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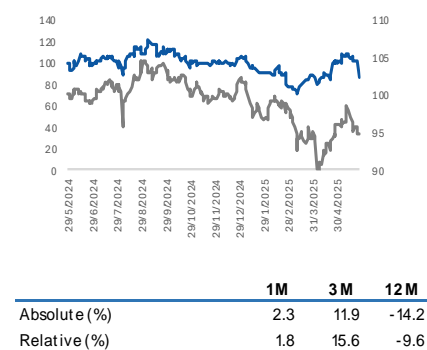
<b>Recommendation:</b>	<b>HOLD</b>
Current Price:	RM 1.32
Previous Target Price:	RM 1.79
Target Price:	↓ RM 1.26
Capital Upside/ Downside:	-4.5%
Dividend Yield (%):	3.6%
<b>Total Upside/ Downside</b>	<b>-0.9%</b>

**Stock information**

Board	MAIN
Sector	Consumer
Bursa / Bloomberg Code	7035 / CCK MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	619.3
Market Cap (RM' m)	817.5
52-Week Price Range (RM)	1.8-1.08
Beta (x)	0.8
Free float (%)	40.5
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.6

**Top 3 Shareholders**

	(%)
Central Coldstorage Sarawak	22.3
Sk Tiong Enterprise Sdn Bhd	16.7
Chong Nyuk Kiong Enterprise Sdn Bh	5.4

**Share Price Performance****Earnings Summary**

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue (RM' m)	1058	1068	1102
PATAMI (RM' m)	71.5	70.6	75.4
CNP (RM' m)	80.9	70.6	75.4
EPS - core (sen)	12.8	11.2	12.0
P/E(x)	10.3	11.8	11.0

Source: Company, Apex Securities

# CCK Consolidated Holdings Berhad

## Below expectations

- CCK reported a 1QFY25 core net profit (CNP) of RM16.8m (-20.4% yoy, -15.4% qoq), missing our expectations but in-line with market's expectation, accounting to 19.3% of our full-year forecasts and 21.7% of consensus estimates. Key deviation from our forecast was due to weaker-than-expected margins in the Retail segment.
- CCK is expected to face significant headwinds from impending RON95 subsidy removal and a broader economic slowdown.
- After reducing the sales and margin expectations for the Retail segment to reflect the strategic pricing adjustments, we trim our FY25F/FY26F/FY27F earnings forecasts by 18.9%/17.0%/0.2% respectively.
- Post earnings revision, we downgrade CCK to HOLD (from BUY) with a lower TP of RM1.26 (from RM1.79), pegged to 10.5x PE multiple on FY26F EPS of 12.0 sen, and ascribed with three-star ESG rating.

**Missed expectations.** Excluding fair value gain in short-term investments (-RM0.6m), fair value changes in biological assets (-RM0.3m) and others (+RM0.2m), CCK reported a 1QFY25 core net profit (CNP) of RM16.8m (-20.4% yoy, -15.4% qoq). This result missed our expectations, achieving 19.3% of our full-year forecast but came in line with the consensus expectations at 21.7% of consensus estimates. The key deviation from our forecast was due to weaker-than-expected margins in Retail segment, driven by strategic pricing adjustments aimed at enhancing competitiveness. During this quarter, CCK expanded the retail network with another touchpoint in Bintulu, bringing the total to 78 touchpoints (Figure 1).

**YoY.** 1QFY25's CNP fell by 20.4% yoy to RM16.8m, primarily due lower contributions from Food Service and retail segment, Operating profit for the Retail segment dropped 10.6% yoy despite a 3.3% increase in segmental revenue, as cost escalation from minimum wage hike effective Feb 2025 and strategic pricing adjustments aimed at enhancing competitiveness outweighed the benefits of better product mix. These declines more than offset the operating profit improvements in Poultry (+3.5% yoy) and Prawn (+5.7% yoy) segments.

