

CJ Century Logistics Holdings Berhad

(7117 | CLH MK) Main | Transportation & Logistics

Ongoing Decline in Shipment Volume

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core PATAMI missed our expectation**
- **Freight volume decline may have affected demand for other logistics services**
- **E&E product exports to Indonesia and Vietnam remained steady**
- **Downward revision of earnings between -41% to -43%**
- **Downgrade to NEUTRAL with a revised TP of RM0.30**

Below expectations. CJ Century Logistics Berhad (CJ Century) achieved a core PATAMI of RM1.8m in 1QFY24. This accounts for only 8% of our projected and consensus full-year forecast, significantly lower than expected. While revenue aligned with our expectations, the shortfall can be attributed to reduced margins from both of its divisions.

Quarterly. Revenue from the total logistics services (TLS) division decreased by -15.5%yoy due to decreased business volume from two major customers. The profit margin of this division likely suffered mainly due to inefficiencies stemming from diseconomies of scale. Meanwhile, the procurement logistics services (PLS) division saw a notable revenue increase of +21.7%yoy, driven by higher export volumes. However, the margin was affected by elevated operating costs due to the installation expenses associated with a new production line. The core PATAMI was reduced by more than half compared to 1QFY23. Sequentially, core PATAMI nearly tripled due to increased revenues from both divisions, leading to a slight improvement in margin.

Outlook. The weakness observed in the freight forwarding segment is likely attributable to its South Korean-based customers, who contribute 30% to 35% of the revenue. We postulate that one such customer could be CJ Bio, possibly affected by direct competition from suppliers in China. The continued decline in this segment could have a ripple effect on the demand for its other logistics services. However, the PLS division is set to remain resilient, fueled by anticipated export growth of electrical & electronic (E&E) products to Vietnam and Indonesia, which are key markets for CJ Century. This is supported by the strong economic performance of both countries, which recorded mid to high single-digit growth rates in 1QCY24.

Downgrade to NEUTRAL. We have adjusted our FY24F/FY25F earnings downward by -43%/41% to account for lower margins. Following the revision and updating of our valuation base year, our target price has decreased to **RM0.30** from RM0.45 (based on 12x FY25F). We are downgrading our recommendation from BUY to **NEUTRAL**, as the stock is currently trading in line with its 5-year historical mean. A key catalyst for earnings would be a faster recovery of its shipment volume.



Downgrade to NEUTRAL

(Previously BUY)

Revised Target Price: RM0.30

(Previously RM0.45)

RETURN STATISTICS

Price @ 23 rd May 2024 (RM)	0.33
Expected share price return (%)	-9.1
Expected dividend yield (%)	+1.9
Expected total return (%)	-7.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.5	-6.2
3 months	-5.8	-18.3
12 months	-29.3	-37.9

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	857.8	917.6	967.9
PBT	16.2	18.8	21.0
Core PATAMI	12.3	14.3	16.0
EPS (sen)	2.1	2.5	2.7
PER (x)	15.6x	13.4x	12.0x
DPS (sen)	0.6	0.7	0.8
Dividend yield (%)	1.9%	2.2%	2.5%

KEY STATISTICS

FBM KLCI	1,629.18
Issue shares (m)	581.89
Estimated free float (%)	27.92
Market Capitalisation (RM'm)	189.11
52-wk price range	RM0.31 - RM0.47
3-mth average daily volume (m)	0.25
3-mth average daily value (RM'm)	0.09
Top Shareholders (%)	
CJ Korea Express Asia PL	55.09
Teow Hing Choo	8.33
Syed Ahmad Khali	2.43

