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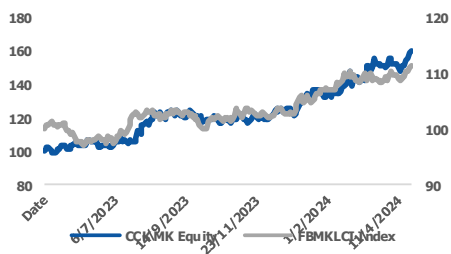
| | |
|-------------------------------|----------------|
| Recommendation: | HOLD |
| Current Price: | RM 1.43 |
| Previous Target Price: | RM 1.11 |
| Target Price: | RM 1.48 |
| Upside/Downside: | 3.5% |

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) | 887.9 |
| 52-Week Price Range (RM) | 1.66-0.68 |
| Beta (x) | 0.9 |
| Free float (%) | 38.5 |
| 3M Average Volume (m) | 1.5 |
| 3M Average Value (RM' m) | 1.9 |

| | |
|------------------------------------|------------|
| 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 (%) | 30.0 | 46.7 | 104.3 |
| Relative (%) | 29.4 | 41.3 | 76.7 |

CCK Consolidated Holdings Berhad

Aligned with expectations







Summary

- **3MFY24 core net profit stood at RM84.6m, in line with our expectations and accounting for 24.5% of our core net profit forecast of RM87.1m.**
- **Feed costs increased in May 2024 due to adverse weather conditions in Brazil and the US.**
- **Maintain our HOLD recommendation on CCK with a higher target price of RM1.48, by pegging 10.6x P/E multiple to FY25F EPS of 14.0 sen.**

Results Review

- **Results review.** 1QFY24 core net profit climbed 32.2% yoy to RM21.4m, primarily driven by impressive results in the retail and poultry segments, compensating for a slight downturn in the prawn and food segments. Revenue for the quarter added 8.4% yoy and 2% qoq respectively to RM260.7m.
- **Aligned expectations.** 3MFY24 core net profit at RM21.4m aligned with our expectation, accounting for 24.5% of our core net profit forecast at RM87.1m and was at 28% of the consensus forecasted core net profit of RM77.5m.
- **Operations Highlights.** Geographically, Malaysia's operations anchored the total revenue for the quarter at RM193.4m (74% of total revenue). We expect this trend to persist, supported by robust sales from the group's retail stores. Indonesian manufacturing also saw a 5% yoy improvement, reaching RM50.5m from RM48.2m, driven by stronger sales volume of the group's in-house processed products. The group's retail network remained stable this quarter, with 75 touchpoints comprising 66 CCK Fresh Mart retail stores, 6 CCK wholesale stores, and 3 CCKLocal Supermarkets.
- **Industry Highlights.** Feed cost, marked a 11% yoy decline in soybean meal prices and 29% yoy decrease in maize prices in March 2024, indicates a normalised demand-supply dynamic, maintaining balance and bodes well for margins this quarter. Meanwhile, we gathered soybean prices rose 4% and maize prices added 10% in May 2024 from the prior month. The impact from excessive rainfall in Brazil, leading to decreased soybean production, while maize prices are affected by adverse weather conditions in US, resulting in delayed planting.
- **Outlook.** Despite CCK's ineligibility for tax incentives in Budget 2024, egg subsidies remained in place. While headline PBT fell 35.3% qoq to RM27.0m due to a high base effect, gross profit margins improved to 24.0% from 22.9% in the last quarter, driven by robust profitability across all key segments. Thus, we anticipate stable demand for the business in the upcoming financial reporting quarter.
- **Valuation.** Following the recent surge in share price (+30% YTD), we maintain our recommendation at **HOLD** with a revised target price of RM1.48, by pegging at a higher P/E multiple of 10.6x to FY25F EPS of 14.0 sen.
- **Risk.** Key components of feed costs and export services remain vulnerable to currency fluctuations due to feed costs and trading in currencies denominated in US Dollars.

