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Recommendation: **BUY**

Current Price: **RM 0.80**

Previous Target Price: **RM 0.98**

Target Price: ↔ **RM 0.98**

Upside/Downside: **22.5%**

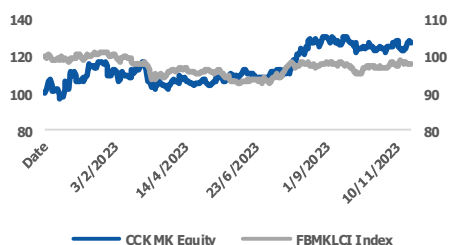
Stock information

Board	MAIN
Sector	Consumer Products
Bursa / Bloomberg Code	7035 / CCK MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	621.3
Market Cap (RM' m)	497.1
52-Week Price Range (RM)	0.86-0.65
Beta (x)	0.7
Free float (%)	33.4
3M Average Volume (m)	0.9
3M Average Value (RM' m)	0.7

Top 3 Shareholders (%)

CENTRAL COLDST SA SDN BHD	22.2
SK Tiong Enterprise Sdn Bhd	16.7
Tiong Su Kouk	5.6

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	-0.6	18.5
Relative (%)	-0.4	-0.2	20.9

CCK Consolidated Holdings Berhad

Slightly softer quarter

Summary

- **9MFY23 core net profit at RM52.9m came within expectations, accounting to 76.0% of our core net profit forecast at RM69.6m.**
- **Lauded the government move over the removal of ceiling price for chickens and eggs is timely with feed cost softening in recent quarters.**
- **Re-iterate our BUY recommendation on CCK with a target price of RM0.98, by pegging 8.0x P/E multiple to FY24F EPS of 12.2 sen.**







Results Review

- **Results review.** 3QFY23 core net profit fell 2.0% yoy to RM20.0m, dragged down by the weaker contribution from the food service segment. Revenue for the quarter, however, added 6.8% YoY to RM251.7m.
- **Results within expectations.** 9MFY23 core net profit at RM52.9m came within expectations, accounting to 76.0% of our core net profit forecast at RM69.6m and was at 85.1% of consensus forecasted net profit of RM62.2m.
- **Operations Highlights.** Geographically wise, Malaysia operations continues to anchor total revenue during the quarter at RM181.4m (72.1% of total revenue). We expect the trend to remain intact in view that sales remain solid from the group own retail stores. As of end-3QFY23, the group retail network stood at 73 touchpoints comprising 3 CCK Local Supermarkets, 64 CCK Fresh Mart retail stores and 6 CCK wholesale stores (unchanged from previous quarter).
- **Industry Highlights.** Feed cost (corn and soybean prices fell 5-15% yoy in September 2023) continues to normalise as demand & supply dynamics turns more balanced and this bodes well for margins. In 3QFY23, the group gross margins stood at 21.6% vs. 20.7% recorded in the previous corresponding quarter.
- **Outlook.** We lauded the government move over the removal of ceiling price for chickens and eggs is timely with feed cost softening in recent quarters. This allows poultry players to keep margins at sustainable levels. Along with the improve demand prospects, we expect CCK to deliver sustainable growth, moving forward.
- **Valuation.** No changes made to our earnings forecast, given that reported figures came within estimates. Re-iterate our **BUY** recommendation on CCK with a target price of RM0.98, by pegging 8.0x P/E multiple to FY24F EPS of 12.2 sen.
- **Risk.** Fluctuation in poultry prices as well as feed cost. Exposure to foreign exchange risk given that feed costs are denominated in US\$, while the group also exports some of their products overseas.

