

Malaysia

August 27, 2024 - 9:39 PM

HOLD (no change)

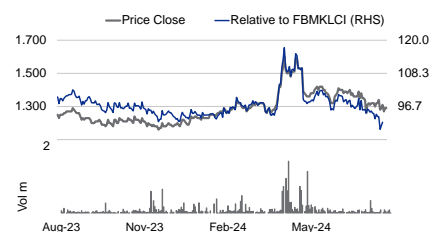
Consensus ratings*: Buy 0 Hold 3 Sell 0

Current price:	RM1.29
Target price:	RM1.57
Previous target:	RM1.57
Up/downside:	21.7%
CGSI / Consensus:	3.3%
Reuters:	BPPL.KL
Bloomberg:	BPP MK
Market cap:	US\$83.51m
	RM363.1m
Average daily turnover:	US\$0.02m
	RM0.11m
Current shares o/s	281.5m
Free float:	23.2%

*Source: Bloomberg

Key financial forecasts

	Dec-24F	Dec-25F	Dec-26F
Net Profit (RMm)	36.64	40.10	43.61
Core EPS (RM)	0.13	0.14	0.15
Core EPS Growth	3.99%	9.45%	8.76%
FD Core P/E (x)	9.91	9.06	8.33
Recurring ROE	13.4%	13.7%	13.8%
P/BV (x)	1.28	1.20	1.11
DPS (RM)	0.060	0.080	0.080
Dividend Yield	4.65%	6.20%	6.20%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.2	-7.2	4
Relative (%)	-9	-8.6	-9.7

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

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BP Plastics Holding

Higher revenue offset by elevated costs

- 1H24 core net profit fell by 13.5% yoy to RM16.3m, making up 44.6% of our FY24F estimate, as higher revenue was offset by elevated production costs.
- Underlying demand for packaging products should grow in 2H24F as economic activities improve, in our view.
- Reiterate Hold with an unchanged TP of RM1.57, based on 11x CY25F P/E (its historical mean).

1HFY24 core net profit within expectations

- BP Plastics Holding's (BPP) 2Q24 core net profit fell 16% yoy, despite a 10% yoy revenue growth, as elevated production costs caused by higher utility tariffs took a toll. This brought 1H24 core net profit to RM16.3m (-13.5% yoy), making up 44.6% of our FY24F estimate and 45.6% of Bloomberg consensus'. The 7.8% yoy growth in 1H24 revenue to RM245.1m was offset by higher operating costs, resulting in a decline in EBITDA margin to 7.5%.
- Nevertheless, we deem the results in line, as we expect demand for packaging products to rise further in 2H24F, on the back of an improving global economy driven by rising tourism and e-commerce activities.
- 1H24 revenue contribution from Asia (ex-Malaysia) was higher at 59% (vs. 57% in 1H23), while 1H24 revenue proportion from Malaysia fell to 27% (from 29% in 1H23).
- The group declared a second interim dividend of 1.5 sen per share in 2Q24, bringing 1H24 DPS to 3.0 sen (similar to 1H23's).
- We expect improving demand for packaging products going forward, driven by the food & beverage, travel, and e-commerce industries. Premium and eco-friendly products, such as nano machine stretch films and high-quality thinner downgauged products, using recycled resin, should also help drive sales volume growth and improve margins going forward, in our view.

Reiterate Hold with unchanged TP of RM1.57

- We reiterate our Hold call on BPP as we believe the market has largely priced in its earnings growth potential. Our TP of RM1.57 is based on 11x CY25F P/E, its historical mean. We expect the stock to continue to be supported by its strong net cash position of RM82.93m (RM0.29/share) as of 1H24, as well as its decent dividend yields of 4-6%.
- Key upside risks: 1) stronger-than-expected demand for plastic packaging as global consumption improves, and 2) higher-than-expected demand for BPP's higher-margin sustainable packaging. Key downside risks: 1) slowdown in the global economy impacting demand for plastic packaging, and 2) higher-than-expected resin/raw material prices, impacting BPP's margins.

Figure 1: 1H24 results

Interim Results (RM m)	2Q24	2Q23	yoy % chg	1Q24	qoq % chg	1H24	1H23	yoy % chg
Revenue	120.9	110.2	9.8%	124.2	-2.7%	245.1	227.5	7.8%
Operating costs	(108.0)	(94.8)	13.9%	(110.9)	-2.6%	(218.9)	(198.4)	10.3%
EBITDA	12.9	15.3	-16.1%	13.3	-3.5%	26.2	29.1	-9.9%
EBITDA margin (%)	10.6%	13.9%	-3.3%	10.7%	-0.1%	10.7%	12.8%	-2.1%
Depreciation and amortisation	(3.9)	(3.4)	14.0%	(3.8)	0.3%	(7.7)	(6.8)	13.8%
EBIT	9.0	12.0	-24.6%	9.5	-5.1%	18.5	22.3	-17.2%
EBIT margin (%)	7.5%	10.9%	-3.4%	7.6%	-0.2%	7.5%	9.8%	-2.3%
Pre-tax profit	9.8	12.3	-19.8%	10.0	-1.4%	19.8	22.9	-13.6%
PBT margin (%)	8.1%	11.1%	-3.0%	8.0%	0.1%	8.1%	10.1%	-2.0%
Net profit	8.6	9.9	-12.9%	7.6	12.6%	16.2	18.2	-10.7%
Core net profit	8.6	10.3	-16.1%	7.7	11.0%	16.3	18.9	-13.5%
Core EPS (sen)	3.1	3.6	-16.1%	2.8	11.0%	5.8	6.7	-13.5%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakdown by region

