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Corporate News Flash

Supermax Corporation

Proposes Bonus Issue

RUBBER GLOVES

BUY ↔

Target
Previous
Price

RM10.00
RM10.00
RM6.17

THE BUZZ

Yesterday, Supermax announced that it is proposing a 1 for 4 bonus issue to reward shareholders.

OUR TAKE

Bonus issue to reward shareholders. We gather that the 1:4 bonus issue is more to reward its shareholders than to enhance the liquidity of its shares as Supermax is already one of the most liquid rubber glove stocks, with an average 3-month volume of more than 3m shares compared with its peers Top Glove, Kossan and Hartalega, which have an average 3-month volume of below 1m shares. Nevertheless, completion of the 1:4 bonus issue will increase its share capital from 271m currently to 342 shares. Our ex-bonus fair value will be revised down to RM8 while the theoretical share price will adjust to an ex-bonus RM4.94, thus still providing significant upside.

Maintain Buy. Our target price for Supermax remains unchanged at RM10.00 for now, which is based on 15x FY11 EPS.

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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