

21 March 2018 | Cease Coverage

## OldTown Berhad

*Delisting on 28 March 2018*

### INVESTMENT HIGHLIGHTS

- **JDE has accumulated 98.6% stake in OldTown**
- **OldTown's securities will be suspended on 28 March 2018**
- **Leveraging on JDE's core expertise**
- **Ceasing coverage on OldTown**

**JDE has accumulated 98.6% stake in OldTown.** Jacobs Douwe Egberts Holdings Asia NL BV (JDE) has received valid acceptances for 456.8m of OldTown Bhd (OldTown) shares, representing a 98.6% stake in the company, following the closing of its offer at the end of trading day on Tuesday, 20 March 2018.

**OldTown's securities will be suspended on 28 March 2018.** As the JDE intends to privatise and delist OldTown, Bursa Securities Securities Berhad will suspend the trading in all listed securities of OldTown commencing on 28 March 2018, being the expiry of five market days from the closing date i.e. 20 March 2018 which is in accordance with Paragraph 16.02(3) of the Main Market Listing Requirements.

**Leveraging on JDE's core expertise.** Oldtown is currently facing a tougher outlook going forward due to the: (i) challenging outlook for its café outlet operation with the reduction in the number of local outlets and; (ii) tapering growth of the manufacturing of beverages' segment in light of the stronger Ringgit as this will have a stronger downside impact on export sales than the benefit gain from a lower raw material costs. Going forward, Oldtown will look to leverage on JDE's deep global expertise in addressing the challenges and build a highly successful partnership with them

**Cease coverage of OldTown.** JDE's valuation of RM3.18 per share represents an attractive premium of 22.31% over our last TP of RM2.60 per share which premised on FY19 EPS of 13sen pegged to FY19 forward PE of 20x. Therefore, we have recommended shareholders to **Accept** the offer. As JDE has accumulated more than 90% holding of OldTown and the stock will cease to be listed soon, we ceasing coverage on OldTown with a final fair value of RM3.18.



**Accept Offer**  
**Fair Value: RM3.18**

#### RETURN STATS

Price (20 <sup>th</sup> March 2018)	RM3.12
Fair Value	RM3.18
Expected Share Price Return	+1.9%
Expected Dividend Yield	+2.2%
<b>Expected Total Return</b>	<b>+4.1%</b>

#### STOCK INFO

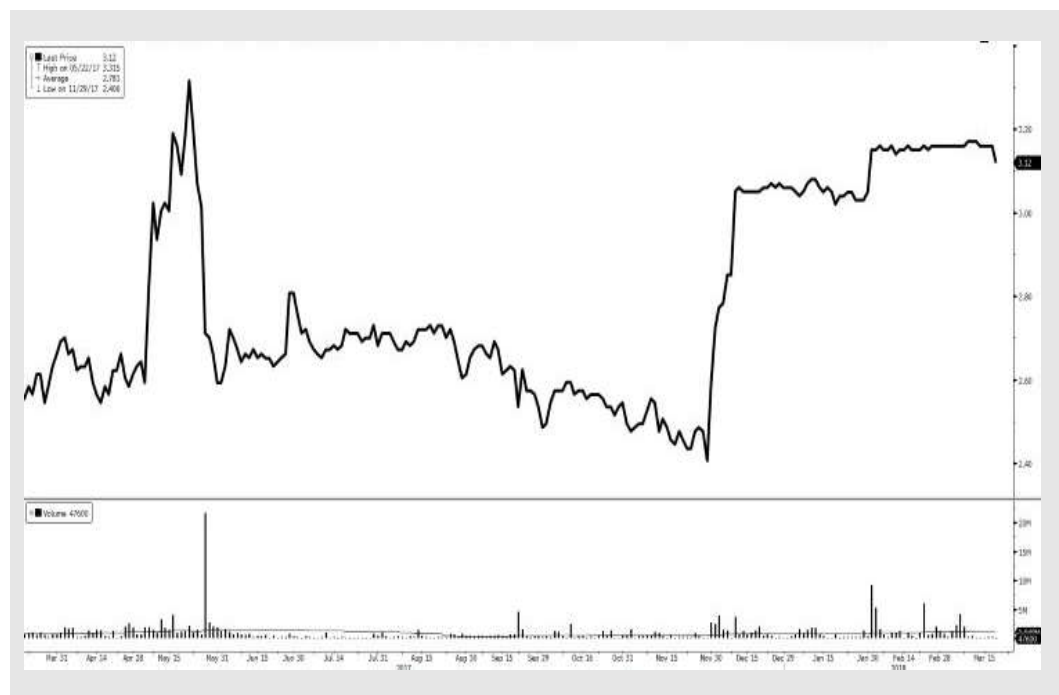
KLCI	1,856.39
Bursa / Bloomberg	5201 / OTB MK
Board / Sector	Main / Consumer
Syariah Compliant	Yes
Issued shares (mil)	463.24
Market cap. (RM'm)	1,445.31m
Price over NA	3.37
52-wk price Range	RM2.43-RM3.42
Beta (against KLCI)	0.67
3-mth Avg Daily Vol	1.04m
3-mth Avg Daily Value	RM3.28m
Major Shareholders (%)	
Jacobs Douwe Egberts	90.93
Mawer Investment	6.84
Franklin Resources	5.45

## INVESTMENT STATISTICS

FYE Mac (RMm)	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	397.7	393.4	425.2	431.9	442.3
<b>PBT</b>	<b>64.2</b>	<b>68.2</b>	<b>80.2</b>	<b>78.0</b>	<b>78.3</b>
<b>PAT</b>	<b>49.1</b>	<b>52.3</b>	<b>60.0</b>	<b>60.1</b>	<b>60.2</b>
<b>PATANCI</b>	<b>47.5</b>	<b>52.3</b>	<b>60.0</b>	<b>60.1</b>	<b>60.2</b>
PBT margin (%)	16.1	17.3	18.9	18.1	17.7
PAT margin (%)	12.3	13.3	14.1	13.9	13.6
PATANCI margin (%)	11.9	13.3	14.1	13.9	13.6
<b>EPS (sen)</b>	<b>10.5</b>	<b>11.6</b>	<b>13.3</b>	<b>13.0</b>	<b>13.0</b>
EPS growth (%)	(3.0)	10.1	14.8	(2.4)	0.2
Dividend/share (sen)	6.0	9.0	8.0	7.0	7.0
Payout ratio (%)	57.0	77.7	60.2	54.0	53.8
Dividend yield (%)	1.9	2.9	2.5	2.2	2.2
PER (x)	29.9	27.2	23.7	24.3	24.2

Source: MIDFR, Company

## DAILY PRICE CHART



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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.