



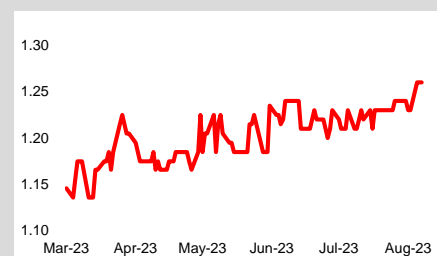
**DESCRIPTION**

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** 15.9%

**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) 34.7

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	2.4	2.9	2.5
Relative Returns	-0.2	2.1	0.4

**KEY STOCK DATA**

Market Capitalisation (RMm) 354.7  
No. of Shares (m) 281.5

**MAJOR SHAREHOLDERS**

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

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**Stronger Quarter**

BP Plastic Berhad (BPPLAS) reported another sequentially stronger quarter, with a 2QFY23 net profit of RM9.9m (+18.8% QoQ) attributed to better product mix, though weaker YoY (-19.2%) owing to weakened demand arising from global economic uncertainties. Cumulative 1HFY23 net profit of RM18.2m (-8.0% YoY) is above our and consensus expectations, accounting for 60.1% and 57.0% of full-year estimates, respectively. We keep our forecasts unchanged however as 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. We maintain our **Neutral** call with unchanged PE-based TP of RM1.46. BPPLAS declared a second interim dividend of 1.5sen (2QFY22: 1.5sen).

§ **2QFY23 revenue** fell to RM110.2m (-21.0% YoY, -6.1% QoQ) on lower average selling price (ASP), while sales volume remained stable. Revenue from domestic and export market YoY contracted by 21.6% and 20.8% respectively.

§ **2QFY23 net profit** grew 18.8% QoQ to RM9.9m despite lower revenue mainly due to better product mix and partly aided by better efficiency from new production lines. Though weaker YoY (-19.2%) in-line with lower revenue as a result of weakened demand arising from global economic uncertainties, pre-tax profit margin improved to 11.1% from 9.1% in the preceding quarter. The Group also saw lower effective tax rates due to reinvestment allowance in one of its subsidiaries.

§ **Outlook.** The Group's near-term outlook is still marred by the ongoing global weakness, geopolitical tensions, inflationary pressure and constricting financial market conditions. Despite headwinds, there are signs of gradual improvements in the operating environment over the medium to longer-term. Headline inflation has fallen in most economies due to the downturn of energy prices. Resin prices and freight rates are falling back to pre-pandemic levels as supply chains around the world continue to recover. The Group remains committed to investing in cutting-edge technology and expand market share. With two additional units of Blown Co-extrusion machines to be added by the end of 2023, production capacity is expected to increase to 12,200 MT per month.

**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>2Q23</u>	<u>2Q22</u>	<u>1Q23</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY23</u>	<u>YTD FY22</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	110.2	139.5	117.3	-21.0	-6.1	227.5	271.4	-16.2	Lower ASP in line with resin prices
<b>Operating profit</b>	<b>10.4</b>	<b>14.7</b>	<b>9.4</b>	<b>-29.5</b>	<b>9.6</b>	<b>19.8</b>	<b>23.3</b>	<b>-15.0</b>	
Other income	1.9	0.6	1.2	231.6	59.8	3.1	1.1	172.2	
<b>Pre-tax profit</b>	<b>12.3</b>	<b>15.3</b>	<b>10.6</b>	<b>-19.7</b>	<b>15.2</b>	<b>22.9</b>	<b>24.4</b>	<b>-6.3</b>	
Taxation	-2.4	-3.1	-2.3	-22.0	2.4	-4.7	-4.7	0.6	
<b>Profit after tax</b>	<b>9.9</b>	<b>12.2</b>	<b>8.3</b>	<b>-19.2</b>	<b>18.8</b>	<b>18.2</b>	<b>19.7</b>	<b>-8.0</b>	Improved earnings on better product mix and better efficiency from new machineries
Core PAT	9.9	12.2	8.3	-19.2	18.8	18.2	19.7	-8.0	
EPS (sen)	3.5	4.3	2.9			6.4	7.0		
DPS (sen)	1.5	1.5	1.5			3.0	3.0		
Operating Margin (%)	9.4	10.5	8.1			8.7	8.6		
Pre-tax Margin (%)	11.1	10.9	9.1			10.1	9.0		Better product mix
Net Margin (%)	8.9	8.7	7.1			8.0	7.3		
Effective tax rate (%)	19.5	20.1	22.0			20.7	19.2		
<b>Revenue by Geography</b>									
Asia countries	61.3	81.1	69.5	-24.5	-11.8	130.8	158.1	-17.3	
Malaysia	32.1	40.9	33.5	-21.6	-4.3	65.6	79.6	-17.6	
Others	16.8	17.5	14.3	-3.9	17.4	31.1	33.8	-7.8	
<b>Total</b>	<b>110.2</b>	<b>139.5</b>	<b>117.3</b>	<b>-21.0</b>	<b>-6.1</b>	<b>227.5</b>	<b>271.4</b>	<b>-16.2</b>	

## 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
<b>Operating Profit</b>	<b>54.5</b>	<b>33.8</b>	<b>37.6</b>	<b>51.9</b>	<b>64.3</b>
Other gains/(losses)	2.3	2.2	2.2	2.2	2.2
<b>Pre-tax Profit</b>	<b>56.8</b>	<b>36.0</b>	<b>39.8</b>	<b>54.1</b>	<b>66.5</b>
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	--	--	--	--	--
<b>Net Profit</b>	<b>46.5</b>	<b>30.5</b>	<b>30.2</b>	<b>41.1</b>	<b>50.5</b>
<b>Core Net Profit</b>	<b>46.5</b>	<b>30.5</b>	<b>30.2</b>	<b>41.1</b>	<b>50.5</b>
<b>Growth</b>					
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
<b>Total Assets</b>	<b>316.4</b>	<b>305.1</b>	<b>316.8</b>	<b>333.3</b>	<b>353.5</b>
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
<b>Total Liabilities</b>	<b>84.8</b>	<b>59.8</b>	<b>58.2</b>	<b>50.5</b>	<b>40.4</b>
Shareholders' Equity & Minority	231.6	245.3	258.6	282.8	313.1
<b>Total Equity and Liabilities</b>	<b>316.4</b>	<b>305.1</b>	<b>316.8</b>	<b>333.3</b>	<b>353.5</b>

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

<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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