

29 May 2026

PPB Group

Fresh WIL Uncertainty Seems Priced In

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PPB's 1QFY26 core net profit (CNP) was slow, coming in at only 15% of Kenanga, and 17% of consensus, full-year estimate. Mark-to-market (MTM) losses at Wilmar International Limited (WIL) and PPB's own operations hit a soft patch. Meanwhile Indonesia has indicated WIL is among those being investigated for exports transfer pricing though WIL has said it has yet to be officially notified in an announcement. We trim core EPS (CEPS) by 8% to 108.3 sen for FY26 and by 6% to 112.0 sen for FY27. TP is cut by 11% to RM12.90 on CEPS downgrades and uncertainty over WIL's Indonesian transfer pricing risk. Maintain **OUTPERFORM** as we believed a lot of bad news have been imputed.

1QFY26. Adjusting for fair value gain (RM10.2m) and forex loss (RM4.5m), 1QFY26 CNP slid to RM249m (-16% QoQ, -30% YoY) due largely to WIL's MTM losses from hedging positions for grains which is expected to reverse when the physical trade concludes in upcoming quarters. The MTM amount was not disclosed but we reckon it could be in the region of USD100-USD150m or RM70m-RM110m at PPB level.

PPB's own operating profits were also softer. Grains & Agribusiness (G&A)'s 1QFY26 earnings fell 30% QoQ and 49% YoY, while 1Q is typically a slow quarter for Golden Screen Cinemas (GSC) which reported RM7m loss compared to 1QFY25 loss of RM5m (but 4QFY25 profit of RM20m). Consumer Products (CP) also reported a RM2m loss for 1QFY26, poorer-than-expected due to rising distribution but also marketing costs. Property stood out this quarter, the only unit to report better QoQ and YoY profit though small.

Net cash rose QoQ, from RM1.463b in 4QFY25 to RM1.490b but no dividend was declared, which is expected as PPB only announces half-yearly DPS. Maintain FY26-27 annual DPS of 45.0 sen.

Underlying operational recovery still ticking up. 1QFY26 profit was tepid, marred mainly by temporary MTM loss at WIL but also soft G&A and GSC results. However, underpinned by Asia-Pacific growing middle-income population, PPB's longer-term growth looks intact but slower growth and tighter margins are now likely for FY26-27. Already plagued by rising cost of living, many consumers are set to resist sizeable ASP hikes even as input costs such as grains, edible oils or diesel prices have risen post the Middle East conflict.

1. Slower FY26-27 G&A profits but longer-term uptrend still likely.

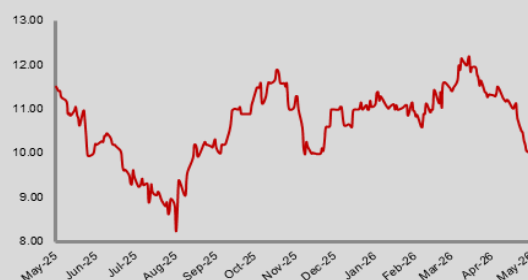
G&A's underlying long-term outlook is underpinned by favourable demographics, urbanisation and rising middle-class income in Malaysia, Vietnam, Thailand and China. Nonetheless, the Middle East conflict has caused fertiliser and energy costs to increase. Grain prices and distribution costs have thus nudge up as well but selling prices may take longer to adjust up as many consumers in the region already face cost of living issues. Therefore, G&A is likely to face slower demand growth and tighter margins over FY26-27.

2. Flatter GSC earnings expected. Having consolidated and refreshed its entire chain after buying MBO Cinemas (the number 3 cinema operator locally) in 2021, GSC currently has >50% market share. Hence, despite a slow 1QFY26, earnings are expected to still grow over FY26-27 but at a slower pace.

