



CIMB Research Report

Get your facts
before you invest

CBRS
FREE Expert
Analysis Reports

4 November 2010

CI Holdings

Juiced up by Hari Raya sales

RECOM	Buy
PRICE	RM3.92
MKT CAPITALISATION	RM556.6m
BOARD	Main (Syariah stock)
SECTOR	Food & Beverage
INDEX COMPONENT	Nil

CIH MK / CIHB.KL

Norziana Mohd Inon + 60 (3) 2084-9645 – norziana.inon@cimb.com

Results highlights

- **In line; maintain BUY.** CI Holdings' (CIH) 1QFY6/11 net profit of RM11.8m accounted for 28% of our full-year forecast and 27% of consensus estimate. We consider the performance to be broadly in line with expectations as 1Q and 3Q are typically stronger quarters due to festive sales. The absence of an interim dividend was also not surprising. Tropicana was again the star performer in 1Q and fans can look forward to a new Tropicana product this month. We maintain our EPS forecasts and target price of RM4.75, pegged to an unchanged target market P/E of 13.8x. CIH remains a BUY, underpinned by the potential re-rating catalysts of 1) additional capacity, 2) increasingly marketable product line, and 3) M&A.
- **43% net profit growth.** 1Q11 net profit jumped 43% yoy, aided by a strong Hari Raya selling campaign and aggressive distribution drive. This year, Hari Raya fell in Sep, allowing CIH to capture in full the festive demand in 1Q. The non-carbonated drinks led the charge, with Tropicana being the bestseller. From a 20:80 sales split between non-carbonated and carbonated portfolios a few years ago, non-carbonated drinks now make up about 40% of sales, thanks to the popularity of Tropicana. We understand that Tropicana has grown the orange juice market by 40% since its launch in Mar 08. With the start of the new RM45m production line for non-carbonated beverages at the Bangi plant (see our note dated 28 Oct), CIH aims for a 50:50 sales contribution between non-carbonated and carbonated drinks. The production of Lipton and Gatorade will be progressively taken back from contract packers to Bangi.
- **Improved distribution.** Another contributing factor is the aggressive distribution drive. As at Jun 10, CIH's beverages reached 42,000 outlets nationwide, an improvement on 36,595 outlets as at Jun 09. The company plans to expand its distribution outlets to 45,000 by Jun 11. A bigger distribution network is positive as it helps to cut out middleman fees, thereby allowing wholly-owned Permanis to handle the bulk of the distribution itself.

Key stock statistics			Per share data				
FYE 30 Jun	2010	2011F	FYE 30 Jun	2008	2009	2010	2011F
EPS (sen)	26.9	29.6	Book Value (RM)	0.7	0.7	0.8	0.8
P/E (x)	14.6	13.3	Cash Flow (sen)	22.0	26.1	36.1	41.5
Dividend/Share (sen)	11.0	12.0	Earnings (sen)	10.2	14.8	26.9	29.6
NTA/Share (RM)	0.8	0.8	Dividend (sen)	4.0	7.0	11.0	12.0
Book Value/Share (x)	0.8	0.8	Payout Ratio (%)	28.1	34.1	29.5	29.2
Issued Capital (m shares)	142.0	142.0	P/E (x)	38.3	26.5	14.6	13.3
52-week Share Price Range (RM)	RM1.45/RM4.00		P/Cash Flow (x)	17.8	15.0	10.9	9.4
Major Shareholders:			P/Book Value (x)	5.6	5.3	4.9	4.7
Datuk Johari Abdul Ghani			Dividend Yield (%)	1.0	1.8	2.8	3.1
Continental Theme Sdn Bhd			ROE (%)	15.9	21.8	33.5	35.6
PNB			Net Gearing (%)	83.2	83.0	73.6	71.7

Source: Company, CIMB estimates, Bloomberg

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

Figure 1: Results comparison (RM m)

