

21 April 2026

Plastic Packaging

OVERWEIGHT

Tight Supply Prompts Re-rating for the Sector

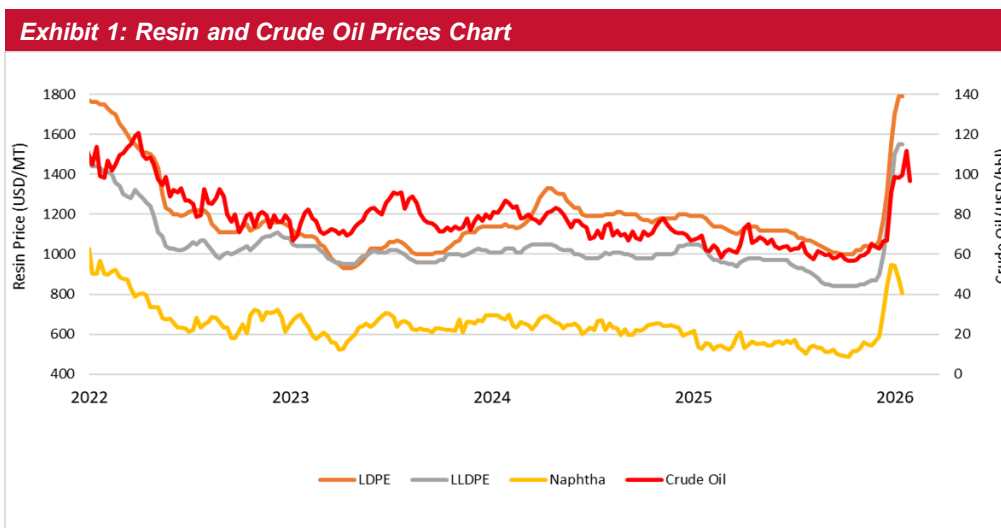


By Chris Tong | christong@kenanga.com.my

We are upgrading the plastic packaging sector from NEUTRAL to OVERWEIGHT. Surging oil prices arising from Middle East conflicts since Feb 2026 have resulted in resin prices rising by about 80% or more on average. Historically, higher resin prices would translate to better operating profits for the plastic packaging sector given a cost-plus business model. Kenanga is expecting Brent oil prices to average at USD80 in CY26 and USD74 for CY27, where oil prices are unlikely to fall to its pre-conflict level even if the Middle East conflicts de-escalate.

Compared to our previous sector note written during the onset of the conflict, concerns on shortage have emerged that not only stoked increased orders from existing customers, but some of the plastic packaging producers have also started to receive new customer enquiries given “force majeure” from their existing suppliers. Players could thus gain market share.

With each ppt rise in resin price potentially lifting the plastic packaging sector’s profitability by an estimated 0.3%, we raise sector earnings by 28% for FY26 and by a lower 10% for FY27 to account for normalization oil price to USD74/barrel. Accordingly, we now value our coverage stocks based on their FY27F normalized earnings, and we still see upside despite the recent share price climbs. Our TP for: (a) TGUAN is raised from RM1.37 to RM1.73, (b) BPPLAS from RM0.63 to RM0.87, (c) SLP from RM0.81 to RM0.90, and (d) SCIENTX from RM3.84 to RM3.91. All four stocks are now an OUTPERFORM. TGUAN and BPPLAS are our sector picks.



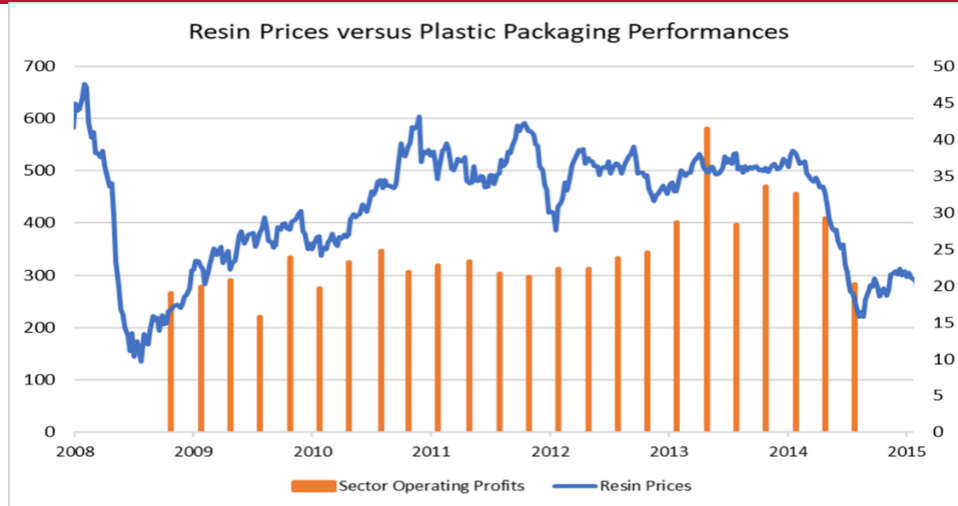
Source: Bloomberg, Kenanga Research

Sector Upgrade:

