

## BP Plastics Holding Berhad

### Rising costs may weigh on the group's margin

#### Summary

- BP Plastics Holdings Bhd's (BPPLAS) prospects remain fairly challenging, as demand for flexible plastic packaging products which supports different sectors such as electrical and electronics, food and beverages, furniture, as well as other industrial and consumer packaging remained lackluster amid global economic slowdown despite the reopening of China's borders and Covid-19 pandemic.
- We anticipate that the margin for BPPLAS to remain around 4-6% given the gradual depletion of high-cost resin inventory coupled with a gradual decline in resin prices. However, the volatility in crude oil prices recently could pose a challenge to the group's pricing mechanism, translating to margin compression.
- Also, the Imposition Cost Pass Through (ICPT) electricity rate hike from 3.7sen/kWh to 20sen/kWh for medium and high voltage users in Malaysia, coupled with the implementation of new Employment Act that increased the national minimum wage to RM1,500, as well as other rising operating costs in an inflationary environment are likely to impact the group's operating costs. With the anticipated softer demand going forward, industry players may see difficulties in passing through higher costs amidst heightened competition.
- BPPLAS remained committed to invest in cutting-edge technology. With the successful commissioning of the 10<sup>th</sup> Cast Stretch Film machine in end-FY22, capacity has increased to 11.5kMT per month (138kMT p.a.). The group expects to commission two units of Blown Co-extrusion machines by end-FY23, which is expected to boost its production capacity to 12.2kMT per month (146.4kMT). Nevertheless, we anticipate that the utilisation rate will remain in the range of 50.0-55.0% due to softened demand which has temporarily affected the industry.
- After consideration, we have come to a conclusion to cease coverage on BP Plastics Holding Bhd due the lack of both retail and institutional interest in the stock as well as reallocation of our internal resources. We reckon that the trading activities could remain subdued in the foreseeable future, as the absence of fresh catalysts may limit the upside potential of the share prices.
- Our last recommendation on BPPLAS was **HOLD** with a fair value at RM1.32. The fair value is derived from ascribing a target PER of 14.0x to its FY23f EPS of 9.4 sen.

#### Ceasing Coverage Note

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#### HOLD

Share price	RM1.22
Target price	-
Previous TP	RM1.32
Capital upside	-
Dividend return	-
Total return	-

#### Company profile

Principally involved in producing primary, secondary and tertiary packaging solutions for various market segment.

#### Stock information

Bursa Code	5100
Bloomberg ticker	BPP MK
Listing market	MAIN
Share issued (m)	281.5
Market Cap (m)	332.1
52W High/Low	1.53/1.15
Est. Free float	23.4
Beta	0.9
3-mth avg vol ('000)	45.9
Shariah compliant	Yes

#### Major shareholders

	%
LG Capital Sdn Bhd	43.2
Tan See Khim	9.5
Lim Chun Yow	9.3

#### Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	-3.3	-8.5	-21.3
Absolute	-3.3	-8.5	-21.3
Relative	-2.4	-4.3	-14.6

#### Earnings summary

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	30.2	26.4	28.5
EPS (sen)	10.7	9.4	10.1
P/E (x)	11.0	12.6	11.7

