

29 November 2018 | 3QFY18 Results Review

## Can-One Berhad

*Dragged by associate's performance*

### INVESTMENT HIGHLIGHTS


- **9MFY18 results below expectation**
- **Earnings for 9MFY18 dropped by 26.9% yoy mainly due to lower contribution by Kian Joo Can Factory**
- **FY18F/FY19F net profit estimates cut by 30.4%/30.2%**
- **Maintain NEUTRAL with adjusted TP of RM2.09 (previously RM2.60)**

**9MFY18 results below expectation.** Can-One Bhd's (Can-One) net profit of RM33.6m for the cumulative period missed our expectation, making up 54% of our full year forecast. As expected, no dividend was announced.

**Earnings for 9MFY18 dropped by 26.9% yoy mainly due to lower contribution by Kian Joo Can Factory.** Net profit for the period declined mainly due to lower net profit at its 32.9%-owned Kian Joo Can Factory (KJCF). Contribution from KJCF for the quarter dropped due to losses from KJCF's Myanmar operations and raw material prices that remain high as well as the lag in cost pass through. Meanwhile, Can-One's sales improved due to the 15.9% increase in its food division to RM634m and 25.6% jump in its international trading division to RM98.2m. Revenue from the general cans segment was flattish at RM356.5m.

**3QFY18 net profit fell 31.0%yoy to RM11.0m** mainly due to lower contribution from KJCF and lower sales and profit from the can division. Contribution from KJCF fell to RM0.9m from RM3.0m yoy. Can division recorded PBT of RM0.6m (-94% yoy) due to higher raw material and production overhead costs while the trading division was largely unchanged. On the other hand, the PBT for its food division is up by 47.8% to RM17.0m.

**FY18F/FY19F net profit estimates cut by 30.4%/30.2%** to reflect lower contribution from KJCF and its can division. Due to our adjustments, FY18F/FY19F earnings estimates are adjusted to RM43.5m/RM50.2m.

**Maintain NEUTRAL with adjusted TP of RM2.09 (previously RM2.60).** Our TP of RM2.09 is based on 8x FY19F EPS of 26.1 sen. Our TP is adjusted due to the adjustment in our earnings assumption. Valuation method of 8x PER (mean valuation) is unchanged. We are Neutral on the stock due to its lacklustre near-term outlook. 

**Maintain NEUTRAL**

**Adjusted Target Price (TP):RM2.09  
(previously RM2.60)**

RETURN STATS	
Price (28 <sup>th</sup> November 2018)	RM2.00
Target Price	RM2.09
Expected Share Price Return	+4.5%
Expected Dividend Yield	+2.0%
<b>Expected Total Return</b>	<b>+6.5%</b>

STOCK INFO		
KLCI	1,686.55	
Bursa / Bloomberg	5105/ CAN MK	
Board / Sector	Industrial	
Syariah Compliant	Yes	
Issued shares (m)	192.15	
Market cap. (RM'm)	384.31	
Price over NTA	0.47	
52-wk price Range	RM1.95-RM2.99	
Beta (against KLCI)	0.93x	
3-mth Avg Daily Vol	0.04m	
3-mth Avg Daily Value	RM0.08m	
Major Shareholders (%)		
Eller Axis Sdn Bhd	23.5	
Genkho Candoz Sdn Bhd	19.9	
Sanwoi Malaysia Sdn Bhd	4.1	
Price Performance (%)	Absolute	Relative
1 month	0.5	0.3
3 months	-13.0	-10.8
12 months	-27.5	-26.1

## INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	886.5	928.2	1136.3	1212.1	1339.6
Pretax Profit (RM'm)	95.5	107.0	82.4	57.9	66.0
<b>Net Profit (RM'm)</b>	<b>77.4</b>	<b>86.4</b>	<b>63.6</b>	<b>43.5</b>	<b>50.2</b>
EPS (sen)	44.4	45.0	33.1	22.6	26.1
EPS growth	6%	1%	-26%	-32%	15%
PER (x)	4.5	4.4	6.0	8.8	7.7
DPS (sen)	4.0	4.0	4.0	4.0	4.0
Dividend yield (%)	2.0	2.0	2.0	2.0	2.0
Gearing (x)	0.82	0.64	0.63	0.70	0.76
ROE (%)	11.7	11.5	8.0	5.7	6.7
ROA (%)	5.8	6.2	4.2	2.8	3.1
NTA per share (RM)	3.78	3.89	4.12	3.99	3.90
Price to NTA (x)	0.53	0.51	0.49	0.50	0.51

