

# BP Plastics Holding

## Operating Costs Weigh

By Chris Tong | [christong@kenanga.com.my](mailto:christong@kenanga.com.my)

**BPPLAS's FY24 net profit disappointed.** Revenue grew 4% on overall improved sales volume, but net profit declined sharply by 22%, no thanks to elevated operating and utilities costs and the group's unfavourable forex positions. We cut our FY25F earnings by 14% on rising labour and utilities costs along with a more cautious outlook for domestic demand in the near term. We also lowered the TP to RM1.21 from RM1.42 (-15%) and downgrade it to **MARKET PERFORM** from **OUTPERFORM**.

**Below expectations.** BPPLAS's FY24 net profit fell short by 24% of our full-year forecast and 6% of consensus estimate. A DPS of 1.5 sen was declared in 4QFY24, bringing full year YTD total to 6 sen (below our full year dividend forecast of 6.5 sen).

**YoY.** BPPLAS's FY24 revenue grew by 4% on overall improved sales volume. However, net profit fell by 22%, mainly due to elevated operating and utilities costs and less favourable forex positions during the year.

**4QFY24** turnover declined 6% QoQ due to lower average selling price. Net profit saw an even greater decrease of 34% attributable largely to competition and higher operating costs as well.

**Outlook.** Given that BPPLAS' Asian exports and Malaysia domestic market made up more than 80% of its total revenue, the group should continue to see modest growth from the region's economic growth. On that note, BPPLAS could still see better orders with the launch of: (i) a new stretch hood product which has undergone testing in 1HCY24, and (ii) a new blown film packaging film product for the F&B sector which has come online in 4QCY24. However, we note that the growth from higher-margin products and premium-grade stretch films may likely be weighed down by the impact of rising minimum wages and utilities costs.

**Forecasts.** Reduce FY25 earnings forecast by 14% and we introduced new FY26F core net profit with YoY growth of 6%.

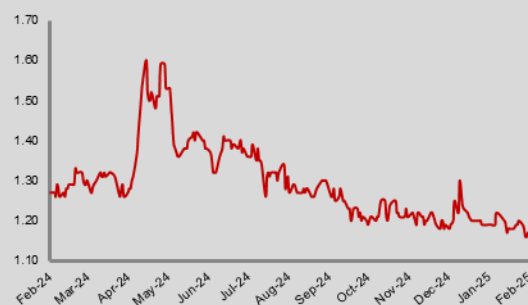
**Valuations.** We cut our TP to RM 1.21 from RM1.42 based on 10x FY25F PER, at a discount to the sector's average historical forward PER of 13x, largely to reflect BPPLAS' relatively smaller market capitalisation and thin share liquidity. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

**Investment case.** We like BPPLAS for its: (i) strong foothold in the SE 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. A potential re-rating catalyst could be the favourable market reception of its new high-margin products such as stretch hood and new blown film packaging film product, both coming in from 2HFY24. However, we take caution on domestic demand growth and we view that the group's market expansion could be largely weighed down by rising minimum wages and higher utilities costs. As a result, we downgrade our call to **MARKET PERFORM** from **OUTPERFORM**.

## MARKET PERFORM ↓

**Price:** RM1.17  
**Target Price:** RM1.21 ↓

### Share Price Performance



KLCI 1,568.03  
YTD KLCI chg -4.5%  
YTD stock price chg -10.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK EQUITY
Market Cap (RM m)	329.3
Shares Outstanding	281.5
52-week range (H)	1.63
52-week range (L)	1.16
3-mth avg. daily vol.	43,149
Free Float	23%
Beta	0.8

### Major Shareholders

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

### Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	487.7	536.7	545.1
EBITDA	41.5	58.0	62.1
PBT	26.0	42.6	44.9
<b>Net Profit (NP)</b>	<b>21.6</b>	<b>34.1</b>	<b>36.0</b>
<b>Core NP</b>	<b>26.0</b>	<b>34.1</b>	<b>36.0</b>
Consensus	-	37.2	-
Earnings Revision	-	-14%	NEW
Core EPS (sen)	9.2	12.1	12.8
Core EPS Growth (%)	-22.4	31.0	5.6
NDPS (sen)	6.0	7.0	7.0
Core PER (x)	12.7	9.7	9.2
BVPS (RM)	1.0	1.0	1.1
PBV (x)	1.2	1.2	1.1
Net Div. Yield (%)	5.1	6.0	6.0

