

Key Numbers

(VNDmil)	2008	2009
Total assets	271,331	435,851
Owner's equity	102,394	121,608
Net sales	248,333	384,533
Pre-tax profit	22,875	300,936
After-tax profit	22,875	83,598

Source: Company

Earnings model

	FY2007 (3/9-12/31/2007)	% y/y	FY2008	% y/y
Net revenue (VNDm)	108,537	na	248,333	128.8%
Pretax profit (VNDm)	16,407	na	22,875	39.4%
Net profit (VNDm)	16,407	na	22,875	39.4%
Pre-tax Profit Margin	15.1%	na	9.2%	-39.1%
Net Profit Margin	15.1%	na	9.2%	-39.1%
EPS (VND)	2,835	na	3,445	21.5%
BVPS (VND)	12,691	na	15,618	23.1%
ROE	21.6%	na	22.3%	3.2%
P/E	18.3x		15.1x	
P/B	4.1x		3.3x	

Main Ratios

	2008	2009
Liquidity		
- Current ratio	0.97	0.98
- Quick ratio	0.63	0.65
Profitability		
- Gross margin	20.9%	21.7%
- Net margin	9.2%	9.8%
- ROE	25.6%	33.7%
- ROA	10.8%	10.7%
Operating Efficiency		
- Receivable turnover	12.69	10.94
- Inventory turnover	6.60	8.67
- Asset turnover	1.17	1.09
- Equity turnover	2.78	3.43

Source: Company

	FY2009	% y/y	FY2010	% y/y
Net revenue (VNDm)	384,533	54.8%	550,000	43.0%
Pretax profit (VNDm)	38,380	67.8%	80,000	108.4%
Net profit (VNDm)	37,723	64.9%	65,000	72.3%
Pre-tax Profit Margin	10.0%	8.4%	14.5%	45.7%
Net Profit Margin	9.8%	6.5%	11.8%	20.5%
EPS (VND)	5,716	65.9%	7,200	26.0%
BVPS (VND)	18,337	17.4%	24,450	33.3%
ROE	31.2%	39.9%	29.4%	-5.6%
P/E	9.1x		7.2x	
P/B	2.8x		2.1x	

Source: APP, HSC

An Phat Plastic and Green Environment Company - Pre-listing notes

- *An Phat is a fast-growing and well-managed company producing new plastic bags and recycled plastic bags. The company is planning to list in Hanoi Exchange this mid-July.*
- *Although a mid-cap stock, we find An Phat an interesting company to have a closer look as it promises impressive growths for both the top and bottom lines this year. In FY2009, the company saw a strongly growth rate of revenues and profit and they expected it will still be the story of this year due to their capacity expansion and good market prospect.*
- *Valuation is still attractive now with the forward P/E around 7-7.5xs based on the OTC price reference.*

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- We visited An Phat Plastic and Green Environment Company late last week which is located in Hai Duong, about 60km from Hanoi. The company hopes to list next month and we have made some preliminary albeit very rough notes as we have not had a chance to make an earnings model or ask follow up questions yet. An Phat is a plastics manufacturing company with two main products; new nylon bags and recycled nylon bags. According to the management, the market for plastic bags is still growing quite rapidly. Currently An Phat's products are mainly exported to EU (85%) although the company is seeking out new markets. The company now has 3 factories with a total capacity of 24,000 tons per year.
- An Phat has established a professional operating environment in its factories. When we visited last week we had a very good impression about the plants; they were modern, very clean and well-organized. Most of the plastic materials for new nylon bags are imported (75-80%) and then the materials for recycled nylon bags are collected domestically. The company applies the cost-plus pricing model and therefore is partly cushioned from short term movements in plastic material prices by passing these cost increases on to clients. When a client orders some products, the contract includes a quote based on the production cost including the market raw material costs plus their profit margin.
- An Phat enjoyed an impressive growth rate last year: FY2009 revenues came to VND385 billion (+54.9% y/y), net profit was VND37 billion (+62.2% y/y) and FY2009 EPS was VND5,619, (+65.9% y/y). And for FY2010 the company targets revenues of VND550 billion (+42.8% y/y); net profit of VND65 bn (+75.7% y/y) and HSC estimates this will lead to a FY2010 EPS of around VND7,200. While we have not had the chance to go into more details, at my first sight, HSC considers the figures to be reasonable.
- However, we note that the barriers to entry into this industry are fairly low because the production technology is fairly basic and doesn't require large investment capital (we understand it costs just VND70-100bn to build a factory). The main advantage An Phat has apparently is that they have already built up a good reputation with their clients, they have some proprietary processing technology and may enjoy a cost advantage in part of their business.
- Over the longer term, An Phat plans to build a new plant in a joint venture in Japan with Maruzen to produce plastic bags (using recycled agricultural plastic covers to make plastic cones to turn into bags for the European market) with the factory capacity of 50,000 tons per year. The Japanese location was chosen as it is close to an abundant source of raw materials. An Phat's advantage is that they have already developed special machinery that can recycle plastics no matter how dirty or jumbled the raw material is. This makes it especially suitable when the raw material concerned is coming from the agricultural sector. Hence Maruzen's need for An Phat's technology.
- An Phat will contribute the machines, workers (they will send 50 workers to Japan) and technical support. They expect this joint venture will start operating in late FY2010 and they forecast the factory will generate VND2.5 billion in net profit (An Phat share will be 50-75% but this is still under negotiation. In addition An Phat plans to build two new 2 factories focusing on recycled plastic products. These factories will cost about VND400 billion in investment cost for both and are expected to start operating in FY2012.
- We talked with the Chairman and CEO who are still young (mid thirties) and very dynamic. The Chairman is the main spokesman and speaks quite frankly. An Phat plans to list their share in the middle of next month on or about the 15th July with SSI as the advisor. According to the company the current key investors includes some local asset management companies affiliated to brokers. There are also some transferable bonds owned by a foreign investment bank. The current OTC price is around VND50,000-54,000 per share, which values the company at a FY2010 forward P/E of 7.0-7.5x.
- The company is a fast-growing well-managed business which seems to be quite aggressively managed and appears to enjoy good support from shareholders who seem to include a lot of professional market investors. And with a thriving export business the company is in the right sector at the moment to receive support from the authorities in terms of tax breaks and access to cheap loans. Valuations are reasonable although we admit this is based on a preliminary evaluation and we have not done any independent number crunching yet. Against that the business appears to be easy to entry and with imported raw materials (not all mind you) the company could be vulnerable to currency risk. Even so with the growth rates we saw last year and what the company is projecting into this year it certainly seem worth a closer look.

