

3QFY20 RESULTS UPDATE

24 November 2020

BP Plastics Holding Berhad

Price : RM1.56

Market Capitalization : RM292.8 mln

Market : Main Market

Sector : Industrial Products

Recommendation : Buy

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

BPPLAS: 3QFY20 results

FYE Dec (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	3QFY20	2QFY20	% chg	3QFY19	% chg	9MFY20	9MFY19	% chg
Revenue	73.8	80.3	-8.0%	80.4	-8.1%	231.7	247.9	-6.5%
Operating profit	10.5	11.3	-7.6%	6.9	50.7%	30.1	19.0	58.0%
Finance costs	-	-		-		-	-	
Pre-tax profit	10.5	11.3	-7.6%	6.9	50.7%	30.1	19.0	58.0%
Tax	(2.7)	(2.8)		(1.3)		(7.6)	(4.5)	
Net profit	7.8	8.5	-8.5%	5.6	38.1%	22.4	14.6	54.2%
Reported EPS (sen)	4.1	4.5	-8.4%	3.0	38.1%	12.0	7.8	54.3%
Op. profit margin	14.2%	14.1%		8.6%		13.0%	7.7%	
Pre-tax margin	14.2%	14.1%		8.6%		13.0%	7.7%	
Net profit margin	10.5%	10.5%		7.0%		9.7%	5.9%	
Net assets/share (RM)	1.08							

3QFY20 Results Review

- BPPlas' strong financial performance prevailed in 3QFY20 with net profit of RM7.8 mln, rising 38.1% YoY. 9MFY20 earnings of RM22.4 mln were within expectation, accounting for 76% of our estimates.
- 3QFY20 revenue declined 8.1% YoY to RM73.8 mln due to lower average selling prices in tandem with the suppressed commodity pricing situation. However, the Group was able to chalk up net profit of RM7.8 mln, an increase of 38.1% YoY, attributable to better product mix and favourable raw material price.
- Sequentially, 3QFY20 revenue and net profit dropped 8.0% and 8.5% QoQ respectively as sales demand normalized following the spike in sales in 2QFY20 after the upliftment of Movement Control Order (MCO). Cumulatively, BPPlas' net profit surged RM22.4 mln in 9MFY20 despite revenue declining 6.5% YoY to RM231.7 mln.

Revenue by geographical market

RM mln	3QFY20	3QFY19	% chg	9MFY20	9MFY19	% chg
Asian countries	41.0	50.7	-19.2%	139.1	151.8	-8.4%
Malaysia	21.9	19.8	10.5%	64.1	66.3	-3.3%
Others	11.0	9.9	11.2%	28.5	29.8	-4.3%
Group	73.8	80.4	-8.1%	231.7	247.9	-6.5%
<i>Composition:</i>						
Asian countries	55.5%	63.1%		60.0%	61.2%	
Malaysia	29.6%	24.6%		27.7%	26.7%	
Others	14.9%	12.3%		12.3%	12.0%	
Group	100.0%	100.0%		100.0%	100.0%	

- Geographically, sales in Malaysia rebounded in 3QFY20, having registered turnover of RM21.9 mln vs. RM19.8 mln a year ago (+10.5% YoY) due to stronger demand after the MCO was lifted. Elsewhere, contribution from Asian countries dipped 19.2% YoY to RM41.0 mln. Asia including Malaysia accounted for 87.7% of Group revenue in 9MFY20.
- We maintain our FY20 and FY21 earnings estimates of RM29.8 mln and RM28.0 mln respectively at this juncture. The lower net profit projection in FY21 over FY20 reflects our expectation of higher raw material prices in 2021 in tandem with projected higher oil prices as global economy recovers.
- BPPLAS' operations continued to be supported by its lean and healthy balance sheet with no borrowings. It is in a solid net cash position with high net cash/share of 44.7 sen and net asset/share of RM1.08 as at end-September 2020. The Group generated positive net operating cashflow of RM50.5 mln in 9MFY20.
- BPPLAS declared a third interim dividend of 2.0 sen for the quarter under review, bringing total dividend declared to 6.0 sen in FY20.

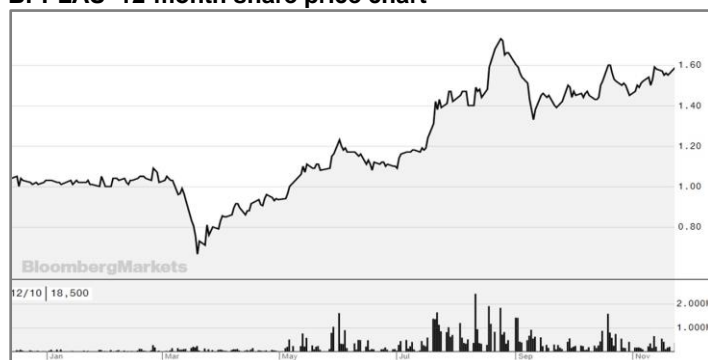
Recommendation

We retain our **Buy** call with an unchanged fair value of **RM1.72**, derived from pegging our FY21 earnings estimate against target PER of 11.5x. We do like BPPLAS for its track record, lean balance sheet and experienced management team. We expect demand growth for its products to sustain as the world goes into recovery mode in 2021. Dividend yield, based on our calculation, is also attractive at 5.1%.

Key Financials					
FYE Dec	FY17A	FY18A	FY19A	FY20e	FY21f
Revenue	328.6	333.8	331.2	319.9	337.4
Revenue growth	1.3%	1.6%	-0.8%	-3.4%	5.5%
EBIT (RM m)	15.5	25.0	26.3	39.4	37.3
Net profit (RM m)	12.8	21.4	21.2	29.6	28.0
Net profit growth	-28.2%	66.4%	-0.7%	39.4%	-5.2%
Net profit margin	3.9%	6.4%	6.4%	9.2%	8.3%
EPS (sen)	6.8	11.4	11.3	15.7	14.9
Div/share (sen)	4.0	6.0	6.0	8.0	8.0
Payout ratio	58.4%	53.2%	53.1%	50.8%	53.6%
BV/share (RM)	0.89	0.97	1.02	1.10	1.17
Cash flow/share (sen)	12.0	16.3	17.0	21.7	21.7

Key Valuation Metrics	FY17A	FY18A	FY19A	FY20e	FY21f
P/E (x)	22.8	13.7	13.8	9.9	10.5
P/BV (x)	1.8	1.6	1.5	1.4	1.3
P/cashflow (x)	13.0	9.6	9.2	7.2	7.2
Dividend yield	2.6%	3.8%	3.8%	5.1%	5.1%
ROE	7.7%	11.8%	11.1%	14.4%	12.8%
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash

BPPLAS' 12-month share price chart



Source: Bloomberg

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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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