- Higher resin prices, higher profits.** The surge in oil prices led by the Middle East conflicts since Feb 2026 have resulted in a sharp rise in resin prices of about 80% or more on average (refer to Exhibit 1). Historically, the plastic packaging producers tend to enjoy higher profits on higher resin price levels underpinned by a cost-plus business model. This is shown in Exhibit 2, the sector aggregate operating profits were higher by more than 40% on average in year 2013-2014 compared to 2009-2010 where the resin prices were lower (refer to Exhibit 2); these earlier years were selected given the relative stability of the exchange rate versus latter years where we believe forex fluctuation would have exerted a more pronounced impact to financial performance that distort readings. The resin prices were also at high levels in the period of 2011-2012; however, the sector did not see significant increase in operating profits, weighed down by the European debt crisis at that point in time that hurt the global economy. Kenanga is forecasting Brent oil to average at USD80 and USD74 per barrel for CY26-27, where oil prices are unlikely to fall to its pre-conflict level even if the Middle East conflicts de-escalate.

21 April 2026

2. **More orders, more customers.** Following the war damage in certain oil production facilities in the Middle East compounded by the blockade surrounding it that constrain crude oil delivery, the market has experienced a shortage of resin and plastic packaging supplies. This has created demand spike on stockpiling among business owners which spurred increased customers' orders since Mar 2026. In addition to that, some of the plastic packaging producers also have started to see new customers approaching them for orders after facing "force majeure" from their existing suppliers. On that note, the energy crisis afore-mentioned has offered a major turning point for the few established plastic packaging manufacturers who are financially strong in Malaysia.

Exhibit 2: Resin Prices vs Sector Profits

Source: Bloomberg, Kenanga Research

Many plastic packaging players are estimated to have between 2 months to 3 months of inventories, so the sector may likely enjoy higher profits for a quarter or two from (a) inventories bought at a cheaper level but sold at higher cost-plus prices currently and (b) order volumes should also be good as customers rush to buy in the anticipation of further price increase. We gathered that the plastic packaging players under our coverage did not face major supply interruptions thanks to a well-diversified sources across US, Asia and Middle East, supported by long standing relationships and a healthy cash position. The MYR has marginally weakened from RM3.88 per USD in Feb 2026 to around RM3.96 level. As this is broadly in-line with Kenanga CY26 forecast of RM3.95, the impact on our forecast is more contained (refer to Exhibit 3).

Having said that, the plastic packaging sector continues to navigate through headwinds flagged earlier such as:

1. **Disruptions from global trade tensions:** 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 businesses, and a significant portion of plastic packaging films is used in B2B trades including inter-country trade to ease shipping and logistics. Having said that, we believe that the impacts from this has been largely reflected in CY25 numbers.
2. **Heightened 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. Compounding this is demand shifting away from China by some U.S. and European buyers which in turn compelled Chinese players to offload stock at lower prices to other buyers such as those in SE Asia.

As a result, we expect a turnaround in the sector in CY26 attributable to: (i) higher profits from higher ASP, (ii) increased orders from panic buying on supply shortage, and (iii) new customer acquisition arising from some suppliers declaring "force majeure". As our sensitivity analysis suggests that a one percentage point rise in resin prices should improve the plastic packaging sector's profitability by an estimated 0.3%, we are raising our sector-wide earnings forecasts for FY26 by an average of 25% and FY27 by an average of 10% while we value the companies based on their FY27F normalized earnings on a base case assumption of \$74 per barrel of Brent oil. We have pegged our TP for coverage companies at an unchanged 8x PER with the exception of BPPLAS, which we upgraded from 8x to 10x to reflect its recent encouraging breakthrough in its bread bag development as it secures several reputable bread brands in Malaysia. The 10-year historical average PER for TGUAN, BPPLAS, SLP and SCIENTX were at respective 9.5x/12x/19x/13.3x. All considered, we upgrade our TP for the following stocks (also shown in Exhibit 4):