OUTPERFORM ↔

Price : **RM9.82**
Target Price : **RM12.90** ↓

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	-11.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PEP MK Equity
Market Cap (RM m)	13,969.9
Shares Outstanding	1,422.6
52-week range (H)	12.20
52-week range (L)	8.23
3-mth avg. daily vol.	587,598
Free Float	42%
Beta	0.79

Major Shareholders

Kuok Brothers Sdn Bhd	50.6%
Employees Provident	19.0%
Nai Seng Sdn Berhad	3.4%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	5,431.8	5,488.5	5,604.5
EBIT	(3,814)	171.5	386.4
PBT	(2,575)	1,612.0	1,732.5
Net Profit (NP)	(2,732)	1,541.3	1,593.0
Core NP	1,353.7	1,541.3	1,593.0
Consensus NP	-	1,394	1,481
Earnings Revision	-	-8%	-6%
Core EPS (sen)	95.2	108.3	112.0
Core EPS Growth (%)	17.4	13.9	3.4
NDPS (sen)	42.0	42.0	42.0
BV/Share (RM)	15.5	16.2	16.9
Core PER (x)	10.3	9.1	8.8
Price/BV (x)	0.6	0.6	0.6
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	4.3	4.3	4.3

29 May 2026

3. **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.
4. **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.
5. **WIL could be facing another bad year.** 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 for WIL. Its share price rally earlier also suggests the Singapore equity market was starting to expect more "normal" days ahead.

However, on 26 May 2026, Singapore Business Times reported that WIL is among those being investigated for possible transfer pricing practices by the Indonesian authorities. On 28 May 2026, WIL announced to the Singapore stock exchange that it has "not received official notification of the probe mentioned."

Nevertheless, given that Indonesia oil palm makes up about 10% of WIL's annual earnings and 5% of WIL's net asset, we have opted to discount our TP by 10% in view of the uncertainty, which we will reassess or remove as more information comes to light. Our new TP of RM12.90 computation is elaborated under the "Valuations" section below.

Forecasts. Cutting FY26 CEPS by 8% to 108.3 sen and by 6% to 112.0 sen for FY27 largely on slower growth and tighter margins due to higher input costs.

Valuations. We are cutting our TP by 11%, from RM14.50 to RM12.90 after taking in account the potential risks over Indonesian investigation into transfer pricing practices among export driven companies. Our TP is computed based on the following consideration:

- a) Using the long-term average of larger integrated planters target PER of 16x against FY27 CEPS of 112.0 sen gives us a base price of RM17.92 for PPB.
- b) Applying a 20% discount for PPB's holding company status, the above base TP of RM17.92 is cut to RM14.34.
- c) Another 10% discount was then applied to reach the current TP of RM12.90 due to the uncertainties surrounding ongoing transfer pricing probes by the Indonesian authorities and WIL status as a substantial (65-75%) contributor towards PPB's annual earnings.

Investment case. Volatile earnings can be expected from the commodity trading positions taken by both WIL and PPB's G&A unit. However, their integrated model, from upstream agriculture to refining-cum-processing and FMCG brand ownership, has been resilient. Their markets are also still growing with WIL strong FMCG exposure in China and India while PPB is more SE Asian centric. Trading deeply below book value with prospective PER of <10x and GDY of around 4% we believe the long-term upside is good. However, WIL could be facing another uncertain year with the Indonesian authorities; hence, we impute a 10% discount to PPB's target price.

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.

29 May 2026

Results Highlights

FYE Dec (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1QFY26	1QFY25	YoY
Revenue	1,285.3	1,342.5	-4%	1,351.1	-5%	1,285.3	1,351.1	-5%
Gross Profit	150.5	212.0	-29%	171.8	-12%	150.5	171.8	-12%
EBIT	33.0	73.6	-55%	64.3	-49%	33.0	64.3	-49%
Interest expenses	(6.2)	(4.5)	38%	(8.5)	-27%	(6.2)	(8.5)	-27%
Associates & JVs	233.6	249.0	-6%	288.0	-19%	233.6	288.0	-19%
Misc	9.6	22.3	-57%	44.9	-79%	9.6	44.9	-79%
EI (to be excluded fr N Profit)	(14.7)	(3,486)	-100%	21.6	+>100%	(14.7)	21.6	+>100%
Pretax Profit	255.3	(3,145)	-108%	410.3	-38%	255.3	410.3	-38%
Taxation	(12.0)	(31.8)	-62%	(17.3)	-30%	(12.0)	(17.3)	-30%
MI & Discontinued ops	(9.2)	(11.2)	0%	(17.3)	-47%	(9.2)	(17.3)	-47%
Net Profit	234.0	(3,189)	-107%	375.8	-38%	234	375.8	-38%
Core Net Profit	248.7	297.4	-16%	354.2	-30%	248.7	354.2	-30%
Core EPS (sen)	17.5	20.9	-16%	24.9	-30%	17.5	24.9	-30%
DPS (sen)	-	30.0	N.A.	-	-	-	-	-
Wilmar's contribution	195.9	923.5	-79%	283.8	-31%	195.9	283.8	-31%
% share of PBT	77%	-29%		69%		77%	69%	
GP %	12%	16%		13%		12%	13%	
EBIT %	3%	5%		5%		3%	5%	
PBT %	20%	-234%		30%		20%	30%	
Tax %	5%	-1%		4%		5%	4%	

