

23 February 2018 | 4QFY17 Results Preview

## PPB Group Berhad

*Expect a strong FY17 earnings*

**Upgrade to BUY**

**Increased Target Price (TP): RM19.46**  
(Previously RM17.69)

### INVESTMENT HIGHLIGHTS

- **Expect a strong FY17 earnings for PPB**
- **Wilmar FY17 earnings is above our expectation**
- **Wilmar's Oilseeds and Grains segment is the star performer**
- **Wilmar to list its China operations soon?**
- **Increase PPB earnings estimate**
- **Upgrade to BUY with TP of RM19.46**

**Expect a strong FY17 earnings for PPB.** PPB Group Berhad (PPB) is expected to release its FY17 financial result on 28-February. We believe that the FY17 earnings should be stronger yoy. This is in line with Wilmar FY17 Core Net Profit (CNP) of USD1.05b which has shown decent earnings growth of 7% yoy.

**Wilmar FY17 earnings is above our expectation.** Wilmar's FY17 CNP of USD1.05b is above our expectation at 108% of our estimate due to better than expected crush margin in the Oilseeds and Grains (OAG) division. Against consensus, Wilmar's CNP is in line at 98% of consensus estimate. A final dividend of 7.0 SGD cents is announced and this is above our expectation of 5.0 SGD cents.

**Wilmar's Oilseeds and Grains segment is the star performer.** The good earnings growth is caused by strong earnings growth in the Oilseeds and Grains segment. OAG segment registered PBT of USD735m (against FY16's PBT of USD251m) due to higher sales volume and good crush margins. However, Tropical Oils segment PBT declined 38% yoy to USD426m due to lower downstream margins.

**Wilmar to list its China operations soon?** Wilmar mentioned that its internal restructuring of the Group's China operations, with a view to a possible separate listing, has been largely completed. However, it mentioned that it is still at evaluation stage. We are positive on the news and believe that the corporate exercise will be completed eventually either in FY18 or 1HFY19.

**Increase PPB earnings estimate.** We have increased our FY17 CNP estimate by 12% to RM1.07b. We also maintain our FY18 CNP estimate by 14% to RM1.12b. We have imputed higher crush margin in the OAG division.

RETURN STATS	
Price (22 Feb 2018)	RM17.68
Target Price	RM19.46
Expected Share Price Return	+10.1%
Expected Dividend Yield	+1.5%
<b>Expected Total Return</b>	<b>+11.6%</b>

STOCK INFO	
KLCI	1855.07
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,185.5
Market cap. (RM'm)	20,959.64
Price over NA	0.99
52-wk price Range	RM16.2 - RM17.7
Beta (against KLCI)	0.68
3-mth Avg Daily Vol	0.77m
3-mth Avg Daily Value	RM13.3m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81%
EPF	11.38%

