



PublicInvest Research Results Review

KDN PP17686/03/2013(032117)

Wednesday, November 27, 2024

BP PLASTICS HOLDING BERHAD

Neutral

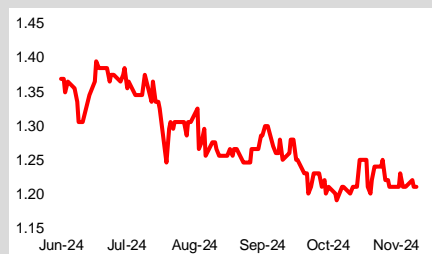
DESCRIPTION

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

12-month Target Price RM1.23
Current Price RM1.21
Expected Return 1.9%
Previous Target Price RM1.50

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) 34.8

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	--	-5.1	-19.1
Relative Returns	0.9	-3.3	-12.1

KEY STOCK DATA

Market Capitalisation (RMm) 340.0
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

Denny Oh

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Dragged By Forex Losses

BP Plastics Holding Bhd's (BPPLAS) barely broke even in 3QFY24, despite higher revenue, mainly due to higher production costs and an unfavourable foreign exchange (forex) position arising from the significant strengthening of Ringgit Malaysia. The cumulative 9MFY24 net profit of RM16.9m fell below both our estimates and consensus expectations, accounting for only 45.3% and 45.6% of full-year estimates, respectively. We cut our FY24-26F forecast by an average of 21.3%, reflecting intensified competition, higher operating costs, and market uncertainties. Consequently, our TP is revised to RM1.23, based on 10x FY25F EPS, reflecting weaker industry dynamics. Our *Neutral* call maintained. On a side note, BPPLAS declared a third interim dividend of 1.5sen, bringing the YTD dividend declared to 4.5sen (9MFY23: 4.5sen).

§ **3QFY24 revenue increased by 6.6% YoY to RM125.0m.** The marginal growth in revenue was mainly due to sustained demand from export markets across Asian countries, which grew 16.1% YoY to RM72.4m. This was partly offset by lower revenue in the Malaysia and others market, which declined YoY by 5.0% and 2.9%, respectively.

§ **3QFY24 net profit plunged by 90.0% YoY to RM0.7m,** primarily due to higher production costs and forex losses stemming from the significant strengthening of Ringgit Malaysia. Profit before tax (PBT) margin dropped sharply to 0.4%, compared to 7.2% in 3QFY23. The Group incurred a realised forex loss of RM4.1m during the quarter. However, a reversal may occur in the coming quarter, driven by more favourable forex movements.

§ **Outlook** for the flexible plastic packaging industry remains challenging, given global economic uncertainties, elevated costs, and supply-demand imbalances. However, the Group remains optimistic about the sustained and growing demand for flexible packaging products as global economic activity continues to improve. We also take note that the Group is well-positioned to weather economic uncertainties, given its debt-free capital structure and total cash reserves of RM49.7m, which enable it to capitalise on the next demand upcycle.

KEY FINANCIAL SUMMARY

FYE Dec (RM m)	2022A	2023E	2024F	2025F	2026F	CAGR
Revenue	502.6	469.6	517.6	535.2	567.3	3.1%
Operating Profit	33.8	37.8	26.0	43.5	54.7	12.8%
Pre-tax Profit	36.0	42.6	28.2	45.7	56.9	12.2%
Net Profit	30.5	35.2	21.4	34.7	43.3	9.1%
EPS (Sen)	10.8	12.5	7.6	12.3	15.4	9.1%
P/E (x)	11.3	9.8	15.9	9.8	7.9	
DPS (Sen)	5.5	6.0	6.0	6.0	6.0	
Dividend Yield (%)	4.5	4.9	5.0	5.0	5.0	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Dec (RM m)	<u>3Q24</u>	<u>3Q23</u>	<u>2Q24</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY24</u>	<u>YTD FY23</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	125.0	117.2	120.9	6.6	3.4	370.1	344.7	7.4	Sustained demand
Operating profit	-0.4	6.6	8.8	-106.6	-105.0	17.3	26.4	-34.6	
Other income	1.0	1.9	1.0	-47.4	-1.3	3.0	5.0	-39.3	
Pre-tax profit	0.5	8.5	9.8	-93.6	-94.4	20.3	31.4	-35.4	
Taxation	0.2	-1.3	-1.2	-114.1	-114.5	-3.4	-6.0	-42.6	
Profit after tax	0.7	7.3	8.6	-90.0	-91.5	16.9	25.4	-33.7	
EPS (sen)	0.3	2.6	3.0			6.0	9.0		
DPS (sen)	1.5	1.5	1.5			4.5	4.5		
Operating Margin (%)	-0.4	5.7	7.3			4.7	7.7		
Pre-tax Margin (%)	0.4	7.3	8.1			5.5	9.1		Margin fell on forex losses, intense competition and higher production cost
Net Margin (%)	0.6	6.2	7.1			4.6	7.4		
Effective tax rate (%)	-32.8	15.0	12.6			17.0	19.1		
Revenue by Geography									
Asia countries	72.4	62.4	73.9	16.1	-2.0	217.7	193.1	12.7	
Malaysia	32.0	33.6	31.4	-5.0	1.6	98.1	99.2	-1.2	
Others	20.6	21.2	15.5	-2.9	32.5	54.3	52.3	3.8	
Total	125.0	117.2	120.9	6.6	3.4	370.1	344.7	7.4	

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2022A	2023E	2024F	2025F	2026F
Revenue	502.6	469.6	517.6	535.2	567.3
Operating Profit	33.8	37.8	26.0	43.5	54.7
Other gains/(losses)	2.2	4.8	2.2	2.2	2.2
Pre-tax Profit	36.0	42.6	28.2	45.7	56.9
Income Tax	-5.5	-7.4	-6.8	-11.0	-13.7
Effective Tax Rate (%)	-15.2	-17.3	-24.0	-24.0	-24.0
Net Profit	30.5	35.2	21.4	34.7	43.3
Growth					
Revenue (%)	51.8	-6.6	10.2	3.4	6.0
Operating Profit (%)	6.7	8.0	5.0	8.1	9.6
Net Profit (%)	6.1	7.5	4.1	6.5	7.6

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2022A	2023E	2024F	2025F	2026F
Property, Plant & Equipment	122.4	125.6	128.1	130.6	133.3
Cash and Cash Equivalents	63.3	68.3	71.4	80.6	92.0
Trade and Other Receivables	43.8	48.4	46.6	48.2	51.1
Other Assets	75.3	101.1	105.9	106.4	106.9
Total Assets	304.7	343.4	351.9	365.8	383.1
Trade and Other Payables	47.2	65.1	46.6	37.5	39.7
Borrowings	--	--	--	--	--
Other Liabilities	12.3	14.7	37.2	48.0	42.3
Total Liabilities	59.5	79.8	83.8	85.5	82.0
Shareholders' Equity & Minority	245.3	263.6	268.2	280.3	301.1
Total Equity and Liabilities	304.7	343.4	351.9	365.8	383.1

Source: Company Prospectus, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2022A	2023E	2024F	2025F	2026F
Book Value Per Share	0.87	0.94	0.95	1.00	1.07
NTA Per Share	0.87	0.94	0.95	1.00	1.07
EPS (Sen)	10.84	12.52	7.62	12.33	15.38
DPS (Sen)	5.50	6.00	6.00	6.00	6.00
Payout Ratio (%)	50.7	47.9	78.8	48.7	39.0
ROA (%)	10.0	10.3	6.1	9.5	11.3
ROE (%)	12.4	13.4	8.0	12.1	13.9

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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Published and printed by:

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