

25 August 2017 | 2QFY17 Results Review

## PPB Group Berhad

*1HFY17 net income within expectations*

**Maintain NEUTRAL**  
**Unchanged TP: RM17.69**


### INVESTMENT HIGHLIGHTS

- **1H FY17 net income within expectations**
- **1HFY17 earnings grew 167% yoy**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM17.69**

**1HFY17 net income within expectations:** PPB Group Berhad (PPB) Core Net Profit is within expectation as it makes up 47% of our estimate and 43% of consensus.

**1HFY17 earnings surge 167% yoy.** The strong earnings growth is caused by higher contribution from Wilmar (PBT contribution of RM339m). This has more than offset the weak earnings from PPB's own businesses.

**Earnings estimate maintained.** We maintain our FY17 earnings estimate of RM945m. We also maintain FY18 earnings estimate of RM947m. Wilmar contribution is likely to affect PPB net income significantly as we expect its PBT contribution to be 63% of PPB Group's PBT.

**Maintain NEUTRAL with TP of RM17.69.** Our Target Price is based on 1.0x Price To Book. Despite the strong 1HFY17 result, we expect earnings to moderate for the rest of FY17 due to lower CPO price expected in the 2HFY17. 

RETURN STATS	
Price (24 Aug 2017)	RM16.70
Target Price	RM17.69
Expected Share Price Return	+5.9%
Expected Dividend Yield	+1.4%
<b>Expected Total Return</b>	<b>+7.3%</b>

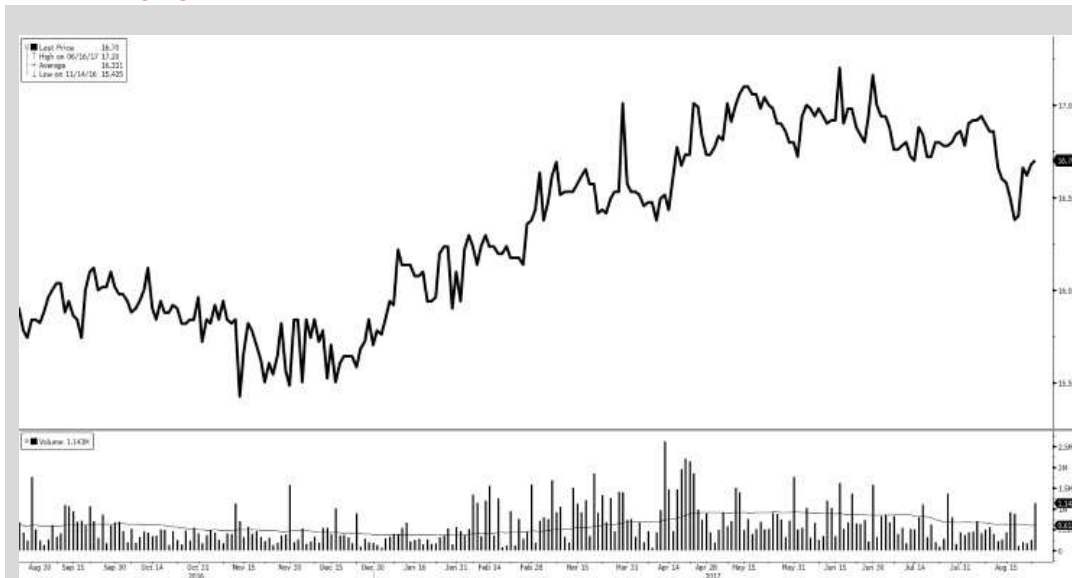
STOCK INFO	
KLCI	1775.50
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,185.5
Market cap. (RM'm)	19,797.85
Price over NA	0.95
52-wk price Range	RM15.3 - RM17.3
Beta (against KLCI)	0.69
3-mth Avg Daily Vol	0.62m
3-mth Avg Daily Value	RM10.4m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81
EPF	9.63

## 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	21.6	18.8	18.9	21.0	20.9
NTA/share (RM)	14.12	16.74	17.63	15.51	16.07
P/NTA	1.18	1.00	0.95	1.08	1.04
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

## PPB 2QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY17	%YoY	%QoQ	6MFY17	%YoY	
Revenue	1055.5	0%	2%	2088.8	-4%	<i>Lower revenue due to weaker revenue in the "film exhibition and distribution", "environmental engineering and utilities" and "property" segment.</i>
EBIT	52.9	NA	NA	130.7	-4%	
PBT	106.3	NA	NA	495.9	196%	<i>Better profit contribution from Wilmar</i>
Net Income	89.3	NA	NA	447.6	167%	<i>Core Net Profit is within expectation as it makes up 47% of our estimate and 43% of consensus.</i>
EPS (sen)	7.53	NA	NA	37.8	167%	
Net DPS (sen)	8.0	0%	NA	8.0	0%	
EBIT Margin	5.0%	NA	NA	6.3%	NA	
PBT Margin	10.1%	NA	NA	23.7%	NA	

Source: Company

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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.