



CIMB Research Report

# CI Holdings

Expect a juicy 4Q

UPDATE REPORT

19 August 2008

**RECOM** Buy

**PRICE** RM0.93

**MKT CAPITALISATION** RM120.5m

**BOARD** Main

**SECTOR** Food & Beverage

MALAYSIA

CIH MK / CIHB.KL

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## Investment highlights

- 4QFY6/08 results preview.** CI Holdings's (CIH) 4Q08 net profit is set to beat our expectation of RM2.5m. Hence, full-year bottomline is likely to show an upward variation of around 20% from our forecast of RM12m. 4Q net profit will be the company's eighth straight quarter of profits. The results are scheduled to be released on 26 Aug. There are no consensus estimates.
- Juice venture.** We believe much of the difference came from a strong response to the launch of Tropicana Twister orange and apple juices in Mar 08. We understand that CIH is selling 40,000-50,000 cases of Tropicana Twister per month, more than double our expectation of 15,000-20,000 cases per month (1 case = 24 bottles). The drinks retail at RM2.50 each. Tropicana is the world's No. 1 juice brand and is owned by PepsiCo. The introduction of Tropicana Twister marked CIH's wholly-owned Permanis's first venture into the juice segment after being involved in the carbonated drink segment for decades. The two fruit juices join a commendable list of PepsiCo products (i.e. Pepsi, Mirinda, Seven-Up and Mountain Dew) for which Permanis holds the exclusive bottling, distribution and sale rights in Malaysia. Apart from supermarkets, grocery stores and other retail outlets, Tropicana is also available at KFC and Pizza Hut outlets. Over the years, CIH has supplied Pepsi drinks to KFC and Pizza Hut outlets, which are under KFC Holdings (KFC MK, Not Rated) and QSR Brands (QSR MK, Outperform), respectively.
- Maintain BUY.** Pending the release of 4Q results next week, we maintain our forecasts. Also unchanged is our target price of RM1.48, still pegged to a forward P/E of 15x based on a 20% discount to the average valuation of bigger F&B producers, namely Nestle Malaysia (NESZ MK, Neutral) and F&N Holdings (FNH MK, Underperform). We continue to rate CIH a BUY as the stock could be in for a re-rating given the expectation of a solid 4Q performance.

### Key stock statistics

	2007	2008F
FYE 30 Jun		
EPS (sen)	6.0	6.4
P/E (x)	15.4	14.5
Dividend/Share (sen)	0.0	1.5
NTA/Share (RM)	0.67	0.71
Book Value/Share (x)	0.67	0.71
Issued Capital (m shares)	129.6	129.6
52-weeks Share Price Range (RM)	RM0.77/RM1.18	
<b>Major Shareholders:</b>	%	
Datuk Johari Abdul Ghani	26.2	
ASB	18.5	
Continental Theme Sdn Bhd	10.0	

### Per share data

FYE 30 Jun	2005	2006	2007	2008F
Book Value (RM)	0.66	0.63	0.67	0.71
Cash Flow (sen)	8.9	5.8	16.1	20.1
Earnings (sen)	0.6	(2.9)	6.0	6.4
Dividend (sen)	0.0	0.0	0.0	1.5
Payout Ratio (%)	0.0	0.0	0.0	16.8
P/E (x)	157.4	nm	15.4	14.5
P/Cash Flow (x)	10.5	15.9	5.8	4.6
P/Book Value (x)	1.4	1.5	1.4	1.3
Dividend Yield (%)	0.0	0.0	0.0	1.6
ROE (%)	0.9	(4.6)	9.0	13.1
Net Gearing (%)	117.8	88.7	83.4	83.2

Source: Company, CIMB estimates, Bloomberg

Please read carefully the important disclosures at the end of this publication.

## Recent developments

There are no new developments.

## Earnings outlook

**Production picks up at new plant.** The Tropicana Twister juices are produced at CIH's new RM30m plant in Bangi, which started its operations in Mar 08. The facility has an annual capacity of 3.6m cases and is currently operating at 70-80% utilisation. It also produces beverages under the company's house brands, i.e. Sting, Chill and Excel. Contribution from the house brands is set to rise now that CIH does not have to contract out the packing of its drinks – an exercise that previously squeezed margins. 90% of CIH's revenue comes from beverages while the remaining is contributed by sanitary fittings. Of the 90%, we estimate that 18% comes from the house brands. Having said that, Pepsi carbonated drinks are still the driving force of the company's revenue.

