

Team Coverage

(603) 7890 8888 (ext 2070)

chelsea.chew@apexsecurities.com.my

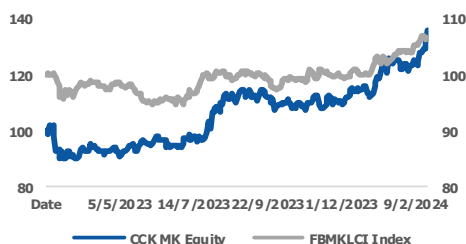
| | |
|-------------------------------|----------------|
| Recommendation: | BUY |
| Current Price: | RM 0.94 |
| Previous Target Price: | RM 0.99 |
| Target Price: | RM 1.04 |
| Upside/Downside: | 10.6% |

Stock information

| | |
|--------------------------|-------------------|
| Board | MAIN |
| Sector | Consumer Products |
| Bursa / Bloomberg Code | 7035 / CCK MK |
| Syariah Compliant | Yes |
| FTSE4Good Index | Yes |
| FTSE ESG Rating | ☆☆☆★ |
| Bloomberg ESG Rating | N/A |
| Shares issued (m) | 620.9 |
| Market Cap (RM' m) | 583.6 |
| 52-Week Price Range (RM) | 1.02-0.68 |
| Beta (x) | 0.7 |
| Free float (%) | 34.0 |
| 3M Average Volume (m) | 1.0 |
| 3M Average Value (RM' m) | 0.9 |

| | |
|------------------------------------|------------|
| Top 3 Shareholders | (%) |
| CENTRAL COLDST SA SDN BHD | 22.3 |
| SK Tiong Enterprise Sdn Bhd | 16.7 |
| Chong Nyuk Kiong Enterprise Sdn Bh | 5.4 |

Share Price Performance



| | 1M | 3M | 12M |
|--------------|-----------|-----------|------------|
| Absolute (%) | 5.0 | 16.0 | 22.1 |
| Relative (%) | 2.8 | 9.1 | 14.9 |

CCK Consolidated Holdings Berhad

Stronger than expected







Summary

- **12MFY23 core net profit stood at RM84.6m, surpassing our expectations and accounting for 122% of our core net profit forecast of RM69.6m.**
- **Budget 2024 introduces tax incentives for poultry farmers, fostering sustainable margins and ensuring long-term viability.**
- **Maintain our BUY recommendation on CCK with a higher target price of RM1.04, by pegging 8.0x P/E multiple to FY24F EPS of 13.0 sen.**

Results Review

- **Results review.** 4QFY23 core net profit jumped 144.2% yoy to RM31.7m, mainly attributed to strong performances from the retail and poultry segments which were able to offset the marginal decline in the prawn segment. Revenue for the quarter, however, added 8.8% yoy to RM255.6m.
- **Results exceed expectations.** 12MFY23 core net profit at RM84.6m surpassed our expectations, accounting to 122% of our core net profit forecast at RM69.6m and was at 136% of consensus forecasted net profit of RM62.2m. Key deviations is better than expected poultry and prawn segment
- **Operations Highlights.** Geographically, Malaysia's operations anchored the total revenue for the quarter at RM207.2m (81.1% of total revenue). We expect this trend to persist, supported by solid sales from the group's retail stores. Additionally, Indonesian manufacturing improved by 30% yoy, rising from RM37.3m to RM48.4m, mainly due to strong sales volume of the group's in-house manufactured processed products. As end-of 2023, the group's retail network increased to 75 touchpoints in addition of two additional CCK Fresh Mart stores located in Kuching and Kota Kinabalu.
- **Industry Highlights.** Feed cost (comprising a 0.5% yoy increase in corn prices but a 28% yoy decrease in soybean prices in December 2023) continues to normalise as demand & supply dynamics remain balanced and this bodes well for margins. In 4QFY23, the group gross margins stood at 23.2% vs. 21.6% recorded in the previous corresponding quarter.
- **Outlook.** In the Budget 2024, the government will offer tax incentives to poultry farmers who are willing to upgrade, coupled with the softening of feed costs in recent quarters. These measures and parameters enable poultry players to keep margins at sustainable levels and ensure long-term viability. Given the improved outlook, we expect CCK will achieve sustained growth in the future.
- **Valuation.** We adjusted the GP margin higher to 21.5%, increased production in the poultry and prawn segments, and higher average revenue in retail on better-than-expected results. We maintain our **BUY** recommendation on CCK with a higher target price of RM1.04, by pegging 8.0x P/E multiple to FY24F EPS of 13.0 sen.
- **Risk.** Fluctuation in poultry prices and feed costs, coupled with exposure to foreign exchange risks because feed costs are in US dollars, while the company also exports a portion of its products internationally.