**QoQ.** CNP declined by 15.4% qoq, lower contributions from Retail, Poultry, and Food Service segments. Retail segment's operating profit plunged 28.7% qoq despite a flat segmental revenue, likely due to strategic pricing adjustments and minimum wage hike mentioned above. Meanwhile, Poultry segment's operating profit dipped 29.1% qoq, on the back of moderation in demand for poultry products. The prawn segment, however, showed a significant improvement in operating profit, more than tripling qoq, supported by greater sales volume to key export markets (Japan and Hong Kong).

**Outlook.** Malaysia Government is phasing out egg subsidies, with half of the payment reduced on 1 May 2025, and a full removal from 1 Aug 2025 onwards. We think that this development is neutral for CCK as the Group can easily pass on the cost increases to consumers due to its predominantly downstream customer-facing operations. Moreover, CCK is expanding its plant in Central Jaya to triple its capacity ~60,000 MT/year. The plant is expected to break even at 30-40% utilisation rate, with a significant contribution expected from FY27 onwards.

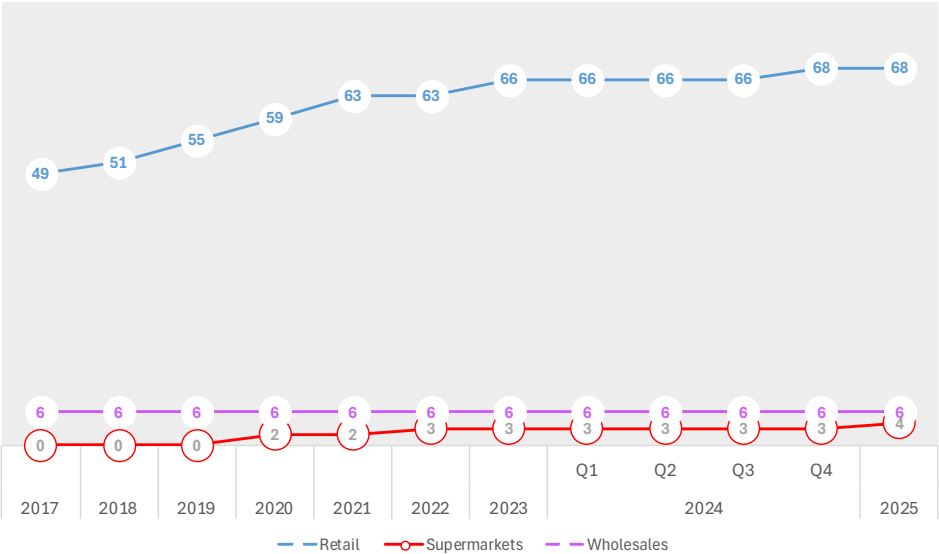
Looking ahead, we anticipate a challenging outlook for CCK. Key headwinds include the potential removal of RON95 blanket subsidy, an expected economic slowdown due to tariff and trade uncertainties, and a decline in Sarawak's Oil & Gas activities following the Petronas-Petros dispute, which may lead to slower economic growth in the state. These challenges, could dampen household spending in Sarawak, ultimately reducing sales generation for CCK.

**Earnings Revision.** After reducing the sales and margin expectations for the Retail segment to reflect the strategic pricing adjustments, we trim our FY25F/FY26F/FY27F earnings forecasts by -18.9%/17.0%/-0.2% respectively.

**Valuation.** Post earnings revision, we downgrade CCK to **HOLD** (from BUY) with a lower TP of **RM1.26** (from RM1.79), pegged to 10.5x PE multiple on FY26F EPS of 12.0 sen. This valuation incorporates a 0% ESG factored premium/discount based on its three-star ESG rating. We have reduced our PE multiple from 12.4x to 10.5x (15% premium to its 5-year historical mean) to account for a slowdown in earnings growth, as the Group has slowed the pace of new store openings in recent years.

