

PPB Group Berhad

(4065 | PPB MK) Main | Food & Beverages

Core Business Remains Intact

KEY INVESTMENT HIGHLIGHTS


- **Core business improved better than expected**
- **Wilmar recorded mixed performance**
- **Earnings forecasts maintained**
- **Maintain NEUTRAL with a revised TP of RM15.47**

Recovery in main business. FY23's PATMI came-in above our and consensus forecasts at 113%, amounted RM1.4b (-36.5%yoy), whilst revenue remained decent at RM5.72b (-7.0%yoy) strengthened by its three-core business which are grains and agribusiness, consumer products and film exhibition and distribution. Broadly, operating profit were much higher at RM224.2m (+64.2%yoy) with improved operating margin of +3.9% (+1.7 pts) lifted by grains business margins.

Grains and agribusiness. For FY23, the segment profit surged significantly to RM229.9m (>100%qoq), owing to the improved performance at the flour, feed and livestock sub-segments – on normalization of chicken ceiling price, partially offset by losses at the divested Indonesia flour operations and provision for MyCC penalty. Nonetheless, lower profit recorded at RM7m in 4Q2023 VS 4Q2022: RM55m due mainly to the provision for MyCC penalty of RM42.7.

Film exhibition and distribution. In summary, the film segment remains intact, with a topline of RM570.3m (+1.3%yoy). However, profit was dragged by the impairment on the Vietnam operations which amounted to RM60m (FY2022: RM27m) and the impairment on the Malaysia cinema assets amounting to RM53m. Without impairment, the losses will be minimal mainly due to higher cinema operating costs.

Earnings estimates. We maintain our earnings estimates at this juncture in anticipation of decent Wilmar contribution and improved in its core business. We noticed the consolidation in wheat prices continued, where it has dropped to the average of USD257.7/Mt (-32.5%yoy) in FY23 from average price of USD381.9/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 this segment would continue to lift the group's operating profit to above RM160 level over next the 2 years.

Maintain NEUTRAL. We foresee its crushing margin to normalise ahead following consolidation of wheat's average January price of USD247.9/Mt (-3%mom), on combination of recovery in the core business by Wilmar performance on better plantation and sugar milling performance. Hence, we are maintaining our **NEUTRAL** call with a revised TP of RM15.47 based on PER of 16x by pegging FY24F EPS of 96.7sen. 

Maintain NEUTRAL

Revised Target Price: RM15.47
(Previously RM13.86)

RETURN STATISTICS

Price @ 28 th Feb 2024 (RM)	15.32
Expected share price return (%)	+0.98
Expected dividend yield (%)	+2.74
Expected total return (%)	+3.72

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	2023A	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	42.0	40.0	40.0
Dividend Yield	2.7%	2.6%	2.6%

KEY STATISTICS

FBM KLCI	1,545.59
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: 4Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	Ytd
Income Statement								
Revenue	1,610.6	1,457.6	1,262.5	-13.4	-21.6	6,151.2	5,720.7	-7.0
Operating profit	70.6	127.0	-137.1	NM	NM	136.6	224.2	64.2
Finance costs	-22.1	-15.0	-10.9	NM	NM	-68.2	-68.0	NM
PBT	445.4	398.9	441.7	10.7	-0.8	2,250.3	1,488.5	-33.9
Tax expense	-19.1	-15.0	-5.4	NM	NM	-30.0	-67.8	NM
PATAMI	415.5	372.6	441.4	18.5	6.2	2,196.8	1,394.3	-36.5
Core PATAMI	187.1	316.6	301.2	-4.9	60.9	2,070.5	1,096.8	-47.0
				-/+ppt				
OP margin (%)	4.4	8.7	-10.9	-19.6	-15.2	2.2	3.9	1.7
PBT margin (%)	27.7	27.4	35.0	7.6	7.3	36.6	26.0	-10.6
Core PATAMI margin (%)	11.6	21.7	23.9	2.1	12.2	33.7	19.2	-14.5
Effective tax rate (%)	-4.3	-3.8	-1.2	2.6	3.1	-1.3	-4.6	-3.2

