

Chelsea Chew

(603) 7890 8888 (ext 2070)

chelsea.chew@apexsecurities.com.my

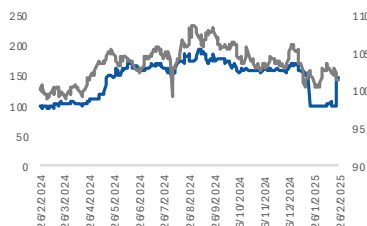
Recommendation:	BUY
Current Price:	RM 1.40
Previous Target Price:	RM 1.64
Target Price:	↑ RM 1.79
Capital Upside/ Downside:	27.9%
Dividend Yield (%):	2.9%
Total Upside/ Downside:	30.7%

Stock information

Board	MAIN
Sector	Consumer
Bursa/ Bloomberg Code	7035/ CCK MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	620.9
Market Cap (RM' m)	869.2
52-Week Price Range (RM)	1.8-0.9
Beta (x)	0.9
Free float (%)	38.5
3M Average Volume (m)	0.2
3M Average Value (RM' m)	0.4

Top 3 Shareholders (%)

Central Coldst Sa Sdn Bhd	22.3
Sk Tiong Enterprise Sdn Bhd	16.7
ChongNyuk Kiong Enterprise Sdn Bh	5.4

Share Price Performance

	1M	3M	12M
Absolute (%)	0.7	-5.5	45.4
Relative (%)	1.1	-3.3	43.5

CCK Consolidated Holdings Berhad

Weaker-Than-Expected FY24 due to higher OPEX

Executive Summary

- CCK's 4QFY24 core net profit fell -37.0% yoy and -14.5% qoq to RM19.9m, bringing FY24 core net profit to RM84.1m (+1.6% yoy), which missed expectations, accounted to 86.1% of our expectations, but came within (97.2%) of consensus expectations. Key deviation is due to higher-than-expected OPEX from the commencement of two new outlets.
- Earnings growth will be supported by (i) cautious Sabah expansion in the near term; (ii) chicken feed cost (corn) downtrend projection by the USDA.
- After incorporating FY24 results, we adjust our FY25 and FY26 earnings forecasts by -1.2%/+3.1% respectively.
- Upgrade to BUY recommendation with a slight lower TP of RM1.79, pegged to 12.4x PE multiple on FY26F EPS of 1.44sen, ascribed with three-star ESG rating.

Missed expectations. CCK's FY24 core net profit (CNP) of RM84.1m came in below expectations, achieving 86.1% of ours but aligning with the consensus full-year forecast of 97.2%. Key deviation is due to the higher-than-expected OPEX mainly on administrative expenses, with a 41.1% yoy increase and 54.8% qoq increase due to the commencement of two new outlets.

YoY. Excluding extraordinary items such as the withholding tax (repatriate tax) from the acquisition done in PT Adilmart (RM10.1m) and allowance for impairment losses on receivables (RM0.3m) and FV gain on investment securities (RM0.02m), 4QFY24 CNP fell 37.0% yoy to RM19.9m, due to the absence of RM16.0m chicken subsidies which removed in Nov 2023, compared to RM31.6m in the same quarter last year. Revenue rose 4.6% yoy to RM267.4m, mainly supported by the retail segment due to matured contributions from CCK's established retail network.

YTD. On a full-year basis, CCK registered CNP of RM84.1m, showing an improvement of 1.6% yoy from CNP of RM81.4m in FY23. The thinner growth is due to the absence of RM16.0m of chicken subsidies, despite the Group revenue grew by 6.5% yoy, thanks to better retail sales (+7.2% yoy) and poultry segment (+12.9% yoy).

QoQ. CNP declined -14.5% qoq, due to higher tax recognised in this quarter. The withholding tax of RM10.1m recognised in this quarter is due the deals completed in PT Adilmart with Creador on the repatriation profits. Initially the repatriation tax was 20.0% as PT Adilmart is part of CCK's subsidiaries the withholding tax able to reduce from RM32.6m to RM 10.1m. Segmental revenue wise, retail is the only positive segment, supported by strong sales and demand from both its retail network and Indonesian manufacturing operations.

Outlook. In this quarter, CCK opened two additional stores in Beaufort, Sabah and another Kanowit, Sarawak (Refer to Table 1). Over the near term, CCK will actively seek locations to open new stores in Sabah, which deemed as an untapped market for CCK. As of Jul 2024, Sabah's population is about 3.7m, while Sarawak's population is about 2.9m, implying potential further penetration into East Malaysia market. The outlook for feed cost (corn) price is projected to be higher in 2025, with the US Department of Agriculture's (USDA) projection of \$4.35/bushel (vs 2024's average price of \$4.19 per bushel).