COMPANY PROFILE

Annual Income Statement (Unit: VNDmil)	FY2007	FY2008	y/y%	FY2009	y/y%
Net sales	108,537	248,333	128.8%	384,533	54.8%
Cost of goods sold	85,892	196,355	128.6%	300,936	53.3%
Gross profit	22,645	51,978	129.5%	83,598	60.8%
Net financial income	(929)	(14,470)	1458.3%	(17,542)	21.2%
Selling and general administration expenses	5,418	14,687	171.1%	28,239	92.3%
Net profit from operating activities	16,299	22,822	40.0%	37,817	65.7%
Other profit	108	53	-51.1%	562	961.7%
Profit before tax	16,407	22,875	39.4%	38,380	67.8%
Net profit after tax	16,407	22,875	39.4%	37,723	64.9%
Profit after tax of parents' shareholders	16,407	22,875	39.4%	37,723	64.9%

Source - Company, HSC

Company History

An Phat plastic and green environment JSC was established in March 2007 with the initial charter capital of VND66 billion. In early 2010 the company issued 3.3 million shares to raise its charter capital to currently VND99 billion. The company now has three factory manufacturing new nylon bags and recycled bags with total capacity of 1,700 tons/month or 20,000 tons/year. The company has set up well-organized production process. Currently there are about 100 young officers and 1,000 workers working for the company.

Scope of business

Manufacturing nylon bags, recycled plastic bags, and plastic machinery.

Products, Services and Market

An Phat's main products include plastic bags and plastic films. The company also produces recycled nylon bags and disintegrated plastic bags. Besides, An Phat supplies machinery used in manufacturing plastic products.

Position in the industry

An Phat has set up a firm position in its business field with good business relationships with many well-known corporations and companies from Taiwan, Korea, the Philippines, Singapore, Thailand, Ireland, America, EU, UAE,... Their products have been certified with the ISO 9001-2000 and highly appreciated by both domestic and international customers. The company has also been awarded with a number of national certificates of merit such as The gold medal Vietnam Expo 2008, and "Vietnam Excellent Brand 2007" Cup.

Development Strategy

An Phat targets to become the largest companies producing plastic bags and plastic films in Vietnam.

Contact Information

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Chartered capital (28 th June 2010)	VND99,000,000,000

Company logo



Names	Titles
Mr. Pham Anh Duong	Chairman - General Director
Mr. Nguyen Le Trung	Deputy General Director of Finance
Mr. Chu Thai Son	Deputy General Director of Production
Ms. Hoa Thi Thu Ha	Chief Accountant

SWOT

Strengths

- The company has many years of experience in the business of producing plastic bags.
- An Phat has set up a strong client network and presents good reputation in exporting to EU.

Weaknesses

- Debt/equity ratio is rather high as the company has borrowed to invest in new factories for business expansion.

Opportunities

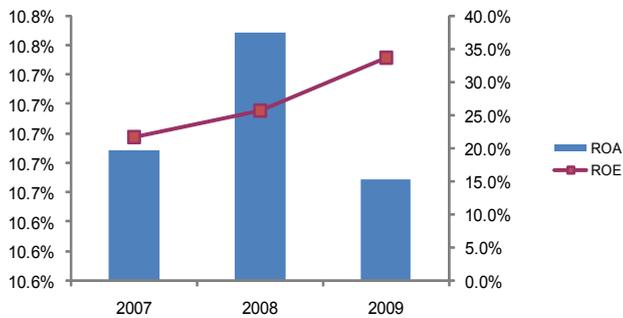
- Recycled bags give high profit margin.
- In the future, disintegrated plastic bags will become a trend of consumption as it is better for the environment.

