

15 July 2026

Plastic Packaging

Eyes on 2QCY26 Results

OVERWEIGHT

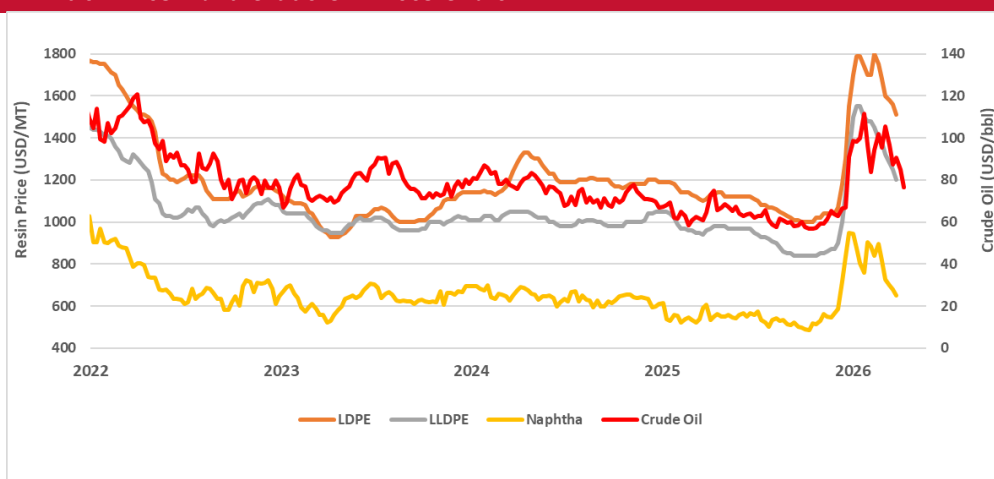
By Chris Tong | christong@kenanga.com.my

We keep our OVERWEIGHT call on the plastic packaging sector. Elevated oil prices in 2QCY26 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 profit 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, with the view that oil prices are unlikely to fall to its pre-conflict level even if the Middle East conflicts de-escalate.

Since our previous sector report, concerns on supply shortages have emerged that had not only stoked increased orders from existing customers, but some of the plastic packaging producers have also started to receive enquiries from new customers given “force majeure” from their existing suppliers. Players could thus gain market share.

Typically, there will be about one-to-two months’ time lag between purchase orders and revenue recognition upon orders delivery. Hence, the inventory gains and the potential margin expansions from higher average selling prices will mostly be reflected in the upcoming 2QCY26 results. We maintain TGUAN (OP, TP: RM1.73) and BPPLAS (OP, TP: RM0.87) as our sector picks of which we have sole coverage. Meanwhile, we take this opportunity to downgrade SCIENTX (MP, TP: RM3.91) from OUTPERFORM to MARKET PERFORM following share price action.

Exhibit 1: Resin and Crude Oil Prices Chart



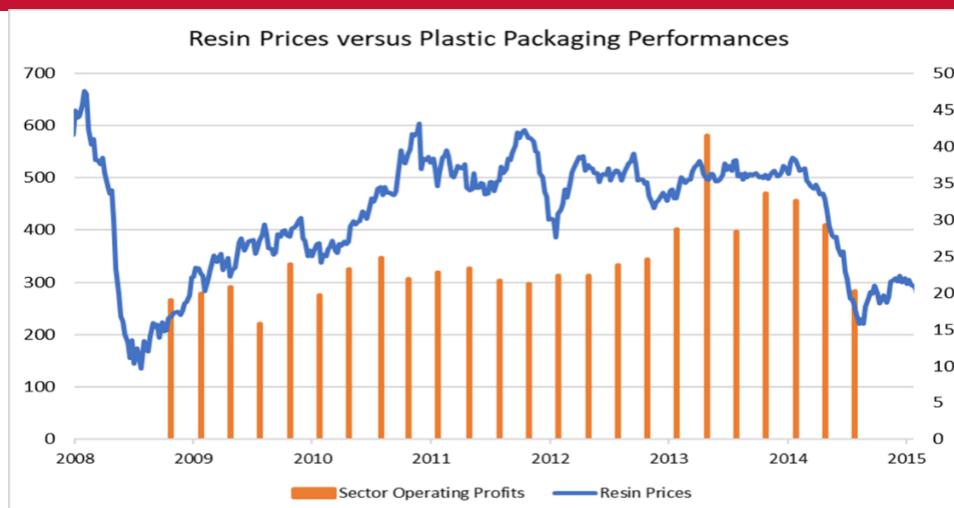
Source: Bloomberg, Kenanga Research

Earnings drivers:

1. **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 in 2QCY26, though we are cognizant of the gradual normalization since late May 2026 (refer to Exhibit 1). Historically, 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 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 on financial performance that distorted 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 and CY27, respectively, where oil prices are unlikely to fall to its pre-conflict level even if the Middle East conflicts de-escalate.

15 July 2026

2. **More orders, more customers.** Following 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 customer 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 any major supply interruptions, thanks to 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 an average of RM3.97 per USD in 1QCY26 to an average of RM4.00 in 2QCY26. 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).

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 valuing the companies based on their FY27F normalized earnings on a base case assumption of USD74 per barrel of Brent oil on a blended basis for FY27. We have pegged our TP for coverage companies at an unchanged 8x PER with the exception of BPPLAS, which we have earlier upgraded from 8x to 10x to reflect its latest breakthrough in its bread bag development after it secures several reputable bread brands in Malaysia as clients. The 10-year historical average PER for TGUAN, BPPLAS, SLP and SCIENTX were at respective 9.5x/12x/19x/13.3x.

Having said that, the headwinds flagged earlier faced by the plastic packaging sector remained as the following:

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. However, we believe that the impacts from this have 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.

15 July 2026

Our Top Picks for the quarter remain **TGUAN (OP, TP: RM1.73)** and **BPPLAS (OP, TP: RM0.87)**. We also take this opportunity to downgrade **SCIENTX (MP, TP: RM3.91)** from OUTPERFORM to MARKET PERFORM following share price action.

We like **TGUAN (OP; TP: RM1.73)** given (i) its growth momentum in the F&B segment, and (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 20% 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 as clients, and (ii) its ability to pass through higher resin costs underpinned by its quality stretch films centric business model. Meanwhile, we remain cautiously optimistic on **SLP (OP; TP: RM0.90)** on the potential impacts from the recent reduced tourist arrivals in Japan alongside weak trading liquidity.

Exhibit 3: USD/MYR Chart

Source: Bloomberg, Kenanga Research

15 July 2026

Peer Table Comparison

Name	Rating	Last Price as at 19/06/2026 (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	OP	0.700	0.870	24.3%	197.0	Y	12/2026	9.1	8.7	100.2%	-4.5%	7.7	8.0	0.7	9.2%	4.3	6.1%
SCIENTEX BHD	MP	3.75	3.91	4.3%	5,836.0	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.5	9.5	1.2	13.4%	13.0	3.5%
SLP RESOURCES BHD	OP	0.780	0.900	15.4%	247.2	Y	12/2026	6.0	6.5	11.7%	8.4%	12.9	11.9	1.0	9.1%	1.3	1.6%
THONG GUAN INDUSTRIES BHD	OP	1.50	1.73	15.3%	585.6	Y	12/2026	26.1	22.9	45.9%	-12.3%	5.7	6.5	0.6	10.8%	6.0	4.0%
SECTOR AGGREGATE					6,865.9					22.0%	-2.0%	9.0	9.1	1.1	12.1%		3.8%

Source: Kenanga Research

This section is intentionally left blank

15 July 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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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