Earnings Revision. After incorporating FY24 results, we adjust our FY25 and FY26 earnings forecasts by -1.2%/+2.7% respectively. We also introduce FY27 earnings forecast of RM95.8m.

Valuation. After the sell-off reaction in CCK, mainly due to PT Adilmart's acquisition, we upgraded CCK to **BUY** (from HOLD) at a slightly lower TP of **RM1.79** (from RM1.80) after some housekeeping was made. It is pegged to an unchanged 12.4x PE multiple (-25.0% discount from

the poultry peers) on FY26F EPS of 1.44 sen and ascribed with a 0% ESG factored premium/discount based on a three-star ESG rating.

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.

Earnings Summary

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	980.7	1059.2	1056.6	1100.3	1156.9
EBITDA	131.4	135.2	137.4	143.0	150.4
Pre-tax profit	107.4	110.5	114.6	119.8	126.2
Net profit	83.4	74.7	87.1	91.0	95.9
Core net profit	81.4	84.1	87.0	90.9	95.8
Core EPS (sen)	12.9	13.3	13.8	14.4	15.2
P/E (x)	10.3	10.5	10.2	9.7	9.2
P/B (x)	2.0	1.6	1.4	1.3	1.2
EV/EBITDA (x)	2.7	3.7	4.2	4.2	4.3
Dividend Yield (%)	2.5%	2.9%	2.9%	2.9%	3.6%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Table 1: CCK's retail network



Source: Company, Apex Securities

Results Note

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Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	267.4	255.6	4.6	259.5	3.0	1,059.2	994.9	6.5	stronger retail sales due to store
EBITDA	38.6	47.0	(17.8)	(8.2)	nm	135.2	84.6	59.8	matured.
Pre-tax profit	27.1	42.4	(36.1)	30.4	(10.9)	110.5	110.8	(0.3)	
Net profit	10.3	31.8	(67.7)	23.3	(56.0)	74.7	84.7	(11.7)	
Core net profit	19.9	31.6	(37.0)	23.3	(14.5)	84.1	82.7	1.6	Absence of RM16m chicken subsidy
Core EPS (sen)	3.2	5.1	(37.0)	3.8	(14.5)	13.5	13.3	1.6	
EBITDA margin (%)	14.4	18.4		(3.2)		12.8	8.5		
PBT margin (%)	10.1	16.6		11.7		10.4	11.1		
Core PATMI margin (%)	7.4	12.4		9.0		7.9	8.3		

Source: Company, Apex Securities

*Numbers are unaudited numbers provided in financial release hence different from the annual report figures.

Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)
Segment revenue								
Poultry	31.4	29.2	7.6	31.9	(1.5)	125.4	111.1	12.9
Prawn	20.7	22.2	(6.7)	23.0	(10.1)	91.1	93.2	(2.3)
Food Service	5.1	5.5	(7.6)	5.2	(2.2)	20.8	24.1	(13.5)
Retail	210.1	198.6	5.8	199.3	5.4	821.7	766.4	7.2
Corporate	0.0	0.0	-	0.0	-	0.2	0.2	-
Total	267.4	255.5	4.6	259.5	3.0	1,059.2	994.8	6.5

Source: Company, Apex Securities

*Numbers are unaudited numbers provided in financial release hence different from the annual report figures.

Results Note

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Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	980.7	1059.2	1056.6	1100.3	1156.9
Gross Profit	198.1	240.6	248.3	258.6	161.8
EBITDA	131.4	135.2	137.4	143.0	150.4
Depreciation & Amortisation	-26.7	-26.5	-26.6	-27.6	-28.7
EBIT	104.7	108.7	110.8	115.4	121.7
Net Finance Income/(Cost)	-2.1	-3.2	-1.2	-0.6	-1.5
Associates & JV	4.8	5.0	5.0	5.0	6.0
Pre-tax Profit	107.4	110.5	114.6	119.8	126.2
Tax	-24.1	-35.8	-27.5	-28.8	-30.3
Profit After Tax	83.4	74.7	87.1	91.0	95.9
Minority Interest	0.1	0.1	0.1	0.1	0.1
Net Profit	83.3	74.6	87.0	91.0	95.9
Exceptionals	1.9	-9.4	0.0	0.0	0.0
Core Net Profit	81.4	84.1	87.0	90.9	95.8

