

## CJ Century Logistics Holdings Berhad

(7117 | CLH MK) Main | Transportation &amp; Logistics

### Margin Grew Amid Setbacks

#### KEY INVESTMENT HIGHLIGHTS

- **3QFY23 core PATAMI missed our expectation**
- **Global trade slowdown impacted freight activities**
- **Intense competition affects major customer's volume**
- **Downward revision of earnings by -10% to -17%**
- **Maintain BUY with a revised TP of RM0.50**

**Below expectations.** CJ Century Logistics Berhad (CJ Century) reported a core PATAMI of RM3.0m in 3QFY23, bringing the cumulative core PATAMI for 9MFY23 to RM10.2m. This constitutes only 61%/60% of our/consensus full-year estimates. The deviation from expectations was primarily due to lower-than-expected business volume across most business segments.

**Quarterly.** The core PATAMI of RM3.0m (-51.8%yoy) marked a substantial decline as it was influenced by the correction in market freight rates and a decrease in business volume across most of the segments. The freight forwarding volume is likely to continue experiencing a setback, as it previously reported a more than -50% reduction in volume from its affiliated company, CJ Bio, attributed to direct competition from suppliers in China. On a quarter-on-quarter basis, core PATAMI fell by -15.0%qoq attributed to similar factors, although margins have seen a slight improvement. The notably reduced contribution from the Procurement Logistics Services (PLS) division is attributed to seasonality.

**Outlook.** The Total Logistics Services (TLS) division could experience some relief and initiate a modest recovery in 4QFY23 as there are signs of improvement in South Korea's trade, with exports registering a +5.1%yoy growth in Oct-23, marking the first increase in 13 months. Notably, South Korea-based customers contribute 30%-35% of the company's revenue. Meanwhile, the PLS division is expected to maintain resilience, as the reopening of China guarantees a steady supply of electric components for the home and electrical appliances.

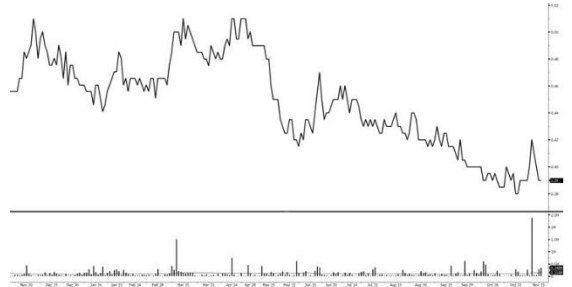
**Maintain BUY.** Due to reduced volume assumptions, we have revised our earnings estimates, lowering projections for FY23E/FY24F/FY25F by -17%/-14%/-10%. Our revised TP is now **RM0.50** (down from RM0.55) based on 12x FY24E EPS, but we maintain our **BUY** call on CJ Century. The stock is trading at a -37% discount to its 5-year historical mean. Key risks to our call include: (i) inflationary pressures on operating costs, and (ii) lower-than-expected business volume.

**Maintain BUY**
**Revised Target Price: RM0.50**  
*(Previously RM0.55)*

#### RETURN STATISTICS

Price @ 16 <sup>th</sup> November 2023 (RM)	0.39
Expected share price return (%)	+28.2
Expected dividend yield (%)	+1.8
<b>Expected total return (%)</b>	<b>+30.0</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.3	-2.7
3 months	-2.5	-10.3
12 months	-16.1	-17

#### INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	801.4	861.9	926.1
PBT	18.6	31.9	35.7
Core PATAMI	13.9	23.9	26.8
EPS (sen)	2.4	4.1	4.6
PER (x)	16.3x	9.5x	8.5x
DPS (sen)	0.7	1.2	1.4
Dividend yield (%)	1.8%	3.2%	3.5%

#### KEY STATISTICS

FBM KLCI	1464.7
Issue shares (m)	581.89
Estimated free float (%)	26.99
Market Capitalisation (RM'm)	226.94
52-wk price range	RM0.38 - RM0.54
3-mth average daily volume (m)	0.15
3-mth average daily value (RM'm)	0.06
Top Shareholders (%)	
CJ Korea Express Asia PL	55.09
Teow Hing Choo	8.33
Syed Ahmad Khali	2.43

**CJ CENTURY: 3Q23 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
<b>Income Statement</b>								
Revenue	159.5	211.0	230.2	-24.4%	-30.7%	590.0	725.9	-18.7%
Operating profit	6.7	7.5	10.5	-11.2%	-36.7%	21.5	38.1	-43.7%
Finance costs	-1.9	-2.0	-2.1	7.8%	9.9%	-5.8	-6.0	3.8%
PBT	4.8	5.5	8.4	-12.4%	-43.2%	15.7	32.1	-51.1%
Tax expense	-1.2	-1.7	-2.1	26.0%	40.7%	-4.5	-9.2	50.5%
PATAMI	3.6	3.8	6.4	-6.5%	-43.9%	11.1	22.9	-51.5%
Core PATAMI	3.0	3.5	6.2	-15.0%	-51.8%	10.2	23.1	-55.7%
OP margin (%)	4.2%	3.5%	4.6%			3.6%	5.2%	
PBT margin (%)	3.0%	2.6%	3.7%			2.7%	4.4%	
Core PATAMI margin (%)	1.9%	1.7%	2.7%			1.7%	3.2%	
Effective tax rate (%)	-25.6%	-30.3%	-24.5%			-29.0%	-28.6%	

