

02 March 2026

PPB Group

Impairment Hides A Good Recovery

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PPB's FY25 core net profit (CNP) came 3% within Kenanga and 9% below consensus' estimates after excluding a non-cash RM4.17b impairment against the carrying value of 19% associate Wilmar International Limited (WIL). Otherwise, FY25 reported a headline after tax loss of RM2.73b. While fines, legal cases and write offs at WIL did dampen investment sentiment on PPB and led to the impairment against WIL's carrying value, we believe this negativity is abating. Maintain FY26F core EPS (CEPS) and nudge up TP by 18% to RM14.75 and our call is still an OUTPERFORM.

FY25. Adjusting for fair value gain (RM27m), forex loss (RM6m) and impairment on the carrying value of WIL (RM4,173m), FY25 CNP was up a solid 17% YoY to hit RM1,354m. Earnings were generally stronger in FY25 including WIL share of pre-tax profits which rose 8% YoY to RM1,134m. Only the property unit reported a 41% dip due to an RM8m write-down, otherwise core profit grew 25%.

4QFY25. Historically, PPB's earnings are often better in 2H with 3Q earnings typically better than the 4Q. This is the case for 4QFY25 which saw softer CNP of RM297m (-29% QoQ, -10% YoY) on mixed contributions. Golden Screen Cinemas (GSC) did better QoQ and YoY but other key contributors such as WIL (excluding non-core items) and the Grains & Agribusiness (G&A) saw weaker QoQ and YoY. Smaller units like the Consumer Products division (CP) dipped QoQ into a small loss but no worse than the loss in 4Q of FY24.

Nevertheless, PPB ended 4QFY25 with higher net cash, which rose QoQ from RM1.281b in 3QFY25 to RM1.463b. A final dividend of 30.0 sen was declared, bringing full year FY25 DPS to 42.0 sen - lower than the 45.0 sen we expected but otherwise flat when compared to FY24.

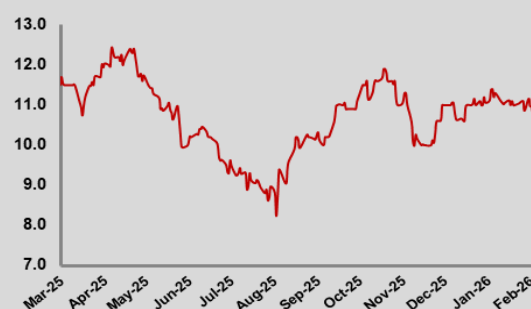
Recovery trajectory still intact. Despite the headline losses, core FY25 earnings recovered well, up by 17% YoY. We expect this growth trajectory to continue into FY26-27, underpinned by growing Asia-Pacific middle-income group's demand for more entry level FMCG food and mass entertainment.

- G&A earnings can be volatile but the overall trend is up.** Earnings can swing QoQ and YoY due to its trading positions in the global grain market but the underlying demand for flour (and feed) looks set to continue growing over the long term. Favourable demographics, urbanisation and rising income are supportive of PPB's flour business. It is the largest in Malaysia with five mills and 2,820MT in daily capacity, two mills in Vietnam (2,050MT/day) and a 43%-stake in a 1,070MT/day Thai mill. PPB also holds 20% stakes across seven Chinese mills (17,950MT/day capacity) which are controlled by WIL. Although international wheat prices rose in 4Q 2025, prices are still hovering at decades low while the MYR has been strengthening to provide room for margin improvements.
- GSC earnings recovery looks robust.** Having suffered losses over FY20-24, GSC broke even in FY24 with FY25 earnings reverting to pre-Covid levels. However, thanks to PPB's strong balance sheet, GSC bought over Malaysia's third largest cinema chain (MBO Cinemas) in 2021 then spent 2-3 years to consolidate, relocate, refresh and upgrade its entire chain of 52 cinemas across Malaysia. Coupled with steady flow of blockbusters and growing non-ticket revenue, we expect GSC to see further growth over FY26-27.

OUTPERFORM ↔

Price : RM10.88
Target Price : RM14.75 ↑

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	-1.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PEP MK EQUITY
Market Cap (RM m)	15,477.9
Shares Outstanding	1,422.6
52-week range (H)	12.58
52-week range (L)	8.23
3-mth avg. daily vol.	755,830
Free Float	42%
Beta	0.8

Major Shareholders

Kuok Brothers Sdn Bhd	50.6%
Employees Provident	18.9%
Nai Seng Sdn Berhad	3.4%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	5,431.8	5,790.9	6,066.0
EBIT	299.8	374.8	530.1
PBT	(2,575)	1,715.6	1,843.7
Net Profit (NP)	(2,732)	1,639.4	1,694.3
Core NP	1,353.7	1,639.4	1,694.3
Consensus NP	1,491	1,430	1,446
Earnings Revision	-	-	NEW
Core EPS (sen)	95.2	115.2	119.1
Core EPS Growth (%)	17.4	21.1	3.3
NDPS (sen)	42.0	42.0	42.0
BV/Share (RM)	16.3	17.1	17.8
Core PER (x)	11.4	9.4	9.1
Price/BV (x)	0.7	0.6	0.6
Net Gearing (x)	0.1	0.1	0.0
Dividend Yield (%)	3.9	3.9	3.9