FYE Jun	1Q10	1Q11	% Change
Revenue	123.8	153.6	24.1
Operating Profit (EBIT)	61.1	61.1	-
Depreciation	n.a	n.a	-
Interest Expenses	(0.9)	(1.1)	14.1
Pretax Profit	11.0	15.5	40.6
Net Profit	8.2	11.8	43.2
<i>Operating Margin</i>	<i>49.3</i>	<i>39.8</i>	<i>(19.4)</i>
<i>Pretax Margin</i>	<i>8.9</i>	<i>10.1</i>	<i>13.3</i>
<i>Net Margin</i>	<i>6.6</i>	<i>7.7</i>	<i>15.4</i>

Source: Company, CIMB estimates

Figure 2: P&L analysis (RM m)

FYE 30 Jun	2008	2009	2010	2011F
Revenue	290.2	363.0	516.4	568.0
Operating Profit (EBIT)	52.3	58.5	77.4	91.7
Depreciation	(14.0)	(12.8)	(13.1)	(17.0)
Interest Expenses	(8.7)	(4.9)	(3.2)	(9.9)
Pretax Profit	15.6	28.0	48.1	48.8
<i>Effective Tax Rate (%)</i>	<i>7.1</i>	<i>25.2</i>	<i>20.8</i>	<i>14.0</i>
Net Profit	14.5	21.0	38.2	42.0
<i>Operating Margin (%)</i>	<i>18.0</i>	<i>16.1</i>	<i>15.0</i>	<i>16.1</i>
<i>Pretax Margin (%)</i>	<i>5.4</i>	<i>7.7</i>	<i>9.3</i>	<i>8.6</i>
<i>Net Margin (%)</i>	<i>5.0</i>	<i>5.8</i>	<i>7.4</i>	<i>7.4</i>

Source: Company, CIMB estimates

Recommendation

New line is up and running. Currently, the new production line is running at 20% utilisation. At full capacity, it will have the ability to manufacture products worth RM300m p.a. RM35m of the RM45m investment was incurred in FY10. Of the RM35m, RM25m was funded by a debt facility, which will be further drawn down in FY11. Another substantial investment is the RM29.5m purchase of a warehouse, also in Bangi, as the current warehouse is fully utilised. Apart from the new line and new warehouse, management said that there are no other substantial investments planned. Annual maintenance capex is about RM10m.

Look out for a new Tropicana variant. Tropicana is currently Malaysia's bestselling chilled orange juice brand with 40% market share, followed by Marigold Peel Fresh with 25% and F&N's (FNH MK, Underperform) Sunkist and Fruit Tree with 14%. This month, CIH will roll out a new Tropicana beverage from its new production line. This product will be CIH's second new launch this year, after the introduction of Revive Lime Burst in 1Q. Management indicated that a third new product will be made available in 2H11. To recap, in FY10, CIH added three products to its portfolio: Lipton Green Tea 9, Mountai Dew and Mirinda Sarsi.

Potential food-related acquisition. Management is still considering M&As with local food-related companies to leverage its improved retail coverage. However, it stressed that talks are still at a preliminary stage and that it is not ready to sign any agreement yet. In our earlier notes, we had highlighted the possibility of CIH taking over a snack company, which would immediately give it an exposure to the food business.

3-year EPS CAGR of 10.4%. In our view, the improvement in the share price (Figure 3) reflects investors' recognition of the strategic direction that CIH is taking and management's dynamism. The share price hit RM4.00 on 1 Nov, the highest in a decade. After a new net profit high in FY10, we expect the earnings momentum to continue in FY11 given the additional capacity, new products and bigger retail network. The M&A angle provides an added attraction. We forecast a 3-year EPS CAGR of 10.4% excluding potential takeover moves.

Figure 3: Share price chart (RM)



Source: Bloomberg

Financial summary

FYE Jun	2009	2010	2011 F	2012F	2013F
Revenue (RM m)	363.0	516.4	568.0	624.8	687.3
EBITDA (RM m)	45.7	64.4	74.7	67.8	71.8
EBITDA margins (%)	12.6	12.5	13.2	10.9	10.4
Pretax profit (RM m)	28.0	48.1	48.8	53.8	59.8
Net profit (RM m)	21.0	38.2	42.0	46.3	51.4
EPS (sen)	16.2	26.9	29.6	32.6	36.2
EPS growth (%)	+44%	+66%	+10%	+10%	+11%
P/E (x)	24.2	14.6	13.3	12.0	10.8
Gross DPS (sen)	7.0	11.0	12.0	12.0	12.0
Dividend yield (%)	1.8	2.8	3.1	3.1	3.1
P/NTA (x)	5.3	4.9	4.7	4.6	4.4
ROE (%)	21.8	33.5	35.6	38.0	40.8
Net gearing (%)	83.0	73.6	71.7	69.8	67.9
P/CF (x)	15.0	10.9	9.4	8.9	8.4
EV/EBITDA (x)	11.2	8.0	6.9	7.6	7.1
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			0.96	0.94	1.00

