

Financial Year End	31/12/2017
Report Period Ending	31/03/2017
Reporting Quarter	1Q-2017

<b>Recommendation</b>	<b>HOLD</b>
Target Price (MYR)	2.88
Current Price (MYR)	2.80

<b>Industry Group</b>	Food
<b>Industry Sub Group</b>	Food-Misc/Diversified

<b>Key Company Statistics</b>	
Bloomberg Ticker	COLA MK
Bursa Stock Code	7205
Issued Capital (mn shares)	228.8
Market Capitalisation (MYR mn)	640.6
52 week High (MYR)	2.81
52 week Low (MYR)	1.82
Average Volume (3 month) '000	250.1
1 Yr Return (%)	42.0

<b>Major Shareholders (%)</b>	
Leverage Success Sdn Bhd	38.0
Fraser & Neave Holdings Bhd	27.2
Tan Booi Charn	2.5

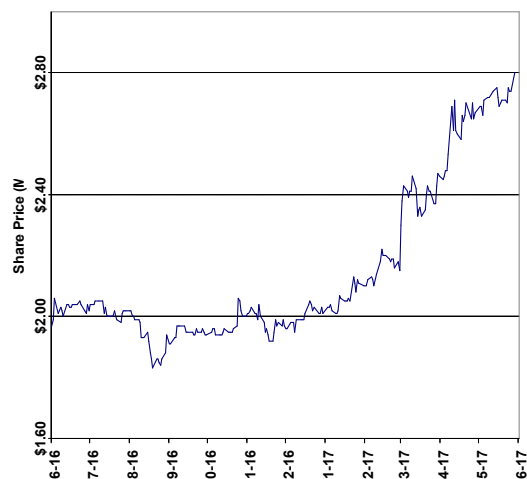
#### FTSE-BURSA INDEX MEMBERSHIP

FBM KLCI	FBM 70	FBM EMAS	FBM HIJRAH
No	No	Yes	No

#### REPORT INDEX

Contents	Page
Recommendation, Company Profile, Metrics	1
Quarterly Results, Competitor's Metrics	2
P&L, Balance Sheet, Per Share Data	3
12 Yr Sales, Net Profit, 11 Yr Price, P-BV char	4
Recent Co. News, Recommendation Record	5
Analyst's Disclosure, Contact Details	6

#### SHARE PRICE LAST 12 MONTHS (MYR)



## MALAYSIA EQUITY COCOALAND HOLDINGS BHD

### RESULTS REPORT

YTD 1Q FY17 total revenue increased 1.9% vs YTD 1Q FY16; local sales are still growing slowly, but overall export sales were flat YTD 1Q FY17 vs YTD 1Q FY16. YTD 1Q FY17 operating margins came in at 18.8% vs 16.5% in YTD 1Q 2016. We expect operating margins to remain above 14% over the next few quarters. CocaLand has been taking steps to raise margins and is making good progress under very challenging trading conditions. Export sales, accounting for about 50% of total sales, have lost momentum. However over the past few quarters, local sales have been growing enough to keep total sales rising. See page five.

### INVESTMENT RISKS

Risks to our recommendation and target price include: i) rising trends in material costs, ii) an increase in the general level of interest rates, and iii) a sharp slowdown in the general level of economic activity in Malaysia or in the economies of the company's major 'own brand' export markets - China/HK and the Middle East. See page five.

### RECOMMENDATION

After a lovely run, we place a HOLD recommendation on CocaLand Holdings Bhd, and maintain our fair value at MYR 2.88. It is possible that the share price will surprise on the upside; sales growth and capacity utilisation may accelerate more quickly than we expect. CocaLand has very little debt on the balance sheet as well as plenty of cash. In fact, cash equivalents amount to 6.7% of the current share price.

CocaLand has a clean balance sheet and a proven record of growing sales (see page 5). The Middle East, Hong Kong, China, and Singapore remain in the top spot as the company's largest export markets, with good progress developing in Taiwan, Vietnam and South Korea. See page five for 2012-2018 export and local results and forecast.

### COMPANY PROFILE

CocaLand Holdings Bhd is ranked approximately in the middle of the thirty listed companies in the Malaysian snack food industry. The company is one of the few home grown Malaysian consumer firms that have successfully penetrated regional markets. CocaLand Holding's predecessor company, MFESB, was formed in 1980. This company and others were consolidated and converted to a public limited company in 2000 under the name CocaLand Holdings Bhd, prior to listing in 2005.

### ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2015	2016	2017F	2018F
Revenue	261.6	272.6	280.9	289.0
Revenue g (%)	0.3	4.2	3.0	2.9
Net Profit	32.7	43.8	36.6	37.6
Net Profit g (%)	49.3	33.9	-16.5	2.7
Dividends	48.6	6.9	12.0	12.0
Owners' Equity	202.7	239.5	241.2	266.8
Total Liabilities	48.4	49.7	61.9	65.7
Debt/Equity (%)	23.9	20.7	25.7	24.6
EPS (sen)	14.3	19.1	16.0	16.4
P-S (x)	1.8	2.3	2.3	2.2
P-E (x)	14.1	14.6	17.5	17.1
P-BV (x)	2.3	2.7	2.7	2.4
ROE %	16.1	18.3	15.2	14.1

MALAYSIA EQUITY  
COCOALAND HOLDINGS BHD

## QUARTERLY RESULTS TABLE (All figures in MYR mn unless otherwise indicated)

FY Dec	1Q-17	1Q-16	Q-o-Q %chg	YTD FY17	YTD FY16	Y-o-Y %chg
Revenue	63.7	62.5	1.9	63.7	62.5	1.9
Operating Profit	12.0	10.3	16.3	12.0	10.3	16.3
Other Income	2.3	2.0	15.6	2.3	2.0	15.6
Share of Associates	0.0	0.0	na	0.0	0.0	na
Depreciation/Amort'n	-2.7	-2.6	3.9	-2.7	-2.6	3.9
Finance Costs	0.0	0.0	na	0.0	0.0	na
Pre Tax Profit	12.0	10.3	16.3	12.0	10.3	16.3
Tax	-3.0	-2.5	na	-3.0	-2.5	na
Minority Interest	0.0	0.0	na	0.0	0.0	na
Net Profit to S'holders	9.0	7.9	14.2	9.0	7.9	14.2
Dividends	0.0	0.0	na	0.0	0.0	na
EPS (sen)	3.9	3.4	14.2	3.9	3.4	14.2
DPS (sen)	0.0	0.0	na	0.0	0.0	na
Operating Margin (%)	18.8	16.5	14.1	18.8	16.5	14.1
Net Margin (%)	14.1	12.6	12.1	14.1	12.6	12.1
Tax Rates (%)	25.2	23.8	5.6	25.2	23.8	5.6
NTA/share (RM)				0.99	0.92	7.2

Comments
Revenue increased 1.9% YTD 1Q FY17 vs. YTD 1Q FY16. Sales momentum is tapering off in many export markets and the local demand is starting to soften.
Net Profit increased 14.2% YTD 1Q FY17 vs. YTD 1Q FY16. The company is maintaining margins through very good cost control and via the shift away from OEM business to own brand business. Operating margins remain healthy and are likely to stay above 15% over the next two quarters.

## COMPETITOR'S METRICS (All figures in MYR mn unless otherwise indicated)

Current Year Ending*	Cocoaland Holdings Bhd Dec-17	Apollo Food Holdings Bhd Apr-18	London Biscuits Bhd Jun-18
Revenue	280.9	209.0	460.0
Net Profit	36.6	21.0	19.7
Owners' Equity	241.2	254.7	417.3
Dividends	12.0	20.0	0.0
Market Cap	640.6	399.2	146.3
P-S (x)	2.3	1.9	0.3
P-E (x)	17.5	19.0	7.4
P-BV (x)	2.7	1.6	0.4
Div Yield (%)	1.9	5.0	0.0
Net Margins (%)	13.0	10.0	4.3
ROE (%)	15.2	8.2	4.7
Payout Ratio (%)	32.8	95.3	0.0
Sales Growth (%)	3.0	5.0	5.4
Total Debt/Equity (%)	25.7	9.6	68.1

\*Consensus data used for peers where available

MALAYSIA EQUITY  
COCOALAND HOLDINGS BHD

## PROFIT &amp; LOSS (All figures in MYR mn unless otherwise indicated)

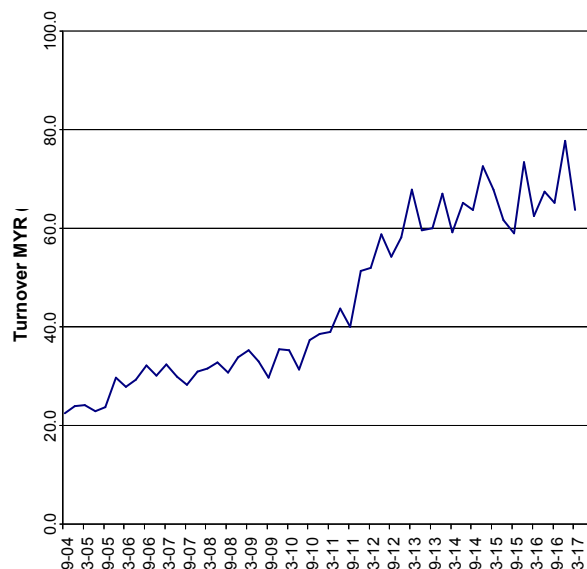
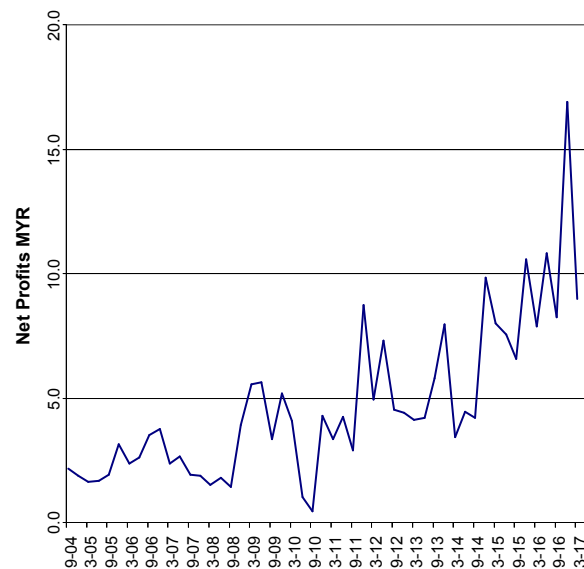
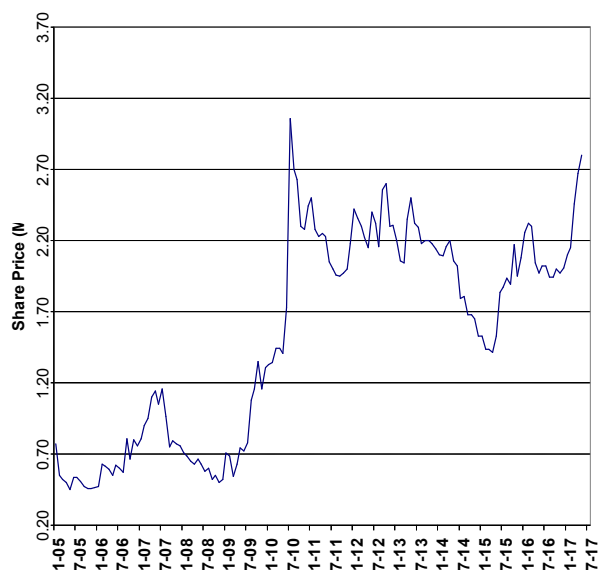
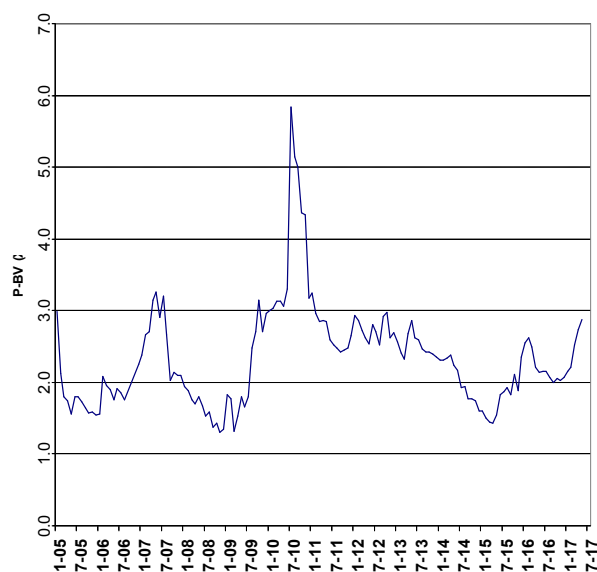
FY Dec	2015	2016	2017F	2018F
Revenue	261.6	272.6	280.9	289.0
Operating Profit	44.8	55.3	47.8	48.8
Other Income	4.5	11.1	8.8	8.7
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-12.1	-14.1	-13.6	-15.5
Finance Costs	0.0	0.0	0.0	0.0
Pre Tax Profit	44.8	55.3	47.8	48.8
Tax	-12.0	-11.5	-11.3	-11.2
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	32.7	43.8	36.6	37.6
Operating Margin (%)	17.1	20.3	17.0	16.9
PBT Margin (%)	17.1	20.3	17.0	16.9
Net Margin (%)	12.5	16.1	13.0	13.0
Effective Tax Rate (%)	26.9	20.8	23.5	23.0

