4QFY22 Results Review (Below) | Monday, 27 February 2023

CJ Century Logistics Holdings Berhad

(7117 | CLH MK) Main | Transportation & Logistics

***Maintain* BUY**

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

Charting record performance

KEY INVESTMENT HIGHLIGHTS

- **Results narrowly missed our estimate**
- **Freight forwarding business was impacted by normalising freight rates, but partly cushioned by higher exports for the procurement logistics segment**
- **Single tier final dividend of 1.0 sen was declared**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM0.98**

Below expectations. CJ Century Logistics Holdings Berhad (CJ Century) posted core PATAMI of RM28.7m in FY22, slightly below expectations as it made up 93% and 94% of ours and consensus estimates respectively. The deviation was attributed to sharper than expected drop in market freight rates. The Group has announced a single tier final dividend of 1.0 sen, bringing the total dividends declared to 1.5 sen for the year. This represents a payout ratio of 32%.

Quarterly. Core PATAMI fell to RM5.1m (-19.6%qoq) mainly due to the normalising freight rates which impacted its freight forwarding business. Similarly, core PATAMI was down by -15.3%yoy on a yearly basis due to the abovementioned reason coupled with lower handling volumes across most divisions, although this was largely offset by higher export volumes handled by the procurement logistics segment. PBT margin contraction of c.-2.0% on the back of higher operating costs was partly cushioned by the lower effective tax rate in 4QFY22 due to an overprovision.

Cumulatively. FY22 was a better year for CJ Century as all the main divisions recorded an uptick in revenue, thus uplifting its core PATAMI to RM28.7m (+34.8%). Apart from the increase in handling volumes under its total logistics segment as businesses have fully resumed, the procurement logistics segment has produced higher export volumes as backlogs were cleared in tandem with the gradual easing of supply chain issues as some of the components were sourced from China.

Maintain BUY. We make no changes to our forecasts pending guidance from the management in a meeting scheduled for next week. CJ Century continues to record healthy level of profits following: (i) the accretion of its CJ Korea Express Malaysia Sdn Bhd acquisition in 2QFY20 and (ii) the divestment of its loss-making courier business in 2QFY21. This has allowed the Group to resume paying dividends in FY22 after 3 years. Downside risks include: (i) sharp drop in handling volume due to a global economic slowdown and (ii) delay in its warehouse expansion plans. The stock currently trades at forward PE of 7.8x or at a -49% discount to its 5-year historical mean, hence we maintain our **BUY** call with an unchanged TP of **RM0.98**.

RETURN STATISTICS	
Price @ 24th February 2023 (RM)	0.48
Expected share price return (%)	+>100.0
Expected dividend yield (%)	+2.1
Expected total return (%)	**+>100.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	2.2	5.0
3 months	-2.1	2.0
12 months	-19.5	-12.0

KEY STATISTICS	
FBM KLCI	1,456.80
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	586.27
Estimated free float (%)	28.57
Market Capitalisation (RM'm)	276.40
52-wk price range	RM0.43-RM0.69
Beta vs FBM KLCI (x)	0.73
3-mth average daily volume (m)	0.10
3-mth average daily value (RM'm)	0.05
Top Shareholders (%)	
CJ Korea Express Asia PL	55.09
Teow Choo Hing	8.33
Syed Mohammed Syed Ahmad Khali	2.43

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INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022A	FY2023F	FY2024F
Revenue	589.9	843.0	930.4	951.2	971.0
Operating profit	34.7	38.1	45.6	61.8	72.8
PBT	27.2	28.8	37.5	47.6	57.4
PATAMI	0.9	6.7	28.2	35.7	43.1
Core PATAMI	7.8	10.0	28.7	35.7	43.1
Core EPS (sen)	1.3	1.7	4.9	6.1	7.4
PER (x)	35.9x	28.0x	9.8x	7.8x	6.5x
DPS (sen)	n.a.	n.a.	1.0	1.0	1.5
Dividend yield (%)	n.a.	n.a.	2.1%	2.1%	3.1%

Source: CJ Century, MIDFR

CJ CENTURY: 4Q22 RESULTS SUMMARY

(All in RM'm)	Quarterly					Cumulatively		
Income Statement	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Revenue	204.5	230.2	204.2	-11.1%	0.2%	930.4	843.0	10.4%
Operating profit	7.5	10.5	11.6	-28.7%	-35.4%	45.6	38.1	19.5%
Finance costs	-2.0	-2.1	-2.0	0.7%	-0.2%	-8.0	-9.3	13.5%
PBT	5.4	8.4	9.6	-35.5%	-43.0%	37.5	28.8	30.1%
Taxation	-0.2	-2.1	-3.5	90.5%	94.4%	-9.4	-9.9	5.4%
PATAMI	5.3	6.4	6.1	-17.4%	-13.7%	28.2	19.0	48.5%
Core PATAMI	5.1	6.3	6.0	-19.6%	-15.3%	28.7	21.3	34.8%
OP margin (%)	3.7%	4.6%	5.7%			4.9%	4.5%	
PBT margin (%)	2.7%	3.7%	4.7%			4.0%	3.4%	
Core PATAMI margin (%)	2.5%	2.7%	2.9%			3.1%	2.5%	
Tax rate (%)	-3.6%	-24.5%	-36.3%			-25.0%	-34.4%	

Source: CJ Century, MIDFR

SEGMENTAL BREAKDOWN

(All in RM'm)	Quarterly					Cumulatively		
Revenue	**4Q22**	**3Q22**	**4Q21**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Total logistics	146.8	173.9	182.3	-15.6%	-19.5%	701.1	669.6	4.7%
Freight forwarding	69.7	92.7	94.5	-24.9%	-26.3%	372.5	360.4	3.4%
Contract logistics	42.8	44.0	44.8	-2.6%	-4.4%	176.5	157.0	12.4%
Transportation	13.8	14.9	15.9	-7.5%	-13.0%	60.6	59.3	2.4%
Oil logistics	10.3	10.0	9.8	2.8%	4.9%	41.4	38.8	6.8%
Others	10.2	12.3	17.4	-16.9%	-41.3%	50.0	54.2	-7.7%
Procurement logistics	57.8	56.3	21.8	2.6%	164.6%	229.3	173.4	32.3%
Operating Profit								
Total logistics	3.4	7.1	11.5	-52.5%	-70.7%	30.0	30.5	-1.9%
Procurement logistics	3.3	3.1	1.9	9.2%	77.1%	8.5	9.7	-11.9%

**Includes trading of resin, data management services and rental of equipment.*
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 *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