3QFY22 Results Review (Within) | Friday, 25 November 2022

CJ Century Logistics Holdings Berhad

(7117 | CLH MK) Main | Transportation & Logistics

***Maintain* BUY**

***Unchanged* Target Price: RM0.98**

Earnings were in line

KEY INVESTMENT HIGHLIGHTS

- **Results met expectation**
- **Higher earnings on a yearly basis due to higher volumes**
- **Earnings fell quarter-on-quarter owing to seasonal trend, normalising freight rates and temporary closure of customer's plant**
- **No changes to forward earnings estimates**
- **Maintain BUY with an unchanged TP of RM0.98**

Within expectations. CJ Century Logistics Holdings Berhad (CJ Century) reported core PATAMI of RM23.1m in 9MFY22. This was within expectations as it makes up 75% of ours and consensus estimates.

Quarterly. Earnings saw a trifold improvement in 3QFY22 to RM6.2m (+176.7%yoy) on the back of higher volumes handled by most divisions under the Total Logistics Services (TLS) segment largely due to the absence of movement restrictions. Similarly, the Procurement Logistics Services (PLS) has handled higher export volumes during said period. On a quarter-on-quarter basis, earnings fell by -17.1%qoq. Revenue from the TLS segment was lower due to the decline in freight rates recorded by the freight forwarding division and there was a temporary plant shutdown by one of CJ Century's key customers in end-3QFY22. Meanwhile, the lower contribution from the PLS segment was due to seasonality whereby there was lower demand for airconds by the Vietnam market as they enter the colder season.

Cumulatively. For the 9-month period, core PATAMI grew by almost double to RM23.1m (+91.3%yoy). Higher overall volumes handled by the TLS segment was in tandem with the reopening of economies. The PLS segment faced a temporary disruption as its China suppliers were impacted by lockdowns in 1QFY22 which had eased towards the later part of 2QFY22. Therefore, the export volumes remained relatively strong in 3QFY22 despite it typically being a low volume season.

Maintain BUY. We make no changes to our earnings estimates as the results were in line with our expectation. We continue to like CJ Century due to its positive synergy with CJ Korea Express Malaysia Sdn Bhd (CJKX) that it had acquired in FY20 and we believe the recent divestment of its loss-making courier business would enable them to reprioritise their resources on their core competencies. We maintain our **BUY** call on CJ Century with an unchanged TP of **RM0.98** (FY23F EPS pegged to PE of 16x). The stock currently trades at -1SD of its 5-year historical mean.

RETURN STATISTICS	
Price @ 24th November 2022 (RM)	0.48
Expected share price return (%)	+104.2
Expected dividend yield (%)	+2.1
Expected total return (%)	**+>100.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.1	-0.6
3 months	-2.1	-14.7
12 months	-19.0	-16.1

KEY STATISTICS	
FBM KLCI	1501.88
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	586.27
Estimated free float (%)	28.63
Market Capitalisation (RM'm)	273.49
52-wk price range	RM0.43-RM0.69
Beta vs FBM KLCI (x)	0.75
Monthly velocity (%)	65.16
Monthly volatility (%)	22.76
3-mth average daily volume (m)	0.11
3-mth average daily value (RM'm)	0.05
Top Shareholders (%)	
CJ Korea Express Asia PL	55.09
Teow Choo Hing	8.27
Syed Mohammed Syed Ahmad Khali	2.43

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INVESTMENT STATISTICS

Profit & Loss	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	589.9	843.0	935.8	951.2	971.0
Operating profit	34.7	38.1	51.5	61.8	72.8
PBT	27.2	28.8	41.3	47.6	57.4
PATAMI	0.9	6.7	30.9	35.7	43.1
Core PATAMI	7.8	10.0	30.9	35.7	43.1
Core EPS (sen)	1.3	1.7	5.3	6.1	7.3
PER (x)	36.0x	28.1x	9.1x	7.9x	6.5x
DPS (sen)	0.0	0.0	1.0	1.0	1.5
Dividend yield (%)	n.a.	n.a.	2.1%	2.1%	3.1%

Sources: Company, MIDFR

CJ CENTURY: 3Q22 RESULTS SUMMARY

(RM'm unless stated otherwise)	Quarterly					Cumulatively		
Profit & Loss	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Revenue	230.2	252.9	187.8	-9.0%	22.5%	725.9	638.9	13.6%
Operating profit	10.5	12.3	7.8	-14.5%	35.4%	38.1	26.5	43.5%
Finance costs	(2.1)	(2.0)	(2.4)	-4.3%	14.0%	(6.0)	(7.3)	17.3%
PBT	8.4	10.3	5.4	-18.2%	57.5%	32.1	19.3	66.4%
Taxation	(2.1)	(3.1)	(2.5)	33.6%	18.8%	(9.2)	(6.4)	-42.5%
PATAMI	6.4	7.2	2.9	-11.5%	120.3%	22.9	12.9	78.0%
Core PATAMI	6.2	7.5	2.2	-17.1%	176.7%	23.1	12.1	91.3%
OP margin (%)	4.6%	4.9%	4.1%			5.2%	4.2%	
PBT margin (%)	3.7%	4.1%	2.9%			4.4%	3.0%	
Core PATAMI margin (%)	2.7%	3.0%	1.2%			3.2%	1.9%	
Tax rate (%)	-24.5%	-30.2%	-47.5%			-28.6%	-33.4%	

Sources: Company, MIDFR

SEGMENTAL BREAKDOWN

(lRM'm unless stated otherwise)	Quarterly					Cumulatively		
Revenue	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Total Logistics Services	173.9	183.0	155.4	-5.0%	11.9%	554.3	487.3	13.8%
Freight Forwarding	92.7	n.a.	84.9	-	9.1%	n.a.	n.a.	-
Warehousing	44.0	n.a.	36.4	-	20.7%	n.a.	n.a.	-
Transportation	14.9	n.a.	13.2	-	13.4%	n.a.	n.a.	-
Oil Logistics	10.0	n.a.	6.2	-	60.6%	n.a.	n.a.	-
Trading of Resin	12.2	n.a.	13.6	-	-10.1%	n.a.	n.a.	-
Data Management Services	0.1	n.a.	0.1	-	44.4%	n.a.	n.a.	-
Procurement Logistics Services	56.3	70.0	32.4	-19.6%	73.7%	171.6	151.6	13.2%
PBT	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Total Logistics Services	7.1	9.5	5.9	-25.4%	19.5%	30.0	19.0	57.4%
Procurement Logistics Services	3.1	3.5	1.9	-11.7%	60.9%	8.5	7.8	9.4%

Sources: Company, MIDFR

Note: Breakdown for each division was only disclosed starting from 3QFY22.

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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 *rise* 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 *fall* 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