BP Plastics Holding

Bumper Quarter but Not Over

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OUTPERFORM ↔

Price: RM0.76

Target Price: RM0.87 ↔

BPPLAS' 1HFY26 core earnings of RM19.8m beat our expectation at 77% of our full-year forecast. YoY, topline grew 6%, while core net profit jumped 232% even after RM6.2m inventory write-down. This was primarily led by higher sales volume and selling prices due to supply disruption caused by the Middle East conflict. Margin thus expanded as resin inventory bought at lower prices were drawn down for production in 2QFY26. Looking ahead, we expect sales momentum and profitability for 3QFY26 to remain healthy. Subsequently, we raise FY26F earnings by 17% and FY26F dividend from 4.3 sen to 5.0 sen but kept TP at RM0.87 which is based on FY27F earnings which we maintained. Reiterate our OUTPERFORM call backed by prospective dividend yields of 6% or higher. BPPLAS is one of our sector picks for the quarter.

Above expectations. BPPLAS's 1HFY26 core net profit of RM19.8m (excluding unrealized forex gain) came in at 77% our full-year forecast. The group also declared a dividend of 3 sen in the first half which exceeded our expectation hence we are raising full year FY26 dividends from 4.3 sen to 5.0 sen.

1HFY26. YoY, topline grew 6%, while its core net profit jumped 232% even after impairing a RM6.2m inventory write down. This was primarily led by higher sales volume and better selling prices leading to higher margins as 2QFY26 production cost was still based on older, lower resin prices.

2QFY26. QoQ, turnover and bottom-line were 37% and 223% stronger respectively due to the abovementioned reasons. Meanwhile, utilisation rate climbed close to 60% as of 2QFY26 from 56% in the preceding quarter. USD/MYR exchange rate remained steady at RM4.00 in 2QFY26 (versus RM3.97 in the prior quarter)

Outlook. Kenanga expects Brent oil prices per barrel to average at USD80 in CY26 and USD74 for CY27, viewing that oil prices are unlikely to fall to pre-conflict levels even after the Middle East conflicts de-escalate. We note that BPPLAS' sources of supply remain healthy, thanks to a well-diversified suppliers across multiple regions. Hence, we expect the group to continue registering healthy profits in 2HFY26 from: (i) higher selling prices which translate to higher actual profit even if the cost-plus percentage holds steady, and (ii) sales momentum and profitability prospect for 3QFY26 are expected to thus stay healthy despite some normalization since Jun 2026 from a high base in 2QFY26. Based on Kenanga forecast, the MYR is to remain steady between RM3.88 to RM3.95 for CY26, which suggests that BPPLAS will likely not suffer unfavourable forex translation in FY26 as it did in FY25. In our view, the group's recent success in securing several reputable bread brands in Malaysia also corroborated with the tractions it gained in its blown film segment especially in the domestic market which we believe will likely support decent margins moving forward. Post installation of solar panels in FY25, the group is also set to see full-year benefits of electricity cost savings by about RM3m per year from FY26 onwards.

Forecasts. We are raising earnings forecast for FY26 by 17% but maintain FY27 profit as margin normalises but still above FY25 levels on higher selling price as well as richer sales mix. Separately, we tune up our FY26 dividend forecast from 4.3 sen to 5 sen accordingly.

Share Price Performance

KLCI	1,748.54
YTD KLCI chg	4.1%
YTD stock price chg	21.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BPP MK EQUITY
Market Cap (RM m)	213.9
Shares Outstanding	281.4
52-week range (H)	0.88
52-week range (L)	0.59
3-mth avg. daily vol.	47,183
Free Float	23%
Beta	0.8

Major Shareholders

Lg Capital Sdn Bhd	43.2%
Lim Chun Yow	9.6%
Tan See Khim	9.6%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	413.7	535.4	520.0
EBITDA	32.2	49.8	44.7
PBT	15.8	36.3	29.5
Net Profit (NP)	**11.5**	**30.1**	**24.5**
Core NP	**12.8**	**30.1**	**24.5**
Consensus	-	-	-
Earnings Revision	-	17%	-
Core EPS (sen)	4.6	10.7	8.7
Core EPS Growth (%)	-50.7	134.9	-18.6
NDPS (sen)	2.5	5.0	4.5
Core PER (x)	16.7	7.1	8.7
BVPS (RM)	1.0	1.0	1.1
PBV (x)	0.8	0.7	0.7
Net Div. Yield (%)	3.3	6.6	5.9

Valuations. Maintain TP at RM0.87. This is based on 10x PER on FY27F net EPS, in-line to its average historical forward PER. 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 due to: (i) earnings rebound expected in FY26 from a low base in FY25, (ii) positive developments in the group's bread bags investments and its new product lines, (iii) greater ability to pass through higher resin cost to customers stemming from its predominant stretch-film centric business model. We reiterate our **OUTPERFORM** call.

