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

Corporate Highlights

Company Update

11 November 2011

C.I. Holdings

RM4.60 Special Dividend and RM0.50 Capital Repayment Proposed

Share Price	:	RM4.95
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 (%)
2011a	580.7	40.6	28.6	6.4	17.3	-	4.1	14.5	0.2	23.0	1.7
2012f	390.4	32.2	22.7	-20.5	21.8	31.0	4.0	6.3	net cash	15.9	1.4
2013f	66.0	28.3	19.9	-12.2	24.8	36.0	3.9	3.8	net cash	12.7	1.2
2014f	79.2	31.0	21.8	9.3	22.7	-	3.8	3.6	net cash	12.7	1.3

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

- **Increasing dividend amount.** CIH announced that they intend to increase the total amount of cash dividend to RM724.2m (RM5.10/share), from RM568m (RM4/share) previously. This cash dividend will be implemented through a special dividend of RM4.60/share, and a capital repayment of RM0.50/share.
- **Special dividend to be paid first.** The special dividend of RM4.60 is expected to be paid by the end of 2011. Note that the board has yet to set an entitlement date for the special dividend.
- **Capital repayment requires approval.** The capital repayment of RM0.50 which CIH is proposing would reduce the par value of its share to RM0.50/share from RM1 currently. This would require the approval of CIH shareholders and the sanction of the High Court of Malaya to be completed. We understand that these proposals are expected to be completed in the first half of 2012, which implies that shareholders would have to wait until then to receive the full RM5.10/share.
- **RM80-90m left after all is done**. Based on our estimates, after paying the special dividend and capital reduction, CIH would be left with approximately RM80-90m from the disposal of Permanis (RM0.56-63/share). We believe this amount would be used by CIH for its new business, which is yet to be announced.
- **A point to ponder.** Given the uncertainty surrounding CIH's new business plans, we believe that the value of CIH post-dividends would have to take into account the opportunity cost of holding CIH's shares. For example, assuming the net cash per share post-dividends is RM0.56, while CIH is still looking for a new business. Based on this scenario, we believe investors would have to ponder if it is still worth investing in CIH given that it might receive better returns from other investments in the market. Furthermore CIH's value would also be dependent on the future acquisition, which carries a risk of eroding its value. As such, the value of CIH would have to be discounted to account for these factors, which could result in a value of RM0.40-0.45 (from RM0.56/share post-dividends), based on a 20-25% discount.
- **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.

Issued Capital (m shares)	142.0
Market Cap (RMm)	702.9
Daily Trading Vol (m shs)	0.3
52wk Price Range (RM)	2.47-5.12
Major Shareholders:	**(%)**
Datuk Johari Abdul Ghani	30.5
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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- **Maintain Trading Buy.** Aside from the uncertainties post-dividends, we are positive about CIH's higher dividend payout than the previously proposed RM4/share. Based on yesterday's closing price of RM4.95, investors would receive total cash dividends of RM5.10/share, or more than 100% of the invested capital, with cash to spare. This also implies that investors would be getting CIH's sanitary and tapware business, which we estimate to be valued at approximately RM0.20/share (based on NTA) for free. We reiterate our **Trading Buy** call on the stock with an unchanged fair value of RM5.80/share.

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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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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