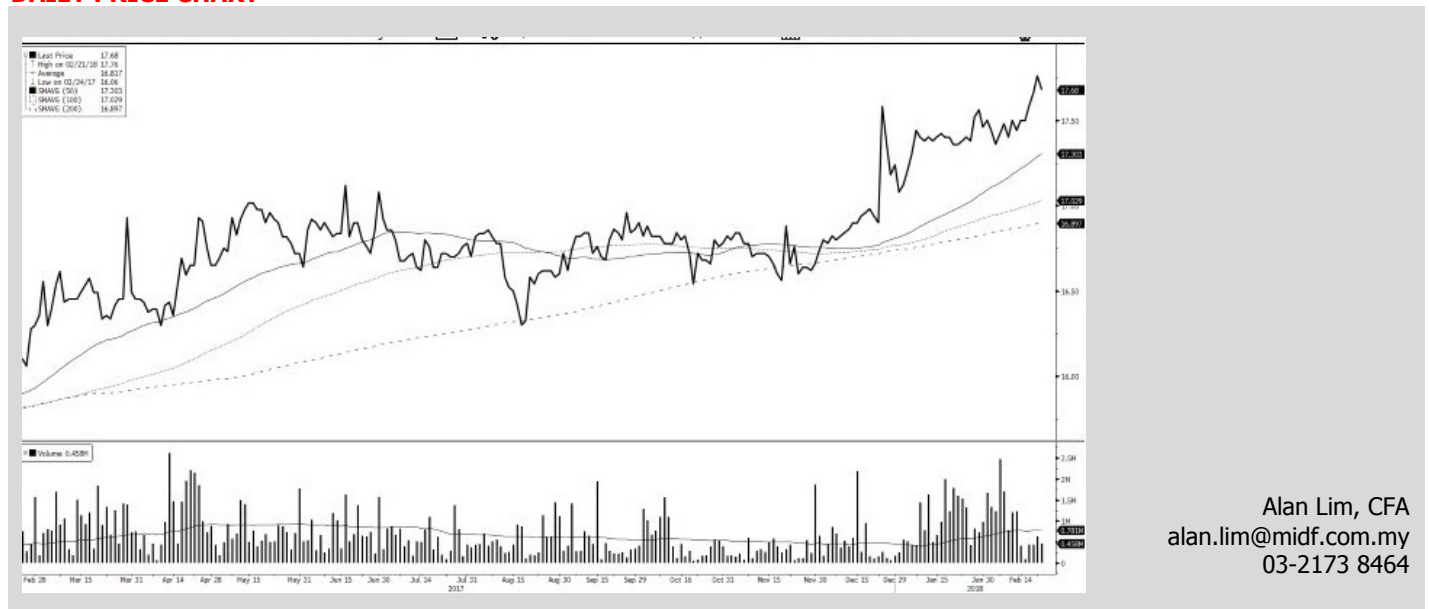
## INVESTMENT STATISTICS

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	1,186	1,248
Net Income	917	1,051	1,045	1,066	1,123
Core Net Income	917	1,051	1,045	1,066	1,123
EPS (sen)	77.3	88.7	88.1	89.9	94.7
Core EPS (sen)	77.3	88.7	88.1	89.9	94.7
Net DPS (sen)	23.0	25.0	25.0	27.0	28.4
Net Dvd Yield	1.3%	1.4%	1.4%	1.5%	1.6%
Core PER	22.9	19.9	20.1	19.7	18.7
NTA/share (RM)	14.12	16.74	17.63	15.58	16.24
P/NTA	1.25	1.06	1.00	1.13	1.09
ROE	5.5%	5.3%	5.0%	5.7%	5.8%
ROA	4.9%	4.8%	4.6%	5.4%	5.5%

Source: MIDF Research

**Upgrade to BUY with TP of RM19.46.** We have increased our Target Price to **RM19.46** (from RM17.69). Our Target Price To Book has been increased to 1.1x (from 1.0) in view of improved earnings prospect for both FY17 and FY18. We like the stock for the positive newsflow on good prospect for FY17 earnings and positive newsflow surrounding potential Wilmar's China operations IPO.

## DAILY PRICE CHART



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Source: Bloomberg

## WILMAR 4QFY17 RESULTS SUMMARY

FYE Dec (USD'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	11548	-3%	4%	43846	6%	Higher sales volume from Oilseeds & Grains (OAG) division.
EBIT	481	-22%	-18%	1550	3%	
Pretax Profit	549	-8%	6%	1598	23%	Earnings growth is driven by Oilseeds and Grains segment. OAG segment registered PBT of USD735m (against FY16's PBT of USD251m) due to higher sales volume and good crush margins. However, Tropical Oils segment PBT declined 38% yoy to USD426m due to lower downstream margins.
Net Profit	428	-24%	16%	1219	25%	
Core Net Profit	374	-37%	15%	1047	7%	Core Net Profit makes up 98% of consensus estimate. It is at 108% of our estimate.
EPS (US cents)	6.8	-24%	15%	19.3	25%	

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.