Figure 1: P&L analysis (RM m)

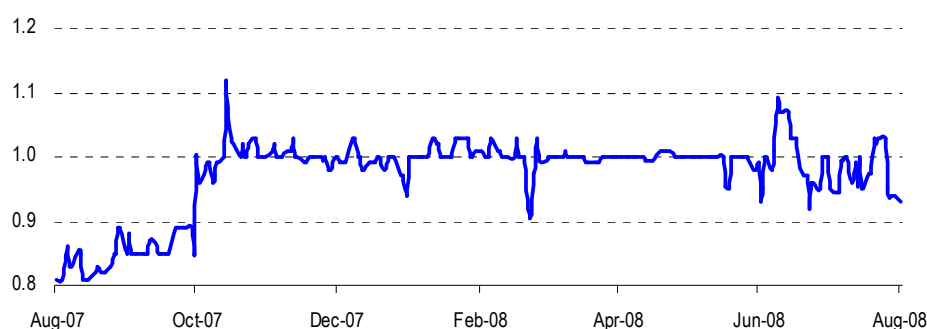
FYE 30 Jun	2005	2006	2007	2008F
Revenue	268.0	222.2	267.0	336.0
Operating Profit (EBIT)	24.3	24.8	38.1	50.7
Depreciation	(10.8)	(11.3)	(13.0)	(14.0)
Interest Expenses	(4.5)	(7.0)	(4.9)	(8.7)
Pretax Profit	(1.8)	(4.8)	7.3	14.0
Effective Tax Rate (%)	na	na	(7.5)	14.0
Net Profit	0.8	(3.8)	7.8	12.0
Operating Margin (%)	9.1	11.2	14.3	15.1
Pretax Margin (%)	(0.7)	(2.2)	2.7	4.2
Net Margin (%)	0.3	(1.7)	2.9	3.6

Source: Company, CIMB estimates

## Recommendation

**Maintain BUY.** Pending the release of 4Q results next week, we maintain our forecasts. Also unchanged is our target price of RM1.48, still pegged to a forward P/E of 15x based on a 20% discount to the average valuation of bigger F&B producers, namely Nestle Malaysia (NESZ MK, Neutral) and F&N Holdings (FNH MK, Underperform). We continue to rate CIH a BUY as the stock could be in for a re-rating given the expectation of a solid 4Q performance.

Figure 2: Share price chart (RM)



Source: Bloomberg

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**Financial summary**

<b>FYE Jun</b>	<b>2006</b>	<b>2007</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
Revenue (RM m)	222.2	267.0	336.0	403.2	483.8
EBITDA (RM m)	13.5	25.1	36.7	45.1	47.8
EBITDA margins (%)	6.1	9.4	10.9	11.2	9.9
Pretax profit (RM m)	(4.8)	7.3	14.0	20.9	22.1
Net profit (RM m)	(3.8)	7.8	12.0	18.0	19.0
EPS (sen)	(2.9)	6.0	9.3	13.9	14.7
EPS growth (%)	-591%	+308%	+54%	+50%	+6%
P/E (x)	nm	15.4	10.0	6.7	6.3
FD EPS (sen)	(2.9)	6.0	6.4	9.6	10.2
FD P/E (x)	nm	15.4	14.5	9.7	9.2
Gross DPS (sen)	-	-	1.5	2.0	2.5
Dividend yield (%)	-	-	1.6	2.2	2.7
P/NTA (x)	1.5	1.4	1.3	1.2	1.2
ROE (%)	(4.6)	9.0	13.1	18.7	18.7
Net gearing (%)	88.7	83.4	83.2	83.0	82.6
P/CF (x)	15.9	5.8	4.6	3.7	3.4
EV/EBITDA (x)	9.3	5.0	3.4	2.8	2.6
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			-	-	-

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Source: Company, CIMB/CIMB-GK Research, Reuters Estimates

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