

24 November 2017 | 3QFY17 Results Review

PPB Group Berhad

9MFY17 earnings in line


INVESTMENT HIGHLIGHTS

- **9MFY17 earnings within expectation**
- **9MFY17 earnings improved 51% yoy**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM17.69**

9MFY17 earnings within expectation. PPB Group Berhad (PPB) 9MFY17 Net Profit of RM829.5m came in within expectation. Although 9MFY17 Net Profit makes up 87% of our estimate and 80% of consensus, we are expecting Wilmar contribution to moderate in 4QFY17 due to strong Ringgit. As Wilmar result is reported in USD, stronger Ringgit means lower value when it is translated back in Ringgit.

9MFY17 earnings improved 51% yoy. The strong earnings growth is caused by higher contribution from Wilmar (PBT contribution +108% yoy to RM631m). 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. Earnings contribution from Wilmar to PPB profit is expected to be the major earnings driver in the near and long term.

Maintain NEUTRAL with TP of RM17.69. Our Target Price is based on 1.0x Book Value. Despite our bullish view on palm oil prices, PPB exposure to pure upstream plantation is diversified through Wilmar hence we expect it to benefit less than other plantation companies. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM17.69

RETURN STATS	
Price (23 Nov 2017)	RM16.76
Target Price	RM17.69
Expected Share Price Return	+5.5%
Expected Dividend Yield	+1.4%
Expected Total Return	+6.9%

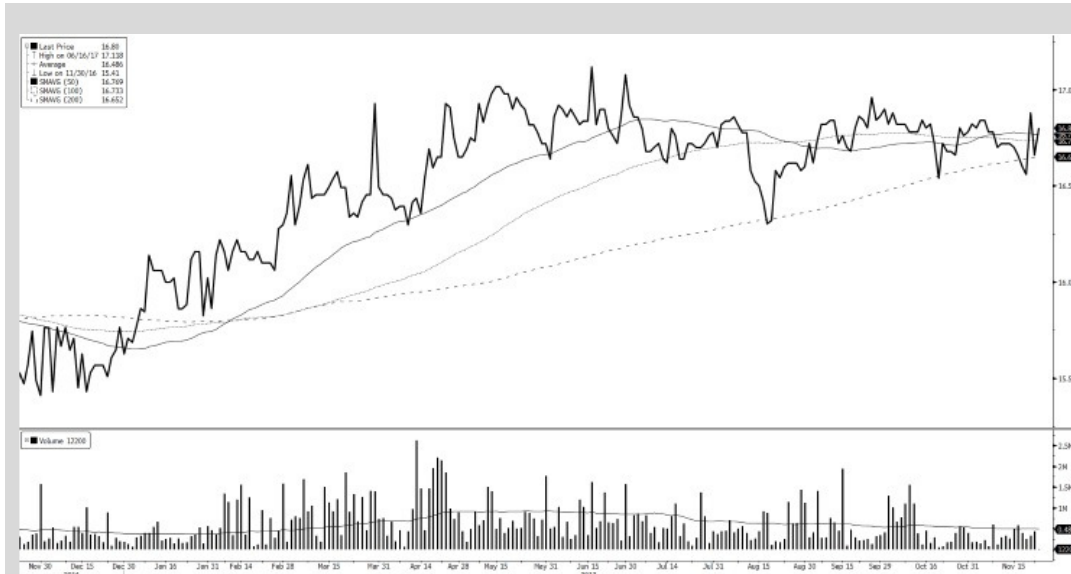
STOCK INFO	
KLCI	1721.27
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,185.5
Market cap. (RM'm)	19,868.98
Price over NA	0.94
52-wk price Range	RM15.3 - RM17.3
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	0.49m
3-mth Avg Daily Value	RM8.31m
Major 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	1,074	1,114
Net Income	917	1,051	1,045	954	988
Core Net Income	917	1,051	1,045	954	988
EPS (sen)	77.3	88.7	88.1	80.4	83.4
Core EPS (sen)	77.3	88.7	88.1	80.4	83.4
Net DPS (sen)	23.0	25.0	25.0	24.1	25.0
Net Dvd Yield	1.4%	1.5%	1.5%	1.4%	1.5%
Core PER	21.7	18.9	19.0	20.8	20.1
NTA/share (RM)	14.12	16.74	17.63	15.51	16.10
P/NTA	1.19	1.00	0.95	1.08	1.04
ROE	5.5%	5.3%	5.0%	5.2%	5.2%
ROA	4.9%	4.8%	4.6%	4.9%	4.9%

Source: MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

PPB 3QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY17	%YoY	%QoQ	9MFY17	%YoY	
Revenue	1079.5	10%	2%	3168.2	0%	Higher revenue in the "grains and agribusiness" and "consumer products" segment. However, this is neutralised by lower revenue in the "film exhibition and distribution", "environmental engineering and utilities" and "property" segment.
PBT	408.0	-5%	284%	903.9	32%	Better profit contribution from Wilmar
Net Income	382.0	0%	328%	829.5	51%	Although 9MFY17 Core Net Profit makes up 87% of our estimate and 80% of consensus, we deem the result as within expectation. We are expecting Wilmar contribution to moderate in 4QFY17 due to strong Ringgit. As Wilmar result is reported in USD, stronger Ringgit means lower value when it is translated back in Ringgit.
EPS (sen)	32.22	0%	328%	69.97	51%	
Net DPS (sen)	0.0	NA	NA	8.0	0%	
PBT Margin	37.8%	NA	NA	28.5%	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.