Figure 1: Results Comparison

| FYE Dec (RM m) | 4QFY23 | 4QFY22 | YoY (%) | 3QFY23 | QoQ (%) | 12MFY2 2 | 12MFY2 3 | YoY (%) | 5 Quarters Trend | Comments |
|-----------------------|--------|--------|---------|--------|---------|----------|----------|---------|---|---|
| Revenue | 255.6 | 234.9 | 8.8 | 251.7 | 1.6 | 878.0 | 994.9 | (11.8) |  | Revenue boosted by stronger sales |
| EBITDA | 49.8 | 25.5 | 95.5 | 29.8 | (67.3) | 100.9 | 131.3 | (23.2) |  | |
| Pre-tax profit | 42.4 | 17.8 | 138.9 | 25.7 | (65.0) | 80.9 | 110.8 | (27.0) |  | |
| Net profit | 31.8 | 13.0 | 145.0 | 20.0 | (59.1) | 62.1 | 84.7 | (26.7) |  | Higher GP margins along with the outperformed |
| Core net profit | 31.7 | 13.0 | 144.2 | 20.0 | (58.5) | 56.1 | 84.6 | (33.7) |  | |
| Core EPS (sen) | 5.0 | 2.1 | 144.2 | 3.2 | (58.5) | 8.9 | 13.4 | (33.7) |  | |
| EBITDA margin (%) | 19.5 | 10.8 | | 11.8 | | 11.5 | 13.2 | | | |
| PBT margin (%) | 16.6 | 7.6 | | 10.2 | | 9.2 | 11.1 | | | |
| Core PATMI margin (%) | 12.4 | 5.5 | | 7.9 | | 6.4 | 8.5 | | | |

Source: Company, Apex Securities

Income Statement

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|-----------------------------|--------------|--------------|--------------|---------------|---------------|
| Revenue | 685.6 | 885.7 | 982.5 | 1001.5 | 1008.7 |
| Gross Profit | 119.6 | 161.0 | 211.2 | 205.3 | 206.8 |
| EBITDA | 50.5 | 104.6 | 137.6 | 125.2 | 126.1 |
| Depreciation & Amortisation | -23.1 | -25.7 | -25.4 | -25.9 | -26.4 |
| EBIT | 27.4 | 78.9 | 112.2 | 99.3 | 99.7 |
| Net Finance Income/ (Cost) | -1.7 | -2.1 | -2.3 | -2.2 | -2.1 |
| Associates & JV | 5.5 | 4.5 | 5.0 | 5.0 | 5.0 |
| Pre-tax Profit | 31.2 | 81.4 | 114.9 | 102.1 | 102.7 |
| Tax | -6.7 | -18.2 | -27.6 | -24.5 | -24.6 |
| Profit After Tax | 24.5 | 63.1 | 87.3 | 77.6 | 78.0 |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | 24.5 | 63.1 | 87.3 | 77.6 | 78.0 |
| Exceptionals | 0.0 | -6.0 | 0.0 | 0.0 | 0.0 |
| Core Net Profit | 24.5 | 57.1 | 87.3 | 77.6 | 78.0 |

Key Ratios

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|----------------|------|----------|----------|----------|----------|
| EBITDA margin | 7.4% | 11.8% | 14.0% | 12.5% | 12.5% |
| EBIT margin | 4.0% | 8.9% | 11.4% | 9.9% | 9.9% |
| PBT margin | 4.5% | 9.2% | 11.7% | 10.2% | 10.2% |
| PAT margin | 3.6% | 7.1% | 8.9% | 7.7% | 7.7% |
| NP margin | 3.6% | 7.1% | 8.9% | 7.7% | 7.7% |
| Core NP margin | 3.6% | 7.1% | 8.9% | 7.7% | 7.7% |
| ROE | 7.8% | 17.4% | 20.4% | 16.2% | 14.6% |
| ROA | 5.6% | 12.5% | 15.2% | 12.1% | 11.3% |
| Net gearing | 0.5% | Net Cash | Net Cash | Net Cash | Net Cash |

