

PPB Group Berhad

(4065 | PPB MK) Main | Food & Beverages

1QFY24 Results: Within Expectation

KEY INVESTMENT HIGHLIGHTS

- **Core business posted mixed results**
- **Wilmar recorded mixed performance**
- **Earnings forecast; maintain**
- **Maintain NEUTRAL with an unchanged TP of RM15.47**


Recovery in main business. PATMI in 1QFY24 came in within our but missed consensus forecast, making up 21.2% and 17.2% respectively, of full year estimates. Both top and bottom-line were softened to RM1.29b (-15.3%yoy) and RM291.3m (-11.1%yoy) attributed to the weakness of its three-core business which are consumer products, film exhibition and distribution and the Wilmar contribution. Broadly, operating profit was lowered to RM100.0m (-13.0%yoy) with a flattish margin of +7.8% (+0.2 pts) recorded.

Grains and agribusiness. The segment PBT surged significantly to RM101.4m (+73.4%yoy), owing to the expanding margin from flour, feed, and maize sub-segments. However, topline was softer mainly due to absence of revenue contribution from the divested Indonesia flour operations.

Consumer products. Albeit better topline during the quarter which benefited from the festive seasons during the period, profitability on the other hand narrowed significantly lower to RM2.9m (-60.9%yoy), owing higher trade promotion and operating costs, reflected the cooled 1QFY24 CSI of 87.1pts environments.

Film exhibition and distribution. The profitability remains in the red, dragged down by higher cinema operating costs as well as cinema closure costs.

Earnings estimates. We maintain our earnings estimates at this juncture as it aligns with our baseline projection. Despite the festive months, the Malaysian consumers have continued to be conservative with its spending on households' goods and entertainment, in response to cost-of-living pressures. The Wilmar subsegment will continue to be a key pillar for the earnings momentum as its business expected to be benefit from the decline in commodity prices where the lower raw-material cost is anticipated to bring meaningful results for the food products segment. However, the downside risks in the feed and industrial products (tropical oils, oilseeds and grains and sugar) remain, due to volatility within its refining costs and the challenges in its crushing businesses.

Maintain NEUTRAL. We are maintaining our **NEUTRAL** call with an unchanged **TP of RM15.47** based on PER of 16x (nearly 5y historical average mean) by pegging FY24F EPS of 96.7sen. 

Maintain NEUTRAL

Unchanged Target Price: RM15.47

RETURN STATISTICS

Price @ 30 th May 2024 (RM)	14.78
Expected share price return (%)	+4.7
Expected dividend yield (%)	+2.7
Expected total return (%)	+7.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.4	-8.0
3 months	-4.2	-8.5
12 months	-9.3	-21.6

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	5,811.9	5,898.5	5,986.4
Operating Profit	64.5	59.6	149.7
Profit Before Tax	1,417.8	1,526.4	1,692.9
Core PATAMI	1,375.3	1,480.6	1,642.1
Core EPS	96.7	104.1	115.4
DPS	40.0	40.0	40.0
Dividend Yield	2.7%	2.7%	2.7%

KEY STATISTICS

FBM KLCI	1,604.26
Issue shares (m)	1422.60
Estimated free float (%)	31.47
Market Capitalisation (RM'm)	20,969.12
52-wk price range	RM13.8 – RM16.9
3-mth average daily volume (m)	1.0
3-mth average daily value (RM'm)	14.9
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.49
EPF	11.48
Nai Seng Sdn Bhd	3.44

PPB Resources: 1QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
Income Statement	1QFY23	4QFY23	1QFY24	QoQ%	YoY%	3MFY23	3MFY24	Ytd%
Revenue	1,519.7	1,262.5	1,287.6	2.0	-15.3	1,519.7	1,287.6	1,519.7
Operating profit	114.9	-137.1	100.0	>100	-13.0	114.9	100.0	114.9
Share of results of associates	320.8	589.5	276.3	-53.1	-13.9	320.8	276.3	320.8
Finance costs	-21.6	-10.9	-9.8	NM	NM	-21.6	-9.8	-21.6
PBT	415.0	441.7	367.6	-16.8	-11.4	415.0	367.6	415.0
Tax expense	-22.5	-5.4	-18.3	NM	NM	-22.5	-18.3	-22.5
PATAMI	377.5	441.4	337.2	-23.6	-10.7	377.5	337.2	377.5
Core PATAMI	327.6	301.2	291.3	-3.3	-11.1	327.6	291.3	327.6
				-/+ppt				
OP margin (%)	7.6	-10.9	7.8	18.6	0.2	7.6	7.8	0.2
PBT margin (%)	27.3	35.0	28.6	-6.4	1.2	27.3	28.6	1.2
Core PATAMI margin (%)	21.6	23.9	22.6	-1.2	1.1	21.6	22.6	1.1
Effective tax rate (%)	5.4	1.2	5.0	3.8	-0.5	5.4	5.0	-0.5

