

Financial Year End	31/12/2020
Report Period Ending	31/03/2020
Reporting Quarter	1Q-2020

MALAYSIA EQUITY BP PLASTICS HOLDING BHD

UPDATE REPORT

Recommendation	HOLD
FBMKLCI	1397.3
Target Price (MYR)	1.12
Current Price (MYR)	1.07
Expected Share Return (%)	4.7
Expected Dividend Return (%)	5.6
Expected Total Return (%)	10.3

Key Company Statistics	
Bloomberg Ticker	BPP MK
Bursa Stock Code	5100
Listing	Main Market
Sector	Ind. Products
Par Value (sen)	0.00
Issued Capital (mn shares)	187.65
Market Capitalisation (MYR mn)	200.79
52 week High (MYR)	1.13
52 week Low (MYR)	0.61
Average Volume (3 month) '000	94.31
Beta	0.89
Estimated Free Float (%)	23.40

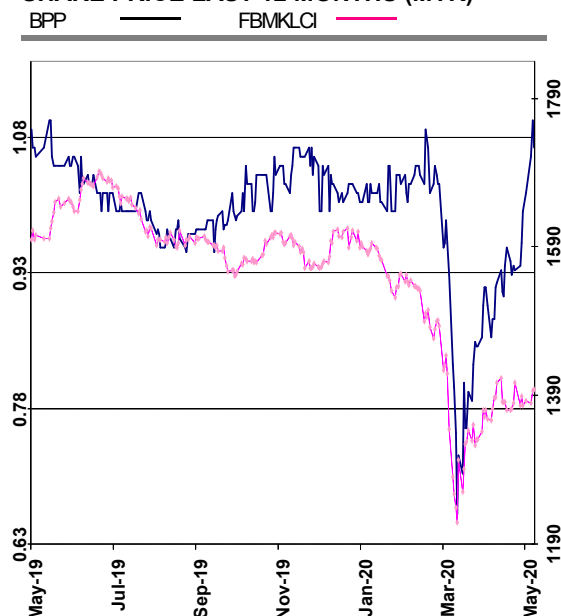
Major Shareholders (%)	
LG Capital Sdn Bhd	43.16
Tan See Kim	9.50
Lim Chun Yow	9.30

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Price Performance (%)	1M	3M	12M
Absolute	21.6	3.9	-1.8
Relative	19.7	13.4	10.8

SHARE PRICE LAST 12 MONTHS (MYR)



YTD 1Q FY 20 sales were lower vs YTD 1Q FY19 sales, however profits over the same period were higher, owing to lower cost of inputs. Central banks around the world continue to cut rates; nearly all the major economies have announced growth contractions not seen over the last fifty years or more. Management has done a fine job of reducing controllable costs, however increasing trade tensions and the widening coronavirus outbreak around the world is likely to dampen the outlook for BPP over the next few quarters. Indeed, management indicates that trading conditions will remain challenging over the next few quarters. At prices below MYR 0.90 value investors will want to accumulate more aggressively.

INVESTMENT RISKS

Risks to our recommendation and target price include: i) a stronger USD/MYR exchange rate, ii) an increase in resin prices and production costs, and iii) a sharp slowdown in the general level of economic activity in Asia, Middle East and Europe. Prices for ethylene and polyethylene were lower YTD 2020 vs YTD 2019. While positive for BPP's margins, the price weakness in these materials may signal lower demand ahead.

RECOMMENDATION

We maintain our HOLD recommendation on BP Plastics Holding Berhad ("BPP") whilst maintaining our fair value estimate at MYR 1.12. Looking ahead, average ROE is likely to be maintained at levels of 10-11%, whilst P-BV stands on 1.0x trailing book value and 1.0x current year book value. Importantly, BPP has a very clean balance sheet.

YTD 1Q 20 total export sales amounted to about 70% of total sales, with about 63% of sales in USD, 10% in SGD and remaining in EUR & JPY. The company has a dividend policy of paying out a minimum of 40% from its net profit. We maintain our estimated dividend payments for FY 20 and FY 21 at 6 sen per share. At current prices, the prospective dividend yield is likely to remain at or above 5.0%.

