PPB Group Berhad

(4065 | PEP MK) Main | Food & Beverages

SHARIAH Compliant | FTSE4Good | 3 Stars

Corporate Update

4QFY24 Results Review
Cloudy Outlook

Maintain NEUTRAL with a revised TP of RM10.61. We are maintaining our NEUTRAL call with an unchanged TP of RM4.42 based on FY25F EPS of 88.4sen pegged to a PER of 12x, at nearly 5-year historical mean. Outlook for the FY25 remains hazy, on lower estate related contribution. Previously we also have toned-down Wilmar's earnings assumption for Food, Feed and Industrial products over the next 2 years, after taking into account of slower growth of China economy that have seen indirectly hit the F&B and HORECA market recently

Grains and agribusiness. During the quarter, the segment PBT improved to RM140.0m (>100%yoy), mainly contributed by performance of the feed and maize sub-segments. The segment recovered a sum of RM31m from the insurer pertaining to damaged inventories caused by Typhoon Yagi in Vietnam, whilst a provision for the MyCC penalty of RM43m was made in 4Q23. Excluding that, the segment still recorded a profit of RM114m (>100%yoy), many thanks to the improvement of the flour and feed performance.

Consumer products. While topline inched by +9.3%yoy during the quarter on better demand, profitability on the other hand reversed to red circa -RM1.1m. This was mainly due to the higher operational costs that have been incurred amid higher trade promotion expenses.

Film exhibition and distribution. Thanks to the Christmas break, footfall in cinemas improved, generating a profit of RM3.1m (>100%yoy). Operating costs were lower, which was well supported by higher admissions and concession income.

Associates. Wilmar's performance in the quarter was weak, drop substantially by -48.6%yoy to RM302.9m. While sales volumes across two business segments - food and feed, and industrial - improved marginally by +8%yoy and +15%yoy, respectively, however, the plantation and sugar milling segments in 2H24 showed no such improvement. Notably, earnings were down by -51%yoy, primarily due to a poor set of crop performance (due to biological tree rest conditions) that impacted FFB production and yield. As a result, the OER softened by -2%yoy to 19.5%, and CPO production fell by -17%yoy.

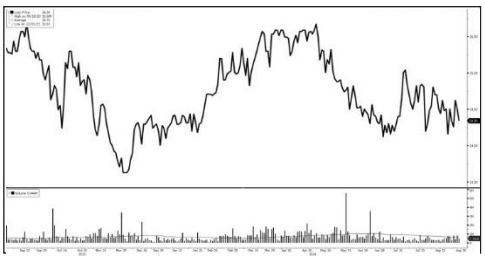
Earnings. We are maintaining our earnings estimate at this juncture, as the earnings came in within ours estimate, circa 99.4%.

Maintain NEUTRAL

Revised Target Price **RM10.61**
(from RM13.18)

RETURN STATISTICS	
Price @ 28th Feb 2025 (RM)	10.74
Expected share price return (%)	-1.2
Expected dividend yield (%)	+3.3
Expected total return (%)	+2.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.3	-1.3
3months	2.4	-5.3
12 months	-5.7	-16.9

INVESTMENT STATISTICS

FYE Dec (RM'm)	2025E	2026F	2027F
Revenue	5,175.8	5,150.3	5,127.4
Operating Profit	258.8	267.8	148.7
PBT	1,354.8	1,402.8	1,318.6
PATAMI	1,257.7	1,303.1	1,246.0
EPS (sen)	88.4	91.6	87.6
DPS (sen)	35.0	35.0	36.0
Dividend Yield (%)	3.3	3.3	3.4

KEY STATISTICS	
FBM KLCI	1,574.70
Issue shares (m)	1422.60
Estimated free float (%)	42.95
Market Capitalisation (RM'm)	15,278.71
52-wk price range	RM13.8 – RM16.1
3-mth average daily volume (m)	0.66
3-mth average daily value (RM'm)	9.59
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.49
EPF	12.18
Nai Seng Sdn Bhd	3.44

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PPB Group: 4QFY24 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	1,262.5	1,348.7	1,430.6	6.1	13.3	5,720.7	5,385.9	-5.9
Operating profit	-137.1	-5.0	128.5	>100	>100	224.2	313.1	39.6
Share of results of associates	589.5	223.4	302.9	35.6	-48.6	1,327.5	1,055.6	-20.5
Finance Cost	-10.9	-10.7	-9.2	NM	NM	-68.0	-40.1	NM
PBT	441.7	209.1	422.3	>100	-4.4	1,488.5	1,332.5	-10.5
Tax Expense	-5.4	-17.7	-32.0	NM	NM	-67.8	-90.6	NM
PATAMI	441.4	208.1	365.2	75.5	-17.3	1,394.3	1,219.4	-12.5
Core PATAMI	301.2	245.7	342.6	39.4	13.8	1,096.8	1,182.5	7.8
Core EPS (sen)	21.2	17.3	24.1	39.4	13.8	77.1	83.1	7.8
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	-10.9	-0.4	9.0	9.4	19.8	3.9	5.8	1.9
PBT margin (%)	35.0	15.5	29.5	14.0	-5.5	26.0	24.7	-1.3
Core PATAMI margin (%)	23.9	18.2	23.9	5.7	0.1	19.2	22.0	2.8

