



Rating  
**Buy**

Asia  
ASEAN Malaysia

Industrials  
Manufacturing

Company  
**Supermax Alert**

Reuters SUPM.KL    Bloomberg SUCB MK    Exchange KLS    Ticker SUPM

Date  
27 November 2012

## Results

Price at 26 Nov 2012 (MYR)	2.04
Price target - 12mth (MYR)	2.45
52-week range (MYR)	2.32 - 1.63
KLSE COMPOSITE	1,598

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Stock data	
Market cap (MYRm)	1,388
Market cap (USDm)	454
Shares outstanding (m)	680.2
Major shareholders	Dato' Seri Stanley Tai (20.4%)
Free float (%)	64
Avg daily value traded (USDm)	0.8

Key data			
FYE 12/31	2011A	2012E	2013E
Sales (MYRm)	1,021	1,097	1,214
Net Profit (MYRm)	104.2	134.3	150.2
DB EPS (MYR)	0.15	0.20	0.22
PER (x)	12.2	10.3	9.2
Yield (net) (%)	1.7	2.9	3.2

## 9M12 results in-line on lower costs; expect a strong 4Q

### 9M12 NP of RM89.6m +15% YoY; broadly in-line

Supermax reported 3Q12 NP of RM32m +2.3% YoY and +5.3% QoQ. The slower earnings growth in 3Q was due to lower output as production lines were taken down for maintenance and 63% YoY decline in associate earnings due to competition by new players and weaker local currency vs the MYR and USD. On a 9M12 basis, NP of RM89.6m +15% YoY, was 68% and 69% of DBE and street estimates respectively, broadly in-line. 9M earnings growth was driven by 28% YoY correction in latex prices, a weaker USD/MYR and a pick-up in demand growth. The company's PBT margins expanded 2.3ppt to 13.5% and balance sheet remains healthy with net gearing of 0.21x. No dividends were announced in 3Q.

### Maintain Buy; expect a stronger 4Q

Mgmt expects a stronger 4Q on the back of improved utilization rates and lower costs and maintains its guidance of achieving 20% YoY NP growth in FY12. Supermax is currently trading at 9.2x FY13E PER, in-line with its 5-year historical average. When the sector re-rates on earnings recovery and growth, it has historically traded one-standard deviation above its historical average. We maintain our Buy recommendation.

Figure 1: 3Q12 and 9M12 results summary

RMm	9M12	9M11	% YoY	3Q12	2Q12	3Q11	YoY	QoQ
<b>Revenue</b>	<b>726.1</b>	<b>750.7</b>	<b>-3.3%</b>	<b>245.5</b>	<b>232.1</b>	<b>271.4</b>	<b>-9.5%</b>	<b>5.8%</b>
Op. expenses	(640.0)	(683.3)	-6.3%	(212.3)	(203.5)	(241.6)	-12.1%	4.4%
Finance costs	(7.9)	(10.2)	-22.6%	(2.7)	(2.7)	(4.8)	-43.9%	0.3%
Once-off expense	-	(4.0)	-	-	-	-	NM	-
Share of associate profits	19.6	30.5	-35.6%	3.3	7.3	9.0	-62.8%	-54.5%
<b>Profit before tax</b>	<b>97.8</b>	<b>83.6</b>	<b>17.0%</b>	<b>33.8</b>	<b>33.3</b>	<b>34.1</b>	<b>-0.7%</b>	<b>1.6%</b>
Tax	(8.2)	(5.7)	44.4%	(2.2)	(3.3)	(3.2)	-29.9%	-32.0%
<b>Net profit</b>	<b>89.6</b>	<b>77.9</b>	<b>15.0%</b>	<b>31.6</b>	<b>30.0</b>	<b>30.9</b>	<b>2.3%</b>	<b>5.3%</b>
<b>Costs</b>								
Avg USD/MYR	3.10	3.03	2.4%	3.12	3.13	3.02	3.3%	-0.3%
Avg. Latex costs (RM/Kg)	6.85	9.51	-28.0%	5.99	7.12	8.63	-30.6%	-15.8%
<b>Margins &amp; tax rates</b>								
PBT margin (%)	13.5%	11.1%	2.3ppt	13.8%	14.3%	12.6%	1.2ppt	(0.6)ppt
Net margin (%)	12.3%	10.4%	2.0ppt	12.9%	12.9%	11.4%	1.5ppt	(0.1)ppt
Tax rate (%)	-8.4%	-6.8%	1.6ppt	-6.6%	-9.9%	-9.4%	2.7ppt	3.3ppt

Source: Deutsche Bank, company data

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