

PublicInvest Research Results Review
Monday, May 29, 2023

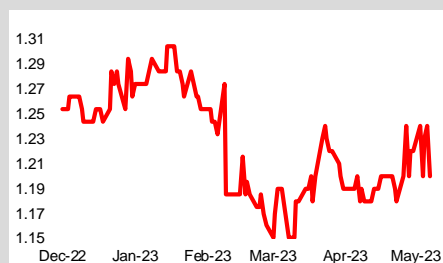
KDN PP17686/03/2013(032117)

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 RM1.22
 Expected Return 19.7%

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

SHARE PRICE CHART


52 Week Range (RM) 1.15-1.53
 3-Month Average Vol ('000) 43.5

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	3.3	0.5	-1.9
Relative Returns	2.5	-0.4	-1.5

KEY STOCK DATA

Market Capitalisation (RMm) 337.8
 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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On the Mend

BP Plastic (BPPLAS) posted a higher net profit of RM8.3m in 1QFY23 (+10.0% YoY) despite lower revenue. This is mainly due to better product mix and efficiency from new machineries. Results were in line with our and consensus expectations, accounting for 27.5% and 24.7% of full-year estimates, respectively. While near-term earnings outlook may continue to be challenged by weak demand on the back of the global economic slowdown, we expect a gradual improvement in operating environment following China's reopening, coupled with normalising resin prices and freight rates falling back to pre-pandemic levels. We retain our **Neutral** call with unchanged PE-based TP of RM1.46. On a side note, BPPLAS declared a first interim dividend of 1.5sen (FY22: 1.5sen).

§ **1QFY23 revenue** fell by 11.1% YoY on lower average selling price (ASP), while sales volume remained unchanged. Nevertheless, it has improved by 6.3% QoQ on the back of a nascent demand recovery for flexible packaging products.

§ **1QFY23 net profit** grew 10.0% YoY to RM6.6m mainly due to better product mix and partly aided by better efficiency from new production lines. Pre-tax profit margin improved to 9.1% from a recent-low of 5.0% in the preceding quarter. Lower statutory tax rate of 2.0% is due to reinvestment allowance in one of its subsidiaries meanwhile, helping cushion the margin squeeze.

§ **Outlook** for the Group in near term is expected to remain challenging. Nevertheless, there are signs of gradual improvements in the operating environment in the coming quarters following China's reopening, coupled with resin prices and freight rates falling back to pre-pandemic levels. The Group remains committed to investing in cutting-edge technology, with its 10th cast stretch Film machine commissioned at the end of 2022, and two units of Blown Co-extrusion machines to be added by end of 2023. Production capacity is expected to increase to 12,200 MT per month. Along with continuous focus on better product mix, supply chain, cost management, prudent management and new market expansion, we anticipate earnings to remain resilient in the coming quarters.

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>1Q23</u>	<u>1Q22</u>	<u>4Q22</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	117.3	131.9	110.4	-11.1	6.3	117.3	131.9	-11.1	Lower ASP in line with resin prices
Operating profit	9.4	8.6	4.8	9.7	96.4	9.4	8.6	9.7	
Other income	1.2	0.6	0.7	>100	62.9	1.2	0.6	>100	
Pre-tax profit	10.6	9.2	5.5	15.9	92.0	10.6	9.2	15.9	
Taxation	-2.3	-1.6	-0.1	43.3	>100	-2.3	-1.6	43.3	
Profit after tax	8.3	7.5	5.4	10.0	52.3	8.3	7.5	10.0	Profit margin improve on better product mix and better efficiency from new machineries
Core PAT	8.3	7.5	5.4	10.0	52.3	8.3	7.5	10.0	
EPS (sen)	2.9	2.7	1.9			2.9	2.7		
DPS (sen)	1.5	1.5	1.5			1.5	1.5		
Operating Margin (%)	8.1	6.5	4.4			8.1	6.5		
Pre-tax Margin (%)	9.1	7.0	5.0			9.1	7.0		Margin improve on better product mix
Net Margin (%)	7.1	5.7	4.9			7.1	5.7		
Effective tax rate (%)	22.0	17.8	1.7			22.0	17.8		
Revenue by Geography									
Asia countries	69.5	77.0	64.0	-9.7	8.5	69.5	77.0	-9.7	
Malaysia	33.5	38.7	30.2	-13.3	11.1	33.5	38.7	-13.3	
Others	14.3	16.3	16.2	-11.9	-11.7	14.3	16.3	-11.9	
Total	117.3	131.9	110.4	-11.1	6.3	117.3	131.9	-11.1	Improve QoQ

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
Core 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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