

## PPB Group Berhad

(4065 | PPB MK) Main | Food &amp; Beverages

### Low Contribution from Wilmar

#### KEY INVESTMENT HIGHLIGHTS


- **Below expectations**
- **Core business is improved better than expected**
- **Wilmar performance remains challenging**
- **Earnings forecast; tweak lower**
- **Maintain NEUTRAL with a revised TP of RM13.86**

**Earnings deteriorated further.** 9M23's core PATMI came-in below our consensus forecast at 66% and 53%, amounted RM873.4m (-46.0%yoy), whilst revenue remained flat at RM4.46b (-1.8%yoy) supported by its two-core business which are grains and agribusiness and film exhibition and distribution. Surprisingly, operating profit were much higher at RM361.4m (>100%yoy) with improved operating margin of +8.1% (+6.7 pts) on better film exhibition contribution.

**Grains and agribusiness.** The segment profit increased significantly to RM154.9m (>100%qoq, >100%qoq) during the quarter, owing to an RM31.3m one-time gain from the disposal of PT Pundi Kencana, as well as improved demand activities from Indonesia and China flour, particularly with low raw material costs in hand. Profits for 9M23 increased to RM223.1m, and margin improved to +6.7% (>100 points), owing to improved performance of Malaysian operations with greater sales and profit margins.

**Film exhibition and distribution.** In summary, the film segment managed to returned profit of RM19.4m (>100%ytd) in tandem with surged in revenue of RM463.3m (+21.2%ytdy) it recorded. This was mainly due to a 23% and 25% increase in Malaysia box office collections and admissions for Malaysian operations coupled with improved contribution from the Vietnam operations.

**Earnings estimates.** We pare FY23 earnings by -8.6%yoy to reflect weaker Wilmar contribution profit contribution. Nonetheless, we noticed the consolidation in wheat prices continued, where the commodity has dropped to the average of USD325.3/Mt (-11%qoq) in 3QCY23 from average price of USD363.8/Mt sequentially. This will result in grains and agribusiness crushing margins to normalize, aided by prudent procurement of feedstock as well a decline in in the price of wheat, hence we project this segment would continue to lift the group's operating profit to RM120-160m level over next the 3 years.

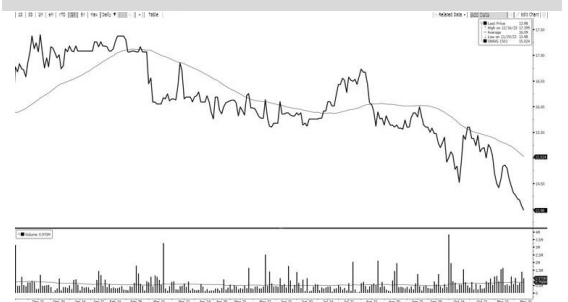
**Maintain NEUTRAL.** We foresee its crushing margin to normalise ahead following consolidation of wheat's average year-to-date price of USD351.1/Mt (-19%yoy), however the optimism in the core business was tapered by Wilmar performance (easing in all 3-core business). Hence, we are maintaining our **NEUTRAL** call with a revised **TP of RM13.86** (previously RM15.17) based on PER of 16x by pegging FY23F EPS of 86.6sen. 

**Maintain NEUTRAL**
**Revised Target Price: RM13.86**  
 (Previously RM15.17)

#### RETURN STATISTICS

Price @ 29 <sup>th</sup> Nov 2023 (RM)	13.98
Expected share price return (%)	-0.88
Expected dividend yield (%)	+2.15
<b>Expected total return (%)</b>	<b>+1.26</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.0	-4.0
3 months	0.0	-4.1
12 months	-7.4	-4.2

#### INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	6,340.5	6,441.2	6,537.7
EBITDA	158.5	161.0	163.4
Profit Before Tax	1,390.1	1,418.0	1,526.2
Core PATAMI	1,232.0	1,375.5	1,480.4
Core EPS	86.6	96.7	104.1
DPS	30.0	30.0	30.0
Dividend Yield	2.1%	1.9%	1.9%

#### KEY STATISTICS

FBM KLCI	1,446.07
Issue shares (m)	1422.60
Estimated free float (%)	34.15
Market Capitalisation (RM'm)	22,391.72
52-wk price range	RM15.3 – RM18.0
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	8.9
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.49
EPF	10.25
Nai Seng Sdn Bhd	3.44

**PPB Resources: 2Q23 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly					Cumulative		
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd
<b>Income Statement</b>								
Revenue	1,649.3	1,480.9	1,457.6	-1.6	-11.6	4,540.5	4,458.2	-1.8
Operating profit	93.0	119.5	127.0	6.3	36.6	66.0	361.4	>100
Finance costs	-18.9	-20.4	-15.0	NM	NM	-46.1	-57.1	NM
PBT	812.4	232.8	398.9	71.3	-50.9	1,804.9	1,046.8	-42.0
Tax expense	-17.1	-25.0	-15.0	NM	NM	-10.9	-62.5	NM
PATAMI	1,065.5	202.8	372.6	83.7	-65.0	1,782.0	952.9	-46.5
Core PATAMI	1,043.8	151.4	293.9	94.0	-71.8	1,618.3	873.4	-46.0
				-/+ppt				
OP margin (%)	5.6	8.1	8.7	0.6	3.1	1.5	8.1	6.7
PBT margin (%)	49.3	15.7	27.4	11.6	-21.9	39.8	23.5	-16.3
Core PATAMI margin (%)	63.3	10.2	20.2	9.9	-43.1	35.6	19.6	-16.1
Effective tax rate (%)	-2.1	-10.7	-3.8	7.0	-1.7	-0.6	-6.0	-5.4

