

01 March 2018 | 4QFY17 Results Review

Can-One Berhad

Anticipating a sweeter FY18

Maintain BUY

Unchanged Target Price (TP): RM3.46

INVESTMENT HIGHLIGHTS

- **FY17 results within expectation**
- **Full year earnings declined by 26% to RM63.6m yoy**
- **Expect FY18F/FY19F earnings growth of 31%/13%**
- **Maintain BUY and TP of RM3.46**


FY17 results within expectation. Can-One Bhd's (Can-One) FY17 earnings of RM63.6m met our expectation at 97% of our full year estimates. A dividend of 4.0 sen was announced for the financial year, which is 1.0 sen higher than our previous expectation.

Full year earnings declined by 26% to RM63.6m yoy mainly due to higher raw material costs for its tin can division as well as the food division. The dip in net profit is also attributed to the lower contribution from Kian Joo Can Factory (KJCF). Meanwhile, revenue jumped 22.4% to RM1136.3m yoy, supported by growth from all the divisions, namely: general cans (+22%yoy), food (+22%yoy) and international trading (+15%yoy).

4QFY17 net profit up by 10.4%qoq to RM17.6m. Contribution from KJCF has improved during the quarter, boosting Can-One's net profit. Revenue increased marginally to RM300.8m as the food division sales increased by 2% to RM207.2m. Better sales of tin cans are offset by weaker sales of jerry cans resulting in a marginal decline in the cans division to RM124.8m. Higher distribution costs for the food division affected operating margins.

Expect FY18F/FY19F earnings growth of 31%/13%. We expect earnings growth of 31% in FY18F and 13% in FY19F due to better operational efficiency amid higher volume and better economies of scale. Meanwhile, sugar prices have eased since early 2018.

Earnings estimates unchanged. We keep our FY18F earnings forecast unchanged while we introduce our FY19 estimates in view of the in-line estimates.

Maintain BUY and TP of RM3.46. Our TP of RM3.46 is based on 8x FY18F EPS of 43.2 sen. Our valuation method of 8x PER based on Can-One's two-year average PE band is unchanged. We like Can-One for its attractive valuation, long-term prospects and earnings resilience as a proxy to the consumer staple industry. 

RETURN STATS	
Price (28 Feb 2018)	RM2.85
Target Price	RM3.46
Expected Share Price Return	+21.3%
Expected Dividend Yield	+1.4%
Expected Total Return	+22.7%

STOCK INFO		
KLCI	1,856.20	
Bursa / Bloomberg	5105/ CAN MK	
Board / Sector	Industrial	
Syariah Compliant	Yes	
Issued shares (m)	192.15	
Market cap. (RM'm)	547.64	
Price over NTA	0.70	
52-wk price Range	RM2.66-RM3.53	
Beta (against KLCI)	0.80x	
3-mth Avg Daily Vol	0.06m	
3-mth Avg Daily Value	RM0.16m	
Major Shareholders (%)		
Eller Axis Sdn Bhd	23.5	
Genkho Candoz Sdn Bhd	19.9	
Sanwoi Malaysia Sdn Bhd	4.0	
Price Performance (%)	Absolute	Relative
1 month	-1.7	-1.1
3 months	-1.4	-4.1
12 months	-16.9	-24.0

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	886.5	928.2	1136.3	1188.1	1298.3
Pretax Profit (RM'm)	95.5	107.0	82.4	102.5	115.3
Net Profit (RM'm)	77.4	86.4	63.6	83.0	93.4
EPS (sen)	44.4	45.0	33.1	43.2	48.6
EPS growth	6%	1%	-26%	31%	13%
PER (x)	6.4	6.3	8.6	6.6	5.9
DPS (sen)	4.0	4.0	4.0	4.0	4.0
Dividend yield (%)	1.4	1.4	1.4	1.4	1.4
Gearing (x)	0.82	0.64	0.63	0.67	0.68
ROE (%)	11.7	11.5	8.0	10.3	11.2
ROA (%)	5.8	6.2	4.2	5.3	5.7
NTA per share (RM)	3.78	3.89	4.12	4.20	4.33
Price to NTA (x)	0.75	0.73	0.69	0.68	0.66

