

BP Plastics Holding Berhad

In line backed by capacity expansion

Summary

- BP Plastics Holding Bhd's (BPPLAS) 4Q21 net profit surged 47.1% YoY to RM11.9m, bringing a significant 56.4% increase in FY21 net profit vs. FY20. The results came in largely in line, amounting to 102.6% of our full year consensus of RM45.3m. Key drivers include stronger demand and higher average selling price (ASP) in all geographical segments. Meanwhile, a fourth interim dividend of 2.0 sen per share, payable on 8th April 2022 was declared.
- QoQ, BPPLAS's core net profit advanced 17.8% to RM11.9m, mainly resulted from a stronger demand in 4Q21 which has offset the slight ASP decline. Consequently, BPPLAS reported a core net profit margin of 9.5% in 4Q21, which was up 1.0% YoY and 0.6% QoQ (vs. core profit margin registered at 8.5% in 4Q20 and 8.9% in 3Q21).
- Production capacity currently stood at 10kMT per month or 120kMT p.a. following the commissioning of the 9th Cast Stretch Film machine in December 2021. BPPLAS remained committed in the capacity expansion plan, targeting to commission the 10th Cast Stretch Film machine in FY22 and lift the production capacity to 11kMT per month or 132 kMT p.a. Meanwhile, product mix remained largely consistent as compared to 3Q21.
- BPPLAS's plan in capacity expansion and product innovation is backed by the group's strong financial position. As at 4Q21, the group's net cash position stood at RM60.9m, while net cash per share recorded at 21.6 sen after acquiring the 9th Cast Stretch Film machine.
- Cost wise, the resin prices have been whittled down over 4Q21 as supply continued to outpace demand. While downward pressure persisted, the resin prices saw mild rebound in recent weeks. We believe the gradual resin price erosion should not burden the BPPLAS's margin as any volatility in resin price will be priced into the group's monthly sales pricing quotation.
- Moving forward, we believe demand for plastic packaging products should remain robust amid normalization of economic activities. Although recent weeks saw the Covid-19 infections surging, we believe the higher rate of vaccination should keep most patients under milder categories.

Results Note

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BUY

Share price	RM1.52
Target price	RM2.39
Previous TP	RM2.25
Capital upside	57.2%
Dividend return	4.5%
Total return	61.7%

Company profile

Principally involved in producing primary, secondary and tertiary packaging solutions for various market segment.

Stock information

Bursa Code	5100
Bloomberg ticker	BPP MK
Listing market	MAIN
Share issued (m)	300.0
Market Cap (m)	456.0
52W High/Low	2.039/0.887
Est. Free float	22.1
Beta	0.9
3-mth avg vol ('000)	771.0
Shariah compliant	Yes

Major shareholders

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

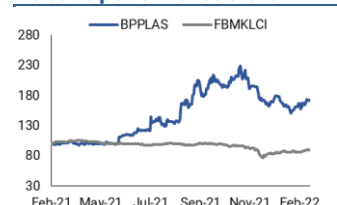
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	7.0	-22.9	65.2
Relative	3.3	-25.7	63.9

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	46.5	48.0	49.6
EPS (sen)	16.5	17.0	17.6
P/E (x)	9.2	8.9	8.6

Relative performance chart



Quarterly performance								
FYE Dec (RM m)	4QFY20	3QFY21	4QFY21	QoQ (%)	YoY (%)	12MFY20	12MFY21	YoY (%)
Revenue	84.9	113.3	124.9	10.2	47.1	316.6	447.2	41.2
EBITDA	11.4	14.4	16.5	14.7	44.9	49.1	66.0	34.4
PBT	8.9	12.1	14.0	16.0	56.9	39.1	56.8	45.3
PAT	7.2	10.1	11.9	17.8	65.0	29.7	46.5	56.4
Core PATMI	7.2	10.1	11.9	17.8	65.0	29.7	46.5	56.4
Reported PATMI	7.2	10.1	11.9	17.8	65.0	29.7	46.5	56.7
Core EPS (sen)	2.6	3.6	4.2	17.8	65.0	10.6	16.5	56.4
EBITDA margin (%)	13.4	12.7	13.2			15.5	14.8	
PBT margin (%)	10.5	10.7	11.2			12.3	12.7	
Core PATMI margin (%)	8.5	8.9	9.5			9.4	10.4	

