

# CAB Cakaran Corporation Berhad (7174)



## Booster from low feed cost

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**HOLD** (Initiation)

**TP: RM 0.73 (+13%)**

**Current Share Price: RM 0.645**

**Value**

Investment Horizon

**12 months**

### Valuation

**Our target price is based on:**

FY25F PE of 5.5x, which is lower than its peer's forward PE of 11x, given the longer-than-expected outcome from its JV with Salim group and smaller market size than its peers.

### Optimistic Earnings Outlook



We anticipate better earnings ahead, driven by (i) lower feed costs while broiler chicken prices remain stable, the strengthening of the ringgit against the US dollar, and (ii) strong demand that can partially offset the removal of subsidies.

### Increase in Value-Added Products



CAB aims to increase its processed food capacity at the Nibong Tebal facility from 1,000MT to 2,500MT, with completion expected by 4QFY24. This expansion will improve margins from c.5% to c.7% through vertical integration and is projected to increase FY25F earnings by 3-5%. CAB has its own brand and distribution channel for processed food; coupled with the shift in consumer behavior, this segment will continue to grow.

### Venture into Indonesia with Salim Group



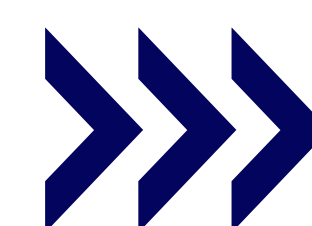
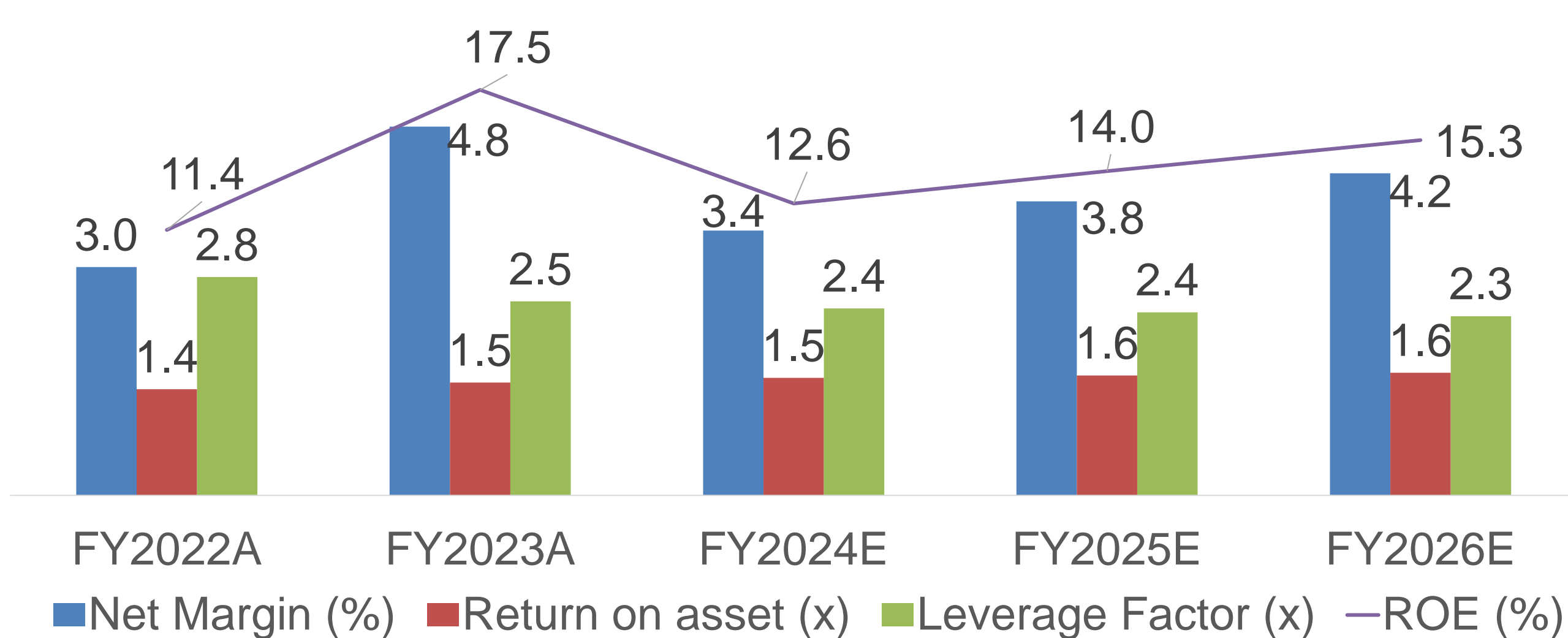
CAB is forming a strategic joint venture with Salim Group, with a 30:70 partnership. The first phase involves the establishment of a broiler farm and processing plant in Batam, Indonesia, with a monthly capacity of 800k birds. This phase, with a capex of USD 20m, will be partially funded by Salim Group and is expected to be completed by 2H2025. The 2nd phase, part of a five-year plan, will significantly increase capacity with a monthly supply of 3m birds and 3m eggs daily in Jawa. We conservatively estimate that the 1st phase will contribute 3-5% in FY25F and 6-8% in FY26F earnings as a profit share from this venture. We are confident in the success of this venture, with the operation expected to be fully utilized within five years by tapping into Salim Group's clientele and distribution channel and the low poultry consumption per capita (8.4kg/year vs Malaysia's chicken consumption per capita of 50.1kg/year).



