enhance its presence and influence in both Vietnam and global plastic industry. Selling policies will continue to be strengthened, inventories turnover will speed up to increase efficiency and reduce payback period. Also exports for 2Q18 will be boosted to increase USD inflow. Additionally, the company will restructure loans to minimize borrowing costs. Regarding corporate governance, each member companies will strive to optimize their operation system, resulting in an comprehensive and effective enterprise eco-system, creating greater synergy to the whole group.



# **AN PHAT PLASTIC**

## **THANK YOU!**

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