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
P/E (x)	10.3	10.5	10.2	9.7	9.2
EPS	13.7	13.3	13.8	14.4	15.2
P/B (x)	2.0	1.6	1.4	1.3	1.2
EV/EBITDA (x)	2.7	3.7	4.2	4.2	4.3
DPS (sen)	3.5	4.0	4.0	4.0	5.0
Dividend Yield (%)	2.5%	2.9%	2.9%	2.9%	3.6%
EBITDA margin	13.4%	12.8%	13.0%	13.0%	13.0%
EBIT margin	10.7%	10.3%	10.5%	10.5%	10.5%
PBT margin	11.0%	10.4%	10.8%	10.9%	10.9%
PAT margin	8.5%	7.1%	8.2%	8.3%	8.3%
Net Profit margin	8.5%	7.0%	8.2%	8.3%	8.3%
Core NP margin	8.5%	7.0%	8.2%	8.3%	8.3%
ROE	19.3%	12.3%	12.1%	11.6%	11.3%
ROA	14.3%	9.7%	10.7%	10.3%	10.1%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY25F	FY26F	FY27F
No. of chickens sold/year (m)	13.0	13.0	13.1
Prawn production (tonne)	301	316	332
No. of stores	77	78	78

Valuations

EPS (RM)	0.144
Multiple (x)	12.4
Equity Value/share (RM)	1.79
ESG premium/discount	0.0%
Fair Value (RM)	1.79

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	125.6	172.3	192.8	233.9	264.4
Receivables	69.3	68.0	68.0	70.8	76.1
Inventories	92.6	106.9	110.4	111.7	116.6
Other current assets	28.3	130.5	105.7	110.0	115.7
Total Current Assets	315.8	477.8	476.9	526.5	572.8
Fixed Assets	226.8	236.2	276.2	287.1	298.9
Deferred income taxes	0.0	1.7	1.7	1.7	1.7
Other non-current assets	40.1	50.9	55.6	66.1	77.5
Total Non-current assets	267.0	288.7	333.5	354.8	378.1
Borrowings	43.4	43.3	29.7	30.6	31.5
Current tax liabilities	0.0	13.3	13.3	13.3	13.3
Other current liabilities	19.1	7.9	7.9	7.9	7.9
Accounts payable	57.4	59.2	59.5	62.2	65.1
Total Current Liabilities	119.9	123.7	110.4	113.9	117.8
Borrowings	20.3	24.1	21.1	21.6	22.0
Account payables	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	10.8	10.3	10.3	10.3	10.3
Total Non-current Liabilities	31.1	34.4	31.4	31.8	32.3
Shareholder's equity	431.1	558.8	620.5	686.2	750.5
Minority Interest	0.6	49.6	99.8	101.1	102.1
Equity	431.7	608.4	720.3	787.3	852.6

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	107.4	110.5	114.6	119.8	126.2
Depreciation & amortisation	-26.7	-26.5	26.6	27.6	28.7
Changes in working capital	7.9	-1.3	21.4	-24.9	-33.5
Others	-29.8	15.8	-24.0	-18.9	-20.3
Operating cash flow	58.8	98.6	138.5	103.6	101.2
Net capex	-27.8	-37.1	-37.0	-38.5	-40.5
Others	0.0	-102.0	0.0	0.0	0.0
Investing cash flow	-27.8	-139.1	-37.0	-38.5	-40.5
Dividends paid	-21.7	-26.4	-25.2	-25.2	-31.5
Others	0.3	116.9	2.7	1.3	1.3
Financing cash flow	-21.5	90.5	-22.5	-23.9	-30.2
Net cash flow	9.4	49.9	79.1	41.2	30.5
Forex	1.8	-5.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	57.5	68.7	113.7	192.8	233.9
Ending cash	68.7	113.7	192.8	233.9	264.4

Results Note

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ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★	Plans to implement emissions reduction measures but no specific plan or target stated in ESG report FY2023.
Waste & Effluent	★★★	The conscious water usage and the adoption of rainwater collection, especially in Poultry and Prawn farming.
Energy	★★★	Energy consumption is 26,155.73 megawatt in FY2023, with no comparison from FY2022, so we consider it average.
Water	★★★	Water consumption is 404.5 megalitres in FY2023, with no comparison from FY2022, so we consider it average.
Compliance	★★★★	No cases of non-compliance for FYE 2022 and FYE 2023 and target to achieve zero reports and penalties for FY2024.

Social

Diversity	★★★	The gender distribution is 63% male and 37% female. While there is room for improvement towards gender parity, the presence of a significant percentage of female employees is a positive indicator of gender diversity efforts.
Human Rights	★★★	Zero number of substantiated complaints concerning human rights violations.
Occupational Safety and Health	★★★★	The OSH Department conducted approximately 3,600 hours of safety and awareness training, including Chemical Safety Awareness, Hearing Conservation, and Slip and Fall Prevention.
Labour Practices	★★★	CCK opposes discrimination, promoting diversity and equal opportunities regardless of gender or ethnicity.

Governance

CSR Strategy	★★★	CCK has been consistently donating food supplies to the SMK Kampung Nangka Food Bank throughout the entire school year.
Management	★	all board members age over 50 and 3/9 Independent Directors
Stakeholders	★	1x AGM per annum and no analyst briefing conducted

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.