

PublicInvest Research Results Review
Tuesday, February 28, 2023

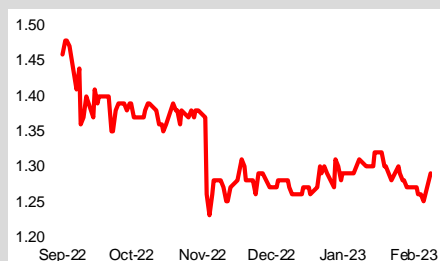
KDN PP17686/03/2013(032117)

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 RM1.46
 Current Price RM1.29
 Expected Return 12%

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

SHARE PRICE CHART


52 Week Range (RM) 1.16-1.70
 3-Month Average Vol ('000) 62.1

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-3.1	-0.8	-6.4
Relative Returns	1.3	2.1	-5.0

KEY STOCK DATA

Market Capitalisation (RMm) 363.1
 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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Look Forward to Stronger 2H23

BP Plastic Berhad (BPPLAS) posted a lower net profit of RM5.4m in 4QFY22 (-54.3% YoY) due to weaker demand and higher production costs. This brings full-year FY22 net profit to RM30.5m. Results were within our and consensus expectations, accounting for 101.6% and 101.0% of full-year estimates, respectively. We keep our forecasts unchanged. While near-term earnings outlook may continue to be challenged by weak demand and escalating production costs, we expect a gradual improvement in operating environment towards the 2nd half of 2023 following China's reopening. We retain our **Neutral** call with marginally higher P/E-derived target price of RM1.46 (RM1.40 previously) as we roll over valuation year to FY24F with a lower peers' average PER of 10x (previously 13x). On a side note, BPPLAS declared a final dividend of 1.5sen, bringing total dividend for FY22 to 5.5sen (FY21: 8.0sen).

§ **4QFY22 revenue** fell by 11.6% YoY due to weakened demand arising from global economic uncertainties which resulted in lower sales volume in the current quarter.

§ **4QFY22 net profit** was down 54.3% YoY to RM5.4m due to lower revenue and higher production and overhead cost. Pre-tax profit margin fell to 5.0% compared to 11.2% in 4QFY21. A lower statutory tax rate of 1.7% due to reinvestment allowance in one of its subsidiaries helped cushion the margin squeeze however.

§ **Outlook** for the Group in near term is expected to remain challenging. While pricing for resins may have peaked, we expect margin compression to persist in 1st half of 2023 on demand weakened by macro headwinds and elevated production cost, exacerbated by upward adjustment in the electricity tariff via Cost Pass-Through (ICPT) mechanism for 6-month period from Jan to Jun of 2023. On the positive note, the supply-demand situation is expected to improve following China's reopening recently. With the Group's continuous focus on supply chain, cost management, prudent capacity expansion and new market expansion, we anticipate a stronger quarter towards the 2nd half of 2023.

KEY FINANCIAL SUMMARY

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F	CAGR
Revenue	447.1	502.6	493.0	517.6	569.4	6.2%
Operating Profit	54.5	33.8	37.6	51.9	64.3	4.2%
Pre-tax Profit	56.8	36.0	39.8	54.1	66.5	4.0%
Net Profit	46.5	30.5	30.2	41.1	50.5	2.1%
Core Net Profit	46.5	30.5	30.2	41.1	50.5	2.1%
EPS (Sen)	16.5	10.8	10.7	14.6	18.0	2.1%
P/E (x)	9.3	11.5	11.6	8.6	7.0	
DPS (Sen)	8.0	5.5	6.0	6.0	8.0	
Dividend Yield (%)	5.2	4.4	4.8	4.8	6.4	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Dec (RM m)	<u>4Q22</u>	<u>4Q21</u>	<u>3Q22</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	110.4	124.9	120.7	-11.6	-8.5	502.6	447.2	12.4	
Operating profit	4.8	13.6	5.0	-64.6	-3.7	33.1	54.4	-39.2	
Other income	0.7	0.5	1.0	57.0	-29.1	2.9	2.3	24.6	
Pre-tax profit	5.5	14.0	6.0	-60.5	-8.0	36.0	56.8	-36.6	
Taxation	-0.1	-2.1	-0.7	-95.6	-86.0	-5.5	-10.3	-46.9	
Profit after tax	5.4	11.9	5.4	-54.3	1.8	30.5	46.5	-34.3	Profit lower despite higher revenue
Core PAT	5.4	11.9	5.4	-54.3	1.8	30.5	46.5	-34.3	
EPS (sen)	1.9	4.2	1.9			10.8	16.5		
DPS (sen)	1.5	2.0	1.0			5.5	8.0		
Operating Margin (%)	4.4	10.9	4.1			6.6	12.2		
Pre-tax Margin (%)	5.0	11.2	5.0			7.2	12.7		Lower margin due to higher production cost
Net Margin (%)	4.9	9.5	4.4			6.1	10.4		
Effective tax rate (%)	1.7	15.2	11.2			15.2	18.2		
Revenue by Geography									
Asia countries	64.0	73.3	65.0	-12.6	-1.5	287.1	277.4	3.5	
Malaysia	30.2	37.3	40.1	-19.1	-24.7	149.8	118.1	26.9	
Others	16.2	14.3	15.7	13.7	3.5	65.7	51.8	26.9	
Total	110.4	124.9	120.7	-11.6	-8.5	502.6	447.2	12.4	

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F
Revenue	447.1	502.6	493.0	517.6	569.4
Operating Profit	54.5	33.8	37.6	51.9	64.3
Other gains/(losses)	2.3	2.2	2.2	2.2	2.2
Pre-tax Profit	56.8	36.0	39.8	54.1	66.5
Income Tax	-10.3	-5.5	-9.5	-13.0	-16.0
Effective Tax Rate (%)	-18.2	-15.2	-24.0	-24.0	-24.0
Minorities	--	--	--	--	--
Net Profit	46.5	30.5	30.2	41.1	50.5
Growth					
Revenue (%)	35.0	12.4	-1.9	5.0	10.0
Operating Profit (%)	12.2	6.7	7.6	10.0	11.3
Net Profit (%)	10.4	6.1	6.1	7.9	8.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F
Property, Plant & Equipment	89.2	122.4	116.3	118.6	121.0
Cash and Cash Equivalents	60.9	63.3	70.1	78.9	89.8
Trade and Other Receivables	70.9	43.8	44.4	46.6	51.2
Other Assets	95.4	75.3	86.1	89.2	91.5
Total Assets	316.4	304.7	316.8	333.3	353.5
Trade and Other Payables	71.0	47.2	44.4	46.6	39.9
Borrowings	--	--	--	--	--
Other Liabilities	2.3	0.0	2.5	3.9	0.5
Total Liabilities	84.8	59.8	58.2	50.5	40.4
Shareholders' Equity & Minority	231.6	245.3	258.6	282.8	313.1
Total Equity and Liabilities	316.4	305.1	316.8	333.3	353.5

Source: Company Prospectus, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F
Book Value Per Share	0.82	0.87	0.92	1.00	1.11
NTA Per Share	0.82	0.87	0.92	1.00	1.11
EPS (Sen)	16.51	10.84	10.74	14.60	17.96
DPS (Sen)	8.00	5.50	6.00	6.00	8.00
Payout Ratio (%)	48.5	50.7	55.9	41.1	40.0
ROA (%)	14.7	10.0	9.5	12.3	14.3
ROE (%)	20.1	12.4	11.7	14.5	16.1

Source: Company Prospectus, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	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.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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