

# Corporate Highlights

## Results Note

### C.I. Holdings

FY06/11 Earnings Grew 5.3% Yoy



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

26 August 2011

Share Price : RM4.34  
Fair Value : RM5.80  
Recom **Trading Buy**  
(Maintained)

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

FYE	Turnover	Net profit	EPS	Growth	PER	C.EPS*	P/NTA	Net Gearing	P/CF	ROE	GDY
June	(RMm)	(RMm)	(sen)	(%)	(x)	(sen)	(x)	(x)	(x)	(%)	(%)
2011a	580.7	40.6	28.6	6.4	15.2	28.0	4.1	14.5	0.2	23.0	2.0
2012f	390.4	32.2	22.7	-20.5	19.1	32.0	4.0	6.3	net cash	15.9	1.6
2013f	66.0	28.3	19.9	-12.2	21.8	35.0	3.9	3.8	net cash	12.7	1.4
2014f	79.2	31.0	21.8	9.3	19.9	-	3.8	3.6	net cash	26.5	1.5

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

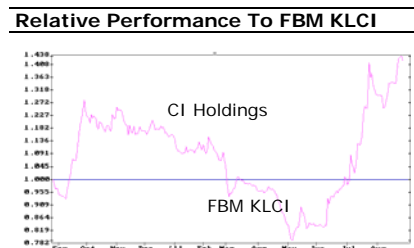
- Above expectations.** CI Holdings' (CIH) 12MFY06/11 net profit of RM31.3m (+5.3% yoy), accounting for 106% and 98% of our and consensus full year earnings forecasts respectively. CIH declared a final dividend of 7 sen (less 25% tax) for the 4Q11, bringing total dividends for FY11 to 12 sen (FY10: 11 sen), in line with our estimate.
- 4QFY06/11 topline flat.** Revenues for the 4Q was flat yoy on account of the overall softness in the Malaysian beverage industry, partly due to the lack of significant marketing activities as compared to 4QFY06/10 which experienced increased volumes during the FIFA World Cup. Earnings during the quarter declined by 19% yoy, which was expected, given the higher sugar prices during the 2HFY11. We believe another reason for the flattish 4Q revenues was the tweaking of trade discount activities to mitigate the impact of the higher sugar costs, as we had previously highlighted in our briefing note dated 22 Apr. The trade discounts apparently impacted CIH's earnings positively, given that net profit grew by 13.4% qoq with a 1.8%pts improvement in gross margins.
- Sale of Permanis pending various approvals.** Regarding CIH's sale of its beverage division, Permanis to Asahi for RM820m, we understand that CIH is currently in the process of obtaining approvals from the relevant authorities. We expect an EGM to be held concurrently with its AGM, slated to be sometime in Oct 11 to obtain shareholders' approval for the sale. In the meantime, however, we expect CIH to continue to focus on further growing Permanis, while also exploring other potential businesses that it will acquire with part of the proceeds from the sale.
- Risks.** The risks include: 1) significant drop in demand; 2) significant increase in raw material prices such as crude oil and sugar; and 3) foreign exchange risk as CIH buys concentrate from PepsiCo in USD.
- Forecasts.** We are leaving our forecasts unchanged, pending from the analysts briefing later today. We introduce our FY06/14 forecasts.
- Uncertain outlook.** We believe CIH's earnings outlook is cloudy, due to the sale of Permanis. Further uncertainty lies ahead for CIH shareholders, as the plans for the utilisation of the proceeds are yet to be announced. However, a significant portion of its sale proceeds could be distributed to shareholders and as such, we reiterate our **Trading Buy** call on the stock, with an unchanged fair value of RM5.80.

