

BP Plastics Holding Berhad

Another robust quarter

Summary

- BP Plastics Holding Bhd's (BPPLAS) 2Q21 net profit surged 74.4% YoY and 52.7% QoQ to RM14.8m, bringing a significant 66.4% rise in 1H21 net profit as compared to 1H20. The results came in above expectations, amounting to 75.1% of our previous full year consensus of RM32.5m. Key drivers include higher sales and better product mix during the quarter. Meanwhile, an interim dividend of 2.0 sen and a special dividend of 1.0 sen was declared.
- Higher revenue in 2Q21 were mainly contributed by a stronger demand for packaging films arising from Malaysia and Asia countries, which saw an improvement both YoY and QoQ, bottomline was further improved by a better product mix as BPPLAS remained focus on supplying higher margin film including value-added customised blown PE film and differentiated superior quality cast.
- Cost wise, elevated resin pricing has been prevalent in the previous quarter, as ongoing labour issues and containers shortage due to Covid-19 pandemic, coupled with growing consumer demand for plastic products continued to ruin the market. Nevertheless, robust demand for plastic packaging products granted the company negotiating power to pass through the cost inflation by raising ASP.
- Consequently, better product mix coupled with appropriate supply chain management strategy have led to margin growth in 2Q21. BPPLAS' core profit margin stood at 13.6% in 2Q21, which was up 3.1% YoY and 3.9% QoQ (vs. core profit margin registered at 10.5% in 2Q20 and 9.7% in 1Q21).
- Moving forward, we expect prices of resin and plastic packaging films to remain firm in the immediate future as demand has been picking up amid the reopening economic activities on the global front. On the local front, we believe demand would also grow along with the increasing vaccination rates.
- BPPLAS remained committed to facilities upgrade to support capacity expansion, targeting a production capacity of 10kMT per month of 120kMT p.a. with the commissioning of the 9th cast line machine by end of FY21. Besides, BPPLAS' net cash position (RM78.9m in 2Q21, net cash per share of 42.0sen) could support the company's plan to reinvest in high-end innovative machines that can widen its product offerings.

Results Note

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BUY

Share price	RM1.90
Target price	RM3.06
Previous TP	RM2.43
Capital upside	61.1%
Dividend return	4.6%
Total return	65.6%

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)	300.0
Market Cap (m)	570.0
52W High/Low	2.01/1.29
Est. Free float	22.1
Beta	0.8
3-mth avg vol ('000)	766.2
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	2.2	40.6	13.8
Relative	2.5	44.7	18.3

Earnings summary

FYE (Dec)	FY19	FY20f	FY21f
PATMI (m)	29.7	39.2	41.0
EPS (sen)	15.8	20.9	21.9
P/E (x)	12.0	9.1	8.7

Relative performance chart



Quarterly performance								
FYE Dec (RM m)	2QFY20	1QFY21	2QFY21	QoQ (%)	YoY (%)	6MFY20	6MFY21	YoY (%)
Revenue	80.3	100.1	108.9	8.9	35.7	157.9	209.0	32.4
EBITDA	13.9	14.2	21.0	47.7	51.4	24.7	35.2	42.5
PBT	11.3	11.9	18.7	57.0	65.4	19.6	30.6	56.0
PAT	8.5	9.7	14.8	52.7	74.4	14.7	24.4	66.4
Core PATMI	8.5	9.7	14.8	52.7	74.4	14.7	24.4	66.4
Reported PATMI	8.5	9.7	14.8	52.7	74.4	14.7	24.4	66.4
Core EPS (sen)	4.5	5.2	7.9	52.7	74.4	7.8	13.0	66.4
EBITDA margin (%)	17.3	14.2	19.3			15.6	16.8	
PBT margin (%)	14.1	11.9	17.2			12.4	14.7	
Core PATMI margin (%)	10.5	9.7	13.6			9.3	11.7	

