



CIMB Research Report

CI Holdings

A bubbly start

1QFY09 RESULTS

31 October 2008

RECOM	Buy
PRICE	RM1.00
MKT CAPITALISATION	RM129.6m
BOARD	Main
SECTOR	Food & Beverage

MALAYSIA

CIH MK / CIHB.KL

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Results highlights

- **Broadly in line.** CI Holdings' (CIH) 1QFY6/09 net profit surged 44% yoy to RM4.4m or 23% of our full-year forecast. We consider the performance to be in line with our expectations. Also not surprising was the absence of an interim dividend. There are no consensus estimates.
- **Twister takes the market by storm.** 1Q09 is the company's ninth straight quarter of profits. Similar to 4Q08, the bulk of the growth in 1Q09 came from the strong sales of Tropicana Twister orange and apple juices launched in Mar 08. The Tropicana Twister, which is a PepsiCo product, contributed 10% to Permanis's sales, which in turn made up an estimated 90% of CIH's sales. Permanis is wholly owned by CIH.
- **Warm response to chillers.** Improved brand visibility is another positive. Currently, there are 10,000 Pepsi and Tropicana chillers nationwide, 60% of which are in the Klang Valley. There is certainly potential for bigger sales from the chillers as CIH covers around 34,000 licensed retail outlets in Malaysia. Comparatively, F&N (FNH MK, Underperform) services more than 40,000.
- **Fizz from non-carbonated drinks.** Pepsi carbonated drinks remained the backbone of CIH with an estimated net profit contribution of 70% in 1Q09. However, we expect future growth to come from non-carbonated drinks, i.e. Tropicana, Lipton, Sting, Gatorade, Chill and Bleu, as the company leverages its new RM30m Bangi facility to grow products that were previously contract-packed.
- **Reiterate BUY.** We maintain our forecasts but raise our target price from RM1.56 to RM1.64 as we roll over our target price to end-CY09. Note that we apply a P/E of 15x based on a 20% discount to the average valuation of bigger F&B producers. We continue to rate CIH a BUY as the stock could be in for a re-rating given a stronger product line and a wider distribution network.

Key stock statistics			Per share data				
	2008	2009F	FYE 30 Jun	2006	2007	2008	2009F
FYE 30 Jun			Book Value (RM)	0.6	0.7	0.7	0.7
EPS (sen)	7.8	10.2	Cash Flow (sen)	5.8	16.1	22.0	26.2
P/E (x)	12.9	9.8	Earnings (sen)	(2.9)	6.0	7.8	10.2
Dividend/Share (sen)	4.0	4.0	Dividend (sen)	0.0	0.0	4.0	4.0
NTA/Share (RM)	0.7	0.7	Payout Ratio (%)	0.0	0.0	37.0	28.3
Book Value/Share (x)	0.7	0.7	P/E (x)	nm	16.6	12.9	9.8
Issued Capital (m shares)	129.6	129.6	P/Cash Flow (x)	17.1	6.2	4.5	3.8
52-weeks Share Price Range (RM)	RM0.80/RM1.18		P/Book Value (x)	1.6	1.5	1.4	1.3
Major Shareholders:			Dividend Yield (%)	0.0	0.0	4.0	4.0
Datuk Johari Abdul Ghani	%		ROE (%)	(4.6)	9.0	15.9	19.7
ASB	26.2		Net Gearing (%)	88.7	83.4	83.2	83.0
Continental Theme Sdn Bhd	18.5						
	10.0						

Source: Company, CIMB estimates, Bloomberg

Figure 1: Results comparison (RM m)

FYE Jun	1Q08	1Q09	% Change
Revenue	71.2	90.5	27.2
Operating Profit (EBIT)	31.9	37.3	17.0
Depreciation	n.a	n.a	-
Interest Expenses	(1.1)	(1.2)	13.6
Pretax Profit	5.7	5.7	-
Net Profit	3.1	4.4	43.9
Operating Margin	44.8	41.3	(8.0)
Pretax Margin	8.0	6.3	(21.4)
Net Margin	4.3	4.9	13.1

Source: Company, CIMB estimates

Figure 2: P&L analysis (RM m)

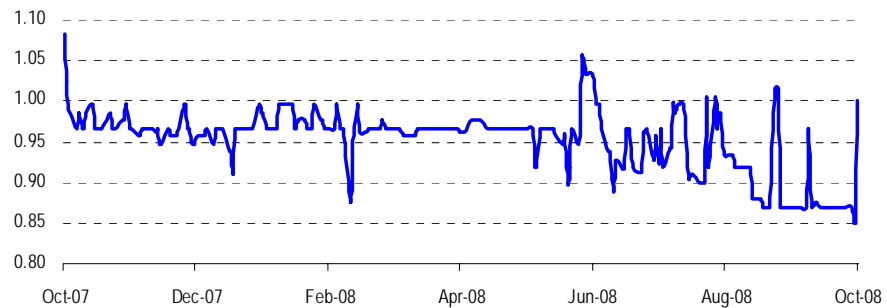
FYE 30 Jun	2006	2007	2008	2009F
Revenue	222.2	267.0	290.2	362.8
Operating Profit (EBIT)	24.8	38.1	52.3	61.3
Depreciation	(11.3)	(13.0)	(14.0)	(15.0)
Interest Expenses	(7.0)	(4.9)	(8.7)	(9.2)
Pretax Profit	(4.8)	7.3	15.6	22.1
Effective Tax Rate (%)	na	(7.5)	7.1	14.0
Net Profit	(3.8)	7.8	14.5	19.0
Operating Margin (%)	11.2	14.3	18.0	16.9
Pretax Margin (%)	(2.2)	2.7	5.4	6.1
Net Margin (%)	(1.7)	2.9	5.0	5.2

Source: Company, CIMB estimates

Recommendation

Reiterate BUY. We maintain our forecasts but raise our target price from RM1.56 to RM1.64 as we roll over our target price to end-CY09. Note that we apply a P/E of 15x based on a 20% discount to the average valuation of bigger F&B producers. We continue to rate CIH a BUY as the stock could be in for a re-rating given a stronger product line and a wider distribution network.

Figure 3: Share price chart (RM)



Source: Bloomberg

Financial summary

FYE Jun	2007	2008	2009F	2010F	2011F
Revenue (RM m)	267.0	290.2	362.8	435.3	522.4
EBITDA (RM m)	25.1	38.3	46.3	49.0	50.3
EBITDA margins (%)	9.4	13.2	12.8	11.2	9.6
Pretax profit (RM m)	7.3	15.6	22.1	23.3	24.4
Net profit (RM m)	7.8	14.5	19.0	20.0	21.0
EPS (sen)	6.0	11.2	14.7	15.4	16.2
EPS growth (%)	+308%	+86%	+31%	+5%	+5%
P/E (x)	16.6	8.9	6.8	6.5	6.2
FD EPS (sen)	6.0	7.8	10.2	10.7	11.2
FD P/E (x)	16.6	12.9	9.8	9.3	8.9
Gross DPS (sen)	-	4.0	4.0	4.0	4.0
Dividend yield (%)	-	4.0	4.0	4.0	4.0
P/NTA (x)	1.5	1.4	1.3	1.3	1.2
ROE (%)	9.0	15.9	19.7	19.7	19.9
Net gearing (%)	83.4	83.2	83.0	82.6	80.2
P/CF (x)	6.2	4.5	3.8	3.6	3.4
EV/EBITDA (x)	5.4	3.5	2.9	2.7	2.7
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			-	-	-

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

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