

28 February 2023

BP Plastics Holding

Forging Ahead with Expansion

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BPPLAS's FY22 results met expectations. FY22 net profit contracted 33% as it was overwhelmed by rising input and labour costs. Nevertheless, it is expanding with the acquisition of two blown film machines and a factory. We maintain our FY23F earnings, TP of RM1.23 and MARKET PERFORM call.

Within expectations. FY22 net profit met expectations. FY22 revenue grew by 12.4% due to higher sales volume locally and a better product mix (i.e. with more premium stretch film and blown film products). However, net profit contracted 33% mainly due to escalation in input and labour cost.

Meanwhile, its expansion plan involving two co-extrusion (coex) blown film machines (costing c.RM19m) to expand its production capacity of specific blown PE film products such as shrink film, stretch hood, and lamination film is progressing well. The two machines with a combined rate capacity of 1.2-1.4k tonnes/month will raise its total annual nameplate capacity for both segments to c.152k tonnes. Production is expected to come online around end-FY23 with maiden contribution in FY24. BPPLAS has also completed the acquisition of a factory building on a 4-acre land in Batu Pahat to house the new machines, and for warehousing.

BPPLAS is cautious on 1HFY23 amidst the global economic uncertainties but expect demand to recover gradually in 2HFY23, assuming the global economy is on a recovery path by then.

Forecasts. We maintain our FY23F earnings and introduce our FY24F numbers.

We like BPPLAS for: (i) its strong foothold in the South East Asia market which is expected to remain resilient despite the global economic uncertainties, (ii) its strong cash flows and balance sheet (a net cash position) that will enable it to weather downturn better, and (iii) its long-term capacity expansion in high-margin premium stretch film and blown film products, which will enable it to capitalise on the next upcycle. However, a significant decline in demand in the event of a sharp slowdown or recession in the global economy is a concern.

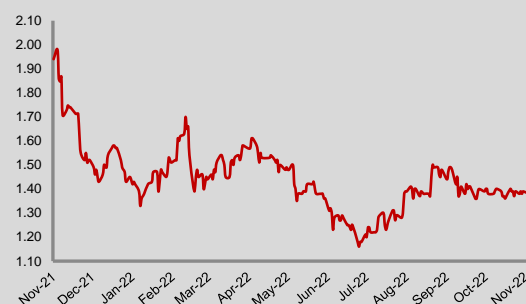
Maintain MARKET PERFORM with TP of RM1.23 as we maintain our valuation at FY23F PER at 9x, at a discount to average historical PER of 13x largely to reflect BPPLAS's relatively smaller market capitalisation and thin share liquidity. There is no adjustment to TP based on its 3-star ESG rating as appraised by us. (Page 4)

Risks to our call include: (i) sustained higher resin cost, (ii) reduced demand for packaging materials in the event of a sharp slowdown in the global economy, and (iii) labour shortages.

MARKET PERFORM ↔

Price: RM1.29
Target Price: RM1.23 ↔

Share Price Performance



KLCI	1,455.50
YTD KLCI chg	-2.7%
YTD stock price chg	2.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK Equity
Market Cap (RM m)	363.1
Shares Outstanding	281.5
52-week range (H)	1.70
52-week range (L)	1.16
3-mth avg daily vol:	62,104
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)	2022A	2023F	2024F
Turnover	502.6	521.6	574.1
EBITDA	33.8	58.4	66.6
PBT	36.0	47.4	52.4
Net Profit (NP)	30.5	38.4	42.5
Core NP	31.0	38.4	42.5
Consensus		33.2	37.6
Earnings Revision		-	NEW
Core EPS (sen)	11.0	13.6	15.1
Core EPS growth (%)	-33.3	23.8	10.7
NDPS (sen)	5.5	5.5	5.5
Core PER (x)	11.7	9.5	8.5
BVPS (RM)	0.9	1.0	1.0
PBV (x)	1.5	1.4	1.2
Net Div. Yield (%)	4.3	4.3	4.3

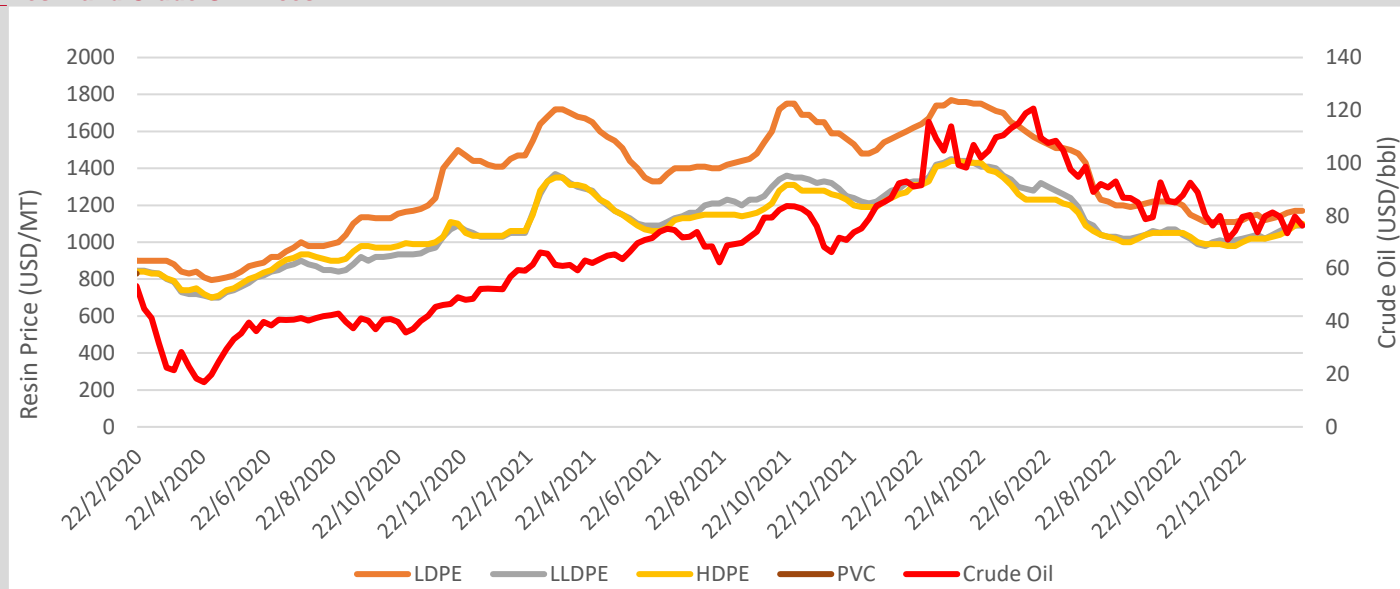
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Results Highlights