Revenue Breakdown (RM m)	2QFY24	2QFY23	yoy % chg	1QFY24	qoq % chg
Asia countries	73.9	61.3	20.6%	71.3	3.6%
Malaysia	31.4	32.1	-1.9%	34.7	-9.3%
Others	15.5	16.8	-7.7%	18.2	-14.7%
Total	120.9	110.2	9.8%	124.2	-2.7%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 3: Peer comparison

Company	Bloomberg Tickers	Mkt Cap (US\$ m)	Rec.	Price (LCY)	TP (LCY)	P/E (x) CY24F	P/E (x) CY25F	3-year EPS CAGR (%)	ROE (%) CY24F	ROE (%) CY25F	EV/EBITDA (x) CY24F	EV/EBITDA (x) CY25F	Yield (%) CY24F	Yield (%) CY25F
Malaysian Peers														
Thong Guan Industries	TGI MK	158	Add	1.71	2.67	7.9	7.3	12.6	9.0	9.0	3.9	3.5	3.8	4.1
BP Plastics Holding	BPP MK	83	Hold	1.29	1.57	9.9	9.1	6.4	13.5	13.7	4.6	4.2	4.7	6.2
HPP Holdings Bhd	HPPHB MK	34	Reduce	0.39	0.31	30.2	22.4	10.8	4.0	5.4	10.5	8.3	2.1	3.0
SLP Resources Bhd	SLPR MK	65	NR	0.90	na	16.3	14.4	26.8	9.2	10.0	na	na	5.8	5.9
Regional Peers														
Starflex PCL	SFLEX TB	75	NR	3.30	na	11.8	10.8	14.8	22.2	22.7	na	na	3.5	3.8
Panjawattana Plastic PCL	PJW TB	47	NR	2.56	na	10.2	7.4	21.3	10.9	13.9	5.2	4.3	4.1	5.9

DATA AS AT 27 AUG 2024

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Note: Forecasts for Not Rated (NR) companies are based on Bloomberg consensus' estimates

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	469.6	499.8	529.8	559.5
Gross Profit	52.7	60.0	64.6	69.4
Operating EBITDA	54.5	57.5	62.0	66.6
Depreciation And Amortisation	(13.7)	(14.6)	(15.0)	(15.5)
Operating EBIT	40.8	42.9	47.0	51.1
Financial Income/(Expense)	1.8	2.9	3.2	3.4
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	42.6	45.8	50.1	54.5
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	42.6	45.8	50.1	54.5
Taxation	(7.4)	(9.2)	(10.0)	(10.9)
Exceptional Income - post-tax				
Profit After Tax	35.2	36.6	40.1	43.6
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	35.2	36.6	40.1	43.6
Recurring Net Profit	35.2	36.6	40.1	43.6
Fully Diluted Recurring Net Profit	35.2	36.6	40.1	43.6

Balance Sheet

(RMm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	70.7	97.9	105.3	113.4
Total Debtors	51.4	54.6	62.4	70.5
Inventories	88.5	84.1	95.6	107.4
Total Other Current Assets	0.0	0.0	0.0	0.0
Total Current Assets	210.6	236.7	263.3	291.3
Fixed Assets	126.5	122.3	118.3	114.4
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	11.6	11.2	10.8	10.4
Total Non-current Assets	138.1	133.5	129.1	124.8
Short-term Debt	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt				
Total Creditors	70.4	72.1	73.9	75.2
Other Current Liabilities	0.7	0.7	0.7	0.7
Total Current Liabilities	71.1	72.8	74.6	75.9
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	0.0	0.0	0.0	0.0
Total Provisions	14.0	14.0	14.0	14.0
Total Liabilities	85.1	86.8	88.6	89.9
Shareholders' Equity	263.6	283.4	303.7	326.2
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	263.6	283.4	303.7	326.2