Figure 1: Results Comparison

| FYE Dec (RM m) | 1QFY24 | 1QFY23 | YoY (%) | 4QFY23 | QoQ (%) | 3MFY23 | 3MFY24 | YoY (%) | 5 Quarters Trend | Comments |
|-----------------------|--------|--------|---------|--------|---------|--------|--------|---------|-------------------------------------------------------------------------------------|-----------------------------------------------|
| Revenue | 260.7 | 240.6 | 8.4 | 255.6 | 2.0 | 240.6 | 260.7 | 8.4 |  | Revenue remains robust due to high demand |
| EBITDA | 31.6 | 25.6 | 23.1 | 49.8 | 36.6 | 25.6 | 31.6 | 23.1 |  | |
| Pre-tax profit | 27.5 | 20.9 | 31.1 | 42.4 | 35.3 | 20.9 | 27.5 | 31.1 |  | QoQ decline in PAT is due to high-base effect |
| Net profit | 21.4 | 16.2 | 32.2 | 31.8 | 32.8 | 16.2 | 21.4 | 32.2 |  | |
| Core net profit | 21.4 | 16.2 | 32.2 | 31.7 | 32.5 | 16.2 | 21.4 | 32.2 |  | |
| Core EPS (sen) | 3.4 | 2.6 | 32.2 | 5.0 | 32.5 | 2.6 | 3.4 | 32.2 |  | |
| EBITDA margin (%) | 12.1 | 10.7 | | 19.5 | | 10.7 | 12.1 | | | |
| PBT margin (%) | 10.5 | 8.7 | | 16.6 | | 8.7 | 10.5 | | | |
| Core PATMI margin (%) | 8.2 | 6.7 | | 12.4 | | 6.7 | 8.2 | | | |

Source: Company, Apex Securities

Financial Highlights
Income Statement

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|-----------------------------|--------------|--------------|--------------|---------------|---------------|
| Revenue | 685.6 | 878.0 | 980.7 | 1060.3 | 1073.0 |
| Gross Profit | 119.6 | 177.9 | 198.1 | 228.0 | 230.7 |
| EBITDA | 50.5 | 104.0 | 136.8 | 137.8 | 139.5 |
| Depreciation & Amortisation | -23.1 | -25.7 | -25.1 | -26.0 | -26.6 |
| EBIT | 27.4 | 78.4 | 111.7 | 111.8 | 112.9 |
| Net Finance Income/ (Cost) | -17 | -2.8 | -2.3 | -2.3 | -2.1 |
| Associates & JV | 5.5 | 5.3 | 4.8 | 5.0 | 5.0 |
| Pre-tax Profit | 31.2 | 80.9 | 114.2 | 114.6 | 115.8 |
| Tax | -6.7 | -18.8 | -26.1 | -27.5 | -27.8 |
| Profit After Tax | 24.5 | 62.1 | 88.1 | 87.1 | 88.0 |
| Minority Interest | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Net Profit | 24.5 | 62.1 | 88.0 | 87.1 | 88.0 |
| Exceptionals | 0.0 | -6.0 | 0.0 | 0.0 | 0.0 |
| Core Net Profit | 24.5 | 56.1 | 88.0 | 87.1 | 88.0 |

Key Ratios

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|----------------|------|----------|----------|----------|----------|
| EBITDA margin | 7.4% | 11.8% | 14.0% | 13.0% | 13.0% |
| EBIT margin | 4.0% | 8.9% | 11.4% | 10.5% | 10.5% |
| PBT margin | 4.5% | 9.2% | 11.6% | 10.8% | 10.8% |
| PAT margin | 3.6% | 7.1% | 9.0% | 8.2% | 8.2% |
| NP margin | 3.6% | 7.1% | 9.0% | 8.2% | 8.2% |
| Core NP margin | 3.6% | 7.1% | 9.0% | 8.2% | 8.2% |
| ROE | 7.8% | 17.1% | 20.4% | 17.6% | 15.8% |
| ROA | 5.6% | 12.3% | 15.1% | 12.7% | 11.6% |
| 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 | 12.3 | 13.0 | 13.5 |
| Prawn production (tonne) | 130.0 | 300.0 | 490.6 | 686.8 | 721.2 |
| No. of stores | 71 | 72 | 75 | 75 | 75 |