Source: Company, CIMB Research, Bloomberg

This report has been prepared by CIMB Investment Bank Bhd (“CIMB”) for purposes of CMDF-Bursa Research Scheme (“CBRS”) administered by Bursa Malaysia Berhad and has been compensated to undertake the scheme. CIMB has produced this report independent of any influence from CBRS or the subject company. For more information about CBRS and other research reports, please visit Bursa Malaysia’s website at:

http://www.bursamalaysia.com/website/bm/listed_companies/cmdf_bursa_research_scheme/.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the “Restrictions on Distributions” set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report. The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term “CIMB” shall denote where applicable the relevant entity distributing the report in that particular jurisdiction where mentioned specifically below shall be a CIMB Group Sdn Bhd’s affiliates, subsidiaries and related companies.

- (i) As of 3 November 2010, CIMB has a proprietary position in the following securities in this report:
 - (a) -
- (ii) As of 4 November 2010, the analyst, Norziana Mohd Inon who prepared this report, has / have an interest in the securities in the following company or companies covered or recommended in this report:
 - (a) -

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report and accordingly, neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates’ clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

The views and opinions in this research report are our own as of the date hereof and are subject to change. CIMB has no obligation to update its opinion or the information in this research report.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB Research Pte. Ltd. (“CIMBR”) and CIMBR notifies each recipient and each recipient acknowledges that CIMBR is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to the recipient. CIMBR is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. This research is only available in Australia to persons who are “wholesale clients” (within the meaning of the Corporations Act 2001 (Cwlth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. This research has been prepared without taking into account the objectives, financial situation or needs of the individual recipient.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities (HK) Limited (“CHK”) which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities (HK) Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CHK. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the securities covered in this report, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong)

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia (“CIMBI”). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBI. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBI. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesia residents except in compliance with applicable Indonesian capital market laws and regulations.

Malaysia: This report is issued and distributed by CIMB. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMB. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

New Zealand: In New Zealand, this report is for distribution only to persons whose principal business is the investment of money or who, in the course of, and for the purposes of their business, habitually invest money pursuant to Section 3(2)(a)(ii) of the Securities Act 1978.

Singapore: This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). Recipients of this report are to contact CIMBR in Singapore in respect of any matters arising from, or in connection with, this report. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBR has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBR.

As of 3 November 2010 CIMB Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited (CIMBS). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBS has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBS. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBS.

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom: This report is being distributed by CIMB Securities (UK) Limited only to, and is directed at selected persons on the basis that those persons are (a) persons falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order") who have professional experience in investments of this type or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(1) of the Order, (all such persons together being referred to as "relevant persons"). A high net worth entity includes a body corporate which has (or is a member of a group which has) a called-up share capital or net assets of not less than (a) if it has (or is a subsidiary of an undertaking which has) more than 20 members, £500,000, (b) otherwise, £5 million, the trustee of a high value trust or an unincorporated association or partnership with assets of no less than £5 million. Directors, officers and employees of such entities are also included provided their responsibilities regarding those entities involve engaging in investment activity. Persons who do not have professional experience relating to investments should not rely on this document.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S.-registered broker-dealer and a related company of CIMB Research Pte Ltd solely to persons who qualify as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors and investment professionals whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not an Institutional Investor must not rely on this communication. However, the delivery of this research report to any person in the United States of America shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions

STOCK RECOMMENDATIONS

- BUY:** Expected positive total returns of 15% or more over the next 12 months
- HOLD:** Expected total returns of between -15% and +15% over the next 12 months.
- SELL:** Expected negative total returns of 15% or more over the next 12 months.