

Equity Beat

01 March 2010

4Q09 Results Review

Century Logistics

Maintain BUY

A fast sailing quarter

Revised Target Price (TP): RM2.25 (from RM2.32)


- Century Logistics' performed better than expected. FY09 net profit of RM20.9m is 14.6% and 20.6% better than ours and consensus estimates respectively.
- The economic recovery continues to benefit Century as increased business activities from new and existing customers resulted in a higher revenue of RM210.9m for FY09, a 28.7% yoy increase.
- We maintain our BUY recommendation for Century as we expect the company to continue with its good performance in FY10 as the economic recovery continues. However, we revise our target price slightly RM2.25 (from RM2.32 previously) to better reflect the start of slower growth and the moderation of restocking activities.

STOCK INFO

Price (25 Feb 2010)	RM1.72	KLCI	1,270.78
Issued shares (mil)	81.7	Bursa / Bloomberg	7117/CLH
Par Value (RM)	1.00	Board / Sector	Trading/Ser vices
Market cap. (RM'm)	140.5	Syariah Compliant	Yes
Price over NA	1.1		
52-wk price Range	RM0.68- 2.10	Major Shareholders	
Beta (against KLCI)	1.1	Phua Sin Mo	24.7%
3-mth Avg Daily Vol	0.2m	Teow Choo Hing	10.9%
3-mth Avg Daily Value	RM0.3m	Teow Choo Chuan	6.1%

Higher than expected net profit. For FY09, Century posted a net profit of RM20.9m, 14.6% and 20.6% better than ours and consensus estimates respectively as we had overestimated the other cost incurred by RM10.0m. The 41.6% yoy increase in FY09 net profit is due to the economic recovery that started to take hold in 2H09. Century continues to enjoy the benefit of the economic recovery with the expansion of its customer base and increased business activities from existing customers. This has resulted in FY09 revenue increasing by 28.7% to RM210.9m.

Growth starting to taper off. For 4Q09, its net profit is RM7.1m, an increase of 1214% yoy. However, it has decrease 19.1% on a sequential quarter basis. We see the decrease as significant given that 4Q09 is traditionally a busy period for a logistic company due to the festivities. It is possible that the restocking activities from the manufacturing sector are starting to moderate and we expect this trend to continue into FY10. However, with the economy recovery continues, we expect that Century will be one of the beneficiaries as it expand its customer base, albeit at a slower pace as compared to FY09.

Valuation. We maintain our BUY recommendation for Century as we expect the company to continue with its good performance in FY10 as the economic recovery continues. However, we revise our target price slightly to RM2.25 (from RM2.32 previously) to better reflect the start of slower growth and the moderation of restocking activities. Our target price is derived from a discounted cash flow method on the free cash flow to firm with a WACC of 7.8%. 

FYE 31 Dec	FY08	FY09	FY10F	FY11F
Revenue (RM'm)	163.9	210.9	225.4	247.9
EBIT (RM'm)	20.9	28.5	32.2	38.9
Pretax Profit (RM'm)	17.1	24.8	28.8	35.6
Net Profit (RM'm)	13.8	20.9	23.9	29.6
EPS (sen)	21	27	29	36
EPS growth (%)	-49	30	6	25
PER(x)	9.3	6.3	5.9	4.8
Net Dividend (sen)	7	6	7	7
Net Dividend Yield (%)	3.6	3.5	3.8	3.8

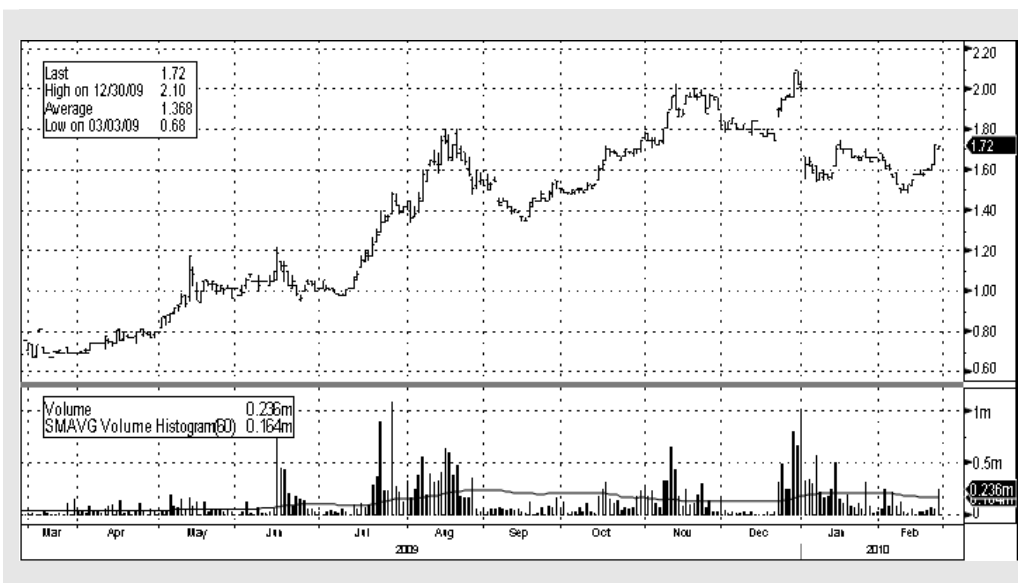
Source: Company, Forecasts by MIDFR

Century: 4QFY09 RESULTS SUMMARY

	Quarterly Results			Cumulative		Comments
	4Q09	%YoY	%QoQ	FY09	%YoY	
FYE Dec (RM'000)						
Revenue	57,090	19.6%	-15.1%	210,918	28.7%	Revenue has increased due to greater customer activity and more assets.
Direct Operating Expenses	(38,276)	-22.2%	15.2%	(144,282)	-35.7%	
Gross Profit	18,814	14.4%	-14.8%	66,636	15.8%	
Profit Before Taxation	8,313	4277.4%	-18.9%	24,755	44.9%	
Taxation	(1,237)	-21.8%	15.2%	(3,863)	-15.9%	
Profit for the period	7,110	1214.4%	-19.1%	20,904	41.6%	The performance shown in 4QFY09 indicates that the slump is over for Century Logistics. However, qoq suggest growth is starting to taper off.
Non Current Assets	184,165	16.8%	1.0%	184,165	16.8%	
Current Assets	106,703	54.5%	8.5%	106,703	54.5%	
Total Liabilities	134,562	52.9%	3.4%	134,562	52.9%	
Gross margins	33.0%	-1.5ppt	0.1ppt	31.6%	-3.5ppt	
Net margins	12.5%	13.8ppt	-0.6ppt	9.9%	0.9ppt	

Source: Company, MIDFR

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

OVERWEIGHT	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.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.