

28 August 2025

BP Plastics Holding

Stretch Films Under Stress, Turnaround Anticipated in FY26

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BPPLAS' 1HFY25 results disappointed the street with net profit declining by 62% (YoY), mainly due to weaker demand and lower ASP in its stretch film exports arising from heightened regional pricing pressures on overcapacity amid weakened demand for packaging products, unfavourable forex movements and impacts from minimum wage hike. Moving forward, while its new lines comprising higher-margin and premium-grade stretch film and blown film products could support revenue growth, we expect competitive pressures and weakened demand to persist in the near term. Meanwhile, potential further appreciation of MYR from RM4.20 to RM4.02 by CY26 will continue to pressure margins. All in, we cut our FY25-26F earnings by 56% and 22%, respectively to reflect higher-than-expected forex volatility and the weaker-than-expected demand in its stretch films markets. We have also revised our dividend forecast for FY25-26F from 4.5 sen and 5 sen to 2 sen and 3.5 sen, respectively. We rolled over our valuation base year to FY26, trim our TP from RM0.87 to RM0.74 but maintain our MARKET PERFORM call.

Below expectations. BPPLAS's 1HFY25 net profit of RM6m made up only 19% our full-year forecast and 20% of the full-year consensus estimate. The shortfall was mainly attributable to both reduced sales volumes and lower ASP especially in its export markets as domestic sales were holding up. No dividend was declared for the quarter.

YoY, 1HFY25 revenue declined by 13%, while net profit contracted more sharply by 62%. The weaker performance was primarily driven by subdued demand for stretch films (which made up >70% of the group's revenue) amid the ongoing global trade war and tariff headwinds, coupled with intensified pricing pressures as regional peers, burdened with excess inventory, resorted to aggressive dumping in global markets. Additionally, the average ~3% appreciation of the MYR in 2QFY25 has resulted in unfavourable forex translation. In addition, margins were further eroded by higher operating costs following the implementation of minimum wage hikes in February 2025.

QoQ, its turnover declined by 12% largely due to the aforementioned factors while its core net profit fell sharper by 76% (vs. -62% YoY). We believe this was partly due to some frontloading activities ahead of U.S tariffs commencement in 1QFY25 which has caused a significant slowdown of orders in the 2QFY25, further compounded by the abrupt appreciation of MYR from April to May 2025 which took place during 2QFY25 (refer to the appendix below). Meanwhile, resin prices were largely flattish.

Outlook. With over 65% of revenue derived from export markets and nearly three-quarters of sales concentrated in stretch films catering to exporters, BPPLAS is expected to face continued soft and cautious demand amid ongoing global trade disruptions and heightened competitive pressures from regional peers seeking to offload excess inventories. Consequently, both sales volumes and ASPs are likely to remain subdued, with a more meaningful recovery only anticipated from FY26 onwards, once the market gradually adapts to the tariff-disrupted business environment. On the cost front, resin prices are not anticipated to rise meaningfully and are likely to remain range-bound following OPEC's decision to raise oil production that may be partly offset by China's measures to curb overcapacity. Meanwhile, BPPLAS' capacity utilisation remains low at around 50% level.

MARKET PERFORM ↔

Price: **RM0.82**
Target Price: **RM0.74** ↓

Share Price Performance



KLCI 1,587.91
YTD KLCI chg -3.3%
YTD stock price chg -36.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK EQUITY
Market Cap (RM m)	230.8
Shares Outstanding	281.48
52-week range (H)	1.31
52-week range (L)	0.81
3-mth avg. daily vol.	59,430
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	298.7	414.9
EBITDA	41.5	32.3	49.8
PBT	26.0	16.9	32.6
Net Profit (NP)	21.6	13.5	26.1
Core NP	26.0	13.5	26.1
Consensus	-	29.4	34.4
Earnings Revision	-	-56%	-22%
Core EPS (sen)	9.2	4.8	9.3
Core EPS Growth (%)	-22.4	-48.1	93.3
NDPS (sen)	6.0	2.0	3.5
Core PER (x)	9.3	17.9	9.3
BVPS (RM)	1.0	1.0	1.0
PBV (x)	0.9	0.9	0.8
Net Div. Yield (%)	7.0	2.3	4.1



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Nevertheless, BPPLAS still stand to benefit from revenue growth with the ongoing commercialization of new product lines such as a blown film packaging product targeting the F&B sector, launched in 4QCY24. On that note, we remain hopeful on BPPLAS' progress in its bread packaging investment. Currently, the group is in the midst of securing three potential customers. One has successfully passed lab testing with another having passed production testing. The third is in the final stages of pricing negotiations. We look forward for further developments as meaningful contributions may go through a gestation period to crystallize. Based on what we gathered, the group is also installing solar panels that can offer cost savings for its electricity expenses of about RM3m per year starting from 4QFY25 which could help mitigate rising electricity costs.