## Financial Exhibits

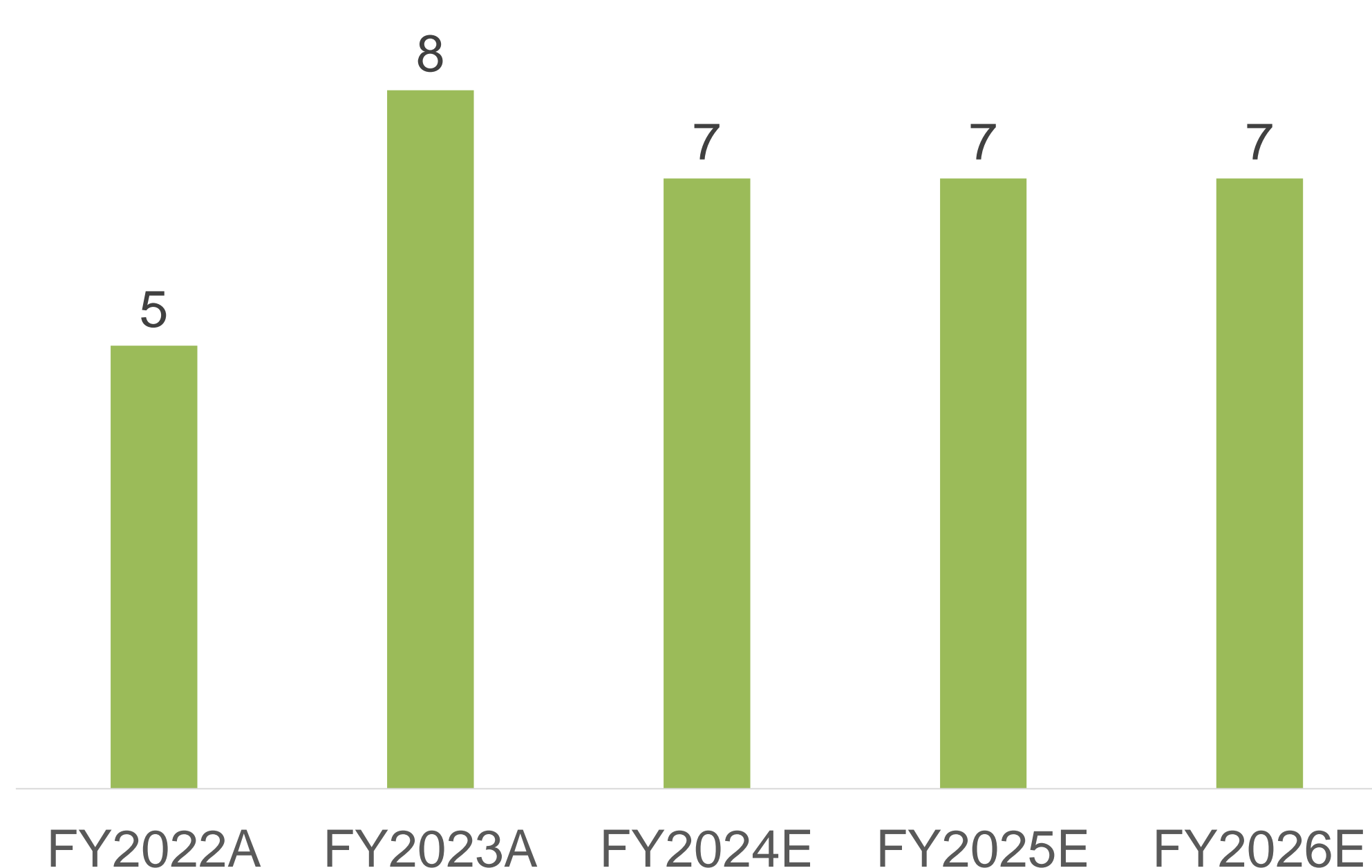
FYE 30 Sep	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E
Revenue (RMm)	1,954.3	2,246.0	2,334.0	2,449.0	2,581.1
EBITDA (RMm)	152.8	264.1	217.5	240.5	266.4
Pretax profit (RMm)	85.6	189.3	142.1	165.6	191.2
Net profit (RMm)	57.7	107.1	80.0	93.2	107.5
EPS (sen)	8.2	15.3	11.4	13.3	15.3
PER (x)	7.8	4.2	5.7	4.9	4.2
Core net profit (RMm)	57.7	107.1	80.0	93.2	107.5
Core EPS (sen)	8.2	15.3	11.4	13.3	15.3
Core EPS growth (%)	nm	85.6	(25.4)	16.5	15.4
Core PER (x)	7.8	4.2	5.7	4.9	4.2
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	11.4	17.5	12.6	14.0	15.3
P/BV (x)	0.7	0.6	0.6	0.5	0.5

