

**PublicInvest Research Company Update**

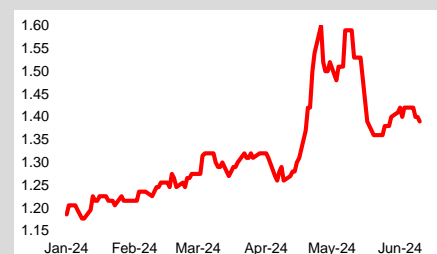
KDN PP17686/03/2013(032117)

**Friday, June 21, 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	RM1.39
Expected Return	15.7%
Previous Target Price	RM1.62

Market Sector	Main 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)	211.2

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-11.9	7.7	21.0
Relative Returns	-10.6	3.9	9.3

**KEY STOCK DATA**

Market Capitalisation (RMm)	391.3
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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**Headwinds Remain**

A recent meeting with management reaffirms our cautious optimism stance on BP Plastics Holding Berhad (BPPLAS). While near-term outlook may continue to be challenged by elevated production cost, the Group is showing signs of recovery as demand for the packaging products gradually picking up, underpinned by restocking activities. We also take note that the Group is well-placed to weather economic uncertainties given its debt free capital structure with a total cash level of RM67m. This enables it to capitalise on the next demand up-cycle with the production capacity expansion completed recently in 4Q23. We keep our earnings forecast unchanged. Our **Neutral** call on BP Plastic retained with an unchanged PE-based target price of RM1.62.

§ **1QFY24 results round-up.** During the quarter, net profit dropped 8.8% YoY to RM7.6m, despite recording higher revenue (+5.9% YoY), mainly attributable to higher production costs and effective tax rate. Key variable cost – electricity expenses increased by approximately 25% YoY due to higher surcharge imposed on heavy industrial users. Pre-tax profit (PBT) margin fell to 8.0% from 9.1% in the preceding year corresponding quarter. It was exacerbated by higher effective tax rate due to lower reinvestment allowance.

§ **Freight rate surge has minimal impact.** While the ocean freight container spot rates have risen sharply since the start of May due to longer transits to avoid the Red Sea, the impact on the Group is relatively muted. The surge in freight rate is mainly on Far East to North Europe and US trade route, while geographical location of the Group's customers was mostly concentrated in Asia Countries (60%) and local market (30%).

§ **Outlook** for the flexible plastic packaging industry continues to be clouded by global economic uncertainties and elevated production cost. Despite headwinds, the Group seems to be showing signs of recovery as demand for the packaging products gradually picking up due to restocking activities. In addition, Malaysia's export is expected to continue to grow 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	469.6	517.6	569.4	603.5	4.7%
Operating Profit	33.8	37.8	46.5	57.8	68.3	19.2%
Pre-tax Profit	36.0	42.6	48.7	60.0	70.5	18.3%
Net Profit	30.5	35.2	37.0	45.6	53.6	15.1%
EPS (Sen)	10.8	12.5	13.1	16.2	19.0	15.1%
P/E (x)	12.9	11.2	10.7	8.6	7.4	
DPS (Sen)	5.5	6.0	6.0	6.0	8.0	
Dividend Yield (%)	3.9	4.3	4.3	4.3	5.7	

Source: Company, PublicInvest Research estimates

## 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
<b>Operating Profit</b>	<b>33.8</b>	<b>37.8</b>	<b>46.5</b>	<b>57.8</b>	<b>68.3</b>
Other gains/(losses)	2.2	4.8	2.2	2.2	2.2
<b>Pre-tax Profit</b>	<b>36.0</b>	<b>42.6</b>	<b>48.7</b>	<b>60.0</b>	<b>70.5</b>
Income Tax	-5.5	-7.4	-11.7	-14.4	-16.9
Effective Tax Rate (%)	-15.2	-17.3	-24.0	-24.0	-24.0
<b>Net Profit</b>	<b>30.5</b>	<b>35.2</b>	<b>37.0</b>	<b>45.6</b>	<b>53.6</b>
<b>Growth</b>					
Revenue (%)	51.8	-6.6	10.2	10.0	6.0
Operating Profit (%)	6.7	8.0	9.0	10.1	11.3
Net Profit (%)	6.1	7.5	7.1	8.0	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	73.7	84.6	97.5
Trade and Other Receivables	43.8	48.4	46.6	51.2	54.3
Other Assets	75.3	101.1	109.8	109.9	112.8
<b>Total Assets</b>	<b>304.7</b>	<b>343.4</b>	<b>358.2</b>	<b>376.4</b>	<b>397.8</b>
Trade and Other Payables	47.2	65.1	46.6	39.9	42.2
Borrowings	--	--	--	-	-
Other Liabilities	12.3	14.7	33.5	41.0	34.6
<b>Total Liabilities</b>	<b>59.5</b>	<b>79.8</b>	<b>80.1</b>	<b>80.9</b>	<b>76.9</b>
Shareholders' Equity & Minority	245.3	263.6	278.1	295.5	320.9
<b>Total Equity and Liabilities</b>	<b>304.7</b>	<b>343.4</b>	<b>358.2</b>	<b>376.4</b>	<b>397.8</b>

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	1.01	1.11	1.22
NTA Per Share	0.87	0.94	1.01	1.11	1.22
EPS (Sen)	10.84	12.52	13.14	16.19	19.04
DPS (Sen)	5.50	6.00	6.00	6.00	8.00
Payout Ratio (%)	50.7	47.9	45.7	37.1	42.0
ROA (%)	10.0	10.3	10.3	12.1	13.5
ROE (%)	12.4	13.4	13.0	14.6	15.6

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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#### **Published and printed by:**

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