

Malaysia

HOLD (no change)

Consensus ratings*: Buy 0 Hold 3 Sell 0

Current price:	RM1.29
Target price:	RM1.39
Previous target:	RM1.34
Up/downside:	8.0%
CGS-CIMB / Consensus:	13.3%
Reuters:	BPPL.KL
Bloomberg:	BPP MK
Market cap:	US\$81.09m
	RM363.1m
Average daily turnover:	US\$0.02m
	RM0.07m
Current shares o/s:	281.5m
Free float:	38.0%

*Source: Bloomberg

Key changes in this note

- FY23-24F EPS raised by 4% on slightly higher selling prices and a lower effective tax rate.
- FY25F numbers are introduced.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.5	0	-20.4
Relative (%)	1.3	2.1	-11.8

Major shareholders

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

Analyst(s)



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BP Plastics Holding

Routed by an oversupply

- BP Plastics Holding's FY22 core net profit was in line with our full-year forecast, while its FY22 was above our projection.
- As we now believe selling prices will make its ascent back in FY23F and effective tax rate to be lower, we raise our FY23-24F EPS by 4%.
- However, we believe it will take time for selling prices and volumes to rebound meaningfully in this economy. Reiterate Hold; TP lifted to RM1.39.

FY22 core net profit at 101% of consensus and our forecasts

BP Plastics Holdings's FY22 performance was within our forecast, with a core net profit of RM30.3m against our projection of RM30.1m. There was RM124,000 worth of unrealised foreign exchange gain and RM138,000 profit from disposal of fixed assets, which we disregarded in our tally of FY22 core net profit. As expected, the cast stretch film maker's FY22 sales jumped 12.4% yoy on panic-buying over the spike in resin prices in the earlier part of 2022. However, selling prices began to plummet by end-2Q22 as there was a surfeit of resin production despite the Russia-Ukraine war. Although BP Plastics said its sales volume was flat yoy when FY22 was said and done, it had to slash the prices of the stretch films it had made in 1H22 to clear its inventory. This is evidenced in its 2H22 EBITDA margin contracting to 8.9% from 1H22's 10.9%. With that, BP Plastics's FY22 core net profit shrank 34.6% yoy. The 1.5 sen fourth interim DPS rounded up the group's FY22 DPS to 5.5 sen, a tad higher than our projection of 5 sen.

Selling prices still came down qoq in 4Q22 on lukewarm demand

BP Plastics said its sales volume was virtually flat qoq, which left only the average selling price (ASP) as the variable that pushed its 4Q22 turnover lower by 8.5% qoq. This indicated that the group's clients were still overstocked with stretch films and blown films in 4Q22. Despite the qoq drop in sales, BP Plastics's 4Q22 core net profit was relatively unchanged qoq, at RM5.3m, thanks to a lower effective tax rate of 1.7% (3Q22: 11.2%) by way of using a reinvestment allowance provided to one of its subsidiaries.

Reiterate Hold

The flatlining demand is unlikely to last for far longer, in our view. The underlying demand for fast-moving consumer goods (FMCG) and wrapping should continue to rise, in our view, as long as people continue to consume and the global population grows. However, with the global economy undergoing turbulence at this juncture, we are not expecting BP Plastics's sales recovery to be fantastic. We raise our FY23-24F EPS by 4% on slightly better selling prices and a lower effective tax rate and introduce our FY25F numbers. While we raise our TP from RM1.34 to RM1.39, our Hold rating is retained as the stock is nearing our ascribed valuation of 11.4x CY24F P/E, which is already 1 s.d. above its 5-year mean. This premium is to justify its 4.7% CY23-25F dividend yields, which are the highest in the sector. Upside risks: spike in sales and higher dividends. Downside risk: sharper-than-expected fall in FY23-24F sales.

