

4QFY19 RESULTS UPDATE

25 February 2020

# BP Plastics Holding Berhad

Price : RM1.03

Market Capitalization : RM193.3 mln

Market : Main Market

Sector : Industrial Products

Recommendation : Hold

Bursa / Bloomberg Code: 5100 / BPP MK  
Stock is Shariah-compliant.

## BPPLAS: 4QFY19 results

FYE Dec (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	4QFY19	3QFY19	% chg	4QFY18	% chg	FY19	FY18	% chg
Revenue	83.3	80.4	3.6%	85.7	-2.8%	331.2	333.8	-0.8%
Operating profit	7.3	6.9	5.3%	6.3	15.3%	26.3	25.0	5.3%
Finance costs	-	-		-		-	-	
Pre-tax profit	7.3	6.9	5.3%	6.3	15.3%	26.3	25.0	5.3%
Tax	(0.7)	(1.3)		0.0		(5.1)	(3.7)	
Net profit	6.7	5.6	18.5%	6.4	4.1%	21.2	21.4	-0.7%
Reported EPS (sen)	3.5	3.0	18.4%	3.4	4.1%	11.3	11.4	-0.7%
Op. profit margin	8.8%	8.6%		7.4%		8.0%	7.5%	
Pre-tax margin	8.8%	8.6%		7.4%		8.0%	7.5%	
Net profit margin	8.0%	7.0%		7.5%		6.4%	6.4%	
Net assets/share (RM)	1.02							

## 4QFY19 Results Review

- BPPLAS reported 4QFY19 turnover and net profit of RM83.3 mln (-2.8% YoY; +3.6% QoQ) and RM6.7 mln (+4.1% YoY; +18.5% QoQ). This brings FY19 net profit to RM21.1 mln, which is within our expectation.
- FY19 Group turnover was flatish YoY both domestic and export markets down by marginal 0.6% and 0.9% YoY. PBT was actually higher by 5.3% YoY in tandem with higher GP margin achieved, which management attributed to better product sales mix and lower production costs. PAT however, declined by 0.7% YoY due to higher effective tax rate in FY19 at 19.5% vs. 14.7% in FY18. This was following the expiry of reinvestment allowance in a subsidiary during the year under review. Overall, the effective tax rate is still lower than the statutory rate due mainly to the green investment tax allowance enjoyed by a subsidiary.

### Revenue by geographical market

RM mln	4QFY19	4QFY19	% chg	FY19	FY18	% chg
Asian countries	49.3	52.7	-6.4%	201.1	200.7	0.2%
Malaysia	23.8	20.7	14.8%	90.1	90.6	-0.6%
Others	10.2	12.3	-17.1%	40.0	42.5	-5.9%
<b>Group</b>	<b>83.3</b>	<b>85.7</b>	<b>-2.8%</b>	<b>331.2</b>	<b>333.8</b>	<b>-0.8%</b>
<i>Composition:</i>						
Asian countries	59.2%	61.5%		60.7%	60.1%	
Malaysia	28.6%	24.2%		27.2%	27.2%	
Others	12.2%	14.3%		12.1%	12.7%	
<b>Group</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

- Looking ahead, we reiterate our view that the operating environment remains highly challenging for players in the manufacturing sector. The prospects of BPPLAS is dependent on trade activities and economic growth of the countries that it sells to. At this juncture, however, there are various uncertainties including the US-China trade tension and global economic slowdown. In particular, we are concerned that the current Covid-19 outbreak is likely to affect the financial performance of many companies including BPPLAS, and clarity on the impact would only emerge gradually over the next few months during the next earnings reporting season.
- Against this backdrop, we keep our existing FY20 revenue and net profit estimates at RM323.2 mln (-2.4% YoY) and RM19.1 mln (-9.8% YoY) respectively, which factor in earnings contraction as a result of the slowdown. On capital structure, BPPLAS' balance sheet remained solid with a net cash/share of 24.0 sen as at end-Dec 2019, backed by net assets/share of RM1.02. The Group generated positive net operating cashflow of RM16.9 mln in FY19. The healthy balance sheet would enable the Group to navigate through the prevailing market predicament.
- BPPLAS declared a third interim dividend of 2.0 sen for the quarter under review, bringing total dividend in FY19 to 6.0 sen (FY18: 6.0 sen), which translates into a payout of 53.1%.

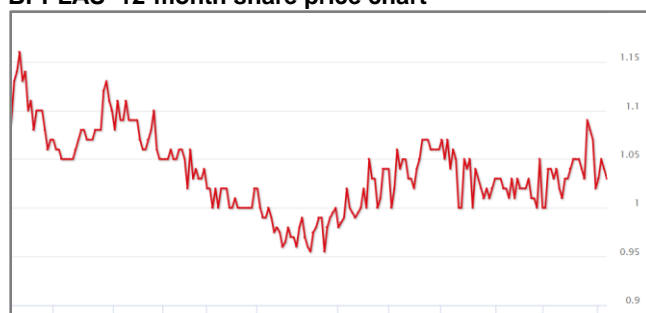
## Recommendation

We maintain our **Hold** call with the unchanged fair value of **RM1.12**, derived from pegging our FY20 earnings estimate against target PER of 11x (unchanged). By and large, we do like BPPLAS for its track record, lean balance sheet and experienced management team. However, near-term prospects are muted given the difficult operating environment, weighed down by the uncertainties brought upon by the trade tension and Covid-19 outbreak.

Key Financials				
FYE Dec	FY17A	FY18A	FY19A	FY20F
Revenue	328.6	333.8	331.2	323.2
Revenue growth	1.3%	1.6%	-0.8%	-2.4%
EBIT (RM m)	15.5	25.0	26.3	23.9
Net profit (RM m)	12.8	21.4	21.2	19.1
Net profit growth	-28.2%	66.4%	-0.7%	-9.8%
Net profit margin	3.9%	6.4%	6.4%	5.9%
EPS (sen)	6.8	11.4	11.3	10.2
Div/share (sen)	4.0	6.0	6.0	5.6
Payout ratio	58.4%	53.2%	53.1%	55.0%
BV/share (RM)	0.89	0.97	1.02	1.06
Cash flow/share (sen)	12.0	16.3	17.0	16.1

Key Valuation Metrics				
	FY17A	FY18A	FY19A	FY20F
P/E (x)	15.1	9.1	9.1	10.1
P/BV (x)	1.2	1.1	1.0	1.0
P/cashflow (x)	8.6	6.3	6.1	6.4
Dividend yield	3.9%	5.8%	5.8%	5.4%
ROE	7.7%	11.8%	11.1%	9.6%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash

### BPPLAS' 12-month share price chart



Source: Bursa Marketplace

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**RATING GUIDE**

BUY	Price appreciation expected to exceed 15% within the next 12 months
SELL	Price depreciation expected to exceed 15% within the next 12 months
HOLD	Price movement expected to be between -15% and +15% over the next 12 months from current level

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