

Chelsea Chew

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Recommendation:	BUY
Current Price:	RM 1.53
Previous Target Price:	RM 1.64
Target Price:	RM 1.70
Upside/Downside:	11.1%

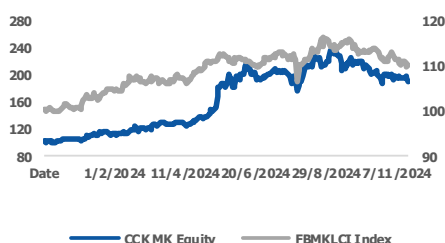
Stock information

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)	950.0
52-Week Price Range (RM)	1.86-0.795
Beta (x)	0.9
Free float (%)	38.5
3M Average Volume (m)	1.0
3M Average Value (RM' m)	1.6

Top 3 Shareholders (%)

Central Coldst Sa Sdn Bhd	22.3
Sk Tiong Enterprise Sdn Bhd	16.7
Chong Nyuk Kiong Enterprise Sdn Bhd	5.4

Share Price Performance



	1M	3M	12M
Absolute (%)	0.7	-12.1	86.6
Relative (%)	1.6	-9.4	68.5

CCK Consolidated Holdings Berhad

Earnings moderate, but within expectations

Summary

- **CCK reported 3QFY24 core net profit of RM23.3m (18.1% qoq, +16.8% yoy) and 9MFY24 core net profit of RM64.5m (+18.8% yoy), which is in line with our expectations, but exceeded consensus expectations, accounting for 73.9%/83% respectively.**
- **No changes in FY24F earnings. However, we raised our average revenue/outlet to 5%/3% yoy from 0% in FY25F/FY26F. We expect CCK will pass on the rising input costs, such as personnel costs (70-80% are drawing minimum wages), to customers via ASP revision.**
- **Upgrade to BUY recommendation on CCK, with a higher target price of RM1.70 based on 12.4x pegged to FY26F EPS of 13.6 sen.**

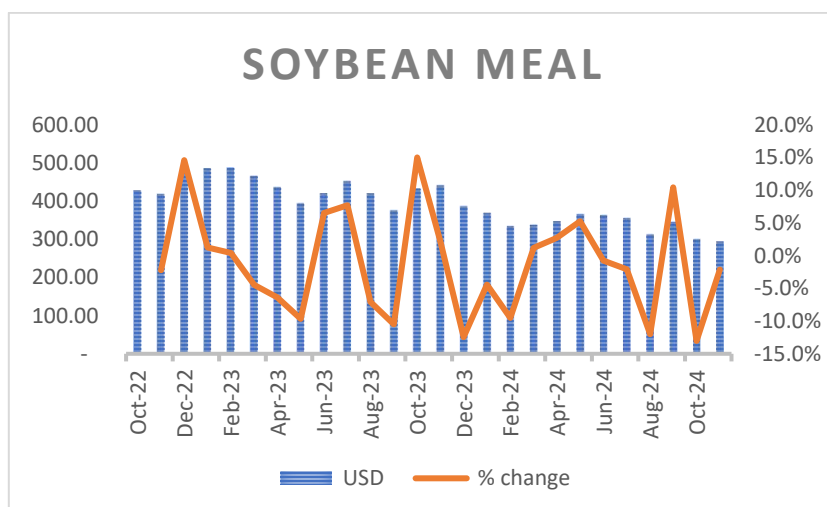
Results Review

- **Within expectations.** CCK's 9MFY24 core net profit (CNP) of RM64.5m accounted for 74% of our CNP forecast of RM79.4m and 83% of street forecast of FY24F CNP at RM77.5m. We deem the results to be within expectations, as CCK historically delivers seasonally stronger 4QFY24 due to festive events, year-end stocking up for Chinese New Year preparation and increased consumer spending.
- **QoQ.** 3QFY24 CNP rose 18.1% qoq to RM23.3m but a -4.4% qoq decline in revenue to RM259.5m. The stronger bottom line was primarily driven by a better GP margin (22.7% from 22.1%). Despite this, the retail segment experienced a -4.6% qoq decline, though this improved by 3.7% from a yoy perspective. This is due to stronger sales in retail and high demand in Indonesia operations for CCK's in-house processed products. Associate contributions from Gold Coin (Sarawak), decreased to RM1.1m (from RM1.8m in 2QFY24).
- **YoY.** 9MFY24 CNP rose by 18.8% yoy to RM64.5m, primarily driven by (i) stronger performance in the poultry segment (+14.8% yoy) and (ii) resilient retail sales performance. This offset the decline in the prawn segment (-0.8% yoy) and food service (-15.1% yoy). As a result, the Group's 3QFY24 CNP margin improved to 8.1% from 7.3% in 3QFY23).
- **Outlook.** Over the near term, we expect the raw material prices to stabilise. Corn futures dropped to \$4.20/bushel in late November due to abundant supplies and demand concerns. Soybean futures rose to \$10/bushel, driven by strong Chinese demand and geopolitical tensions between Ukraine and Russia. China is buying up Brazilian soybeans due to attractive prices and a record crop production, reducing risks from U.S.-China trade tensions. The simultaneous occurrence of both price movements may reduce the overall degree of fluctuation or offset each other's impact.
- **Minimum wages impact.** Of 2,500 employees, c.70-80% are at the minimum wage level. With increased personnel costs, staff expenses are expected to increase by RM4-5m per annum. We expect margins to sustain with CCK opt to raise the ASP of the product mix. We believe CCK is able to pass on these costs as it faces lesser

