

BP Plastics Holding Berhad

Hit by weakened demand, lower ASP, and higher costs

Summary

- BP Plastics Holding Bhd's (BPPLAS) 4Q22 core net profit fell 54.2% YoY to RM5.5m, bringing the FY22 core net profit to RM30.5m (-34.3% vs. 12M21). The results came in within expectations, amounting to 100.0% of our full year forecast at RM30.5m. Meanwhile, an interim dividend of 1.5 sen per share, payable on 7th April 2023 was declared.
- YoY, core net profit dropped 54.2% in line with the lower revenue due to weaker demand arising from global uncertainties. Meanwhile, higher production and overhead costs such as electricity, packaging accessories, and salary arising from inflation has led to a margin compression from 9.5% to 4.9%.
- QoQ, core net profit improved 1.9%, mainly due to lower effective tax rate arising from overprovision. Revenue, however, declined 8.5% QoQ to RM110.4m primarily resulted from lower average selling price (ASP) on the back of declining resin prices.
- While market cycle has been establishing a long trough floor, resin price continued to see consolidation in 4Q22. Market was hit by massive oversupply due to uninspiring demand environment. Nevertheless, we expect spot resin activity to gradually pick up in FY23, but demand may remain slow at least for 1H23.
- Production wise, capacity increased from 10kMT per month (120kMT p.a.) to 11.5kMT per month (138kMT p.a.) following the commissioning of the 10th Cast Stretch Film machine in end-FY22 as per scheduled. Utilisation rate, however, was lower YoY, hovering around 50.0-55.0% due to softened demand. Nevertheless, BPPLAS stuck to its plan to commission two Blown PE films machine by end-FY23, which is expected to boost its production capacity to 12.2kMT per month (146.4kMT p.a.). The investment will be backed by BPPLAS's net cash position stood at RM60.9m as at 4Q22; net cash per share booked at 21.6 sen.
- Moving forward, operating environment will remain challenging amid global inflation as well as the ongoing conflict in Russia and Ukraine. Nevertheless, China's reopening of border earlier is likely to cushion the softening global demand. The group will focus on supply chain, cost management, and new market expansion.

Results Note – 4QFY22

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HOLD

Share price	RM1.29
Target price	RM1.32
Previous TP	RM1.32
Capital upside	2.3%
Dividend return	2.0%
Total return	4.3%

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)	363.1
52W High/Low	1.70/1.16
Est. Free float	23.4
Beta	0.9
3-mth avg vol ('000)	58.5
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 (%)

Hist. return	1M	3M	12M
Absolute	-0.8	2.4	-20.9
Relative	1.3	4.7	-12.6

Earnings summary

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	30.5	26.4	28.5
EPS (sen)	10.8	9.4	10.1
P/E (x)	11.9	13.8	12.8

Relative performance chart



Quarterly performance	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	12MFY21	12MFY22	YoY (%)
FYE Dec (RM m)								
Revenue	124.9	120.7	110.4	(8.5)	(11.6)	447.2	502.6	12.4
EBITDA	16.5	8.7	8.2	(5.8)	(50.2)	66.0	46.5	(29.5)
PBT	14.0	6.0	5.5	(7.9)	(60.5)	56.8	36.0	(36.6)
PAT	11.9	5.4	5.5	1.9	(54.2)	46.5	30.5	(34.3)
Core PATMI	11.9	5.4	5.5	1.9	(54.2)	46.5	30.5	(34.3)
Reported PATMI	11.9	5.4	5.5	1.8	(54.2)	46.5	30.5	(34.3)
Core EPS (sen)	4.2	1.9	1.9	1.9	(54.2)	16.5	10.8	(34.3)
EBITDA margin (%)	13.2	7.2	7.4			14.8	9.3	
PBT margin (%)	11.2	5.0	5.0			12.7	7.2	
Core PATMI margin (%)	9.5	4.4	4.9			10.4	6.1	

Valuation & Recommendation

- As the core net profit came in in line with our expectations, we made no change to our FY23f earnings forecast at RM26.4m. Meanwhile, FY24f earnings forecast is introduced at RM28.5m. The core net profit forecast will take into account the (i) softer global demand for plastic packaging products, (ii) declined margin resulted from lower ASP and rising production cost, as well as (iii) the commissioning of two Blown PE films machine in FY23.
- We maintained our **HOLD** recommendation on BPPLAS, with an unchanged target price of RM1.32. The target price is derived by ascribing a target PER of 14.0x to its FY23f EPS of 9.4 sen.
- Risks to our recommendation include a potential increase in production costs in the inflationary environment. Any delay in passing through the rising production cost may hamper the group's margin. Besides, the group is exposed to foreign currency risk on transactions denominated in currencies such as USD, SGD, and EUR.

