PPB Group Berhad

(4065 | PEP MK) Main | Food & Beverages

3 Stars | FTSE4Good | SHARIAH Compliant

Corporate Update

2QFY26 Results Review:

Wilmar Rebounds, Core Segments Mixed

Maintain **BUY**

Unchanged Target Price **RM11.20**

Maintain BUY with an unchanged TP of RM11.20. PPB Group's 2QFY26 results came in within expectations, supported by a stronger Wilmar contribution and improved quarter-on-quarter performance across key core segments. While 1HFY26 earnings were still lower year-on-year, mainly due to softer Wilmar translation impact and weaker cumulative core segment profitability, the 2Q recovery was encouraging. We make no changes to our earnings forecasts and maintain our **BUY** call with unchanged **TP of RM11.20**, based on 13x PE pegged to FY26F EPS of 86.1 sen.

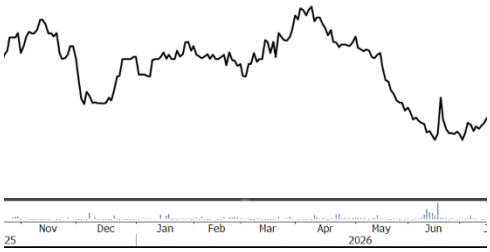
Within expectations. PPB posted 2QFY26 revenue of RM1.32b (-3.0%yoy; +2.6%qoq) and core PATAMI of RM307.7m (+8.3%yoy; +23.6%qoq). For 1HFY26, revenue declined -4.0%yoy to RM2.60b, while core PATAMI fell -12.8%yoy to RM556.8m, accounting for 45% of our full-year forecast and 44% of consensus. A dividend of 13 sen per share was announced

Revenue Softer on Grains and Film Weakness. Group revenue declined -3.0%yoy in 2QFY26, mainly dragged by Grains & Agribusiness and Film Exhibition & Distribution. Grains revenue fell -7.3%yoy to RM861.8m, mainly due to lower sales across flour, feed and livestock sub-segments. Film revenue declined -11.8%yoy to RM185.2m, reflecting a weaker release slate relative to 2QFY25. This was partly cushioned by Consumer Products revenue, which rose +24.0%yoy to RM243.0m, supported by contributions from Min Tien Group, acquired in 3QFY25, and Eggtech Manufacturing, acquired in 1QFY26. Property revenue also grew +11.0%yoy to RM20.1m. Sequentially, revenue improved +2.6%qoq, mainly from Film recovery and higher Property revenue.

Earnings lifted by Wilmar and grains recovery. 2QFY26 PBT rose +22.3%yoy and +50.2%qoq to RM383.3m, driven mainly by higher Wilmar contribution, which increased +25.3%yoy and +25.0%qoq to RM273.6m. Core business segments also improved sequentially, with combined contribution rising to RM116.1m in 2QFY26 from RM56.6m in 1QFY26, mainly due to stronger Grains & Agribusiness performance and a turnaround in Film Exhibition & Distribution. Grains & Agribusiness PBT rose +39.8%yoy to RM92.7m, supported by improved flour performance, despite softer revenue. Film Exhibition & Distribution recovered strongly quarter-on-quarter to RM21.9m PBT from a RM7.3m loss in 1QFY26, supported by higher admissions and a stronger slate of box-office releases, although it remained -41.7%yoy lower due to weaker 1H title mix. Consumer Products recorded a marginal RM0.1m loss, as lower sales volume for certain staple food products and higher trade promotion expenses continued to weigh on margins. Property PBT fell -20.7%yoy to RM1.6m, mainly due to lower associate contribution, partly offset by improved mall performance and property sales.

RETURN STATISTICS	
Price @ 26th Aug 2026 (RM)	10.26
Expected share price return (%)	+9.14
Expected dividend yield (%)	+3.90
Expected total return (%)	+13.03

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.1	7.1
3 months	10.4	-0.5
12 months	24.7	12.8

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 (%)	3.9%	3.9%	4.0%

KEY STATISTICS

FBM KLCI	1,748.54
Issued shares (m)	1429.31
Estimated free float (%)	41.74
Market Capitalisation (RM'm)	14,581.48
52-wk price range	RM8.23 - RM12.2
3-mth average daily volume (m)	0.49
3-mth average daily value (RM'm)	4.64
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.66
Employees Provident Fund Board	19.07
NAI SENG SDN BERHAD	3.45