#### Relative performance chart



## Key Financial Data

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
<b>Revenue</b>	<b>316.6</b>	<b>447.1</b>	<b>502.6</b>	<b>479.9</b>	<b>490.5</b>	Cash	78.0	42.9	63.3	46.8	76.1
EBITDA	48.9	66.0	46.4	45.4	49.1	Receivables	40.8	70.9	47.6	56.6	57.8
EBIT	37.5	55.5	34.8	31.9	34.6	Inventories	84.1	89.2	69.3	74.8	76.0
Net finance income/ (cost)	1.4	1.2	0.9	1.2	1.1	PPE	72.4	89.2	120.1	149.1	139.0
Associates & JV	-	-	-	-	-	Others	12.4	24.1	6.3	6.1	5.9
<b>Profit before tax</b>	<b>38.9</b>	<b>56.8</b>	<b>35.7</b>	<b>33.0</b>	<b>35.6</b>	<b>Assets</b>	<b>287.7</b>	<b>316.4</b>	<b>306.6</b>	<b>333.4</b>	<b>354.8</b>
Tax	(9.3)	(10.3)	(5.5)	(6.6)	(7.1)	Debits	-	-	-	-	-
<b>Net profit</b>	<b>29.6</b>	<b>46.5</b>	<b>30.2</b>	<b>26.4</b>	<b>28.5</b>	Payables	68.6	71.0	48.7	56.5	57.4
Minority interest	-	-	-	-	-	Others	13.3	13.7	12.6	12.6	12.6
<b>Core earnings</b>	<b>29.6</b>	<b>46.5</b>	<b>30.2</b>	<b>26.4</b>	<b>28.5</b>	<b>Liabilities</b>	<b>81.9</b>	<b>84.8</b>	<b>61.3</b>	<b>69.1</b>	<b>70.0</b>
Exceptional items	(0.1)	0.0	(0.3)	-	-	Shareholder's equity	98.8	98.8	98.8	98.8	98.8
Reported earnings	29.7	46.5	30.5	26.4	28.5	Minority interest	-	-	-	-	-
						<b>Equity</b>	<b>205.8</b>	<b>231.6</b>	<b>245.3</b>	<b>264.3</b>	<b>284.9</b>
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	38.9	56.8	35.7	33.0	35.6	Core EPS (sen)	10.5	16.5	10.7	9.4	10.1
Depreciation & amortisation	11.4	10.4	11.6	13.5	14.5	P/E (x)	11.2	7.1	11.0	12.6	11.7
Changes in working capital	12.1	(32.8)	20.9	(6.7)	(1.5)	DPS (sen)	5.3	8.0	3.0	2.6	2.8
Share of JV profits	-	-	-	-	-	Dividend yield	4.5%	6.8%	2.5%	2.2%	2.4%
Taxation	(9.3)	(10.3)	(5.5)	(6.6)	(7.1)	BVPS (RM)	0.73	0.82	0.87	0.94	1.01
Others	5.6	(0.3)	(2.9)	0.0	(1.3)	P/B (x)	1.6	1.4	1.4	1.3	1.2
<b>Operating cash flow</b>	<b>58.8</b>	<b>23.8</b>	<b>59.9</b>	<b>33.3</b>	<b>40.2</b>	EBITDA margin	15.4%	14.8%	9.2%	9.5%	10.0%
Net capex	(2.5)	(26.6)	(41.1)	(42.3)	(3.0)	EBIT margin	11.8%	12.4%	6.9%	6.6%	7.0%
Others	(21.5)	18.0	1.2	-	-	PBT margin	12.3%	12.7%	7.1%	6.9%	7.3%
<b>Investing cash flow</b>	<b>(23.9)</b>	<b>(8.6)</b>	<b>(39.8)</b>	<b>(42.3)</b>	<b>(3.0)</b>	PAT margin	9.4%	10.4%	6.1%	5.5%	5.8%
Changes in borrowings	-	-	-	-	-	Core PAT margin	9.4%	10.4%	6.0%	5.5%	5.8%
Issuance of shares	-	-	-	-	-	ROE	30.0%	47.0%	30.6%	26.8%	28.9%
Dividends paid	(15.0)	(20.6)	(8.4)	(7.4)	(8.0)	ROA	11.3%	15.4%	9.7%	8.3%	8.3%
Others	-	5.6	(5.6)	-	-	Net gearing	CASH	CASH	CASH	CASH	CASH
<b>Financing cash flow</b>	<b>(15.0)</b>	<b>(15.0)</b>	<b>(14.1)</b>	<b>(7.4)</b>	<b>(8.0)</b>						
<b>Net cash flow</b>	<b>19.8</b>	<b>0.2</b>	<b>6.0</b>	<b>(16.4)</b>	<b>29.3</b>						
Forex	-	-	-	-	-						
Others	13.3	(35.3)	14.4	-	-						
Beginning cash	45.0	78.0	42.9	63.3	46.8						
Ending cash	78.0	42.9	63.3	46.8	76.1						

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