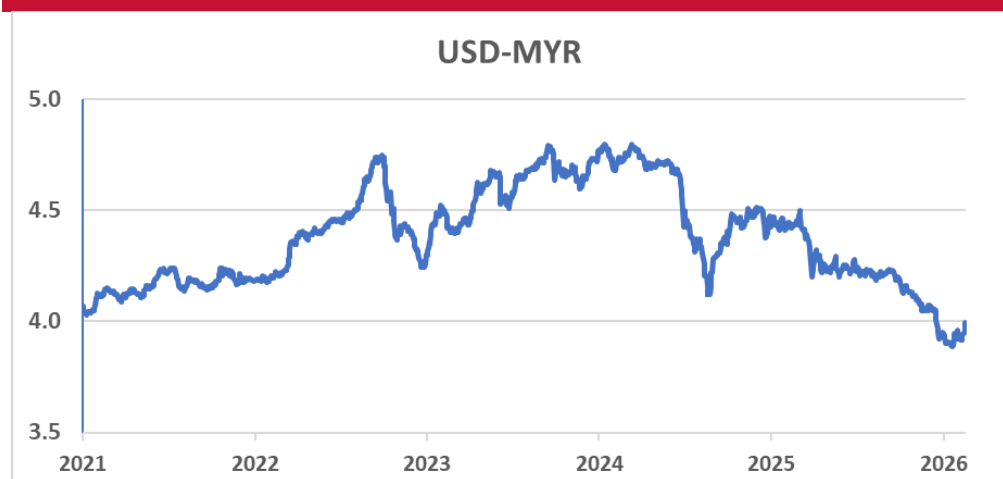
21 April 2026

1. **TGUAN** to RM1.73 (from RM1.37), maintain OUTPERFORM
2. **BPPLAS** to RM0.87 (from RM0.63), upgrade to OUTPERFORM from MARKET PERFORM
3. **SLP** to RM0.90 (from RM0.81), upgrade to OUTPERFORM from MARKET PERFORM
4. **SCIENTX** to RM3.91 (from RM3.84), maintain OUTPERFORM.

Our Top Picks for the quarter include **TGUAN (OP, TP: RM1.73)** and **BPPLAS (OP, TP: RM0.87)**.

We like **TGUAN (OP; TP: RM1.73)** given (i) its growth momentum in the F&B segment, (ii) its aggressive push into overseas markets with environmentally friendly, high-performing products. At the current valuation, TGUAN is trading at a discount of close to 30% to its 10-year historical forward price to earnings ratio of ~9x. We like **BPPLAS (OP; TP: RM0.87)** for: (i) its success in securing several reputable bread brands in Malaysia and (ii) its ability to pass through higher resin costs underpinned by its quality stretch films centric business model. Meanwhile, we remain positive on **SCIENTX (OP; TP: RM3.91)** for its growing property development performance and more resilient packaging segment among its peers backed by a well-diversified product range. We remain cautiously optimistic on **SLP (OP; TP: RM0.90)** on the potential impacts from the recent reduced tourist arrivals in Japan.

Exhibit 3: USD/MYR Chart



Source: Bloomberg, Kenanga Research

Exhibit 4 – Earnings Revisions and TP Revisions

Plastic Packaging Companies	Stock Call	Revised Target Price (RM)	Old TP (RM)	FY26F Earnings Revision (RM)	FY27F Earnings Revision (RM)
SCIENTX	OP	3.91 (+2%)	3.84	613m (+4%)	611m (+1%)
TGUAN	OP	1.73 (+26%)	1.37	107.7m (+42%)	94.5m (+20%)
SLP	OP	0.90 (+11%)	0.81	20.3m (+39%)	19.2m (+12%)
BPPLAS	OP	0.87 (+38%)	0.63	25.7m (+16%)	24.5m (+2%)

Source: Kenanga Research

21 April 2026

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.				
Stocks Under Coverage																	
BP PLASTICS HOLDINGS BHD	MP	0.740	0.870	17.6%	208.3	Y	12/2026	9.1	8.7	100.2%	-4.5%	8.1	8.5	0.7	9.2%	4.3	5.7%
SCIENTEX BHD	OP	3.60	3.91	8.6%	5,602.6	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.1	9.1	1.2	13.4%	13.0	3.6%
SLP RESOURCES BHD	MP	0.76	0.90	18.4%	240.9	Y	12/2026	6.4	6.1	99.0%	-5.4%	11.9	12.5	1.3	11.5%	4.8	6.3%
THONG GUAN INDUSTRIES BHD	OP	1.34	1.73	29.1%	524.4	Y	12/2026	26.1	22.9	45.9%	-12.3%	5.1	5.8	0.5	10.8%	6.0	4.5%
SECTOR AGGREGATE					6,576.2					23.5%	-2.3%	8.6	8.8	1.0	12.2%		5.0%

Source: Kenanga Research

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21 April 2026

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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my