Valuation & Recommendation

- Following the stronger-than-expected results, we raised our forecasted earnings by 20.6% to RM39.2m and by 14.5% to RM41.0m for FY21f and FY22f respectively to account for the increasing demand in BPPLAS' products and better margins deriving from value-added customised products. We maintained our **BUY** recommendation on BPPLAS, with a revised target price of RM3.06 as we are rolling forward to the FY22f earnings. The target price is arrived by ascribing a target PER of 14.0x to its FY22f EPS of 21.9 sen.
- Outlook wise, we remained bullish on BPPLAS earnings growth underpinned by its proven product mix strategies, as well as the upcoming capacity expansion with the commissioning of 9th cast line machine by end of FY21. Meanwhile, the improving demand for plastics packaging films following the gradual reopening of economic activities bodes well for BPPLAS' topline.
- Risks to our recommendation include resurgence of Covid-19 cases and spread of Delta variant which may delay the normalisation of economic activities. Besides, fluctuation in resin prices may potentially dent the company's margins.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Revenue	333.8	331.2	316.6	385.4	420.3	Cash	50.2	45.0	78.0	70.4	90.7
EBITDA	33.2	35.5	49.0	59.4	64.1	Receivables	42.3	38.8	40.8	47.8	52.2
EBIT	24.0	24.8	37.6	47.3	51.0	Inventories	47.5	63.8	84.1	75.4	82.5
Net finance income/ (cost)	1.1	1.6	1.4	1.4	1.4	PPE	84.3	80.4	72.4	85.4	83.0
Associates & JV	-	-	-	-	-	Others	3.5	7.7	12.4	12.2	12.0
Profit before tax	25.0	26.3	39.0	48.7	52.4	Assets	227.8	235.7	287.7	291.2	320.4
Tax	(3.7)	(5.1)	(9.3)	(9.5)	(11.3)	Debt	-	-	-	-	-
Net profit	21.4	21.2	29.7	39.2	41.0	Payables	36.6	34.2	68.6	48.6	53.1
Minority interest	-	-	-	-	-	Others	10.0	10.4	13.3	13.3	13.3
Core earnings	21.4	21.2	29.7	39.2	41.0	Liabilities	46.6	44.6	81.9	61.9	66.5
Exceptional items	-	0.0	0.1	-	-	Shareholder's equity	98.8	98.8	98.8	98.8	98.8
Reported earnings	21.4	21.2	29.7	39.2	41.0	Minority interest	-	-	-	-	-
						Equity	181.2	191.1	205.8	229.3	253.9
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Profit before taxation	25.0	26.3	39.0	48.7	52.4	Core EPS (sen)	11.4	11.3	15.8	20.9	21.9
Depreciation & amortisation	9.2	10.7	11.4	12.2	13.2	P/E (x)	16.7	16.8	12.0	9.1	8.7
Changes in working capital	7.3	(15.3)	12.1	(18.4)	(6.9)	DPS (sen)	6.0	6.0	8.0	8.4	8.7
Share of JV profits	-	-	-	-	-	Dividend yield	3.2%	3.2%	4.2%	4.4%	4.6%
Taxation	(3.7)	(5.1)	(9.3)	(9.5)	(11.3)	BVPS (RM)	0.97	1.02	1.10	1.22	1.35
Others	(0.9)	0.2	5.5	(0.0)	0.0	P/B (x)	2.0	1.9	1.7	1.6	1.4
Operating cash flow	36.9	16.8	58.8	33.0	47.4	EBITDA margin	9.9%	10.7%	15.5%	15.4%	15.3%
Net capex	(23.7)	(12.2)	(2.5)	(25.0)	(10.6)	EBIT margin	7.2%	7.5%	11.9%	12.3%	12.1%
Others	(0.7)	1.4	-	-	-	PBT margin	7.5%	8.0%	12.3%	12.6%	12.5%
Investing cash flow	(24.5)	(10.7)	(4.7)	(25.0)	(10.6)	PAT margin	6.4%	6.4%	9.4%	10.2%	9.8%
Changes in borrowings	-	-	-	-	-	Core PAT margin	6.4%	6.4%	9.4%	10.2%	9.8%
Issuance of shares	-	-	-	-	-	ROE	21.6%	21.5%	30.1%	39.7%	41.6%
Dividends paid	(11.3)	(11.3)	(15.0)	(15.7)	(16.4)	ROA	9.5%	9.1%	11.4%	13.5%	13.4%
Others	3.8	-	-	-	-	Net gearing	CASH	CASH	CASH	CASH	CASH
Financing cash flow	(7.5)	(11.3)	(15.0)	(15.7)	(16.4)						
Net cash flow	5.0	(5.2)	39.1	(7.7)	20.3						
Forex	-	-	-	-	-						
Others	(0.0)	(0.0)	(6.0)	-	-						
Beginning cash	45.2	50.2	45.0	78.0	70.4						
Ending cash	50.2	45.0	78.0	70.4	90.7						