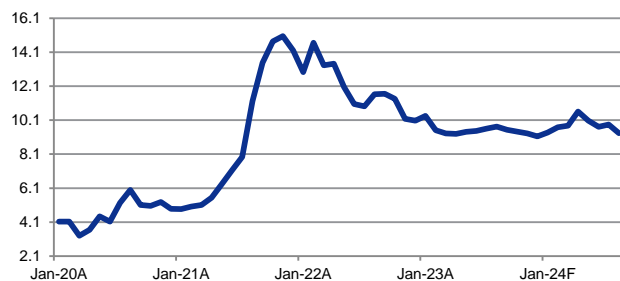
Cash Flow

(RMm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	54.52	57.47	61.99	66.58
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	(0.32)	2.86	(17.45)	(18.65)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	(1.20)	0.00	0.00	0.00
Other Operating Cashflow				
Net Interest (Paid)/Received	1.42	2.94	3.16	3.40
Tax Paid	(4.97)	(9.16)	(10.03)	(10.90)
Cashflow From Operations	49.45	54.11	37.68	40.42
Capex	(27.76)	(10.00)	(10.60)	(11.19)
Disposals Of FAs/subsidiaries	0.13	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(2.36)	0.00	0.00	0.00
Other Investing Cashflow	(18.00)	0.00	0.00	0.00
Cash Flow From Investing	(47.99)	(10.00)	(10.60)	(11.19)
Debt Raised/(repaid)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid	(15.48)	(16.89)	(19.71)	(21.11)
Preferred Dividends				
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	(15.48)	(16.89)	(19.71)	(21.11)
Total Cash Generated	(14.02)	27.23	7.37	8.12
Free Cashflow To Equity	1.46	44.12	27.08	29.23
Free Cashflow To Firm	1.46	44.12	27.08	29.23

Key Ratios

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	(6.6%)	6.4%	6.0%	5.6%
Operating EBITDA Growth	16.7%	5.4%	7.9%	7.4%
Operating EBITDA Margin	11.6%	11.5%	11.7%	11.9%
Net Cash Per Share (RM)	0.25	0.35	0.37	0.40
BVPS (RM)	0.94	1.01	1.08	1.16
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	17.3%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	47.9%	46.1%	52.7%	51.6%
Accounts Receivables Days	36.97	38.80	40.31	43.36
Inventory Days	69.10	71.84	70.50	75.59
Accounts Payables Days	51.48	59.29	57.29	55.52
ROIC (%)	15.9%	15.7%	17.9%	18.3%
ROCE (%)	15.9%	15.9%	16.3%	16.6%
Return On Average Assets	10.4%	9.6%	9.9%	10.1%

12-mth Fwd FD P/E (x) - BP Plastics Holding



Key Drivers

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Segment Revenue Growth (%) - Asia Countries	-6.2%	7.0%	6.5%	6.0%
Segment Revenue Growth (%) - Malaysia	-12.9%	6.0%	5.8%	5.6%
Segment Revenue Growth (%) - Others	6.3%	5.0%	4.5%	4.0%

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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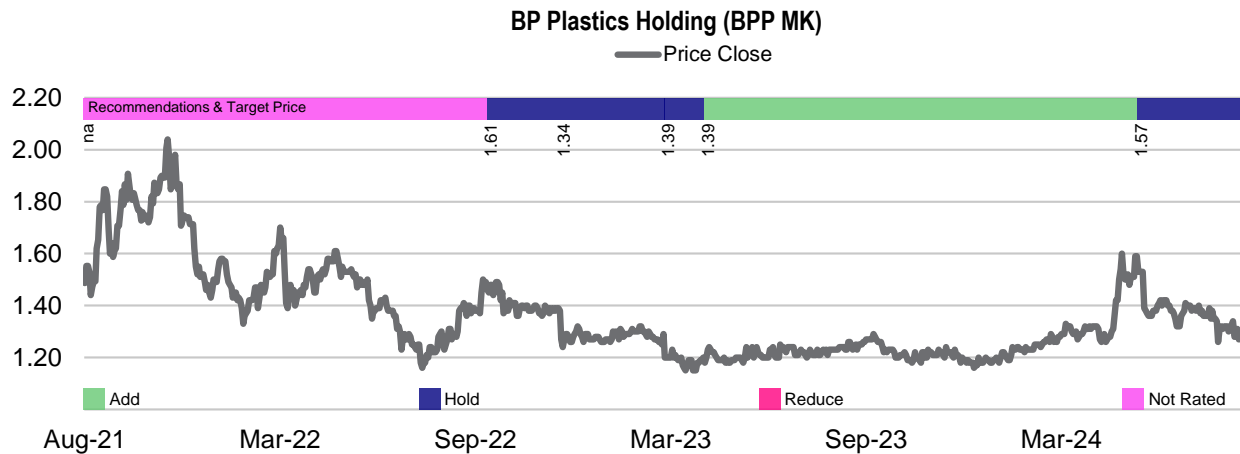
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2024		
588 companies under coverage for quarter ended on 30 June 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.0%	0.5%
Hold	25.3%	0.5%
Reduce	9.7%	0.3%

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.

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.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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