PPB Group Berhad

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

***Maintain* BUY**

Earnings higher on Wilmar contribution

***Unchanged* Target Price: RM22.00**

KEY INVESTMENT HIGHLIGHTS

- **Top-line grew +46%yoy to RM1.6b in 2QFY22**
- **Higher sales from all segments**
- **Earnings came in above our and consensus expectations**
- **Maintain BUY with an unchanged TP of RM22.00**

RETURN STATISTICS	
Price @ 25th Aug 2022 (RM)	16.78
Expected share price return (%)	+32.38
Expected dividend yield (%)	+2.21
Expected total return (%)	**+34.58**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.9	0.7
3 months	4.0	1.1
12 months	-10.1	-5.1

KEY STATISTICS	
FBM KLCI	1,495.49
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	1422.60
Estimated free float (%)	33.32
Market Capitalisation (RM'm)	23,472.90
52-wk price range (RM)	RM14.9 - RM18.7
Beta vs FBM KLCI (x)	0.70
Monthly velocity (%)	0.47
Monthly volatility (%)	12.73
3-mth average daily volume (m)	0.46
3-mth average daily value (RM'm)	7.50
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.49
EPF	11.08
Nai Seng Sdn Bhd	3.44

Quarterly. PPB recorded a top-line of RM1.6b (+46%yoy) in 2QFY22 mainly driven by remarkable grains and agribusiness (+39%yoy) performance, despite high raw material prices on production costs albeit partially offset by limitation in its price-in mechanism. Thanks to Wilmar contribution, PBT margin during quarter expanded by 257.1ppts to 47.7ppts-yoy. As a result, after adjusted for fair value (gain) on derivatives, as well as net forex loss, normalized earnings came in at RM649.6m, surged by >+100%yoy.

Cumulatively. The 1HFY22 normalized earnings of RM951.7m (+49.6%yoy), making up 60% and 62% of our and consensus full-year forecasts. Most of the business segments reported on-year profit improvement with consumer products recording the highest growth (>+100%), followed by property (>+100%) and other operations (+66%) *refer table 1*. It is worthwhile to note that the consumer products segment revenue and profit were stronger at RM377.8m (+18%yoy) and RM13.1m (+100%yoy) on the back of higher sales of bakery and other fast-moving consumer products.

Earnings forecast. We maintain our earnings forecast for FY22-23F at this juncture. We expect earnings in upcoming quarters would be aided by contribution from its associate, Wilmar, on the back of elevated CPO prices. We opine consumer products and film exhibition segment to improve further in-line with recovery in economic activity during endemic transition. Although wheat prices may have peaked in May c. USD1,281.6/Bu and now is around USD769.8/Bu (-40%), grains and agribusiness margins to remain challenging, in view of unsettle Russia-Ukraine conflicts added by the downside risk to Ringgit vis-à-vis US Dollar.

Dividend. A 12sen first interim DPS (1QFY21: 10sen) was declared. This implies a 32% of our full year DPS forecast of 37sen.

Recommendation. We are maintaining **BUY** call with target price of **RM22.00** by pegging its FY23 EPS of 110.5sen to PER of 19.9x (+1SD its two-year historical average).

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2020	2021	2022F	2023F	2024F
Revenue	**4190.7**	**4857.4**	**5,257.0**	**5,379.0**	**5,481.0**
EBIT	68.4	212.6	230.1	235.5	239.9
PBT	1420.9	1498.1	1,621.3	1,659.0	1,690.4
PATANCI	1317.0	1496.1	1,580.0	1,572.0	1,647.0
Normalised PATANCI	**1319.7**	**1597.0**	**1,580.0**	**1,572.0**	**1,647.0**
Normalised EPS (sen)	92.8	112.3	111.1	110.5	115.8
Normalised EPS Growth (%)	14.7	21.0	-1.1	-0.5	4.8
PER (x)	18.1	14.9	15.1	15.2	14.5
Dividend Per Share (sen)	46.0	35.0	37.0	35.0	35.0
Dividend yield (%)	2.7	2.1	2.2	2.1	2.1

Source: Company, MIDFR

Table 1: Segmental PBT/LBT (RM'm)

Segment	2Q22	2Q21	Variance (%)	Remark
Grains and agribusiness	115.3	-72.0	n.m.	fueled by hedging gains on derivate instruments
Consumer products	6.1	1.7	>100	Improved in bakery division and higher sales of other fastmoving consumer products
Film Exhibition and distribution	22.3	-34.3	n.m.	higher admissions as well as a six-fold increase in box office collections
Environmental engineering and utilities	0.8	2.1	-65	Lower project revenue recognized, higher raw-mat costs
Property	12.6	1.1	>100	New sales and profit recognition from Megah rise development
Other operations	601.9	252.5	>100	Strong contribution from Wilmar

Source: Company, MIDFR

PPB Group BHD: 2QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	2Q21	1Q22	2Q22	% QoQ	% YoY	2HFY22	2HFY21	% YoY
Revenue	1,082.9	1,381.7	1,577.3	14.2	45.7	2,959.0	2,200.7	34.5
EBIT	-114.1	-178.3	120.2	>100	>100	-58.1	-57.0	1.9
PBT	144.6	239.1	752.1	>100	>100	991.2	591.2	67.6
PATANCI	183.5	303.2	693.4	>100	>100	996.6	585.6	70.2
Normalised PATANCI	284.4	489.1	649.6	32.8	>100	951.7	636.2	49.6
Normalised EPS (sen)	20.0	34.4	45.7	32.8	>100	66.9	44.7	49.6
				+/- ppts				
EBIT margin (%)	-10.5	-12.9	7.6	20.5	18.2	-2.0	-2.6	-3.0
Normalised PATAMI margin (%)	26.3	35.4	41.2	5.8	14.9	32.2	28.9	1.4
Effective tax rate (%)	-19.3	-17.9	4.8	22.7	24.1	-0.7	-0.6	-4.7

Source: Company, 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 *rise* 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 *fall* 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