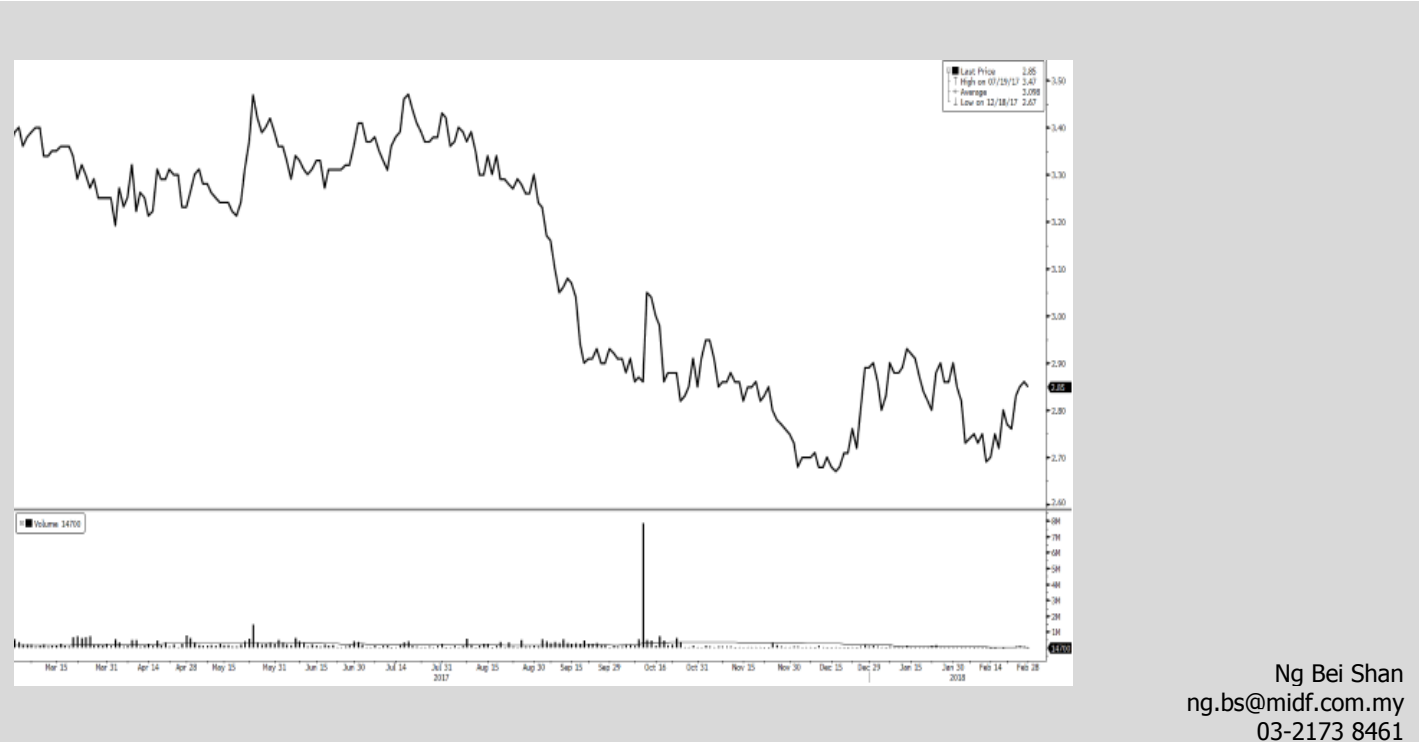
Source: Company, MIDF Research

CAN-ONE: 4QFY17 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	YoY	QoQ	FY17	YoY	
Revenue (RM'm)	300.8	12.4%	0.9%	1136.3	22.4%	Driven by higher sales from all segments
Gross profit (RM'm)	29.7	-26.4%	-4.8%	120.9	-3.6%	Higher raw material costs
EBIT (RM'm)	12.9	-52.7%	-44.7%	74.8	-12.5%	Distribution costs increased
Pretax Profit (RM'm)	22.5	-27.5%	7.4%	82.4	-23.0%	Contribution from KJCF improved qoq but declined yoy
Net Profit (RM'm)	17.6	-29.1%	10.4%	63.6	-26.4%	
EPS (sen)	9.1	-29.1%	10.4%	33.1	-26.4%	Higher raw material costs and lower contribution from KJCF
Net DPS (sen)	4.0	0.0%	N.M.	4.0	0.0%	
Margins						
EBIT (%/ ppt)	4.3%	-5.9ppt	-3.5ppt	6.6%	-2.6ppt	
Pretax margin (%/ ppt)	7.5%	-4.1ppt	0.5ppt	7.3%	-4.3ppt	

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.