Plastic Packaging

Falling Resin Prices Dim 2026 Outlook

NEUTRAL

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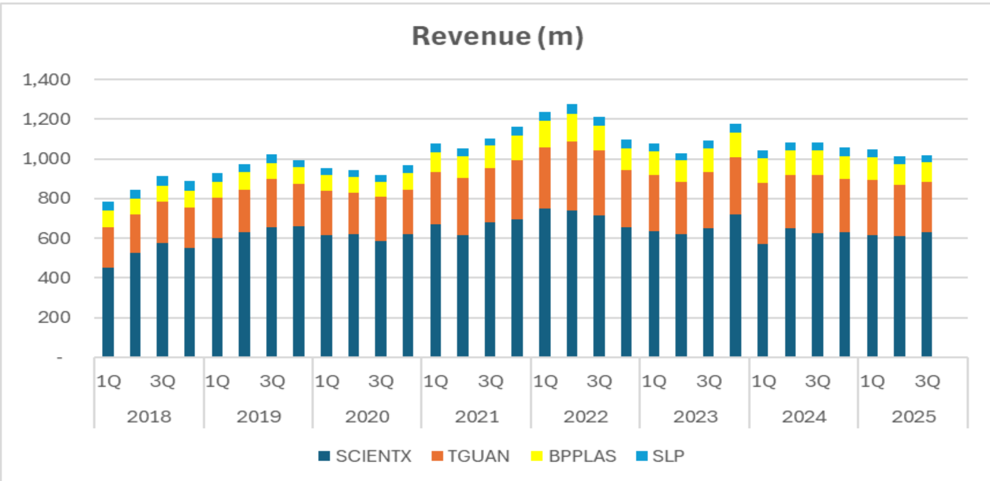
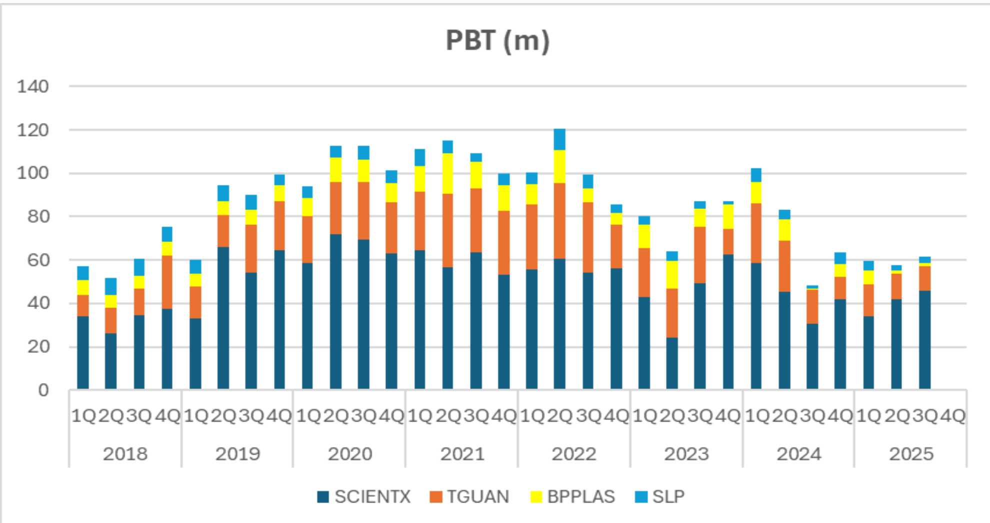
We maintain our NEUTRAL stance on the Plastic Packaging sector as we remain cautious of the near-term due to: (i) global trade disruptions affecting demand, (ii) regional competition, and (iii) weakening resin prices outlook. Not surprisingly, local plastic packaging producers have yet to see orders recovery since U.S. liberation day except for SCIENTX being the outperformer owing uniquely to its U.S. production facility. The sector's profit margins in the year ahead are expected to remain under pressure due to the aforementioned headwinds as well as unfavourable forex on exports with Kenanga's in-house forecast indicating the MYR to strengthen further from RM4.05 to RM3.95 by CY26. All in, we lower our TP for TGUAN and SLP by 11% to RM1.29 and 9% to RM0.81, respectively in conjunction with a softer resin prices outlook, bringing SLP from an OUTPERFORM call to a MARKET PERFORM call. Meanwhile, we remain positive on TGUAN for the solid performances in its F&B segment and upcoming income recognition from its property development segment starting from CY26 onwards with the stock trading at a discount of close to 25% to its 10-year historical forward price to earnings ratio of ~9x.

