

**PublicInvest Research Results Review**
**Tuesday, November 22, 2022**

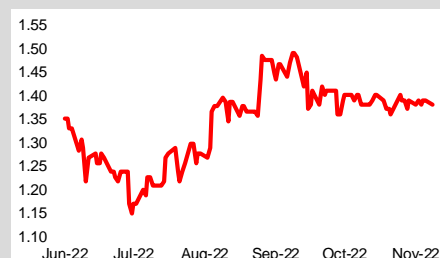
KDN PP17686/03/2013(032117)

**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 RM1.38  
 Expected Return 1.4%

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

**SHARE PRICE CHART**


52 Week Range (RM) 1.16-2.02  
 3-Month Average Vol ('000) 147.7

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-0.7	1.8	-4.0
Relative Returns	-2.9	4.4	0.5

**KEY STOCK DATA**

Market Capitalisation (RMm) 388.4  
 No. of Shares (m) 281.5

**MAJOR SHAREHOLDERS**

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

Denny Oh  
 T 603 2268 3000  
 F 603 2268 3014  
 E research@publicinvestbank.com.my

## Weakened Demand and Higher Production Costs

BP Plastic Berhad (BPPLAS) posted a lower net profit of RM5.4m in 3QFY22 (-47.1% YoY, -56.1% QoQ) despite higher revenue by +6.6% YoY, mainly due to higher production costs. For cumulative 9MFY22, results were within consensus expectations at 71% of estimates, though above ours at 84%. We keep our forecasts unchanged however 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 3<sup>rd</sup> interim dividend of 1.0sen, bringing total dividend for 9MFY22 to 4.0sen (9MFY21: 6.0sen).

- § **3QFY22 revenue** rose by 6.6% YoY on better product mix but fell by 13.5% QoQ to RM120.7m due to weakened demand arising from global economic uncertainties which resulted in lower sales volume this current quarter.
- § **3QFY22 net profit** was down 47% YoY to RM5.4m despite the higher revenue, with the decline mainly due to a surge in production cost. Pre-tax profit margin fell to 5.0% compared to 10.7% in 3QFY21. A lower statutory tax rate of 17.6% due to reinvestment allowance in one of its subsidiaries helped cushion the margin squeeze however.
- § **Outlook** for the Group is expected to remain challenging. While pricing for resins may have peaked and further consolidation is expected, demand for packaging materials could be temporarily compromised due to a strong USD, shortage of workforce and stubbornly-high operating costs. Average selling prices (ASPs) are also expected to be adjusted downward in coming quarters to reflect the lower raw material prices.

Management remains cautiously optimistic over revenue growth however, underpinned by sustained demand for plastic packaging products despite an increasingly challenging economic outlook. Moving forward, the Group will focus on supply chain and cost management to arrest margin squeezes, and suitable capacity expansion and adoption of technology to remain competitive.

**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>3Q22</u>	<u>3Q21</u>	<u>2Q22</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY22</u>	<u>YTD FY21</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	120.7	113.3	139.5	6.6	-13.5	392.2	322.3	21.7	
<b>Operating profit</b>	<b>5.0</b>	<b>11.3</b>	<b>14.7</b>	<b>-55.7</b>	<b>-66.0</b>	<b>28.3</b>	<b>40.9</b>	<b>-30.8</b>	
Other income	1.0	0.8	0.6	23.9	79.8	2.2	1.9	16.5	
<b>Pre-tax profit</b>	<b>6.0</b>	<b>12.1</b>	<b>15.3</b>	<b>-50.2</b>	<b>-60.5</b>	<b>30.5</b>	<b>42.7</b>	<b>-28.7</b>	
Taxation	-0.7	-2.0	-3.1	-66.2	-78.1	-5.4	-8.2	-34.2	
<b>Profit after tax</b>	<b>5.4</b>	<b>10.1</b>	<b>12.2</b>	<b>-47.1</b>	<b>-56.1</b>	<b>25.1</b>	<b>34.6</b>	<b>-27.4</b>	Lower profit despite higher revenue
Core PAT	5.4	10.1	12.2	-47.1	-56.1	25.1	34.6	-27.4	
EPS (sen)	1.9	3.6	4.3			8.9	12.3		
DPS (sen)	1.0	2.0	1.5			4.0	6.0		
Operating Margin (%)	4.1	9.9	10.5			7.2	12.7		
Pre-tax Margin (%)	5.0	10.7	10.9			7.8	13.3		Lower margin due to higher production cost
Net Margin (%)	4.4	8.9	8.7			6.4	10.7		
Effective tax rate (%)	11.2	16.4	20.1			17.6	19.1		
<b>Revenue by Geography</b>									
Asia countries	65.0	67.8	81.1	-4.1	-19.9	223.1	204.1	9.3	
Malaysia	40.1	28.2	40.9	42.1	-2.0	119.6	80.8	48.1	
Others	15.7	17.3	17.5	-9.7	-10.5	49.4	37.5	31.9	
<b>Total</b>	<b>120.7</b>	<b>113.3</b>	<b>139.5</b>	<b>6.6</b>	<b>-13.5</b>	<b>392.2</b>	<b>322.3</b>	<b>21.7</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>

### Growth

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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#### **Published and printed by:**

**PUBLIC INVESTMENT BANK BERHAD (20027-W)**

26th Floor, Menara Public Bank 2

78, Jalan Raja Chulan,

50200 Kuala Lumpur

T 603 2268 3000

F 603 2268 3014