

11 June 2024

BP Plastics Holding

New Products to Bolster Margins

By *Thin Yun Jing* | thinyl@kenanga.com.my

BPPLAS guided for a 10% sales volume growth for FY24, driven largely by export sales of premium products such as thinner gauge nano stretch film. Its new higher-margin stretch hood product and blown film packaging product used in the F&B sector should cushion over margins amid rising costs. We maintain our forecasts, TP of RM1.42 and MARKET PERFORM call.

We came away from a post-results engagement with BPPLAS feeling reassured of its prospects. The key takeaways are as follows:

1. BPPLAS guided for a 10% increase in sales volume for FY24 (which is largely in line with our assumption), backed by rising consumer spending globally on easing inflation and interest rates. It expects higher orders from existing customers, the onboarding of new customers and higher export sales of innovative premium offerings such as nano stretch film to Europe and the US.
2. It is putting onto the market its new stretch hood product, commonly used for securing palletised items like cement and resins for outdoor storage, as the product has met quality and safety tests. The key selling points of the product is recyclability and durability.
3. It is also putting onto the market a new blown film packaging product used in the F&B sector in 4QCY24. It plans to market the product directly to domestic brand owners as this blown film product offers greater flexibility in terms of customisation (vs. stretch film) backed by state-of-the-art printing and cutting machines. This higher-margin value-added product should help to cushion higher labour and electricity costs.

Forecasts. Maintained.

Valuations. We also keep our TP of RM1.42 based on 10x FY25F PER, at a discount to the sector's average historical forward PER of 13x, largely to reflect BPPLAS's relatively smaller market capitalisation and thinner share liquidity. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

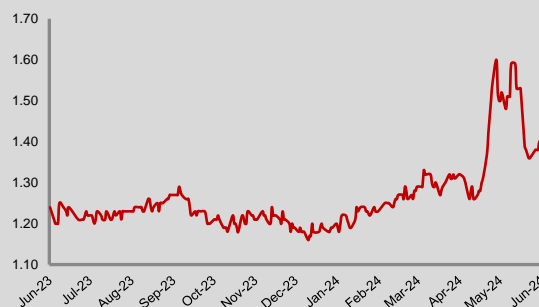
Investment case. We like BPPLAS for: (i) its strong foothold in the South East Asia market which is expected to remain resilient despite global economic uncertainties, and (ii) its expansion plans especially production capacity for sustainable packaging products such as nano stretch film, backed by a strong balance sheet that is in a net cash position. However, its valuations are fair after the recent run-up in its share price. Reiterate **MARKET PERFORM**.

Risks to our call include: (i) volatility in resin prices, (ii) reduced demand for packaging materials due to an extended global economic slowdown, and (iii) a sharp rise in freight costs.

MARKET PERFORM ↔

Price: RM1.41
Target Price: RM1.42 ↔

Share Price Performance



KLCI	1,614.37
YTD KLCI chg	11.0%
YTD stock price chg	18.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK EQUITY
Market Cap (RM m)	396.9
Shares Outstanding	281.5
52-week range (H)	1.63
52-week range (L)	1.16
3-mth avg. daily vol.	221,304
Free Float	23%
Beta	0.8

Major Shareholders

Lg Capital Sdn Bhd	43.2%
Tan See Khim	9.5%
Lim Chun Yow	9.3%

Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	469.6	502.4	545.1
EBITDA	51.8	55.0	63.8
PBT	42.6	42.5	49.6
Net Profit (NP)	35.2	34.0	39.7
Core NP	33.5	34.0	39.7
Consensus	-	37.2	43.4
Earnings Revision	-	-	-
Core EPS (sen)	11.9	12.1	14.1
Core EPS Growth (%)	6.6	1.4	16.9
NDPS (sen)	6.0	6.5	7.0
Core PER (x)	11.8	11.7	10.0
BVPS (RM)	0.9	1.0	1.1
PBV (x)	1.5	1.4	1.3
Net Div Yield (%)	4.3	4.6	5.0

11 June 2024

Income Statement

FYE Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Revenue	447.1	502.6	469.6	502.4	545.1
EBITDA	64.9	45.4	51.8	55.0	63.8
Depreciation	-10.4	-11.6	-13.7	-12.6	-14.1
PBT	56.8	36.0	42.6	42.5	49.6
Taxation	-10.3	-5.5	-7.4	-8.5	-9.9
Core Net Profit	46.4	31.4	33.5	34.0	39.7