## Return of Equity

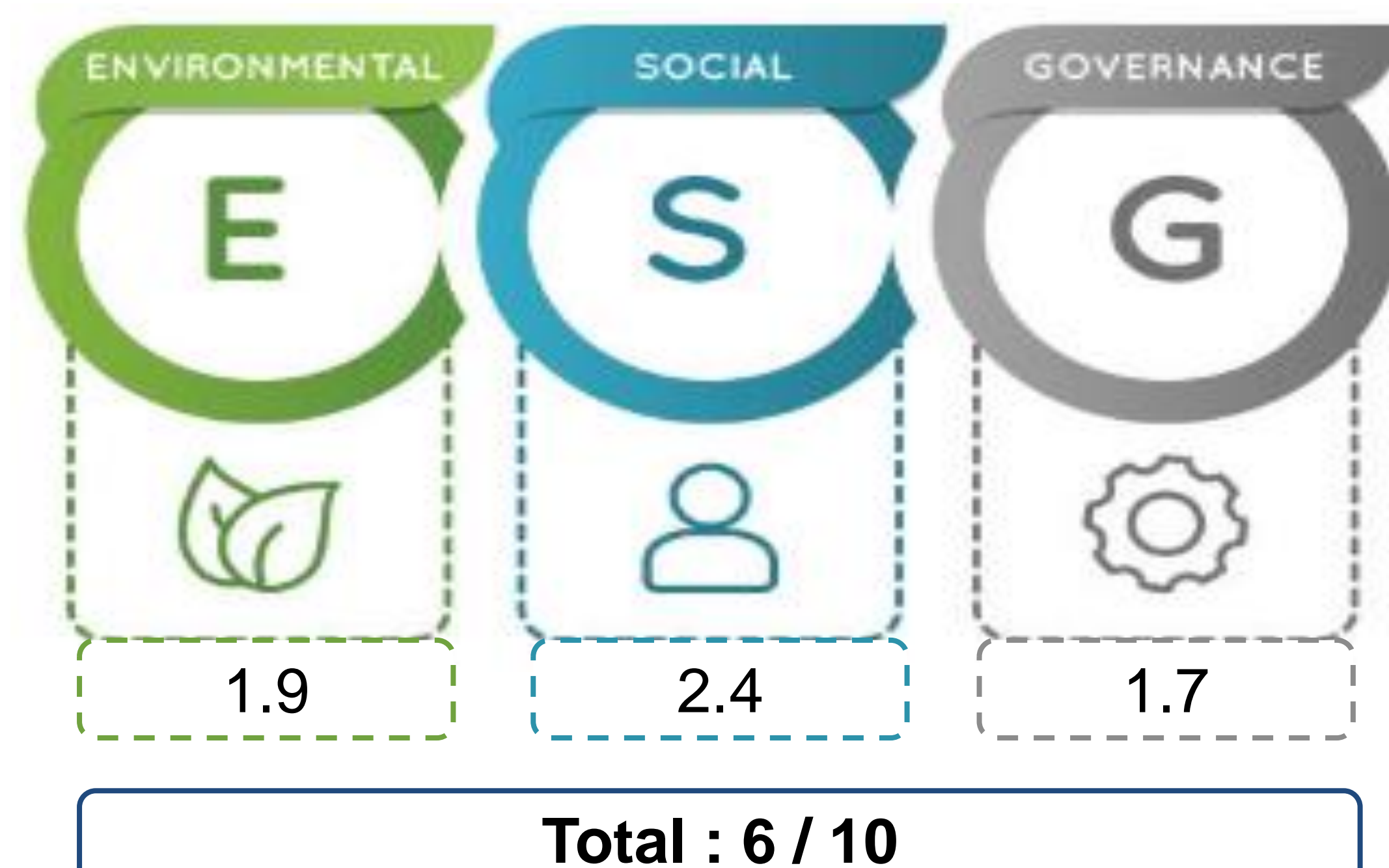


The company's ROE has improved from 11.4% to a projected 15.3% from FY22 to FY26F, driven by more substantial earnings.


## Cash Conversion Cycle



## ESG Matrix



## Key assumptions

	FY2023A	FY2024E	FY2025E	FY2026E
 Integrated poultry growth	16%	3%	4%	4%
# of supermarket	13	18	20	22
SSSG of supermarket	-15%	2%	2%	2%
Overall GP margin	12%	13%	13%	14%



## Company Background

Cab Cakaran Corporation Berhad is an integrated poultry industry, encompassing activities such as breeding, hatchery, broiler farming, slaughtering, and food processing. CAB also grow its retail business comprising supermarket (Pasaraya Jaya Gading and Home Mart Fresh&Frozen) and fast food stores (Kyros Food).

## SWOT Analysis

### Strengths

- Strategic Partnership with Salim Group
- Diversified product portfolio into downstream
- Strong market presence

### Weakness

- Dependency on raw material prices
- Limited geographic diversification
- High operating costs

### Opportunities

- Expansion into new markets