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

Results Highlights

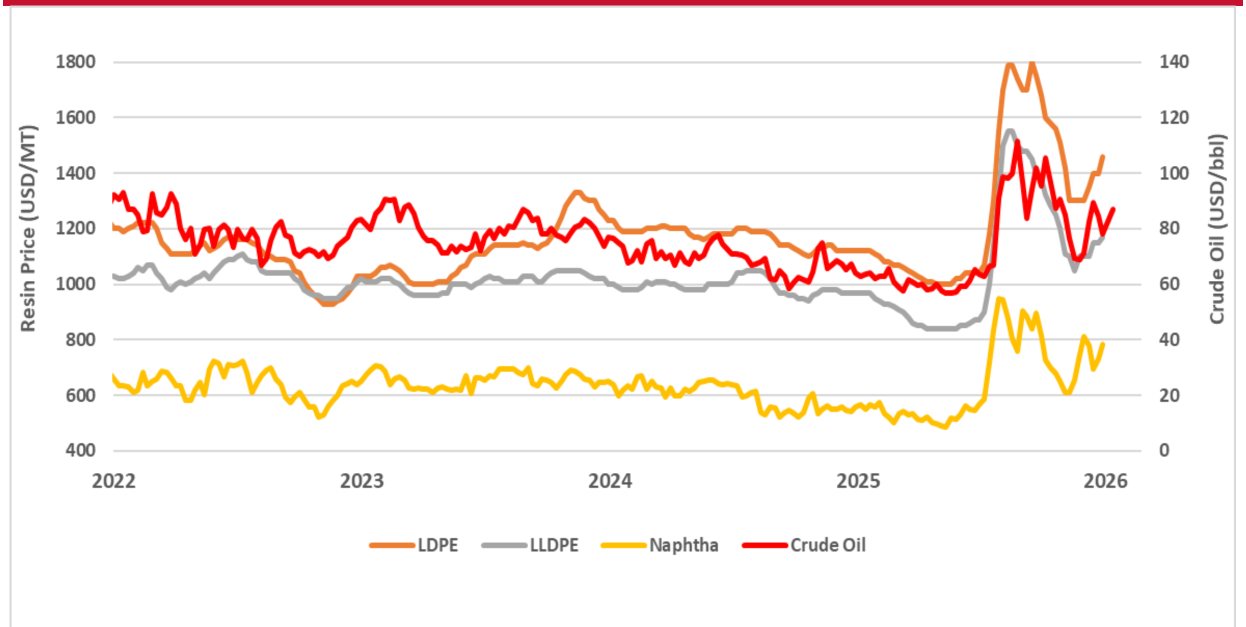
FYE Dec (RM m)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	1H26	1H25	YoY Chg
Revenue	131.4	95.8	37%	100.6	31%	227.1	214.3	6%
Operating Profit	18.2	5.6	225%	0.4	4287%	23.9	6.5	268%
Exceptional Items	1.0	0.7	47%	-0.3	-478%	1.6	-0.6	-388%
PBT	21.4	7.0	205%	1.0	2100%	28.4	7.4	285%
Taxation	-5.3	-1.7	218%	-0.1	8580%	-7.0	1.8	-477%
Net Profit	**16.1**	**5.4**	**201%**	**0.9**	**1667%**	**21.5**	**5.4**	**297%**
Core Net Profit	**15.1**	**4.7**	**223%**	**1.2**	**1192%**	**19.8**	**6.0**	**232%**
Core EPS (sen)	5.4	1.7	223%	0.4	1192%	7.0	2.1	232%
DPS (sen)	3.0	0.0	N.A	0.0	N.A	3.0	1.0	200%
Effective Tax Rate (%)	24.7	23.7		6.3		24.5	-25.1	
PBT Margin (%)	16.3	7.3		1.0		12.5	3.4	
CNP Margin (%)	11.5	4.9		1.2		8.7	2.8	

Source: Company, Kenanga Research

Appendix 1: USD-MYR Exchange Rate

Source: Bloomberg, Kenanga Research

Appendix 2: Resin and Crude Oil Prices



Source: Bloomberg, Kenanga Research

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	0.875	1.50	71.4%	909.4	Y	05/2027	8.9	10.3	9.4%	15.8%	9.8	8.5	1.1	12.2%	2.5	2.9%
BM GREENTECH BHD	UP	1.66	1.72	3.6%	1,141.7	Y	03/2027	11.3	12.2	11.5%	7.5%	14.7	13.6	3.2	22.5%	1.8	1.1%
BP PLASTICS HOLDINGS BHD	OP	0.760	0.870	14.5%	213.9	Y	12/2026	10.7	8.7	134.9%	-18.6%	7.1	8.7	0.7	10.7%	5.0	6.6%
HPP HOLDINGS BHD	MP	0.295	0.300	1.7%	114.7	Y	05/2027	2.0	2.3	146.9%	12.7%	14.5	12.9	0.9	6.3%	2.0	6.8%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.560	0.480	-14.3%	300.9	Y	12/2026	4.4	4.8	143.9%	8.4%	12.6	11.6	0.3	2.2%	2.0	3.6%
SCIENTEX BHD	OP	3.70	3.91	5.7%	5,758.2	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.4	9.4	1.2	13.4%	13.0	3.5%
SOUTHERN CABLE GROUP BHD	OP	2.58	2.68	3.9%	3,288.4	Y	12/2026	12.4	15.0	15.3%	21.7%	20.9	17.2	4.2	20.9%	3.5	1.4%
SLP RESOURCES BHD	OP	0.865	0.900	4.0%	274.2	Y	12/2026	6.0	6.5	11.7%	8.4%	14.4	13.2	1.2	9.1%	1.3	1.4%
TECHBOND GROUP BHD	OP	0.285	0.350	22.8%	216.2	N	06/2027	3.0	3.0	23.5%	0.0%	9.4	9.4	0.7	7.4%	1.3	4.6%
THONG GUAN INDUSTRIES BHD	OP	1.61	1.73	7.5%	626.2	Y	12/2026	26.1	22.9	45.9%	-12.3%	6.2	7.0	0.6	10.8%	6.0	3.7%
SECTOR AGGREGATE					**12,843.9**					**21.4%**	**3.3%**	**11.3**	**10.9**	**1.3**	**11.7%**		**3.6%**

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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