

Malaysia

November 22, 2023 - 11:06 AM

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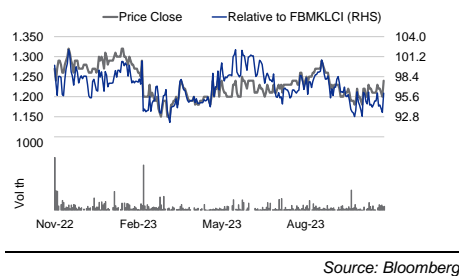
Consensus ratings*: Buy 1 Hold 2 Sell 0

Current price:	RM1.24
Target price:	RM1.39
Previous target:	RM1.39
Up/downside:	12.4%
CGS-CIMB / Consensus:	2.5%
Reuters:	BPPL.KL
Bloomberg:	BPP MK
Market cap:	US\$75.01m
	RM349.0m
Average daily turnover:	US\$0.01m
	RM0.05m
Current shares o/s	281.5m
Free float:	38.0%

*Source: Bloomberg

Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (RMm)	32.15	35.48	38.37
Core EPS (RM)	0.11	0.13	0.14
Core EPS Growth	6.2%	10.4%	8.1%
FD Core P/E (x)	10.86	9.84	9.10
Recurring ROE	12.7%	13.2%	13.2%
P/BV (x)	1.34	1.25	1.16
DPS (RM)	0.060	0.060	0.060
Dividend Yield	4.84%	4.84%	4.84%



Price performance	1M	3M	12M
Absolute (%)	4.2	-1.6	-10.2
Relative (%)	2.6	-2.5	-11.3

Major shareholders

	% held
LG Capital Sdn. Bhd.	43.2
Tan See Khim	9.5
Lim Chun Yow	9.3

Analyst(s)
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BP Plastics Holding

Leaner operations but ASPs still pressured

- 9MFY23 core net profit of RM26.0m was above expectations at 80.9% of our FY23F estimate and 80.3% of Bloomberg consensus.
- Newer, more efficient machines and demand from local F&B clients a boon to operating efficiencies. 9MFY23 EBITDA margin was 11.7%, up 2.0% pts yoy.
- We reiterate our Add rating with a TP of RM1.39, based on an 11x CY24F P/E multiple, BPP's average historical 1-year forward P/E.

Core net profit above expectations on leaner operations

- BP Plastics Holding's (BPP) recorded a 9MFY23 core net profit of RM26.0m (+5.1% yoy), which was above expectations at 80.9% of our FY23F estimate and 80.3% of Bloomberg consensus. This was on the back of a 2.0% pts rise yoy in EBITDA margins to 11.7%, which we attribute to improving operating efficiencies from (1) newer and more efficient machines in the Cast Stretch segment, and (2) local F&B demand sustaining Blown PE segment capacity utilisation. YTD, we estimate the proportion of revenue from Cast Stretch and Blown PE films is ~75% and ~25%, respectively.

Revenues impacted by lower ASPs but offset by higher volumes

- BPP's 9MFY23 revenues came in below expectations at RM344.7m (-12.1% yoy), 67.0% of our FY23F estimate and 67.3% of Bloomberg consensus, with the decline being largely attributable to lower ASPs amidst overall softer global demand relative to FY22. Notably, there was an uptick in sales to customers outside of Asia (mainly Europe) in 3Q23 to RM21.2m (+35.3% yoy, +26.0% qoq), which we attribute to international demand for BPP's more premium nano cast stretch films.

