

3Q FYE DEC 2011 RESULTS REPORT

Date: 29 November 2011

Name of PLC: BP Plastics Holding Bhd (BPPlas)		Target Price:	RM 0.94
Business Summary : Manufacturing of polyethylene film namely stretch and blown film products			
Major Shareholders :			
	Lim Chun Yow and deemed interest		45.1%
	Goh Suu Hok		4.2%
	Lee Wei Jang		4.2%
as at 31 March 2011			
PLC Website : www.bpplas.com		Recommendation:	Buy
IR Contact : Lim Chun Yow, Chairman and Managing Director Email: cylim@bpplas.com		Market Capitalisation:	RM108.1m
		Current Price :	RM 0.60
		Market / Sector:	Industrial Products
		Stock Code:	5100
Analyst : Lim Boon Ngee Tel : +603 2163 3200; Email : bnlim@nra.com.my			

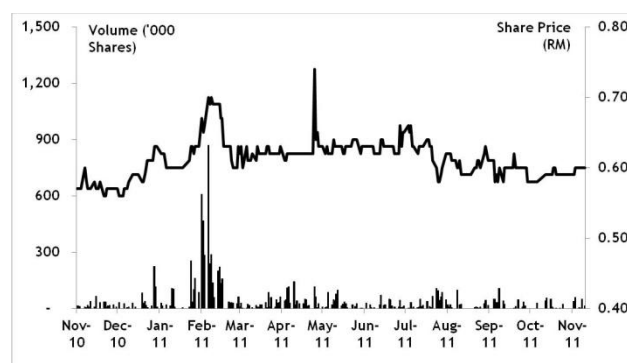
Key Stock Statistics	2009	2010	2011F	2012F
EPS (sen)	8.7	9.5	9.2	10.4
P/E (x)	6.9	6.3	6.5	5.7
Dividend/Share (sen)	3.0	4.0	4.0	4.0
NTA/Share (RM)	0.73	0.80	0.85	0.91
Book Value/Share (RM)	0.73	0.80	0.85	0.91
Issued Capital (mil shares)	180.1	180.1	180.1	180.1
52-weeks Share Price Range (RM)				0.56 - 0.74

Per Share Data	2009	2010	2011F	2012F
Book Value (RM)	0.73	0.80	0.85	0.91
Operating Cash Flow (sen)	11.7	12.2	14.2	11.0
Earnings (sen)	8.7	9.5	9.2	10.4
Dividend (sen)	3.0	4.0	4.0	4.0
Payout Ratio (%)	34.6	42.1	43.5	38.3
PER (x)	6.9	6.3	6.5	5.7
P/Cash Flow (x)	5.1	4.9	4.2	5.4
P/Book Value (x)	0.8	0.8	0.7	0.7
Dividend Yield (%)	5.0	6.7	6.7	6.7
ROE (%)	12.6	12.5	11.2	11.9
Net Gearing (%)	n.c.	n.c.	n.c.	n.c.

n.c. - net cash

P&L Analysis (RM mil)	2009	2010	2011F	2012F
Revenue	175.2	220.8	224.8	247.3
Operating Profit	19.0	20.9	17.5	20.5
Depreciation	(6.7)	(7.3)	(7.9)	(8.5)
Finance, net	0.5	1.3	1.5	1.6
Pre-tax Profit	19.5	22.1	19.0	22.1
Effective Tax Rate (%)	(19.9)	(22.5)	(13.0)	(15.0)
Net Profit	15.6	17.1	16.5	18.8
Operating Margin (%)	10.8	9.4	7.8	8.3
Pre-tax Margin (%)	11.1	10.0	8.5	8.9
Net-Margin (%)	8.9	7.8	7.4	7.6

Share Price Chart



1. 3QFY11 Results Highlight

	3Q 2011 RMm	3Q 2010 RMm	Chg %
Revenue	50.8	55.6	(8.8)
Operating Profit	3.6	6.5	(44.3)
Finance cost	(0.0)	(0.0)	900.0
Pre-tax Profit	3.6	6.5	(44.4)
Net Profit	3.3	5.0	(34.8)
Operating Margin (%)	7.1	11.7	
Pre-tax Margin (%)	7.1	11.7	
Net-Margin (%)	6.5	9.0	

- In 3QFY11, BPPlas' turnover was 8.8% lower at RM50.8m. However, net profit declined by a larger quantum of 34.8% to RM3.3m.

