

BP Plastics Holding

Tariffs Anxiety Curbs Demand

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BPPLAS' 1QFY25 revenue and net profit fell by 8% and 35% (YoY), respectively, mainly due to lower demand and ASP arising from tariffs uncertainties, increased regional competition and impact from higher minimum wages. Moving forward, while its new lines comprising higher-margin and premium-grade stretch film products could support revenue growth, we expect competitive pressures to persist in the near term. Its operating margins will also face ongoing pressure from rising minimum wages and escalating utility costs. We maintain our FY25F earnings, TP at RM0.87 and UNDERPERFORM call. As per our latest house view on the CY26F MYR/USD assumption at RM4.10, we have revised down our FY26F earnings by 7%.

Within expectations. BPPLAS's 1QFY25 net profit of RM4.8m made up 16% our full-year forecast and 15% of the full-year consensus estimate. The shortfall was mainly attributable to slower demand in the Asian region together with rising competitive pressures. A one sen dividend was declared in the quarter, which appears to be below our FY25 dividend forecast of 7 sen, but we look forward to better performance ahead in 2HFY25 when the group secures new orders for its newly launched higher-margin and premium-grade stretch films.

YoY, 1QFY25 revenue was weaker by 8% YoY mainly due to lower demand for blown and stretch films from its Asian market due to more cautious approach by business operators amidst tariffs uncertainties. Net profit fell 35% as margin tightened further on increasing competition and the impacts from minimum wage hikes which commenced in Feb CY25.

QoQ, while its turnover decline by 3%, core net profit was 20% higher thanks to better product mix which commanded a higher ASP.

Outlook. Given that BPPLAS derives more than 80% of its total revenue from Asian exports and the Malaysian domestic market, we anticipate continued competitive pressure in these regions, particularly from both local and Chinese manufacturers (according to channel checks with industry players) which is expected to persist in the near term. Overall sales may remain weak in the near-term as business operators are cautious on orders amid tariffs uncertainties. For the remaining 20% of its sales, which is distributed across various continents, we project performance to remain stable. On the cost front, we do not expect significant increase in resin prices, as oil prices are likely to remain range-bound following OPEC's decision to raise production levels. Meanwhile, BPPLAS' capacity utilisation rate remains at ~50% level.

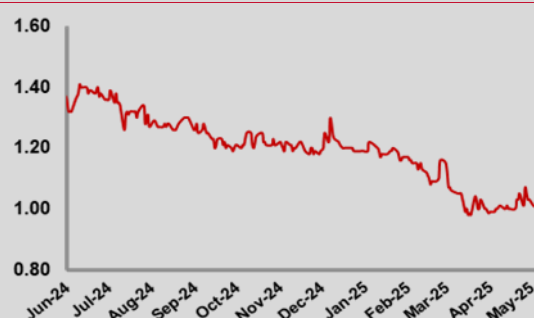
Nevertheless, BPPLAS may still stand to benefit from revenue growth with the ongoing commercialization of two new product lines, namely: (i) a stretch hood film product, which completed testing in 1HCY24, and (ii) a blown film packaging product targeting the F&B sector, launched in 4QCY24. While these higher-margin and premium-grade stretch film products could support revenue growth, we expect operating margins to face ongoing pressure from the rising minimum wages and escalating utility costs.

Forecasts. We maintain our FY25F earnings but revised our FY26F earnings lower by 7% following our latest house view on CY26F MYR/USD assumption of RM4.1/USD.

UNDERPERFORM ↔

Price: RM1.00
Target Price: RM0.87 ↔

Share Price Performance



KLCI	1,518.98
YTD KLCI chg	-7.5%
YTD stock price chg	-23.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK EQUITY
Market Cap (RM m)	281.5
Shares Outstanding	281.5
52-week range (H)	1.43
52-week range (L)	0.96
3-mth avg. daily vol.	47,716
Free Float	24%
Beta	1.0

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)	2024A	2025F	2026F
Turnover	487.7	498.5	519.7
EBITDA	41.5	53.8	59.2
PBT	26.0	38.4	42.1
Net Profit (NP)	21.6	30.8	33.6
Core NP	26.0	30.8	33.6
Consensus	-	32.8	39.7
Earnings Revision	-	-	-7%
Core EPS (sen)	9.2	10.9	12.0
Core EPS Growth (%)	-22.4	18.3	9.4
NDPS (sen)	6.0	7.0	7.0
Core PER (x)	12.7	10.7	9.8
BVPS (RM)	1.0	1.0	1.0
PBV (x)	1.2	1.2	1.1
Net Div. Yield (%)	5.1	6.0	6.0

30 May 2025

Valuations. We keep our TP of RM0.87 based on 8x FY25F PER, at a discount to the sector's average historical forward PER of 13x, largely to reflect BPPLAS' relatively smaller market capitalisation and increasing competition in the industry. 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 remain cautious on BPPLAS due to concerns over its export orders growth and rising competitive pressures from regional players that may potentially weigh down the group's performance particularly in the Asian region. Besides that, we view that the group's market expansion could be largely offset by rising minimum wages and higher utilities costs. As a result, we maintain our **UNDERPERFORM** call.