Forecasts. We cut our FY25-26F earnings by 56% and 22% to reflect higher-than-expected forex volatility and the weaker-than-expected demand in its stretch films markets. We have also revised our dividend forecast for FY25-26F from 4.5 sen and 5 sen to 2 sen and 3.5 sen, respectively.

Valuations. We rolled over our valuation base year from FY25 to FY26. We trim our TP from RM0.87 to RM0.74. This is based on 8x FY26F 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).

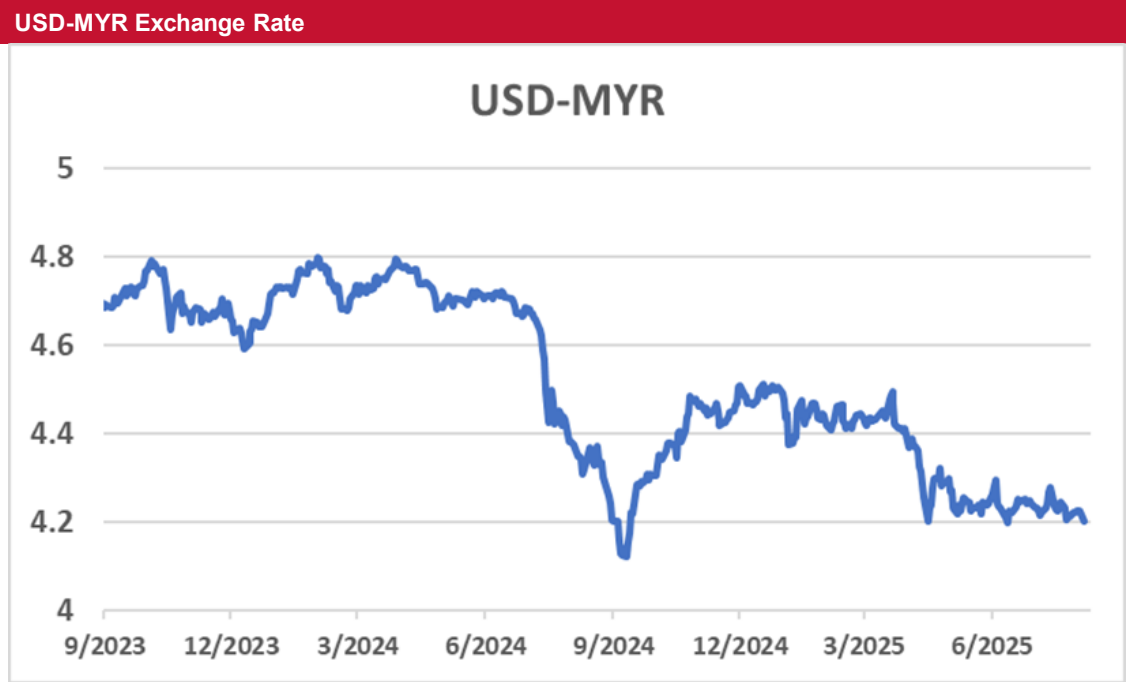
Investment case. We remain cautious on BPPLAS due to concerns over its export orders growth, potential further strengthening of MYR against the USD and rising competitive pressures from regional players that may potentially weigh down the group's performance amidst global trade and tariffs disruption. On the other hand, we look forward to more positive developments in the group's new product lines and its bread bags investments. As a result, we maintain our **MARKETPERFORM** call.

