PPB Group Berhad

(4065 | PEP MK) Main | Food & Beverages

3 Stars | FTSE4Good | SHARIAH Compliant

Corporate Update

1QFY26 Results Review

Wilmar and Core Segments Weaker

Maintain BUY with a revised TP of RM11.20. PPB Group's 1QFY26 results came in below expectations, weighed by lower associate contribution from Wilmar and weaker profitability across key core segments. We cut our FY26F/FY27F/FY28F earnings forecasts by -8%/-6%/-6%, respectively, to reflect softer Wilmar contributions and lower near-term core segment earnings. Accordingly, we revise our **TP to RM11.20**, based on 13x PE pegged to FY26F EPS of 86.1 sen. We maintain our **BUY** call, supported by PPB's food-related businesses, strong balance sheet and continued earnings support from Wilmar.

Below expectations. PPB posted 1QFY26 revenue of RM1.29b (-4.9%yoy; -4.3%qoq) and core PATAMI of RM249.0m (-29.7%yoy; -72.7%qoq), accounting for 18.7% of our full-year forecast and 17.3% of consensus. PBT declined -37.8%yoy to RM255.3m, while core PATAMI margin narrowed to 19.4% (-6.8ppts yoy), reflecting weaker operating profit and lower associate contribution.

Grains & Agribusiness. Segment revenue declined -9.8%yoy to RM897.3m, mainly due to lower sales from flour and feed sub-segments. Consequently, segment PBT fell -48.9%yoy to RM63.6m, with margin contracting to 7.1% from 12.5%, reflecting weaker volume and margin pressure. On a quarter-on-quarter basis, revenue slipped -2.0%, while PBT declined -30.2%, underscoring softer operating momentum from the strong 4QFY25 base.

Consumer Products. Revenue rose +17.4%yoy to RM247.3m, supported by contributions from the newly acquired Min Tien Group and Eggtech Manufacturing. However, the segment recorded a RM2.0m loss versus RM0.6m profit in 1QFY25, mainly due to lower sales volume for certain staple food products and higher trade promotion expenses. Sequentially, revenue improved +5.9%qoq, but losses widened from RM1.1m in 4QFY25, indicating continued margin pressure despite a larger revenue base.

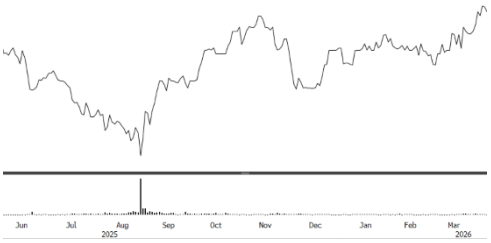
Film Exhibition & Distribution. Revenue declined -4.5%yoy to RM124.6m, while segment loss widened to RM7.3m from RM5.0m in 1QFY25. The weaker performance was mainly attributable to lower admissions, net box office collection and concession income, alongside higher cinema operating costs. Sequentially, revenue fell -29.1%qoq, while the segment reversed from RM20.3m PBT in 4QFY25 to a loss, reflecting a weaker film slate and softer cinema traffic.

Maintain **BUY**

Revised Target Price **RM11.20**
(from RM12.20)

RETURN STATISTICS	
Price @ 26th May 2026 (RM)	10.02
Expected share price return (%)	+11.75
Expected dividend yield (%)	+3.99
Expected total return (%)	+15.74

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-11.5	-9.9
3 months	-16.5	-7.0
12 months	-12.6	-21.6

INVESTMENT STATISTICS

FYE Dec	2026F	2027F	2028F
Revenue	5,550.3	5,526.8	5,581.9
Operating Profit	388.5	392.4	401.9
PBT	1,367.6	1,464.0	1,409.1
Core PATAMI	1,225.3	1,383.5	1,331.6
EPS (sen)	86.1	97.2	93.5
DPS (sen)	40.0	40.0	41.0
Dividend Yield (%)	4.0%	4.0%	4.1%

KEY STATISTICS

FBM KLCI	1,699.02
Issued shares (m)	1429.31
Estimated free float (%)	42.33
Market Capitalisation (RM'm)	14,254.45
52-wk price range	RM8.23 - RM12.2
3-mth average daily volume (m)	0.59
3-mth average daily value (RM'm)	6.65
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.61
Employees Provident Fund Board	18.99
NAI SENG SDN BERHAD	3.44

Associates (Wilmar). Wilmar remained the key earnings driver, but contribution softened materially. PPB's Wilmar-related contribution declined -30.2%yoy to RM207.3m, mainly due to lower associate earnings. On a quarter-on-quarter basis, contribution fell -77.0%, largely due to the absence of the large gain on remeasurement from changes in interest in Adani Wilmar recognised in 4QFY25. Despite the weaker quarter, Wilmar still accounted for 78.6% of group PBT in 1QFY26, compared with 70.8% in 1QFY25 and 88.9% in 4QFY25.

