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BUY ↔

Fair Value
Previous
Price

RM3.79
RM4.37
RM3.02

CONSUMER

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

Stock Statistics

		CIH MK
Bloomberg Ticker		142.0
Share Capital (m)		428.8
Market Cap (RMm)		2.08
52 week H L Price (RM)	4.00	102.2
3mth Avg Vol ('000)		-17.3
YTD Returns		0.69
Beta (x)		

Major Shareholders (%)

Bin Abdul Ghani Johari	30.0
Continental Theme SB	10.4
PNB	8.2

Share Performance (%)

Month	Absolute	Relative
1m	-2.6	-4.0
3m	-14.9	-14.0
6m	-13.8	-20.3
12m	49.4	24.1

6-month Share Price Performance**9MFY11 Results Review****C.I. Holdings****Margins Narrow on Slower Sales**

CIH's 9MFY11 were within our estimates. Although 9MFY11 net profit grew 15.4% y-o-y to RM31.3m (sales +17.1% to RM440.3m), 3QFY11 sales improved by a marginal 1.7% y-o-y but net profit slid 25.1% y-o-y. The weaker results were mainly due to: (i) the different timing of the Chinese New Year festive period in 2011 vs. 2010; (ii) more intense competition; (iii) the rainy season in the current quarter; and (iv) higher sugar price. We keep our FY11/12 earnings forecasts but cut our FV to RM3.79, which we peg at a lower PE of 13x vs. 15x previously given the weaker outlook. We maintain our BUY call on the stock given the more than 10% upside.

As expected. CIH's 9MFY11 results were in line with our forecast of RM41.3m in earnings but slightly below consensus' full-year RM44.7m estimate. 9MFY11 net profit climbed 15.4% y-o-y to RM31.3m against revenue growth of 17.1% to RM440.3m. While earnings improved in 9MFY11 fuelled by the strong 1HFY11 results, CIH's 3QFY11 revenue and net profit registered 1.7% growth and 25.1% contraction y-o-y respectively. The small 1.7% topline growth was mainly driven by its tap and sanitary ware division while its beverage division shrank by 0.3%, mainly due to: (i) the Chinese New Year festival this year which fell on 3 Feb, earlier than in 2010's 14 Feb; (ii) intensifying competition; and (iii) the rainy season during the quarter. Meanwhile, the weaker bottom-line was the result of higher sugar price, which soured its earnings in the current quarter.

Margins down. While CIH's 9MFY11 EBIT margin improved to 10.3% from 10.1% in 9MFY10, its 3QFY11 EBIT margin dipped 1.5% pts to 9.0% y-o-y against the backdrop of higher sugar prices. From Jan this year, CI and 12 other large beverage companies no longer enjoyed subsidized sugar and had to buy sugar at market prices. We see the company's margin remaining under pressure as it enhances efficiency while passing on the higher cost to consumers. Although new launches such as Revive Lime Burst (launched in 1QFY11) and Tropicana Blackcurrant (launched in Dec 2010) are encouraging, it would take time for the products to contribute meaningfully to total sales, particularly amid intense competition. CI will launch one more new product this financial year. While the beverage segment will still be the main revenue driver, we see good sales from its tap and sanitary ware division riding on the improving property market.

Maintain BUY. While our earnings forecasts are unchanged at RM41.3m and RM47.0m for FY11/12 respectively, we are cutting our target PE from 15x to 13x on the weaker outlook due to fierce competition and higher raw material prices. Although our FV is cut to RM3.79 from RM4.37, we maintain our BUY call given the more than 10% share price upside.

FYE Jun (RMm)	FY08	FY09	FY10	FY11 f	FY12f
Revenue	290.5	363.0	516.4	600.0	682.7
Net Profit	14.5	21.0	38.2	41.3	47.0
% chg y-o-y	84.9	44.2	82.0	8.3	13.6
Consensus				44.7	48.0
EPS (sen)	10.2	14.8	26.9	29.1	33.1
DPS (sen)	4.0	7.0	11.0	11.6	13.2
Dividend yield (%)	1.3	2.3	3.6	3.9	4.4
ROE (%)	14.0	15.8	23.7	22.2	21.9
ROA (%)	5.5	7.1	9.8	9.6	9.8
PER (x)	29.5	20.4	11.2	10.4	9.1
BV/share (RM)	0.73	0.93	1.14	1.31	1.51
P/BV (x)	4.8	4.1	3.2	2.7	2.3
EV/ EBITDA (x)	22.4	15.7	10.3	7.9	6.9

Results Table (RMm)

FYE Jun	3Q11	2Q11	Q-o-Q chg	YTD FY11	YTD FY10	Y-o-Y chg	Comments
Revenue	140.1	146.7	-4.5	440.3	376.0	17.1	Stronger mainly driven by stronger 1HFY11 sales
- Beverage	129.3	134.7	-4.0	406.6	349.6	16.3	Higher sales registered by both carbonated and non-carbonated drinks in 1HFY11
- Tapware and sanitary ware	10.7	11.9	-9.6	33.6	26.1	28.6	Tapping on the improving property market
EBIT	12.7	16.2	-21.5	45.4	37.9	19.5	Margin improved due to the stronger margin registered in 1HFY11
Net interest expense	-1.4	-1.3	7.9	-3.8	-2.7	44.7	
Associates	0.0	0.0	-	0.0	0.0	-	
PBT	11.2	14.8	-24.2	41.5	35.3	17.6	
Tax	-3.0	-3.5	-14.1	-10.3	-8.3	24.5	
MI	0.0	0.0	-	0.0	0.1	-	
Net profit	8.2	11.3	-27.2	31.3	27.1	15.4	In line – 75.8% of OSK full year forecast.
EPS (sen)	5.8	7.9	-	22.0	19.1	-	
DPS (sen)	0.0	5.0	-	5.0	4.0	-	
EBIT margin	9.0	11.0	-	10.3	10.1	-	
NTA/share (RM)	0.93	0.91	-	0.93	0.72	-	

EARNINGS FORECAST

FYJun (RMm)	FY08	FY09	FY10	FY11f	FY12f
Turnover	290.5	363.0	516.4	600.0	682.7
EBITDA	31.5	45.5	62.7	71.3	82.4
PBT	15.5	28.1	48.2	54.9	62.5
Net Profit	14.5	21.0	38.2	41.3	47.0
EPS (sen)	10.2	14.8	26.9	29.1	33.1
DPS (sen)	4.0	7.0	11.0	11.6	13.2
Margin					
EBITDA (%)	10.9	12.5	12.1	11.9	12.1
PBT (%)	5.4	7.7	9.3	9.2	9.2
Net Profit (%)	5.0	5.8	7.4	6.9	6.9
ROE (%)	14.0	15.8	23.7	22.2	21.9
ROA (%)	5.5	7.1	9.8	9.6	9.8
Balance Sheet					
Fixed Assets	88.8	85.7	125.3	161.5	173.7
Current Assets	118.0	155.6	210.6	228.8	273.5
Total Assets	263.2	294.9	388.4	432.6	480.1
Current Liabilities	122.3	120.9	165.6	183.9	203.3
Net Current Assets	141.0	174.0	222.8	248.7	276.9
LT Liabilities	36.7	40.1	61.4	62.5	62.5
Shareholders Funds	104.2	132.8	161.4	186.2	214.4
Net Gearing (%)	63.8	29.0	41.1	34.0	21.1

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