

# CAB Cakaran Corporation Berhad (7174)

## Weighed down by expenses

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**BUY** ↔

**TP: RM 0.76 (+16%)** ↑

**Current Share Price: RM 0.65**

**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.

### Result Report

### Results Review



CAB's 1HFY25 core earnings of RM48m came within expectation at 56% of ours and 53% of consensus. YoY, 1HFY25 earnings dropped by 10% was due to the absence of government subsidies. On a QoQ basis, 2QFY25 revenue decreased by 3% due to lower sales of processed products and sales volume of feed. Its core earnings dropped by 30%, a decline that was negatively impacted by higher administrative expenses, a loss of RM3.8m from fair value on biological assets, and higher effective tax rate of 35% vs 25% in 1QFY25,. We expect better 2H contribution due to increased local demand due to the ban on Brazilian chicken imports from bird flu.

### Outlook



We expect chicken consumption to remain strong, driven by its affordability as a protein source. Broiler average selling prices also saw a positive trend, rising 3% quarter-on-quarter to RM6.36/kg in 2QFY25. The group is expanding its retail footprint through horizontal integration, having opened 1 new store in 2QFY25, bringing the total to 18 stores as of 1HFY25, aligning with our existing assumptions. We're optimistic that the joint venture with the Salim group will commence in FY25, positively impacting financial results. We are reaffirming our earnings forecasts for FY25F-FY27F. We reiterate our BUY call and have raised our target price to RM0.76 (from RM0.67). This new target price is based on rolling forward our valuation to FY26F with a PE of 5.8x (up from 5.5x), acknowledging the robust growth potential. Despite this, the stock's valuation remains lower than its peers, who trade at an 10x forward PE, partly due to the slower progress with the Salim group JV.

### Key Assumptions

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

## Results Summary

FYE 30 Sep (RMm)	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	574.8	593.6	573.7	-3.4	-0.2	1123.3	1167.3	3.9
Gross profit	61.8	73.6	75.0	1.8	21.2	119.1	148.6	24.8
EBITDA	43.5	58.8	56.0	-4.6	28.9	127.3	114.8	-9.8
Depreciation	-14.8	-14.7	-15.5	5.5	4.7	-29.6	-30.1	1.9
EBIT	28.7	44.1	40.6	-8.0	41.3	97.7	84.7	-13.4
Other gains and losses joint venture	5.1 0.2	2.0 1.6	-4.0 0.6	<i>nm</i> -61.1	<i>nm</i> 199.5	6.7 0.2	-2.1 2.2	-131.0 <i>nm</i>
Pretax Profit	29.6	45.3	32.4	-28.6	9.2	95.1	77.7	-18.4
Taxation	-9.6	-11.4	-11.4	-0.1	18.6	-25.3	-22.8	-9.9
Net Profit	20.0	33.9	21.0	-38.2	4.7	69.8	54.8	-21.4
Core Net Profit	15.1	28.2	19.8	-29.9	30.8	53.5	47.9	-10.4
Margin (%)								
GP	10.8	12.4	13.1			10.6	12.7	
EBITDA	7.6	9.9	9.8			11.3	9.8	
Pretax	5.2	7.6	5.6			8.5	6.7	
Core Net Profit	2.6	4.7	3.4			4.8	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	225.8	238.0	245.2
Pretax profit (RMm)	189.3	131.5	151.0	162.8	184.4
Net profit (RMm)	107.1	75.5	84.9	91.6	103.7
EPS (sen)	15.3	10.8	12.1	13.1	14.8
PER (x)	4.3	6.0	5.4	5.0	4.4
Core net profit (RMm)	107.1	75.5	84.9	91.6	103.7
Core EPS (sen)	15.3	10.8	12.1	13.1	14.8
Core EPS growth (%)	85.6	(29.2)	12.0	8.3	13.0
Core PER (x)	4.3	6.0	5.4	5.0	4.4
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	12.0	12.4	13.4
P/BV (x)	0.6	0.5	0.5	0.5	0.5



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##### 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