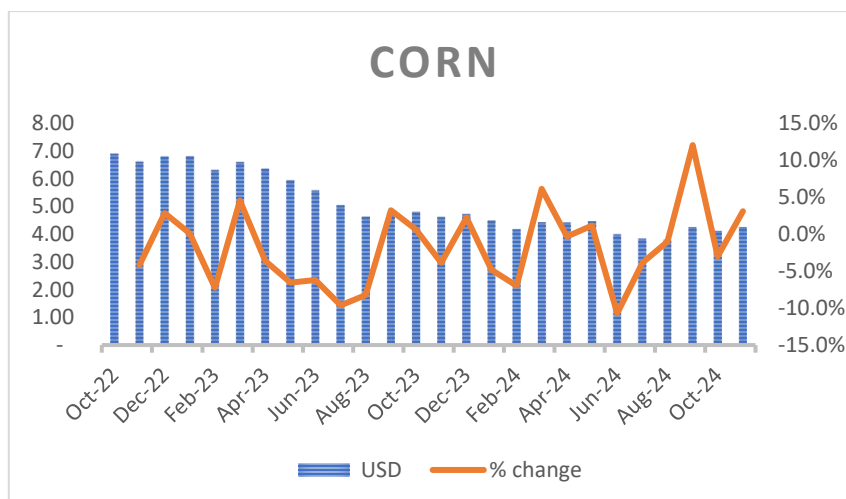
competition in East Malaysia with various product mixes than other small fresh marts, due to its status as the largest fresh market in East Malaysia.

- **Earnings revision.** No changes in FY24F earnings as reported results were in line with forecasts. However, we raised our average revenue/outlet to 5%/3% yoy from 0% in FY25F/FY26F. We expect CCK will pass on the rising input costs, such as personnel costs (70-80% are drawing minimum wage), to customers via ASP revision.
- **Valuation.** Upgrade to **BUY** recommendation (from HOLD) with higher TP of **RM1.70**, This is based on a 12.4x PE multiple, which represents a 30% premium from the 5-year average historical PE pegged to FY26F EPS of 13.6 sen. We believe CCK will be able to deliver stronger retail sales results.
- **Risks.** (i) Volatility in poultry prices and feed expenses, (ii) vulnerability to currency fluctuations due to feed costs being denominated in USD, while the company also exports a portion of its goods overseas.

Raw material price trend



Source: Bloomberg, Apex Securities



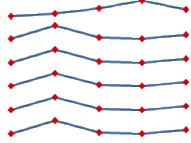





Source: Bloomberg, Apex Securities

CCK's retail network in Malaysia ended the quarter

	30.9.2024	30.6.2024	30.9.2023
CCK Local Supermarkets	3	3	3
CCK Fresh Mart retail stores	65	65	66
CCK wholesale stores	6	6	6
Total touch points	74	74	75

**Note: No additional stores were opened in this quarter*

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	259.5	251.7	3.1	271.6	(4.4)	739.4	791.8	7.1		Slight dip in overall segment performance.
EBITDA	34.6	29.8	16.1	29.0	19.3	81.5	95.1	16.7		
Pre-tax profit	30.4	25.7	18.4	25.5	19.3	68.4	83.4	22.0		
Net profit	23.3	20.0	16.8	19.8	18.1	52.9	64.5	21.9		
Core net profit	23.3	20.0	16.8	19.8	18.1	54.3	64.5	18.8		
Core EPS (sen)	3.7	3.2	16.8	3.1	18.1	8.6	10.2	18.8		Slight improvement in GP margin.
EBITDA margin (%)	13.3	11.8		10.7		11.0	12.0			
PBT margin (%)	11.7	10.2		9.4		9.2	10.5			
Core PATMI margin (%)	9.0	7.9		7.3		7.3	8.1	10.9%		