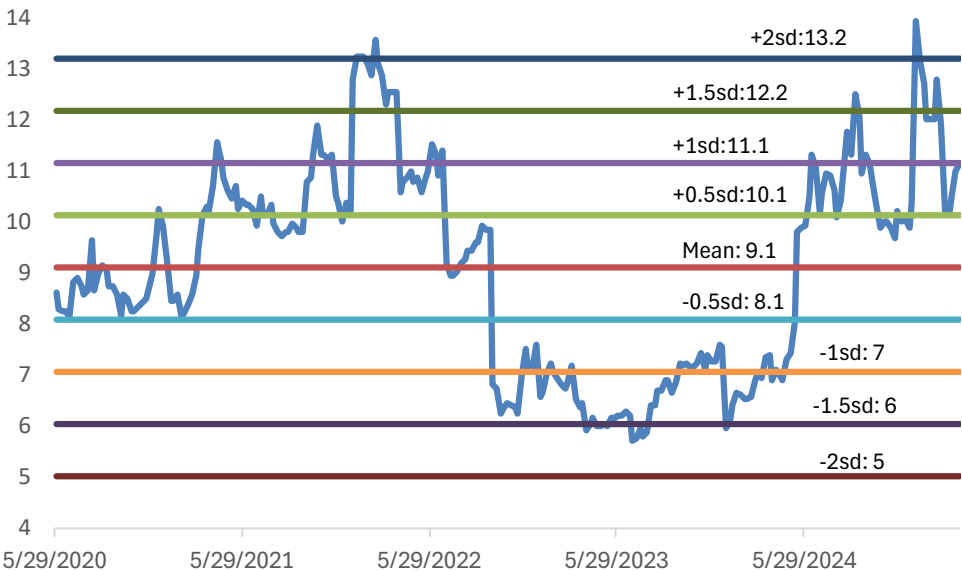
**Risk.** Volatility in poultry prices and feed expenses, along with vulnerability to currency fluctuations due to feed costs being denominated in USD, while the company also exports a portion of its goods overseas.

Figure 1: CCK’s retail network



Source: Company, Apex Securities

Figure 2: CCK’s 5 years historical PE Band



Source: Company, Apex Securities

# Results Note

Thursday, 29 May, 2025

## Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	264.0	260.7	1.3	267.4	(1.3)	264.0	260.7	1.3	Flat sales despite new store opening
EBITDA	31.3	32.5	(3.6)	(12.7)	nm	31.3	21.4	46.6	
Pre-tax profit	26.0	27.5	(5.4)	27.1	(4.2)	20.2	27.5	(26.5)	
PATAMI	17.5	21.4	(18.1)	10.2	72.3	31.3	21.4	46.6	Higher-than -expected setup costs.
Core net profit	16.8	21.2	(20.4)	19.9	(15.4)	16.8	21.2	(20.4)	
Core EPS (sen)	2.7	3.4	(20.4)	3.2	(15.4)	2.7	3.4	(20.4)	
EBITDA margin (%)	11.9	12.5		(4.8)		11.9	8.2		
PBT margin (%)	9.8	10.5		10.1		7.6	10.5		
Core PATMI margin (%)	6.4	8.1		7.4		6.4	8.1		

## Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)
<b>Segment revenue</b>								
Poultry	27.1	30.6	(11.6)	31.4	(13.7)	27.1	30.6	(11.6)
Prawn	23.3	21.8	6.6	20.7	12.4	23.3	21.8	6.6
Food Service	3.4	4.8	(29.1)	5.1	(32.9)	3.4	4.8	(29.1)
Retail	210.0	203.3	3.3	210.1	(0.0)	210.0	203.3	3.3
Corporate	0.2	0.0	344.4	0.0	344.4	0.2	0.0	344.4
<b>Total</b>	<b>264.0</b>	<b>260.7</b>	<b>1.3</b>	<b>267.4</b>	<b>(1.3)</b>	<b>264.0</b>	<b>260.7</b>	<b>1.3</b>
<b>Segment operation profits</b>								
Poultry	5.5	5.3	3.5	7.7	(29.1)	5.5	5.3	3.5
Prawn	2.6	2.5	5.7	0.7	272.2	2.6	2.5	5.7
Food Service	0.0	0.3	(82.8)	0.4	(86.8)	0.0	0.3	(82.8)
Retail	17.4	19.5	(10.6)	24.5	(28.7)	17.4	19.5	(10.6)
Corporate	(0.2)	(0.6)	(66.7)	103.7	nm	(0.2)	(0.6)	(66.7)
<b>Total</b>	<b>25.4</b>	<b>27.6</b>	<b>(7.9)</b>	<b>137.0</b>	<b>(81.5)</b>	<b>25.4</b>	<b>27.0</b>	<b>(150.9)</b>
<b>Segment OP margin (%)</b>								
Poultry	20.2%	17.3%		24.6%		20.2%	17.3%	
Prawn	11.4%	11.5%		3.4%		11.4%	11.5%	
Food Service	1.4%	5.9%		7.2%		1.4%	5.9%	
Retail	8.3%	9.6%		11.6%		8.3%	9.6%	
Corporate	n.m	n.m		n.m		n.m	n.m	
	<b>41.3%</b>	<b>44.2%</b>		<b>46.9%</b>		<b>41.3%</b>	<b>44.2%</b>	