COMPANY PROFILE

BP Plastics Holding Bhd (BPPLAS) is an investment holding and provision of management services company. The principal activities of the Company, through its subsidiaries is manufacturing and trading of plastic products. Its subsidiaries include BP Plastics Sdn Bhd, BP Packaging Sdn Bhd, BP Packaging Sdn Bhd and Baoman Rubber Limited. On June 10, 2010, the Company acquired 100% interest in BPPlas Plantation Sdn. Bhd. (BPPlas Plantation). On October 5, 2010, BPPLAS incorporated a wholly owned subsidiary, Baoman Rubber Limited (Baoman).

ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2018	2019	2020F	2021F
Revenue	333.8	331.2	312.7	319.0
Revenue g (%)	1.6	-0.8	-5.6	2.0
Net Profit	21.4	21.2	21.3	20.5
Net Profit g (%)	66.4	-0.7	0.7	-3.8
Dividends Paid	7.5	11.3	11.3	11.3
Total Assets	227.8	235.7	228.6	248.1
Owners' Equity	181.2	191.1	201.2	210.5
Total Liabilities	46.6	44.6	36.1	37.6
Debt/Equity (%)	25.7	23.3	17.9	17.8
Dvd Yield (%)	3.7	5.6	5.6	5.6
EPS (sen)	11.4	11.3	11.4	10.9
NTA (MYR)	0.97	1.02	1.07	1.12
P-BV (x)	1.1	1.1	1.0	1.0
ROA %	9.4	9.0	9.3	8.3
ROE %	11.8	11.1	10.6	9.8

PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)

FY Dec	2018	2019	2020F	2021F
Revenue	333.8	331.2	312.7	319.0
Operating Profit	25.3	26.3	26.3	25.4
Other Income	1.7	2.0	2.4	1.6
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortisation	-9.2	-10.7	-11.5	-11.9
Finance Costs	0.0	0.0	0.0	0.0
Pre Tax Profit	25.0	26.3	27.0	25.4
Tax	-3.7	-5.1	-5.6	-4.8
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	21.4	21.2	21.3	20.5
Operating Margin (%)	7.6	8.0	8.4	7.9
PBT Margin (%)	7.5	8.0	8.6	7.9
Net Margin (%)	6.4	6.4	6.8	6.4
Effective Tax Rate (%)	14.7	19.5	20.9	19.0

BALANCE SHEET (All figures in MYR mn unless otherwise indicated)

FY Dec	2018	2019	2020F	2021F
Total Assets	227.8	235.7	228.6	248.1
Fixed Assets	84.3	80.4	80.5	83.7
Current Assets	142.5	148.8	150.3	157.8
Other LT Assets	1.0	6.5	6.5	6.5
Current Liabilities	36.6	34.2	25.5	26.5
Non Cur Liabilities	10.0	10.4	10.6	11.1
Total Liabilities	46.6	44.6	36.1	37.6
Share Capital	98.8	98.8	98.8	98.8
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	181.2	191.1	201.2	210.5
Total Equity	181.2	191.1	201.2	210.5
Total Liabilities & Equity	227.8	235.7	228.6	248.1

PER SHARE DATA (All figures in sen unless otherwise indicated)

FY Dec	2018	2019	2020F	2021F
Revenue	177.9	176.5	166.7	170.0
EBIT	13.5	14.0	14.0	13.5
Earnings (EPS)	11.4	11.3	11.4	10.9
Dividends (DPS)	4.0	6.0	6.0	6.0
Book Value (NTA)	0.97	1.02	1.07	1.12
Payout (%)	35.2	53.1	52.7	54.8
P-S (x)	0.6	0.6	0.6	0.6
P-BV (x)	1.1	1.1	1.0	1.0
P-EBIT (x)	7.9	7.6	7.6	7.9
P-E (x)	9.4	9.5	9.4	9.8
Dvd Yield (%)	3.7	5.6	5.6	5.6
ROA%	9.4	9.0	9.3	8.3
ROE%	11.8	11.1	10.6	9.8
Debt/Equity (%)	25.7	23.3	17.9	17.8



ANALYST'S DISCLOSURE

BUY: Share price may exceed 10% over the next 12 months

TRADING BUY: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

HOLD: Share price may fall within the range of +/- 10% over the next 12 months

TAKE PROFIT: Target price has been attained. Look to accumulate at lower levels

SELL: Share price may fall by more than 10% over the next 12 months

NOT RATED (NR): Stock is not within regular research coverage

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