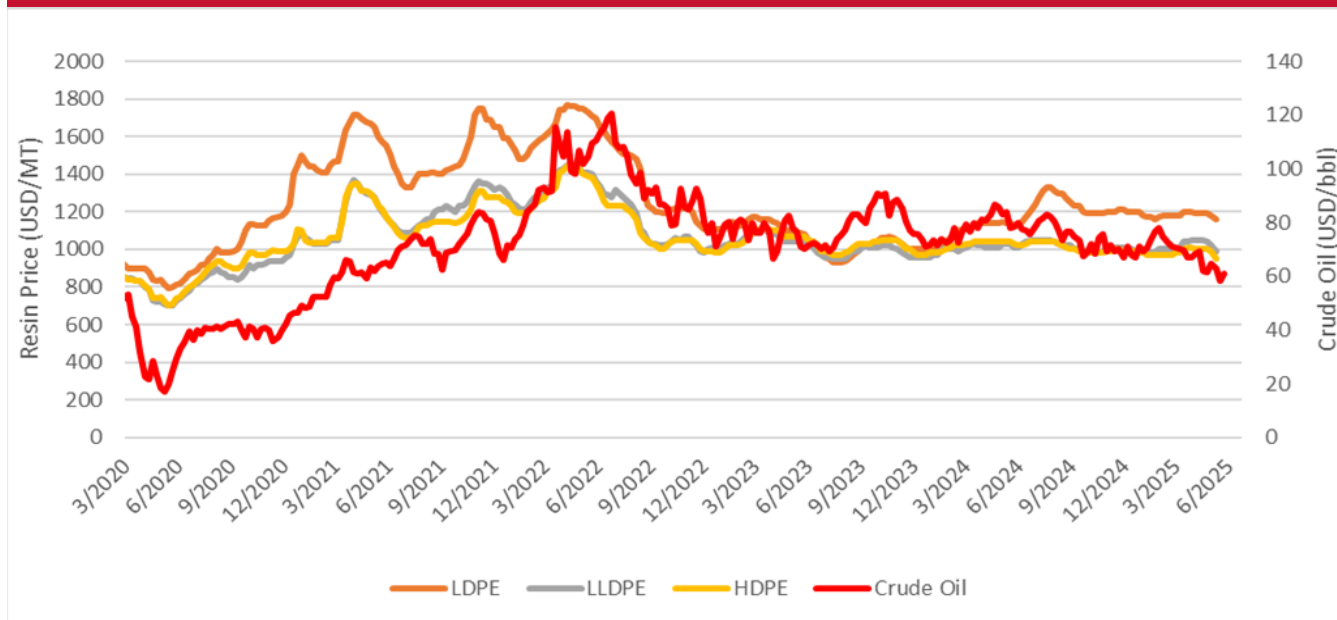
Risks to our call include: (i) better-than-expected demand for its blown and cast films, (ii) significant recovery in global business confidence

Results Highlights

FYE Dec (RM m)	1Q25	4Q24	QoQ Chg	1Q24	YoY Chg
Revenue	113.8	117.6	-3%	124.2	-8%
Operating Profit	6.1	3.8	60%	8.8	-31%
Exceptional Items	-0.3	0.6	-149%	0.2	-260%
PBT	6.4	5.7	13%	10.0	-36%
Taxation	1.9	1.0	88%	-2.3	-182%
Net Profit	4.5	4.7	-3%	7.6	-41%
Core Net Profit	4.8	4.0	20%	7.4	-35%
Core EPS (sen)	1.7	1.4	20%	2.6	-35%
DPS (sen)	1.0	1.5	-33%	1.5	-33%
Effective Tax Rate (%)	-29.8	-17.9		23.4	
PBT Margin (%)	5.6	4.8		8.0	
CNP Margin (%)	4.2	3.4		6.0	

Source: Company, Kenanga Research

Resin and Crude Oil Prices



Source: Bloomberg, Kenanga Research

30 May 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	0.960	1.20	25.0%	1,029.8	Y	05/2025	5.8	9.1	-15.2%	58.5%	16.7	10.5	1.7	10.5%	2.0	2.1%
BM GREENTECH BHD	UP	1.90	1.72	-9.5%	1,306.8	Y	03/2026	11.3	12.2	11.5%	7.5%	16.8	15.6	3.6	22.5%	1.8	0.9%
BP PLASTICS HOLDINGS BHD	MP	1.00	0.870	-13.0%	281.5	Y	12/2025	10.9	12.0	18.3%	9.4%	9.2	8.4	1.0	11.2%	7.0	7.0%
HPP HOLDINGS BHD	UP	0.385	0.270	-29.9%	149.6	Y	05/2025	0.9	2.0	-14.6%	125.7%	42.7	18.9	1.2	2.8%	1.5	3.9%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.670	0.480	-28.4%	360.0	Y	12/2025	4.4	4.8	143.9%	8.4%	15.1	13.9	0.3	2.2%	2.0	3.0%
SCIENTEX BHD	MP	3.51	3.60	2.6%	5,462.5	Y	07/2025	31.5	33.4	-9.2%	6.0%	11.1	10.5	1.3	11.7%	11.0	3.1%
SLP RESOURCES BHD	OP	0.840	1.00	19.0%	266.2	Y	12/2025	5.0	5.3	12.1%	7.0%	17.0	15.9	1.4	8.3%	4.8	5.7%
TECHBOND GROUP BHD	OP	0.310	0.540	74.2%	235.2	Y	06/2025	3.7	4.8	17.2%	28.8%	8.4	6.5	0.8	10.8%	1.3	4.0%
THONG GUAN INDUSTRIES BHD	OP	1.12	1.44	28.6%	449.8	Y	12/2025	17.4	18.4	3.9%	6.0%	6.5	6.1	0.4	7.1%	6.0	5.4%
SECTOR AGGREGATE					9,541.5							12.2	10.9	1.2	9.5%		3.9%

Source: Kenanga Research

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30 May 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.**

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