

25 August 2017 | 1QFY18 Results Review

## Oldtown Berhad

*A decent start to FY18*

### INVESTMENT HIGHLIGHTS

- **1QFY18 earnings rose +20.6%yoy to RM16.7m which met our and consensus expectations**
- **Café chain operations recorded decent performance**
- **Manufacturing of beverages' performance dropped marginally**
- **Reaffirm NEUTRAL stance with unchanged TP of RM2.90**

**Met our and consensus expectations.** Oldtown's 1QFY18 earnings rose by +20.6%yoy to RM16.7m which accounted for 25% and 24% of our and consensus full year forecasts respectively.

**Earnings grew as margin expanded.** The group's revenue rose by +6.2%yoy to RM109.3m. Nevertheless, due to the increase of net profit margin by +1.8ppts yoy to 15.3%, earnings rose by +20.6%yoy to RM16.7m. The higher earnings was attributable to the increased in other operating income by RM2.9m as well as lower effective tax rate.

**Café chain operation recorded a decent performance.** The café chain operation's revenue increased marginally by +0.1%yoy to RM45.6m while its profit before tax (PBT) increased by +49.2%yoy to RM6.45m due to the expansion in margin of +4.7ppts yoy to 14.2%. The segment's PBT was higher mainly attributable to the write back of the provision of doubtful debts of RM3.1m during the quarter.

**Manufacturing of beverages' performance dropped marginally.** The manufacturing of beverages' revenue increased significantly by +11.1%yoy to RM63.7m. However, due to the contraction in margin by -2.7ppts yoy to 24.3%, the PBT dropped marginally to RM15.5m (a dropped of -0.1%yoy). This is mainly due to the; i) impact of RM2.1m unrealized foreign exchange loss and; ii) higher operating expenses mainly attributable to the increase in selling and distribution expenses.

**Impact to earnings.** No changes pending analyst briefing later this morning.

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM2.90**

### RETURN STATS

Price (24 August 2017)	RM2.79
Target Price	RM2.90
Expected Share Price Return	+3.94%
Expected Dividend Yield	+2.85%
<b>Expected Total Return</b>	<b>+6.79%</b>

### STOCK INFO

KLCI	1775.5
Bursa / Bloomberg	5201 / OTB MK
Board / Sector	Main / Consumer
Syariah Compliant	Yes
Issued shares (mil)	463.24
Market cap. (RM'm)	1,292.44m
Price over NA	3.38
52-wk price Range	RM1.74-RM3.46
Beta (against KLCI)	0.78
3-mth Avg Daily Vol	0.83m
3-mth Avg Daily Value	RM2.29m
Major Shareholders (%)	
Oldtown International	42.58
Mawer Investment	9.20
Franklin Resources	6.05

**Reaffirm NEUTRAL stance with an unchanged TP of RM2.90.** We are maintaining our **NEUTRAL** call on Oldtown with a TP of **RM2.90** per share. Our valuation is premised on FY19 EPS of 14.5sen pegged to FY19 forward PE of 20x. Our target is based on market capitalisation weighted forward PE of Oldtown's peer in the F&B and FMCG segment.



## INVESTMENT STATISTICS

FYE Mac (RMm)	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	397.7	393.4	425.2	471.2	508.4
EBITDA	83.0	85.7	88.6	106.0	114.4
Depreciation/Amortisation	(18.9)	(16.9)	(17.1)	(20.4)	(21.8)
EBIT	64.1	68.8	71.5	85.6	92.6
Other income	4.6	3.3	9.4	1.9	2.1
Net interest expense	(1.1)	(0.9)	(0.7)	(0.5)	(0.3)
Exceptional items	(3.5)	(3.0)	0.0	0.0	0.0
<b>PBT</b>	<b>64.2</b>	<b>68.2</b>	<b>80.2</b>	<b>87.0</b>	<b>94.4</b>
Tax expense	(15.1)	(15.9)	(20.2)	(20.0)	(21.7)
<b>PAT</b>	<b>49.1</b>	<b>52.3</b>	<b>60.0</b>	<b>67.0</b>	<b>72.7</b>
Non-controlling interests	1.6	0.0	0.0	0.0	0.0
<b>PATANCI</b>	<b>47.5</b>	<b>52.3</b>	<b>60.0</b>	<b>67.0</b>	<b>72.7</b>
PBT margin (%)	16.1	17.3	18.9	18.5	18.6
PAT margin (%)	12.3	13.3	14.1	14.2	14.3
PATANCI margin (%)	11.9	13.3	14.1	14.2	14.3
<b>EPS (sen)</b>	<b>10.5</b>	<b>11.6</b>	<b>13.3</b>	<b>14.5</b>	<b>15.7</b>
EPS growth (%)	(3.0)	10.1	14.8	8.8	8.4
Dividend/share (sen)	6.0	9.0	6.0	8.0	8.6
Payout ratio (%)	57.0	77.7	45.1	55.0	55.0
Dividend yield (%)	2.2	3.2	2.2	2.9	3.1
PER (x)	26.5	24.1	21.0	19.3	17.8

