PPB Group Berhad

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

***Maintain* BUY**

Wilmar, a Savior

***Revised* Target Price: RM24.10**

(Previously RM22.00)

KEY INVESTMENT HIGHLIGHTS

- **Top-line grew +39%yoy to RM1.6b in 3QFY22**
- **Higher sales from all segments**
- **Earnings came in above ours and consensus expectations**
- **Maintain BUY with revised TP of RM24.10**

Quarterly. PPB recorded a top-line of RM1.6b (+39%yoy) in 3QFY22 mainly driven by notable grains and agribusiness (+39%yoy) performance, despite having high raw material prices on production costs and partially offset by limitation of passing-through mechanism. Thanks to Wilmar contribution, PBT margin during quarter gained by 14.0ppts to 49.3%. As a result, after adjusted for fair value (gain) on derivatives, as well as net forex loss, normalized earnings came in at RM807.0m, increased by +90%yoy.

Cumulatively. The 9MFY22 normalized earnings of RM1.7b (+74.1%yoy), making up 105% of ours forecast. Overall business segments posted yoy profit improvement with Consumer products recording the highest growth (>+100%), followed by the grains and agribusiness (+79%) and Other operations (+65%) *refer table 1*. It is worthwhile to note that the consumer products segment sales and profit were stronger by +19%/+100% to RM192.6m and RM10.1m on the back of better margin of 4% (+4.0 ppts) due higher sales of bakery and other fast-moving consumer products.

Earnings forecast. We revise our earnings forecast for FY22-24F by +56%/+62%/+60% by factor in solid earnings contribution from its associate, Wilmar (due to improve in all core business segments), will continue provide support to the group's earnings. We opine consumer products and film exhibition segment to improve further in-line with recovery in economic activity next year. We saw continued consolidation in wheat prices, which dropped to USD756.98/Bu (-40%) in Nov from their peak of 1,273.00/Bu in May. As a result, we anticipate that grains and agribusiness crushing margins will normalize, aided by prudent procurement of feedstock as well a decline in in the price of wheat soybean meal price amid upside reward from the strengthening Ringgit.

Dividend. Last quarter, a first interim DPS of 12 sen (1QFY21: 10sen) was announced. We anticipate a total FY22 dividend payment of 37 sen, or a dividend yield of 2.3%

Recommendation. We are maintaining **BUY** call with target price of **RM24.10** by pegging its FY23 EPS of 178.5sen to PER of 13.5x.

RETURN STATISTICS	
Price @ 29th Nov 2022 (RM)	16.22
Expected share price return (%)	+35.57
Expected dividend yield (%)	+2.28
Expected total return (%)	**+37.85**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.1	-4.0
3 months	0.7	-3.1
12 months	-4.6	-2.3

KEY STATISTICS	
FBM KLCI	1,476.96
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	1422.60
Estimated free float (%)	34.42
Market Capitalisation (RM'm)	23,074.57
52-wk price range (RM)	RM14.9 - RM18.7
Beta vs FBM KLCI (x)	0.76
Monthly velocity (%)	0.47
Monthly volatility (%)	15.30
3-mth average daily volume (m)	0.71
3-mth average daily value (RM'm)	11.70
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.49
EPF	9.98
Nai Seng Sdn Bhd	3.44

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

Segment	3Q22	3Q21	Variance (%)	Remark
Grains and agribusiness	42.5	23.7	+79	Attributable to hedging gain on derivative instruments and improved flour profit margin
Consumer products	10.1	2.0	>100	Improved in bakery division and higher sales of other fastmoving consumer products
Film Exhibition and distribution	16.8	-40.7	n.m.	higher admissions as well as a ten-fold increase in box office collections
Environmental engineering and utilities	0.8	-3.5	n.m.	Lower project revenue recognized, higher raw-mat costs
Property	17.4	-0.8	n.m.	New sales and profit recognition from Megah rise development in 3Q22
Other operations	732.7	443.4	+65	Strong contribution from Wilmar across its core segments

Source: Company, MIDFR

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2020	2021	2022F	2023F	2024F
Revenue	**4190.7**	**4857.4**	**6208.6**	**6341.1**	**6442.7**
EBIT	68.4	212.6	271.8	277.6	282.0
PBT	1420.9	1498.1	1914.8	1955.7	1987.0
PATANCI	1317.0	1496.1	2461.5	2539.6	2638.3
Normalised PATANCI	**1319.7**	**1597.0**	**2461.5**	**2539.6**	**2638.3**
Normalised EPS (sen)	92.8	112.3	173.0	178.5	185.5
Normalised EPS Growth (%)	14.7	21.0	54.1	3.2	3.9
PER (x)	17.5	14.4	9.4	9.1	8.7
Dividend Per Share (sen)	46.0	35.0	37.0	40.0	45.0
Dividend yield (%)	2.8	2.2	2.3	2.5	2.8

Source: Company, MIDFR

PPB Group BHD: 3QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	3Q21	2Q22	3Q22	% QoQ	% YoY	9MFY22	9MFY21	% YoY
Revenue	**1,185.5**	**1,577.3**	**1,649.3**	**4.6**	**39.1**	**4,540.5**	**3,292.1**	**37.9**
EBIT	-20.8	120.2	69.4	-42.2	-434.6	5.2	-70.7	-107.3
PBT	418.5	752.1	812.4	8.0	94.1	1,804.9	1,007.4	79.2
PATANCI	411.5	693.4	784.5	13.1	90.6	1,782.0	995.7	79.0
Normalized PATANCI	420.6	737.2	807.0	9.5	91.9	1,661.5	954.3	74.1
Normalised EPS (sen)	28.3	45.7	53.6	17.3	89.3	133.7	72.9	83.4
				+/- ppts				
EBIT margin (%)	-1.8	7.6	4.2	-3.4	6.0	0.1	-2.1	-3.0
Normalised PATAMI margin (%)	35.5	46.7	48.9	2.2	13.5	36.6	29.0	1.4
Effective tax rate (%)	1.5	4.8	2.1	-2.7	0.6	0.6	0.2	-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