

29 May 2023

BP Plastics Holding

ASP Falls More Than Expected

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BPPLAS's 1QFY23 results missed our expectation but met market expectation. 1QFY23 top line dropped 11% YoY as ASP fell more than expected on falling cost of input resin, but bottom line held up, thanks to a better product mix. We cut our FY23-24F earnings forecasts by 14% and 9%, respectively, but maintain our TP of RM1.23 as we roll forward our valuation base year to FY24F (from FY23F). Reiterate MARKET PERFORM.

Below our expectation. 1QFY23 results missed our expectation at only 20% of our full-year forecast but met market expectation at 22% of the full-year consensus estimate. The key variance against our forecast came from its ASP that fell more than expected on falling cost of input resin.

Results' highlights. 1QFY23 revenue slipped 11% largely due to the decline in its **ASP on falling cost of input resin**. However, net profit improved slightly by 0.9%, mainly due to better product mix and improvement cost efficiency.

Outlook. BPPLAS remains cautious of 2QFY23 on weak demand for plastic packaging materials amidst global economic uncertainties. It is hopeful that the situation will gradually improve in 2HFY23, assuming the global economy is on a recovery path by then. Its two new blown film machines are on track to come online by end-FY23. We understand that BPPLAS participated in the "Interpack" international plastic and packaging trade fair in Germany recently, and received overwhelming enquires on its premium stretch film.

Forecasts. We cut our FY23-24F earnings forecasts by 14% and 9%, respectively, to reflect the softer-than-expected ASPs for commoditised products amidst slowdown in global economy.

However, we maintain our TP of RM1.23 as we roll over our valuation base year to FY24F (from FY23F) with an unchanged ascribed 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 our TP based on ESG given a 3-star rating as appraised by us. (Page 4)

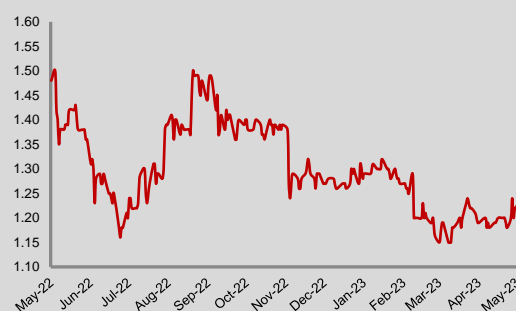
We like BPPLAS for: (i) its strong foothold in the South East Asia market which is expected to remain resilient despite the global economic uncertainties, (ii) its strong cash flows and balance sheet (a net cash position) that will enable it to weather downturns better, and (iii) its long-term capacity expansion in high-margin premium stretch film and blown film products, which will enable it to capitalise on the next up-cycle. However, it prospects over the immediate term is clouded by a slowdown in the global economy. Maintain **MARKET PERFORM**.

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: RM1.22
Target Price: RM1.23 ↔

Share Price Performance



KLCI 1,402.98
YTD KLCI chg -6.2%
YTD stock price chg -3.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK Equity
Market Cap (RM m)	343.4
Shares Outstanding	281.5
52-week range (H)	1.53
52-week range (L)	1.15
3-mth avg daily vol:	43,456
Free Float	23%
Beta	0.8

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	510.0	556.9
EBITDA	36.6	52.5	61.8
PBT	36.0	41.5	47.7
Net Profit (NP)	30.5	33.2	38.6
Core NP	31.0	33.2	38.6
Consensus	-	33.6	39.7
Earnings Revision	-	-14%	-9%
Core EPS (sen)	11.0	11.8	13.7
Core EPS growth (%)	-33.3	7.1	16.4
NDPS (sen)	5.5	5.5	5.5
Core PER (x)	11.1	10.3	8.9
BVPS (RM)	0.9	0.9	1.0
PBV (x)	1.4	1.3	1.2
Net Div. Yield (%)	4.5	4.5	4.5

