

Guan Chong Bhd

Kenneth Leong
kennethleong@msec.com.my
(603) 2201 2100

New grinding facility to boost production

- Ranked as the fourth largest cocoa grinder in the world with total cocoa processing capacity of 270,000MT p.a.
- New cocoa processing plant in Cote D'Ivoire coming on stream tentatively in 2H22 brings additional grinding capacity of 60,000MT p.a.
- Recovery of economic activities across the globe bodes well for GCB as key chocolate consuming markets in Europe and the US demonstrate decent retail spendings.
- Technically, price has formed a flag-formation breakout above the RM2.39, targeting the next resistances at RM2.54-2.61 with long term target at RM2.99.

GCB daily: Flag-formation breakout



M+ Wiz

GUAN CHONG BHD	
Last Price (RM)	2.44
5 Day Change (%)	0.8
1 Day Range Percentile (%)	100.0
5 Day Range Percentile (%)	93.3
52Week Range Percentile (%)	25.5
Volatility 30D	36.4
EMA9, EMA20, EMA60 Trend	Consolidation
Price vs. EMA20 (%)	4.3
DMI DI+	26.9
DMI DI-	18.3
ADX	26.6
Price Skew	UP
RSI 14D	68.2
RSI OB/OS	Positive
Price vs. Bollinger Band (%)	93.3
Bloomberg	

Trading Catalyst

- Guan Chong Bhd (GCB) engaged in the manufacturing and trading of cocoa-derived food ingredients and cocoa related products. To-date, GCB's total capacity stands at 270,000MT per annum, ranking the group as the fourth largest cocoa grinder in the world.
- Moving forward, GCB the new cocoa processing plant at Cote D'Ivoire, Ivory Coast that will bring additional grinding capacity of 60,000MT per annum, that is slated to come in 2H22. Meanwhile, GCB will also proceed with their expansion plans in the UK, and plans to upgrade its facilities in Germany and the US in bid to improve production efficiency.
- We reckon that recovery of economic activities across the globe bodes well for GCB as key chocolate consuming markets in Europe and the US demonstrate strong retail spendings. We gather that the gradual decline in freight rates could ensure margins to be protected, while sales delivery remains robust with 50% of capacity

Financial snapshot

FYE Dec	FY21	FY22f	FY23f
Revenue (RM m)	3923.24	269.74	712.3
Net profit (RM m)	154.8	240.0	275.0
Shares (m)	1075.1	1075.1	1075.1
EPS (sen)	14.4	22.3	25.6
DPS (sen)	3.0	6.5	7.8
P/E (x)	16.9	10.9	9.5
DY (%)	1.2	2.7	3.2
Bloomberg			

Disclaimer: This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.

are already locked in for delivery in 2023.

Technical Outlook

- Technically, share price has been on a downtrend formation since October 2021. Price appears to have formed signs of stability in recent weeks after recovering above daily EMA60. For now, price has formed a flag-formation breakout above the RM2.39, targeting the next resistances at RM2.54-2.61 with long term target at RM2.99. Support is pegged at RM2.82 and cut loss is located at RM2.27.

Glossary

Last Price (RM)	Last closing price
5 Day Change (%)	Percent change in price over the last five days. The formula is: $\frac{[(\text{Last Trade} - \text{Closing Price Five Days Ago}) / \text{Closing Price Five Days Ago}] \times 100}{1}$
1 Day Range Percentile (%)	Calculates the percentile value within the 1-day range
5 Day Range Percentile (%)	Calculates the percentile value within the 5-day range
52 Week Range Percentile (%)	Calculates the percentile value within the 52-week range
Volatility 30D	A measure of the risk of price moves for a security calculated from the standard deviation of day-to-day logarithmic historical price changes. The 30-day price volatility equals the annualised standard deviation of the relative price change for the 30 most recent trading days closing price, expressed as a percentage.
EMA9, EMA20, EMA60 Trend	If EMA9 is greater than EMA20 and EMA20 is greater than EMA60 it will be stated as Uptrend. If the EMA9 is lesser than EMA20 and the EMA20 is lesser than EMA60, it will be stated as Downtrend, otherwise Consolidation.
Price vs. EMA20 (%)	Position of the price away from the EMA20 level
DMI DI+	Positive directional movement.
DMI DI-	Negative directional movement.
ADX	ADX is a moving average of the directional movement index.
Price Skew	If the average of 20 days closing price is greater than 20 days Median price, it will be stated Up. If the average of 20 days closing price is lower than 20 days Median price, it will be stated Down.
RSI 14D	RSI measures the momentum of a security to determine whether it is in an overbought or oversold condition.
RSI OB/OS	If RSI 14 days is greater or equal to 70, it will be stated Overbought. If the RSI 14 days is greater or equal to 50, but lower than 70, it will be stated Positive. If the RSI 14 days is greater than 30, but lower than 50, it will be stated Negative. If the RSI 14 days is lower or equal to 30, it will be stated Oversold.
Price vs. Bollinger Band (%)	Position of the price compare to the Bollinger band in percentage