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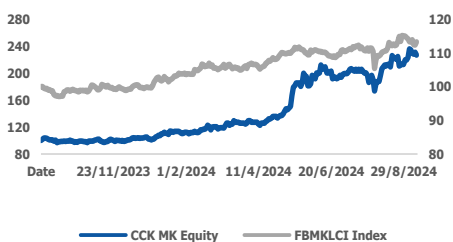
Recommendation:	HOLD
Current Price:	RM 1.79
Previous Target Price:	RM 1.82
Target Price:	RM 1.64
Upside/Downside:	-8.4%

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)	1,111.4
52-Week Price Range (RM)	1.86-0.78
Beta (x)	0.9
Free float (%)	38.5
3M Average Volume (m)	1.6
3M Average Value (RM' m)	2.6

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 (%)	6.5	9.8	121.0
Relative (%)	4.7	6.8	95.2

CCK Consolidation Holdings Berhad

Disposal of Subsidiary in Indonesia to Creador

Summary

- CCK has signed an agreement with private equity firm, Creador Sdn Bhd's special purpose vehicle, Astrantia Sdn Bhd to divest 40.0% stake in the Group's Indonesia unit, PT Adilmart Tbk for RM163.1m.
- We are Neutral on the disposal. Although the disposal allows CCK to raise cash for debt repayment and working capital needs, CCK is already in net cash position prior to the corporate action.
- The disposal will be earnings dilutive, expected to reduce core net profit by -9.7%/-9.5% to RM79.4m/RM80.2m for FY25F/FY26F respectively.
- Maintained our HOLD recommendation with a lower TP of RM1.64 based on revised FY25F EPS of 12.6 sen pegged to 13.0x P/E multiple.

Company Update

- **Retail chain divestment.** CCK has signed an agreement with private equity firm, Creador Sdn Bhd's special-purpose vehicle Astrantia Sdn Bhd to divest 40.0% stake in the Group's Indonesia unit, PT Adilmart Tbk for RM163.1m. The proposed exercise is expected to be completed by 4Q24.
- **M&A details.** Prior to the divestment, Adilmart will carve out and dispose its stake in PT Bonanza Pratama Abadi and PT Central Coldstorage Khatulistiwa to CCK, and settle any related part balances. Subsequently, Astrantia will acquire existing shares from CCK and subscribe to new shares, structured in three tranches as shown in Table 1. The first tranche involves acquiring 31.7k existing shares in Adilmart for a cash consideration of RM88.1m, while the second and third tranches involves share subscriptions of 21.6k shares and 5.4k shares via cash consideration of RM60.0m and RM15.0m respectively.
- **Post divestment structure.** At present, CCK holds a direct 96.25% equity stake in Adilmart as well as indirect 3.75% equity stake via its fully owned subsidiary, CCK Fresh Mart. Post divestment, CCK will hold a direct 56.9% equity stake in Adilmart and 3.1% equity stake via CCK Fresh Mart while Astrantia will hold the remaining 40.0% as illustrated in Figure 1.
- **Price tag deemed fair.** With Adilmart reporting net profit of RM26.6m for FY23, the acquisition P/E multiple is at 12.5x, which we believe is fair compared with Indonesian peers' average of 12.3x. This valuation is also consistent with CCK's trailing 12-month P/E of 12.2x.
- **Financial impact.** We expect reduction in core net profit by -9.7%/-9.5% to RM79.4m/RM80.2m for FY25F/FY26F respectively.
- **Neutral on the Disposal.** Overall, we are NEUTRAL on this divestment. While the divestment price is fair and could allow CCK to raise RM88.1m cash for debt repayment, fund CAPEX and cover working capital needs, the Group is already in a net cash position. We see no reason to raise more cash unless CCK is poised for a major M&A action in the future. Additionally, the corporate action will be earnings dilutive. Adilmart has already demonstrated CAGR of 38.0% for its net profit from

FY21 to FY23. We do not see Creador’s partnership bringing in significant synergistic impact to Adilmart’s earnings prospect.

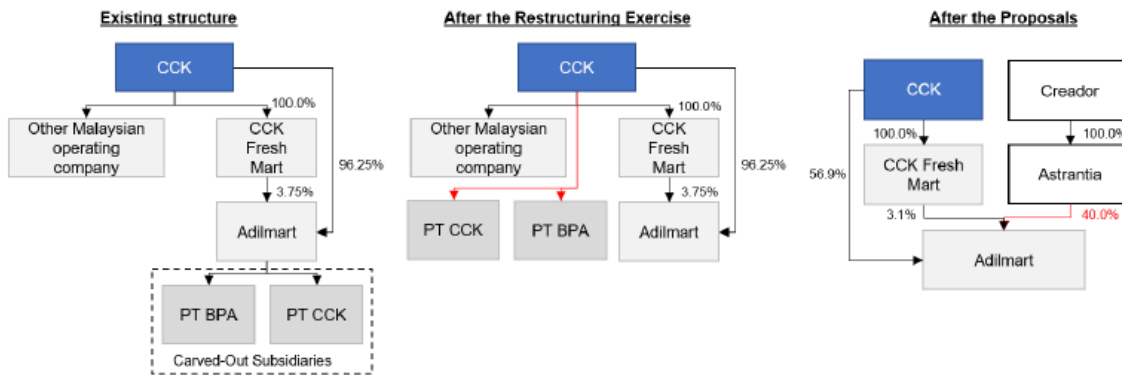
- **Valuation.** Maintain **HOLD** recommendation with lower target price of RM1.64, based on revised FY25F EPS of 12.6 sen pegged to 13.0x P/E multiple.
- **Risk.** Volatility in poultry prices and feed expenses, along with vulnerability to currency fluctuations due to feed costs being denominated in USD, while the company also exports a portion of its goods overseas.

