

01 June 2018 | 1QFY18 Results Review

PPB Group Berhad

1QFY18 earnings in line but below consensus


INVESTMENT HIGHLIGHTS

- **1QFY18 Core Net Income is broadly within our expectation**
- **Net income declined 44% yoy**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM19.40**

1QFY18 Core Net Income is broadly within our expectation. PPB Group core net income (CNI) of RM198.2m is broadly within our expectation as it makes up 19% of our FY18 full year estimate of RM1.04b. However, the CNI missed consensus estimate as it makes up only 17% of full year forecast. We have excluded forex gain of RM8.5m, write off RM0.6m and forex loss of RM16.6m in our CNI calculation. As expected, no dividend is announced in 1Q.

Net income declined 44% yoy to RM189.5m as Wilmar contribution was lower at RM146m (against 1QFY17 RM279m). PPB own business divisions also registered weaker financial performance.

Earnings estimate maintained. We maintain our FY18 earnings estimate of RM1.04b. We also introduce our FY19 earnings estimate of RM1.07b. Earnings contribution from Wilmar to PPB profit is expected to be the major earnings driver in both FY18 and FY19.

Maintain NEUTRAL with TP of RM19.40. Our Target Price is based on 1.1x Book Value. Positive newsflow surrounding potential Wilmar's China operations IPO will keep PPB share price supported. However, this is neutralised by high chance of earnings to decline yoy. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM19.40

RETURN STATS

Price (31 May 2018)	RM19.92
Target Price	RM19.40
Expected Share Price Return	-2.6%
Expected Dividend Yield	+1.3%
Expected Total Return	+1.3%

STOCK INFO

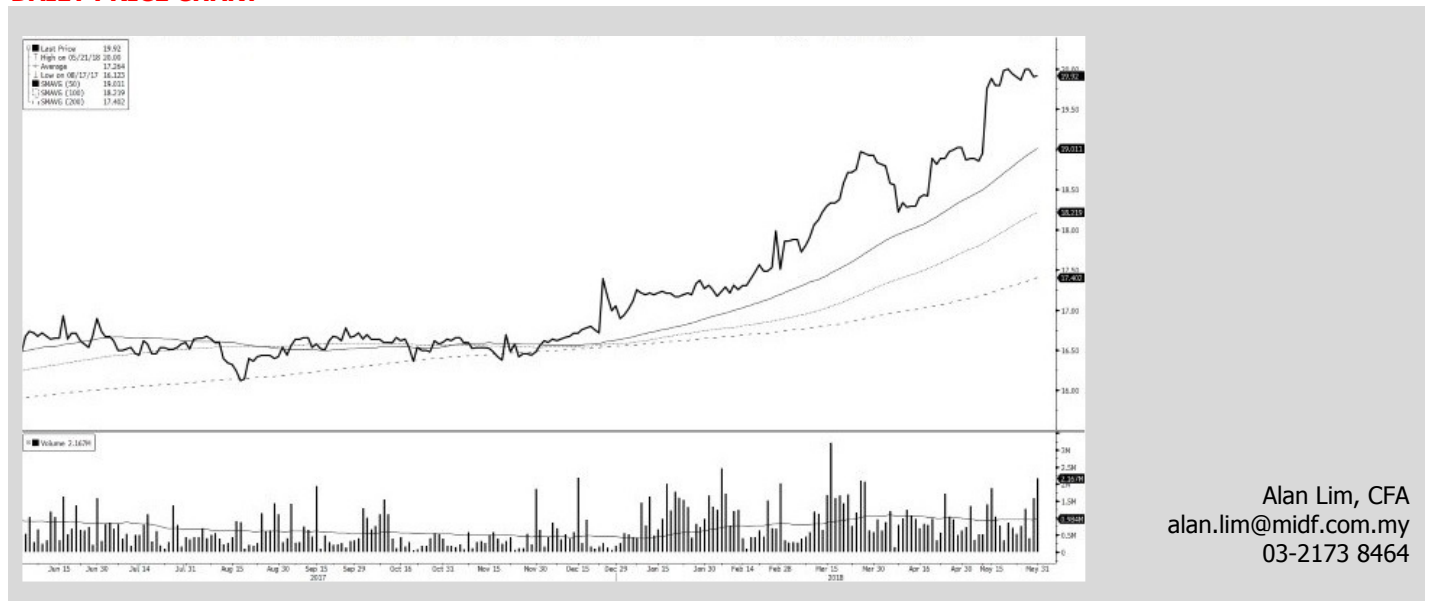
KLCI	1740.62
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,185.5
Market cap. (RM'm)	23,615.16
Price over NA	1.17
52-wk price Range	RM16.3 - RM21.0
Beta (against KLCI)	0.59
3-mth Avg Daily Vol	0.99m
3-mth Avg Daily Value	RM18.8m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81%
EPF	11.14%

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	4,048	4,186	4,305	4,349	4,576
EBIT	399	401	262	391	412
PBT	1,181	1,211	1,293	1,166	1,198
Net Income	1,051	1,045	1,205	1,040	1,069
Core Net Income	1,051	1,045	1,205	1,040	1,069
EPS (sen)	88.7	88.1	101.7	87.7	90.2
Core EPS (sen)	88.7	88.1	101.7	87.7	90.2
Net DPS (sen)	25.0	25.0	30.0	26.3	27.1
Net Dvd Yield	1.3%	1.3%	1.5%	1.3%	1.4%
Core PER	22.5	22.6	19.6	22.7	22.1
NTA/share (RM)	16.74	17.63	17.56	16.28	16.91
P/NTA	1.19	1.13	1.13	1.22	1.18
ROE	5.3%	5.0%	5.8%	5.4%	5.3%
ROA	4.8%	4.6%	5.3%	5.1%	5.1%

Source: MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

PPB 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY18	%YoY	%QoQ	3MFY18	%YoY	
Revenue	1145.1	11%	1%	1145.1	11%	Higher revenue in the "grains and agribusiness", "enviromental engineering" and "property" segment.
PBT	209.5	-43%	-46%	209.5	-43%	Lower profit contribution from Wilmar
Net Income	189.5	-44%	-50%	189.5	-44%	Within ours but below consensus
EPS (sen)	15.99	-44%	-50%	15.99	-44%	
Net DPS (sen)	0.0	NA	NA	0.0	NA	
PBT Margin	18.3%	NA	NA	18.3%	NA	

Source: Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.