Exhibit 1: Aggregate Performances (SCIENTX, TGUAN, BPPLAS, and SLP)





The plastic packaging sector continues to face multiple headwinds including trade disruptions from U.S. tariffs, intense competition and currency fluctuations, leading to poor visibility for CY26. However, demand for premium, consumer-used packaging products remained encouraging but even so, average selling prices (ASP) are facing pressures from falling resin prices, in addition to the above-mentioned factors. This trend is also reflective in the charts above (refer to Exhibit 1) showing weaker PBT despite broadly stable aggregate revenues. Following our post-results analysis, and feedback from industry players, we maintained our **Neutral** call, after considering the following key factors:

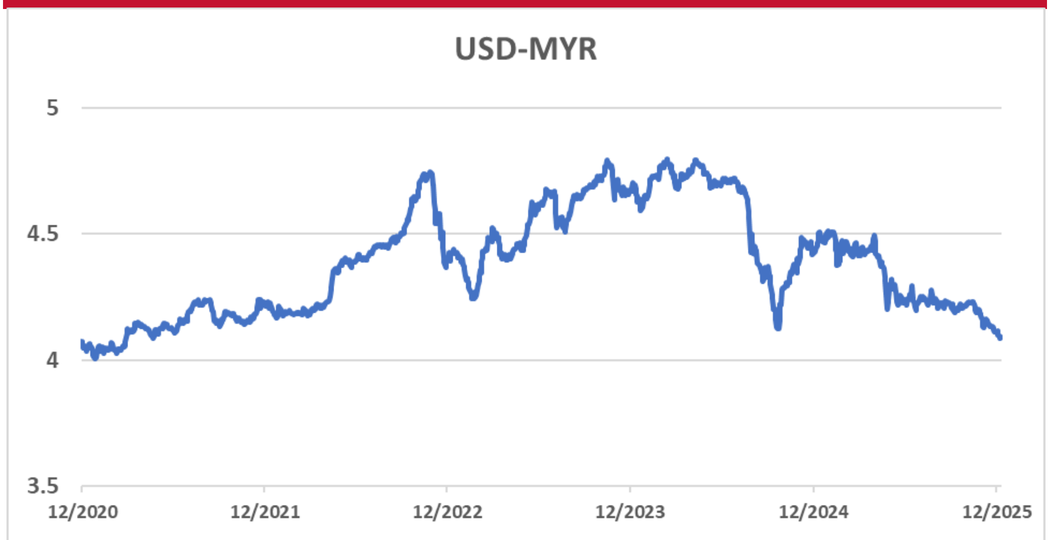
1) **Global Trade Uncertainties**: We see small direct impact for the Malaysian plastic packaging sector from higher U.S. tariffs as exports to U.S. amount to below 10% of overall revenue. However, trade tension has created uncertainties for many businesses and a significant portion of plastic packaging films is used in B2B trades including inter-country trade to ease shipping and logistics. Any slowdown or decline in global trade volumes is thus likely to dampen overall demand for plastic packaging materials. On that note, SCIENTX stood out for being the only player among our coverage that runs a plant in Arizona, USA, which in 2Q-3QFY25 has shown improved orders and possibly better ASP as well to meet U.S. demand.

2) **Competition**: Since CY24, plastic packaging players have been facing not only slower demand growth but more intense competition as well due to overcapacity. Part of this arises from manufacturers maintaining their old facilities even after having upgraded to newer ones e.g. new thin-gauge production lines. This allows for operational flexibility but also very competitive marginal pricing for "old" packaging products. Compounding this is demand shifting away from China by some U.S. and European buyers which in turn compel Chinese players to offload stock at lower prices to other buyers such as those in SE Asia. Notably, following our visit to one of China's largest plastic packaging exhibitions in Shanghai (SWOP 2025), our findings indicate that such competitive pressures are likely to persist with the likelihood of escalating further moving forward.

3) **MYR Appreciation:** In 9MCY25, the average USD/MYR exchange rate stood at RM4.33, compared to RM4.63 in 9MCY24, leading to some unfavourable forex short-term impact on export-oriented Malaysian plastic packaging producers. Whilst long-term implication of fluctuating MYR is limited due to imported equipment and inputs such as resin, near-term timing differences between the purchase of resin (hence, inventory impact), sales confirmation and collection of receivables will remain for exporters. That said, the MYR has continued its upward momentum, with Kenanga forecasting the MYR rate to strengthen further against the USD from RM4.05 to RM3.95 in 2026 (refer to Exhibit 2). As such, the stronger MYR is expected to continue exerting pressure on average selling prices (ASP) and profit margins through forex translation effects. Based on general estimation, every 1% change in forex could impact 2%-3% of the sector's profitability.