* Includes impairment of PPB's holding in WIL by RM4,173m less estimated net gain of RM691m at WIL following valuation gains on AWL Agri Business Ltd

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1QFY26	1QFY25	YoY
Segmental Revenue:								
Grains & Agribusiness	897.3	916.0	-2%	994.4	-10%	897.3	994.4	-10%
Consumer Products	247.3	233.4	6%	210.7	17%	247.3	210.7	17%
Film Exhibition & Distr.	124.6	175.8	-29%	130.5	-5%	124.6	130.5	-5%
Property	15.8	15.7	1%	15.2	4%	15.8	15.2	4%
Others	0.4	1.7	-79%	0.3	3%	0.4	0.3	3%
Group Revenue	1,285.3	1,342.5	-4%	1,351.1	-5%	1,285.3	1,351.1	-5%
Segmental Pretax Profit:								
Grains & Agribusiness	63.6	91.2	-30%	124.5	-49%	63.6	124.5	-49%
Consumer Products	(2.0)	(1.1)	81%	0.6	-446%	(2.0)	0.6	-446%
Cinema & Film Distribution	(7.3)	20.3	-136%	(5.0)	46%	(7.3)	(5.0)	46%
Property	2.3	(0.6)	-470%	2.1	7%	2.3	2.1	7%
Investments & Others	11.4	(4,170)	->100%	13.1	->100%	11.4	13.1	-13%
Wilmar's contribution	195.9	923.5**	-79%	283.8	-31%	195.9	283.8	-31%
Unallocated Corp Exp	(8.6)	(8.6)	1%	(8.7)	-1%	(8.6)	(8.7)	-1%
Group Pretax Profit	255.3	(3,145)	-108%	410.3	-38%	255.3	410.3	-38%
Core PBT		340.4						

* Comprising mainly of impairment by PPB of its holding in WIL by RM4,173m

** 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.

Source: Company, Kenanga Research

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	5.18	5.50	6.2%	4,647.3	Y	12/2026	44.0	44.7	11.5%	1.5%	11.8	11.6	0.9	7.8%	28.0	5.4%
HAP SENG PLANTATIONS HOLDING	MP	2.13	1.95	-8.5%	1,703.3	Y	12/2026	17.5	16.2	0.4%	-7.3%	12.2	13.2	0.8	5.3%	8.0	3.8%
IOI CORP BHD	OP	4.02	4.55	13.2%	25,266.5	Y	06/2026	24.7	24.6	22.8%	-0.5%	16.3	16.3	1.9	12.9%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	19.96	24.50	22.7%	22,228.6	Y	09/2026	133.2	143.0	22.8%	7.3%	15.0	14.0	1.4	10.2%	60.0	3.0%
PPB GROUP BHD	UP	9.82	12.90	31.4%	13,969.9	Y	12/2026	108.3	114.8	13.9%	5.9%	9.1	8.6	0.6	6.6%	42.0	4.3%
SD GUTHRIE BHD	MP	5.90	5.80	-1.7%	40,802.7	Y	12/2026	29.7	27.7	3.2%	-6.7%	19.9	21.3	1.9	12.4%	15.0	2.5%
TA ANN HOLDINGS BHD	MP	5.25	4.40	-16.2%	2,312.4	Y	12/2026	46.4	45.8	-4.3%	-1.4%	11.3	11.5	1.2	10.8%	40.0	7.6%
TSH RESOURCES BHD	OP	1.09	1.55	29.7%	1,359.8	Y	12/2026	11.7	12.3	-16.7%	5.2%	9.3	8.9	0.7	7.3%	5.0	4.6%
UNITED MALACCA BHD	OP	5.85	6.70	14.5%	1,227.1	Y	04/2026	79.3	76.5	43.0%	-3.5%	7.4	7.6	0.8	10.8%	20.0	3.4%
Simple Average					113,517.8					12.6%	0.6%	14.9	14.8	1.1	9.4%		4.1%

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

29 May 2026

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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