

PPB Group Berhad

(4065 | PEP MK) Consumer Products & Services | Food & Beverages

Lifted by higher contribution from Wilmar

KEY INVESTMENT HIGHLIGHTS

- **Higher contribution from Wilmar lifted 4QFY19 normalised earnings to RM347.9m (+62.7%yoy)**
- **This lead up to +8.5%yoy expansion in FY19 normalised earnings to RM1,150.5m.**
- **Core businesses suffered setback with the exception of the grains and agribusiness**
- **FY19 dividend amounted to 31sen which translates into dividend yield of 1.7%**
- **Maintain NEUTRAL with a revised TP of RM18.60**


Higher contribution from Wilmar. PPB Group Bhd (PPB) 4QFY19 normalised earnings came in at RM347.9m, an increase of +62.7%yoy. The improvement in earnings mainly came from stronger contribution from Wilmar.

Above expectations. Cumulatively, FY19 normalised earnings improved by +8.5%yoy to RM1,150.5m. This was mainly attributable to higher contribution from Wilmar at RM960m (vs 2018: RM837m) and higher profits from the grains and agribusiness segment (+16.7%yoy). All in, the group's FY19 financial performance came in better than ours and consensus expectations, accounting for 112.1% and 109.4% respectively.

Dividend. In 4QFY19, the group announced final dividend of 23sen (4QFY18: 20sen). This brings full year FY19 dividend to 31sen from FY18 dividend of 28sen. This is in-tandem with the improvement in the group's earnings.

Impact to earnings. We are assuming higher contribution primarily from Wilmar. As a result, FY20 and FY21 earnings estimates have been revised upwards to RM1,259.0m and RM1,350.2m respectively.

Target Price. We are rolling forward our valuation based year to FY21 and derive a new target price of **RM18.60** (previously RM17.87). This is premised on PBV of 1.1x which is the share's two year historical average.

Maintain NEUTRAL. The group's suffered a setback across almost all of its core businesses with the exception of the grains and agribusiness. Fortunately, the group's earnings were lifted by the contribution from its associate, Wilmar. Nonetheless, we could expect temporary weakness in Wilmar's contribution in light of the Covid-19 outbreak which could adversely impact the soybean business. On another note, dividend is expected to remain unappealing, bearing dividend yield of less than two percent. All factors considered, we are maintaining our **NEUTRAL** recommendation at this juncture. 

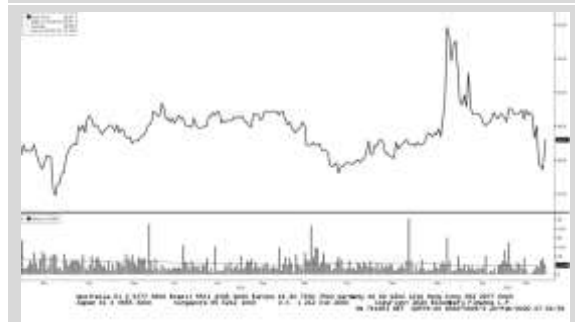
Maintain NEUTRAL

Revised Target Price: RM18.60
(previously RM17.88)

RETURN STATISTICS

Price @ 27 th February 2020 (RM)	18.30
Expected share price return (%)	+1.6
Expected dividend yield (%)	+1.7
Expected total return (%)	+3.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.7	1.3
3 months	-2.9	5.5
12 months	-0.3	13.1

KEY STATISTICS

FBM KLCI	1,505.59
Syariah compliant	Yes
Issue shares (m)	1,422.60
Estimated free float (%)	28.32
Market Capitalisation (RM'm)	26,033.58
52-wk price range (RM)	17.5– 19.9
Beta vs FBM KLCI (x)	0.64
Monthly velocity (%)	9.32
Monthly volatility (%)	3.78
3-mth average daily volume (m)	0.48
3-mth average daily value (RM'm)	9.10
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.81
Employees Provident Fund Board	12.28
Nai Seng Sdn Bhd	3.44

Analyst
Foo Chuan Loong, **MARTIN**
martin.foo@midf.com.my
03-21738354

Table 1: Segmental PBT (RM'm)

Segment	FY19	FY18	Variance (%)	Remark
Grains and agribusiness	213.0	182.6	16.7	Higher flour prices
Consumer Products	0.6	7.1	-90.9	Lower sales of in-house products and higher operating costs at the bakery division
Film Exhibition and distribution	66.8	67.2	-0.5	Lower virtual print fee income and higher cinema operating costs
Environmental engineering & utilities	11.3	20.9	-46.1	One-off impairment on overseas joint venture
Property	13.9	32.1	-56.7	Lower share of profit from an associate
Investment and other operations	1009.3	883.3	14.3	Higher profit contribution from Wilmar

Source: Company, MIDFR

INVESTMENT STATISTICS

Financial year ending 31 st December (in RM'm, unless otherwise stated)	2017	2018	2019E	2020F	2021F
Revenue	4,528.3	4,683.8	4,777.4	4,884.8	5,030.8
EBIT	232.1	222.5	224.5	230.0	237.0
PBT	1,167.7	1,271.6	1,342.9	1,435.6	1,519.8
PATANCI	1,075.1	1,152.6	1,259.0	1,350.2	1,432.5
Normalised PATANCI	1,060.3	1,150.5	1,259.0	1,350.2	1,432.5
Normalised EPS (sen)	74.5	80.9	88.5	94.9	100.7
Normalised EPS Growth (%)	-7.9	8.5	9.4	7.2	6.1
PER (x)	24.6	22.6	20.7	19.3	18.2
Dividend Per Share (sen)	28.0	31.0	31.0	31.0	31.0
Dividend yield (%)	1.5	1.7	1.7	1.7	1.7

Source: Company, MIDFR

PPB Group BHD: 4QFY19 RESULTS SUMMARY

Financial year ending 31 st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	4Q19	% YoY	% QoQ	2019	2018	%
Revenue	1,180.7	1.4	-1.1	4,683.8	4,528.3	3.4
EBIT	61.0	-13.4	16.7	222.5	232.1	-4.1
Finance cost	-7.0	-58.3	-20.5	-33.8	-33.9	-0.2
Finance income	12.2	-0.4	0.1	48.3	45.9	5.3
Share of results of associates	328.7	82.1	-10.1	1,039.6	919.9	13.0
Share of results of joint ventures	-6.3	nm	nm	-5.0	3.7	nm
PBT	388.6	57.5	-7.9	1,271.6	1,167.7	8.9
Income tax	-22.5	100.5	35.0	-72.4	-64.7	11.8
Non-controlling interest	-16.1	14.1	48.1	-46.7	-27.9	67.7
PATANCI	350	58.1	-11.2	1,152.6	1,075.1	7.2
Normalised PATANCI	347.9	62.7	-13.4	1,150.5	1,060.3	8.5
Normalised EPS (sen)	24.5	62.7	-13.4	80.9	74.5	8.5
		+/- ppts	+/- ppts			+/- ppts
EBIT margin (%)	5.2	-0.9	0.8	4.7	5.1	-0.4
Normalised PAT margin (%)	29.5	11.1	-4.2	24.6	23.4	1.1
Effective tax rate (%)	5.8	1.2	1.8	5.7	5.5	0.1

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (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 (197501002077 (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.