Valuations

| | FY24F |
|------------------------|-------------|
| Core EPS (RM) | 0.140 |
| P/E multiple (x) | 10.6 |
| Fair Value (RM) | 1.48 |

Source: Company, Apex Securities

Balance Sheet

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash | 57.8 | 71.1 | 125.6 | 188.2 | 236.4 |
| Receivables | 45.6 | 48.7 | 69.3 | 49.4 | 50.0 |
| Inventories | 57.2 | 106.1 | 92.6 | 87.5 | 97.4 |
| Other current assets | 16.4 | 32.5 | 28.3 | 53.0 | 53.6 |
| Total Current Assets | 177.0 | 258.4 | 315.8 | 378.1 | 437.4 |
| Fixed Assets | 220.7 | 211.6 | 226.8 | 265.8 | 271.4 |
| Intangibles | 0.4 | 4.1 | 4.3 | 4.3 | 4.3 |
| Other non-current assets | 37.0 | 31.2 | 35.8 | 39.4 | 43.3 |
| Total Non-current assets | 258.1 | 246.9 | 267.0 | 309.6 | 319.1 |
| Short-term Debt | 36.3 | 45.5 | 43.4 | 48.2 | 49.7 |
| Payables | 49.2 | 41.3 | 57.4 | 39.0 | 38.8 |
| Other Current Liabilities | 3.9 | 28.4 | 19.1 | 19.1 | 19.1 |
| Total Current Liabilities | 89.4 | 115.2 | 119.9 | 106.3 | 107.5 |
| Long-term Debt | 23.0 | 19.8 | 20.3 | 20.7 | 21.1 |
| Other non-current liabilities | 8.4 | 8.1 | 10.8 | 67.0 | 71.5 |
| Total Non-current Liabilities | 31.4 | 27.9 | 31.1 | 87.8 | 92.6 |
| Shareholder's equity | 314.2 | 361.8 | 431.1 | 493.0 | 555.8 |
| Minority interest | 0.1 | 0.5 | 0.6 | 0.6 | 0.6 |
| Equity | 314.2 | 362.3 | 431.7 | 493.6 | 556.4 |

Cash Flow

| FYE Dec (RM m) | FY21 | FY22 | FY23 | FY24F | FY25F |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Pre-tax profit | 31.2 | 80.9 | 114.2 | 114.6 | 115.8 |
| Depreciation & amortisation | 23.1 | 25.7 | 25.1 | 26.0 | 26.6 |
| Changes in working capital | -4.4 | -41.9 | 7.9 | -3.8 | -11.4 |
| Others | -11.7 | -30.3 | -29.8 | -29.8 | -29.8 |
| Operating cash flow | 7.0 | -46.6 | 3.1 | -7.6 | -14.7 |
| Net capex | -21.4 | -22.8 | -27.8 | -31.8 | -32.2 |
| Others | 0.1 | -0.2 | 0.0 | 0.0 | 0.0 |
| Investing cash flow | -21.3 | -23.0 | -27.8 | -31.8 | -32.2 |
| Dividends paid | -12.5 | -7.8 | -21.7 | -25.2 | -25.2 |
| Others | -6.7 | -3.0 | 0.3 | 0.3 | 0.3 |
| Financing cash flow | -19.3 | -10.8 | -21.5 | -25.0 | -25.0 |
| Net cash flow | -33.5 | -80.5 | -46.2 | -64.4 | -71.8 |
| Forex | 0.4 | -0.6 | 1.8 | 1.8 | 1.8 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 59.1 | 57.2 | 57.1 | 126.8 | 178.8 |
| Ending cash | 57.2 | 57.1 | 126.8 | 178.8 | 224.6 |

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

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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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