Malaysia

MARKET DATELINE • PP 7767/09/2011(025873O)

RHB Research Institute Sdn Bhd
A member of the RHB Banking Group
Company No: 233327 -M

Corporate Highlights

News Update

25 July 2011

C.I. Holdings

CIH To Distribute 90% Of Permanis Proceeds?

Share Price	:	RM4.61
Fair Value	:	RM5.80
Recom		**Trading Buy** (Maintained)

Table 1 : Investment Statistics (CIHLDG; Code: 2828) — **Bloomberg: CIH MK**

FYE June	Turnover (RMm)	Net profit (RMm)	EPS (sen)	Growth (%)	PER (x)	C.EPS* (sen)	P/NTA (x)	Net Gearing (x)	P/CF (x)	ROE (%)	GDY (%)
2010a	516.4	38.1	26.8	65.7	12.3	-	4.7	13.9	0.3	25.7	3.5
2011f	616.3	39.2	27.6	2.8	12.0	28.0	4.1	17.4	0.3	22.2	2.5
2012f	390.4	32.2	16.4	-40.7	20.2	32.0	4.0	6.3	net	11.7	1.5
2013f	66.0	28.3	7.3	-55.6	45.4	35.0	3.9	3.6	net	4.9	0.7

Main Market Listing / Non-Trustee Stock / Syariah-Approved Stock By The SC — ** Consensus Based On IBES Estimates*

- **CIH MD quoted.** Dato' Johari, CIH's Managing Director, was quoted in *The Edge Financial Daily* today saying that based on current proposals, its new targeted acquisitions may only cost between RM20-80m so there is a large portion to give back to shareholders. He added however, that assuming CIH is not able to find a suitable acquisition, it is likely that CIH would distribute 90% of the proceeds from the sale of Permanis to shareholders. Furthermore, he added that CIH might not necessarily have to rely on proceeds from the Permanis sale for any future acquisitions as the company could still call on other methods of fundraising.

- **Eyeing manufacturing SMEs.** We understand from the article that CIH might be looking to small-to-medium entities within the manufacturing sector and turn them around, as it did with Permanis. We note that CIH will not be able to enter into another ready-to-drink (RTD) beverage business for the next three years due to the conditions stated in the deal with Asahi.

- **No further investments in Doe.** Despite its excess cash, we understand that CIH is not intending to further pump in more capital for its tap and sanitary ware business, Doe Industries, as the division is performing well on its own.

- **RM2.89-5.20 potential dividend range.** If we assume 50-90% of the proceeds are returned to shareholders, this implies a dividend payout within the range of RM2.89-5.20 per share. We previously noted that CIH would have to pay at least RM1.72 per share in dividends to bring its cash level down to less than 70% of its total assets, in order to avoid being classified as a cash company (PN16).

- **Risks.** The risks include: 1) significant rise in sales volume; 2) significant decrease in raw material prices like crude oil and sugar; and 3) foreign exchange risk as CIH buys concentrate from PepsiCo in USD.

- **Forecasts.** No change to our earnings forecasts.

- **Maintain Trading Buy.** For the time being, we maintain our **Trading Buy** call on the stock, with an unchanged fair value of RM5.80 per share. We believe that CIH's share price would be volatile in the near term, pending official announcements pertaining to: 1) the quantum of dividends that it intends to pay out; and 2) its plans to acquire new businesses after the disposal of Permanis. Due to the uncertainties attached to CIH's share price, we believe investors should take profit once the share price comes close to our fair value of RM5.80.

Issued Capital (m shares)	142.0
Market Cap (RMm)	468.6
Daily Trading Vol (m shs)	0.2
52wk Price Range (RM)	2.47-4.96
Major Shareholders:	**(%)**
Datuk Johari Abdul Ghani	30.0
Continental Theme	10.4
PNB	8.2

FYE June	FY11	FY12	FY13
EPS chg (%)	-	-	-
Var to Cons (%)	(1.4)	(16.6)	(39.4)

PE Band Chart

Relative Performance To FBM KLCI

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Please read important disclosures at the end of this report.

Table 2. Earnings Forecasts				
FYE Jun (RMm)	**FY10a**	**FY11F**	**FY12F**	**FY13F**
Turnover	**516.4**	**616.3**	**390.4**	**66.0**
Turnover growth (%)	42.3	19.3	(36.7)	(83.1)
Cost of Sales	(304.6)	(373.3)	(237.6)	(30.4)
Gross Profit	211.8	243.0	152.8	35.6
EBITDA	**64.8**	**72.0**	**55.7**	**37.0**
EBITDA margin (%)	12.6	11.7	14.3	56.0
Depr&Amor	13.6	18.8	23.3	21.6
Net Interest	(3.2)	(3.1)	(2.7)	(2.2)
Pretax Profit	**48.0**	**50.1**	**29.7**	**13.1**
Tax	(10.0)	(11.0)	(6.5)	(2.9)
Net Profit	**38.1**	**39.2**	**32.2**	**28.3**

Source: Company, RHBRI Estimates

Table 3. Forecast Assumptions			
FYE Jun	**FY11F**	**FY12F**	**FY13F**
Carb-lines	4.00	4.00	4.00
Utilisation	75%	85%	75%
Non-carb lines	3	3	3
Utilisation	45%	56%	69%

Source: Company, RHBRI

IMPORTANT DISCLOSURES

The recommendation framework for stocks and sectors are as follows : -

Stock Ratings

Outperform = The stock return is expected to exceed the FBM KLCI benchmark by greater than five percentage points over the next 6-12 months.

Trading Buy = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

Market Perform = The stock return is expected to be in line with the FBM KLCI benchmark (+/- five percentage points) over the next 6-12 months.

Underperform = The stock return is expected to underperform the FBM KLCI benchmark by more than five percentage points over the next 6-12 months.

Industry/Sector Ratings

Overweight = Industry expected to outperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Neutral = Industry expected to perform in line with the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Underweight = Industry expected to underperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.