Property. The segment remained relatively resilient, with revenue rising +4.3%yoy to RM15.8m and PBT increasing +6.9%yoy to RM2.3m. The improvement was mainly supported by better mall performance and profit from sales of properties. Sequentially, performance also improved from a RM0.6m loss in 4QFY25, while margin recovered to 14.4%.

Outlook. We remain cautiously positive on PPB's prospects, anchored by Wilmar's continued contribution and the group's defensive food-related businesses. However, near-term earnings may remain uneven amid softer grains and feed demand and margin pressure in Consumer Products. Management continues to monitor Middle East-related cost risks across fuel, energy and petrochemical-derived materials, while diversified grains sourcing and a stronger Ringgit should partly cushion input cost pressures. The Film segment is expected to improve progressively on a stronger Hollywood and local movie slate, while Property should remain supported by Lumina Bedong Township sales and asset enhancement initiatives. Maintain **BUY** with a revised **TP of RM11.20**, based on 13x PE pegged to FY26F EPS of 86.1 sen.

PPB: 1QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue	1,351.1	1,342.5	1,285.3	(4.3)	(4.9)	1,351.1	1,285.3	(4.9)
Operating profit	109.2	95.9	42.6	(55.6)	(61.0)	109.2	42.6	(61.0)
Share of results of associates	309.7	862.2	218.8	(74.6)	(29.3)	309.7	218.8	(29.3)
Finance Cost	(8.5)	(4.5)	(6.2)	38.1	(27.1)	(8.5)	(6.2)	(27.1)
PBT	410.3	(3,228.9)	255.3	(107.9)	(37.8)	410.3	255.3	(37.8)
Tax Expense	(17.3)	(31.8)	(12.0)	(62.2)	(30.2)	(17.3)	(12.0)	(30.2)
PATAMI	375.8	(3,272.0)	234.0	(107.2)	(37.7)	375.8	234.0	(37.7)
Core PATAMI	**354.3**	**910.6**	**249.0**	**(72.7)**	**(29.7)**	**354.3**	**249.0**	**(29.7)**
Core EPS (sen)	24.9	64.0	17.5	(72.7)	(29.7)	24.9	17.5	(29.7)
Growth & Margin (%)	8.1	7.1	3.3	(3.8)		(4.8)	8.1	3.3
OP margin (%)	30.4	(240.5)	19.9	260.4	(10.5)	30.4	19.9	(10.5)
PBT margin (%)	26.2	67.8	19.4	(48.5)	(6.8)	26.2	19.4	(6.8)
Core PATAMI margin (%)	4.2	(1.0)	4.7	5.7	0.5	4.2	4.7	0.5
Effective tax rate (%)	**1Q25**	**4Q25**	**1Q26**	**QoQ (%)**	**YoY (%)**	**3M25**	**3M26**	**YoY (%)**