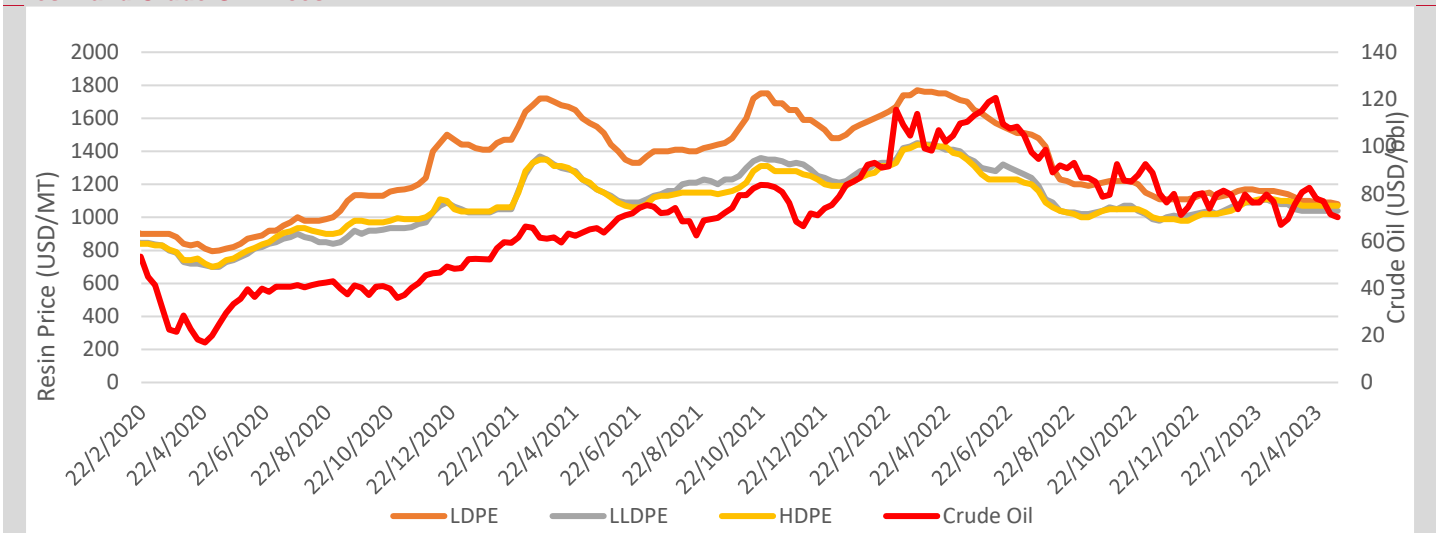
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Results Highlights

FYE Dec (RM m)	1Q23	4Q22	QoQ Chg	1Q22	YoY Chg
Revenue	117.3	110.4	6.3%	131.9	-11.1%
Operating Profit	9.4	4.8	96.4%	8.6	9.7%
PBT	10.6	5.5	91.8%	9.2	15.9%
Taxation	-2.3	-0.1	N.M.	-1.6	43.3%
PAT	8.3	5.5	52.2%	7.5	10.0%
Core Net Profit	7.5	5.9	26.0%	7.4	0.9%
Core EPS (sen)	2.7	2.1	26.0%	2.6	0.9%
NDPS (sen)	1.5	1.0		3.0	
Effective tax rate	21.98	1.70		17.79	
PBT margin (%)	9.06	5.02		6.95	
Core Net Profit margin (%)	6.36	5.36		5.61	

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.
Stocks Under Coverage																	
ANCOM NYLEX BHD	OP	1.00	1.80	80.00%	935.0	Y	05/2023	8.0	12.0	38.5%	50.1%	12.5	8.3	1.8	15.8%	0.0	0.0%
BOILERMECH HOLDINGS BHD	MP	0.710	0.720	1.41%	366.4	Y	03/2024	4.5	4.4	65.2%	-2.6%	15.7	16.1	1.4	9.0%	1.8	2.5%
BP PLASTICS HOLDINGS BHD	OP	1.22	1.63	33.61%	343.4	Y	12/2023	11.8	13.7	7.1%	16.3%	10.3	8.9	1.3	13.6%	5.5	4.5%
HIL INDUSTRIES BHD	UP	1.01	0.810	-19.80%	335.3	Y	12/2023	10.2	11.5	46.1%	12.7%	9.9	8.8	0.8	7.8%	2.0	2.0%
HPP HOLDINGS BHD	OP	0.285	0.440	54.39%	110.7	Y	05/2023	2.3	3.5	8.3%	47.3%	12.2	8.3	0.9	7.4%	2.0	7.0%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.720	0.600	-16.67%	386.9	Y	12/2023	4.5	6.0	-11.7%	34.4%	16.1	11.9	0.3	2.2%	1.8	2.5%
SCIENTEX BHD	UP	3.35	2.99	-10.75%	5,196.1	Y	07/2023	30.6	35.5	15.0%	16.0%	10.9	9.4	1.6	15.5%	7.4	2.2%
SLP RESOURCES BHD	MP	0.880	1.09	23.86%	278.9	Y	12/2023	5.8	7.0	13.6%	20.7%	15.2	12.6	1.5	9.8%	5.5	6.3%
TECHBOND GROUP BHD	OP	0.380	0.450	18.42%	201.2	Y	06/2023	1.9	3.8	-9.8%	98.0%	19.9	10.1	1.2	6.2%	1.0	2.6%
THONG GUAN INDUSTRIES BHD	OP	2.24	3.22	43.75%	877.1	Y	12/2023	26.1	29.3	-8.2%	12.2%	8.6	7.7	1.0	12.6%	5.5	2.5%
Sector Aggregate					9,030.9												

Source: 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	★	★	★
	OVERALL	★	★	★

☆ 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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