

23 November 2021

BP Plastics Holding Berhad

Growth Cycle Continues

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9MFY21 CNP of RM34.5m came within expectation, making up 76% of our FY21 estimate. Despite the 60% workforce capacity restriction, QoQ, BPPLAS recorded higher sales volume. BPPLAS has continued raising its prices, in tandem with rising resin prices. 9MFY21 DPS of 9.0 sen came above our expectation at 90% of our FY21E DPS of 10.0 sen. We raise FY21E/FY22E CNP by 2%/6% on the back of the robust demand for its premium products. Maintain OP with higher TP of RM3.34 (RM2.85) as we roll forward valuation at 11.8x PER on FY22E EPS of 28.3 sen.

9MFY21 CNP within estimate. 9MFY21 revenue/CNP of RM322.3m/RM34.5m came within our expectation at 78%/76% of full-year estimate. 3QFY21 DPS of 3.0 sen brought 9MFY21 DPS to 9.0 sen, which is above our estimate of 10.0 sen.

YoY, 9MFY21 revenue rose 39.1% to RM322.3m driven by: (i) stronger sales volume from existing customers and higher ASPs for its products. PBT improved by 42% due to a better product mix and better revenue growth. Due to a lower effective tax rate of 19.1% (vs. 9MFY20: 25.4%), CNP rose 54.5%.

QoQ, despite the 60% workforce limit in 3QFY21, revenue increased by 4% mainly due to higher sales volume (+4.5%) from both stretch film and blown film segments. PBT dipped by 35.3%, likely due to higher raw material and freight costs (higher freight cost and shortage of containers). After accounting for a reversal of impairment loss on receivables of RM0.2m, CNP fell by 33% to RM9.9m.

Outlook. Resin prices have increased significantly (c.20-27%) since July, and we assume that resin prices will continue to stay firm until the end of 2021 due to disruptions to the global supply chain. We gathered from management that BPPLAS was able to increase its selling prices in tandem with the surge in resin prices through cost-plus mechanism. As the economy gradually recovers, we expect sequential earnings growth, lifted by: (i) higher production output which is shown by its high utilization rate of 70-75%, (ii) elevated ASPs amidst fluctuation in resin costs, and (iii) higher contribution to the premium stretch film segment (*9th cast stretch film machine is being installed and will start production in Dec 2021*). To continue expanding its capacity, BPPLAS has purchased its 10th cast stretch film machine which is estimated to begin commercialization in 2HFY22. On another note, BPPLAS has proposed the following: (i) 1 bonus share for every 2 existing BPPLAS shares, and (ii) 37.5m free warrants on the basis of 1 warrant for every 5 BPPLAS share, with the exercise expected to be completed by 4QCY21.

Increase FY21E/FY22E earnings. We increase FY21E revenue/CNP by 8%/2% to account for the robust demand and higher ASPs. We also raise FY22E revenue/CNP by 9%/6% to RM486.8m/RM53m to account for higher-margin product mix and capacity expansion. We increase FY21E/FY22E DPS from 10.0 sen each year to 11.0 sen/11.25 sen, implying 3.7%/3.8% yield.

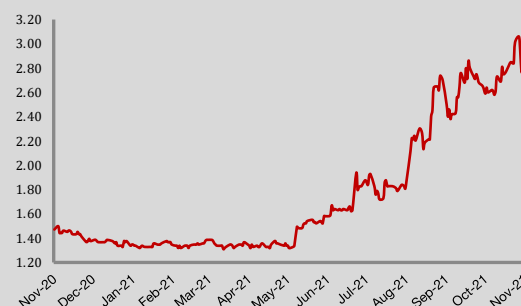
Maintain OUTPERFORM with higher TP of RM3.34 (from RM2.85) as we roll forward valuation based on an increased FY22E EPS of 28.3 sen and an unchanged ascribed PER of 11.8x, which is +1.0SD above the mean. We believe BPPLAS deserves the valuation premium for the resilient demand for its products and for its continuous capacity expansion, fueling earnings growth.

