

KTC rises as top-tier CPG distributor in East Malaysia

March 23, 2016, Wednesday

KUCHING: Sabah-based Kim Teck Cheong Consolidated Bhd (KTC) is on course to become a fast growing consumer packaged goods (CPG) distributor in East Malaysia.

The research arm of Hong Leong Investment Bank Bhd (HLIB Research) in a report yesterday said the ACE Market listed company is a top-tier distributor of CPG in East Malaysia and currently distributes approximately 10,348 stock keeping units for 38 brands owners through its 19 distribution centres.

Going forward, it gathered that KTC is expanding its distribution and manufacturing operations in Sabah, Sarawak and Brunei.

HLIB Research noted that after the company's recent acquisitions of Popular Trading (Borneo) Corporation Sdn Bhd (PTBC), Trans Paint Sdn Bhd (TPSB) and Grandtop Marketing Sdn Bhd (GMSB) as well as securing distribution contracts from SCGM Bhd's plastic cup and Anakku Sabah, it expects the company to continue its efforts to further strengthen its distribution arm in East Malaysia.

Following a company's briefing, the research firm also gathered that a few negotiations between KTC and multinationals (MNC) or local well-known companies are on-going and the acquisitions or distribution contracts are expected to be concluded by the middle of 2016.

HLIB Research believed that if the negotiations for a series of acquisitions or distribution contracts, were successful, it would significantly boost the company's financial year 2017 (FY17) ending June 2017 performance.

Hence, the research firm expects KTC's top and bottom line to grow by 54.6 per cent and 56.7 per cent respectively in FY17, given its aggressive on-going expansion plans, robust CPG market size and extensive distribution network.

Meanwhile, according to an independent market research firm, Vital Factor Consulting, it analysed that the CPG market size in East Malaysia is estimated at approximately RM6.8 billion.

For the time being, HLIB Research observed that KTC only captured about 10 per cent or RM290 million of the distribution in Sabah and Labuan and less than one per cent of the market share in Sarawak.

Therefore, the research firm pointed out that the figure indicated there is ample growth for KTC to strengthen its distribution points and grow its market share.

On another note, HLIB Research said KTC's own brands of CPG for instance, "Orie", "Bamble" and "Creamos", offers higher gross profit margin of approximately 28 per cent as compared to the distribution of third party brands of about 13 per cent despite contributed around five per cent to total revenue.

It opined that together with additional bakery products that KTC manufactures and distributes, HLIB Research foresees strong income to protect KTC's earnings margin from the downside.