

22 February 2022

BP Plastics Holding Berhad

Smooth Sailing for FY21

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FY21 CNP of RM46.4m is spot on our estimate. QoQ, revenue was higher due to more robust sales and higher ASPs. However, we cut FY22E CNP by 8% on the back of supply chain disruptions. Maintain OP with a lower TP of RM2.07 (from RM2.22) based on FY22E EPS of 17.2 sen at 12x PER.

Spot on our estimate. FY21 CNP of RM46.4m hit spot on our full-year estimate, while 4QFY21 DPS of 3.0 sen brought FY21 DPS to 11.0 sen, which is also within our estimate.

YoY, FY21 revenue increased by 41.2% to RM447.2m thanks to higher sales volume from existing customers and higher ASPs for its products. PBT rose 45.4% in tandem with revenue due to a better product mix. All in, the group CNP rose 57.5% on a lower effective tax rate of 18.2% (vs. FY20: 24%).

QoQ, 4QFY21 revenue rose 10.2% to RM124.9m (vs. 3QFY21: RM113.3m) on the back of: (i) stronger demand, and (ii) higher ASPs in tandem with higher resin prices. PBT also rose, by 16%, likely due to better operational cost efficiency. Due to lower effective tax rate of 15.2%, CNP rose 20.1%.

Outlook. As the global economy stays on the path to recovery, we remain optimistic on BPPLAS's outlook due to: (i) its ability to fulfill strong demand for its products with its utilization rate running at an average of 70-75% (vs. 4QFY21: 75-76%) and (ii) elevated ASPs in tandem with the surge in resin costs. Recently, resin prices have rebounded significantly (c.8-10%) since early January, which we assume will continue to stay elevated until 1HCY22 due to global supply chain disruption caused by logistic issues and higher crude oil prices. Factoring in both elevated ASPs and increased resin costs, our PBT margin assumptions stand at 12.3% for FY22 and 11.5% for FY23, versus FY21's 12.7%.

Post results, we reduce FY22E CNP by 8% to RM48.5m (from RM53m) due to supply chain disruption on higher freight cost and costlier material cost, and we also lower FY22E DPS to 8.0 sen (from 11.25 sen), implying 5.3% yield. We introduce FY23E CNP of RM51.1m and DPS of 8.0 sen.

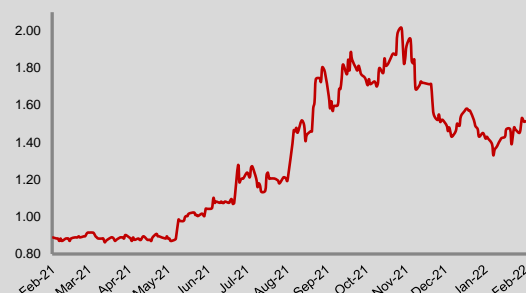
Maintain OUTPERFORM with lower TP of RM2.07 (from RM2.22) based on FY22E EPS of 17.2 sen (after 8% earnings cut) implying an ascribed PER of 12x, which is above its 5-year mean of 8.4x. We believe BPPLAS deserve the valuation for the resilient demand for its products and ongoing capacity expansion plan.

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

OUTPERFORM ↔

Price: **RM1.52**
Target Price: **RM2.07** ↓

Share Price Performance



KLCI	1,582.69
YTD KLCI chg	1.0%
YTD stock price chg	-1.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK Equity
Market Cap (RM m)	427.8
Shares Outstanding	281.5
52-week range (H)	2.04
52-week range (L)	0.89
3-mth avg daily vol:	788,287
Free Float	22%
Beta	1.0

Major Shareholders

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

Summary Earnings Table

FY Dec (RM m)	2021A	2022E	2023E
Turnover	447.2	486.8	548.7
EBITDA	67.2	69.0	72.4
PBT	56.8	59.9	63.1
Net Profit (NP)	46.5	48.5	51.1
Core NP	46.4	48.5	51.1
Consensus	N/A	N/A	N/A
Earnings Revision	N/A	-8%	N/A
Core EPS (sen)	16.5	17.2	18.2
Core EPS growth (%)	57.5	4.4	5.4
NDPS (sen)	11.0	8.0	9.0
Core PER (x)	9.2	8.8	8.4
BVPS (RM)	0.8	0.9	1.0
PBV (x)	1.8	1.7	1.5
Net Div Yield (%)	7.2	5.3	5.3

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Results Highlights

	4Q	3Q	QoQ	4Q	YoY			YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	124.9	113.3	10.2%	84.9	47.1%	447.2	316.6	41.2%
Gross Profit	15.7	19.0	-17.6%	12.0	30.5%	79.5	56.6	40.5%
Other Income	0.5	0.8	-44.0%	0.5	-9.5%	2.3	2.6	-11.4%
PBT	14.0	12.1	16.0%	8.9	56.9%	56.8	39.0	45.4%
Taxation	- 2.1	- 2.0	7.3%	- 1.7	23.3%	-10.3	-9.4	9.9%
PAT	11.9	10.1	17.8%	7.2	65.0%	46.5	29.7	56.7%
Core Net Profit	11.9	9.9	20.1%	7.1	67.0%	46.4	29.5	57.5%
Core EPS (sen)	4.2	3.5	20.1%	2.5	67.0%	7.7	5.3	46.1%
NDPS (sen)	3.0	3.0		2.0		11.0	8.0	
Effective tax rate	15.18	16.42		19.32		18.15	24.01	
Gross Margin	12.56	16.79		14.16		17.79	17.88	
PBT margin (%)	11.25	10.68		10.54		12.70	12.33	
Core Net Profit margin (%)	9.53	8.75		8.40		10.39	9.31	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	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.	Price (RM)	
STOCKS UNDER COVERAGE																	
BP PLASTICS HOLDING BHD	1.52	427.8	Y	12/2022	8.9%	12.7%	4.5%	5.4%	9.2	8.8	8.4	1.8	1.7	19.8%	5.3%	2.07	OP
SCGM BHD	2.13	410.2	Y	04/2022	15.1%	16.0%	7.9%	11.4%	12.0	11.2	10.0	2.1	1.9	18.2%	3.6%	2.80	OP
SCIENTEX BHD	4.57	7,088.1	Y	07/2022	16.5%	10.4%	13.0%	15.5%	16.0	14.1	12.2	2.4	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	2.45	942.1	Y	12/2021	19.6%	6.6%	25.0%	5.5%	12.2	9.8	9.3	1.4	1.3	14.2%	1.8%	3.68	OP
TOMYPAK HOLDINGS	0.410	176.8	Y	12/2021	6.9%	4.7%	-460.0%	733.3%	1,767.5	N.A.	58.9	1.0	0.9	-0.2%	0.0%	0.485	MP
Simple Average					13.7%	9.9%	-64.8%	131.2%	305.9	11.9	18.7	1.7	1.6	13.2%	3.10%		

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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