

MEDIA CLIPPING

Client :	Cocoaland Holdings Berhad	Date :	19 January 2010
Media :	The Malaysian Reserve	Section :	Business
Language :	English		

Cocoaland proposes private placement of 12m shares

► COCOALAND HOLDINGS BHD				
	2007	2008	2009E	2010E
REVENUE (RM mil)	121.3	128.7	136.4	163.3
NET PROFIT (RM mil)	8.8	8.7	19.9	22.0
EPS (sen)	7.4	7.2	16.5	-
ROE (%)	11.0	10.1	21.2	-

► **Recommendation:**
Hold

Target Price RM1.60

By Standard & Poor's (Jan 15)

Recent Developments

COCOALAND is proposing a private placement of up to 12 million shares (10% of issued capital). Proceeds will be used for working capital purposes. Assuming an issue price of RM1.26/share (10% discount to 5-day average market price), the placement will raise about RM15 million.

With net cash of RM19 million end-Sept 2009, Cocoaland is not in any immediate need for funding. Nonetheless, while it has sufficient

funds for the bulk of its current capex requirements (RM20 million for its beverage plant's building and machinery), the funds from the placement will help finance the additional working capital requirements for the launch of its beverage products as well as future capex needs. The placement will also help improve the stock's liquidity.

We estimate that the private placement may dilute Cocoaland's Earnings Per Share by 8%, assuming a full-year impact. Cocoaland's first beverage line is currently being commissioned and management expects to launch its beverage products in 2Q10.

Meanwhile, management

does not expect the increase in sugar prices to have a significant impact on earnings as the higher cost can be passed on to consumers via higher selling prices. We estimate that a 3%-4% increase in selling prices should be sufficient to offset the increase in sugar prices.

Recommendation

We downgrade our recommendation on Cocoaland to 'Hold' from 'Buy'. While we continue to like Cocoaland for its strong balance sheet (net cash of RM19 million or 16 sen per share), high ROE (2009E: 21%) and good dividend yield (6.6% gross or 5% net), the stock is approaching its fair value, in our view, following the recent share price gains.



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