

PublicInvest Research Results Review

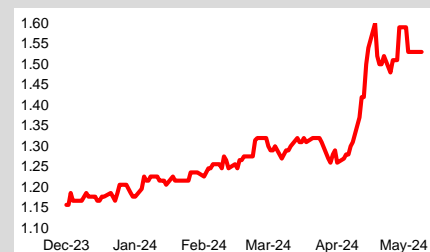
KDN PP17686/03/2013(032117)

Monday, May 27, 2024
BP PLASTICS HOLDING BERHAD
Neutral
DESCRIPTION

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

12-month Target Price	RM1.62
Current Price	RM1.53
Expected Return	5.9%
Previous Target Price	RM1.46

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

SHARE PRICE CHART


52 Week Range (RM)	1.16-1.63
3-Month Average Vol ('000)	195.0

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	19.5	21.8	28.4
Relative Returns	13.6	16.9	13.1

KEY STOCK DATA

Market Capitalisation (RMm)	430.7
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

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

Dragged by Higher Production Cost

BP Plastics Holding Berhad (BPPLAS) reported an 8.1% YoY decrease in net profit to RM7.6m (-22.3% QoQ) for 1QFY24 despite recording higher revenue, attributed to higher production costs. Results were below our and consensus expectations, accounting for only 18.4% and 19.3% of full-year estimates, respectively. We trim our earnings estimate for FY24/25 by 10% to account for higher cost of production. Despite that, our PE-based TP revised higher to RM1.62 (previously RM1.46) as we rollover our valuation to FY25F. Our **Neutral** call retained. On a side note, BPPLAS declared a first dividend of 1.5sen (1QFY23: 1.5sen).

§ **1QFY24 revenue climbed** to RM124.2m (+5.9% YoY) owing to improved demand amid stronger consumer sentiments in the plastic packaging industry. Revenue from both domestic and export markets increased YoY by 3.4% and 6.9% respectively, attributed to improved global economic activities.

§ **1QFY24 net profit** fell by 8.1% YoY to RM7.6m, due to higher production costs. Despite increase revenue, pre-tax profit (PBT) margin decreased to 8.0% from 9.1% in the preceding year corresponding quarter. Additionally, the Group saw lower effective tax rates due to the reinvestment allowance in one of its subsidiary companies.

§ **Outlook** for the flexible plastic packaging industry continues to be weighed by global economic uncertainties, elevated cost and supply demand imbalance. Despite headwinds, there are signs of gradual improvement in the operating environment and we expect a gradual demand recovery in 2024. Headline inflation is showing signs of cooling and Malaysia's export growth is expected to continue in tandem with the bottoming out of semiconductor shipments. Moreover, the Group's newly developed packaging products – premium grade Machine Rolls are making further inroads into the US and European market successfully. However, contribution from this new product to its bottom line remains negligible at this juncture.

KEY FINANCIAL SUMMARY

FYE Dec (RM m)	2022A	2023E	2024F	2025F	2026F	CAGR
Revenue	502.6	493.0	517.6	569.4	603.5	4.7%
Operating Profit	33.1	36.6	51.9	64.3	68.3	19.9%
Pre-tax Profit	35.3	42.6	54.1	66.5	70.5	18.9%
Net Profit	29.8	35.2	41.1	50.5	53.6	15.8%
EPS (Sen)	10.6	12.5	14.6	18.0	19.0	15.8%
P/E (x)	12.0	10.1	8.7	7.1	6.7	
DPS (Sen)	5.5	6.0	8.0	10.0	10.0	
Dividend Yield (%)	4.3	4.7	6.3	7.9	7.9	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Dec (RM m)	<u>1Q24</u>	<u>1Q23</u>	<u>4Q23</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	124.2	117.3	124.9	5.9	-0.5	124.2	117.3	5.9	
Operating profit	8.9	9.4	10.1	-5.3	-11.8	8.9	9.4	-5.3	
Other income	1.0	1.2	1.1	-14.8	-4.9	1.0	1.2	-14.8	
Pre-tax profit	10.0	10.6	11.2	-6.4	-11.1	10.0	10.6	-6.4	
Taxation	-2.4	-2.3	-1.4	2.2	72.9	-2.4	-2.3	2.2	
Profit after tax	7.6	8.3	9.8	-8.8	-22.9	7.6	8.3	-8.8	Dragged by higher production cost
EPS (sen)	2.7	2.9	3.5			2.7	2.9		
DPS (sen)	1.5	1.5	1.5			1.5	1.5		
Operating Margin (%)	7.2	8.1	8.1			7.2	8.1		
Pre-tax Margin (%)	8.0	9.1	9.0			8.0	9.1		Margin impacted by higher production cost
Net Margin (%)	6.1	7.1	7.9			6.1	7.1		
Effective tax rate (%)	24.0	22.0	12.3			24.0	22.0		
Revenue by Geography									
Asia countries	71.3	69.5	76.2	2.7	-6.4	71.3	69.5	2.7	
Malaysia	34.7	33.5	31.2	3.4	11.2	34.7	33.5	3.4	
Others	18.2	14.3	17.5	27.2	4.2	18.2	14.3	27.2	
Total	124.2	117.3	124.9	5.9	-0.5	124.2	117.3	5.9	

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Revenue	502.6	469.6	517.6	569.4	603.5
Operating Profit	33.1	37.8	51.9	64.3	68.3
Other gains/(losses)	2.2	4.8	2.2	2.2	2.2
Pre-tax Profit	35.3	42.6	54.1	66.5	70.5
Income Tax	-5.5	-7.4	-13.0	-16.0	-16.9
Effective Tax Rate (%)	-15.5	-17.3	-24.0	-24.0	-24.0
Net Profit	30.5	35.2	41.1	50.5	53.6
Growth					
Revenue (%)	51.8	-6.6	10.2	10.0	6.0
Operating Profit (%)	6.6	8.0	10.0	11.3	11.3
Net Profit (%)	5.9	7.5	7.9	8.9	8.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Property, Plant & Equipment	122.4	125.6	128.1	130.6	133.3
Cash and Cash Equivalents	63.3	68.3	74.3	86.0	98.8
Trade and Other Receivables	43.8	48.4	46.6	51.2	54.3
Other Assets	75.3	101.1	110.8	112.2	115.0
Total Assets	304.7	343.4	359.8	380.0	401.5
Trade and Other Payables	48.7	65.1	46.6	39.9	42.2
Borrowings	--	--	--	--	--
Other Liabilities	12.3	14.7	31.0	35.6	29.2
Total Liabilities	59.5	79.8	77.6	75.4	71.4
Shareholders' Equity & Minority	245.3	263.6	282.2	304.6	330.0
Total Equity and Liabilities	304.7	343.4	359.8	380.0	401.5

Source: Company Prospectus, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Book Value Per Share	0.87	0.94	1.00	1.08	1.17
NTA Per Share	0.87	0.94	1.00	1.08	1.17
EPS (Sen)	10.58	12.52	14.60	17.96	19.04
DPS (Sen)	5.50	6.00	8.00	10.00	10.00
Payout Ratio (%)	52.0	47.9	54.8	55.7	52.5
ROA (%)	9.7	10.3	12.4	14.7	14.8
ROE (%)	12.1	13.4	14.6	16.6	16.2

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.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company (ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

This report has been prepared by PIVB pursuant to the Research Incentive Program under Bursa Research Incentive Scheme ("Bursa RISE") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

Published and printed by:

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