Risks to our call include: (i) faster-than-expected ASP declines, (ii) lower-than-expected export demand (iii) foreign currency risk.

OUTPERFORM ↔

Price: RM2.97
Target Price: RM3.34 ↑

Share Price Performance



KLCI	1,526.87
YTD KLCI chg	-6.2%
YTD stock price chg	107.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK Equity
Market Cap (RM m)	557.3
Shares Outstanding	187.7
52-week range (H)	3.07
52-week range (L)	1.34
3-mth avg daily vol:	1,256,157
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	442.6	486.8
EBITDA	50.3	68.3	79.0
PBT	38.9	56.9	65.5
Net Profit (NP)	29.7	46.1	53.0
Core NP	29.5	46.1	53.0
Consensus	N/A	N/A	N/A
Earnings Revision	N/A	2%	6%
Core EPS (sen)	15.7	24.7	28.3
Core EPS growth (%)	41.0	56.4	15.0
NDPS (sen)	6.0	11.0	11.3
Core PER (x)	18.9	12.1	10.5
BVPS (RM)	1.1	1.2	1.4
PBV (x)	2.7	2.4	2.1
Net Div Yield (%)	2.0	3.7	3.8

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Results Highlights

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	113.31	108.95	4.0%	73.83	53.5%	322.32	231.73	39.1%
Gross Profit	19.03	25.28	-24.7%	15.65	21.6%	63.86	44.59	43.2%
Other Income	0.83	0.62	34.5%	0.45	86.3%	1.86	2.11	-11.9%
PBT	12.10	18.71	-35.3%	10.46	15.7%	42.73	30.09	42.0%
Taxation	-1.99	-3.94	-49.6%	-2.70	-26.5%	-8.17	-7.64	6.9%
PAT	10.11	14.77	-31.5%	7.75	30.5%	34.56	22.44	54.0%
Core Net profit	9.91	14.78	-33.0%	7.81	27.0%	34.54	22.36	54.5%
Core EPS (sen)	5.28	7.88	-33.0%	4.16	27.0%	18.41	8.74	110.7%
NDPS (sen)	3	3		2		9	6	
Effective tax rate	16.42	21.06		25.86		19.13	25.41	
Gross Margin	16.79	23.21		21.19		19.81	19.24	
PBT margin (%)	10.68	17.17		14.16		13.26	12.98	
Core Net Profit margin (%)	8.75	13.57		10.57		10.72	9.65	

Source: Company, Kenanga Research

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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	2.97	557.3	Y	12/2021	39.8%	10.0%	56.4%	15.0%	18.9	12.1	10.5	2.7	2.4	21.0%	3.7%	3.34	OP
SCGM BHD	2.53	487.2	Y	04/2022	18.5%	12.6%	13.5%	6.0%	14.2	12.6	11.8	2.6	2.3	19.2%	3.2%	2.97	OP
SCIENTEX BHD	4.64	7,195.0	Y	07/2022	16.5%	10.4%	13.0%	15.5%	16.2	14.3	12.4	2.5	2.2	16.4%	2.1%	4.42	MP
SLP RESOURCES BHD	0.950	301.1	Y	12/2021	15.5%	9.1%	20.5%	16.0%	18.7	15.5	13.4	1.7	1.6	10.6%	5.8%	1.18	OP
THONG GUAN INDUSTRIES BHD	2.88	1,106.1	Y	12/2021	19.6%	6.6%	25.0%	5.5%	14.4	11.6	11.0	1.6	1.5	14.2%	1.6%	3.68	OP
TOMYPAK HOLDINGS BHD	0.555	239.3	Y	12/2021	15.0%	5.5%	5800.0%	5.1%	2,392.6	40.6	38.6	1.3	1.3	3.1%	0.0%	0.516	MP
Simple Average					20.8%	9.0%	988.1%	10.5%	412.5	17.8	16.3	2.1	1.9	14.1%	2.72%		

Source: Bloomberg, Kenanga Research

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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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