Financial Summary

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (RMm)	447.1	502.6	514.2	532.3	559.3
Operating EBITDA (RMm)	64.91	43.33	46.88	53.03	59.80
Net Profit (RMm)	46.48	30.50	32.15	35.48	38.37
Core EPS (RM)	0.17	0.11	0.11	0.13	0.14
Core EPS Growth	57.7%	(34.8%)	6.2%	10.4%	8.1%
FD Core P/E (x)	7.82	12.00	11.30	10.23	9.46
DPS (RM)	0.080	0.055	0.060	0.060	0.060
Dividend Yield	6.20%	4.26%	4.65%	4.65%	4.65%
EV/EBITDA (x)	4.66	6.92	6.57	5.87	5.04
P/FCFE (x)	23.64	20.72	37.16	24.66	12.92
Net Gearing	(26.3%)	(25.8%)	(21.1%)	(18.5%)	(20.6%)
P/BV (x)	1.57	1.48	1.39	1.30	1.21
ROE	21.2%	12.7%	12.7%	13.2%	13.2%
% Change In Core EPS Estimates			3.88%	4.31%	
CGS-CIMB/Consensus EPS (x)			0.91	1.05	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (RM m)	4Q22	4Q21	Yoy (%)	3Q22	Qoq (%)	4Q22 cum.	4Q21 cum.	Yoy (%)	Prev. FY22F	Comments
Revenue	110.4	124.9	(11.6)	120.7	(8.5)	502.6	447.1	12.4	514.2	Demand softened in 2H22 after price speculation in 1H22
Operating costs	(102.4)	(108.4)	(5.6)	(112.4)	(8.9)	(456.4)	(381.3)	19.7	(479.2)	
EBITDA	8.1	16.5	(51.1)	8.3	(3.3)	46.2	65.8	(29.7)	45.5	Selling prices came down to clear out excess production
EBITDA margin (%)	7.3	13.2		6.9	5.8	9.2	14.7		8.8	
Depn & amort.	(3.0)	(2.7)	13.9	(2.9)	6.6	(11.6)	(10.4)	10.8	(11.0)	Net cash stood at RM33.4m (11.9 sen/share)
EBIT	5.0	13.8	(63.7)	5.5	(8.4)	34.7	55.4	(37.4)	34.5	
Interest & invt inc	0.4	0.3	55.1	0.2	107.0	1.1	1.3	(13.7)	0.9	Consisted of interest and rental incomes
Exceptionals	0.1	(0.0)	875.0	0.4	(65.3)	0.3	0.2	56.9	-	Unrealised foreign exchange gains (RM124,000)
Pre-tax profit	5.5	14.0	(60.5)	6.0	(8.0)	36.0	56.8	(36.6)	35.4	
Tax	(0.1)	(2.1)	(95.6)	(0.7)	(86.0)	(5.5)	(10.3)	(46.9)	(5.3)	
Tax rate (%)	1.7	15.2	(88.8)	11.2	(84.8)	15.2	18.2	(16.3)	15.0	
Net profit	5.5	11.9	(54.2)	5.4	1.8	30.5	46.5	(34.3)	30.1	Within expectation
Core net profit	5.3	11.9	(55.3)	5.0	6.6	30.3	46.3	(34.6)	30.1	FY22 core net profit made up 101% of consensus's and our full-year forecasts
EPS (sen)	1.9	4.2	(54.2)	1.9	1.8	10.8	16.5	(34.3)	10.7	
Core EPS (sen)	1.9	4.2	(55.3)	1.8	6.6	10.8	16.4	(34.6)	10.7	
DPS (sen)	1.5	2.0	(25.0)	1.0	50.0	5.5	8.0	(31.3)	5.0	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Revenue breakdown by geography

Region (RM m)	4Q22	4Q21	Yoy (%)	3Q22	Qoq (%)	4Q22 cum.	4Q21 cum.	Yoy (%)
Asia countries	64.0	73.3	-12.6%	65.0	-1.5%	287.1	277.4	3.5%
Share (%)	58.0%	58.7%	-0.7%	53.9%	4.1%	57.1%	62.0%	-4.9%
Malaysia	30.2	37.3	-19.1%	40.1	-24.7%	149.8	118.0	26.9%
Share (%)	27.3%	29.9%	-2.6%	33.2%	-5.8%	29.8%	26.4%	3.4%
Others	16.2	14.3	13.7%	15.7	3.5%	65.7	51.8	26.9%
Share (%)	14.7%	11.4%	3.3%	13.0%	1.7%	13.1%	11.6%	1.5%
Total	110.4	124.9	-11.6%	120.7	-8.5%	502.6	447.1	12.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Earnings revision


