

Corporate Highlights

Company Update

19 October 2011

C.I. Holdings

Minimum Dividend Of RM4/share Post-Disposal Of
Permanis

Share Price : RM4.64
Fair Value : RM5.80
Recom **Trading Buy**
(Maintained)

Table 1 : Investment Statistics (CIHLDG; Code: 2828)

Bloomberg: CIH MK

FYE	Turnover (RMm)	Net				PER (x)	C.EPS* (sen)	P/NTA (x)	Net			
		profit (RMm)	EPS (sen)	Growth (%)	ROE (%)				Gearing (x)	P/CF (x)	ROE (%)	GDY (%)
June												
2011a	580.7	40.6	28.6	6.4	15.2	-	4.1	14.5	0.2	23.0	2.0	
2012f	390.4	32.2	22.7	-20.5	19.1	31.0	4.0	6.3	net cash	15.9	1.6	
2013f	66.0	28.3	19.9	-12.2	21.8	36.0	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

- ◆ **Minimum dividend of RM4 per share.** According to CIH's circular to shareholders pertaining to its disposal of Permanis to Asahi, we understand that CIH intends to distribute at least RM568m or RM4/share or 71% of its net proceeds from the sale in cash dividends to shareholders. The dividends would be paid out immediately upon the completion of the disposal. Based on CIH's current price, this would imply a yield of 84.2%. The rest of the proceeds would be held by CIH for the purpose of investing in new assets and businesses which they are still contemplating. As such, the final amount that CIH pays out could be higher than RM4/share, depending on how much is needed for new acquisitions. This would be determined and announced prior to the completion of the disposal.
- ◆ **Deal to be completed by end-Nov 2011.** CIH will hold an EGM on 27 Oct to obtain the approval of its shareholders regarding the disposal of Permanis to Asahi, while it expects to complete all the conditions of the disposal by mid-Nov 2011 after which the disposal will be complete, tentatively by end-Nov 2011. We understand that most of the conditions are either complete, or are on the verge of completion already. The Ministry of Trade and Industry (MITI) has already granted the approval for the transfer of the shares of Permanis to Asahi.
- ◆ **RM229m for acquisitions.** Even after paying RM568m in dividends, CIH would be left with net cash of approximately RM248m. This would account for 85% of its total assets and would classify them as a cash company (PN16). Out of this RM248m, we understand that CIH intends to utilise RM229m (RM1.61/share) to acquire new assets or businesses. Assuming that CIH does not find a suitable business within 12 months of becoming a PN16 company, we understand that it would distribute the entire amount of RM229m to shareholders. Based on that scenario, CIH might be classified as an Affected Listed Issuer (PN17), in which case it would have to regularise its condition within 12 months or be delisted. However, given that CIH's intention is to remain listed, we believe that it would try its utmost to acquire a new business as soon as possible so as to avoid becoming a PN17 company.
- ◆ **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.** We are positive on the minimum amount of RM4/share in dividends that it intends to pay its shareholders. Furthermore, the amount could potentially be higher, depending on CIH's business acquisition plans. We reiterate our **Trading Buy** call on the stock, with an unchanged fair value of RM5.80, which is based on the net cash per share, post-disposal of Permanis to Asahi.

Issued Capital (m shares)	142.0
Market Cap (RMm)	658.9
Daily Trading Vol (m shs)	0.3
52wk Price Range (RM)	2.47-4.96

Major Shareholders:	(%)
Datuk Johari Abdul Ghani	30.0
Continental Theme	10.4
PNB	6.5

FYE June	FY12	FY13	FY14
EPS chg (%)	-	-	-
Var to Cons (%)	(26.8)	(44.7)	-

PE Band Chart



Relative Performance To FBM KLCI



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Please read important disclosures at the end of this report.

Table 3. Earnings Forecasts

FYE Jun (RMm)	FY11a	FY12F	FY13F	FY14F
Turnover	580.7	390.4	66.0	79.2
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
EBITDA	78.5	55.7	37.0	38.6
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)
Pretax Profit	53.7	29.7	13.1	16.5
Tax	(13.2)	(6.5)	(2.9)	(3.6)
Net Profit	40.6	32.2	28.3	31.0

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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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.

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