

30 August 2018 | 2QFY18 Results Review

PPB Group Berhad

1HFY18 earnings in line

INVESTMENT HIGHLIGHTS


- **1HFY18 Net Income is in line with expectations**
- **1HFY18 revenue improved 7%yoy to RM2.23b**
- **1HFY18 earnings improved 15%yoy**
- **Earnings estimates maintained**
- **Maintain NEUTRAL with TP of RM16.16**

1HFY18 Net Income is in line with expectations. PPB Group 1HFY18 core net income (CNI) of RM494.0m is within expectations as it makes up 54%/48% of our/consensus expectations. As expected, an 8.0 sen dividend is announced.

1HFY18 revenue improved 7%yoy to RM2.23b due to higher revenue in the "grains and agribusiness", "film exhibition and distribution", "environmental engineering" and "property" segment.

1HFY18 earnings improved 15%yoy to RM494.0m as Wilmar contribution was higher at RM376m (against 1HFY17 RM323m). Among PPB own businesses, "grains and agribusiness", "environmental engineering" and "property" segments registered better earnings.

Earnings estimates maintained. We maintain our FY18 earnings estimate of RM912m. We also maintain our FY19 earnings estimate of RM1.03b. 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 RM16.16. Our Target Price is based on 1.1x Book Value. The positive newsflow surrounding potential Wilmar's China operations IPO will keep PPB share price supported. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM16.16

RETURN STATS

Price (29 Aug 2018)	RM16.82
Target Price	RM16.16
Expected Share Price Return	-3.9%
Expected Dividend Yield	+1.3%
Expected Total Return	-2.6%

STOCK INFO

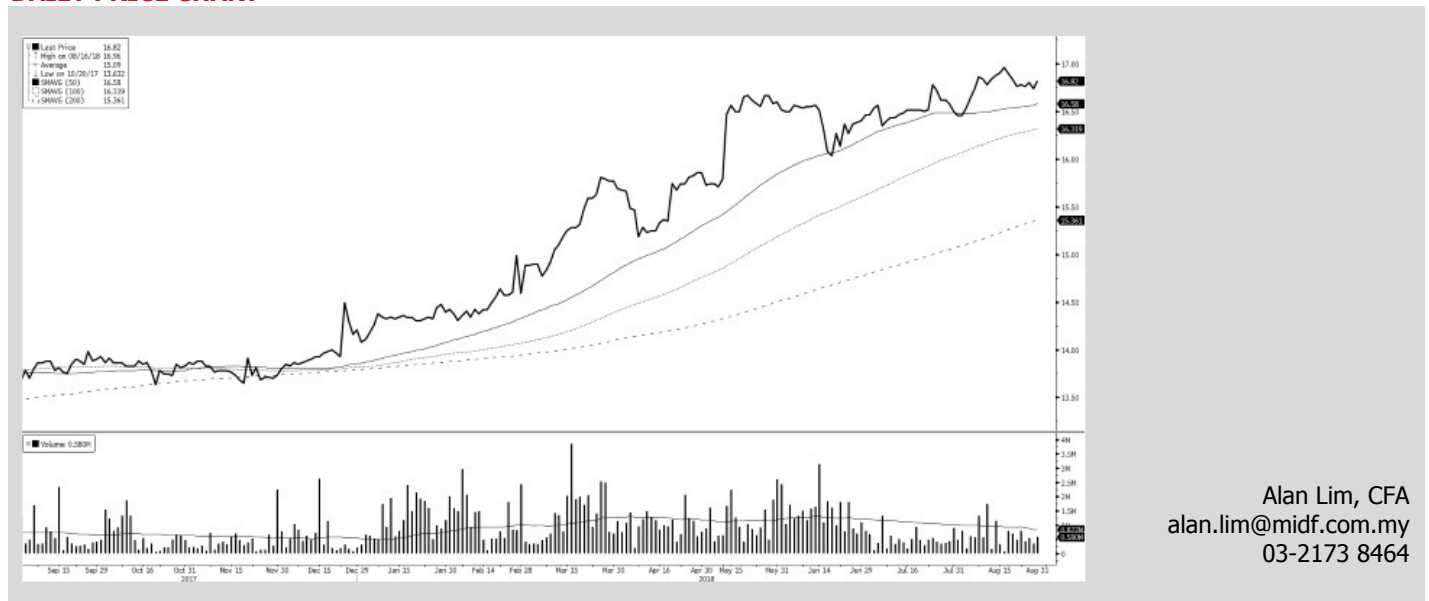
KLCI	1820.64
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1422.60
Market cap. (RM'm)	23,928.13
Price over NA	1.39
52-wk price Range	RM13.6 - RM17.5
Beta (against KLCI)	0.57
3-mth Avg Daily Vol	0.89m
3-mth Avg Daily Value	RM14.8m
Major Shareholders (%)	
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	4,310	4,494
EBIT	399	401	241	241	381
PBT	1,181	1,211	1,293	998	1,152
Net Income	1,051	1,045	1,205	912	1,031
Core Net Income	1,051	1,045	1,205	912	1,031
EPS (sen)	88.7	88.1	84.7	64.1	72.5
Core EPS (sen)	88.7	88.1	84.7	64.1	72.5
Net DPS (sen)	25.0	25.0	30.0	19.2	21.7
Net Dvd Yield	1.5%	1.5%	1.8%	1.1%	1.3%
Core PER	19.0	19.1	19.9	26.2	23.2
NTA/share (RM)	16.74	17.63	14.64	13.46	13.96
P/NTA	1.01	0.95	1.15	1.25	1.20
ROE	5.3%	5.0%	5.8%	4.7%	5.2%
ROA	4.8%	4.6%	5.3%	4.4%	4.9%

Source: MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

PPB 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY18	%YoY	%QoQ	6MFY18	%YoY	
Revenue	1082.4	3%	-5%	2227.6	7%	<i>Higher revenue in the "grains and agribusiness", "film exhibition and distribution", "enviromental engineering" and "property" segment.</i>
PBT	336.0	216%	60%	545.5	15%	<i>Higher profit contribution from Wilmar</i>
Net Income	304.5	241%	61%	494.0	15%	<i>Within ours and consensus estimates.</i>
EPS (sen)	21.4	184%	34%	34.72	-4%	
Net DPS (sen)	8.0	NA	NA	8.0	NA	
PBT Margin	31.0%	NA	NA	24.5%	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.