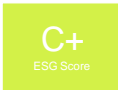
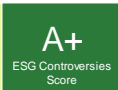
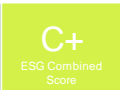



FYE Dec (RM m)	Previous		Revised		Changes	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	513.7	529.1	514.2	532.3	0%	1%
Operating cost	(466.2)	(476.6)	(467.3)	(479.3)	0%	1%
EBITDA	47.5	52.6	46.9	53.0	-1%	1%
EBIT	34.4	38.1	34.5	38.3	0%	1%
Pre-tax profit	36.5	40.2	35.7	39.4	-2%	-2%
Net profit	31.0	34.2	32.1	35.5	4%	4%
Core net profit	31.0	34.2	32.1	35.5	4%	4%
EPS (sen)	11.0	12.1	11.4	12.6	4%	4%
DPS (sen)	6.0	6.0	6.0	6.0	0%	0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: Sector comparison (as at 28 Feb 2023)

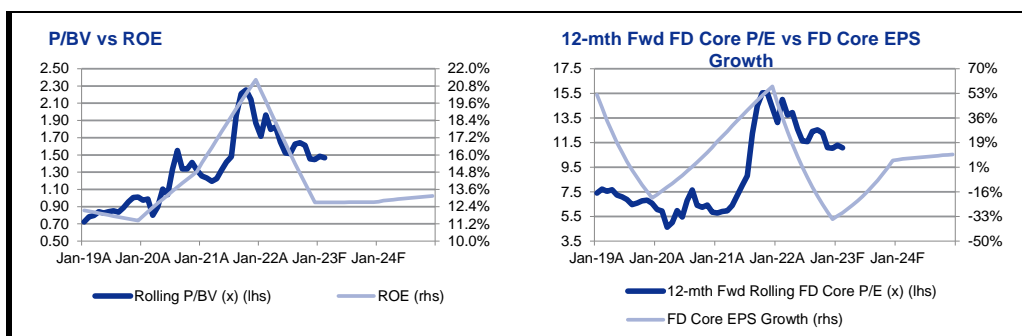
Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY23F	CY24F		CY23F	CY24F	CY23F	CY24F	CY23F	CY24F	CY23F	CY24F
BP Plastics Holding	BPP MK	Hold	1.29	1.39	81	10.5	7.4	4.8%	1.4	1.3	12.8%	13.2%	6.5	5.9	4.7%	4.7%
Thong Guan Industries	TGI MK	Add	2.32	4.54	202	5.8	5.0	16.6%	0.9	0.8	17.4%	17.6%	3.4	3.0	3.8%	4.4%
HPP Holdings Bhd	HPPHB MK	Add	0.40	0.55	35	11.0	10.4	6.6%	1.2	1.1	11.5%	11.2%	5.2	4.7	3.8%	3.8%
Weighted average						7.6	6.2	12.5%	1.1	1.0	15.6%	15.8%	4.4	3.9	4.0%	4.4%
Simple average						9.1	7.6	9.3%	1.2	1.1	13.9%	14.0%	5.0	4.5	4.1%	4.3%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

