

12 May 2017 | 1QFY17 Results Preview

PPB Group Berhad

Expect strong 1QFY17 earnings

INVESTMENT HIGHLIGHTS

- **PPB's 1QFY17 result should be strong**
- **Wilmar's 1QFY17 PBT grew by 45% yoy to USD467m**
- **Maintain PPB FY17 earnings estimate**
- **Maintain NEUTRAL with TP of RM17.69**

PPB's 1QFY17 result should be strong. PPB Group Berhad (PPB) is expected to release its 1QFY17 financial result on 25-May and we believe that the earnings should be strong. Yesterday, Wilmar reported 1QFY17 Core Net Profit (CNP) of USD313m. Although it makes up 33% of our estimate, we deem the result as within expectation as we are expecting CPO price to moderate in the coming quarters due to supply increase in the market. Hence, its Tropical Oils segment profit should moderate in the coming quarters. No dividend is announced in the first quarter and this is within expectation.

Wilmar's 1QFY17 PBT grew by 45% yoy to USD467m due to better profit from the Oilseeds and Grains and Tropical Oils segments. OAG segment PBT increased 27% yoy to USD213.7m due to higher soybean volume crushed and stable margins. Tropical Oils segment PBT is up 20% yoy to USD179m as it benefited from higher CPO price and volume.

Maintain PPB FY17 earnings estimate. We maintain our FY17 CNP estimate of RM945m. We also maintain our FY18 CNP estimate of RM947m. Historically, Wilmar contribution to PPB profit is around 60% to 70% and we expect this trend to remain at least in FY17 and FY18.

Maintain NEUTRAL with TP of RM17.69. Our Target Price is based on 1.0x Book Value. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM17.69

RETURN STATS

Price (11 May 2017)	RM17.00
Target Price	RM17.69
Expected Share Price Return	+4.1%
Expected Dividend Yield	+1.4%
Expected Total Return	+5.5%

STOCK INFO

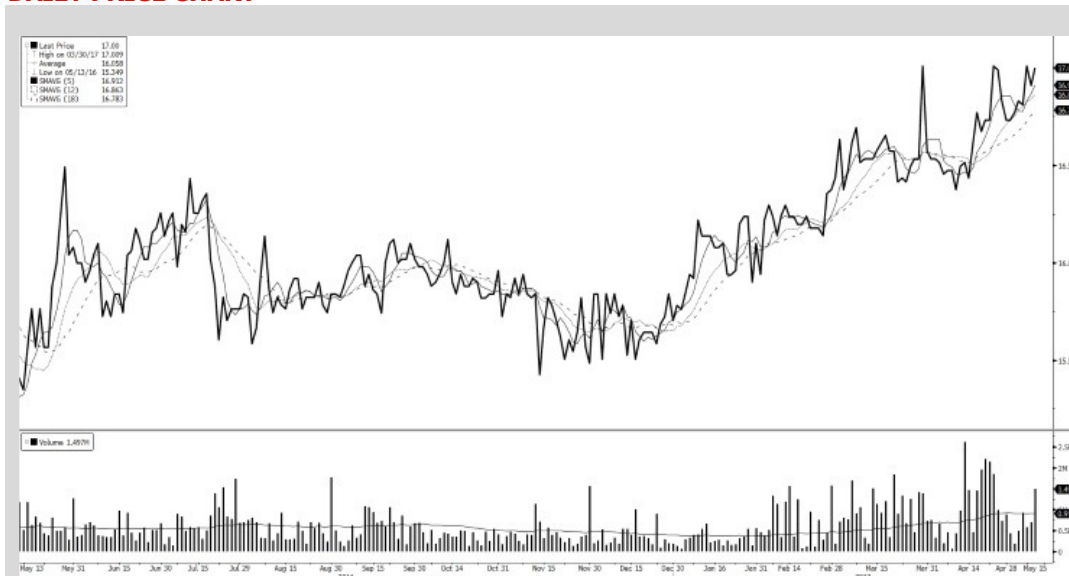
KLCI	1775.39
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,185.5
Par Value (RM)	1.00
Market cap. (RM'm)	20,153.50
Price over NA	0.96
52-wk price Range	RM15.3 - RM17.2
Beta (against KLCI)	0.70
3-mth Avg Daily Vol	0.91m
3-mth Avg Daily Value	RM15.3m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81%
EPF	8.65%

INVESTMENT STATISTICS

FYE Dec	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	3,701	4,048	4,186	4,135	4,349
EBIT	313	399	401	371	391
PBT	1,028	1,181	1,211	1,065	1,072
Net Income	917	1,051	1,045	945	947
Core Net Income	917	1,051	1,045	945	947
EPS (sen)	77.3	88.7	88.1	79.7	79.9
Core EPS (sen)	77.3	88.7	88.1	79.7	79.9
Net DPS (sen)	23.0	25.0	25.0	23.9	24.0
Net Dvd Yield	1.4%	1.5%	1.5%	1.4%	1.4%
Core PER	22.0	19.2	19.3	21.3	21.3
NTA/share (RM)	14.12	16.74	17.63	15.51	16.07
P/NTA	1.20	1.02	0.96	1.10	1.06
ROE	5.5%	5.3%	5.0%	5.1%	5.0%
ROA	4.9%	4.8%	4.6%	4.9%	4.8%

Source: MIDF Research

DAILY PRICE CHART



Alan Lim, CFA
 alan.lim@midf.com.my
 03-2173 8464

Source: Bloomberg

WILMAR 1QFY17 RESULTS SUMMARY

FYE Dec (USD'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY17	%YoY	%QoQ	3MFY17	%YoY	
Revenue	10570	17%	-12%	10,570	17%	Higher commodity prices and stronger sales volume.
EBIT	516	79%	-16%	516	79%	
Pretax Profit	467	45%	-22%	467	45%	Earnings growth is driven by Oilseeds and Grains and Tropical Oils segments. OAG segment PBT increased 27% yoy to USD213.7m due to higher soybean volume crushed and stable margins. Tropical Oils segment benefited from higher CPO price and volume.
Taxation	-84	43%	-461%	-84	43%	
MI	-21	-6%	-65%	-21	-6%	
Net Profit	362	51%	-36%	362	51%	
Core Net Profit	313	41%	-47%	313	41%	Although the Core Net Profit makes up 33% of our estimate, we deem the result as within expectation. We are expecting CPO price to moderate in the coming quarters due to supply increase in the market.
EPS (US cents)	5.7	50%	-36%	5.7	50%	

Source: Company

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(Bank Pelaburan)

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.