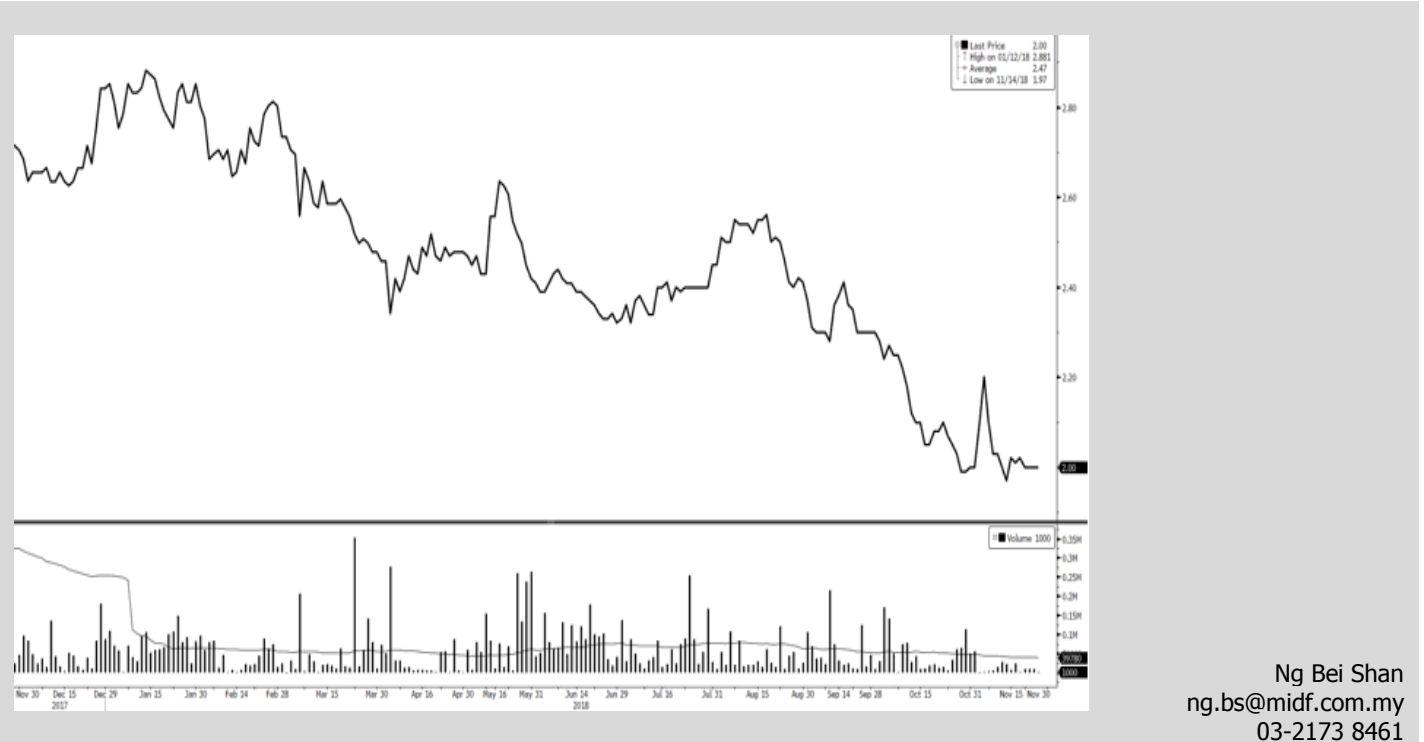
Source: Company, MIDF Research

## CAN-ONE: 3QFY18 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	YoY	QoQ	9MFY18	YoY	
Revenue (RM'm)	297.8	-0.1%	0.5%	904.6	8.3%	Driven by higher sales from the food and trading divisions
Gross profit (RM'm)	33.6	7.8%	-4.0%	102.0	11.8%	Raw material prices for food segment eased
EBIT (RM'm)	20.7	-11.2%	-4.6%	60.4	-2.4%	
Pretax Profit (RM'm)	15.3	-27.3%	-12.2%	48.6	-18.9%	Contribution from KJCF declined
Net Profit (RM'm)	11.0	-31.0%	-2.0%	33.6	-26.9%	Lower contribution from KJCF and higher taxes
EPS (sen)	5.7	-31.0%	-2.0%	17.5	-26.9%	
Net DPS (sen)	0.0	N.M.	N.M.	0.0	N.M.	
<b>Margins</b>						
EBIT (%/ ppt)	7.0	7.0ppt	7.0ppt	6.7	6.7ppt	
Pretax margin (%/ ppt)	5.1	-5.3ppt	-6.7ppt	5.4	-27.5ppt	

Source: Company, MIDF Research

## DAILY PRICE CHART



Source: Bloomberg

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.