      	
<h2>ESG in a nutshell</h2> <p>BP Plastics’s survival in this hyper-competitive stretch film industry is predicated on its innovation and having a finger on the pulse of the market. As calls for environmentally friendlier plastic products grow louder, the group has refined its products to use less raw materials without compromising on quality and durability. The increasing need for companies to heed ESG compliance gives BP Plastics an edge over its smaller competitors, potentially leading to an increase in market share over time. BP Plastics is also committed to reducing its carbon footprint and championing female leaders.</p>	
<p>Keep your eye on</p> <p>The world’s increasing compliance to ESG standards should prompt consumer product manufacturers to seek environmentally friendlier plastic products.</p>	<p>Implications</p> <p>It goes without saying that this growing trend will only help BP Plastics to generate more sales. Many smaller stretch film producers either do not have the capital or the initiative to move up the value chain.</p>
<p>ESG highlights</p> <p>In FY21, BP Plastics’s solar power generation for its facilities produced 1.3m kWh of electricity. It said this is equivalent to an offset of carbon emission amounting to 926 tonnes or planting of 23,742 trees. The group’s stretch and blown films are 100% recyclable and use only one polymer to induce biodegradability. However, to say that this is the group’s unique proposition is a stretch. Bigger stretch film producers, such as Thong Guan Industries and Scientex, have already made their stretch films as environmentally friendly as they can be as well.</p>	<p>Implications</p> <p>Making environmentally friendly plastic products do not merit an ESG “premium”, in our view, given that it has become a necessity for plastic converters to do so for their own survival. However, we must give credit to BP Plastics for being one of the early movers into the sustainable packaging space. It also has had nearly 30% female directors since 2017, making it one of a handful of Bursa Malaysia-listed companies that already meet Securities Commission Malaysia’s (SC) target for public-listed companies appointing 30% female directors.</p>
<p>Trends</p> <p>BP Plastics scored three out of four stars in ESG grading for FTSE4Good Bursa Malaysia Index. It is the highest among all plastic product manufacturers listed on Bursa Malaysia, save for Scientex.</p>	<p>Implications</p> <p>The high score does not mean that BP Plastics is a much more ESG-conscious company than its contemporaries. We believe the group was granted the three stars because it provided detailed disclosures on its sustainability merits years before its competitors did. Thong Guan’s sustainability disclosure was only fleshed out beginning FY21.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	447.1	502.6	514.2	532.3	559.3
Gross Profit	78.8	58.9	63.8	73.3	81.1
Operating EBITDA	64.9	43.3	46.9	53.0	59.8
Depreciation And Amortisation	(10.4)	(11.6)	(12.4)	(14.7)	(16.7)
Operating EBIT	54.5	31.8	34.5	38.3	43.1
Financial Income/(Expense)	1.2	1.1	1.3	1.1	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	1.1	3.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	56.8	35.8	35.7	39.4	44.1
Exceptional Items	0.0	0.1			
Pre-tax Profit	56.8	36.0	35.7	39.4	44.1
Taxation	(10.3)	(5.5)	(3.6)	(3.9)	(5.7)
Exceptional Income - post-tax					
Profit After Tax	46.5	30.5	32.1	35.5	38.4
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	46.5	30.5	32.1	35.5	38.4
Recurring Net Profit	46.5	30.3	32.1	35.5	38.4
Fully Diluted Recurring Net Profit	46.5	30.3	32.1	35.5	38.4

Cash Flow

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	64.91	43.33	46.88	53.03	59.80
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(32.30)	19.94	(1.07)	(1.55)	(3.04)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	1.21	1.04	1.27	1.10	1.03
Tax Paid	(9.88)	(6.94)	(3.57)	(3.94)	(5.73)
Cashflow From Operations	23.94	57.37	43.51	48.63	52.06
Capex	(33.17)	(44.61)	(35.00)	(35.00)	(25.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	24.59	4.76	1.27	1.10	1.03
Cash Flow From Investing	(8.58)	(39.85)	(33.73)	(33.90)	(23.97)
Debt Raised/(repaid)	0.00	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(15.01)	(14.07)	(16.89)	(16.89)	(16.89)
Preferred Dividends					
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(15.01)	(14.07)	(16.89)	(16.89)	(16.89)
Total Cash Generated	0.35	3.45	(7.12)	(2.16)	11.21
Free Cashflow To Equity	15.36	17.52	9.77	14.73	28.10
Free Cashflow To Firm	15.36	17.52	9.77	14.73	28.10

