

CJ Century Logistics Holdings Berhad

(7117 | CLH MK) Main | Transportation & Logistics

Potential End to Downturn

KEY INVESTMENT HIGHLIGHTS

- **4QFY23 core PATAMI missed our expectation**
- **Marginal quarter-on-quarter recovery in freight activities**
- **Ongoing competition affecting the volume of key customer**
- **Downward revision of earnings by -10%**
- **Maintain BUY with a revised TP of RM0.45**

Below expectations. CJ Century Logistics Berhad (CJ Century) recorded a core PATAMI of RM0.6m in 4QFY23, totalling RM10.7m for FY23. This represents only 77%/83% of our/consensus full-year estimates. The deviation was primarily attributed to lower-than-expected contributions from the contract logistics segment and production volume for the procurement logistics segment.

Quarterly. The core PATAMI of RM0.6m experienced a significant -87.3%yoy decline, primarily due to market freight rate corrections and decreased business volume across most segments, with the exception of transportation services. Previously, management highlighted a significant decline in freight forwarding volume from its affiliate, CJ Bio, attributed to direct competition from suppliers in China, with possible ongoing impact into 4QFY23. Sequentially, core PATAMI dipped by -77.6%qoq, although there may have been a slight recovery in freight forwarding volume, as revenue showed a marginal uptick.

Outlook. The Total Logistics Services (TLS) division could witness a welcomed recovery in FY24, buoyed by the improvement of South Korea's trade from a year-long slump in late FY23, which injects optimism into its economic growth outlook for this year. It is worth noting that South Korea-based customers contributed 30%-35% of the Group's revenue. Meanwhile, the Procurement Logistics Services (PLS) division is expected to sustain resilience, with projected export growth of E&E products to Vietnam and Indonesia (key export markets for CJ Century), supported by the respective government's GDP growth forecasts of between +6.0% to +6.5% and +4.7% to +5.5% for FY24.

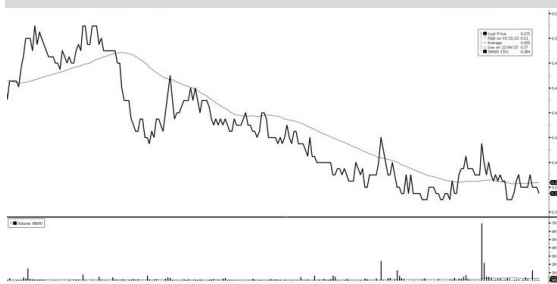
Maintain BUY. After factoring in a slight reduction in shipment volume and updating the full-year figures, we are revising down projections for FY24F/FY25F by -10%. Our revised target price stands at **RM0.45** (from RM0.50) based on 12x FY24F EPS, while we maintain our **BUY** call on CJ Century. The stock is trading at a -21% discount to its 5-year historical mean. Key risks to our call include (i) inflationary pressures on operating costs, and (ii) lower-than-anticipated business volume.


Maintain BUY
Revised Target Price: RM0.45
(Previously RM0.50)

RETURN STATISTICS

Price @ 23 rd February 2024 (RM)	0.38
Expected share price return (%)	+18.4
Expected dividend yield (%)	+2.9
Expected total return (%)	+21.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.6	-5.3
3 months	0.0	-6.1
12 months	-21.1	-25.8

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	736.5	857.8	917.6
PBT	16.3	28.2	31.6
Core PATAMI	10.8	21.5	24.0
EPS (sen)	1.9	3.7	4.1
PER (x)	20.5x	10.3x	9.2x
DPS (sen)	0.0	1.1	1.2
Dividend yield (%)	0.0%	2.9%	3.3%

KEY STATISTICS

FBM KLCI	1549.11
Issue shares (m)	581.89
Estimated free float (%)	26.99
Market Capitalisation (RM'm)	218.21
52-wk price range	RM0.36 - RM0.54
3-mth average daily volume (m)	0.31
3-mth average daily value (RM'm)	0.12
Top Shareholders (%)	
CJ Korea Express Asia PL	55.1
Teow Hing Choo	8.3
Syed Ahmad Khali	2.4

