PPB Group Berhad

(4065 | PEP MK) Main | Food & Beverages

3 Stars | FTSE4Good | SHARIAH Compliant

Corporate Update

Maintain NEUTRAL

Revised Target Price **RM9.01**
(from RM10.61)

2QFY25 Results Review: Largely on Track

Maintain NEUTRAL with a revised TP of RM9.01. We are maintaining our **NEUTRAL** call with a revised **TP of RM9.01** based on FY25F EPS of 88.4sen pegged to a PER of 10.2x, at nearly 5-year historical -1SD. FY25-26 outlook remains uncertain, with Wilmar's contribution at risk should the legal case result in no refund. 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.

Within estimates. 1HFY24's core PATMI of RM638.4 came in within our and consensus expectations, accounting for 50.8% and 46.3% of full-year estimates, respectively. The weaker results were mainly due to the softness of grains and agribusiness segment and lower Wilmar contribution.

Grains and agribusiness. During the quarter, segment PBT softened to RM66.3m (-3.1%yoy) on sustained pressure from refining margins. Nevertheless, 1HFY25 segment profit rose +12%yoy to RM191m (vs 1HFY24: RM170m), supported by stronger performance in the flour and livestock sub-segments in the 1QFY25.

Consumer products. Performance relatively stable with profitability inched to RM2.2m on the back 1.1% margin, owing to the lower trade promotion and operating costs.

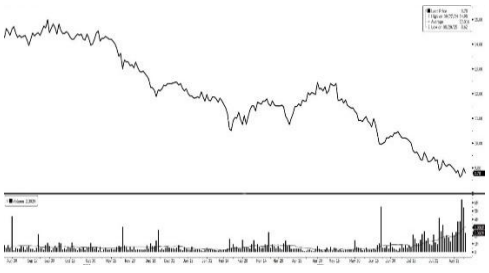
Film exhibition and distribution. Bottom-line improved to RM37.6m (>100%yoy) driven by higher admissions and net box office collection, concession profit as well as lower cinema operating costs, coupled with the absence of cinema closure costs.

Associates. Wilmar's earnings contribution in the quarter was smaller, reduced by -16.4%yoy to RM214.8m. Notably, sales volumes across the board improved except for sugar milling activity. Nonetheless, earnings across business segments were mixed. The food products, plantation and JV contribution recorded higher growth, whilst feed and industrial products fell by 29%yoy as operating conditions for tropical oils business remained challenging, impacting refining margins, bringing the 1HFY25 PAT inched by +3.0%yoy. Notably, contribution to PPB was lower at RM214.8 (-16.4%yoy), due to FX translation loss on stronger ringgit.

Earnings. Maintained at this juncture.

RETURN STATISTICS	
Price @ 27 Aug 2025 (RM)	8.70
Expected share price return (%)	+3.61
Expected dividend yield (%)	+4.02
Expected total return (%)	+7.64

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.0	-11.2
3months	-14.6	-28.3
12 months	-38.8	-37.5

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	5,175.8	5,150.3	5,127.4
Operating Profit	258.8	267.8	148.7
PBT	1,354.3	1,402.1	1,318.6
Core PATAMI	1,257.2	1,302.4	1,246.0
EPS (sen)	88.4	91.6	87.6
DPS (sen)	35.0	35.0	36.0
Dividend Yield (%)	4.0	4.0	4.1

KEY STATISTICS

FBM KLCI	1,587.91
Issue shares (m)	1,422.60
Estimated free float (%)	42.33
Market Capitalisation (RM'm)	12,376.61
52-wk price range	RM8.62 – RM15.0
3-mth average daily volume (m)	1.34
3-mth average daily value (RM'm)	12.72
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.61
EPF	13.13
Nai Seng Sdn Bhd	3.44

