

23 August 2021

BP Plastics Holding Berhad

1HFY21 Above Expectation

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Although we had expected its earnings to be resilient amid this pandemic, 1HFY21 CNP of RM24.6m nevertheless came above expectation, at 68% of our FY21 estimate. 1HFY21 DPS of 6.0 sen also came above expectation at 67% of our FY21E DPS of 9.0 sen. Hence, we raise FY21-22E CNP (by 25-27%) as we remain bullish on BPPLAS's continued growth from robust demand and capacity expansion. Maintain OP with new TP of RM3.15 at 13x PER on FY21E EPS of 24.1 sen.

1HFY21 CNP above estimate. 1HFY21 revenue/CNP of RM209m/RM24.6m came in above our expectations at 55%/68% of our full-year estimate. 2QFY21 DPS of 3.0 sen brought 1HFY21 DPS to 6.0 sen, which is above our estimate of 9.0 sen.

YoY, revenue rose 32.4% to RM209m mainly due to higher sales volume to an existing customer, and higher ASPs for both local and export markets. PBT rose 56% due to better product mix. CNP rose 69.3% on a lower effective tax rate of 20% (vs. 1HFY20: 25%)

QoQ, revenue rose by 8.9% from RM100m to RM109m thanks to: (i) higher sales volume from both stretch film and blown film segments, from existing customers and (ii) elevated ASPs. PBT improved by 57% likely due to better product mix and cost efficiencies. All in, CNP rose by 50%.

Outlook. Despite the prolonged lockdown and the 60% workforce limit, BPPLAS is still able to maintain its resilient earnings on the back of: (i) robust demand, shown by its high utilization rate of 70-75% (near the maximum 80%) and (ii) elevated ASPs amidst fluctuating resin costs. BPPLAS' capacity expansion plan (*9th Cast Stretch Film machine*) is still on track and it will start production in late 4QFY21, which we have imputed its contribution in FY22E. We believe that ASPs will decline gradually and normalize in subsequent quarters as resin prices are still in a downtrend. As the National Immunization Programme roll-out completes and economy reopen, it will allow BPPLAS to resume to its usual workforce. Thus, we believe that BPPLAS will be able to deliver resilient earnings in 2HFY21.

Increase FY21E/FY22E estimates. We increase FY21E revenue/CNP by 8%/25% to RM411.1m/RM45.3m to account for the robust demand for higher-margin product mix. We also raise FY22E revenue/CNP by 12%/27% to RM448.1m/RM50.1m to account for BPPLAS's expansion plan. We introduce new DPS of 10.0 sen each for FY21 and FY22, implying 5.3% yield.

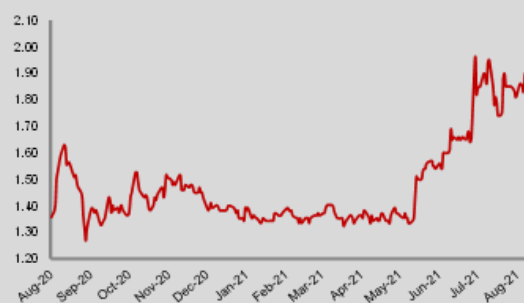
Maintain OUTPERFORM with new TP of RM3.15 (from RM2.50) based on FY21E EPS of 24.1 sen and an ascribed PER of 13x PER, which is +1.0SD to its 5-year mean of 8.3x. We believe BPPLAS deserves the valuation premium for: (i) robust demand from export and local markets, (ii) larger customer base, and (iii) capacity expansion for its premium stretch film. BPPLAS also offers an attractive dividend yield of 5.3%, which is above the industry average of 3%.

Risks to our call include: (i) higher-than-expected resin costs, (ii) lower-than-expected export demand (iii) foreign currency risk.