**SEGMENTAL BREAKDOWN**

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
<b>Revenue</b>								
Total logistics	121.2	130.9	173.9	-7.4%	-30.3%	392.1	554.3	-29.3%
Freight forwarding	42.9	50.8	92.7	-15.7%	-53.7%	150.4	302.9	-50.3%
Contract logistics	36.0	36.5	44.0	-1.6%	-18.2%	110.1	133.4	-17.4%
Transportation	22.7	24.7	14.9	-8.3%	51.6%	69.5	46.8	48.4%
Oil logistics	8.5	9.2	10.0	-8.0%	-15.2%	28.1	31.1	-9.7%
Others	11.2	9.6	12.3	16.5%	-9.0%	33.9	40.1	-15.3%
Procurement logistics	38.3	80.1	56.3	-52.2%	-31.9%	197.9	171.6	15.3%
<b>Operating Profit</b>								
Total logistics	4.3	3.1	7.1	40.0%	-38.8%	10.5	30.0	-65.1%
Procurement logistics	2.3	4.4	3.1	-46.5%	-23.3%	11.3	8.5	31.9%

Source: CJ Century, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
Revenue	843.0	930.4	801.4	861.9	926.1
EBITDA	77.0	81.2	61.1	74.7	79.0
PBT	28.8	37.5	18.6	31.9	35.7
PATAMI	19.0	28.2	13.9	23.9	26.8
Core PATAMI	21.3	28.7	13.9	23.9	26.8
EPS (sen)	3.6	4.9	2.4	4.1	4.6
PER (x)	10.7x	7.9x	16.3x	9.5x	8.5x
DPS (sen)	0.0	1.5	0.7	1.2	1.4
Dividend yield (%)	0.0%	3.8%	1.8%	3.2%	3.5%
<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PPE	376.2	362.4	362.0	361.1	359.8
ROU assets	73.7	65.4	50.4	34.4	17.5
<b>Non-current assets</b>	<b>475.9</b>	<b>452.1</b>	<b>436.6</b>	<b>419.8</b>	<b>401.6</b>
Trade debtors	222.5	180.1	155.9	167.7	180.1
Cash	54.6	98.6	25.5	61.5	103.0
<b>Current assets</b>	<b>302.9</b>	<b>316.2</b>	<b>307.8</b>	<b>329.8</b>	<b>356.2</b>
Long-term debt	126.9	108.2	88.2	68.2	48.2
<b>Non-current liabilities</b>	<b>141.4</b>	<b>120.3</b>	<b>100.3</b>	<b>80.3</b>	<b>60.3</b>
Trade creditors	163.2	138.6	119.0	127.3	136.8
Short-term debt	36.1	53.2	53.2	53.2	53.2
<b>Current liabilities</b>	<b>215.9</b>	<b>203.7</b>	<b>183.4</b>	<b>191.8</b>	<b>201.2</b>
Share capital	300.0	300.0	300.0	300.0	300.0
Retained earnings	125.7	151.0	160.8	177.5	196.2
<b>Equity</b>	<b>421.6</b>	<b>444.3</b>	<b>460.8</b>	<b>477.5</b>	<b>496.2</b>
<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PBT	28.8	37.5	18.6	31.9	35.7
Depreciation & amortisation	36.5	35.1	35.4	36.8	38.2
Changes in working capital	4.8	37.8	-49.2	22.4	24.5
Operating cash flow	54.3	105.8	0.1	83.1	89.5
Investing cash flow	-2.7	-16.7	-20.0	-20.0	-20.0
Financing cash flow	-47.4	-62.7	-24.2	-27.2	-28.0
<b>Net cash flow</b>	<b>4.2</b>	<b>26.5</b>	<b>-44.1</b>	<b>36.0</b>	<b>41.5</b>
<b>Beginning cash flow</b>	<b>38.9</b>	<b>43.1</b>	<b>69.6</b>	<b>25.5</b>	<b>61.5</b>
<b>Ending cash flow</b>	<b>43.1</b>	<b>69.6</b>	<b>25.5</b>	<b>61.5</b>	<b>103.0</b>
<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
OP margin	9.1%	8.7%	7.6%	8.7%	8.5%
PBT margin	3.4%	4.0%	2.3%	3.7%	3.9%
PATAMI margin	2.2%	3.0%	1.7%	2.8%	2.9%
Core PATAMI margin	2.5%	3.1%	1.7%	2.8%	2.9%

Source: CJ Century, MIDFR

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology