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BUY ↻

Target
Previous
Price

RM4.47
RM4.47
RM3.51

CONSUMER

CI Holdings is the exclusive bottler for PepsiCo as well as a manufacturer of tapware and sanitary ware fittings.

Stock Statistics

Bloomberg Ticker	CIH MK
Share Capital (m)	142.0
Market Cap (RMm)	498.4
52 week H L Price (RM)	4.00 1.70
3mth Avg Vol ('000)	80.3
YTD Returns	-3.8
Beta (x)	0.85

Major Shareholders (%)

Bin Abdul Ghani Johari	30
Continental Theme SB	10.44
PNB	8.24

Share Performance (%)

Month	Absolute	Relative
1m	-3.6	-3.6
3m	-3.8	-9.8
6m	24.6	6.6
12m	109.0	71.9

6-month Share Price Performance**1HFY11 Results Review****CI Holdings****Sustaining The Growth Pace**

CIH reported respectable y-o-y revenue and earnings growth of 26% and 43% to RM300.2m and RM23.1m respectively for 1HFY11, which were within our and consensus forecasts. The hearty numbers were mainly attributed to the beverage division. Despite spiralling raw material prices, EBIT margin improved by 1.1%-pts y-o-y on better cost efficiency, economies of scale, higher other operating income and a stronger RM against USD. With the results being in line, we maintain our FY11 and FY12 earnings forecasts at RM42.3m and RM48.5m respectively. **Maintain BUY.**

Within expectation. CI Holdings' 1HFY11 results were in line with our and consensus' full-year earnings forecasts of RM42.3m and RM42.8m respectively. Its 1HFY11 net profit surged 43% y-o-y to RM23.1m while revenue jumped 26% to RM300.2m. The respectable results, which coincided with the year-end festive seasons, were mainly driven by its beverage division (1HFY11 sales +26.1% y-o-y), which accounts for 92.4% of the sales pie, while the tap and sanitary ware divisions, which contribute 7.6% of the total sales, saw 25.7% y-o-y revenue growth.

While growth was mainly buoyed by non-carbonated drinks and isotonic beverage sales as consumers become more health conscious, carbonated brands also contributed in no small measure to overall turnover. We believe the higher non-carbonated drink sales were mainly driven by better sales of Tropicana and Lipton products while the higher carbonated drink sales were mainly shored up by its newly launched Mountain Dew as well as Revive isotonic drink, which have seen encouraging growth since their launch in FY07. Although the sales of the new launches - Revive lime burst (launched in 1QFY11) and Tropicana Blackcurrant (launched in Dec 2010) have been encouraging, the products made minimal contribution to 1HFY11 sales. Although the beverage segment will be the main revenue driver going forward, we see its tap and sanitary ware division posting good sales in tandem with the improving property market.

Margins improve. Despite the sugar price hike in July 2010, CI's EBIT margin improved to 10.9% from 9.8% in 1HFY10, thanks to better operating efficiency, economies of scale, other operating income and stronger RM against USD. Margins at both the beverage and tap and sanitary ware divisions widened by 0.5%-pts and 6.2%-pts respectively. Nonetheless, we believe margins will come under pressure in the coming quarters as the sugar price hike in Dec 2010 (which we have factored into our model) kicks in.

Maintain BUY. Given that the results were in line, we are leaving our earnings forecast unchanged at RM42.3m and RM48.5m for FY11/12 respectively. Our target price is maintained at RM4.47, pegged at 15x FY11EPS.

FYE Jun (RMm)	FY08	FY09	FY10	FY11f	FY12f
Revenue	290.5	363.0	516.4	594.5	670.1
Net Profit	14.5	21.0	38.2	42.3	48.5
% chg y-o-y	84.9	44.2	82.0	10.8	14.7
Consensus				42.8	48.6
EPS (sen)	10.2	14.8	26.9	29.8	34.2
DPS (sen)	4.0	7.0	11.0	11.9	13.7
Dividend yield (%)	1.1	2.0	3.1	3.4	3.9
ROE (%)	14.0	15.8	23.7	22.7	22.5
ROA (%)	5.5	7.1	9.8	9.8	10.1
PER (x)	34.3	23.8	13.1	11.8	10.3
BV/share (RM)	0.73	0.93	1.14	1.32	1.52
P/BV (x)	5.6	4.8	3.8	3.1	2.7
EV/ EBITDA (x)	25.6	17.9	11.8	9.0	8.0

Results Table (RMm)

FYE Jun	2Q11	1Q11	Q-o-Q chg	YTD FY11	YTD FY10	Y-o-Y chg	Comments
Revenue	146.7	153.6	-4.5	300.2	238.3	26.0	Stronger mainly driven by beverage division
- Beverage	134.7	142.6	-5.5	277.3	219.9	26.1	Higher sales registered by both carbonated and non-carbonated drinks.
- Tapware and sanitary ware	11.9	11.0	8.5	22.8	18.2	25.7	Tapping on the improving property market
EBIT	16.2	16.5	-2.3	32.7	23.4	39.5	Margin improved due to higher operating efficiency, economies of scale, stronger RM against USD and other operating income
Net interest expense	-1.3	-1.1	26.7	-2.4	-1.8	30.2	Higher finance cost due to the acquisition of carbonated production line and purchase of warehouse.
Associates	0.0	0.0	-	0.0	0.0	-	
PBT	14.8	15.5	-4.3	30.3	21.6	40.2	
Tax	-3.5	-3.7	-4.5	-7.3	-5.5	31.8	
MI	0.0	0.0	-	0.0	0.0	-	
Net profit	11.3	11.8	-4.2	23.1	16.1	43.0	In line – 54.6% of OSK full year forecast.
EPS (sen)	7.9	8.3	-	16.2	11.4	-	
DPS (sen)	5.00	0.00	-	5.00	4.0	-	First interim dividend less income tax 25%
EBIT margin	11.0	10.8	-	10.9	9.8	-	
NTA/share (RM)	0.91	0.89	-	0.91	0.60	-	

EARNINGS FORECAST

FYJun (RMm)	FY08	FY09	FY10	FY11f	FY12f
Turnover	290.5	363.0	516.4	594.5	670.1
EBITDA	31.5	45.5	62.7	69.8	81.2
PBT	15.5	28.1	48.2	53.4	61.3
Net Profit	14.5	21.0	38.2	42.3	48.5
EPS (sen)	10.2	14.8	26.9	29.8	34.2
DPS (sen)	4.0	7.0	11.0	11.9	13.7
Margin					
EBITDA (%)	10.9	12.5	12.1	11.7	12.1
PBT (%)	5.4	7.7	9.3	9.0	9.1
Net Profit (%)	5.0	5.8	7.4	7.1	7.2
ROE (%)	14.0	15.8	23.7	22.7	22.5
ROA (%)	5.5	7.1	9.8	9.8	10.1
Balance Sheet					
Fixed Assets	88.8	85.7	125.3	161.5	173.7
Current Assets	118.0	155.6	210.6	228.5	272.6
Total Assets	263.2	294.9	388.4	432.2	479.0
Current Liabilities	122.3	120.9	165.6	183.0	200.6
Net Current Assets	141.0	174.0	222.8	249.2	278.4
LT Liabilities	36.7	40.1	61.4	62.5	62.5
Shareholders Funds	104.2	132.8	161.4	186.7	215.9
Net Gearing (%)	63.8	29.0	41.1	33.1	19.5

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