

**PublicInvest Research Results Review**
**Tuesday, August 16, 2022**

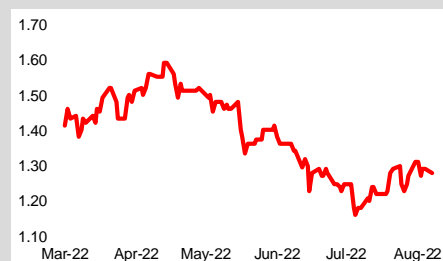
KDN PP17686/03/2013(032117)

**BP PLASTIC BERHAD**
**Neutral**
**DESCRIPTION**

An investment holdings company, via its subsidiaries principally involved in the manufacturing PE films and bags

12-month Target Price RM1.40  
 Current Price RM1.28  
 Expected Return 9.3%

Market Main  
 Sector Industrial Products  
 Bursa Code 5100  
 Bloomberg Ticker BPP MK  
 Shariah-compliant Yes

**SHARE PRICE CHART**


52 Week Range (RM) 1.16-2.04  
 3-Month Average Vol ('000) 128.2

**SHARE PRICE PERFORMANCE**

|                  | 1M  | 3M    | 6M    |
|------------------|-----|-------|-------|
| Absolute Returns | 9.3 | -11.2 | -10.0 |
| Relative Returns | 2.3 | -12.4 | -7.4  |

**KEY STOCK DATA**

Market Capitalisation (RMm) 360.3  
 No. of Shares (m) 281.5

**MAJOR SHAREHOLDERS**

|               | %    |
|---------------|------|
| LG Capital SB | 43.2 |
| Tan See Khim  | 9.5  |
| Lim Chun Yow  | 9.3  |
| Hey Shiow Hoe | 7.8  |

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**Above Expectations**

BP Plastic Berhad (BPPLAS) posted a 17.3% decline in 2QFY22 net profit to RM12.2m, dragged by elevated freight charges and higher production costs. For 1HFY22, results were above expectations however, accounting for 66% and 57% of our and consensus full-year estimates respectively. We keep our forecasts unchanged nonetheless as earnings outlook may continue to be challenged by elevated cost pressures amid on-going strains on supply chains, higher commodity prices, electricity tariff and minimum wages. We retain our **Neutral** call with an unchanged TP of RM1.40 based on a 13x P/E multiple to its FY23F EPS. BPPLAS declared a 2<sup>nd</sup> interim dividend of 1.5sen, bringing total dividend for 1HFY22 to 3.0sen (1HFY21: 4.0sen).

- § **2QFY22 revenue** rose by 28.1% YoY to RM139.5m on higher demand and average selling prices (ASP) of products. Management remains cautiously optimistic over revenue growth, underpinned by sustained demand for plastic packaging products despite question marks over the pace of economic recovery.
- § **2QFY22 net profit** was down 17% YoY to RM12.2m despite the increase in revenue. The decline was mainly due to a notable surge in freight cost, as well as higher production costs. Pre-tax profit margin fell to 11% compared to 17% in 2QFY21.
- § **Outlook** for the Group is expected to remain challenging. While pricing for resins may have peaked in April 2022 and some moderation is expected in the coming months, increase in ASPs may not be sufficient to mitigate the surge in production cost due to global supply chain disruptions and uncertainties from the conflicts in Ukraine. Furthermore, demand for packaging materials could also be temporarily compromised due to a strong USD, shortage of workforces and stubbornly-high operating costs.

**KEY FINANCIAL SUMMARY**

| FYE Dec (RM m)     | 2020A | 2021A | 2022F | 2023F | 2024F | CAGR  |
|--------------------|-------|-------|-------|-------|-------|-------|
| Revenue            | 316.6 | 447.1 | 469.5 | 493.0 | 517.6 | 13.1% |
| Operating Profit   | 37.8  | 54.5  | 35.1  | 37.6  | 51.9  | 8.2%  |
| Pre-tax Profit     | 38.9  | 56.8  | 37.3  | 39.8  | 54.1  | 8.6%  |
| Net Profit         | 29.7  | 46.5  | 28.4  | 30.3  | 41.1  | 8.5%  |
| Core Net Profit    | 29.7  | 46.5  | 28.4  | 30.3  | 41.1  | 8.5%  |
| EPS (Sen)          | 10.5  | 16.5  | 10.1  | 10.7  | 14.6  | 8.5%  |
| P/E (x)            | 9.2   | 9.3   | 12.7  | 11.9  | 8.8   |       |
| DPS (Sen)          | 5.3   | 8.0   | 5.0   | 5.4   | 7.3   |       |
| Dividend Yield (%) | 5.5   | 5.2   | 3.9   | 4.2   | 5.7   |       |

