

27 April 2018 | Corporate Update

PPB Group Berhad

Good Utilisation Of Cash

Maintain BUY

Adjusted Target Price (TP): RM21.16
(Previously RM19.46)

INVESTMENT HIGHLIGHTS


- **Acquiring 16.8% stake in Hillcrest Gardens Sdn Bhd**
- **Valuation of RM55 per square foot is fair**
- **Positive on the news as PPB cash is better utilised**
- **Earnings estimates maintained**
- **Maintain BUY with higher TP of RM21.16**

Acquiring 16.8% stake in Hillcrest Gardens Sdn Bhd. PPB Group Berhad (PPB) has announced that it is acquiring a 16.8% stake in Hillcrest Gardens Sdn. Bhd. (Hillcrest) from Lembaga Tabung Angkatan Tentera (LTAT) for RM59.1m cash. Kuok Brothers Sdn Bhd (KBSB) currently owns 51.9% stake in Hillcrest. Note that KBSB is also the major shareholder in PPB.

Valuation of RM55 per square foot is fair. The deal values Hillcrest at RM351.6m. As Hillcrest owns in total 147.78 acres of land, valuation is RM55 per square foot. Out of the total 147.78 acres of land, 85.84 acres are located at Taman Puchong Utama. The remaining 61.94 acres are located at Taman Seri Gombak. In view of the strategic location of these lands, we believe that the valuation is fair as it is within the range of market price for these areas.

Positive on the news as PPB cash is better utilised. We believe that the investment in Hillcrest represents a good opportunity for PPB to better utilise its cash. Note that PPB has net cash of RM558m as of end-FY17. We expect Hillcrest to launch its property development in less than 3 years as Taman Puchong Utama is a mature area, hence high likelihood of good take up rate.

Earnings estimates maintained. We maintain our FY18 earnings estimate of RM1.13b. We also maintain our FY19 earnings estimate of RM1.15b. Earnings contribution from Hillcrest is expected to kick in earliest from FY2021 onwards.

Maintain BUY with higher TP of RM21.16. We have applied valuation methodology of 1.2x Book Value (previously 1.1x Book Value) due to PPB's better cash utilisation. Separately, the positive newsflow surrounding potential Wilmar's China operations IPO should keep its share price uptrend intact hence our BUY call. 

RETURN STATS	
Price (26 April 2018)	RM19.22
Target Price	RM21.16
Expected Share Price Return	+10.1%
Expected Dividend Yield	+1.5%
Expected Total Return	+11.6%

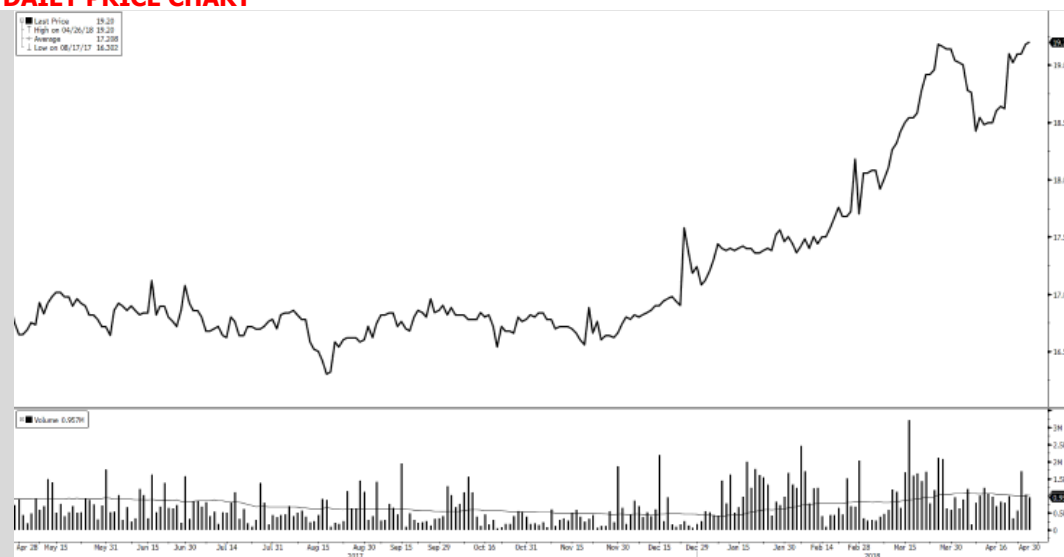
STOCK INFO	
KLCI	1,852.27
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,185.5
Market cap. (RM'm)	22,761.60
Price over NA	1.09
52-wk price Range	RM16.3-RM19.3
Beta (against KLCI)	0.69
3-mth Avg Daily Vol	1.01m
3-mth Avg Daily Value	RM18.5m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81
EPF	11.00

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	1,261	1,283
Net Income	1,051	1,045	1,205	1,135	1,154
Core Net Income	1,051	1,045	1,205	1,135	1,154
EPS (sen)	88.7	88.1	101.7	95.7	97.3
Core EPS (sen)	88.7	88.1	101.7	95.7	97.3
Net DPS (sen)	25.0	25.0	30.0	28.7	29.2
Net Dvd Yield	1.3%	1.3%	1.6%	1.5%	1.5%
Core PER	21.7	21.8	18.9	20.1	19.8
NTA/share (RM)	16.74	17.63	17.56	16.34	17.02
P/NTA	1.15	1.09	1.09	1.18	1.13
ROE	5.3%	5.0%	5.8%	5.8%	5.7%
ROA	4.8%	4.6%	5.3%	5.5%	5.4%

Source: MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

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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.