Financial Highlights

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
Revenue	316.6	447.1	502.6	479.9	490.5	Cash	78.0	42.9	63.3	42.9	73.7
EBITDA	48.9	66.0	46.5	45.5	49.3	Receivables	40.8	70.9	43.8	54.8	56.0
EBIT	37.5	55.5	35.0	31.8	34.6	Inventories	84.1	89.2	69.3	77.2	78.4
Net finance income/ (cost)	1.4	1.2	1.0	1.2	1.0	PPE	72.4	89.2	122.4	153.6	142.1
Associates & JV	-	-	-	-	-	Others	12.4	24.1	6.3	6.1	5.9
Profit before tax	38.9	56.8	36.0	33.0	35.6	Assets	287.7	316.4	305.1	334.6	356.0
Tax	(9.3)	(10.3)	(5.5)	(6.6)	(7.1)	Debts	-	-	-	-	-
Net profit	29.6	46.4	30.5	26.4	28.5	Payables	68.6	71.0	47.2	57.6	58.5
Minority interest	-	-	-	-	-	Others	13.3	13.7	12.6	12.6	12.6
Core earnings	29.6	46.4	30.5	26.4	28.5	Liabilities	81.9	84.8	59.8	70.2	71.1
Exceptional items	0.1	-	-	-	-	Shareholder's equity	98.8	98.8	98.8	98.8	98.8
Reported earnings	29.6	46.4	30.5	26.4	28.5	Minority interest	-	-	-	-	-
						Equity	205.8	231.6	245.3	264.4	285.0
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	36.0	33.0	35.6	Core EPS (sen)	10.5	16.5	10.8	9.4	10.1
Depreciation & amortisation	11.4	10.4	11.6	13.6	14.7	P/E (x)	12.3	7.8	11.9	13.8	12.8
Changes in working capital	12.1	(32.8)	23.2	(8.5)	(1.5)	DPS (sen)	5.3	8.0	3.0	2.6	2.8
Share of JV profits	-	-	-	-	-	Dividend yield	4.1%	6.2%	2.3%	2.0%	2.2%
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)	(5.4)	(0.0)	0.0	P/B (x)	1.8	1.6	1.5	1.4	1.3
Operating cash flow	58.8	23.8	59.9	31.5	41.7	EBITDA margin	15.4%	14.8%	9.3%	9.5%	10.1%
Net capex	(2.5)	(26.6)	(44.6)	(44.6)	(3.0)	EBIT margin	11.8%	12.4%	7.0%	6.6%	7.1%
Others	(21.5)	18.0	4.8	-	-	PBT margin	12.3%	12.7%	7.2%	6.9%	7.3%
Investing cash flow	(23.9)	(8.6)	(39.8)	(44.6)	(3.0)	PAT margin	9.3%	10.4%	6.1%	5.5%	5.8%
Changes in borrowings	-	-	-	-	-	Core PAT margin	9.4%	10.4%	6.1%	5.5%	5.8%
Issuance of shares	-	-	0.0	-	-	ROE	30.0%	47.0%	30.9%	26.7%	28.8%
Dividends paid	(15.0)	(20.6)	(8.4)	(7.3)	(7.9)	ROA	11.3%	15.4%	9.8%	8.3%	8.2%
Others	-	5.6	(5.6)	-	-	Net gearing	CASH	CASH	CASH	CASH	CASH
Financing cash flow	(15.0)	(15.0)	(14.1)	(7.3)	(7.9)						
Net cash flow	19.8	0.2	6.0	(20.4)	30.8						
Forex	-	-	(0.0)	-	-						
Others	13.3	(35.3)	14.4	-	-						
Beginning cash	45.0	78.0	42.9	63.3	42.9						
Ending cash	78.0	42.9	63.3	42.9	73.7						