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- Better property profits ahead.** Launched in Dec 2024, Phase 1A of Lumina Bedong - a 228-acre township in Sg Petani (Kedah) with estimated GDV of RM900m - has started contributing with Phase 1B pending launch in FY26. A small 4-acre, low-density condominium project at Kwasa Damansara (Selangor) is also being planned. Earnings from its five malls and property development should grow in 4QFY25 and into FY26.
- Consumer products.** A small contributor but strategic to the group as it markets and distributes FMCG products (for both the group and third parties). A likely beneficiary of MyKasih and Visit Malaysia 2026, the unit should fare well in FY26.
- WIL's share prices have been rising.** From cooking oil contamination fear in China, Australian sugar mill union disputes, fines in Indonesia, legal claims in China and provisions for an associate in Pakistan, the past two years have been tumultuous. However, we believed WIL has strengthened some of its teams, policies and procedures. It has also compensated or provided USD1,036m for the fines and potential claims in 2H FY25. Recent rally in WIL's share price also suggests the Singapore equity market is starting to expect more "normal" days ahead for WIL.

Forecasts. Maintained FY26 CEPS at 115.2 sen and introduced FY27 CEPS of 119.1 sen.

Valuations. We are raising our TP by 18% from RM12.50 to RM14.75 after taking the following into considerations:

- Using the long-term average of larger integrated planters target PER of 16x gives us a base price of RM18.45 for PPB.
- Applying a 20% discount for PPB's holding company status, the above base TP of RM18.45 is cut to RM14.75.
- Another 15% discount was then applied to reach our previous TP of RM12.50 due to the uncertainties surrounding the various cases and provisions faced by WIL and WIL is also a substantial (65-75%) contributor of PPB's earnings. We are now removing this 15% discount as we expect such concerns to abate over FY26-27.

Investment case. PPB's FY25 underlying core earnings is recovering well. While volatile earnings can be expected from commodity trading positions at both WIL and PPB's G&A unit, their integrated chain from upstream agriculture to refining-cum-processing and owning FMCG brands have shown to be resilient. Meanwhile WIL has strong food FMCG exposure in China and India while PPB has flour, feed, food and film exhibition businesses in SE Asia. Trading deeply below book value with prospective PER of <10x and GDY of around 4% we believe the downside is limited.

Risks to our recommendation include: (i) weather impact on commodity supply and prices, (ii) regulatory changes affecting prices of essential goods, and (iii) production cost inflation.

Results Highlights

FYE Dec (RM m)	4Q25	3Q25	QoQ	4Q24	YoY	FY25	FY24	YoY
Revenue	1,342.5	1,378.4	-3%	1,430.6	-6%	5,431.8	5,385.9	1%
Gross Profit	212.0	196.5	8%	173.7	22%	774.1	610.0	27%
EBIT	73.6	79.6	-8%	40.6	81%	299.8	129.7	131%
Interest expenses	(4.5)	(6.9)	-35%	(9.2)	-51%	(27.7)	(40.1)	-31%
Associates & JVs	936.1*	(264.5)**	-454%	303.0	209%	1,199.7^	1,059.5	13%
Misc	22.3	38.5	-42%	87.9	-75%	126.3	183.3	-31%
EI (to be excluded fr N Profit)	(4,177)	(529.9)	688%	33.6	+>100%	(4,151)	66.4	+>100%
Pretax Profit	(3,145)	(153.2)	1953%	422.3	-845%	(2,575)	1,332.5	-293%
Taxation	(31.8)	(30.3)	5%	(32.0)	-1%	(103.9)	(90.6)	15%
MI & Discontinued ops	(11.2)	(16.0)	0%	(25.1)	-55%	(53.6)	(22.5)	138%
Net Profit	(3,189)	(199.6)	1498%	365.2	-973%	(2,732)	1,219.4	-324%
Core Net Profit	297.4	418.1	-29%	331.6	-10%	1,353.7	1,153.0	17%
Core EPS (sen)	20.9	29.4	-29%	23.3	-10%	95.2	81.0	17%
DPS (sen)	30.0	-	N.A.	30.0	0%	42.0	42.0	0%
Wilmar's contribution	923.5	(288.6)	-420%	277.6	233%	1,116.0	996.7	12%
% share of PBT	-29%	188%		66%		-43%	75%	
GP %	16%	14%		12%		14%	11%	
EBIT %	5%	6%		3%		6%	2%	
PBT %	-234%	-11%		30%		-47%	25%	
Tax %	-1%	-20%		8%		-4%	7%	

* Includes PPB share of an estimated RM691m net gain at WIL following valuation gains on AWL Agri Business Ltd but less provisions made for ongoing legal cases in China as well as for losses of an associate company in Pakistan.

** Includes PPB share of approximately RM626m in fines and provisions at WIL's Indonesian operations.

^ Includes PPB's share of about RM65m in net gain for FY25 at WIL as per the notes above.