Source: Company, MBSBR

PPB: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue (RM'm):								
Grains and agribusiness	994.4	916.0	897.3	-2.0	-9.8	994.4	897.3	-9.8
Consumer Products	210.7	233.4	247.3	5.9	17.4	210.7	247.3	17.4
Film exhibition and distribution	130.5	175.8	124.6	-29.1	-4.5	130.5	124.6	-4.5
Property	15.2	15.7	15.8	1.0	4.3	15.2	15.8	4.3
Other operations	0.3	1.7	0.4	-78.8	2.6	0.3	0.4	2.6
Pre-Tax	**1Q25**	**4Q25**	**1Q26**	**QoQ (%)**	**YoY (%)**	**3M25**	**3M26**	**YoY (%)**
Grains and agribusiness	124.5	91.2	63.6	-30.2	-48.884	124.5	63.6	-48.9
Consumer Products	0.6	-1.1	-2.0	NM	NM	0.6	-2.0	NM
Film exhibition and distribution	-5.0	20.3	-7.3	NM	46.0	-5.0	-7.3	NM
Property	2.1	-0.6	2.3	>100	6.9	2.1	2.3	6.9
Other operations / Wilmar Contribution	296.9	883.1	207.3	-77	-30.2	296.9	207.3	-30.2
Pre-Tax Margin (%)	**1Q25**	**4Q25**	**1Q26**	**QoQ (%)**	**YoY (%)**	**3M25**	**3M26**	**YoY (%)**
Grains and agribusiness	12.5	10.0	7.1	-2.9	-5.4	12.5	7.1	-43.3
Consumer Products	0.3	-0.5	-0.8	-0.3	-1.1	0.3	-0.8	NM
Film exhibition and distribution	-3.8	11.6	-5.9	NM	NM	-3.8	-5.9	NM
Property	14.1	-3.9	14.4	>100	2.5	14.1	14.4	2.5
Pre-Tax Stats.								
% Core Business contribution to PBT	29.2	11.1	21.4	10.4	-26.5	29.2	21.4	-7.7
% Wilmar contribution to PBT	70.8	88.9	78.6	-10.4	10.9	70.8	78.6	7.7

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	5,385.9	5,431.8	5,550.3	5,526.8	5,581.9
Operating Profit	313.1	426.1	388.5	392.4	401.9
PBT	1,332.5	-2,574.9	1,367.6	1,464.0	1,409.1
PATAMI	1,219.4	-2,732.4	1,238.8	1,383.5	1,331.6
Core PATAMI	1,165.9	1,425.2	1,225.3	1,383.5	1,331.6
EPS (sen)	82.0	100.2	86.1	97.2	93.5
PER (x)	12.2x	10.0x	11.6x	10.3x	10.7x
DPS (sen)	42.0	25.0	40.0	40.0	41.0
Dividend yield (%)	4.2%	2.5%	4.0%	4.0%	4.1%

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	1,332.5	-2,574.9	1,367.6	1,464.0	1,409.1
Operating cash flow	146.7	755.1	664.8	696.1	677.1
Investing cash flow	541.6	-446.0	-150.0	-150.0	-151.0
Financing cash flow	-734.8	-880.1	-564.0	-562.0	-573.3
Net cash flow	-46.5	-570.9	-49.2	-16.0	-47.1
Beginning cash flow	1,629.3	1,576.7	1,116.5	1,067.3	1,051.3
Ending cash flow	1,576.7	1,116.5	1,067.3	1,051.3	1,004.2

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
PPE	1,183.7	1,187.7	1,252.7	1,238.2	1,217.7
ROU assets	426.9	356.6	529.2	544.2	559.2
Non-current assets	25,206.7	20,490.8	26,106.9	26,107.4	26,101.9
Inventories	922.0	768.4	737.7	733.7	740.2
Receivables	677.8	631.6	608.2	605.7	611.7
Current assets	3,580.7	3,626.6	5,353.5	6,171.6	6,138.0
Total Assets	28,787.4	24,117.4	31,460.4	32,279.0	32,239.9
Long-term debt	23.7	53.7	48.7	44.7	41.7
Non-current liabilities	607.9	522.8	673.8	669.8	666.8
Borrowings	364.8	192.9	1,318.5	1,328.5	1,339.5
Current liabilities	965.0	843.7	1,676.2	1,684.8	1,698.1
Share capital	1,429.3	1,429.3	1,429.3	1,429.3	1,429.3
Retained earnings	20,494.1	20,688.4	4,649.7	4,649.7	4,649.7
NCI	641.4	633.2	0.0	0.0	0.0
Equity	26,573.2	22,117.7	25,340.2	26,154.7	26,903.0

Profitability Margins	2024A	2025A	2026F	2027F	2028F
OP margin	5.8%	7.8%	7.0%	7.1%	7.2%
PBT margin	24.7%	-47.4%	24.6%	26.5%	25.2%
PATAMI margin	22.6%	-50.3%	22.3%	25.0%	23.9%
Core PATAMI margin	21.6%	26.2%	22.1%	25.0%	23.9%

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