CJ CENTURY: 1Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Income Statement					
Revenue	215.1	146.5	219.6	46.8%	-2.0%
Operating profit	5.1	2.1	7.3	145.5%	-31.0%
Finance costs	-1.8	-1.5	-1.9	-19.5%	7.2%
PBT	3.3	0.6	5.4	459.2%	-39.2%
Tax expense	-1.3	0.1	-1.7	-2038.8%	21.7%
PATAMI	2.0	0.6	3.7	218.6%	-46.1%
Core PATAMI	1.8	0.6	3.7	178.9%	-52.0%
OP margin (%)	2.3%	1.4%	3.3%		
PBT margin (%)	1.5%	0.4%	2.5%		
Core PATAMI margin (%)	0.8%	0.4%	1.7%		
Effective tax rate (%)	-39.4%	11.4%	-30.6%		

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Revenue					
Total logistics	118.3	111.9	140.0	5.7%	-15.5%
Freight forwarding	42.0	43.1	56.7	-2.6%	-25.9%
Contract logistics	33.8	27.6	37.6	22.5%	-10.1%
Transportation	24.3	23.3	22.1	4.4%	9.8%
Oil logistics	9.4	9.5	10.5	-1.0%	-9.7%
Others	8.8	8.3	13.2	5.1%	-33.4%
Procurement logistics	96.8	34.6	79.5	179.8%	21.7%
Operating Profit					
Total logistics	0.8	-1.3	3.0	162.9%	-73.5%
Procurement logistics	4.3	3.6	4.5	21.0%	-4.5%

Source: CJ Century, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	930.4	736.5	857.8	917.6	967.9
EBITDA	79.9	60.1	60.5	64.5	68.1
PBT	37.5	16.3	16.2	18.8	21.0
PATAMI	28.2	11.8	12.3	14.3	16.0
Core PATAMI	27.4	10.8	12.3	14.3	16.0
EPS (sen)	4.7	1.9	2.1	2.5	2.7
PER (x)	7.0x	17.8x	15.6x	13.4x	12.0x
DPS (sen)	1.5	0.0	0.6	0.7	0.8
Dividend yield (%)	4.5%	0.0%	1.9%	2.2%	2.5%
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	362.4	351.6	361.1	359.8	358.0
ROU assets	65.4	82.9	42.5	28.3	12.1
Non-current assets	452.1	458.9	428.1	412.5	394.5
Trade debtors	180.1	176.3	166.9	178.5	188.3
Cash	98.6	94.0	82.3	110.7	141.0
Current assets	316.2	294.3	327.0	341.4	358.9
Long-term debt	108.2	89.5	68.2	48.2	28.2
Non-current liabilities	120.3	108.5	87.2	67.2	47.2
Trade creditors	138.6	128.1	125.9	134.6	142.0
Short-term debt	53.2	44.1	53.2	53.2	54.2
Current liabilities	203.7	193.8	200.7	209.5	217.8
Share capital	300.0	300.0	300.0	300.0	300.0
Retained earnings	151.0	156.9	167.2	177.2	188.4
Equity	444.3	450.2	467.2	477.2	488.4
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	37.5	16.3	16.2	18.8	21.0
Depreciation & amortisation	35.1	37.6	38.2	40.6	43.0
Changes in working capital	37.8	7.7	-1.6	22.8	20.1
Operating cash flow	105.8	60.5	48.9	77.6	79.1
Capital expenditure	-3.9	-4.6	-25.0	-25.0	-25.0
Investing cash flow	-16.7	15.2	-25.0	-25.0	-25.0
Debt raised/(repaid)	0.4	-25.6	-20.0	-20.0	-19.0
Dividends paid	-2.9	-5.8	-3.7	-4.3	-4.8
Financing cash flow	-62.7	-63.2	-23.7	-24.3	-23.8
Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	8.6%	8.2%	7.1%	7.0%	7.0%
PBT margin	4.0%	2.2%	1.9%	2.0%	2.2%
PATAMI margin	3.0%	1.6%	1.4%	1.6%	1.7%
Core PATAMI margin	2.9%	1.5%	1.4%	1.6%	1.7%

Source: CJ Century, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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