



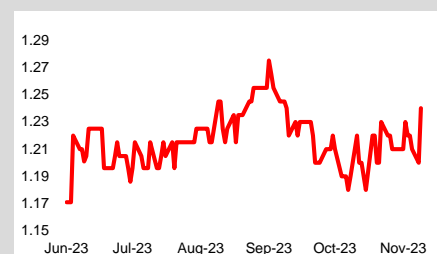
DESCRIPTION

An investment holdings company, via its subsidiaries principally involved in the manufacturing PE films and bags

12-month Target Price	RM1.46
Current Price	RM1.24
Expected Return	17.7%
<i>Previous Target Price</i>	RM1.46

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

SHARE PRICE CHART



52 Week Range (RM)	1.15-1.39
3-Month Average Vol ('000)	40.2

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	0.8	-1.3	0.8
Relative Returns	2.6	-2.5	-0.8

KEY STOCK DATA

Market Capitalisation (RMm)	349.0
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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Ready for Next Demand Up-Cycle

BP Plastic Berhad (BPPLAS) reported a stronger quarter with 3QFY23 net profit of RM7.3m (+35.6% YoY) attributed to better product mix, though weaker QoQ (-26.4%) owing to higher production cost. Cumulative 9MFY23 net profit of RM25.3m (+1.3% YoY) is within consensus but above our expectations, accounting for 77.8% and 84.1% of full-year estimates, respectively. Our forecasts are kept unchanged. While we remain positive on the long-term prospects of BPPLAS, near-term outlook for the Group may continue to be challenged by weak demand for industrial and logistic packaging amid the global economic weakness. We maintain our **Neutral** call with an unchanged PE-based TP of RM1.46 (10x FY24 EPS). On a side note, BPPLAS declared a third interim dividend of 1.5 sen (3QFY22: 1.0sen).

§ **3QFY23 revenue** fell to RM117.2m (-2.9% YoY) mainly due to lower average selling price (ASP), though sales volume remained stable. Revenue from domestic market contracted by 16% YoY, partly offset by higher revenue from export markets (+3.6% YoY).

§ **3QFY23 net profit** grew 35.6% YoY to RM7.3m despite lower revenue mainly due to better product mix and partly aided by better efficiency from new production lines. Pre-tax profit margin improved to 7.3% from 5.0% in the preceding quarter. Net profit was weaker QoQ (-26.4%) due to higher production cost.

§ **Outlook.** The Group's near-term outlook may continue to be challenged by weak demand for industrial and logistic packaging amid global economic weakness, the elevated global interest rate environment and geopolitical conflicts in Ukraine and recently, the Middle East. Despite headwinds, there are signs of gradual improvements in the operating environment and demand in 2HFY23. Headline inflation is showing signs of cooling while 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 in pursuit of business growth. With two additional units of Blown Co-extrusion machines to be commissioned by the end of 2023, production capacity is expected to increase to 12,200 MT per month in FY24. Along with the production capacity expansion and its strong balance sheet (net cash), the Group is well positioned to capitalise on the next demand up-cycle.

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%
EPS (Sen)	16.5	10.8	10.7	14.6	18.0	2.1%
P/E (x)	7.3	11.2	11.3	8.3	6.7	
DPS (Sen)	8.0	5.5	6.0	6.0	8.0	
Dividend Yield (%)	6.6	4.5	5.0	5.0	6.6	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Dec (RM m)	<u>3Q23</u>	<u>3Q22</u>	<u>2Q23</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	117.2	120.7	110.2	-2.9	6.4	344.7	392.2	-12.1	Lower ASP in line with resin prices
Operating profit	6.6	5.0	10.4	32.8	-35.9	26.4	28.3	-6.6	
Other income	1.9	1.0	1.9	84.5	0.0	5.0	2.2	130.4	
Pre-tax profit	8.5	6.0	12.3	41.6	-30.4	31.4	30.5	3.1	
Taxation	-1.3	-0.7	-2.4	89.9	-46.7	-6.0	-5.4	11.8	
Profit after tax	7.3	5.4	9.9	35.6	-26.4	25.4	25.1	1.3	Earnings improve on better product mix and better efficiency from new machineries
EPS (sen)	2.6	1.9	3.5			9.0	8.9		
DPS (sen)	1.5	1.0	1.5			4.5	4.0		
Operating Margin (%)	5.7	4.1	9.4			7.7	7.2		
Pre-tax Margin (%)	7.3	5.0	11.1			9.1	7.8		Margin improve on better product mix
Net Margin (%)	6.2	4.4	8.9			7.4	6.4		
Effective tax rate (%)	15.0	11.2	19.5			19.1	17.6		
Revenue by Geography									
Asia countries	62.4	65.0	61.3	-4.0	1.8	193.1	223.1	-13.4	
Malaysia	33.6	40.1	32.1	-16.0	4.9	99.2	119.6	-17.0	
Others	21.2	15.7	16.8	35.3	26.0	52.3	49.4	5.9	
Total	117.2	120.7	110.2	-2.9	6.4	344.7	392.2	-12.1	

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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