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

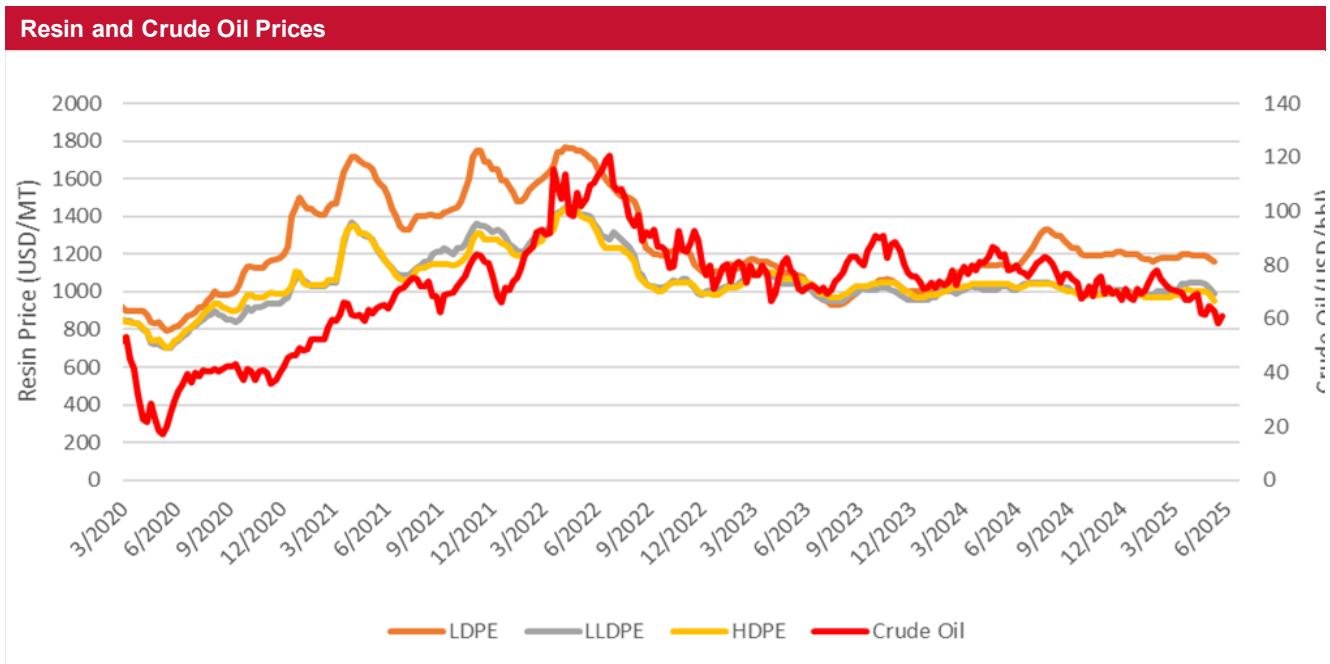
Results Highlights

FYE Dec (RM m)	2Q25	1Q25	QoQ Chg	2Q24	YoY Chg	1H25	1H24	YoY Chg
Revenue	100.6	113.8	-12%	120.9	-17%	214.3	245.1	-13%
Operating Profit	0.4	6.1	-93%	8.7	-95%	6.5	17.4	-63%
Exceptional Items	-0.3	-0.3	-17%	0.1	-333%	-0.6	0.3	-286%
PBT	1.0	6.4	-85%	9.8	-90%	7.4	19.8	-63%
Taxation	-0.1	1.9	-103%	-1.2	-95%	1.8	-3.6	-152%
Net Profit	0.9	4.5	-80%	8.6	-89%	5.4	16.2	-67%
Core Net Profit	1.2	4.8	-76%	8.5	-86%	6.0	15.9	-62%
Core EPS (sen)	0.4	1.7	-76%	3.0	-86%	2.1	5.7	-62%
DPS (sen)	0.0	1.0	-100%	1.5	-100%	1.0	3.0	-67%
Effective Tax Rate (%)	6.3	-29.8		12.6		-25.1	18.0	
PBT Margin (%)	1.0	5.6		8.1		3.4	8.1	
CNP Margin (%)	1.2	4.2		7.0		2.8	6.5	

Source: Company, Kenanga Research



Source: Bloomberg, Kenanga Research



Source: Bloomberg, Kenanga Research

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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	0.905	1.20	32.6%	985.4	Y	05/2025	8.8	9.6	49.8%	11.5%	10.3	9.4	1.3	13.9%	5.0	5.5%
BM GREENTECH BHD	UP	1.55	1.72	11.0%	1,066.1	Y	03/2026	11.3	12.2	11.5%	7.5%	13.7	12.7	3.0	22.5%	1.8	1.2%
BP PLASTICS HOLDINGS BHD	MP	0.82	0.74	-9.8%	230.8	Y	12/2025	4.8	9.3	-48.1%	93.3%	17.1	8.9	0.8	5.0%	2.0	2.4%
HPP HOLDINGS BHD	MP	0.285	0.30	5.3%	110.8	Y	05/2025	2.0	2.3	146.9%	12.7%	14.0	12.4	0.9	6.3%	1.5	5.3%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.60	0.48	-20.0%	322.4	Y	12/2025	4.4	4.8	143.9%	8.4%	13.5	12.4	0.3	2.2%	2.0	3.3%
SCIENTEX BHD	MP	3.15	3.60	14.3%	4,902.3	Y	07/2025	31.5	33.4	-9.2%	6.0%	10.0	9.4	1.1	11.7%	11.0	3.5%
SLP RESOURCES BHD	MP	0.86	0.89	3.1%	272.6	Y	12/2025	3.5	4.6	-20.5%	31.2%	24.5	18.6	1.5	6.0%	4.3	4.9%
TECHBOND GROUP BHD	OP	0.30	0.47	56.7%	227.6	Y	06/2025	4.1	4.5	37.5%	9.1%	7.3	6.7	0.8	12.0%	1.3	4.2%
THONG GUAN INDUSTRIES BHD	OP	1.12	1.44	28.6%	449.7	Y	12/2025	17.4	20.2	3.9%	16.2%	6.5	5.6	0.4	7.1%	6.0	5.4%
SECTOR AGGREGATE					8,567.7					9.0%	9.8%	10.8	9.8	1.0	9.6%		4.0%

Source: Kenanga Research

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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.

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