**SEGMENTAL BREAKDOWN**

FYE Dec (RM'm)	Quarterly					Cumulative		
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd
<b>Revenue</b>								
Grains and agribusiness	1,234.5	1,098.2	2,219.4	>100	79.8	3,404.3	3,317.6	-2.5
Consumer Products	191.1	139.1	437.3	>100	>100	566.6	576.4	1.7
Film exhibition and distribution	161.8	168.0	295.3	75.7	82.5	382.4	463.3	21.2
Property	44.4	22.1	65.2	>100	47.1	126.5	87.3	-31.0
Other operations (Wilmar)	17.7	3.6	10.0	>100	-43.1	60.9	13.7	-77.5
<b>Pre-Tax</b>								
Grains and agribusiness	42.5	68.2	154.9	>100	>100	-23.1	223.1	>100
Consumer Products	10.1	4.6	13.9	>100	37.7	13.1	18.5	41.5
Film exhibition and distribution	16.8	0.0	19.4	>100	15.6	-7.6	19.4	>100
Property	17.4	2.6	11.3	>100	-34.7	21.8	14.0	-35.8
Other operations (Wilmar)	732.7	151.9	643.2	>100	-12.2	1,002.3	795.1	-20.7
<b>Pre-Tax margin %</b>				-/+ppt				
Grains and agribusiness	3.4	6.2	7.0	0.8	3.5	-0.7	6.7	7.4
Consumer Products	5.3	3.3	3.2	-0.1	-2.1	2.3	3.2	0.9
Film exhibition and distribution	10.4	0.0	6.6	6.6	-3.8	-2.0	4.2	6.2
Property	39.1	11.9	17.4	5.4	-21.8	17.2	16.0	-1.2
Other operations (Wilmar)	4,146.1	4,192.8	6,400.9	2,208.1	2,254.8	1,646.5	5,815.6	4,169.1
<b>Pre-Tax Stats.</b>								
% Core Business contribution to PBT	10.7	33.2	23.7	-9.5	>100	0.4	25.7	25.3
% Wilmar contribution to PBT	89.3	66.8	76.3	9.5	-14.6	99.6	74.3	-25.3

Source: PPB, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
Revenue	4,652.9	6,151.2	6,340.5	6,441.2	6,537.7
Operating Profit	-42.1	136.6	126.8	161.0	163.4
PBT	1,501.2	2,250.3	1,270.1	1,418.0	1,526.2
PATAMI	1,478.2	2,208.1	1,232.0	1,375.5	1,480.4
Core PATAMI	1,585.7	2,317.3	1,232.0	1,375.5	1,480.4
Core EPS (sen)	111.5	162.9	86.6	96.7	104.1
PER (x)	12.5x	8.6x	16.1x	14.5x	13.4x
DPS (sen)	35.0	40.0	30.0	30.0	30.0
Dividend yield (%)	2.5%	2.9%	2.1%	2.1%	2.1%

<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PPE	1,383.1	1,322.7	2,678.9	2,714.6	2,750.2
Right-of-use assets	317.2	366.7	381.7	396.7	411.7
Non-current assets	23,702.8	25,016.6	26,387.8	26,438.6	26,489.1
Inventories	1,081.8	1,090.1	1,027.5	963.5	896.5
Receivables	1,044.0	1,146.5	868.6	794.1	716.5
Current assets	3,694.4	3,874.8	2,578.8	3,265.5	4,093.4
<b>Total Assets</b>	<b>27,397.2</b>	<b>28,932.7</b>	<b>28,966.6</b>	<b>29,704.1</b>	<b>30,582.5</b>
Long-term debt	137.4	68.7	63.7	58.7	53.7
Non-current liabilities	537.6	568.4	563.4	558.4	553.4
Borrowings	965.2	1,278.5	1,288.5	1,298.5	1,308.5
Payables	521.4	403.7	395.2	321.2	326.0
Current liabilities	1,679.2	1,791.6	1,793.0	1,729.0	1,743.8
Share capital	1,429.3	1,429.3	1,429.3	1,429.3	1,429.3
Retained earnings	18,724.8	20,286.3	4,115.2	4,115.2	4,115.2
Equity	<b>25,180.3</b>	<b>26,568.5</b>	<b>26,610.2</b>	<b>27,416.7</b>	<b>28,285.3</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,383.1</b>	<b>1,322.7</b>	<b>2,678.9</b>	<b>2,714.6</b>	<b>2,750.2</b>

<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PBT	1,501.2	2,250.3	1,390.1	1,418.0	1,526.2
Cash flow from operations	-491.5	111.6	293.2	458.2	636.8
Cash flow from investing	488.3	551.7	-55.0	-55.0	-55.0
Cash flow from financing	-125.4	-368.5	-564.0	-564.0	-606.7
Net cash flow	-128.6	294.8	-325.8	-160.9	-25.0
Net cash/(debt) b/f	1,420.2	1,296.3	1,596.6	1,270.8	1,109.9
Net cash/(debt) c/f	1,296.3	1,596.6	1,270.8	1,109.9	1,084.9

Source: Bloomberg, MIDFR

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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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology