BP Plastics Holding Bhd (BPPLAS, 5100)

CONTRA TRADE ONLY
3.00X
Collateral Value

BP Plastics Holding Bhd (Fundamental BUY with TP 2.28)

- We are sanguine on the prospect of BP Plastics Holding Bhd (BPPLAS) as a prominent Polyethylene (PE) film player and see demand to pick up from the resumption of global and regional trade activities from 2H2021 amid on-going capacity expansion.
- The stretch film maker is currently trading at undemanding valuation of FY22 PER 8x further supported by projected attractive dividend yield of 5.8%. Solid balance sheet with zero borrowings. BUY with target price of RM2.28 based on 11.5x FY22 PER as per the 5-year average valuation.
- BBPLAS is now one of the largest PE film makers in Asia, supplying cast stretch film and industrial packaging films and bags to over 54 countries. About 76% of the sales are export driven supplying to countries across Asia, Middle East, Europe and North American region. We expect the order for stretch films and industrial bags to pick up due to anticipated global trade recovery in 2H2021 of which the company is currently experiencing especially from Japan.
- BPPLAS has a combined production capacity of 8,500 MT/month and to deploy new 9th cast stretch film machine (to be commissioned by end FY21) from most of the capex spending of RM35.6m. 75% of the sales are derived from stretch films and 25% are from blown PE films. Presently, approximately 40% of the stretch film are premium products (thin gauge film), commanding 20% - 30% higher selling price than the conventional films.
- We expect the proportion of premium film to conventional film to increase with the new cast stretch film line in place. For blown film division, due to highly customized specification to fit for different industrial purposes, it garners higher margin though volume is lower when compared to stretch film.
- The plastics packaging industry in Malaysia has over the years undergone consolidation. In effect, the elimination of competition has enabled BPPLAS and other industry player like TGUAN to gain access to new clients where previously was not possible, which is an added advantage.
- BPPLAS average dividend payout ratio is attractive at 58.3% over the past 5 years, translating to a projected yield of 5.8%. Its zero borrowings and cash position of RM76.1m would comfortably fund future CAPEX requirements.
- All in, we forecast EPS growth of 13% for FY21 and 11% for FY22 respectively. BPPLAS is an attractive value proposition given its undemanding valuation and decent dividend yield.

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