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

| FYE Dec (RM m)              | <u>2Q22</u>  | <u>2Q21</u>  | <u>1Q22</u>  | <u>YoY<br/>chg<br/>(%)</u> | <u>QoQ<br/>chg<br/>(%)</u> | <u>YTD<br/>FY22</u> | <u>YTD<br/>FY21</u> | <u>YoY<br/>chg<br/>(%)</u> | <u>Comments</u>   |
|-----------------------------|--------------|--------------|--------------|----------------------------|----------------------------|---------------------|---------------------|----------------------------|---|
| Revenue                     | 139.5        | 108.9        | 131.9        | 28.1                       | 5.8                        | 271.4               | 209.0               | 29.9                       |   |
| <b>Operating profit</b>     | <b>14.7</b>  | <b>18.1</b>  | <b>8.6</b>   | <b>-18.8</b>               | <b>70.6</b>                | <b>23.3</b>         | <b>29.6</b>         | <b>-21.3</b>               |   |
| Other income                | 0.6          | 0.6          | 0.6          | -2.9                       | 6.8                        | 1.2                 | 1.0                 | 13.1                       |   |
| <b>Pre-tax profit</b>       | <b>15.3</b>  | <b>18.7</b>  | <b>9.2</b>   | <b>-18.3</b>               | <b>66.7</b>                | <b>24.5</b>         | <b>30.6</b>         | <b>-20.1</b>               |   |
| Taxation                    | -3.1         | -3.9         | -1.6         | -22.1                      | 88.2                       | -4.7                | -6.2                | -24.0                      |   |
| <b>Profit after tax</b>     | <b>12.2</b>  | <b>14.8</b>  | <b>7.5</b>   | <b>-17.3</b>               | <b>62.0</b>                | <b>19.8</b>         | <b>24.4</b>         | <b>-19.2</b>               | <b>Lower profit despite higher revenue</b>                              |
| Core PAT                    | 12.2         | 14.8         | 7.5          | -17.3                      | 62.0                       | 19.8                | 24.4                | -19.2                      |   |
| EPS (sen)                   | 4.3          | 5.2          | 2.7          |                            |                            | 7.0                 | 8.7                 |                            |   |
| DPS (sen)                   | 1.5          | 2.0          | 1.5          |                            |                            | 3.0                 | 4.0                 |                            |   |
| Operating Margin (%)        | 10.5         | 16.6         | 6.5          |                            |                            | 8.6                 | 14.2                |                            |   |
| Pre-tax Margin (%)          |              |              |              |                            |                            |                     |                     |                            | Lower margin due to higher production cost and elevated freight charges |
| Net Margin (%)              | 11.0         | 17.2         | 7.0          |                            |                            | 9.0                 | 14.7                |                            |   |
| Effective tax rate (%)      | 8.8          | 13.6         | 5.7          |                            |                            | 7.3                 | 11.7                |                            |   |
|                             | 20.1         | 21.1         | 17.8         |                            |                            | 19.2                | 20.2                |                            |   |
| <b>Revenue by Geography</b> |              |              |              |                            |                            |                     |                     |                            |   |
| Asia countries              | 81.1         | 71.1         | 77.0         | 14.1                       | 5.4                        | 158.1               | 136.3               | 16.0                       |   |
| Malaysia                    | 40.9         | 28.1         | 38.7         | 45.4                       | 5.7                        | 79.6                | 52.6                | 51.3                       |   |
| Others                      | 17.5         | 9.7          | 16.3         | 80.2                       | 7.6                        | 33.8                | 20.1                | 67.7                       |   |
| <b>Total</b>                | <b>139.5</b> | <b>108.9</b> | <b>131.9</b> | <b>28.1</b>                | <b>5.8</b>                 | <b>271.4</b>        | <b>209.0</b>        | <b>29.9</b>                |   |

