

CAB Cakaran Corporation Berhad (7174)



Cheaper Feed, Slower JV

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HOLD ↓

TP: RM 0.76 (+2%) ↔

Current Share Price: RM 0.745

Value

Investment Horizon
12 months

Valuation

Our target price is based on:

FY26F PE of 5.8x, which is lower than its peer's forward PE of 10x, given the longer-than-expected outcome from its JV with Salim group and smaller market size than its peers.

Results Report

Results Review



CAB's 9MFY25 core earnings of RM70.7m came above expectation at 83% of ours and 78% of consensus. The outperformance was driven by improved operating efficiency and lower feed costs. QoQ, 3QFY25 revenue edged down 0.8% on softer broiler sales amid lower ASPs, but core earnings rose 15% on reduced operating expenses.

Outlook



We expect chicken consumption to remain resilient given its affordability as a protein source. The recent USD weakness should ease imported feed costs (corn/soymeal), lifting gross margins. We raise our FY25F earnings forecast by 6% to reflect stronger gross profit and operating efficiency with EBITDA margin of 9.6% from 9.4%. However, we are more cautious on the Salim Group JV, which is taking longer than expected to materialize. Although the quarter beat expectations, we downgrade the stock to HOLD (from BUY) as no definitive JV agreement with the Salim Group has been executed, we do not assume any JV contribution in near term. Thus, we maintain our FY26F-FY27F forecasts unchanged, reflecting only the group's ongoing operations as we previously factored in Salim group JV contribution. We maintain our TP at RM0.76, based on 5.8x FY26F PER. While the growth outlook remains constructive, the shares continue to trade at a discount to peers (~10x forward PER), partly due to slower progress on the Salim JV.

Key Assumptions

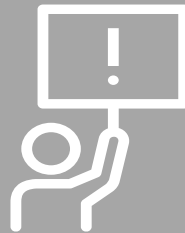
Revenue Growth	Unchanged		
	FY2025F	FY2026F	FY2027F
Integrated poultry growth	4%	4%	4%
# of supermarket	20	22	25
SSSG of supermarket	2%	2%	2%
Overall GP margin	13%	14%	14%

Results Summary

FYE 30 Sep (RMm)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	581.8	573.7	569.2	-0.8	-2.2	1705.2	1736.5	1.8
Gross profit	66.8	75.0	73.6	-1.8	10.2	185.9	222.2	19.5
EBITDA	50.5	56.0	57.6	2.9	14.2	177.8	172.4	-3.0
Depreciation	-14.8	-15.5	-14.5	-6.5	-2.4	-44.4	-44.6	0.4
EBIT	35.7	40.6	43.2	6.4	21.1	133.4	127.9	-4.1
Other gains and losses	-6.0	-4.0	0.5	nm	nm	0.6	-1.6	nm
joint venture	0.9	0.6	-0.5	nm	nm	1.1	1.8	55.1
Pretax Profit	25.5	32.4	39.5	22.0	54.8	120.6	117.1	-2.9
Taxation	-8.7	-11.4	-10.7	-6.4	22.7	-34.0	-33.5	-1.6
Net Profit	16.8	21.0	28.8	37.5	71.5	86.6	83.7	-3.4
Core Net Profit	12.2	19.8	22.7	15.1	85.6	65.7	70.7	7.5
Margin (%)								
GP	11.5	13.1	12.9			10.9	12.8	
EBITDA	8.7	9.8	10.1			10.4	9.9	
Pretax	4.4	5.6	6.9			7.1	6.7	
Core Net Profit	2.1	3.4	4.0			3.9	4.1	

Financial Exhibits

FYE 30 Sep	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RMm)	2,246.0	2,297.1	2,449.0	2,581.1	2,718.4
EBITDA (RMm)	264.1	209.1	235.6	238.0	245.2
Pretax profit (RMm)	189.3	131.5	160.8	162.8	184.4
Net profit (RMm)	107.1	75.5	90.4	91.6	103.7
EPS (sen)	15.3	10.8	12.9	13.1	14.8
PER (x)	4.9	6.9	5.8	5.7	5.0
Core net profit (RMm)	107.1	75.5	90.4	91.6	103.7
Core EPS (sen)	15.3	10.8	12.9	13.1	14.8
Core EPS growth (%)	85.6	(29.2)	19.4	1.6	13.0
Core PER (x)	4.9	6.9	5.8	5.7	5.0
Net DPS (sen)	0.0	1.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.7	0.0	0.0	0.0
ROE (%)	17.5	11.1	12.7	12.4	13.4
P/BV (x)	0.7	0.6	0.6	0.6	0.6



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Tradeview Research Investment Rating System

Equity:

- BUY: Total stock return expected to exceed +15% over 12-month period
- HOLD: Total stock return to be between -15% and +15% over a 12-month period
- SELL: Total stock return expected to below -15% over a 12-month period
- TRADING BUY: Total stock return expected to exceed +10% over 6-month period
- TRADING SELL: Total stock return expected to below -10% over a 6-month period