26 February 2025

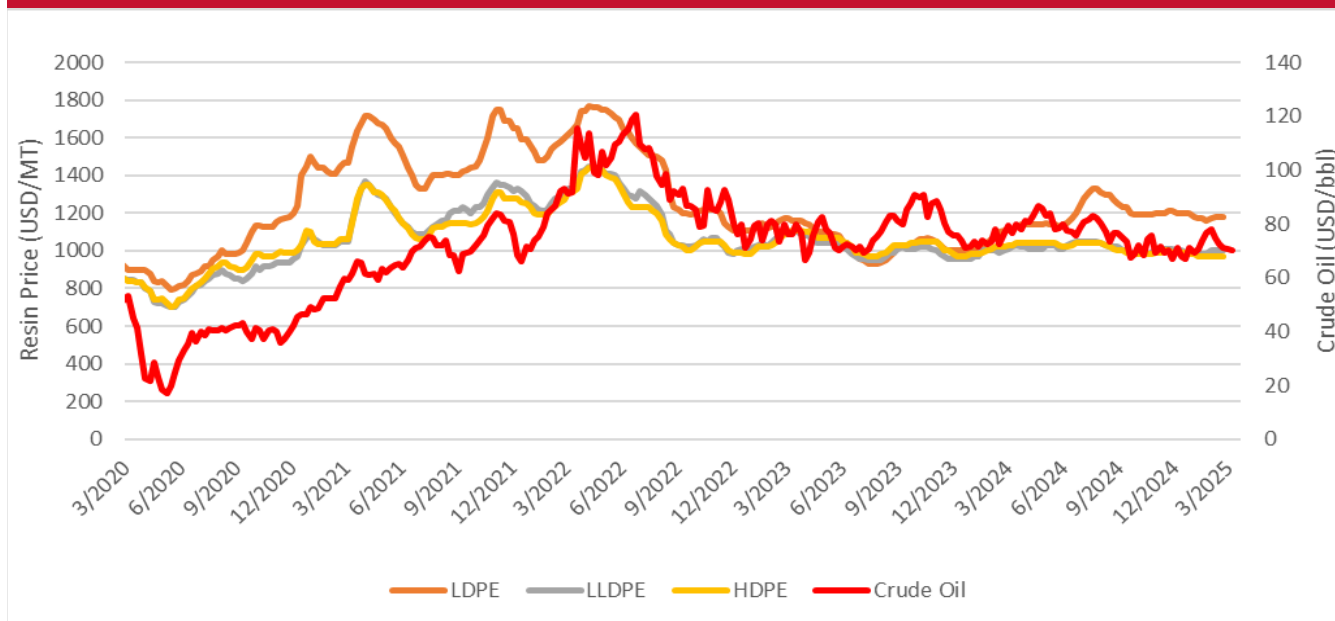
**Risks to our call include:** (i) reduced demand for packaging materials due to an extended global economic downturn, (ii) rise in freight costs, and (iii) adverse fluctuations in the foreign exchange market.

### Results Highlights

FYE Dec (RM m)	4Q24	3Q24	QoQ Chg	4Q23	YoY Chg	FY24	FY23	YoY Chg
Revenue	117.6	125.0	-6%	124.9	-6%	487.7	469.6	4%
Operating Profit	3.8	4.9	-23%	10.1	-63%	26.1	36.0	-28%
Exceptional Items	0.6	-5.3	-112%	0.0	3428%	-4.4	1.7	-355%
PBT	5.7	0.5	935%	11.2	-49%	26.0	42.6	-39%
Taxation	1.0	0.2	466%	-1.4	-174%	-2.4	-7.4	-68%
<b>Net Profit</b>	<b>4.7</b>	<b>0.7</b>	<b>540%</b>	<b>9.8</b>	<b>-53%</b>	<b>21.6</b>	<b>35.2</b>	<b>-39%</b>
<b>Core Net Profit</b>	<b>4.0</b>	<b>6.1</b>	<b>-34%</b>	<b>9.8</b>	<b>-59%</b>	<b>26.0</b>	<b>33.5</b>	<b>-22%</b>
Core EPS (sen)	1.4	2.2	-34%	3.5	-59%	9.2	11.9	-22%
DPS (sen)	1.5	1.5	0%	1.5	0%	6.0	6.0	0%
Effective Tax Rate (%)	-17.9	-32.8		12.3		9.1	17.3	
PBT Margin (%)	4.8	0.4		9.0		5.3	9.1	
CNP Margin (%)	3.4	4.9		7.9		5.3	7.1	

Source: Company, Kenanga Research

### Resin and Crude Oil Prices



Source: Bloomberg, Kenanga Research

26 February 2025

### 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.				
Stocks Under Coverage																	
ANCOM NYLEX BHD	OP	0.975	1.20	23.1%	1,066.3	Y	05/2025	5.8	9.1	-15.2%	58.5%	16.8	10.7	1.7	10.5%	2.0	2.1%
BM GREENTECH BHD	UP	1.75	1.36	-22.3%	1,203.6	Y	03/2025	8.0	9.0	22.3%	13.1%	21.9	19.4	3.4	15.8%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	OP	1.17	1.42	21.4%	329.3	Y	12/2024	12.1	12.8	31.2%	5.6%	9.7	8.3	1.2	12.4%	7.0	6.0%
HPP HOLDINGS BHD	UP	0.400	0.270	-32.5%	155.4	Y	05/2025	0.9	2.0	-14.6%	125.7%	44.4	19.7	1.2	2.8%	1.5	3.8%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.645	0.450	-30.2%	346.6	Y	12/2024	2.0	4.4	158.5%	125.5%	32.7	14.5	0.3	1.0%	2.0	3.1%
SCIENTEX BHD	MP	3.69	4.15	12.5%	5,742.6	Y	07/2025	37.5	40.5	8.1%	7.9%	9.8	9.1	1.3	13.9%	13.0	3.5%
SLP RESOURCES BHD	OP	0.860	1.00	16.3%	272.6	Y	12/2024	5.0	5.3	12.1%	7.0%	17.9	15.9	1.4	8.3%	4.8	5.6%
TECHBOND GROUP BHD	OP	0.355	0.540	52.1%	264.3	Y	06/2025	3.7	4.8	17.2%	28.8%	9.6	7.4	1.0	10.8%	1.3	3.5%
THONG GUAN INDUSTRIES BHD	OP	1.42	2.58	81.7%	570.3	Y	12/2024	20.8	23.4	2.5%	12.7%	6.8	6.1	0.6	8.6%	5.5	3.9%
SECTOR AGGREGATE					9,951.1							11.6	10.0	1.2	10.4%		3.6%

Source: Kenanga Research

*This section is intentionally left blank*

26 February 2025

**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

**S****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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)