

COCOALAND HOLDINGS

Results Update

NEUTRAL

Current Price	RM 1.85
Target Price	RM 2.10
Consensus Price	RM 1.63

Stock Return Information

KLCI	1,583.55
Expected share price return (%)	13.4
Expected dividend return (%)	4.9
Expected total return (%)	18.3

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	COLA MK
Masa Ticker / Stock Code	COCOLND/7205
Shares Issued (m)	225.3
Market Capitalisation (RM'm)	416.7
52 Week Hi/Lo Price (RM)	2.30/1.62
Avg Trading Volume (3-mth)	157,397
Est Free Float (%)	21.5
YTD Returns (%)	6.3
Beta (x)	0.66

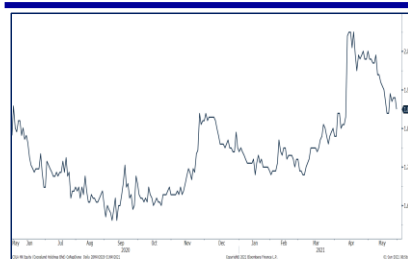
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-7.5	-6.4
3 mth	9.5	8.4
12 mth	-1.6	-7.9

Major Shareholders (%)

Leverage Success Sdn Bhd	40.6
Fraser & Neave Holdings Bhd	27.6

1-Year Share Price Performance



Analyst: Research Team

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Pandemic Still Taking A Toll But Improvement Is Seen

We maintain our call on Cocoaland at **NEUTRAL** with a higher target price of RM2.10 (previously RM1.57), derived from an unchanged 14.0x target PER pegged against our revised CY21 EPS of 15.0 sen (from 11.2 sen) on moderate improvements in sales. Risks to our call are: (1) lower-than-expected sales, (2) higher-than-expected material costs, and (3) inconsistent cost cutting measures.

Results Update

Y-o-Y. 1QCY21 revenue declined by 11.3% Y-o-Y from RM61.0m to RM54.1m, impacted by softer demand for both gummy sales from its Contract Manufacturing business and snack products from overseas markets, as well as from the higher base in the previous corresponding period which was prior to the pandemic. Nevertheless, gross profit and net profit improved by 5.8% and 10.9% respectively, on the back of cost rationalization measures which have resulted in lower staff costs, energy costs as well promotional expenses. Consequently, the cost cutting measures lifted the gross margin and net margin to 24.9% and 10.5% respectively, from 20.9% and 8.4% in 1QCY20. The 1Q2021 earnings are within our expectation at 22.4% of our previous full year forecast.

Q-o-Q. Quarterly results have shown a recovery of 7.2% in sales, contributed by higher demand for in-house gummy, fortified gummy alongside beverage products from its Contract Manufacturing business. Net profit registered a growth of 27.4% Q-o-Q, in line with the lower staff costs, despite higher material costs and promotional expenditures. Geographical wise, almost all export markets have achieved improved sales except for a mild retraction of 2.0% in the South East Asia region.

Forecast. We trim our sales expectations for CY21/22 by 1.8%/4.9% to reflect the heightened Covid-19 cases, together with the renewed full lockdown measures in the country as nearly half of the company's revenues are generated locally. However, we raise our earnings expectations by 33.1%/28.7% in view of its effective cost cutting measures that have improved its bottom-line. We believe that the company will continue to streamline its cost structure to cater to the latest lockdown. Having said that, we have factored in the continuous vaccine rollout to support our forecast, apart from the firm-level initiative. Revenues are expected to continue picking up pace once the pandemic starts to show an easing trend.

Table 1: Historical Earnings and Forecasts

FYE Dec (RM'Mn)	CY18	CY19	CY20(E)	CY21(F)	CY22(F)
Revenue	253.8	254.1	216.2	237.6	276.5
GP	67.8	73.6	54.1	71.3	82.9
PBT	39.8	47.3	27.3	44.4	53.1
Net Profit	30.9	35.7	20.4	33.8	40.4
GP Margin	26.7%	29.0%	25.0%	30.0%	30.0%
PBT Margin	15.7%	18.6%	12.6%	18.7%	19.2%
Net Margin	12.2%	14.1%	9.4%	14.2%	14.6%
EPS (Sen)	13.7	15.9	9.1	15.0	17.9
PER (x)	13.5	11.7	20.4	12.3	10.3
DPS (Sen)	6.0	10.0	8.0	9.0	10.0
Dividend Yield	3.2%	5.4%	4.3%	4.9%	5.4%
ROE	13.1%	14.3%	8.2%	12.8%	14.3%
Net Gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Inter-Pacific Research

Table 2: Financial Highlights

FYE Dec (RM'Mn)	1QCY21	1QCY20	YoY Chg	4QCY20	QoQ Chg
Revenue	54.1	61.0	-11.3%	50.5	7.2%
GP	13.5	12.7	5.8%	13.5	-0.5%
PBT	7.0	6.5	8.8%	6.0	17.0%
Tax	-1.4	-1.3	0.8%	-1.6	-12.8%
Net Profit	5.7	5.1	10.9%	4.5	27.4%
GP Margin	24.9%	20.9%	19.3%	26.8%	-7.2%
PBT Margin	13.0%	10.6%	22.7%	11.9%	9.1%
Net Margin	10.5%	8.4%	25.1%	8.8%	18.8%

Source: Company, Inter-Pacific Research

Table 3: Geographic Sales

Revenue (RM'Mn)	1QCY21	1QCY20	YoY Chg	4QCY20	QoQ Chg
Malaysia	24.7	27.9	-11.4%	22.7	8.7%
Eastern Asia	13.8	15.8	-13.1%	12.2	13.2%
South East Asia	9.5	9.3	2.1%	9.7	-2.0%
Middle East	5.4	7.1	-23.0%	4.9	10.2%
Others	0.8	1.0	-21.2%	1.0	-24.8%
Total	54.1	61.0	-11.3%	50.5	7.2%

Source: Company, Inter-Pacific Research

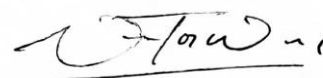
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Signed



Victor Wan Kum Seng
Head of Research
Inter-Pacific Research Sdn Bhd

Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
TRADING BUY	Total return is expected to exceed 10% in the next 3 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months
TRADING SELL	Total return is expected to be below -10% in the next 3 months
NOT RATED	The stock is not within regular research coverage

Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

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