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	60.9	63.3	54.9	51.7	61.8
Total Debtors	70.9	43.8	44.8	46.4	48.7
Inventories	89.2	69.3	70.5	72.2	75.4
Total Other Current Assets	0.0	0.3	0.3	0.3	0.3
Total Current Assets	221.1	176.7	170.5	170.5	186.2
Fixed Assets	89.2	122.4	145.2	165.6	174.1
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	6.1	6.0	5.8	5.6	5.4
Total Non-current Assets	95.3	128.4	150.9	171.2	179.5
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	71.0	47.2	48.3	50.0	52.5
Other Current Liabilities	2.3	0.0	0.0	0.0	0.0
Total Current Liabilities	73.3	47.2	48.3	50.0	52.5
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	11.4	12.6	12.6	12.6	12.6
Total Non-current Liabilities	11.4	12.6	12.6	12.6	12.6
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	84.8	59.8	60.9	62.6	65.1
Shareholders' Equity	231.6	245.3	260.5	279.1	300.6
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	231.6	245.3	260.5	279.1	300.6

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	41.2%	12.4%	2.3%	3.5%	5.1%
Operating EBITDA Growth	34.7%	(33.2%)	8.2%	13.1%	12.8%
Operating EBITDA Margin	14.5%	8.6%	9.1%	10.0%	10.7%
Net Cash Per Share (RM)	0.22	0.22	0.20	0.18	0.22
BVPS (RM)	0.82	0.87	0.93	0.99	1.07
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	18.1%	15.2%	10.0%	10.0%	13.0%
Net Dividend Payout Ratio	48.5%	46.3%	52.5%	47.6%	44.0%
Accounts Receivables Days	45.60	41.64	31.43	31.33	31.02
Inventory Days	85.89	65.23	56.66	56.86	56.30
Accounts Payables Days	69.18	48.64	38.71	39.19	39.13
ROIC (%)	31.5%	13.3%	13.5%	13.3%	13.6%
ROCE (%)	25.5%	13.8%	14.1%	14.6%	15.2%
Return On Average Assets	15.1%	9.5%	10.0%	10.5%	10.6%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Sales volume growth (%)	14.4%	15.0%	0.0%	1.5%	3.0%
Average selling price growth (%)	24.3%	0.0%	0.0%	2.0%	2.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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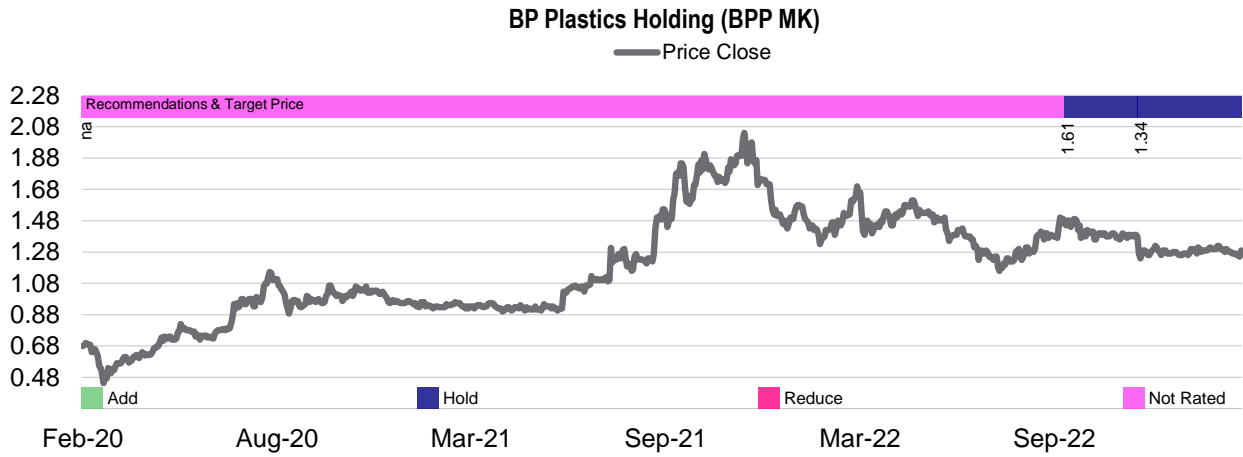
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645 companies under coverage for quarter ended on 31 December 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.8%	1.1%
Hold	27.0%	0.3%
Reduce	8.2%	0.0%

Spitzer Chart for stock being researched (2 year data)



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Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

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