Valuation & Recommendation

- Although the core net profit is within our expectations, we raised our earnings forecast by 6.0% to RM48.0m for FY22f and project the FY23f earnings at RM49.6m taking into account the solid demand for their products and the capacity expansion after the commissioning of the 9th Cast Stretch Film machine in December 2021, as well as the upcoming 10th Cast Stretch Film machine in 4Q22.
- We maintained our **BUY** recommendation on BPPLAS, with a revised target price of RM2.39 after taking into consideration the recent bonus issue. The target price is derived by ascribing a target PER of 14.0x to its FY22f EPS of 17.0 sen.
- Risks to our recommendation include the recent resurgence in Covid-19 cases under Omicron wave which may slow the economy recovery. Besides, the plastic packaging players may face challenges in cost management under the inflationary pressure in the whole business environment.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	331.2	316.6	447.2	471.0	516.9	Cash	45.0	78.0	60.9	82.9	97.3
EBITDA	35.5	49.0	66.0	69.6	72.5	Receivables	38.8	40.8	65.3	57.6	63.2
EBIT	24.8	37.6	55.6	58.8	60.8	Inventories	63.8	84.1	89.2	101.6	112.5
Net finance income/ (cost)	1.6	1.4	1.2	1.2	1.2	PPE	80.4	72.4	89.2	96.6	103.2
Associates & JV	-	-	-	-	-	Others	7.7	12.4	6.1	6.0	5.8
Profit before tax	26.3	39.0	56.8	60.0	62.1	Assets	235.7	287.7	310.7	344.7	382.0
Tax	(5.1)	(9.3)	(10.3)	(12.0)	(12.4)	Debits	-	-	-	-	-
Net profit	21.2	29.7	46.5	48.0	49.6	Payables	34.2	68.6	65.4	70.5	78.1
Minority interest	-	-	-	-	-	Others	10.4	13.3	13.7	13.7	13.7
Core earnings	21.2	29.7	46.5	48.0	49.6	Liabilities	44.6	81.9	79.1	84.3	91.8
Exceptional items	0.0	0.1	-	-	-	Shareholder's equity	98.8	98.8	98.8	98.8	98.8
Reported earnings	21.2	29.7	46.5	48.0	49.6	Minority interest	-	-	-	-	-
						Equity	191.1	205.8	231.6	260.4	290.2
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Profit before taxation	26.3	39.0	56.8	60.0	62.1	Core EPS (sen)	7.5	10.6	16.5	17.0	17.6
Depreciation & amortisation	10.7	11.4	10.4	10.8	11.6	P/E (x)	20.2	14.4	9.2	8.9	8.6
Changes in working capital	(15.3)	12.1	(32.8)	0.4	(8.9)	DPS (sen)	4.0	5.3	7.3	6.8	7.1
Share of JV profits	-	-	-	-	-	Dividend yield	2.6%	3.5%	4.8%	4.5%	4.6%
Taxation	(5.1)	(9.3)	(10.3)	(12.0)	(12.4)	BVPS (RM)	0.68	0.73	0.82	0.93	1.03
Others	0.2	5.5	(0.3)	(0.0)	-	P/B (x)	2.2	2.1	1.8	1.6	1.5
Operating cash flow	16.8	58.8	23.8	59.2	52.3	EBITDA margin	10.7%	15.5%	14.8%	14.8%	14.0%
Net capex	(12.2)	(2.5)	(27.0)	(18.0)	(18.0)	EBIT margin	7.5%	11.9%	12.4%	12.5%	11.8%
Others	1.4	(21.5)	18.5	-	-	PBT margin	8.0%	12.3%	12.7%	12.7%	12.0%
Investing cash flow	(10.7)	(23.9)	(8.6)	(18.0)	(18.0)	PAT margin	6.4%	9.4%	10.4%	10.2%	9.6%
Changes in borrowings	-	-	-	-	-	Core PAT margin	6.4%	9.4%	10.4%	10.2%	9.6%
Issuance of shares	-	-	0.0	-	-	ROE	21.5%	30.1%	47.0%	48.6%	50.3%
Dividends paid	(11.3)	(15.0)	(20.6)	(19.2)	(19.9)	ROA	9.1%	11.4%	15.5%	14.6%	13.7%
Others	-	-	5.6	-	-	Net gearing	CASH	CASH	CASH	CASH	CASH
Financing cash flow	(11.3)	(15.0)	(15.0)	(19.2)	(19.9)						
Net cash flow	(5.2)	19.8	0.2	22.0	14.4						
Forex	-	-	(0.0)	-	-						
Others	(0.0)	13.3	(17.3)	-	-						
Beginning cash	50.2	45.0	78.0	60.9	82.9						
Ending cash	45.0	78.0	60.9	82.9	97.3						