Source: Company, Kenanga Research

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Segmental Breakdown								
FYE Dec (RM m)	4Q25	3Q25	QoQ	4Q24	YoY	FY25	FY24	YoY
Segmental Revenue:								
Grains & Agribusiness	916.0	951.7	-4%	1,064.2	-14%	3,791.7	3,948.7	-4%
Consumer Products	233.4	246.1	-5%	201.8	16%	886.2	784.2	13%
Film Exhibition & Distr.	175.8	165.3	6%	148.2	19%	681.6	587.1	16%
Property	15.7	13.7	15%	12.5	26%	62.6	52.2	20%
Others	1.7	1.7	0%	3.9	-58%	9.8	13.7	-29%
Group Revenue	1,342.5	1,378.4	-3%	1,430.6	-6%	5,431.8	5,385.9	1%
Segmental Pretax Profit:								
Grains & Agribusiness	91.2	111.0	-18%	140.0	-35%	393.0	321.3	22%
Consumer Products	(1.1)	5.0	-123%	(1.1)	0%	6.7	6.5	3%
Cinema & Film Distribution	20.3	15.7	30%	3.1	546%	68.6	3.7	1774%
Property	(0.6)	3.2	-119%	4.0	-116%	6.8	11.5	-41%
Investments & Others	(4,170)	9.7	->100%	8.3	->100%	(4,130)	29.0	-14351%
Wilmar's contribution	923.5*	(288.6)**	-420%	277.6	233%	1,116.0^	996.7	12%
Unallocated Corp Exp	(8.6)	(9.2)	-6%	(9.6)	-10%	(36.1)	(36.1)	0%
Group Pretax Profit	(3,145)	(153.2)	1953%	422.3	-845%	(2,575)	1,332.5	-293%
Core PBT	340.4	464.4	-27%	388.7	-12%	1,511.2	1,266.1	19%

* Includes PPB share of an estimated RM691m net gain at WIL following valuation gains on AWL Agri Business Ltd but less provisions made for ongoing legal cases in China as well as for losses of an associate company in Pakistan.

** Includes PPB share of approximately RM626m in fines and provisions at WIL's Indonesian operations.

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Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	MP	5.11	5.40	5.7%	4,584.5	Y	12/2026	43.7	44.2	10.7%	1.2%	11.7	11.6	0.8	7.2%	28.0	5.5%
HAP SENG PLANTATIONS HOLDING	UP	2.15	1.95	-9.3%	1,719.3	Y	12/2026	16.3	16.7	-6.4%	2.2%	13.2	12.9	0.8	5.9%	8.0	3.7%
IOI CORP BHD	MP	3.96	4.35	9.8%	24,889.4	Y	06/2026	23.9	23.5	18.8%	-1.5%	16.6	16.8	1.9	12.5%	11.0	2.8%
KUALA LUMPUR KEPONG BHD	OP	19.00	24.00	26.3%	21,159.5	Y	09/2026	127.1	137.8	17.2%	8.4%	14.9	13.8	1.3	9.7%	60.0	3.2%
PPB GROUP BHD	OP	10.88	14.75	35.6%	15,477.9	Y	12/2026	115.2	119.1	21.1%	3.3%	9.4	9.1	0.6	6.7%	42.0	3.9%
SD GUTHRIE BHD	MP	5.75	5.45	-5.2%	39,765.4	Y	12/2026	27.8	28.0	-3.3%	0.5%	20.7	20.6	1.9	11.9%	15.0	2.6%
TA ANN HOLDINGS BHD	MP	4.63	3.90	-15.8%	2,039.3	Y	12/2026	45.5	41.5	20.4%	-8.8%	10.2	11.2	1.1	10.9%	40.0	8.6%
TSH RESOURCES BHD	OP	1.22	1.55	27.0%	1,537.4	Y	12/2026	12.6	13.0	-9.5%	3.1%	9.6	9.4	0.7	7.9%	5.0	4.1%
UNITED MALACCA BHD	OP	5.82	6.45	10.8%	1,220.9	Y	04/2026	76.1	70.8	37.2%	-7.0%	7.6	8.2	0.8	10.4%	20.0	3.4%
Simple Average					112,393.6						11.1%	1.9%	15.0	14.7	1.1	9.2%	4.2%

Source: Bloomberg, Kenanga Research

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★	★	★	
	Corporate Social Responsibility	★	★	★	
	Management/Workforce Diversity	★	★	★	
	Accessibility & Transparency	★	★	★	
	Corruption-Free Pledge	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	☆
	SPECIFIC	Biodiversity Conservation	★	★	★
Sustainable Planting		★	★	★	☆
Guest Labour Welfare		★	★	★	★
Supply Chain Auditing		★	★	★	★
Occupational Health & Safety		★	★	★	★
Waste Disposal & Pollution Control		★	★	★	★
OVERALL		★	★	★	

- ☆ denotes half-star
- ★ -10% discount to TP
- ★★ -5% discount to TP
- ★★★ TP unchanged
- ★★★★ +5% premium to TP
- ★★★★★ +10% premium to TP

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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