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BUY ↔

Target
Previous
Price

RM3.66
RM3.66
RM2.91

CONSUMER

CI Holdings is the exclusive bottler for PepsiCo as well as manufacturing tapware and sanitary ware fittings.

Stock Statistics

Bloomberg Ticker	CIH MK
Share Capital (m)	142.00
Market Cap (RMm)	413.22
52 week H L Price (RM)	3.12 1.09
3mth Avg Vol ('000)	264.2
YTD Returns	70.2
Beta (x)	0.73

Major Shareholders (%)

Johari bin Abdul Ghani	28.17
Continental Theme	10.44
PNB	8.24

Share Performance (%)

Month	Absolute	Relative
1m	3.9	-0.2
3m	32.1	18.9
6m	68.8	48.7
12m	180.6	123.8

6-month Share Price Performance**FY10 Results Review****C.I. Holdings****Sweet As Ever**

CI Holdings' (CIH) FY10 net profit was well in line with our and consensus estimates. Y-o-y net profit rose 81.7% as CIH saw strong contributions from its non carbonated range particularly from Tropicana and Lipton as well as expanded distribution outlets. We are excited over its new non-carbonated line but we have concerns on the aggressive competition from Minute Maid and Marigold. We maintain our FY11 and FY12 forecast with TP unchanged at RM3.66. Maintain Buy.

Well in line with estimates. CI Holdings (CIH) FY10 net profit of RM38.2m was within our expectations and consensus. Y-o-y, FY10 net profit rose 81.7%, while revenue increased by 42.3% mainly driven by strong contribution from its beverage segment which improved by 46% and 88% respectively in terms of sales and operating profit. Nonetheless, on a q-o-q basis, net profit growth was flat at 4.7% and revenue at 2%. Higher selling and distribution costs were recorded as they invested heavily in these areas to cater for its new hot-filled line which will be operational coming Sept/Oct. CIH also declared a final dividend of 7sen less 25% tax (total 11sen), this translates to a dividend yield of 3.8%. This was 57% higher than previous year's total dividend of 7sen.

Non-carbonated to drive growth. Non-carbonated beverage segment continued to register strong growth particularly from the market leading brands such as the Tropicana and Lipton. The segment also registers strong growth in Revive Isotonic. Aside from that, aggressive expansion of distribution coverage from 35,000 to 42,000 outlets has helped improve sales. Furthermore, with strong advertising and promotion this year have pushed CIH's revenue higher. Some of the successful campaigns are Pepsi Football campaign, "Rev Up" campaign, Tropicana's "Live Love Life" campaign and Mountain Dew's "Do the Dew" campaign. During the period, CIH had also launched 3 new products with Lipton Green Tea 9, Mountain Dew and Mirinda Sarsi.

Competition from Minute Maid and Marigold. CIH's new non-carbonated line which is scheduled to begin operation in coming Sept/Oct will allow CIH to launch more non-carbonated products from the new Tropicana flavours and Lipton range. We see potential in this segment as more new drinks are launched. However, we have some concerns over the competition from Minute Maid and Marigold which may eat into Tropicana's market share as the brands are now engaging in aggressive promotional activities.

Maintain Buy. As the numbers were in line with our estimates, we keep our forecast for FY11 and FY12. Our TP remains unchanged at RM3.66 based on the weighted PER of 11.3x over FY11 EPS. Given the 25.8% price upside on the stock, we reiterate our Buy call on CIH.

FYE June (RMm)	FY08	FY09	FY10	FY11f	FY12f
Revenue	290.5	363.0	516.4	611.0	709.5
Net Profit	14.5	21.0	38.2	46.0	61.9
% chg y-o-y	84.9%	44.2%	82.0%	20.5%	34.5%
Consensus	-	-	-	39.0	50.9
EPS (sen)	10.2	14.8	26.0	32.2	43.3
DPS (sen)	4.1	7.0	11.0	10.3	13.8
Dividend yield (%)	1.4	2.4	3.8	3.5	4.8
ROE (%)	14.0	15.8	23.7	27.7	33.2
ROA (%)	5.5	7.1	9.8	10.8	13.1
PER (x)	28.4	19.7	11.2	9.0	6.7
BV/share (RM)	0.73	0.93	1.13	1.17	1.31
P/BV (x)	4.0	3.1	2.6	2.5	2.2
EV/ EBITDA (x)	10.9	8.2	5.7	3.7	3.1

Results Table (RMm)

FYE June	4Q10	3Q10	Q-o-Q chg	YTD FY10	YTD FY09	Y-o-Y chg	Comments
Revenue	140.4	137.7	2.0	516.4	363.0	42.3	Stronger y-o-y due to higher sales from new launches and promotional campaigns
EBIT	16.6	17.0	-2.4	63.1	45.7	38.2	Margin weakness q-o-q due to higher selling and distribution expenses
Net interest expense	-0.5	-0.8	32.7	-3.2	-4.9	34.2	-
Associates	0.0	0.0	-	0.0	0.0	-	-
PBT	13.1	13.6	-3.9	48.1	28.0	71.9	-
Tax	-1.7	-2.8	37.7	-10.0	-7.1	-41.6	-
MI	0.0	0.0	-	0.1	0.1	-15.1	-
Net profit	11.4	10.9	4.7	38.2	21.0	81.7	In line – 97.4% of OSK full year forecast.
EPS (sen)	8.0	7.6		26.9	14.8		
DPS (sen)	7.0	0.0		11.0	7.0		Final dividend of 7sen less 25% tax declared
EBIT margin	11.8%	12.3%		12.2 %	12.6%		
NTA/share (RM)	1.14	1.06		1.14	0.93		

EARNINGS FORECAST

FYE June (RMm)	FY08	FY09	FY10	FY11f	FY12f
Turnover	290.5	363.0	516.4	611.0	709.5
EBITDA	31.8	45.8	61.2	98.7	120.8
PBT	15.5	28.0	48.1	58.8	78.8
Net Profit	14.5	21.0	38.2	46.0	61.9
EPS (sen)	10.2	14.8	26.0	32.2	43.3
DPS (sen)	4.1	7.0	11.0	10.3	13.8
Margin					
EBITDA (%)	10.9	12.6	11.9	16.2	17.0
PBT (%)	5.4	7.7	9.3	9.6	11.1
Net Profit (%)	5.0	5.8	7.4	7.5	8.7
ROE (%)	14.0	15.8	23.7	27.7	33.2
ROA (%)	5.5	7.1	9.8	10.8	13.1
Balance Sheet					
Fixed Assets	146.5	139.3	178.8	181.5	184.0
Current Assets	118.0	155.6	210.6	246.0	287.3
Total Assets	264.5	294.9	389.5	427.5	471.3
Current Liabilities	122.3	120.9	165.6	198.6	222.4
Net Current Assets	-4.3	34.7	45.1	47.4	64.9
LT Liabilities	36.7	40.1	61.4	61.4	61.4
Shareholders Funds	104.2	132.8	161.4	166.4	186.4
Net Gearing (%)	63.8	29.0	37.7	26.3	20.1

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

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