OUTPERFORM ↔

Price: RM1.90
Target Price: RM3.15 ↑

Share Price Performance



KLCI	1,518.03
YTD KLCI chg	-6.7%
YTD stock price chg	31.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK Equity
Market Cap (RM m)	356.5
Shares Outstanding	187.7
52-week range (H)	2.01
52-week range (L)	1.29
3-mth avg daily vol:	755,268
Free Float	22%
Beta	1.0

Major Shareholders

Lg Capital SdnBhd	43.2%
Tan See Khim	9.5%
Lim Chun Yow	9.3%

Summary Earnings Table

FY Dec (RMm)	2020A	2021E	2022E
Turnover	316.6	411.1	448.1
EBITDA	50.3	67.3	75.4
PBT	38.9	55.9	61.8
Net Profit (NP)	29.7	45.3	50.1
Core NP	29.5	45.3	50.1
Consensus	N/A	N/A	N/A
Earnings Revision	N/A	+25%	+27%
Core EPS (sen)	15.7	24.1	26.7
Core EPS growth (%)	41.0	53.7	10.6
NDPS (sen)	8.0	10.0	10.0
Core PER (x)	12.1	7.9	7.1
BVPS (RM)	1.1	1.2	1.4
PBV (x)	1.7	1.5	1.4
Net Div Yield (%)	4.2	5.3	5.3

23 August 2021

Results Highlights

FYE Dec (RM m)	2Q FY21	1Q FY21	QoQ Chg	2Q FY20	YoY Chg	1H FY21	1H FY20	YoY Chg
Revenue	108.95	100.06	8.9%	80.29	35.7%	209.01	157.89	32.4%
Gross Profit	25.28	19.55	29.3%	16.23	55.8%	44.83	28.94	54.9%
Other Income	0.62	0.41	51.1%	0.42	47.8%	1.03	1.66	-38.2%
PBT	18.71	11.92	57.0%	11.32	65.4%	30.63	19.63	56.0%
Taxation	-3.94	-2.25	75.5%	-2.85	38.5%	-6.19	-4.94	25.2%
PAT	14.77	9.68	52.7%	8.47	74.4%	24.44	14.69	66.4%
Core Net profit	14.78	9.84	50.2%	8.60	72.0%	24.63	14.55	69.3%
Core EPS (sen)	7.88	5.24	50.2%	4.58	72.0%	13.02	7.75	68.0%
NDPS (sen)	3	3		2		6	4	
Effective tax rate	21.06	18.83		25.15		20.20	25.16	
Gross Margin (%)	23.21	19.54		20.22		21.45	18.33	
PBT margin (%)	17.17	11.91		14.09		14.65	12.43	
Core Net Profit margin (%)	13.57	9.84		10.71		11.78	9.22	

Source: Company, Kenanga Research

23 August 2021

Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE																	
BP PLASTICS HOLDINGS BHD	1.90	356.5	Y	12/2021	29.8%	9.0%	53.7%	10.6%	12.1	7.9	7.1	1.7	1.5	20.7%	5.3%	3.15	OP
SCGM BHD	2.32	444.3	Y	04/2022	14.8%	4.6%	10.0%	7.5%	13.1	11.9	11.1	2.6	2.3	18.6%	3.4%	3.02	OP
SCIENTEX BHD	4.39	6,807.4	Y	07/2021	3.2%	12.5%	-3.8%	16.2%	16.7	17.4	14.9	2.8	2.4	16.1%	1.7%	3.96	MP
SLP RESOURCES BHD	0.945	299.5	Y	12/2021	22.3%	3.1%	33.5%	4.7%	18.6	13.9	13.3	1.6	1.6	11.8%	5.8%	1.22	OP
THONG GUAN INDUSTRIES BHD	2.52	954.6	Y	12/2021	12.8%	8.6%	14.5%	8.5%	12.5	10.9	10.1	1.5	1.3	12.8%	1.8%	3.38	OP
TOMYPAK HOLDINGS BHD	0.510	219.9	Y	12/2021	12.8%	3.8%	4790.0%	7.2%	2,196.1	44.9	41.9	1.2	1.2	2.6%	0.0%	0.570	MP
Simple Average					15.9%	6.9%	816.3%	9.1%	378.2	17.8	16.4	1.9	1.7	13.8%	3.01%		

Source: Bloomberg, Kenanga Research

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23 August 2021

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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