## BALANCE SHEET (All figures in MYR mn unless otherwise indicated)

FY Dec	2015	2016	2017F	2018F
Total Assets	251.1	289.2	303.1	332.4
Fixed Assets	129.6	119.6	123.8	131.8
Current Assets	121.5	169.6	179.3	200.7
Other LT Assets	0.0	0.0	0.0	0.0
Current Liabilities	38.5	41.1	53.0	56.3
LT Liabilities	9.9	8.5	8.9	9.4
Total Liabilities	48.4	49.7	61.9	65.7
Share Capital	114.4	114.4	114.4	114.4
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	202.7	239.5	241.2	266.8
Total Equity	202.7	239.5	241.2	266.8
Total Liabilities & Equity	251.1	289.2	303.1	332.4

## PER SHARE DATA (All figures in sen unless otherwise indicated)

FY Dec	2015	2016	2017F	2018F
Revenue	114.4	119.2	122.8	126.3
Cash Flow	19.6	25.3	21.9	23.2
Earnings	14.3	19.1	16.0	16.4
Dividends	21.3	3.0	5.2	5.2
Book Value	88.6	104.7	105.4	116.6
Payout (%)	148.6	15.7	32.8	31.9
P-S (x)	1.8	2.3	2.3	2.2
P-CF (x)	10.3	11.1	12.8	12.1
P-E (x)	14.1	14.6	17.5	17.1
P-BV (x)	2.3	2.7	2.7	2.4
Dividend Yield (%)	10.6	1.1	1.9	1.9
ROE (%)	16.1	18.3	15.2	14.1
Total Debt/Equity (%)	23.9	20.7	25.7	24.6

**MALAYSIA EQUITY  
COCOALAND HOLDINGS BHD**
**REVENUE - QUARTERLY LAST 12 YEARS (MYR mn)**

**NET PROFIT - Q'TERLY LAST 12 YRS (MYR mn)**

**SHARE PRICE - MONTHLY LAST 12 YEARS (MYR)**

**P-BV (X) - MONTHLY LAST 12 YEARS**


**MALAYSIA EQUITY**  
**COCOALAND HOLDINGS BHD**

**RECENT COMPANY NEWS**

Sales growth is slowing down both at home and abroad. Business activity in China, Hong Kong and the Middle East is noticeably softer. In addition, weaker currencies are crimping shopper's wallets. Consequently, export sales at Cocoaland are likely to show muted upside. There are still a few pockets of export growth, but odds are that total export growth will be subdued. On a more positive note, Cocoaland's products are a low cost treat, and thus even local shoppers seem to be buying more heavily than in previous years. Cocoaland continues to make steady progress in Singapore, which is now a 'top five' export market. South Korea is also developing as an important new market.

Cocoaland's management has made commendable progress in growing new markets under very challenging conditions whilst maintaining very respectable margins. The company operates large and modern beverage and candy production lines, with up-to-date packaging facilities. It is among one of the largest OEM hot fill bottlers in the country. Should Cocoaland succeed in developing its local and export markets more intensively, sales and profits could rise sharply. On a more cautious note, sugar prices are on the rise in Malaysia, whilst container shipping costs may be higher in 2017.