Key Assumptions

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|------------------------------|-------|-------|-------|-------|-------|
| No of chickens sold/year (m) | 12.3 | 12.4 | 12.7 | 13.4 | 13.5 |
| Prawn production (tonne) | 130.0 | 300.0 | 345.0 | 483.0 | 507.2 |
| No. of stores | 71 | 72 | 75 | 75 | 75 |

Valuations

| | FY24F |
|------------------------|-------------|
| Core EPS (RM) | 0.123 |
| P/E multiple (x) | 8.0 |
| Fair Value (RM) | 1.04 |

Source: Company, Apex Securities

Balance Sheet

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash | 57.8 | 71.1 | 54.0 | 121.1 | 123.3 |
| Receivables | 45.6 | 62.1 | 80.8 | 96.0 | 124.4 |
| Inventories | 57.2 | 106.1 | 163.0 | 132.6 | 138.3 |
| Other current assets | 16.4 | 19.2 | 216 | 25.0 | 25.2 |
| Total Current Assets | 177.0 | 258.4 | 319.4 | 374.7 | 411.2 |
| Fixed Assets | 220.7 | 211.6 | 215.7 | 219.8 | 223.7 |
| Intangibles | 0.4 | 4.1 | 0.0 | 0.0 | 0.0 |
| Other non-current assets | 37.0 | 31.2 | 37.4 | 44.9 | 53.9 |
| Total Non-current assets | 258.1 | 246.9 | 253.1 | 264.8 | 277.6 |
| Short-term Debt | 36.3 | 45.5 | 47.8 | 50.2 | 52.7 |
| Payables | 49.2 | 60.9 | 64.4 | 74.7 | 72.0 |
| Other Current Liabilities | 3.9 | 8.8 | 8.8 | 8.8 | 8.8 |
| Total Current Liabilities | 89.4 | 115.2 | 121.0 | 133.8 | 133.5 |
| Long-term Debt | 23.0 | 19.8 | 17.8 | 16.0 | 14.4 |
| Other non-current liabilities | 8.4 | 8.1 | 6.2 | 9.8 | 8.3 |
| Total Non-current Liabilities | 31.4 | 27.9 | 24.0 | 25.9 | 22.7 |
| Shareholder's equity | 314.2 | 361.8 | 427.0 | 479.4 | 532.2 |
| Minority interest | 0.1 | 0.5 | 0.5 | 0.5 | 0.5 |
| Equity | 314.2 | 362.3 | 427.5 | 479.8 | 532.6 |

Cash Flow

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|-----------------------------|--------------|--------------|---------------|--------------|---------------|
| Pre-tax profit | 31.2 | 81.4 | 114.9 | 102.1 | 102.7 |
| Depreciation & amortisation | 23.1 | 25.7 | 25.4 | 25.9 | 26.4 |
| Changes in working capital | -4.4 | -43.4 | -82.3 | 1.1 | -31.6 |
| Others | -11.7 | -32.7 | -47.1 | -47.1 | -47.1 |
| Operating cash flow | 7.0 | -50.4 | -104.1 | -20.2 | -52.3 |
| Net capex | -21.4 | -40.6 | -29.5 | -30.0 | -30.3 |
| Others | 0.1 | 22.5 | 30.0 | 30.0 | 10.0 |
| Investing cash flow | -21.3 | -18.1 | 0.5 | 0.0 | -20.3 |
| Dividends paid | -12.5 | -7.8 | -22.1 | -25.2 | -25.2 |
| Others | -6.7 | -3.0 | -3.0 | -3.0 | -3.0 |
| Financing cash flow | -19.3 | -10.8 | -25.1 | -28.3 | -28.3 |
| Net cash flow | -33.5 | -79.3 | -128.7 | -48.5 | -100.9 |
| Forex | 0.4 | -2.2 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 59.1 | 57.2 | 57.0 | 43.2 | 96.9 |
| Ending cash | 57.2 | 57.0 | 43.2 | 96.9 | 98.7 |

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

6th Floor, Menara Apex,
Off Jalan Semenyih,
Bukit Mewah 43000 Kajang,
Selangor Darul Ehsan, Malaysia

General Line: (603) 8736 1118

Mutiara Damansara Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Head Office:

Kong Ming Ming (ext 2002)
Shirley Chang (ext 2026)
Norisam Bojo (ext 2027)
Ahmad Mujib (ext 2028)

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118
Azfar Bin Abdul Aziz (Ext 822)

Mutiara Damansara Office:

Kenneth Leong (ext 2093)
Lee Cherng Wee (ext 2067)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Aiman Kamil (ext 2071)

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.

DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.