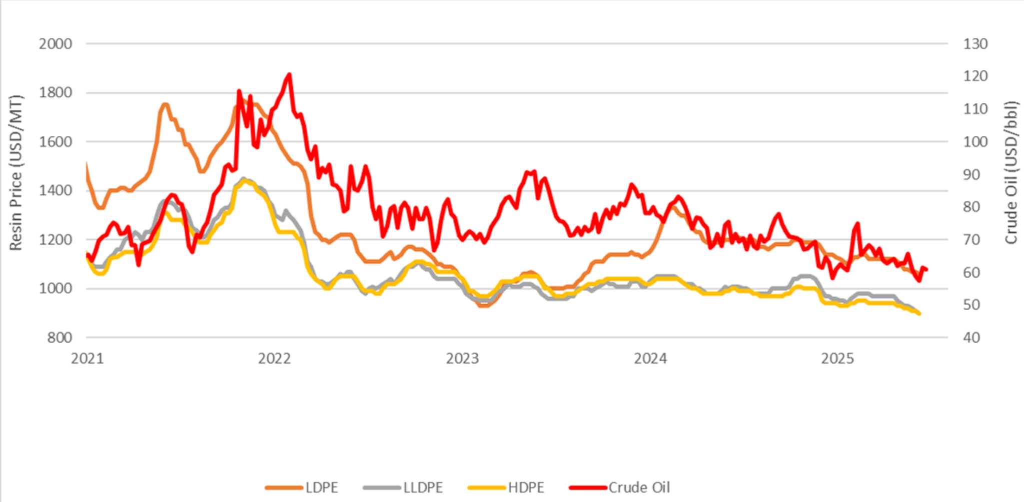
4) **Resin Prices Weakness:** In 2HCY25, we observe resin prices declining in the range of 10% to 15% on a YoY basis (refer to Exhibit 3), leading to lower ASP in general for the sector. Based on our on-the-ground checks with industry players, resin prices are anticipated to remain soft in the next 12 months, which is also consistent with the U.S. Energy Information Authority's (EIA)'s bearish view on the global crude oil pricing trend for CY26.

Exhibit 2: USD/MYR Chart



Source: Bloomberg, Kenanga Research

Exhibit 3: Resin and Crude Oil Prices Chart



Source: Bloomberg, Kenanga Research

On that note, we maintain our sector-wide valuation approach, as we do not foresee a near-term re-rating for the sector due to lack of earnings recovery visibility. However, to incorporate the recent declining trend in resin prices, we trim our FY26F earnings forecast for TGUAN and SLP by 4% and 8%, respectively. While we have already incorporated the earnings revision for BPPLAS in our results review note, we keep our earnings forecast unchanged for SCIENTX as we opine the upside from its U.S manufacturing plant could help offset this downside risk. All in, we cut our TP for TGUAN by 11% to RM1.29 as we roll our valuation base year forward to FY26F, and our TP for SLP by 9% to RM0.81 after revising its FY26F dividend forecast from 4.5 sen to 4.1 sen in our DDM-valuation model to reflect the potential impacts on valuation stemmed from a softer resin prices outlook, giving it a valuation that matches to a MARKET PERFORM call.

Notwithstanding that, we are seeing the completion of solar panels installation for players such as SCIENTX and BPPLAS that could provide energy cost savings of approximately 10% with the full benefit expected in CY26.

We remain positive on **TGUAN (OP; TP: RM1.29)** given: (i) its growth momentum in the F&B segment, (ii) its aggressive push into overseas markets with environmentally friendly, high-performing products, and (ii) upcoming income recognition from its property development segment starting from CY26. At the current valuation, TGUAN is trading at a discount of close to 25% to its 10-year historical forward price to earnings ratio of ~9x. We tone down our call from OUTPERFORM to MARKET PERFORM on **SLP (MP; TP: RM0.81)** that is now trading at a trailing PER of ~19x, in-line with its 10-year historical PER of c.19x.

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BP PLASTICS HOLDINGS BHD	MP	0.610	0.630	3.3%	171.7	Y	12/2025	3.4	7.9	-63.5%	133.7%	18.1	7.7	0.6	3.5%	2.0	3.3%
SCIENTEX BHD	MP	3.90	3.60	-7.7%	6,069.5	Y	07/2026	31.5	33.4	-9.2%	6.0%	12.4	11.7	1.4	11.7%	11.0	2.8%
SLP RESOURCES BHD	MP	0.795	0.810	1.9%	252.0	Y	12/2025	3.5	4.6	-20.7%	31.5%	22.7	17.3	1.4	5.9%	4.0	5.0%
THONG GUAN INDUSTRIES BHD	OP	1.18	1.29	9.3%	466.4	Y	12/2025	17.4	20.2	3.9%	16.2%	6.8	5.8	0.5	7.1%	6.0	5.1%
SECTOR AGGREGATE					**6,959.6**					**-10.2%**	**9.8%**	**12.0**	**10.9**	**1.2**	**10.0%**		**4.1%**

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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