Source: Company, Apex Securities

# Results Note

Thursday, 29 May, 2025

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	980.7	1057.6	1068.0	1101.6	1137.1
Gross Profit	198.1	225.9	224.3	231.3	161.8
EBITDA	131.4	136.6	119.9	126.9	156.9
Depreciation & Amortisation	-26.7	-29.5	-30.7	-32.2	-36.4
EBIT	104.7	107.9	89.2	94.7	120.5
Net Finance Income/(Cost)	-2.1	-0.9	0.1	0.9	1.1
Associates & JV	4.8	5.0	5.1	5.1	5.7
Pre-tax Profit	107.4	112.0	94.3	100.7	127.3
Tax	-24.1	-40.5	-22.6	-24.2	-30.6
Profit After Tax	83.4	71.6	71.7	76.5	96.8
Minority Interest	0.1	0.1	1.1	1.1	1.1
PATAMI	83.3	71.5	70.6	75.4	95.6
Exceptionals	1.9	-9.4	0.0	0.0	0.0
Core Net Profit	81.4	80.9	70.6	75.4	95.6

### Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
P/E (x)	10.2	10.3	11.8	11.0	8.7
EPS	12.9	12.8	11.2	12.0	15.2
P/B (x)	1.9	1.5	1.5	1.2	1.4
EV/EBITDA (x)	2.7	3.6	4.1	4.0	3.3
DPS (sen)	3.4	4.2	4.5	4.8	6.1
Dividend Yield (%)	2.6%	3.2%	3.4%	3.6%	4.6%
EBITDA margin	13.4%	12.9%	11.2%	11.5%	13.8%
EBIT margin	10.7%	10.2%	8.4%	8.6%	10.6%
PBT margin	11.0%	10.6%	8.8%	9.1%	11.2%
PAT margin	8.5%	6.8%	6.7%	6.9%	8.5%
Net Profit margin	8.5%	6.8%	6.6%	6.8%	8.4%
Core NP margin	8.5%	6.8%	6.6%	6.8%	8.4%
ROE	19.1%	11.6%	11.5%	10.3%	14.9%
ROA	14.4%	9.3%	9.5%	8.8%	12.3%
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)	244	249	269
No. of stores	78	79	79

Valuations	FY26F
EPS (RM)	0.120
Multiple (x)	10.5
Equity Value/share (RM)	1.26
ESG premium/discount	0.0%
Fair Value (RM)	1.26