*NM Not Meaningful

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulative		
Revenue	1QFY23	4QFY23	1QFY24	QoQ%	YoY%	3MFY23	3MFY24	Ytd%
Grains and agribusiness	1,160.8	938.4	948.2	1.0	-18.3	1,160.8	948.2	-18.3
Consumer Products	199.3	184.6	206.5	11.8	3.6	199.3	206.5	3.6
Film exhibition and distribution	128.4	107.0	118.8	11.1	-7.4	128.4	118.8	-7.4
Property	22.9	30.2	13.8	-54.2	-39.6	22.9	13.8	-39.6
Other operations (Wilmar)	8.3	2.3	0.2	-90.6	-97.4	8.3	0.2	-97.4
Pre-Tax								
Grains and agribusiness	58.5	6.8	101.4	>100	73.4	58.5	101.4	73.4
Consumer Products	7.3	7.4	2.9	-61.3	-60.9	7.3	2.9	-60.9
Film exhibition and distribution	0.0	-139.8	-14.5	NM	NM	0.0	-14.5	NM
Property	0.7	3.4	1.6	-52.1	>100	0.7	1.6	>100
Other operations (Wilmar)	355.8	575.6	284.0	-50.7	-20.2	355.8	284.0	-20.2
Pre-Tax margin %				-/+ppt				
Grains and agribusiness	5.0	0.7	10.7	10.0	5.7	5.0	10.7	>100
Consumer Products	3.7	4.0	1.4	-2.6	-2.3	3.7	1.4	-62.2
Film exhibition and distribution	0.0	-130.6	-12.2	NM	NM	0.0	-12.2	NM
Property	-29.2	25.1	11.3	4.6	>100	24.8	14.8	>100
Pre-Tax Stats.								
% Core Business contribution to PBT	15.7	-26.9	24.3	51.3	54.5	15.7	24.3	8.6
% Wilmar contribution to PBT	84.3	126.9	75.7	-51.3	-10.2	84.3	75.7	-8.6

Source: PPB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	6,151.2	5,720.7	5,811.9	5,898.5	5,986.4
Operating Profit	136.6	224.2	64.5	59.6	149.7
PBT	2,250.3	1,488.5	1,417.8	1,526.4	1,692.9
PATAMI	2,197.0	1,394.3	1,375.3	1,480.6	1,642.1
Core PATAMI	2,070.7	1,096.8	1,375.3	1,480.6	1,642.1
Core EPS (sen)	154.4	98.0	96.7	104.1	115.4
PER (x)	9.6x	15.1x	15.3x	14.2x	12.8x
DPS (sen)	40.0	42.0	40.0	40.0	40.0
Dividend yield (%)	2.7%	2.8%	2.7%	2.7%	2.7%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	1,322.7	1,206.6	1,262.5	1,261.1	1,252.7
Right-of-use assets	366.7	484.2	499.2	514.2	529.2
Non-current assets	25,016.6	26,077.7	26,148.7	26,162.3	26,168.9
Inventories	1,090.1	764.5	869.4	808.8	820.9
Receivables	1,146.5	884.9	716.5	646.4	656.0
Current assets	3,874.8	3,330.6	4,155.8	5,063.1	6,139.0
Total Assets	28,932.7	29,408.4	30,304.5	31,225.4	32,307.9
Long-term debt	68.7	55.4	58.7	53.7	48.7
Non-current liabilities	568.4	680.6	683.8	678.8	673.8
Borrowings	1,278.5	377.7	1,298.5	1,308.5	1,318.5
Payables	403.7	449.5	289.8	294.1	298.5
Current liabilities	1,791.6	916.6	1,677.8	1,692.1	1,706.5
Total Equity & Liabilities	28,932.7	29,408.4	30,304.5	31,225.4	32,307.9

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	2,250.3	1,488.5	1,417.8	1,526.4	1,692.9
Cash flow from operations	111.6	297.2	568.9	779.8	1,102.7
Cash flow from investing	551.7	-193.5	-150.0	-150.0	-150.0
Cash flow from financing	-368.5	-624.2	-564.0	-564.0	-564.0
Net cash flow	294.8	-520.5	-145.2	65.7	388.7
Net cash/(debt) b/f	1,296.3	1,596.6	1,076.1	930.9	996.6
Net cash/(debt) c/f	1,596.6	1,076.1	930.9	996.6	1,385.3

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