

25 July 2018 | Corporate Update

PPB Group Berhad

1-for-5 bonus issue goes ex


INVESTMENT HIGHLIGHTS

- **1-for-5 bonus issue goes ex**
- **Neutral on the news**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM16.16**

1-for-5 bonus issue goes ex. PPB Group (PPB) share price has been adjusted as it passed its ex-bonus issue date yesterday on 24-July. Recall that in May-2018, PPB announced its proposal to undertake a 1-for-5 bonus issue. 237.1m shares will be issued, increasing the group's share base to 1,422.6m shares.

Neutral on the news. We expect PPB fundamentals to remain intact. In our view, PPB earnings will be largely influenced by Wilmar. Historically, PPB profit contribution from Wilmar accounted for 62% to 75% of total earnings in the past 5 years.

Earnings estimate maintained. We maintain our FY18 earnings estimate of RM912m which is a decline of 24% yoy mainly due to expectation of lower earnings from Wilmar in FY18. For FY19, we maintain our earnings estimate of RM1.03b.

Maintain NEUTRAL with TP of RM16.16. Our ex-bonus target price is RM16.16 (previously RM19.40) as we factor in larger share base. The Target Price is based on unchanged valuation method of 1.1x Book Value. Overall, the positive newsflow surrounding potential Wilmar's China operations IPO will keep PPB share price supported. However, this is neutralised by high chance of earnings to decline yoy. 

Maintain NEUTRAL

Adjusted Target Price (TP): RM16.16
(Previously RM19.40)

RETURN STATS

Price (24 July 2018)	RM16.78
Target Price	RM16.16
Expected Share Price Return	-3.7%
Expected Dividend Yield	+1.1%
Expected Total Return	+2.6%

STOCK INFO

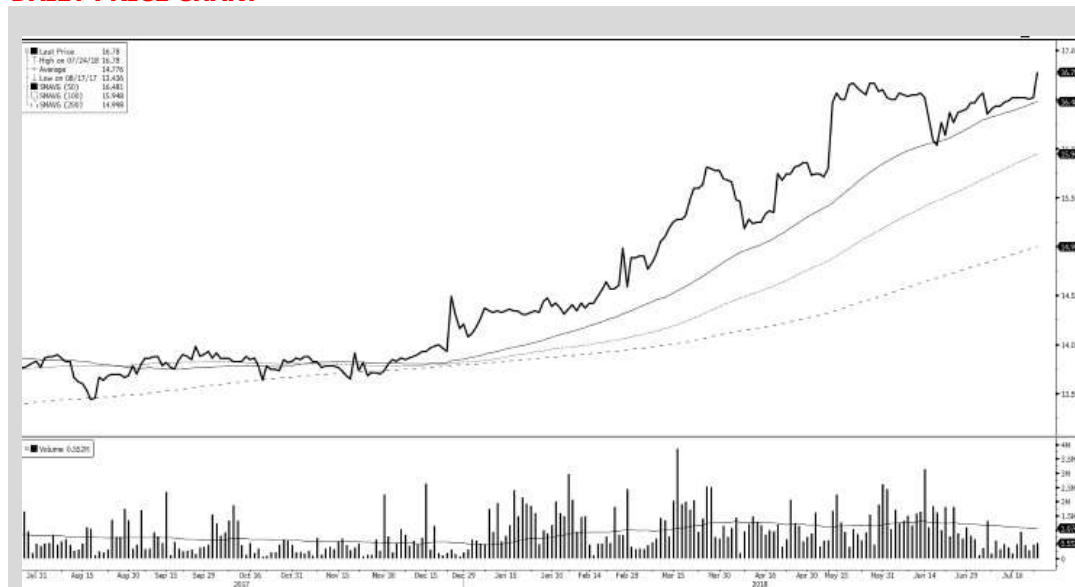
KLCI	1762.93
Bursa / Bloomberg	4065 / PEP MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1422.6
Market cap. (RM'm)	23,871.23
Price over NA	1.18
52-wk price Range	RM13.6 - RM17.5
Beta (against KLCI)	0.58
3-mth Avg Daily Vol	1.07m
3-mth Avg Daily Value	RM17.6m
Major Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81%
EPF	8.65%

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	18.9	19.0	19.8	26.2	23.2
NTA/share (RM)	16.74	17.63	14.64	13.46	13.96
P/NTA	1.00	0.95	1.15	1.25	1.20
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



Alan Lim, CFA
 alan.lim@midf.com.my
 03-2173 8464

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.