

01 March 2018 | 4QFY17 Results Review

PPB Group Berhad

FY17 earnings in line

INVESTMENT HIGHLIGHTS

- **FY17 earnings within expectation**
- **FY17 earnings improved 15% yoy**
- **Earnings estimate maintained**
- **Maintain BUY with TP of RM19.46**

FY17 earnings within expectation. PPB Group Berhad (PPB) FY17 Net Income of RM1.21b is broadly within expectations as it makes up 113% of our estimate and 111% of consensus.

FY17 earnings improved 15% yoy. The strong earnings growth is caused by higher contribution from Wilmar (PBT contribution +26% yoy to RM1.06b). This has more than offset the weak earnings from PPB's own businesses.

Earnings estimate maintained. We maintain our FY18 earnings estimate of RM1.12b. We also introduce our FY19 earnings estimate of RM1.14b. Earnings contribution from Wilmar to PPB profit is expected to be the major earnings driver in both FY18 and FY19.

Maintain BUY with TP of RM19.46. Our Target Price is based on 1.1x Book Value. We like the stock for the positive newsflow surrounding potential Wilmar's China operations IPO. 

Maintain BUY

Unchanged Target Price (TP): RM19.46

RETURN STATS

| | |
|------------------------------|---------------|
| Price (28 Feb 2018) | RM17.70 |
| Target Price | RM19.46 |
| Expected Share Price Return | +9.9% |
| Expected Dividend Yield | +1.6% |
| Expected Total Return | +11.5% |

STOCK INFO

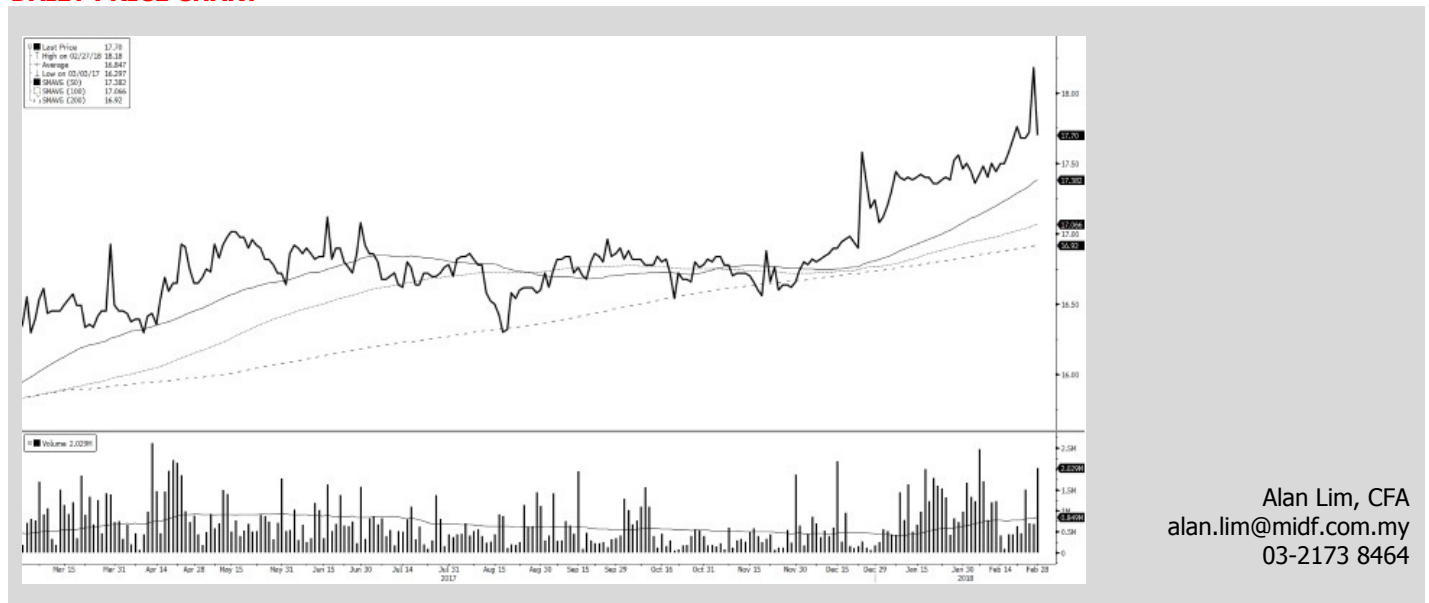
| | |
|------------------------|-----------------|
| KLCI | 1856.20 |
| Bursa / Bloomberg | 4065 / PEP MK |
| Board / Sector | Main/ Consumer |
| Syariah Compliant | Yes |
| Issued shares (mil) | 1,185.5 |
| Market cap. (RM'm) | 20,983.35 |
| Price over NA | 1.00 |
| 52-wk price Range | RM16.3 - RM18.7 |
| Beta (against KLCI) | 0.67 |
| 3-mth Avg Daily Vol | 0.85m |
| 3-mth Avg Daily Value | RM14.8m |
| Major Shareholders (%) | |
| Kuok Brothers Sdn Bhd | 50.81% |
| EPF | 8.65% |

INVESTMENT STATISTICS

| FYE Dec | FY15A | FY16A | FY17A | FY18F | FY19F |
|-----------------|-------|-------|-------|-------|-------|
| Revenue | 4,048 | 4,186 | 4,305 | 4,349 | 4,576 |
| EBIT | 399 | 401 | 262 | 391 | 412 |
| PBT | 1,181 | 1,211 | 1,293 | 1,248 | 1,271 |
| Net Income | 1,051 | 1,045 | 1,205 | 1,123 | 1,141 |
| Core Net Income | 1,051 | 1,045 | 1,205 | 1,123 | 1,141 |
| EPS (sen) | 88.7 | 88.1 | 101.7 | 94.7 | 96.3 |
| Core EPS (sen) | 88.7 | 88.1 | 101.7 | 94.7 | 96.3 |
| Net DPS (sen) | 25.0 | 25.0 | 30.0 | 28.4 | 28.9 |
| Net Dvd Yield | 1.4% | 1.4% | 1.7% | 1.6% | 1.6% |
| Core PER | 20.0 | 20.1 | 17.4 | 18.7 | 18.4 |
| NTA/share (RM) | 16.74 | 17.63 | 17.56 | 16.33 | 17.00 |
| P/NTA | 1.06 | 1.00 | 1.01 | 1.08 | 1.04 |
| ROE | 5.3% | 5.0% | 5.8% | 5.8% | 5.6% |
| ROA | 4.8% | 4.6% | 5.3% | 5.5% | 5.3% |

Source: MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

PPB 4QFY17 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | | Comments |
|---|-------------------|------|------|------------|------|--|
| | 4QFY17 | %YoY | %QoQ | FY17 | %YoY | |
| Revenue | 1136.8 | 11% | 5% | 4305.1 | 3% | Higher revenue in the "grains and agribusiness", "consumer products" and "film exhibition and distribution" segment. |
| PBT | 389.2 | -23% | -5% | 1293.1 | 7% | Better profit contribution from Wilmar |
| Net Income | 375.9 | -24% | -2% | 1205.4 | 15% | FY17 Net Income of RM1.21b is broadly within expectations as it makes up 113% of our estimate and 111% of consensus. |
| EPS (sen) | 31.71 | -24% | -2% | 101.68 | 15% | |
| Net DPS (sen) | 22.0 | 29% | NA | 30.0 | 20% | |
| PBT Margin | 34.2% | NA | NA | 30.0% | 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. |