

05 September 2018 | Corporate Update

## PPB Group Berhad

*Key takeaways from briefing*

### INVESTMENT HIGHLIGHTS


- **Wilmar contribution increased 16%yoy to RM376m**
- **PPB's Grains and Agribusiness division EBIT improved 30%yoy**
- **Weaker earnings from cinema and consumer division**
- **Maintain NEUTRAL with higher TP of RM17.63**

PPB Group Berhad (PPB) organised an analyst briefing yesterday and we returned feeling positive on the Company's long term prospect. This is due to long term stable earnings prospect seen from Wilmar, improved earnings from PPB's Grains and Agribusiness division and its superior balance sheet with net cash of RM684m. Key takeaways from the briefing are as below:

**Wilmar contribution increased 16%yoy to RM376m.** We gather that Wilmar contribution to PPB profit before tax increased 16%yoy to RM376m in the 1HFY18. This is in line with improved 1HFY18 earnings at Wilmar (net profit +30% to USD520m). Recall that Wilmar Oilseeds & Grains (OAG) segment PBT jumped 73%yoy to USD463m due to higher crushing volumes and margins. Wilmar's Tropical Oils segment PBT improved 20%yoy to USD257m due to better performance from midstream and downstream businesses.

**PPB's Grains and Agribusiness division EBIT improved 30%yoy.** Grains and Agribusiness (G&A) division performed well with EBIT increase of 30%yoy to RM73m. This is caused by 6% increase in revenue to RM1.54b due to higher sales volume from all flour mills. Margin has also improved due to lower raw material costs.

**Weaker earnings from cinema and consumer division.** PPB's Film Exhibition & Distribution (or "Cinema") EBIT declined 28%yoy to RM26m due to losses from the film distribution business as movie titles released were weaker compared to previous year. For consumer products, EBIT declined 46%yoy to RM10m. The lower profit is due to RM8m one off gain in 1HFY17 related to sale of land and building. Excluding this, the earnings decline was about 9%yoy.

**Maintain NEUTRAL with higher TP of RM17.63.** The increase in TP is due to higher Target Price to Book (PB) of 1.2x (from 1.1x) from positive factors mentioned above. Note that the 1.2x PB is the long term average PB for PPB. We maintain our FY18/FY19 earnings estimates of RM912m/RM1.03b. The positive newsflow surrounding potential Wilmar's China operations IPO will keep PPB share price supported. 

**Maintain NEUTRAL**

**Adjusted Target Price (TP): RM17.63**  
(Previously RM16.16)

RETURN STATS	
Price (4 Sep 2018)	RM16.96
Target Price	RM17.63
Expected Share Price Return	+3.9%
Expected Dividend Yield	+1.1%
<b>Expected Total Return</b>	<b>+5.0%</b>

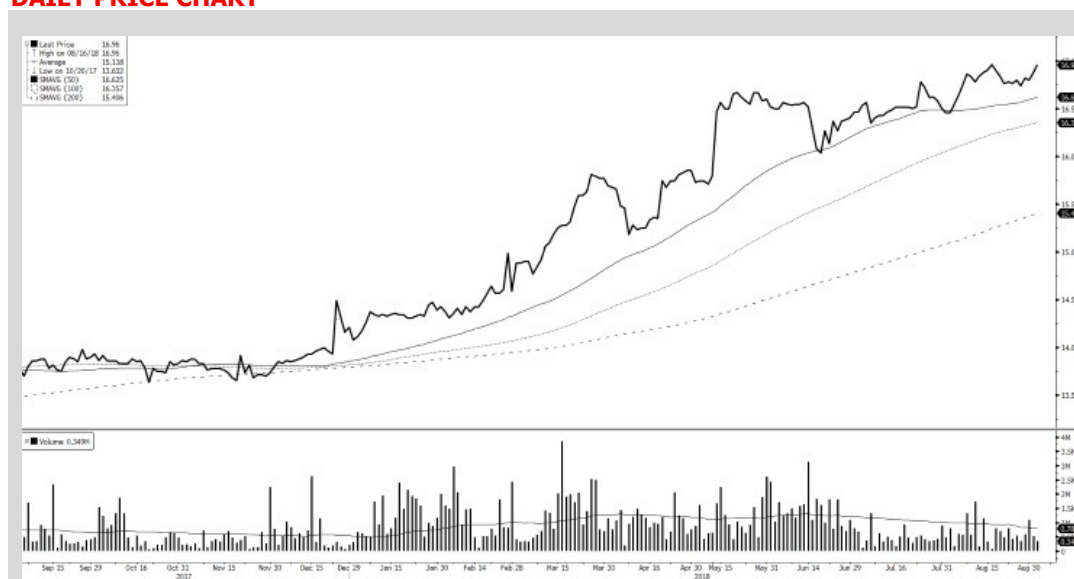
STOCK INFO	
KLCI	1812.76
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1422.60
Market cap. (RM'm)	24,127.29
Price over NA	1.15
52-wk price Range	RM13.6 - RM17.5
Beta (against KLCI)	0.57
3-mth Avg Daily Vol	0.82m
3-mth Avg Daily Value	RM13.5m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81%
EPF	12.10%

## 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	998	1,152
Net Income	1,051	1,045	1,205	912	1,031
Core Net Income	1,051	1,045	1,205	912	1,031
EPS (sen)	88.7	88.1	84.7	64.1	72.5
Core EPS (sen)	88.7	88.1	84.7	64.1	72.5
Net DPS (sen)	25.0	25.0	30.0	19.2	21.7
Net Dvd Yield	1.5%	1.5%	1.8%	1.1%	1.3%
Core PER	19.1	19.2	20.0	26.5	23.4
NTA/share (RM)	16.74	17.63	14.64	13.46	13.96
P/NTA	1.01	0.96	1.16	1.26	1.21
ROE	5.3%	5.0%	5.8%	4.7%	5.2%
ROA	4.8%	4.6%	5.3%	4.4%	4.9%

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.