BP Plastics Bhd
Results Note

Stock Code: 5100

Price:	RM0.83
Market Capitalisation:	RM99.7m
Board:	Main Board
Sector:	Industrial Products
Recommendation:	Upgrade to HOLD

Key Stock Statistics

FYE Dec (RMm)	2006	2007F
EPS (sen)	16.0	8.6
P/E (x)	5.2	10.0
Dividend/Share (sen)	5.0	5.0
NTA/Share (RM)	0.86	0.95
Book Value/Share (RM)	0.86	0.95
Issued Capital (mil shares)	120.0	120.0
52-weeks Share Price Range		1.07 - 1.29

Major Shareholders:

	%
LG Capital	45.0

Per Share Data

FYE Dec (RMm)	2004	2005	2006	2007F	2008F
Book Value (sen)	0.5	0.7	0.9	0.9	0.9
Cash Flow (sen)	1.1	30.9	0.3	27.3	18.5
Earnings (sen)	12.3	17.1	16.0	8.6	12.2
Dividend (sen)	-	7.0	5.0	5.0	5.0
Payout Ratio	-	41.0	31.2	57.9	40.9
PER (x)	6.7	4.9	5.2	10.0	6.8
P/Cash Flow (x)	-	3.9	355.2	4.4	6.4
P/Book Value (x)	1.7	1.2	0.9	0.9	0.9
Dividend Yield (%)	-	5.9	4.2	4.2	4.2
ROE (%)	-	28.1	20.6	10.0	13.5
Net Gearing (%)	-	(8.5)	Net Cash	Net Cash	Net Cash

P&L Analysis (RM mil)

FYE Dec (RMm)	2004	2005	2006	2007F	2008F
Revenue	122.1	160.0	200.2	206.3	248.7
Operating Profit	17.3	22.0	19.9	12.1	16.1
Depreciation	-3.2	-3.7	-4.7	-5.1	-5.4
Interest Expenses	-0.3	-0.4	-0.4	-0.4	-0.4
Pre-tax Profit	17.9	23.4	21.1	12.2	17.0
Effective Tax Rate	17.7	12.4	9.1	15.0	14.0
Net Profit	14.7	20.5	19.2	10.4	14.7
Operating Margin	14.2	13.7	10.0	5.9	6.5
Pre-tax Margin	14.6	14.6	10.6	5.9	6.9
Net Margin	12.1	12.8	9.6	5.0	5.9

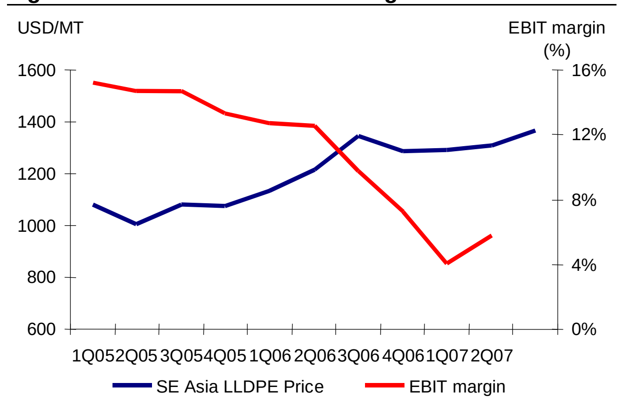
Results Review & Earnings Outlook

- BPP reported H107 net profit of RM2.4m (-58% yoy), which was 37% of our full-year forecast. However, we expect sequential earnings to improve in H207: (1) Q207 margins expanded by 180bps to 6% due to lower negotiated resin prices; (2) plant utilization and order-flow has improved. We maintain our EPS forecast.
- At this stage, we believe the main downside risk lies in higher resin costs rising in tandem with crude oil prices (+16% YTD). However, we think this risk is fully priced-in to the share price at current level.

Valuation & Recommendation

- Following this month's market sell-down BPP's share price has fallen –18% YTD. We raise our rating on the stock from a SELL to a **HOLD** with a revised price target of **RM0.86** based on 10x FY07 PE, in view of the mismatch between share price performance and BPP's improving business fundamentals.

Fig1: SE Asia LLDPE and EBIT margin trends



Source: Bloomberg, company

Research: The Research Team, Hlg-research@hlgsecurities.com (603) 2168 1074
Sales (603) 2176 2288 (2626)/ Retail (603) 2168 1323

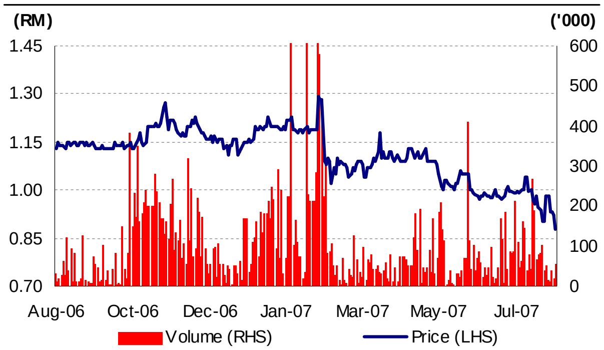
Figure 2: Quarterly results comparison

	2QFY06	1QFY07	2QFY07	QoQ	YoY
Revenue	52.2	40.6	46.7	15.1%	-10.5%
Operating Profit	6.5	1.6	2.7	65.7%	-58.5%
Int expense	-0.2	-0.1	-0.1	-15.4%	-58.5%
Int income	0.1	0.0	0.1	83.7%	-37.8%
Pre-tax Profit	6.5	1.6	2.7	70.1%	-58.1%
Net Profit	5.8	1.4	2.4	73.8%	-57.6%
Operating Margin	12.5%	4.0%	5.8%	44.0%	-53.7%
Pre-tax Margin	12.5%	3.9%	5.8%	47.8%	-53.2%
Net Margin	11.0%	3.5%	5.2%	51.1%	-52.6%

Figure 3: Cumulative quarters results

	FY06	FY07	Ytd Chg
Revenue	100.3	87.4	-12.9%
Operating Profit	12.7	4.4	-65.6%
Int expense	-0.3	-0.1	-53.5%
Int income	0.3	0.1	-61.4%
Pre-tax Profit	12.7	4.3	-65.8%
Net Profit	11.1	3.8	-65.3%
Operating Margin	12.6%	5.0%	-60.5%
Pre-tax Margin	12.6%	5.0%	-60.7%
Net Margin	11.0%	4.4%	-60.1%

Figure 4: Cumulative quarters results



Source: Bloomberg

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Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	Total return is expected to be below -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	HLGS does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

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