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

| FYE Dec (RM m)          | 2020A       | 2021A       | 2022F       | 2023F       | 2024F       |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                 | 316.6       | 447.1       | 469.5       | 493.0       | 517.6       |
| <b>Operating Profit</b> | <b>37.8</b> | <b>54.5</b> | <b>35.1</b> | <b>37.6</b> | <b>51.9</b> |
| Other gains/(losses)    | 1.1         | 2.3         | 2.2         | 2.2         | 2.2         |
| <b>Pre-tax Profit</b>   | <b>38.9</b> | <b>56.8</b> | <b>37.3</b> | <b>39.8</b> | <b>54.1</b> |
| Income Tax              | -9.3        | -10.3       | -9.0        | -9.6        | -13.0       |
| Effective Tax Rate (%)  | -23.8       | -18.2       | -24.0       | -24.0       | -24.0       |
| Minorities              | --          | --          | --          | --          | --          |
| <b>Net Profit</b>       | <b>29.7</b> | <b>46.5</b> | <b>28.4</b> | <b>30.3</b> | <b>41.1</b> |
| <b>Growth</b>           |             |             |             |             |             |
| Revenue (%)             | -4.4        | 41.2        | 5.0         | 5.0         | 5.0         |
| Operating Profit (%)    | 12.0        | 12.2        | 7.5         | 7.6         | 10.0        |
| Net Profit (%)          | 9.4         | 10.4        | 6.0         | 6.1         | 7.9         |

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

| FYE Dec (RM m)                      | 2020A        | 2021A        | 2022F        | 2023F        | 2024F        |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Property, Plant & Equipment         | 72.4         | 89.2         | 114.7        | 109.0        | 103.5        |
| Cash and Cash Equivalents           | 84.1         | 60.9         | 38.9         | 49.8         | 63.7         |
| Trade and Other Receivables         | 40.8         | 70.9         | 74.6         | 77.8         | 81.1         |
| Other Assets                        | 90.4         | 95.4         | 100.0        | 104.0        | 108.1        |
| <b>Total Assets</b>                 | <b>287.7</b> | <b>316.4</b> | <b>328.3</b> | <b>340.6</b> | <b>356.4</b> |
| Trade and Other Payables            | 68.6         | 71.0         | 74.6         | 72.7         | 64.8         |
| Borrowings                          | --           | --           | --           | --           | --           |
| Other Liabilities                   | 3.4          | 2.3          | 4.2          | --           | --           |
| <b>Total Liabilities</b>            | <b>81.9</b>  | <b>84.8</b>  | <b>78.8</b>  | <b>72.7</b>  | <b>64.8</b>  |
| Shareholders' Equity & Minority     | 205.8        | 231.6        | 249.5        | 267.9        | 291.7        |
| <b>Total Equity and Liabilities</b> | <b>287.7</b> | <b>316.4</b> | <b>328.3</b> | <b>340.6</b> | <b>356.4</b> |

Source: Company Prospectus, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

| FYE Dec (RM m)       | 2020A | 2021A | 2022F | 2023F | 2024F |
|----------------------|-------|-------|-------|-------|-------|
| Book Value Per Share | 0.73  | 0.82  | 0.89  | 0.95  | 1.04  |
| NTA Per Share        | 0.73  | 0.82  | 0.89  | 0.95  | 1.04  |
| EPS (Sen)            | 10.54 | 16.51 | 10.08 | 10.75 | 14.61 |
| DPS (Sen)            | 5.33  | 8.00  | 5.04  | 5.37  | 7.31  |
| Payout Ratio (%)     | 50.6  | 48.5  | 50.0  | 50.0  | 50.0  |
| ROA (%)              | 10.3  | 14.7  | 9.1   | 9.0   | 11.1  |
| ROE (%)              | 14.4  | 20.1  | 11.9  | 11.5  | 13.6  |

Source: Company Prospectus, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

|                     |  |
|---------------------|--|
| <b>OUTPERFORM</b>   | The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.  |
| <b>NEUTRAL</b>      | The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.  |
| <b>UNDERPERFORM</b> | The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.  |
| <b>TRADING BUY</b>  | The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call. |
| <b>TRADING SELL</b> | The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.  |
| <b>NOT RATED</b>    | The stock is not within regular research coverage.   |

### SECTOR

|                    |  |
|--------------------|--|
| <b>OVERWEIGHT</b>  | The sector is expected to outperform a relevant benchmark over the next 12 months.           |
| <b>NEUTRAL</b>     | The sector is expected to perform in line with a relevant benchmark over the next 12 months. |
| <b>UNDERWEIGHT</b> | The sector is expected to underperform a relevant benchmark over the next 12 months.         |

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