Balance Sheet

FYE Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Fixed Assets	89.2	120.1	125.6	143.4	159.6
Other FA	6.1	6.0	12.5	12.2	11.8
Inventories	89.2	69.3	88.5	87.0	88.3
Receivables	70.9	47.6	51.4	60.7	59.0
Other CA	51.5	30.2	51.3	33.3	33.3
Cash	9.5	33.4	19.4	26.2	44.5
Total Assets	316.4	306.6	348.7	362.8	396.6
Payables	71.0	48.7	70.4	67.2	67.3
Other LT liability	11.4	12.6	14.0	19.2	15.6
Net Assets	231.6	245.3	263.6	275.8	313.1
Share Capital	231.6	245.3	263.6	279.3	299.3
S. Equity	231.6	245.3	263.6	275.8	313.1

Cashflow Statement

FYE Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	23.8	59.9	48.0	26.2	44.5
Investing CF	-8.6	-39.8	-46.6	-30.0	-30.0
Financing CF	-15.0	-14.1	-15.5	-18.3	-19.7

Financial Data & Ratios

FYE Dec	2021A	2022A	2023A	2024F	2025F
Growth (%)					
Revenue	41.2	12.4	-6.6	7.0	8.5
EBITDA	28.9	-30.0	14.1	6.2	15.9
Pre-tax Income	45.9	-36.6	18.4	-0.4	16.9
Core Net Profit	58.4	-32.3	6.6	1.4	16.9
Profitability (%)					
EBITDA Margin	14.5	9.0	11.0	11.0	11.7
PBT Margin	12.7	7.2	9.1	8.5	9.1
Net Margin	10.4	6.1	7.5	6.8	7.3
Effective Tax Rate	18.2	15.2	17.3	20.0	20.0
ROE	20.0	12.8	12.7	12.3	12.7
ROA	14.7	10.3	9.6	9.4	10.0
DuPont Analysis					
Net margin (%)	10.4	6.1	7.5	6.8	7.3
Assets Turnover (x)	1.4	1.6	1.3	1.4	1.4
Leverage Factor (x)	1.4	1.2	1.3	1.3	1.3
ROE (%)	20.0	12.8	12.7	12.3	12.7
Valuations					
Core EPS (sen)	16.5	11.2	11.9	12.1	14.1
DPS (sen)	8.0	5.5	6.0	6.5	7.0
BVPS (RM)	0.8	0.9	0.9	1.0	1.1
Core PER (x)	8.6	12.6	11.8	11.7	10.0
N. Div. Yield (%)	5.7	3.9	4.3	4.6	5.0
PBV (x)	1.7	1.6	1.5	1.4	1.3

Source: Kenanga Research

11 June 2024

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
ANCOM NYLEX BHD	OP	1.05	1.50	42.9%	1,005.4	Y	05/2024	8.5	11.2	20.5%	36.7%	12.3	9.4	1.7	14.9%	1.0	1.0%
BM GREENTECH BHD	UP	1.78	1.15	-35.4%	918.5	Y	03/2025	6.7	7.2	2.7%	7.0%	26.6	24.9	3.4	13.3%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	MP	1.41	1.42	0.7%	396.9	Y	12/2024	12.1	14.1	1.5%	16.8%	11.7	10.0	1.4	12.5%	6.5	4.6%
HPP HOLDINGS BHD	MP	0.355	0.320	-9.9%	137.9	Y	05/2024	0.7	2.2	-69.9%	203.6%	49.2	16.2	1.1	2.3%	0.5	1.4%
KUMPULAN PERANGSANG SELANGOR	UP	0.835	0.450	-46.1%	448.7	Y	12/2024	2.0	4.4	158.5%	125.5%	42.3	18.8	0.4	1.0%	2.0	2.4%
SCIENTEX BHD	UP	4.32	3.95	-8.6%	6,701.5	Y	07/2024	35.3	36.5	32.1%	3.5%	12.2	11.8	1.7	14.5%	11.0	2.5%
SLP RESOURCES BHD	OP	0.960	1.16	20.8%	304.3	Y	12/2024	5.8	7.0	68.8%	20.7%	16.5	13.7	1.6	9.6%	6.0	6.3%
TECHBOND GROUP BHD	OP	0.435	0.500	14.9%	238.3	Y	06/2024	3.7	4.3	112.8%	14.0%	11.6	10.2	1.2	10.9%	1.3	2.9%
THONG GUAN INDUSTRIES BHD	OP	2.05	2.86	39.5%	822.0	Y	12/2024	25.5	29.8	22.1%	16.6%	8.0	6.9	0.8	10.3%	5.5	2.7%
Sector Aggregate					10,973.4							12.8	11.5	1.4	11.0%		2.7%

Source: Kenanga Research

This section is intentionally left blank

11 June 2024

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Product Quality & Safety	★	★	★		
	Digitalisation & Innovation	★	★	★	☆	
	Effluent & Waste Management	★	★	★		
	Resource Management	★	★	★		
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

***Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my