Threats

- Barriers to entry is low that may cause higher competition for An Phat.

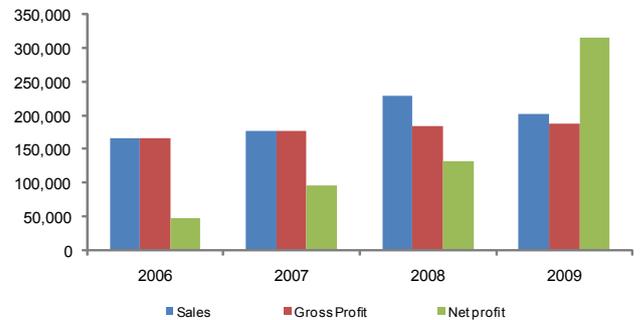
Source - Company

ROA - ROE movement (%)



Source - Company, HSC

Sales - Net profit movement (VNDmil)



Source - Company, HSC

FINANCIAL RATIO

An Phat Plastic and Green Environment Company _ Ticker: APP - OTC

Monday, July 05th 2010

Unit: VNDmil

ANNUAL BALANCE SHEET	FY2007	FY2008	FY2009
Current Assets	100,277	143,554	182,826
Cash and cash equivalents	8,974	3,681	37,822
Short term investments	8,171	-	-
Receivables	42,684	90,093	84,576
Inventories	35,276	39,978	48,690
Other current assets	5,173	9,802	11,738
Long-term Assets	53,233	127,778	253,025
Long-term receivables	-	-	-
Fixed assets	53,088	125,999	210,279
Investment Properties	-	-	-
Long-term investments	-	-	39,000
Other long-term assets	146	1,779	3,746
Goodwills	-	-	-
Total Assets	153,510	271,331	435,851
Liabilities	77,482	168,937	314,243
Current Liabilities	51,029	148,484	186,955
Long-term Liabilities	26,453	20,453	127,289
Owners' Equity	76,029	102,394	121,608
Owners' Equity	76,146	103,082	121,027
Other capital and funds	(117)	(687)	581
Minority Interest	-	-	-
Total Resources	153,510	271,331	435,851

ANNUAL CASHFLOW STATEMENT	FY2007	FY2008	FY2009
Net cash flow from operating activities	(49,933)	(46,373)	52,330
Net cash flow from investment activities	(64,586)	(61,242)	(114,680)
Net cash flow from financing activities	123,493	102,180	96,441
Net cash flow of the year	8,974	(5,435)	34,091
Cash & cash equivalents at the beginning of year	-	8,974	3,682
Effect of foreign exchange differences	-	143	49
Cash & cash equivalents at the end of year	8,974	3,682	37,822

GROWTH RATE (%)	2007	2008	2009
Sales growth	NA	128.8%	54.8%
Pre-tax profit growth	NA	39.4%	67.8%
Net profit growth	NA	39.4%	64.9%

FY2010 PLAN			
Revenue (VNDmillion)			550,000
y/y growth (%)			43%
Profit before tax (VNDmillion)			65,000
y/y growth (%)			72%

VALUATION	As of July 05 th 2010		
Outstanding share			9,900,000
Market price			50,000
Market Cap (VNDmil)			495,000
	2007 (9/3-31/12)	2008	2009
Year-end OS	3,300,000	6,600,000	6,600,000
Average OS	3,300,000	6,600,000	8,250,000
EPS (VND)	2,835	3,445	5,716
P/E	17.64	14.51	8.75
EV/EBITDA	27.04	3.52	1.91
BVPS (VND)	12,753	14,839	17,144
P/B	3.92	3.37	2.92
Sales per share (VND)	18,754	37,626	58,263
P/Sales	2.67	1.33	0.86
DPS (VND)	1,958	2,426	1,000
Dividend yield	3.9%	4.9%	2.0%
Payout ratio	79%	70%	17%

OPERATING EFFICIENCY	2007	2008	2009
Receivable Turnover	6.57	12.69	10.94
Inventory Turnover	3.08	6.60	8.67
Payables Turnover	8.59	26.35	22.32
Total Asset Turnover	0.71	1.17	1.09

LIQUIDITY	2007	2008	2009
Current ratio	1.97	0.97	0.98
Quick ratio	1.17	0.63	0.65
Cash ratio	0.18	0.02	0.20

PROFITABILITY (%)	2007	2008	2009
Gross profit margin	20.9%	20.9%	21.7%
PBT margin	15.1%	9.2%	10.0%
Net profit margin	15.1%	9.2%	9.8%
ROA	10.7%	10.8%	10.7%
ROE	21.6%	25.6%	33.7%

DUPONT ANALYSIS	2007	2008	2009
Net profit margin	15.1%	58.0%	155.9%
Asset turnover	70.7%	12.4%	9.0%
Equity multiplier	201.9%	237.8%	226.6%
ROE	21.6%	25.6%	33.7%

CAPITAL STRUCTURE	2007	2008	2009
Debt to Equity	0.84	1.55	2.23
Debt to Total asset	0.41	0.58	0.62

Source - Company, HSC

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