PPB: 2QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue	1,319.0	1,351.1	1,359.8	0.6	3.1	2,606.6	2,710.9	4.0
Operating profit	89.5	109.2	102.8	-5.9	14.8	189.5	212.0	11.9
Share of results of associates	253.0	309.7	218.4	-29.5	-13.7	529.4	528.1	-0.2
Finance Cost	-10.4	-8.5	-7.8	NM	NM	-20.2	-16.3	NM
PBT	333.5	410.3	313.4	-23.6	-6.0	701.1	723.8	3.2
Tax Expense	-22.6	-17.3	-24.5	NM	NM	-40.8	-41.8	NM
PATAMI	308.9	375.8	279.8	-25.5	-9.4	646.1	655.7	1.5
Core PATAMI	302.9	354.3	284.1	-19.8	-6.2	594.2	638.4	7.4
Core EPS (sen)	21.3	24.9	20.0	-19.8	-6.2	41.8	44.9	7.4
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	6.8	8.1	7.6	-0.5	0.8	7.3	7.8	0.5
PBT margin (%)	25.3	30.4	23.0	-7.3	-2.2	26.9	26.7	-0.2
Core PATAMI margin (%)	23.0	26.2	20.9	-5.3	-2.1	22.8	23.6	0.8
Effective tax rate (%)	6.8	4.2	7.8	3.6	1.1	5.8	5.8	-0.1

Source: Company, MBSBR

PPB: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)
Revenue (RM'm):								
Grains and agribusiness	928.0	994.4	929.6	-6.5	0.2	1,876.2	1,924.0	2.5
Consumer Products	188.7	210.7	196.0	-6.9	3.9	395.2	406.7	2.9
Film exhibition and distribution	181.1	130.5	210.0	60.9	15.9	300.0	340.5	13.5
Property	13.2	15.2	18.1	19.1	36.5	27.1	33.3	22.9
Other operations	8.0	0.3	6.1	>100	-23.5	8.2	6.4	-21.3
Pre-Tax								
Grains and agribusiness	68.4	124.5	66.3	-46.7	-3.1	169.8	190.8	12.4
Consumer Products	0.0	0.6	2.2	>100	>100	2.8	2.8	-0.3
Film exhibition and distribution	15.7	-5.0	37.6	>100	>100	1.2	32.6	>100
Property	1.9	2.1	2.1	-3.8	9.3	3.5	4.2	19.1
Other operations / Wilmar Contributio	256.9	296.9	214.8	-27.7	-16.4	540.9	511.6	-5.4
Pre-Tax Margin (%)								
Grains and agribusiness	7.4	12.5	7.1	-5.4	-0.2	9.1	9.9	9.6
Consumer Products	0.0	0.3	1.1	0.9	1.2	0.7	0.7	-3.1
Film exhibition and distribution	8.7	-3.8	17.9	>100	>100	0.4	9.6	>100
Property	14.2	14.1	11.4	-19.2	-19.9	13.0	12.6	-3.0
Pre-Tax Stats.								
% Core Business contribution to PBT	25.1	29.2	33.5	4.3	33.6	24.7	31.1	6.4
% Wilmar contribution to PBT	74.9	70.8	66.5	-4.3	-11.2	75.3	68.9	-6.4

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	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	1,354.3	1,402.1	1,318.6
Operating Profit	224.2	313.1	258.8	267.8	148.7	Operating cash flow	746.9	146.7	395.1	628.1	570.4
PBT	1,488.5	1,332.5	1,354.3	1,402.1	1,318.6	Investing cash flow	679.2	541.6	-150.0	-150.0	-150.0
PATAMI	1,394.3	1,219.4	1,257.2	1,302.4	1,246.0	Financing cash flow	-1,406.0	-734.8	-492.9	-492.9	-505.1
Core PATAMI	1,096.8	1,165.9	1,257.2	1,302.4	1,246.0	Net cash flow	20.2	-46.5	-247.8	-14.8	-84.8
EPS (sen)	77.1	82.0	88.4	91.6	87.6	Beginning cash flow	1,596.6	1,629.3	1,576.7	1,328.9	1,314.1
PER (x)	11.3x	10.6x	9.8x	9.5x	9.9x	Ending cash flow	1,629.3	1,576.7	1,328.9	1,314.1	1,229.3
DPS (sen)	42.0	42.0	35.0	35.0	36.0						
Dividend yield (%)	4.8%	4.8%	4.0%	4.0%	4.1%						

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	Margins	2023A	2024A	2025E	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%	21.6%	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	4,687.6	5,489.3	6,230.4						
Total Assets	29,408.4	28,787.4	30,849.9	31,658.2	32,399.8						
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	28,517.9	29,322.4	30,056.3						

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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