

PublicInvest Research Company Update
Thursday, June 08, 2023

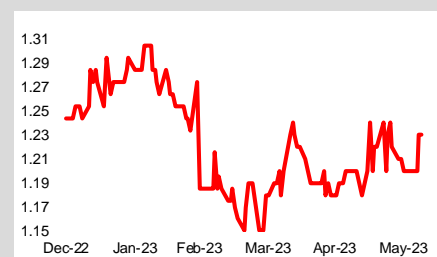
KDN PP17686/03/2013(032117)

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 RM1.23
Expected Return 18.7%

Market Sector Main 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	2.5	1.3	-4.9
Relative Returns	6.6	8.2	-0.2

KEY STOCK DATA

Market Capitalisation (RMm) 346.2
 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 Shioh Hoe	7.8

Denny Oh

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

Demand Remains Resilient

A recent meeting with management reaffirms our optimism on the Group's long-term outlook, driven by sustained demand for consumer packaging. Near-term outlook for the Group may continue to be challenged by weak demand for industrial packaging on the back of the global economic slowdown however. Nevertheless, the Group is well-placed to weather growing economic uncertainties, underpinned by its debt free capital structure with a total cash level of RM94.0m, and improvements in its efficiency and productivity arising from the new production lines. We keep our earnings forecast unchanged and retain our **Neutral** call given weak industry dynamics, with unchanged PE-based TP of RM1.46.

§ **1QFY23 results round-up.** During the quarter, net profit grew by 10.0% YoY to RM6.6m despite lower revenue. This is mainly due to better product mix 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. The reinvestment allowance expires in Dec 2024, though is likely to be extended further.

§ **Capacity expansion and product innovation.** The Group remains committed to investing in cutting-edge technology and expand market share. Approximately RM30.0m of capital expenditure has been allocated for FY2023. The Group had successfully commissioned two units of Nano-technology 67-layers stretch film machines (9th Cast Stretch Film machine in 2021 and 10th Cast Stretch Film machine in 2022). The two units of stretch film machines are supplemented with Nano-technology which enable the Group to offer further product innovation and differentiation. Its new products (Quantum-N) machine stretch film is well received by customers. With two additional 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.

§ **Outlook.** The Group is expected to continue facing near-term headwinds. Nevertheless, there are signs of gradual improvements in the operating environment in the coming quarters. Following China's reopening, supply chains around the world continue to recover. Resin prices and freight rates are falling back to pre-pandemic levels. The lower freight rate and favourable exchange rate is expected to boost the Group's export market, particularly Europe, to cushion the weakness in domestic industrial packaging market. 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

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	75.6	86.1	89.2	91.5
Total Assets	316.4	305.1	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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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