FYE Dec (RM m)	4Q22	3Q22	QoQChg	4Q21	YoY Chg	FY22	FY21	YoY Chg
Revenue	110.4	120.7	-8.5%	124.9	-11.6%	502.6	447.2	12.4%
Operating Profit	4.8	11.3	-57.3%	15.7	-69.3%	39.4	79.5	-50.5%
PBT	5.5	6.0	-8.0%	14.0	-60.5%	36.0	56.8	-36.6%
Taxation	-0.1	-0.7	-86.0%	-2.1	-95.6%	-5.5	-10.3	-46.9%
PAT	5.5	5.4	1.8%	11.9	-54.2%	30.5	46.5	-34.3%
Core Net Profit	5.9	5.0	18.5%	11.9	-50.3%	31.0	46.4	-33.3%
Core EPS (sen)	2.1	1.8	18.5%	4.2	-50.3%	3.9	7.7	-50.0%
NDPS (sen)	1.5	1.0		3.0		5.5	8	
Effective tax rate	1.70	11.15		15.18		15.19	18.15	
PBT margin (%)	5.02	4.99		11.25		7.16	12.70	
Core Net Profit margin (%)	5.36	4.14		9.53		6.17	10.39	

Source: Company, Kenanga Research

Resin and Crude Oil Prices



Source: Bloomberg, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
MANUFACTURING																	
ANCOM NYLEX BHD	OP	1.18	1.80	52.54%	1,093.9	Y	05/2023	8.0	11.8	38.5%	47.8%	14.8	10.0	2.2	15.8%	0.0	0.0%
BOILERMECH HOLDINGS BHD	UP	0.760	0.700	-7.89%	392.2	Y	03/2023	2.3	4.3	-31.2%	89.7%	33.5	17.7	1.5	4.6%	1.8	2.4%
BP PLASTICS HOLDINGS BHD	OP	1.29	1.63	26.36%	363.1	Y	12/2023	11.0	13.6	-33.2%	23.9%	11.7	9.5	1.4	15.8%	5.5	4.3%
HIL INDUSTRIES BHD	UP	0.970	0.810	-16.49%	322.0	Y	12/2023	10.2	11.5	46.1%	12.7%	9.5	8.4	0.7	7.8%	2.0	2.1%
HPP HOLDINGS BHD	OP	0.400	0.530	32.50%	155.4	Y	05/2023	3.2	4.1	48.8%	28.0%	12.4	9.7	1.2	10.2%	2.0	5.0%
KUMPULAN PERANGSANG SELANGOR BHD	MP	0.690	0.700	1.45%	370.8	Y	12/2023	6.2	7.0	19.1%	13.0%	11.2	9.9	0.3	3.1%	2.5	3.6%
SCIENTEX BHD	MP	3.68	2.99	-18.75%	5,707.9	Y	07/2023	30.6	35.5	15.0%	16.0%	12.0	10.4	1.8	15.5%	7.4	2.0%
SLP RESOURCES BHD	MP	0.975	1.09	11.79%	309.0	Y	12/2023	6.8	7.4	33.3%	8.8%	14.3	13.2	1.6	11.5%	5.5	5.6%
THONG GUAN INDUSTRIES BHD	OP	2.32	3.28	41.38%	906.4	Y	12/2022	28.6	30.3	16.5%	5.9%	8.1	7.7	1.0	13.6%	5.5	2.4%
Sector Aggregate					9,620.6					24.1%	18.6%	12.0	10.1	1.4	11.5%		3.0%

Source: Bloomberg, Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating		
GENERAL	Earnings Sustainability & Quality	★	★	★
	Corporate Social Responsibility	★	★	★
	Management/Workforce Diversity	★	★	☆
	Accessibility & Transparency	★	★	★
	Corruption-Free Pledge	★	★	★
	Carbon-Neutral Initiatives	★	★	★
	OVERALL	★	★	★
SPECIFIC	Migrant Worker Welfare	★	★	★
	Waste Disposal/Pollution Control	★	★	★
	Work Site Safety	★	★	★
	Usage of Biodegradable Materials	★	★	★
	Supply Chain Auditing	★	★	★
	Energy Efficiency	★	★	★

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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