CJ CENTURY: 4Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Income Statement								
Revenue	146.5	159.5	204.5	-8.1%	-28.4%	736.5	930.4	-20.8%
Operating profit	2.1	6.7	7.5	-69.1%	-72.5%	23.5	45.6	-48.4%
Finance costs	-1.5	-1.9	-2.0	21.1%	28.4%	-7.2	-8.0	10.1%
PBT	0.6	4.8	5.4	-87.7%	-89.2%	16.3	37.5	-56.6%
Tax expense	0.1	-1.2	-0.2	105.5%	134.2%	-4.5	-9.4	52.3%
PATAMI	0.6	3.6	5.3	-82.2%	-87.9%	11.7	28.2	-58.3%
Core PATAMI	0.6	2.9	5.1	-77.6%	-87.3%	10.7	27.4	-61.0%
OP margin (%)	1.4%	4.2%	3.7%			3.2%	4.9%	
PBT margin (%)	0.4%	3.0%	2.7%			2.2%	4.0%	
Core PATAMI margin (%)	0.4%	1.8%	2.5%			1.5%	2.9%	
Effective tax rate (%)	11.4%	-25.6%	-3.6%			-27.5%	-25.0%	

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Revenue								
Total logistics	111.9	121.2	186.6	-7.6%	-40.0%	504.0	701.1	-28.1%
Freight forwarding	43.1	42.9	69.7	0.6%	-38.1%	193.5	372.5	-48.1%
Contract logistics	27.6	36.0	43.1	-23.2%	-35.9%	137.8	176.5	-21.9%
Transportation	23.3	22.7	13.8	2.7%	68.4%	92.8	60.6	53.0%
Oil logistics	9.5	8.5	10.3	12.6%	-7.0%	37.7	41.4	-9.0%
Others	8.3	11.2	49.7	-25.5%	-83.2%	42.3	50.0	-15.5%
Procurement logistics	34.6	38.3	57.7	-9.6%	-40.1%	232.5	229.3	1.4%
Operating Profit								
Total logistics	-1.3	4.3	3.4	-129.4%	-137.9%	9.2	33.3	-72.4%
Procurement logistics	3.6	2.3	3.3	52.4%	7.0%	14.9	11.9	24.9%

Source: CJ Century, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	843.0	930.4	736.5	857.8	917.6
EBITDA	77.0	79.9	60.1	71.1	74.9
PBT	28.8	37.5	16.3	28.2	31.6
PATAMI	19.0	28.2	11.8	21.5	24.0
Core PATAMI	21.3	27.4	10.8	21.5	24.0
EPS (sen)	3.7	4.7	1.9	3.7	4.1
PER (x)	10.4x	8.1x	20.5x	10.3x	9.2x
DPS (sen)	0.0	1.5	0.0	1.1	1.2
Dividend yield (%)	0.0%	3.9%	0.0%	2.9%	3.3%

Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
PPE	376.2	362.4	351.6	361.1	359.8
ROU assets	73.7	65.4	82.9	34.4	17.5
Non-current assets	475.9	452.1	458.9	420.0	401.7
Trade debtors	222.5	180.1	176.3	166.9	178.5
Cash	54.6	98.6	94.0	35.7	-11.5
Current assets	302.9	316.2	294.3	340.0	363.8
Long-term debt	126.9	108.2	89.5	68.2	48.2
Non-current liabilities	141.4	120.3	108.5	87.2	67.2
Trade creditors	163.2	138.6	128.1	124.4	133.0
Short-term debt	36.1	53.2	44.1	53.2	53.2
Current liabilities	215.9	203.7	193.8	199.2	207.9
Share capital	300.0	300.0	300.0	300.0	300.0
Retained earnings	125.7	151.0	156.9	173.6	190.4
Equity	421.6	444.3	450.2	473.6	490.4

Cash Flow (RM'm)	2021A	2022A	2023A	2024F	2025F
PBT	28.8	37.5	16.3	28.2	31.6
Depreciation & amortisation	36.5	35.1	37.6	36.8	38.2
Changes in working capital	4.8	37.8	7.7	-3.5	22.6
Operating cash flow	54.3	105.8	60.5	0.0	0.0
Capital expenditure	-10.0	-3.9	-4.6	-20.0	-20.0
Investing cash flow	-2.7	-16.7	15.2	-20.0	-20.0
Debt raised/(repaid)	-16.7	0.4	-25.6	-20.0	-20.0
Dividends paid	0.0	-2.9	-5.8	-6.4	-7.2
Financing cash flow	-47.4	-62.7	-63.2	-26.4	-27.2

Profitability Margins	2021A	2022A	2023A	2024F	2025F
OP margin	9.1%	8.6%	8.2%	8.3%	8.2%
PBT margin	3.4%	4.0%	2.2%	3.3%	3.4%
PATAMI margin	2.2%	3.0%	1.6%	2.5%	2.6%
Core PATAMI margin	2.5%	2.9%	1.5%	2.5%	2.6%

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