Reiterate Add and TP of RM1.39

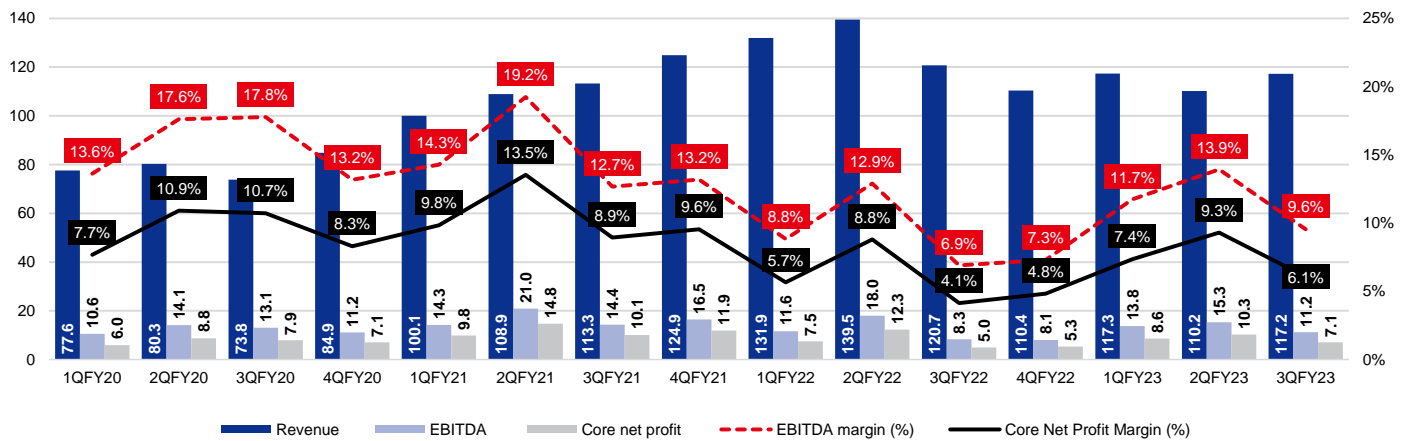
- We reiterate our Add call on BPP for its improving operating efficiency and potential margin expansion, with our TP of RM1.39 providing 12.4% upside. We base our TP on an 11x CY24F P/E multiple, which is BPP's average historical 1-year forward P/E (Fig 5) and, in our view, undemanding compared to its local peers, which trade at 6.0-12.8x CY24F P/E (Fig 6). We believe BPP's valuations will remain supported by its 4.8% dividend yield (FY23-25F) and its solid net cash position of RM72.0m as at 3Q23 (20.6% of its current market cap). Re-rating catalysts include a stronger-than-expected recovery in global demand for plastic film products and a larger-than-expected contribution from blown PE film products, which command higher margins. Key downside risks include softer-than-expected global demand for plastic film products impacting plant utilisation rates and leading to lower operating efficiencies and a contraction of EBITDA margins.

Figure 1: Results table (RMm)

Interim Results	3QFY23	3QFY22	yoy % chg	2QFY23	qoq % chg	9MFY23	9MFY22	yoy % chg
Revenue	117.2	120.7	-2.9%	110.2	6.4%	344.7	392.2	-12.1%
EBITDA	11.2	8.3	34.5%	15.3	-27.0%	40.3	38.0	6.2%
EBITDA margin (%)	9.6%	6.9%	2.7%	13.9%	-4.4%	11.7%	9.7%	2.0%
EBIT	7.8	5.5	42.9%	12.0	-34.6%	30.2	29.4	2.4%
EBIT margin (%)	6.7%	4.5%	2.1%	10.9%	-4.2%	8.7%	7.5%	1.2%
Pre-tax profit	8.5	6.0	41.6%	12.3	-30.4%	31.4	30.5	3.1%
Net profit	7.3	5.4	35.6%	9.9	-26.4%	25.4	25.1	1.3%
Net Profit Margin (%)	6.2%	4.4%	1.8%	8.9%	-2.8%	7.4%	6.4%	1.0%
Core net profit	7.1	5.0	42.4%	10.3	-30.6%	26.0	24.7	5.1%
Core Net Profit Margin (%)	6.1%	4.1%	1.9%	9.3%	-3.2%	7.5%	6.3%	1.2%
EPS (sen)	2.6	1.9	35.6%	3.5	-26.4%	9.0	8.9	1.3%
Core EPS (sen)	2.5	1.8	42.4%	3.6	-30.6%	9.2	8.8	5.1%
DPS (sen)	1.5	1.0	50.0%	1.5	0.0%	4.5	4.0	12.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Quarterly revenue, EBITDA, core net profit, EBITDA margin, and core net profit trends (RM m)



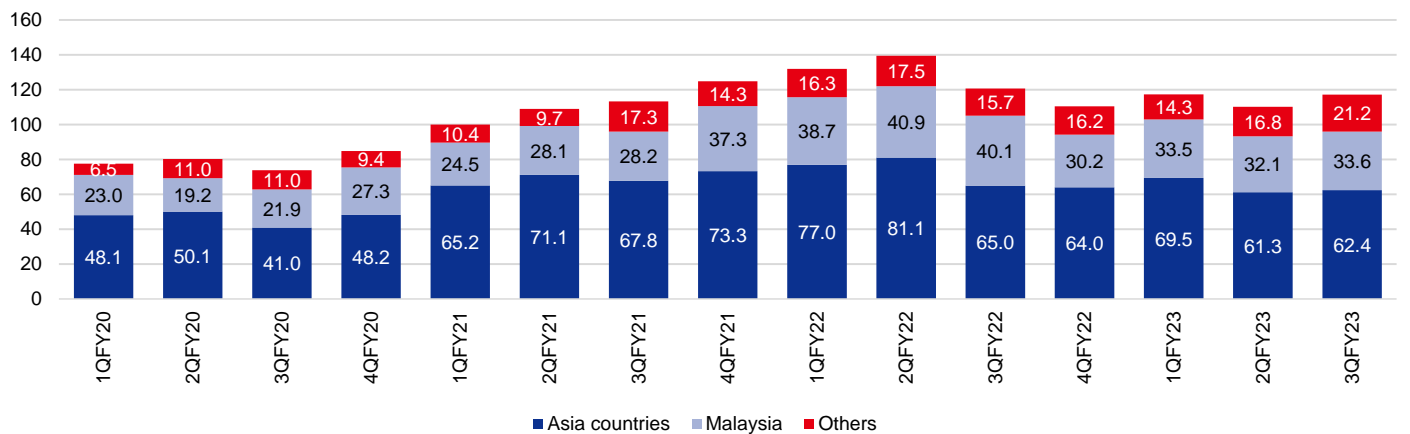
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Quarterly revenue breakdown by region (RM m)

Revenue Breakdown	3QFY23	3QFY22	yoy % chg	2QFY23	qoq % chg	9MFY23	9MFY22	yoy % chg
Asia countries	62.4	65.0	-4.0%	61.3	1.8%	193.1	223.1	-13.4%
Share of revenue (%)	53.2%	53.9%	-0.6%	55.6%	-2.4%	164.8%	184.8%	-20.0%
Malaysia	33.6	40.1	-16.0%	32.1	4.9%	99.2	119.6	-17.0%
Share of revenue (%)	28.7%	33.2%	-4.5%	29.1%	-0.4%	84.7%	99.1%	-14.4%
Others	21.2	15.7	35.3%	16.8	26.0%	52.3	49.4	5.9%
Share of revenue (%)	18.1%	13.0%	5.1%	15.3%	2.8%	44.6%	40.9%	3.7%
Total	117.2	120.7	-2.9%	110.2	6.4%	344.7	392.2	-12.1%

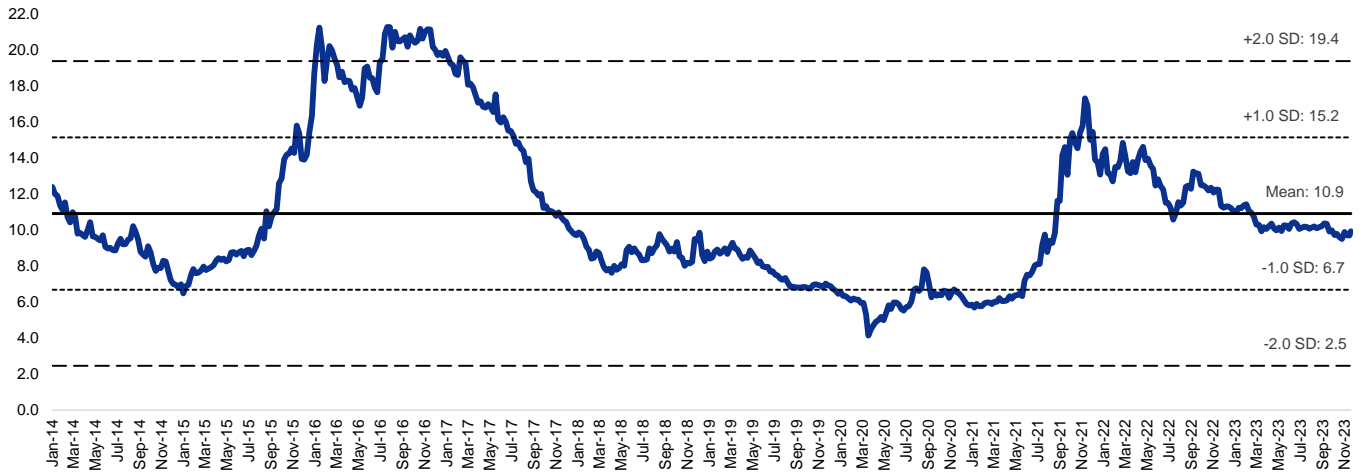
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Quarterly revenue trends by segment (RM m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Adj. P/E (1 year forward, as of 21 Nov 2023)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 6: Peer Comparison

