Corporate Update

PPB Group Berhad

(4065 | PEP MK) Main | Food & Beverages

3 Stars | FTSE4Good | SHARIAH Compliant

Upgrade to BUY

(from NEUTRAL)

Revised Target Price **RM11.02**
(from RM9.01)

End of Court Saga

Upgrade to BUY with a revised TP of RM11.02. We are upgrading our call BUY on the stock with a revised TP of RM11.02, based on rollover valuation-year of FY26F EPS of 95.8sen pegged to a PER of 11.5x, nearly 2-year historical average mean. Post-litigation, the long-term outlook for FY26–27F remains decent, as short-term risks appear largely priced in following the recognition of the USD708m legal compensation. As such, we believe the stock to be undervalued at current juncture.

The final verdict. Yesterday, PPB updated on its 18.8%-owned associate, Wilmar International, following the final verdict on 5 of its subsidiaries (collectively known as Wilmar Respondents). Each subsidiary was fined by USD59,666, additionally Wilmar was ordered to pay compensation for state losses amounting c. USD708.9m.

The compensation comprises: i) profits made by the Wilmar Respondents c. USD101.0m, ii) financial losses to the State c. USD98.9m and iii) losses in the business and household sector c. USD508.9m. The management clarified this sum of USD708.9m has already been deposited with the Attorney General's Office (AGO), will be subsequently deposited into the State Treasury.

3Q25: One-off legal compensation. The company indicates the big hit will be the USD708.9m compensation in which to be book and turn the upcoming 3QFY25 Wilmar results to a net loss. Meanwhile the USD298K fine is relatively small in our view, as opposed to the compensation and would not materially worsen the headline loss. In fact, it is immaterial compared to FY26-27F Wilmar's quarterly earnings range forecast circa USD300-400m.

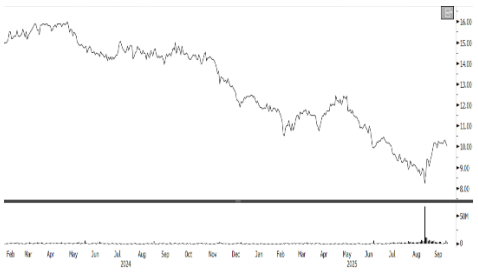
Earnings. Following the latest verdict, we revise Wilmar's FY25F earnings lower by -49.3%yoy to USD730.2m or RM579.3m, factoring in weaker contributions in 2H25. In tandem, we cut our group's earnings by -38.1% to RM778.4m while DPS forecast to 25sen (from 35sen), which implies a dividend yield of 2.5%.

Outlook. We believe most short-term risks largely priced in, while the long-term outlook remains supported by a rebound in Wilmar's earnings contribution, driven by improvements across most business segments except plantation and sugar milling. Notably, wheat prices continued to consolidate, averaging USD219.4/Mt in 2QCY25 (-6.2%qoq, -7.5%yoy) versus USD237.2/Mt in the prior year.

The moderation in wheat prices, alongside prudent feedstock procurement, should help normalize crushing margins within the grains and agribusiness main division. Overall core business, expected to sustain operating profit well above RM360m annually over the next 3-years.

RETURN STATISTICS	
Price @ 29 Sep 2025 (RM)	10.00
Expected share price return (%)	+10.18
Expected dividend yield (%)	+4.20
Expected total return (%)	+14.38

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.0	-4.6
3months	-2.7	-6.7
12 months	-33.2	-31.7

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	5,175.8	5,150.3	5,127.4
Operating Profit	336.4	360.5	364.0
PBT	847.6	1,466.2	1,509.7
Core PATAMI	778.4	1,363.0	1,426.7
EPS (sen)	54.7	95.8	100.3
DPS (sen)	25.0	40.0	40.0
Dividend Yield (%)	2.5	4.0	4.0%

KEY STATISTICS	
FBM KLCI	1,610.95
Issue shares (m)	1,422.60
Estimated free float (%)	42.33
Market Capitalisation (RM'm)	14,226.00
52-wk price range	RM8.23 – RM15.0
3-mth average daily volume (m)	3.50
3-mth average daily value (RM'm)	31.65
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.61
EPF	15.24
Nai Seng Sdn Bhd	3.44

Table 1: Wilmar Case Summary

Court Case - Conclusion	Amount (USD)	Amount (RM)*	Status
Compensation - Profits made	101,027,439	424,315,244	Already deposited
Compensation - Financial losses to State	98,937,656	415,538,155	Already deposited
Compensation - Business & household losses	508,886,445	2,137,323,069	Already deposited
Total Compensation	**708,851,540**	**2,977,176,468**	**Already deposited**
Fines (USD 59,666 per subsidiary) x5	298,330	1,252,986	Outstanding (not part of deposit)
Grand Total (Compensation + Fines)	**709,149,870**	**2,978,429,454**	**Compensation deposited, fines outstanding**

*Source: *Estimated numbers, 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	847.6	1,466.2	1,509.7
Operating Profit	224.2	313.1	336.4	360.5	364.0	Operating cash flow	746.9	146.7	-105.0	690.9	739.5
PBT	1,488.5	1,332.5	847.6	1,466.2	1,509.7	Investing cash flow	679.2	541.6	-150.0	-150.0	-150.0
PATAMI	1,394.3	1,219.4	778.4	1,363.0	1,426.7	Financing cash flow	-1,406.0	-734.8	-350.6	-564.0	-562.0
Core PATAMI	1,096.8	1,165.9	778.4	1,363.0	1,426.7	Net cash flow	20.2	-46.5	-605.6	-23.2	27.5
EPS (sen)	77.1	82.0	54.7	95.8	100.3	Beginning cash flow	1,596.6	1,629.3	1,576.7	971.3	948.2
PER (x)	13.0x	12.2x	18.3x	10.4x	10.0x	Ending cash flow	1,629.3	1,576.7	971.1	948.2	975.6
DPS (sen)	42.0	42.0	25.0	40.0	40.0						
Dividend yield (%)	4.2%	4.2%	2.5%	4.0%	4.0%						

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%	7.0%	7.0%	7.1%
ROU assets	484.2	426.9	514.2	529.2	544.2	PBT margin	26.0%	24.7%	16.9%	28.5%	29.4%
Non-current assets	26,077.7	25,206.7	26,162.3	26,168.9	26,169.4	PATAMI margin	24.4%	22.6%	15.5%	26.5%	27.8%
Inventories	764.5	922.0	686.3	684.5	680.7	Core PATAMI margin	19.2%	21.6%	15.5%	26.5%	27.8%
Receivables	884.9	677.8	567.2	564.4	561.9						
Current assets	3,330.6	3,580.7	4,370.2	5,161.9	5,999.1						
Total Assets	29,408.4	28,787.4	30,532.4	31,330.7	32,168.5						
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	1,647.6	1,656.9	1,665.5						
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	28,206.0	29,000.0	29,833.2						

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