PPB Group Berhad

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

***Maintain* BUY**

Better margin on reduced input costs

***Unchanged* Target Price: RM24.10**

KEY INVESTMENT HIGHLIGHTS

- **Top-line grew +15%yoy to RM1.6b**
- **Higher sales from all segments**
- **Earnings came in below our and within consensus expectations**
- **Maintain BUY with an unchanged TP of RM24.10**

Below expectation. PPB posted a top-line of RM1.63b (+15%yoy) during the quarter primarily driven by notable grains and agribusiness (+22%yoy) performance, despite having high raw material prices on production costs and partially offset by ceiling price and limitation of passing-through mechanism. Additionally, PBT remained flattish at RM445.4m (-45.2%qoq, 9.8%yoy) while margin reduced by 8.6 ppts to 28%. As a result, after adjusted for net forex gain, gain on disposal subsidiaries as well as net fair value loss of derivatives, the FY22 normalized earnings of RM2.13b came in below our but within consensus expectations at 86% and 95% of respective full year estimates.

Cumulatively. All key business segments achieved higher year-on-year profit improvement with Consumer products recording the highest growth (>+100%yoy), followed by the film exhibition and distribution (+85%yoy), Other operations (+38%yoy) and grains and agribusiness (+21%yoy). It is worthwhile to note that the consumer products segment sales and profit were stronger by +17%yoy/+100%yoy to RM756.5m and RM33.6m on the back of better margin of 4% (+3.4 ppts) due higher sales of bakery and other fast-moving consumer products.

Earnings forecast. We maintain our earnings forecast for FY23-24F at this jucture given a 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 also noticed the consolidation in wheat prices, which has dropped to USD776.9/Bu (-39%) in Dec from their peak of 1,273.00/Bu in May. This will result in grains and agribusiness crushing margins to normalize, aided by prudent procurement of feedstock as well a decline in in the price of wheat and soybean meal price amid upside reward from the strengthening Ringgit.

Dividend. A Final dividend of 28.0 sen per ordinary share was declared for FY22. Making the full year FY22 dividend (FY21: 35.0 sen) to 40.0 sen/share (about 23% div. payout).

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

RETURN STATISTICS	
Price @ 28th Feb 2023 (RM)	17.50
Expected share price return (%)	+37.71
Expected dividend yield (%)	+2.11
Expected total return (%)	**+39.83**

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	1,454.19
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)	24,074.57
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

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2021	2022F	2023F	2024F	2025F
Revenue	**4652.9**	**6151.2**	**6341.1**	**6442.7**	**6542.7**
EBIT	-87.3	58.3	277.6	282.0	286.4
PBT	1501.2	2250.3	1955.7	1987.0	2017.8
PATANCI	1499.5	2216.0	2539.6	2638.3	2714.1
Normalised PATANCI	**1398.6**	**2131.9**	**2539.6**	**2638.3**	**2714.1**
Normalised EPS (sen)	98.3	149.9	178.5	185.5	190.8
Normalised EPS Growth (%)	6.0	52.4	19.1	3.9	2.9
PER (x)	17.8	11.7	9.8	9.4	9.2
Dividend Per Share (sen)	35.0	40.0	40.0	43.0	43.0
Dividend yield (%)	2.0	2.3	2.3	2.5	2.5

Source: Company, MIDFR

PPB Group BHD: 4QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	4Q21	3Q22	4Q22	% QoQ	% YoY	FY22	FY21	% YoY
Revenue	1,360.7	1,649.3	1,610.6	-2.3	18.4	6,151.2	4,652.9	32.2
EBIT	9.5	69.4	40.6	-41.5	>100	58.3	-87.3	NM
PBT	493.8	812.4	445.4	-45.2	-9.8	2,250.3	1,501.2	49.9
PATANCI	503.7	781.9	416.9	-46.7	-17.2	2,216.0	1,499.5	47.8
Normalized PATANCI	447.3	804.4	453.0	-43.7	1.3	2,131.9	1,398.6	52.4
Normalised EPS (sen)	31.4	56.5	31.8	-43.7	1.3	149.9	98.3	52.4
				+/- ppts				
EBIT margin (%)	36.3	49.3	27.7	-21.6	-8.6	0.9	-1.9	-3.0
Normalised PATAMI margin (%)	32.9	48.8	28.1	-20.6	-4.7	34.7	30.1	1.4
Effective tax rate (%)	-2.3	2.4	3.8	1.4	6.1	0.5	-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