- Health and wellness trend
- Growing demand for halal products

### Threat

- Regulatory risk
- Disease outbreaks
- Economic uncertainty
- Rising competition

## Peers Comparison

Name	Last price	Market Cap	FYE	Earnings Growth			PE		Div. Yield	ROE
				1-yr Fwd	2-yr Fwd	Historical	1-yr Fwd	2-yr Fwd	1-yr Fwd	Historical
CCK CONSOLIDATED HOLDINGS BH	1.67	1036.9	12/2024	0.4	5.1	11.3	12.4	11.1	2.6	22.1
LEONG HUP INTERNATIONAL BHD	0.705	2573.3	12/2024	1.7	5.2	7.0	8.4	8.0	3.4	16.7
QL RESOURCES BHD	4.6	16786.0	03/2025	6.9	6.2	37.1	35.9	33.8	0.9	15.5
<b>Simple Avg</b>				<b>3.0</b>	<b>5.5</b>	<b>18.5</b>	<b>18.9</b>	<b>17.7</b>	<b>2.3</b>	<b>18.1</b>
CAB CAKARAN CORP BHD	0.655	459.7	09/2024	16.5	15.4	6.0	5.1	4.4	0.0	17.5

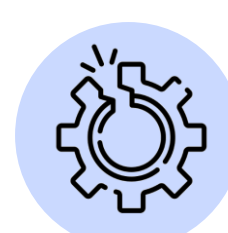
As 24 September 2024

## Investment Risk

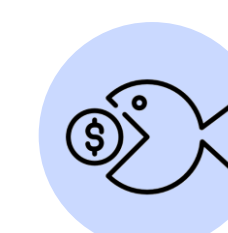
The following represent the greatest risks to our investment thesis:



**Disease outbreak**



**Weaker than expected ASP or sales volume**



**Higher than expected feed cost**



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