Company	Bloomberg Code	Mkt Cap (RMm)	Rec.	Price (RM)	TP (RM)	PE (x)		CAGR (%) 24-25F	PEG (x)	PBV (x)		ROE (%)		ROE/PBV (x)		Net gearing (%)	
						2024F	2025F			2024F	2025F	2024F	2025F	2024F	2025F		
BP Plastics Holding	BPP MK	349	ADD	1.24	1.39	9.8	9.1	4.0	2.7	1.3	1.2	12.7	12.8	10.2	11.0	(19)	(21)
HPP Holdings Bhd	HPPHB MK	150	HOLD	0.39	0.36	12.8	12.1	2.7	4.8	1.1	1.1	9.0	9.0	7.8	8.2	(35)	(36)
Thong Guan Industries	TGI MK	782	ADD	1.98	3.05	6.0	5.2	7.3	0.9	0.8	0.7	12.8	13.2	16.6	19.1	(12)	(11)
Overall sector						9.6	8.8	4.7	2.8	1.1	1.0	11.5	11.7	11.5	12.8	(22)	(23)

DATA AS AT 21 NOV 2023

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	502.6	514.2	532.3	559.3
Gross Profit	58.9	63.8	73.3	81.1
Operating EBITDA	43.3	46.9	53.0	59.8
Depreciation And Amortisation	(11.6)	(12.4)	(14.7)	(16.7)
Operating EBIT	31.8	34.5	38.3	43.1
Financial Income/(Expense)	1.1	1.3	1.1	1.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	3.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	35.8	35.7	39.4	44.1
Exceptional Items	0.1			
Pre-tax Profit	36.0	35.7	39.4	44.1
Taxation	(5.5)	(3.6)	(3.9)	(5.7)
Exceptional Income - post-tax				
Profit After Tax	30.5	32.1	35.5	38.4
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	30.5	32.1	35.5	38.4
Recurring Net Profit	30.3	32.1	35.5	38.4
Fully Diluted Recurring Net Profit	30.3	32.1	35.5	38.4

Balance Sheet

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	63.3	54.9	51.7	61.8
Total Debtors	43.8	44.8	46.4	48.7
Inventories	69.3	70.5	72.2	75.4
Total Other Current Assets	0.3	0.3	0.3	0.3
Total Current Assets	176.7	170.5	170.5	186.2
Fixed Assets	122.4	145.2	165.6	174.1
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	6.0	5.8	5.6	5.4
Total Non-current Assets	128.4	150.9	171.2	179.5
Short-term Debt	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	47.2	48.3	50.0	52.5
Other Current Liabilities	0.0	0.0	0.0	0.0
Total Current Liabilities	47.2	48.3	50.0	52.5
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	12.6	12.6	12.6	12.6
Total Non-current Liabilities	12.6	12.6	12.6	12.6
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	59.8	60.9	62.6	65.1
Shareholders' Equity	245.3	260.5	279.1	300.6
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	245.3	260.5	279.1	300.6