For the next few quarters, we expect sales growth rates to range between 2-6% pa. Investors should expect more bumps ahead, but any short term weakness in the share price may prove to be a useful buying opportunity. Cocoaland has been fairly successful in growing its overseas sales as shown by the table below. This is quite encouraging for the medium and long term as the company's export market is potentially many times the size of its domestic market. There are very few 'home grown' companies in Malaysia that have achieved the record of consistent export success shown below.

MYR (mn)	2012	2013	2014	2015	2016	2017F	2018F	FY18/FY16
<b>Export Sales</b>	125.1	155.2	160.9	152.2	150.2	152.0	158.0	<b>2.6%</b>
<b>Local Sales</b>	98.1	99.3	99.9	109.4	121.8	128.0	132.0	<b>4.1%</b>
<b>Total Sales</b>	223.2	254.4	260.8	261.6	272.0	280.0	290.0	<b>3.3%</b>
<b>% Exports</b>	56.0%	61.0%	61.7%	58.2%	55.2%	54.3%	54.5%	
<b>Export Growth %</b>	44.8%	24.0%	3.7%	-5.4%	-1.3%	1.2%	3.9%	
<b>Local Sales Growth %</b>	12.0%	1.2%	0.6%	9.5%	11.3%	5.1%	3.1%	
<b>Total Sales Growth %</b>	<b>28.3%</b>	<b>14.0%</b>	<b>2.5%</b>	<b>0.3%</b>	<b>4.0%</b>	<b>2.9%</b>	<b>3.6%</b>	

**ANALYST'S RECOMMENDATION RECORD**

Ticker	Date	Recommendation	FairValue	Price At Date of Recommendation	% Price Change Since Prior Recommendation
COLA MK Equity	27-Feb-14	BUY	1.86	1.57	-3.2%
COLA MK Equity	26-May-14	HOLD	1.64	1.65	5.3%
COLA MK Equity	25-Aug-14	BUY	1.64	1.37	-16.8%
COLA MK Equity	24-Nov-14	BUY	1.49	1.28	-6.6%
COLA MK Equity	26-Feb-15	BUY	1.71	1.35	5.3%
COLA MK Equity	25-May-15	BUY	2.01	1.53	14.4%
COLA MK Equity	24-Aug-15	BUY	2.01	2.03	32.7%
COLA MK Equity	25-Nov-15	BUY	2.40	2.04	0.5%
COLA MK Equity	25-Feb-16	BUY	2.80	2.34	14.7%
COLA MK Equity	30-May-16	BUY	2.60	1.96	-16.2%
COLA MK Equity	29-Aug-16	BUY	2.78	1.88	-4.1%
COLA MK Equity	28-Nov-16	BUY	2.78	1.97	4.8%
COLA MK Equity	27-Feb-17	BUY	2.88	2.15	9.1%
COLA MK Equity	29-May-17	HOLD	2.88	2.80	30.2%
<b>Results - Last Three Years (Price and FV adjusted for bonuses, etc)</b>					<b>70.1%</b>



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**ANALYST'S DISCLOSURE**

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**BUY:** Share price may exceed 10% over the next 12 months

**TRADING BUY:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**HOLD:** Share price may fall within the range of +/- 10% over the next 12 months

**TAKE PROFIT:** Target price has been attained. Look to accumulate at lower levels

**SELL:** Share price may fall by more than 10% over the next 12 months

**NOT RATED (NR):** Stock is not within regular research coverage

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J Charles Wilson  
Head of Research

**QUESTIONS?****CONTACT THE INVESTMENT ADVISER:**

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**Wilson & York Global Advisers Sdn Bhd**  
Suite B-11-3A, Level 11, Block B, Plaza Mont' Kiara  
2, Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur  
Malaysia

Tel: +603 6203 2280  
Fax: +603 6203 2281

E-mail [info@wygainvestments.com](mailto:info@wygainvestments.com)  
**Website: [www.wygainvestments.com](http://www.wygainvestments.com)**

**CONTACT THE COMPANY:**

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**Cocoaland Holdings Berhad**  
Lot 100, Rawang Integrated Industrial Park  
48000 Rawang  
Selangor Darul Ehsan  
Malaysia

Tel: +603 6091 3131  
Fax: +603 6091 5131

**Website: [www.cocoaland.com](http://www.cocoaland.com)**