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	885.7	980.7	1060.3	1057.4	1087.6
Gross Profit	177.9	198.1	228.0	222.1	228.4
EBITDA	104.0	136.8	137.8	132.2	136.0
Depreciation & Amortisation	-25.7	-25.1	-26.0	-26.6	-27.1
EBIT	78.4	111.7	111.8	105.6	108.9
Net Finance Income/ (Cost)	-2.8	-2.3	-2.0	-1.2	-0.6
Associates & JV	5.3	4.8	5.0	5.0	5.0
Pre-tax Profit	80.9	114.2	114.8	109.4	113.2
Tax	-18.8	-26.1	-27.6	-26.3	-27.2
Profit After Tax	62.1	88.1	87.3	83.1	86.1
Minority Interest	0.0	0.1	0.0	0.0	0.0
Net Profit	62.1	88.0	87.3	83.1	86.1
Exceptionals	-6.0	0.0	0.0	0.0	0.0
Core Net Profit	56.1	88.0	87.3	83.1	86.1

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
P/E (x)	17.2	11.0	11.1	11.6	11.2
EBITDA margin	11.7%	14.0%	13.0%	12.5%	12.5%
EBIT margin	8.8%	11.4%	10.5%	10.0%	10.0%
PBT margin	9.1%	11.6%	10.8%	10.3%	10.4%
PAT margin	7.0%	9.0%	8.2%	7.9%	7.9%
NP margin	7.0%	9.0%	8.2%	7.9%	7.9%
Core NP margin	7.0%	9.0%	8.2%	7.9%	7.9%
ROE	17.1%	20.4%	14.7%	12.8%	12.1%
ROA	12.3%	15.1%	11.7%	10.5%	10.1%
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)	298.7	490.6	686.8	432.7	454.3
No. of stores	72	75	75	75	75

Valuations

Core EPS (RM)	0.136
P/E multiple (x)	12.4
Fair Value (RM)	1.70

Source: Company, Apex Securities

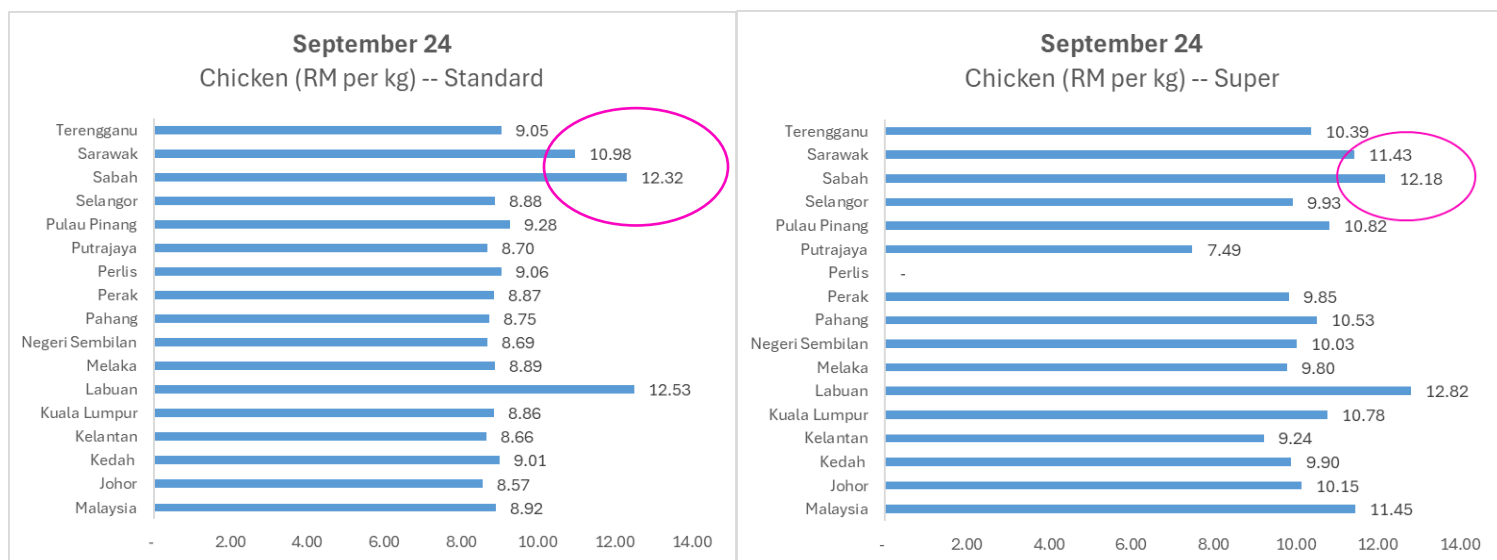
Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	71.1	125.6	280.2	313.8	365.6
Receivables	48.7	69.3	49.4	49.2	50.7
Inventories	106.1	92.6	87.5	90.4	82.6
Other current assets	32.5	28.3	21.2	21.1	21.8
Total Current Assets	258.4	315.8	438.3	474.7	520.6
Fixed Assets	211.6	226.8	265.8	271.0	276.5
Intangibles	4.1	4.3	4.3	4.3	4.3
Other non-current assets	31.2	35.8	39.4	43.3	52.9
Total Non-current assets	246.9	267.0	309.6	318.6	333.8
Short-term Debt	45.5	43.4	48.2	29.7	30.6
Payables	41.3	57.4	57.4	57.0	59.4
Other Current Liabilities	28.4	19.1	19.1	19.1	19.1
Total Current Liabilities	115.2	119.9	124.7	105.8	109.0
Long-term Debt	19.8	20.3	20.7	21.1	21.6
Other non-current liabilities	8.1	10.8	10.8	15.6	10.8
Total Non-current Liabilities	27.9	31.1	31.5	36.7	32.4
Shareholder's equity	361.8	431.1	493.1	551.0	611.9
Minority interest	0.5	0.6	98.5	99.8	101.1
Equity	362.3	431.7	591.7	650.9	713.0