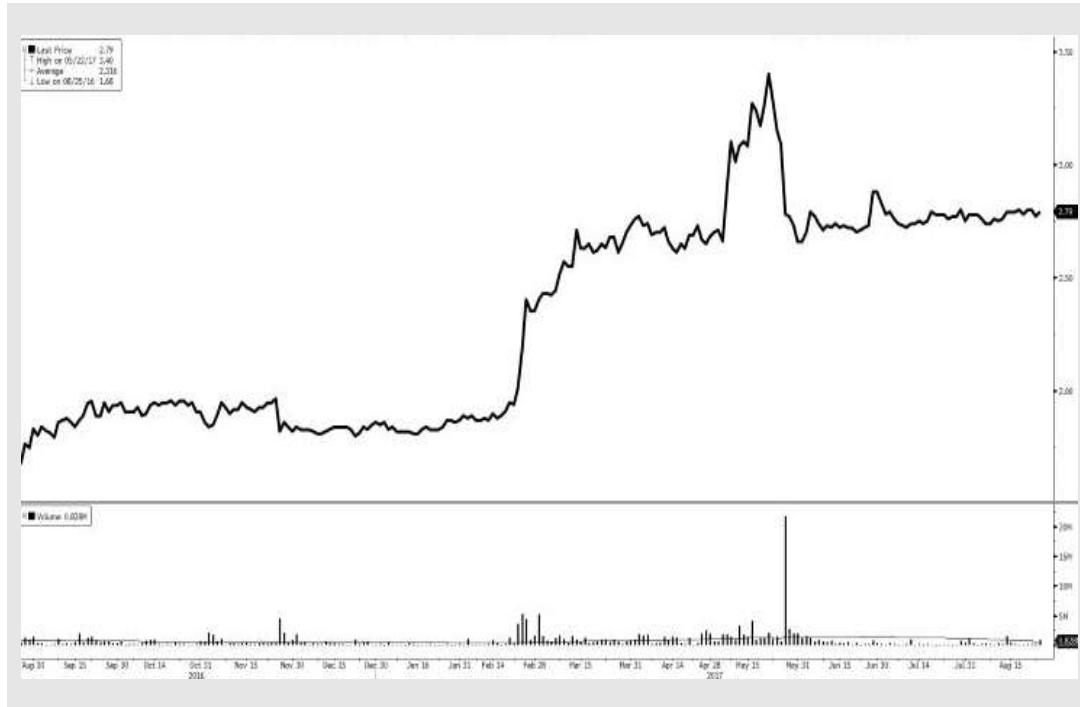
Source: MIDFR

## 1QFY18 Results Review

FYE Mac (RMm)	Quarterly results				
	1QFY18	4QFY17	1QFY17	YoY (%)	QoQ (%)
Revenue	109.3	107.0	102.9	6.2	2.2
Investment revenue	0.4	0.3	0.3	21.9	19.8
Other gains and losses	(1.1)	(0.2)	1.5	(173.7)	359.9
Other operating income	3.7	1.3	0.8	369.6	181.1
Changes in inventories	3.3	(0.4)	3.2	2.9	(976.5)
Raw materials and consumables used	(35.4)	(28.5)	(32.8)	8.0	24.1
Purchase of trading merchandise etc	(12.2)	(22.0)	(11.7)	4.8	(44.3)
Directors' remuneration	(0.6)	(0.6)	(0.5)	15.6	(7.2)
Employee benefits expenses	(17.2)	(17.4)	(16.9)	1.8	(1.2)
Depreciation of PPE	(3.1)	(3.2)	(3.4)	(9.5)	(2.8)
Finance costs	(0.1)	(0.1)	(0.2)	(30.5)	(8.1)
Amortisation of prepaid lease payments	(0.0)	(0.0)	(0.0)	0.0	(2.2)
Amortisation of intangible assets	(0.9)	(0.9)	(0.9)	0.0	0.0
Other operating expenses	(24.2)	(22.6)	(22.6)	7.3	6.9
Share of profits/(losses) of associates	(0.0)	(0.0)	(0.0)	(39.1)	(65.9)
<b>PBT</b>	<b>21.9</b>	<b>12.6</b>	<b>19.8</b>	<b>10.4</b>	<b>73.7</b>
Taxation	(5.3)	(2.9)	(6.1)	(12.7)	85.6
<b>PAT</b>	<b>16.5</b>	<b>9.7</b>	<b>13.7</b>	<b>20.7</b>	<b>70.2</b>
Non-controlling interests	(0.2)	(0.2)	(0.2)	n.a.	n.a.
<b>PATANCI</b>	<b>16.7</b>	<b>9.9</b>	<b>13.9</b>	<b>20.6</b>	<b>69.0</b>
Basic EPS (sen)	3.6	2.2	3.1	17.9	64.5
Fully Diluted EPS (sen)	3.6	2.2	3.1	17.9	64.5
				<i>+ / (-) ppts</i>	
PBT margin (%)	20.0	11.8	19.2	0.8	8.2
PAT margin (%)	15.1	9.1	13.3	1.8	6.0
PATANCI margin (%)	15.3	9.3	13.5	1.8	6.1
Effective tax rate (%)	24.3	22.7	30.7	(6.5)	1.6
<b>Segmentation</b>					
<b>Revenue (RMm)</b>					
Operation of Café Chain	45.6	51.6	45.5	0.1	(11.7)
Manufacturing of Beverages	63.7	64.1	57.3	11.1	(0.6)
	109.3	115.7	102.9	6.2	(5.5)
<b>Operating profit (RMm)</b>					
Operation of Café Chain	6.5	4.1	4.3	49.2	56.3
Manufacturing of Beverages	15.5	19.2	15.5	(0.1)	(19.4)
	22.0	23.4	19.8	10.7	(6.0)
<b>Operating profit margin (%)</b>					
				<i>+ / (-) ppts</i>	
Operation of Café Chain	14.2	8.0	9.5	4.7	6.2
Manufacturing of Beverages	24.3	30.0	27.1	(2.7)	(5.7)

Source: MIDFR

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.