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	124.6	173.0	140.6	246.3	143.3
Receivables	66.6	71.4	74.9	70.0	79.5
Inventories	92.6	106.6	101.5	98.8	107.5
Other current assets	27.5	130.4	130.4	130.4	130.4
Total Current Assets	311.3	481.3	447.3	545.5	460.7
Fixed Assets	225.7	245.5	257.6	269.4	272.9
Deferred income taxes	1.8	1.7	1.7	1.7	1.7
Other non-current assets	37.5	39.4	39.4	39.4	39.4
Total Non-current assets	265.0	286.6	298.6	310.5	313.9
Borrowings	44.3	44.5	25.2	24.2	23.2
Current tax liabilities	8.5	13.8	13.8	13.8	13.8
Other current liabilities	1.6	1.7	1.7	1.7	1.7
Accounts payable	57.9	56.9	58.7	55.7	59.4
Total Current Liabilities	112.2	116.8	99.4	95.4	98.1
Borrowings	5.5	4.6	2.8	2.7	2.6
Other non-current liabilities	9.6	8.6	8.6	8.6	8.6
Total Non-current Liabilities	15.1	13.2	11.4	11.3	11.1
Shareholder's equity	436.4	571.3	565.7	681.0	590.2
Minority Interest	0.6	47.4	48.5	49.6	50.7
Equity	437.0	618.7	614.2	730.6	640.9

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	107.4	112.0	94.3	100.7	127.3
Depreciation & amortisation	26.7	29.5	30.7	32.2	36.4
Changes in working capital	7.4	-24.0	3.6	4.5	-14.5
Others	-30.4	-40.4	-24.2	-30.6	-31.7
Operating cash flow	111.2	77.1	104.4	106.8	117.5
Capex	-33.7	-37.1	-37.4	-38.6	-39.8
Others	5.2	-101.6	-45.1	71.0	-73.5
Investing cash flow	-28.5	-138.7	-82.5	32.4	-113.3
Dividends paid	-7.8	-21.7	-26.4	-28.2	-30.2
Others	-13.7	134.2	-20.8	-5.2	-77.1
Financing cash flow	-21.5	112.4	-47.2	-33.5	-107.3
Net cash flow	61.3	50.8	-25.3	105.7	-103.1
Forex	2.0	-5.2	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	57.0	120.3	165.9	140.6	246.3
Ending cash	120.3	165.9	140.6	246.3	143.3

# Results Note

Thursday, 29 May, 2025

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★	Lack of strategy to address climate change in prawn aquaculture.
Waste & Effluent	★	Lack of data comparison because 2024 is the first year of disclosing waste data: 2,053 tonnes.
Energy(not)	★★★★	Energy consumption dropped from 26,155.73 MW in FY2023 to 9,992 MW in FY2024, representing a reduction of 16,163.7 MW.
Water	★★★★	Water consumption fell to 247 ML in FY2024 from 404.5 ML in FY2023, a reduction of 157.5 ML.
Compliance	★★★	There were no cases of non-compliance in FY2023 and FY2024, and CCK remain committed to maintaining zero reports and penalties for FY2025.

### Social

Diversity	★★★	The gender distribution is 62% male and 38% female (from 63% and 37% respectively in FY2023). There is a slight improvement from recruiting more female employees in the organisation.
Human Rights	★★★	Zero number of substantiated complaints concerning human rights violations.
Occupational Safety and Health	★★★★	Remained 0 fatalities in FY2024, which aligns with the internal target. While the Lost time incident rate (LTIR) in FY2024 is 4.18, which is still aligned with internal target of <10.28.
Labour Practices	★★★	CCK opposes discrimination, promoting diversity and equal opportunities regardless of gender or ethnicity.

### Governance

CSR Strategy	★★★★	In FY2024, CCK donated a total of RM41.9k for CSR, including: (i) RM12.0k to sustain its long-standing support for SMK Kampung Nangka's Food Bank, benefiting 850 students; (ii) 500 whole chickens (valued at RM9.9k) in collaboration with Majlis Bandaraya Kuching Selatan, assisting 500 low-income families; (iii) RM6.0k to SMK Tung Hua's "We Care For You" program, aiding 10 underprivileged students; and (iv) smaller contributions to various community and government bodies.
Management	★★★★	There has been a significant shift towards a younger demographic in senior management. This includes 33% increase (from 0% in FY2023) in senior management under 30, 14% increase (from 0% in FY2023) in the 30-50 age range, and a corresponding 36% decrease in senior management over 50, now representing 65% (down from 100% in FY2023).
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 + 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.

### 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.