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	Ytd
Revenue								
Grains and agribusiness	1,251.6	1,058.6	938.4	-11.4	-25.0	4,655.9	4,256.0	-8.6
Consumer Products	184.6	238.0	184.6	-22.4	0.0	751.1	761.0	1.3
Film exhibition and distribution	132.4	166.9	107.0	-35.9	-19.2	514.8	570.3	10.8
Property	14.5	42.3	30.2	-28.7	>100	141.0	117.5	-16.7
Other operations (Wilmar)	27.5	1.7	2.3	31.5	-91.7	88.4	15.9	-82.0
Pre-Tax								
Grains and agribusiness	54.9	96.4	6.8	-92.9	-87.6	74.3	229.9	>100
Consumer Products	10.4	6.6	7.4	12.7	-28.7	33.6	25.9	-22.9
Film exhibition and distribution	-26.2	5.3	-139.8	NM	NM	-17.1	-120.4	NM
Property	-4.2	10.6	3.4	-67.8	>100	34.9	17.4	-50.2
Other operations (Wilmar)	418.3	287.4	575.6	>100	37.6	2,153.2	1,370.7	-36.3
Pre-Tax margin %				-/+ppt				
Grains and agribusiness	4.4	9.1	0.7	-8.4	-3.7	1.6	5.4	>100
Consumer Products	5.6	2.8	4.0	1.3	-1.6	4.5	3.4	-23.9
Film exhibition and distribution	-19.8	3.2	-130.6	-133.8	-110.8	-3.3	-21.1	NM
Property	-29.2	25.1	11.3	-13.7	40.6	24.8	14.8	-40.2
Other operations (Wilmar)	1,520.1	16,592.0	25,279.4	8687.4	23759.2	2,436.1	8,594.4	6158.3
Pre-Tax Stats.								
% Core Business contribution to PBT	7.8	29.3	-26.9	-56.2	NM	5.5	10.0	4.5
% Wilmar contribution to PBT	92.2	70.7	126.9	56.2	37.7	94.5	90.0	-4.5

Source: PPB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
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)	14.7x	9.9x	17.7x	15.8x	14.7x
DPS (sen)	35.0	40.0	42.0	40.0	40.0
Dividend yield (%)	2.3%	2.6%	2.7%	2.6%	2.6%
Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
PPE	1,383.1	1,322.7	1,206.6	2,714.6	2,750.2
Right-of-use assets	317.2	366.7	484.2	396.7	411.7
Non-current assets	23,702.8	25,016.6	26,077.7	26,438.6	26,489.1
Inventories	1,081.8	1,090.1	764.5	963.5	896.5
Receivables	1,044.0	1,146.5	618.1	794.1	716.5
Current assets	3,694.4	3,874.8	3,330.6	3,282.9	4,153.5
Total Assets	27,397.2	28,932.7	29,408.4	29,721.5	30,642.6
Long-term debt	137.4	68.7	16.6	58.7	53.7
Non-current liabilities	537.6	568.4	641.8	558.4	553.4
Borrowings	965.2	1,278.5	416.5	1,298.5	1,308.5
Payables	1,383.1	1,322.7	1,206.6	2,714.6	2,750.2
Current liabilities	1,679.2	1,791.6	955.4	1,729.0	1,743.8
Equity	25,180.3	26,568.5	27,811.2	27,416.7	28,285.3
Total Equity & Liabilities	27,397.2	28,932.7	29,408.4	29,721.5	30,642.6
Cash Flow (RM'm)	2021A	2022A	2023A	2024F	2025F
PBT	1,501.2	2,250.3	1,488.5	1,418.0	1,526.2
Cash flow from operations	-491.5	111.6	123.3	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	-592.5	-564.0	-606.7
Net cash flow	-128.6	294.8	-524.2	-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	1,072.3	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