

# Equity Beat

22 March 2010

Corporate Update

## Century Logistics Slowing down in Thailand

**Maintain BUY**  
**Maintain Target Price (TP): RM2.25**

- Century's MD Steven Teow Choo Hing said in an interview that it is reviewing its business model in Thailand after RM2m losses there.
- This move is understandable given the current political climate in Thailand posing a risk for businesses there. However, Century also has other overseas presence in China and India, and it is also looking at other growth market such as Vietnam and Africa. This would moderate the effect of slowing their business in Thailand.
- Looking ahead, we expect that Century will be one of the beneficiaries of continuing economic recovery as it expands its customer base further, albeit at a slower pace as compared to FY09. The slower pace would be contributed by a moderated trade growth in 2H10.

**STOCK INFO**

Price (19 Mar 2010)	RM1.68	KLCI	1,296.60
Issued shares (mil)	81.7	Bursa / Bloomberg	7117/CLH
Par Value (RM)	1.00	Board / Sector	Trading/Ser vices
Market cap. (RM'm)	137.3	Syariah Compliant	Yes
Price over NA	1.1		
52-wk price Range	RM0.695- 2.10	Major Shareholders	
Beta (against KLCI)	1.2	Phua Sin Mo	24.7%
3-mth Avg Daily Vol	0.14m	Teow Choo Hing	10.9%
3-mth Avg Daily Value	RM0.2m	Teow Choo Chuan	6.1%

- We maintain our BUY recommendation for Century with a target price of RM2.25. Our target price is derived from a discounted cash flow method on the free cash flow to firm with a WACC of 7.8%.

**Business Times** reported that Century Logistics "to go slow in Thailand". Century Logistics' MD, Steven Teow Choo Hing said in an interview that it will be reviewing its business model in Thailand, after losses of some RM2m. It has invested an estimated RM35m in Thailand since 2004 and its subsidiary has completed an RM30m warehouse-cum-distribution (WD) centre 70km off Bangkok in Rojana Industrial Area to cater to MNCs in the vicinity. Despite this, the company wants to "go slow" in Thailand and "not put too much hope there" as the risk is too big.

**Slowing down in Thailand is understandable given current political climate.** We believe that the current political climate in Thailand has caused uncertainty in doing business there. It is understandable for companies to rethink of their investments in Thailand as the opposing groups have caused a political impasse over this few weeks with no end in sight. Given that Century has already invested in Thailand and has recently completed a new WD centre, we do not expect the company to pull out completely out of Thailand but would only abort any new planned expansion.

**Other growth areas that can be considered.** While the company may have to rethink of their future investment in

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	5.8	4.7
Net Dividend (sen)	7	6	7	7
Net Dividend Yield (%)	3.6	3.5	4.2	4.2


Source: Company, Forecasts by MIDFR

Thailand, we believe there are other areas of growth which the company can focus on. Besides Thailand it also has a presence in China and India. These two markets have been credited to lead the global economic recovery and we like the fact Century already has a presence in them. It has operations in Yichun in China and Chennai and Bangalore in India. With growing trade between Malaysia and these two countries, we expect that the company to expand further into these two countries and into cities such as Shanghai, Beijing, Mumbai and Kolkata. China was Malaysia's 2<sup>nd</sup> largest export market in FY09 while India accounted to 2.6% of FY09 total manufactured goods exports. In addition, we also expect that the company may be looking at other countries to expand such as the Middle East as it could replicate its success in Syria with its assembly unit.

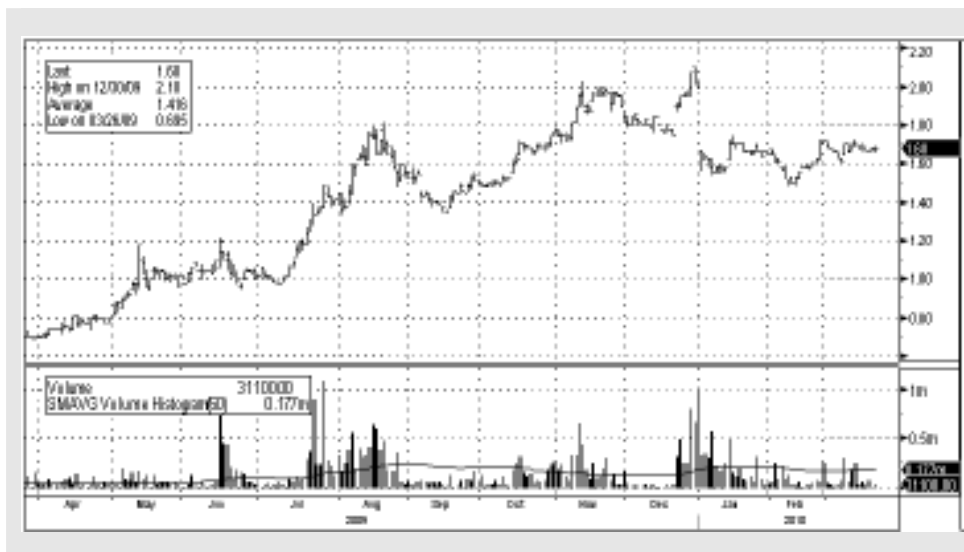
Export Direction	2008			2009		
	Export (RM million)	Contribution	YoY Growth	Export (RM million)	Contribution	YoY Growth
<b>Malaysia</b>						
Singapore	97,784	14.7%	10.5%	77,195	11.6%	-21.1%
China	31,735	4.8%	5.8%	29,853	4.5%	-5.9%
India	24,732	3.7%	22.4%	16,998	2.6%	-31.3%
Others	509,243	76.8%	9.4%	429,250	77.6%	-15.7%
<b>TOTAL</b>	<b>663,494</b>		<b>10.5%</b>	<b>553,295</b>		<b>-16.6%</b>

source: BNM

**Looking forward, Century will be a beneficiary of the continuing economic recovery.** Century Logistics saw strong growth of 28.7% (RM210.9m) in its FY09 revenue. Its FY09 net profit of RM20.9m was attributed to i) increase in its customer base and ii) higher demand for its floating storage units (FSU) in its oil and gas division. As a third party logistics (3PL) provider, it is possible that the lower container ship rates was also a factor in its good performance as it could have either i) increased its margins or ii) pass any savings to customer, hence expanded its customer base. The overseas operations accounted for about 10% of the group's total revenue and we expect this to increase further this year. We expect Century to carry on its strong performance especially in its oil and gas division. However, Century's growth will be moderated due to an expected increase in shipping rates in 2H10.

**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 with a target price of RM2.25. Our target price is derived from a discounted cash flow method on the free cash flow to firm with a WACC of 7.8%. 

## DAILY PRICE CHART



Zulkifli Hamzah  
 Imran Yusof  
 Imran.yassin@midf.com.my  
 03-2173 8395

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (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 (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

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 we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD 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.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.