Source: Company, MIDFR

PPB Group: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue (RM'm):								
Grains and agribusiness	938.4	1,008.3	1,064.2	5.5	13.4	4,256.0	3,948.7	-7.2
Consumer Products	184.6	187.2	201.8	7.8	9.3	761.0	784.2	3.0
Film exhibition and distribution	107.0	138.9	148.2	6.7	38.5	570.3	587.1	2.9
Property	30.2	12.7	12.5	-1.5	-58.7	117.5	52.2	-55.6
Other operations	2.3	1.6	3.9	>100	72.5	15.9	13.7	-13.9
Pre-Tax								
Grains and agribusiness	6.8	11.5	140.0	>100	>100	229.9	321.3	39.7
Consumer Products	7.4	4.8	-1.1	NM	NM	25.9	6.5	-75.1
Film exhibition and distribution	-139.8	-0.7	3.1	>100	>100	-120.4	3.7	>100
Property	3.4	4.0	4.0	-1.4	16.1	17.4	11.5	-33.8
Other operations	575.6	198.8	285.9	43.8	-50.3	1,370.7	1,025.7	-25.2
Pre-tax Margin %								
Grains and agribusiness	0.7	1.1	13.2	12.0	12.4	5.4	8.1	50.6
Consumer Products	4.0	2.5	-0.6	-3.1	-4.6	3.4	0.8	-75.8
Film exhibition and distribution	-130.6	-0.5	2.1	>100	>100	-21.1	0.6	>100
Property	11.3	31.8	31.9	0.1	>100	14.8	22.1	49.1
Pre-Tax Stats.								
% Core Business contribution to PBT	-26.9	9.0	33.8	24.8	>100	10.0	25.1	15.0
% Wilmar contribution to PBT	126.9	91.0	66.2	-24.8	-47.8	90.0	74.9	-15.0

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	5,720.7	5,385.9	5,175.8	5,150.3	5,127.4	PBT	1,488.5	1,332.5	1,354.8	1,402.8	1,318.6
Operating Profit	224.2	313.1	258.8	267.8	148.7	Operating cash flow	746.9	146.7	395.6	628.7	570.4
PBT	1,488.5	1,332.5	1,354.8	1,402.8	1,318.6	Investing cash flow	679.2	541.6	-150.0	-150.0	-150.0
PATAMI	1,394.3	1,219.4	1,257.7	1,303.1	1,246.0	Financing cash flow	-1,406.0	-734.8	-492.9	-492.9	-505.1
Core PATAMI	1,096.8	1,182.5	1,257.7	1,303.1	1,246.0	Net cash flow	20.2	-46.5	-247.3	-14.2	-84.8
EPS (sen)	77.1	83.1	88.4	91.6	87.6	Beginning cash flow	1,596.6	1,629.3	1,576.7	1,329.4	1,315.2
PER (x)	13.9x	12.9x	12.1x	11.7x	12.3x	Ending cash flow	1,629.3	1,576.7	1,329.4	1,315.2	1,230.5
DPS (sen)	42.0	42.0	35.0	35.0	36.0						
Dividend yield (%)	3.9%	3.9%	3.3%	3.3%	3.4%						

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F	Margins	2023A	2024A	2025F	2026F	2027F
PPE	1,206.6	1,183.7	1,261.1	1,252.7	1,238.2	OP margin	3.9%	5.8%	5.0%	5.2%	2.9%
ROU assets	484.2	426.9	514.2	529.2	544.2	PBT margin	26.0%	24.7%	26.2%	27.2%	25.7%
Non-current assets	26,077.7	25,206.7	26,162.3	26,168.9	26,169.4	PATAMI margin	24.4%	22.6%	24.3%	25.3%	24.3%
Inventories	764.5	922.0	701.9	698.5	703.1	Core PATAMI margin	19.2%	22.0%	24.3%	25.3%	24.3%
Receivables	884.9	677.8	567.2	564.4	561.9						
Current assets	3,330.6	3,580.7	4,688.1	5,490.5	6,231.5						
Total Assets	29,408.4	28,787.4	30,850.4	31,659.3	32,400.9						
Long-term debt	55.4	23.7	53.7	48.7	44.7						
Non-current liabilities	680.6	607.9	678.8	673.8	669.8						
Borrowings	377.7	364.8	1,308.5	1,318.5	1,328.5						
Current liabilities	916.6	965.0	1,653.2	1,662.0	1,673.6						
Share capital	1,429.3	1,429.3	1,429.3	1,429.3	1,429.3						
Retained earnings	21,057.6	20,494.1	4,649.7	4,649.7	4,649.7						
NCI	674.5	641.4	0.0	0.0	0.0						
Equity	27,136.6	26,573.2	28,518.4	29,323.5	30,057.4						

Source: Bloomberg, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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