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Recommendation:	HOLD
Current Price:	RM 1.77
Previous Target Price:	RM 1.54
Target Price:	RM 1.82
Upside/Downside:	2.8%

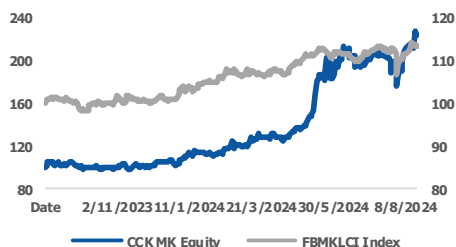
Stock information

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)	1,099.0
52-Week Price Range (RM)	1.8-0.78
Beta (x)	1.0
Free float (%)	38.5
3M Average Volume (m)	2.0
3M Average Value (RM' m)	3.2

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 (%)	12.0	9.3	119.9
Relative (%)	9.4	6.8	92.2

CCK Consolidated Holdings Berhad

Driven by stellar retail and poultry segments

Summary

- CCK's 2QFY24 core net profit stood at RM20.8m (+2.5% qoq, +24.4% yoy), bringing 1HFY24 core net profit to RM42.2m (+28.2% yoy), came in line with ours and consensus' expectations, accounting for 48.5% and 54.0% of ours and consensus forecasts respectively.
- As a result, we kept our earnings forecast unchanged.
- Re-iterate HOLD recommendation on CCK with a higher target price of RM1.82 by pegging at a higher P/E multiple of 13.0x to FY25F EPS of 14.0 sen.







Results Review

- **Results review.** 2QFY24 core net profit climbed +24.4% yoy and +2.5% qoq to RM20.8m, primarily driven by stellar performance in the retail and poultry segments, compensating for a slight downturn in the food service segment. Revenue for the quarter added +9.9% yoy and +4.2% qoq, reaching RM271.6m. Growth was largely attributed to the retail segment, which benefited from matured contributions from the established retail network and improved consumer demand.
- **Within expectations.** 1HFY24 core net profit at RM42.2m (+28.2% yoy) aligned with our expectation, accounting for 48.5% of our core net profit forecast at RM87.1m and was at 54.0% of the consensus forecasted core net profit of RM82.9m.
- **Operations Highlights** Malaysia's operations contributed 74% of total revenue, amounting to RM201.3m, and this trend is expected to sustain due to strong retail sales. Indonesian manufacturing saw a -2.2% yoy decline, with revenue slipping to RM48.2m. Despite this, sales volume remained robust, supported by in-house processed products. The Group's retail network stayed stable with 74 touchpoints (compared to 75 in 2QFY23), including 65 CCK Fresh Mart stores (one closed), 6 CCK wholesale stores, and 3 CCK Local Supermarkets.
- On 20 August 2024, CCK announced that its subsidiary, CCK Fresh Mart Sdn. Bhd., signed a Sale and Purchase Agreement with Wong Hua Tiing to acquire a three-storey shophouse on Jalan Salim, Sibul, for RM1.6m. This acquisition will eliminate rental expenses, provide better control over operational space, and support CCK's expansion strategy by enhancing its market presence and brand visibility.
- **Industry Highlights.** Feed costs, marked c.3% yoy increase in soybean meal prices and c.9.3% yoy increase in maize prices in June 2024, indicate a normalised demand-supply dynamic, maintaining balance and bodes well for margins during the quarter. Meanwhile, soybean prices increased c.1.6% qoq and maize prices rose by c.8.8% qoq in June 2024 compared to the prior month. This reflects that feed costs have softened due to lower global exports and higher ending stocks of maize and soybean meal.
- **Outlook.** In Indonesia, CCK's in-house brands of sausages and nuggets have experienced significant growth, thus CCK plan to invest further to expand their

capacity. Also, CCK remains committed to expanding its retail network and improving efficiencies to meet consumer demands and maintain market competitiveness.

- **Valuation.** Following the recent surge in share price (+23% YTD), we maintain our recommendation at **HOLD** with a revised target price of RM1.82, by pegging at a higher P/E multiple of 13.0x to FY25F EPS of 14.0 sen. The higher P/E multiple reflects the improved outlook of the Indonesia venture and the resilient retail and poultry segments for CCK; thus, we apply a 3% premium to its historical P/E multiple.
- **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)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	271.6	247.1	9.9	260.7	4.2	487.7	532.3	9.1		Stellar performances from the retail & poultry segments
EBITDA	29.0	26.1	11.1	31.6	8.2	51.7	60.5	17.1		
Pre-tax profit	25.5	21.7	17.3	27.5	7.1	42.7	53.0	24.1		Improved in tandem with topline growth
Net profit	19.8	16.8	18.0	21.4	7.5	32.9	41.1	25.0		
Core net profit	20.8	16.8	24.4	21.4	2.5	32.9	42.2	28.2		
Core EPS (sen)	3.3	2.7	24.4	3.4	2.5	5.2	6.7	28.2		
EBITDA margin (%)	10.7	10.6		12.1		10.6	11.4			
PBT margin (%)	9.4	8.8		10.5		8.8	10.0			
Core PATMI margin (%)	7.7	6.8		8.2		6.7	7.9			

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)	-1.7	-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)	13.0
Fair Value (RM)	1.82

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	34.4	117.3	106.9	101.1	120.6
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	-6.2	83.4	57.6	44.4	63.5
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	RESEARCH 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

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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