

24 May 2022

# BP Plastics Holding Berhad

## Unexpected Dip in 1QFY22

By Tan Jia Hui | [jhtan@kenanga.com.my](mailto:jhtan@kenanga.com.my)

1QFY22 CNP of RM7.4m came below our expectation (at 15%) but DPS of 1.5 sen is in line. QoQ, despite revenue rising on higher sales volume, margins dipped due to higher production costs. We expect top-line to sustain but are cautious on margins. We increase FY22E revenue by 5% but cut earnings by 16% after imputing higher production costs. We maintain FY23E earnings and DPS. Downgraded to MARKET PERFORM with lower TP of RM1.59 (from RM2.07) based on FY22 EPS of 14.5 sen at 11x PER.

**Below expectation.** 1QFY22 CNP of RM7.4m came below our expectation at 15% of our FY22 estimate. 1QFY22 dividend of 1.5 sen is within our estimate.

**YoY,** revenue rose by 31.8% on strong sales and higher ASP of products. However, CNP was down by 24.9% in tandem with PBT due to higher production costs impacted by geopolitical tension.

**QoQ,** revenue improved by 5.7%, thanks to higher sales volume. Nevertheless, PBT dipped by 34.7% as PBT margin decreased by 4.3ppt to 7%, mainly due to higher administrative and operational costs such as higher raw material costs, electricity cost (*removal of electricity rebates*), and freight costs. As a result, the group recorded a CNP of RM7.4m on a higher effective tax rate of 18% (vs. 4QFY21: 15%).

**Outlook.** We remain positive on BPPLAS's top-line due to: (i) sustainable demand as its utilization rate is at an average of 70-75% with new capacity contribution from its 9th cast stretch film machine, and (ii) increase in manpower headcount. However, we are concerned about its margin, mainly due to: (i) higher production cost on the increase in labor and overhead costs, (ii) supply chain challenges, and (iii) elevated raw material cost. We expect resin prices to remain elevated at a higher price level until 1HCY22 on the back of: (i) unresolved Russia-Ukraine war, (ii) lockdown in China, and (iii) ongoing supply chain disruption. However, resin prices are showing signs of softening and we expect ASP to remain stable.

**Post results,** we increase FY22E top-line by 5% to factor in higher contribution from the 9th cast stretch film machine. However, we reduce FY22E CNP by 16% to RM40.8m (from RM48.5m) imputing volatile input cost and inflationary pressure, and we also lower FY22E DPS to 6.0 sen (from 8.0 sen), implying 4.0% yield. We remain our FY23E earnings forecast.

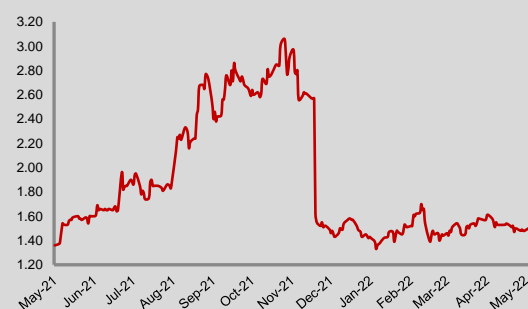
**Downgraded to MARKET PERFORM with a lower TP of RM1.59** (from RM2.07) based on FY22E EPS of 14.5 sen (from 17.2 sen), implying an ascribed PER of 11x, which is above its 5-year mean of 8.0x. We believe BPPLAS deserves the valuation thanks to sustainable demand for its products.

**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.

## MARKET PERFORM ↓

Price: RM1.50  
Target Price: RM1.59 ↓

### Share Price Performance



KLCI	1,542.53
YTD KLCI chg	-1.6%
YTD stock price chg	-2.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK Equity
Market Cap (RM m)	422.2
Shares Outstanding	281.5
52-week range (H)	2.04
52-week range (L)	0.89
3-mth avg daily vol:	390,306
Free Float	23%
Beta	0.9

### Major Shareholders

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

### Summary Earnings Table

FY Dec (RMm)	2021A	2022E	2023E
Turnover	447.1	508.9	548.7
EBITDA	67.2	59.5	72.4
PBT	56.8	50.4	63.1
Net Profit (NP)	46.5	40.8	51.1
Core NP	46.4	40.8	51.1
Consensus	N/A	N/A	N/A
Earnings Revision	N/A	-16%	N/A
Core EPS (sen)	16.5	14.5	18.2
Core EPS growth (%)	57.5	-12.1	25.2
NDPS (sen)	8.0	6.0	8.0
Core PER (x)	9.1	10.3	8.3
BVPS (RM)	0.8	0.9	1.0
PBV (x)	1.8	1.7	1.5
Net Div Yield (%)	5.3	4.0	5.3

24 May 2022

## Results Highlights

	1Q	4Q	QoQ	1Q	YoY
FYE Dec (RM m)	FY22	FY21	Chg	FY21	Chg
<b>Revenue</b>	<b>131.9</b>	<b>124.9</b>	<b>5.7%</b>	<b>100.1</b>	<b>31.8%</b>
Gross Profit	8.6	15.7	-45.1%	19.6	-55.9%
Other Income	0.6	0.5	20.9%	0.4	37.4%
PBT	9.2	14.0	-34.7%	11.9	-23.0%
Taxation	-1.6	-2.1	-23.5%	-2.2	-27.3%
PAT	7.5	11.9	-36.7%	9.7	-22.0%
<b>Core Net Profit</b>	<b>7.4</b>	<b>11.9</b>	<b>-37.8%</b>	<b>9.8</b>	<b>-24.9%</b>
Core EPS (sen)	2.6	4.2	-37.8%	3.5	-24.9%
NDPS (sen)	1.5	3.0		2	
Effective tax rate	17.79	15.18		18.83	
Gross Margin	6.53	12.56		19.54	
PBT margin (%)	6.95	11.25		11.91	
Core Net Profit margin (%)	5.61	9.53		9.84	

Source: Company, Kenanga Research

24 May 2022

### 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.			
<b>STOCKS UNDER COVERAGE</b>																	
BP PLASTICS HOLDING BHD	1.50	422.2	Y	12/2022	13.8%	7.8%	-12.1%	25.2%	9.1	10.3	8.3	1.8	1.7	16.8%	4.0%	1.59	MP
SCGM BHD	2.35	452.5	Y	04/2022	15.1%	16.0%	-10.3%	13.4%	13.2	14.8	13.1	2.4	2.1	15.1%	2.7%	2.53	MP
SCIENTEX BHD	3.55	5,506.0	Y	07/2022	12.4%	10.7%	6.1%	17.6%	12.4	11.7	9.9	1.9	1.7	15.4%	2.6%	4.15	MP
SLP RESOURCES BHD	0.900	285.3	Y	12/2022	9.7%	5.5%	28.6%	9.3%	16.3	12.7	11.6	1.5	1.5	12.0%	6.1%	1.18	OP
THONG GUAN INDUSTRIES BHD	2.46	947.5	Y	12/2022	19.7%	20.4%	22.2%	21.2%	10.0	8.2	6.8	1.2	1.1	14.3%	2.2%	3.90	OP
<b>Simple Average</b>					<b>14.1%</b>	<b>12.1%</b>	<b>6.9%</b>	<b>17.4%</b>	<b>12.2</b>	<b>11.6</b>	<b>9.9</b>	<b>1.8</b>	<b>1.6</b>	<b>14.7%</b>	<b>3.54%</b>		

Source: Bloomberg, Kenanga Research

*This section is intentionally left blank*

24 May 2022

**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.**

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