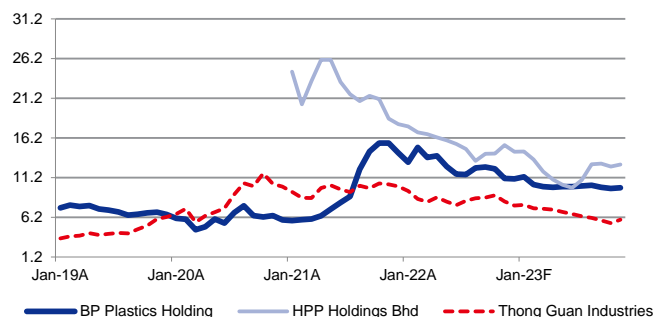
Cash Flow

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	43.33	46.88	53.03	59.80
Cash Flow from Inv. & Assoc.				
Change In Working Capital	19.94	-1.07	-1.55	-3.04
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow				
Net Interest (Paid)/Received	1.04	1.27	1.10	1.03
Tax Paid	-6.94	-3.57	-3.94	-5.73
Cashflow From Operations	57.37	43.51	48.63	52.06
Capex	-44.61	-35.00	-35.00	-25.00
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	4.76	1.27	1.10	1.03
Cash Flow From Investing	-39.85	-33.73	-33.90	-23.97
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	-14.07	-16.89	-16.89	-16.89
Preferred Dividends				
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	-14.07	-16.89	-16.89	-16.89
Total Cash Generated	3.45	-7.12	-2.16	11.21
Free Cashflow To Equity	17.52	9.77	14.73	28.10
Free Cashflow To Firm	17.52	9.77	14.73	28.10

Key Ratios

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	12.4%	2.3%	3.5%	5.1%
Operating EBITDA Growth	(33.2%)	8.2%	13.1%	12.8%
Operating EBITDA Margin	8.6%	9.1%	10.0%	10.7%
Net Cash Per Share (RM)	0.22	0.20	0.18	0.22
BVPS (RM)	0.87	0.93	0.99	1.07
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	15.2%	10.0%	10.0%	13.0%
Net Dividend Payout Ratio	46.3%	52.5%	47.6%	44.0%
Accounts Receivables Days	41.64	31.43	31.33	31.02
Inventory Days	65.23	56.66	56.86	56.30
Accounts Payables Days	48.64	38.71	39.19	39.13
ROIC (%)	13.3%	13.5%	13.3%	13.6%
ROCE (%)	13.8%	14.1%	14.6%	15.2%
Return On Average Assets	9.5%	10.0%	10.5%	10.6%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Sales volume growth (%)	15.0%	0.0%	1.5%	3.0%
Average selling price growth (%)	0.0%	0.0%	2.0%	2.0%

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Description:	Excellent	Very Good	Good	N/A	N/A

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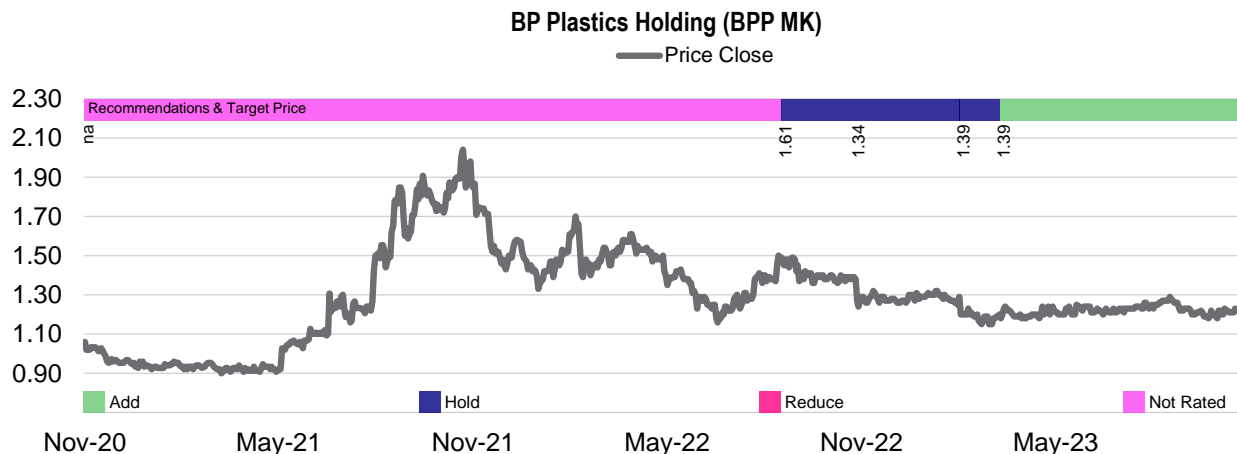
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
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