Wednesday, November 29, 2023

Company Results

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	9MFY22	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	251.7	235.6	6.8	247.1	1.8	643.1	739.4	(13.0)		Driven by improved sales
EBITDA	29.8	38.6	(22.8)	26.1	(14.1)	75.4	81.5	(7.5)		
Pre-tax profit	25.7	33.8	(23.9)	21.7	(18.2)	63.2	68.4	(7.6)		
Net profit	20.0	26.4	(24.3)	16.8	(19.3)	49.1	52.9	(7.1)		
Core net profit	20.0	20.4	(2.0)	16.8	(19.3)	43.1	52.9	(18.5)		
Core EPS (sen)	3.2	3.2	(2.0)	2.7	(19.3)	6.8	8.4	(18.5)		Stable on changes in product mix
EBITDA margin (%)	11.8	16.4		10.6		11.7	11.0			
PBT margin (%)	10.2	14.3		8.8		9.8	9.2			
Core PATMI margin (%)	7.9	8.7		6.8		6.7	7.2			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Revenue	656.0	685.6	885.7	892.2	989.1
Gross Profit	127.6	119.6	161.0	181.1	202.8
EBITDA	65.5	50.5	104.6	114.2	123.6
Depreciation & Amortisation	-22.3	-23.1	-25.7	-25.4	-25.6
EBIT	43.2	27.4	78.9	88.8	98.1
Net Finance Income/ (Cost)	-1.8	-1.7	-2.1	-2.2	-2.2
Associates & JV	6.5	5.5	4.5	5.0	5.0
Pre-tax Profit	47.9	31.2	81.4	91.6	100.9
Tax	-10.4	-6.7	-8.2	-22.0	-24.2
Profit After Tax	37.5	24.5	63.1	69.6	76.7
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	37.5	24.5	63.1	69.6	76.7
Exceptionals	0.0	0.0	-6.0	0.0	0.0
Core Net Profit	37.5	24.5	57.1	69.6	76.7

Key Ratios

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
EBITDA margin	10.0%	7.4%	11.8%	12.8%	12.5%
EBIT margin	6.6%	4.0%	8.9%	10.0%	9.9%
PBT margin	7.3%	4.5%	9.2%	10.3%	10.2%
PAT margin	5.7%	3.6%	7.1%	7.8%	7.8%
NP margin	5.7%	3.6%	7.1%	7.8%	7.8%
Core NP margin	5.7%	3.6%	7.1%	7.8%	7.8%
ROE	12.5%	7.8%	17.4%	17.0%	16.6%
ROA	14.9%	9.5%	25.6%	27.8%	29.3%
Net gearing	12%	0.5%	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
No of chickens sold/year (m)	14.1	12.3	12.4	12.0	13.0
Prawn production (tonne)	130.0	130.0	300.0	315.0	441.0
No. of stores	67	71	72	75	75

Valuations

	FY24F
Core EPS (RM)	0.122
P/E multiple (x)	8.0
Fair Value (RM)	0.98

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Cash	59.1	57.8	71.1	82.1	98.1
Receivables	43.0	45.6	62.1	97.8	108.4
Inventories	55.5	57.2	106.1	102.8	122.7
Other current assets	17.5	16.4	19.2	22.3	24.7
Total Current Assets	175.1	177.0	258.4	305.0	353.9
Fixed Assets	219.2	220.7	211.6	213.0	217.1
Intangibles	0.4	0.4	4.1	0.0	0.0
Other non-current assets	31.3	37.0	31.2	37.4	44.9
Total Non-current assets	250.8	258.1	246.9	250.4	262.0
Short-term Debt	39.2	36.3	45.5	47.8	50.2
Payables	44.8	49.2	60.9	64.6	69.3
Other Current Liabilities	4.0	3.9	8.8	8.8	8.8
Total Current Liabilities	88.0	89.4	115.2	121.2	128.3
Long-term Debt	23.7	23.0	19.8	17.8	16.0
Other non-current liabilities	13.2	8.4	8.1	6.6	10.4
Total Non-current Liabilities	36.9	31.4	27.9	24.4	26.4
Shareholder's equity	300.9	314.2	361.8	409.3	460.7
Minority interest	0.1	0.1	0.5	0.5	0.5
Equity	301.0	314.2	362.3	409.8	461.2

Cash Flow

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Pre-tax profit	47.9	31.2	81.4	91.6	100.9
Depreciation & amortisation	22.3	23.1	25.7	25.4	25.6
Changes in working capital	6.8	-4.4	-43.4	-39.3	-38.6
Others	-17.3	-11.7	-32.7	-47.1	-47.1
Operating cash flow	11.8	7.0	-50.4	-61.0	-60.1
Net capex	-25.5	-21.4	-40.6	-26.8	-29.7
Others	3.4	0.1	22.5	30.0	30.0
Investing cash flow	-22.1	-21.3	-18.1	3.2	0.3
Dividends paid	-11.0	-12.5	-7.8	-22.1	-25.2
Others	-10.4	-6.7	-3.0	-3.0	-3.0
Financing cash flow	-21.3	-19.3	-10.8	-25.1	-28.3
Net cash flow	-31.7	-33.5	-79.3	-82.9	-88.1
Forex	-0.3	0.4	-2.2	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	43.2	59.1	57.2	57.0	65.7
Ending cash	59.1	57.2	57.0	65.7	78.5

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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