Cash Flow

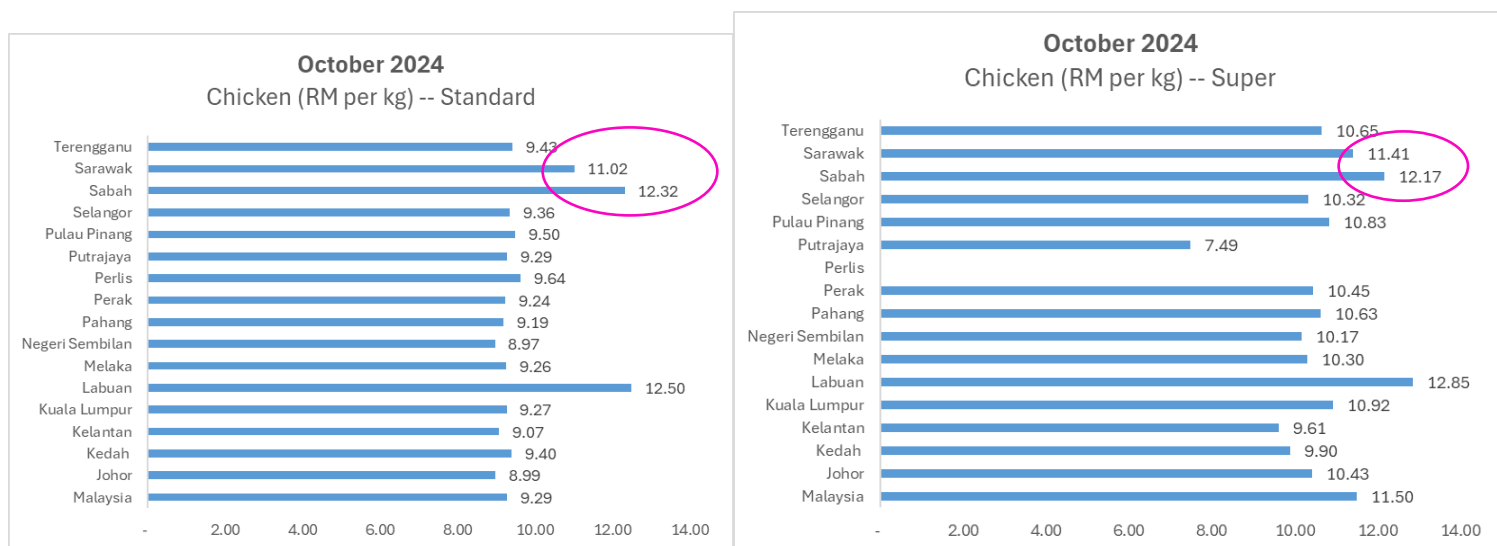
FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	80.9	114.2	114.8	109.4	113.2
Depreciation & amortisation	25.7	25.1	26.0	26.6	27.1
Changes in working capital	-41.9	7.9	9.7	2.6	-2.2
Others	-30.3	-29.8	-29.8	-29.8	-29.8
Operating cash flow	34.4	117.3	120.6	108.7	108.3
Net capex	-22.8	-27.8	-31.8	-31.7	-32.6
Others	-0.2	0.0	88.0	0.0	0.0
Investing cash flow	-23.0	-27.8	56.2	-31.7	-32.6
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	33.6	51.7
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	313.8
Ending cash	57.1	126.8	280.2	313.8	365.6

Chicken price by states in Malaysia in September 2024



Source: DVS, Apex Securities

Chicken price by states in Malaysia in October 2024



Source: DVS, Apex Securities

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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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