Outlook. We remain positive on PPB's prospects, supported by Wilmar's earnings contribution, defensive food-related businesses and strong balance sheet. The Grains & Agribusiness segment is expected to remain challenging amid unresolved Middle East conflicts, weather-related grain supply disruptions, price volatility, logistics and energy cost pressure, although diversified sourcing, prudent inventory management and a stronger Ringgit should provide some buffer. Consumer Products should benefit from portfolio expansion and demand for value-oriented products, though margin pressure from operating costs, competition and trade promotions may persist. Film Exhibition & Distribution should improve in 2H on stronger Hollywood and local film releases, while Property remains supported by Lumina Bedong Township sales, stable mall occupancy and asset enhancement initiatives. Overall, we maintain **BUY** with unchanged **TP of RM11.20.**

PPB: 2QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue	1,359.8	1,285.3	1,318.4	2.6	(3.0)	2,710.9	2,603.7	(4.0)
Operating profit	102.8	42.6	117.1	174.8	14.0	212.0	159.7	(24.7)
Share of results of associates	218.4	218.8	273.6	25.0	25.3	528.1	492.5	(6.7)
Finance Cost	(7.8)	(6.2)	(7.4)	19.7	(4.5)	(16.3)	(13.7)	(16.3)
PBT	313.4	255.3	383.3	50.2	22.3	723.8	638.6	(11.8)
Tax Expense	(24.5)	(12.0)	(33.8)	180.2	37.7	(41.8)	(45.8)	9.7
PATAMI	279.8	234.0	338.1	44.5	20.8	655.7	572.1	(12.7)
Core PATAMI	**284.1**	**249.0**	**307.7**	**23.6**	**8.3**	**638.4**	**556.8**	**(12.8)**
Core EPS (sen)	20.0	17.5	21.6	23.6	8.3	44.9	39.1	(12.8)
Growth & Margin (%)								
OP margin (%)	7.6	3.3	8.9	5.6	1.3	7.8	6.1	(1.7)
PBT margin (%)	23.0	19.9	29.1	9.2	6.0	26.7	24.5	(2.2)
Core PATAMI margin (%)	20.9	19.4	23.3	4.0	2.4	23.6	21.4	(2.2)
Effective tax rate (%)	7.8	4.7	8.8	4.1	1.0	5.8	7.2	1.4

Source: Company, MBSBR

PPB: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue (RM'm):								
Grains and agribusiness	929.6	897.3	861.8	-4.0	-7.3	1,924.0	1,759.1	-8.6
Consumer Products	196.0	247.3	243.0	-1.7	24.0	406.7	490.2	20.5
Film exhibition and distribution	210.0	124.6	185.2	48.6	-11.8	340.5	309.9	-9.0
Property	18.1	15.8	20.1	26.7	11.0	33.3	35.9	7.9
Other operations	6.1	0.4	8.3	>100	36.8	6.4	8.7	35.0
Pre-Tax	**2Q25**	**1Q26**	**2Q26**	**QoQ (%)**	**YoY (%)**	**1H25**	**1H26**	**YoY (%)**
Grains and agribusiness	66.3	63.6	92.7	45.7	39.774	190.8	156.4	-18.1
Consumer Products	2.2	-2.0	-0.1	NM	NM	2.8	-2.1	NM
Film exhibition and distribution	37.6	-7.3	21.9	>100	-41.7	32.6	14.6	-55.1
Property	2.1	2.3	1.6	-28.7	-20.7	4.2	3.9	-6.6
Other operations / Wilmar Contribution	214.8	207.3	276.9	34	28.9	511.6	484.2	-5.4
Pre-Tax Margin (%)	**2Q25**	**1Q26**	**2Q26**	**QoQ (%)**	**YoY (%)**	**1H25**	**1H26**	**YoY (%)**
Grains and agribusiness	7.1	7.1	10.8	3.7	3.6	9.9	8.9	-10.4
Consumer Products	1.1	-0.8	0.0	0.8	-1.2	0.7	-0.4	NM
Film exhibition and distribution	17.9	-5.9	11.8	>100	-33.9	9.6	4.7	-50.7
Property	11.4	14.4	8.1	-43.7	-28.6	12.6	10.9	-13.5
Pre-Tax Stats.								
% Core Business contribution to PBT	33.5	21.4	29.6	8.1	-11.8	31.1	26.3	-4.8
% Wilmar contribution to PBT	66.5	78.6	70.4	-8.1	5.9	68.9	73.7	4.8

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%	3.9%	3.9%	4.0%

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: 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