- Arising from reduced demand for its plastic packaging products, BPPlas recorded a lower sales volume in 3QFY11. Gross margin declined from 18.1% in 3QFY10 to 14.2% in 3QFY11 due to lower sales volume and higher resin price, which averaged around US\$1,400/mt in 3QFY11 as compared with the average of US\$1,200 in 3QFY10.
- PBT margin declined to 7.1% in 3QFY11 as compared with 11.7% in 3QFY10. Besides the factor of higher resin costs, we believe that BPPlas' lower profitability was also attributed to forex loss. In 3QFY11, its other income swung to a loss of RM0.3m as compared with a profit of RM0.3m in 3QFY10. Had this amount been excluded, we estimate that its core PBT of RM4m in 3QFY11 would be comparable to 2QFY11's RM4.6m.
- Net profit dropped by 34.8% due to tax incentives arising from the acquisition of a new cast stretch line.

9MFY11 Results Highlight

	9M 2011	9M 2010	Chg
	RMm	RMm	%
Revenue	166.3	165.1	0.7
Operating Profit	12.8	15.2	(16.1)
Finance cost	(0.0)	(0.0)	166.7
Pre-tax Profit	12.8	15.2	(16.1)
Net Profit	11.3	11.7	(4.1)
Operating Margin (%)	7.7	9.2	
Pre-tax Margin (%)	7.7	9.2	
Net-Margin (%)	6.8	7.1	

- For 9MFY11, turnover was flat at RM166.3m due to the 6-8% sales volume growth in 1HFY11 mitigating the impact of lower sales in 3QFY11. PBT declined by 16.1% to RM12.8m due to higher resin cost.

2. Earnings Outlook

- In the short-term, the consumption of plastic packaging products is facing some headwinds against global economic slowdown. However, the long-term demand of stretch film has always been growing considering its application in a wide range of industries. According to Applied Market Information Ltd. (AMI), global demand for pallet stretch films is expected to grow by more than 25% (or 800,000 tonnes) by 2015 from the current global demand of 3.3m tonnes/year, with Asia leading the charge. About 45% (360,000 tonnes) of the projected increase in demand will be in Asia.
- Its latest cast stretch line will drive its turnover and earnings in FY12. Upon full commercial production, the production capacity of stretch film will be increased by about 19% to 51,600 mt from 43,200 mt. With the production capacity of blown lines remaining at 16,800 mt, BPPlas' total capacity will increase to 68,400 mt from 60,000 mt.
- We expect BPPlas to see improved profitability in FY12 due to the cost pass-through arrangement with customers albeit with a time lag basis. In addition, as the huge petrochemical capacities in the Middle-East, Singapore and Thailand are slowly coming on stream, the resin prices are expected to trend downwards next year.
- Although annualised reported earnings for 9MFY11 is 9% below our earnings forecast for FY11, we are maintaining our forecast as we expect a seasonally better 4QFY11.

3. Valuation and Recommendation

- We are retaining our Buy recommendation on the stock for its undemanding P/E valuations and attractive dividend yield. The stock is currently trading at a P/E of 5.7x for FY12. At a net dividend of 4 sen/share, it also comes with a strong yield of 6.7%.
- In addition, its net cash of RM53.0m as at end 3QFY11 accounts for 49% of its market capitalisation. It is also currently trading at a 27% discount to its NTA of RM0.82/share.

Disclosures/Disclaimer

Investment ratings:

Buy (generally >10% upside over the next 12 months)

Hold (generally negative 10% downside to positive 10% upside over the next 12 months)

Sell (generally >10% downside over the next 12 months)

This report has been prepared by Netresearch-Asia Sdn Bhd for purposes of CMDF-Bursa Research Scheme (“CBRS”) III, administered by Bursa Malaysia Berhad (“Administrator”) and has been compensated to undertake the scheme. Netresearch-Asia Sdn Bhd has produced this report independent of any influence from the Administrator or the subject company. For more information about CBRS and other research reports, please visit Bursa Malaysia’s website at:

http://www.bursamalaysia.com/website/bm/listed_companies/cmdf_bursa_research_scheme/eResearch.jsp

The information and opinion in this document has been obtained from various sources believed to be reliable. This publication is for information purpose only, and must not be relied upon as authoritative or taken in substitution for the exercise of judgment. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. Opinions expressed in this publication are subject to change without notice and any recommendation herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. No representation, express or implied, is made with respect to the accuracy, completeness or reliability of the information or opinions in this publication. Accordingly, neither we nor any of our affiliates nor persons related to us accept any liability whatsoever for any direct, indirect or consequential losses (including loss and profit) or damages that may arise from the use of information or opinions in this publication.

Netresearch-Asia Sdn Bhd and its related companies, their associates, directors, connected parties and/or employees may own or have positions in any securities mentioned herein or any securities related thereto and may from time to time add or dispose of or may materially be interested in any such securities. Netresearch-Asia Sdn Bhd and its related companies may from time to time perform advisory, investment, communications or other services for, or solicit such advisory, investment, communications or other services from any entity mentioned in this report. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.