RHBRI	Vs.	Consensus
✓	Above	
	In Line	✓
	Below	

Issued Capital (m shares)	142.0
Market Cap (RMm)	616.3
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	FY12	FY13	FY14
EPS chg (%)	-	-	-
Var to Cons (%)	(1.4)	(29.0)	(23.0)



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**Table 2. CI Holdings Quarterly Results Review**

FYE Jun	4Q10	3Q11	4Q11	QoQ	YoY	12M10	12M11	YoY	Comments
	RMm	RMm	RMm	%	%	RMm	RMm	%	
Revenue	140.4	140.1	140.4	0.2	(0.0)	516.4	580.7	12.5	Yoy and qoq revenues flat due to a weaker beverage industry sales in the 4Q Refer to gross margin.
<b>Gross profit</b>	<b>58.6</b>	<b>52.3</b>	<b>55.0</b>	<b>5.0</b>	<b>(6.2)</b>	<b>211.8</b>	<b>228.8</b>	<b>8.0</b>	
Other op income	1.7	0.7	1.7	142.9	(2.1)	3.3	4.8	46.2	
<b>EBIT</b>	<b>13.7</b>	<b>12.7</b>	<b>14.4</b>	<b>13.4</b>	<b>5.3</b>	<b>51.1</b>	<b>59.7</b>	<b>16.9</b>	
Finance costs	(0.5)	(1.4)	(2.1)	48.2	327.3	(2.7)	(6.0)	125.4	
<b>PBT</b>	<b>13.2</b>	<b>11.2</b>	<b>12.2</b>	<b>8.9</b>	<b>(7.0)</b>	<b>48.4</b>	<b>53.7</b>	<b>10.9</b>	
Tax	(1.7)	(3.0)	(2.9)	(3.6)	70.1	(10.0)	(13.2)	32.4	
Tax rate	(13.1)	(27.1)	(24.0)	3.1	-10.9	(20.6)	(24.6)	-4.0	Tax rate lower than statutory tax rate due to utilisation of reinvestment allowance.
Minority int	(0.0)	(0.0)	(0.0)	(58.8)	(68.2)	(0.1)	(0.0)	(44.3)	
<b>Net profit</b>	<b>11.5</b>	<b>8.2</b>	<b>9.3</b>	<b>13.4</b>	<b>(18.8)</b>	<b>38.5</b>	<b>40.6</b>	<b>5.3</b>	
<b>Margins (%)</b>									
Gross	41.7	37.3	39.1	1.8	-2.6	41.0	39.4	-1.6	Overall gross margin declined for FY06/11 due to the impact of the higher sugar cost in 2HFY06/11. Qoq EBIT margins improved due to the impact of tweaking trade discount activities to mitigate impact of higher raw sugar costs
EBIT	9.7	9.0	10.2	1.2	0.5	9.9	10.3	0.4	
PBT	9.4	8.0	8.7	0.7	-0.7	9.4	9.3	-0.1	
Net profit	8.2	5.9	6.6	0.8	-1.5	7.5	7.0	-0.5	

Source: Company, RHBRI estimates

**Table 3. Earnings Forecasts**

FYE Jun (RMm)	FY11a	FY12F	FY13F	FY14F
<b>Turnover</b>	<b>580.7</b>	<b>390.4</b>	<b>66.0</b>	<b>79.2</b>
Turnover growth (%)	12.5	(32.8)	(83.1)	20.0
Cost of Sales	(352.0)	(237.6)	(30.4)	(36.4)
Gross Profit	228.8	152.8	35.6	42.8
<b>EBITDA</b>	<b>78.5</b>	<b>55.7</b>	<b>37.0</b>	<b>38.6</b>
EBITDA margin (%)	13.5	14.3	56.0	48.8
Depr&Amor	18.8	23.3	21.6	20.2
Net Interest	(6.0)	(2.7)	(2.2)	(2.0)
<b>Pretax Profit</b>	<b>53.7</b>	<b>29.7</b>	<b>13.1</b>	<b>16.5</b>
Tax	(13.2)	(6.5)	(2.9)	(3.6)
<b>Net Profit</b>	<b>40.6</b>	<b>32.2</b>	<b>28.3</b>	<b>31.0</b>

Source: Company, RHBRI Estimates

**Table 4. Forecast Assumptions**

FYE Jun	FY12F	FY13F	FY14F
Carb-lines	4.00	-	-
Utilisation	75%	-	-
Non-carb lines	3	-	-
Utilisation	46%	-	-

Source: Company, RHBRI

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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.

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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.

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