

CJ Century Logistics Holdings Berhad

(7117 | CLH MK) Main | Transportation & Logistics

Dipped into A Loss

KEY INVESTMENT HIGHLIGHTS

- **CJ Century fell into losses in 3QFY24**
- **Loss in contribution from oil logistics operations**
- **Freight forwarding volumes appear to be improving**
- **Last call was SELL with TP of RM0.25**
- **Terminating coverage on CJ Century**

Below expectations. CJ Century Logistics Berhad (CJ Century) reported a core LATAMI of -RM0.4m for 3QFY24, bringing the total for 9MFY24 to RM2.2m. This constitutes only 31% of our full-year forecasts, largely due to lower-than-expected contributions from the freight forwarding and contract logistics segments.

Quarterly. Revenue from the total logistics division decreased by -4.4%yoy in 3QFY24, primarily due to reduced contributions from the transportation segment and the discontinuation of its oil logistics segment. We believe the Group's losses of -RM0.4m (-115.4%yoy) resulted from diseconomies of scale. Sequentially, the primary contributor to the decline in overall revenue by -12.4%qoq was the procurement logistics division, which experienced a -40.7%qoq drop, likely due to reduced export activities of home & electrical appliances. Compared to 2QFY24, the core losses of -RM0.4m represented a decline of -142.6%qoq.

Outlook. Much of the decline in earnings was attributed to the cessation of operations in its oil logistics business in 2QFY24. This high-margin segment involved two floating storage units near the Port of Tanjung Pelepas (PTP) in Johor. However, freight forwarding volume appears to have improved, with this segment recording a double-digit increase in revenue. Previously, it faced challenges due to a notable customer, CJ Bio, which was a major factor in the decline as it encountered heightened competition from Chinese suppliers. Nonetheless, we are cautious given that South Korea-based Hanwha Q CELLS, a major customer of CJ Century, may face volume reductions due to the newly imposed countervailing duties by the U.S. on certain photovoltaic cell manufacturers in Malaysia.

Termination of coverage. We are ceasing our coverage on CJ Century as we reallocate our resources. Our last call on the stock was **SELL** with a target price of **RM0.25**.

Termination of Coverage

(Previously SELL)
Previous Target Price: RM0.25

RETURN STATISTICS

Price @ 21 st November 2024 (RM)	0.24
Expected share price return (%)	+4.2
Expected dividend yield (%)	+0.0
Expected total return (%)	+4.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.8	-1.6
3 months	-7.4	-14.5
12 months	-37.5	-43.2

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	857.8	917.6	967.9
PBT	16.2	18.8	21.0
Core PATAMI	7.1	12.2	13.8
EPS (sen)	2.1	2.5	2.7
PER (x)	19.6x	11.5x	10.1x

KEY STATISTICS

FBM KLCI	1,588.68
Issue shares (m)	581.89
Estimated free float (%)	27.92
Market Capitalisation (RM'm)	145.47
52-wk price range	RM0.24 - RM0.43
3-mth average daily volume (m)	0.05
3-mth average daily value (RM'm)	0.01
Top Shareholders (%)	
CJ Korea Express Asia PL	55.09
Teow Hing Choo	8.33
Syed Ahmad Khali	2.43

CJ CENTURY: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3QFY24	2QFY24	3QFY23	QoQ	YoY	9MFY24	9MFY23	YoY
Income Statement								
Revenue	161.1	183.9	159.5	-12.4%	1.0%	560.2	590.0	-5.1%
Operating profit	0.6	3.3	6.7	-82.5%	-91.2%	9.0	21.5	-58.2%
Finance costs	-1.6	-1.8	-1.9	9.2%	11.6%	-5.2	-5.8	9.7%
PBT	-1.1	1.5	4.8	-169.6%	-122.1%	3.8	15.7	-76.0%
Tax expense	0.3	-0.4	-1.2	168.3%	124.5%	-1.4	-4.5	68.3%
PATAMI	-0.7	1.1	3.5	-166.1%	-120.2%	2.4	11.1	-78.3%
Core PATAMI	-0.4	1.0	2.9	-142.6%	-115.4%	2.2	10.1	-78.2%
OP margin (%)	0.4%	1.8%	4.2%			1.6%	3.6%	
PBT margin (%)	-0.7%	0.8%	3.0%			0.7%	2.7%	
Core PATAMI margin (%)	-0.3%	0.6%	1.8%			0.4%	1.7%	
Effective tax rate (%)	-28.4%	-28.9%	-25.6%			-38.2%	-29.0%	

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3QFY24	2QFY24	3QFY23	QoQ	YoY	9MFY24	9MFY23	YoY
Revenue								
Total logistics	115.9	107.7	121.2	7.6%	-4.4%	341.9	392.1	-12.8%
Freight forwarding	48.9	39.7	42.9	23.1%	14.1%	130.7	150.4	-13.1%
Contract logistics	36.6	35.9	36.0	2.1%	1.9%	106.4	110.1	-3.4%
Transportation	21.8	23.3	22.7	-6.0%	-3.6%	69.4	69.5	-0.1%
Oil logistics	-	0.7	8.5	-	-	10.1	28.1	-64.0%
Others	8.5	8.1	11.2	3.8%	-24.5%	25.4	33.9	-25.3%
Procurement logistics	45.2	76.2	38.3	-40.7%	18.1%	218.3	197.9	10.3%
Operating Profit								
Total logistics	-1.0	-0.6	4.3	-55.4%	-123.0%	-0.8	10.5	-108.0%
Procurement logistics	2.5	5.5	2.3	-54.6%	5.7%	12.3	11.3	9.0%

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	53.7	61.7	65.2
PBT	37.5	16.3	9.4	16.0	18.1
PATAMI	28.2	11.8	7.1	12.2	13.8
Core PATAMI	27.4	10.8	7.1	12.2	13.8
EPS (sen)	4.7	1.9	1.2	2.1	2.4
PER (x)	5.1x	13.0x	19.6x	11.5x	10.1x

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	80.2	106.2	135.0
Current assets	316.2	294.3	325.2	337.0	353.0
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	127.0	135.1	142.5
Short-term debt	53.2	44.1	53.2	53.2	54.2
Current liabilities	203.7	193.8	201.9	209.9	218.3
Share capital	300.0	300.0	300.0	300.0	300.0
Retained earnings	151.0	156.9	163.5	172.1	181.7
Equity	444.3	450.2	463.6	472.1	481.8

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	37.5	16.3	9.4	16.0	18.1
Depreciation & amortisation	35.1	37.6	38.2	40.6	43.0
Changes in working capital	37.8	7.7	-0.1	21.9	20.2
Operating cash flow	105.8	60.5	45.2	74.7	76.9
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	-2.1	-3.7	-4.1
Financing cash flow	-62.7	-63.2	-22.1	-23.7	-23.1
Net cash flow	26.5	12.5	-1.9	26.0	28.8
Beginning cash flow	43.1	69.6	82.1	80.2	106.2
Ending cash flow	69.6	82.1	80.2	106.2	135.0

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	8.6%	8.2%	6.3%	6.7%	6.7%
PBT margin	4.0%	2.2%	1.1%	1.7%	1.9%
PATAMI margin	3.0%	1.6%	0.8%	1.3%	1.4%
Core PATAMI margin	2.9%	1.5%	0.8%	1.3%	1.4%

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