Table 1: Astantia will acquire a total of 40.0% of the enlarged issued Adilmart Shares with following structure

Tranche	Cash consideration (RM' m)	No. of Adilmart shares (Unit)	Cumulative shareholding (%)
1	88.1	31,772	26.5
2	60.0	21,638	37.7
3	15.0	5,409	40.0
Total	163.1	58,819	40.0

Source: CCK, Apex Securities Berhad

Figure 1: The shareholding structure of Adilmart before and after Restructuring Exercise and the Proposals:



Source: CCK, Bursa Malaysia

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	878.0	980.7	1060.3	1018.0	1023.5
Gross Profit	177.9	198.1	228.0	213.8	214.9
EBITDA	104.0	136.8	137.8	127.3	127.9
Depreciation & Amortisation	-25.7	-25.1	-26.0	-26.6	-27.0
EBIT	78.4	111.7	111.8	100.7	101.0
Net Finance Income/ (Cost)	-2.8	-2.3	-2.0	-11	-0.5
Associates & JV	5.3	4.8	5.0	5.0	5.0
Pre-tax Profit	80.9	114.2	114.8	104.5	105.5
Tax	-18.8	-26.1	-27.6	-25.1	-25.3
Profit After Tax	62.1	88.1	87.3	79.4	80.2
Minority Interest	0.0	0.1	0.0	0.0	0.0
Net Profit	62.1	88.0	87.3	79.4	80.2
Exceptionals	-6.0	0.0	0.0	0.0	0.0
Core Net Profit	56.1	88.0	87.3	79.4	80.2

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
P/E (x)	20.1	12.8	12.9	14.2	14.1
EBITDA margin	11.8%	14.0%	13.0%	12.5%	12.5%
EBIT margin	8.9%	11.4%	10.5%	9.9%	9.9%
PBT margin	9.2%	11.6%	10.8%	10.3%	10.3%
PAT margin	7.1%	9.0%	8.2%	7.8%	7.8%
NP margin	7.1%	9.0%	8.2%	7.8%	7.8%
Core NP margin	7.1%	9.0%	8.2%	7.8%	7.8%
ROE	17.1%	20.4%	14.7%	12.3%	11.4%
ROA	12.3%	15.1%	11.7%	10.1%	9.5%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
No of chickens sold/year (m)	12.4	12.3	13.0	13.5	13.5
Prawn production (tonne)	300.0	490.6	686.8	432.7	454.3
No. of stores	72	75	75	75	75

Valuations

	FY25F
Core EPS (RM)	0.126
P/E multiple (x)	13.0
Fair Value (RM)	1.64

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	71.1	125.6	280.2	340.3	399.8
Receivables	48.7	69.3	49.4	47.4	47.7
Inventories	106.1	92.6	87.5	59.3	48.1
Other current assets	32.5	28.3	21.2	20.4	20.5
Total Current Assets	258.4	315.8	438.3	467.4	516.1
Fixed Assets	211.6	226.8	265.8	269.8	273.5
Intangibles	4.1	4.3	4.3	4.3	4.3
Other non-current assets	31.2	35.8	39.4	43.3	47.6
Total Non-current assets	246.9	267.0	309.6	317.4	325.5
Short-term Debt	45.5	43.4	48.2	29.7	30.6
Payables	41.3	57.4	57.4	57.0	56.1
Other Current Liabilities	28.4	19.1	19.1	19.1	19.1
Total Current Liabilities	115.2	119.9	124.7	105.8	105.8
Long-term Debt	19.8	20.3	20.7	21.1	21.6
Other non-current liabilities	8.1	10.8	10.8	10.8	10.8
Total Non-current Liabilities	27.9	31.1	31.5	31.9	32.4
Shareholder's equity	361.8	431.1	493.1	547.4	602.3
Minority interest	0.5	0.6	98.5	99.8	101.1
Equity	362.3	431.7	591.7	647.2	703.4

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	80.9	114.2	114.8	104.5	105.5
Depreciation & amortisation	25.7	25.1	26.0	26.6	27.0
Changes in working capital	-41.9	7.9	9.7	32.7	11.5
Others	-30.3	-29.8	-29.8	-29.8	-29.8
Operating cash flow	34.4	117.3	120.6	134.0	114.1
Net capex	-22.8	-27.8	-31.8	-30.5	-30.7
Others	-0.2	0.0	88.0	0.0	0.0
Investing cash flow	-23.0	-27.8	56.2	-30.5	-30.7
Dividends paid	-7.8	-21.7	-25.2	-25.2	-25.2
Others	-3.0	0.3	1.8	-18.1	1.3
Financing cash flow	-10.8	-21.5	-23.4	-43.4	-23.9
Net cash flow	0.5	68.0	153.4	60.1	59.5
Forex	-0.6	1.8	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	57.2	57.1	126.8	280.2	340.3
Ending cash	57.1	126.8	280.2	340.3	399.8

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 + 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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