

28 November 2018 | 3QFY18 Results Review

PPB Group Berhad

Better than expected earnings

INVESTMENT HIGHLIGHTS


- **9MFY18 Net Income is above expectations**
- **9MFY18 revenue improved 6% yoy**
- **9MFY18 earnings improved 3% yoy**
- **Earnings estimate increased**
- **Maintain NEUTRAL with TP of RM17.63**

9MFY18 Net Income is above expectations. PPB Group 9MFY18 net income of RM854m is above our expectation as it makes up 94%/85% of our/consensus expectations. The better than expected earnings could be attributed to stronger than expected earnings from Wilmar and PPB's "Film Exhibition & Distribution" division. As expected, no dividend is announced in the third quarter of the financial year.

9MFY18 revenue improved 6% yoy to RM3.36b due to higher revenue in the "grains and agribusiness", "film exhibition and distribution", "environmental engineering" and "property" segment.

9MFY18 earnings improved 3% yoy to RM854m as Wilmar contribution was higher at RM682m (against 9MFY17 RM614m). Among PPB own businesses, "Film Exhibition & Distribution", "Environmental Engineering" and "Property" segments registered better earnings yoy.

Earnings estimate increased. We have increased our FY18 earnings estimate by 11% to RM1.01b. We also increase our FY19 earnings estimate by 6% to RM1.09b. Key changes are: i) Better margin assumed for Wilmar's Tropical Oils segment due to cheaper feedstock price and ii) Higher sales volume for PPB's "Film Exhibition & Distribution" division.

Maintain NEUTRAL with TP of RM17.63. Despite the increase in our earnings estimates, our Target Price is unchanged as it is based Price-To-Book valuation. We are using 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): RM17.63

RETURN STATS

Price (27 Nov 2018)	RM17.00
Target Price	RM17.63
Expected Share Price Return	+3.7%
Expected Dividend Yield	+1.3%
Expected Total Return	+5.0%

STOCK INFO

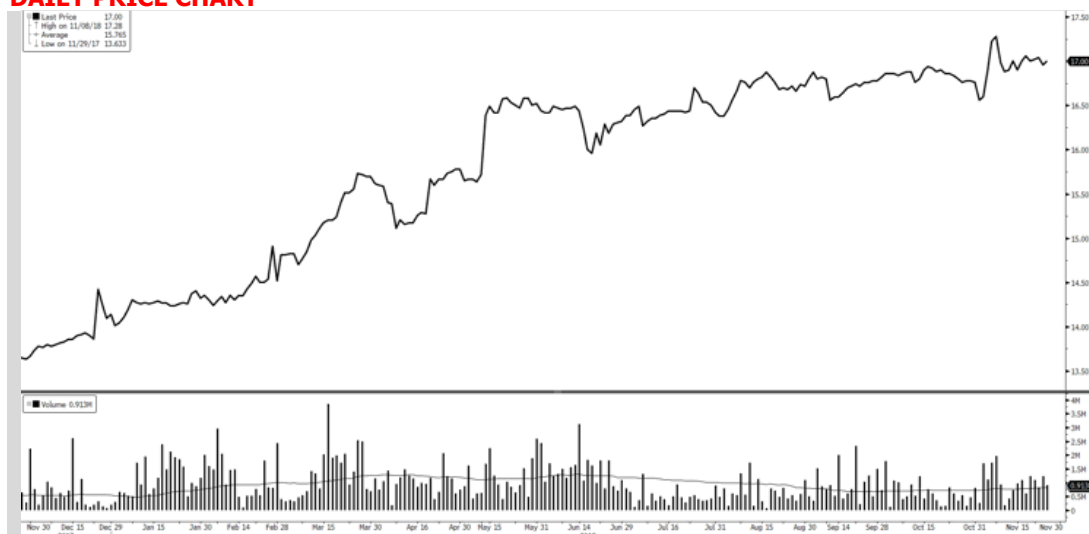
KLCI	1,684.97
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1422.60
Market cap. (RM'm)	24,184.20
Price over NA	1.16
52-wk price Range	RM13.7-RM17.5
Beta (against KLCI)	0.53
3-mth Avg Daily Vol	0.82m
3-mth Avg Daily Value	RM13.9m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81%
EPF	11.72%

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	1,095	1,213
Net Income	1,051	1,045	1,205	1,009	1,092
Core Net Income	1,051	1,045	1,205	1,009	1,092
EPS (sen)	88.7	88.1	84.7	71.0	76.7
Core EPS (sen)	88.7	88.1	84.7	71.0	76.7
Net DPS (sen)	25.0	25.0	30.0	21.3	23.0
Net Dvd Yield	1.5%	1.5%	1.8%	1.3%	1.4%
Core PER	19.2	19.3	20.1	24.0	22.2
NTA/share (RM)	16.74	17.63	14.64	13.50	14.04
P/NTA	1.02	0.96	1.16	1.26	1.21
ROE	5.3%	5.0%	5.8%	5.2%	5.4%
ROA	4.8%	4.6%	5.3%	4.9%	5.1%

Source: MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

PPB 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	1136.5	5%	5%	3364.0	6%	
PBT	375.4	-8%	12%	921.0	2%	
Net Income	359.8	-6%	18%	853.8	3%	Better than expected profit contribution from Wilmar.
EPS (sen)	25.29	-22%	18%	60.01	-14%	
Net DPS (sen)	0.0	NA	NA	8.0	NA	
PBT Margin	33.0%	NA	NA	27.4%	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.