

29 May 2012

Supermax Corporation

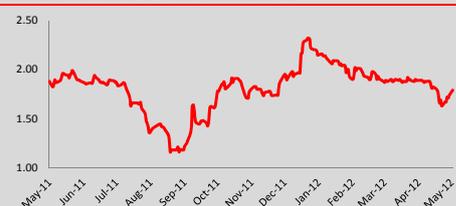
1QFY12 within expectations

OUTPERFORM ↔

Price: RM1.79
Target Price: RM2.06 ↔

- | | |
|--------------------------------|--|
| Period | <ul style="list-style-type: none"> 1QFY12/3MFY12 |
| Actual vs. Expectations | <ul style="list-style-type: none"> Within our estimate and the consensus expectation. The 1QFY12 net profit made up 22% and 21% of ours and the consensus' forecasts of RM127.1m and RM146m respectively. |
| Dividends | <ul style="list-style-type: none"> No dividend was declared. |
| Key Result Highlights | <ul style="list-style-type: none"> QoQ, the EBITDA margin remained the same at 12% while earnings were slightly lower by 1%. This was mainly attributable to the higher average latex cost, which increased by 3% QoQ to RM7.50/kg. YoY, the turnover increased by 3% and earnings increased by 15% as the net profit margin improved from 10% to 12%. The higher margins were mainly due to a lower latex cost, which had dropped by 27% YoY as well as stronger demand from customers taking advantage of the lower average selling prices now (-20% YoY) after a spike last year. |
| Outlook | <ul style="list-style-type: none"> Maintain Neutral. Higher competition from the glove segment may erode Supermax's margins. However, as most players are expecting a lower latex price, this should limit the negative impact on its margins above. |
| Change to Forecasts | <ul style="list-style-type: none"> We are maintaining our earnings forecasts for FY12 and FY13. |
| Rating | <p>UPGRADE to OUTPERFORM</p> <ul style="list-style-type: none"> We are upgrading our rating to an OUTPERFORM from MARKET PERFORM as the current share price now implies a 15% upside for the stock as measured against our TP of RM2.06. |
| Valuation | <ul style="list-style-type: none"> We maintain our targeted PER valuation multiple of 11.0x on Supermax, as it is currently trading at its average historical PERs of 11.0x-13.0x. Hence we are keeping our existing Target Price of RM2.06. |
| Risks | <ul style="list-style-type: none"> Higher latex price, and Stronger ringgit against US dollar. |

Share Price Performance



KLCI	1539.71
YTD KLCI chg	1.6%
YTD stock price chg	-6.5%

Stock Information

Bloomberg Ticker	SUCB MK Equity
Market Cap (RM m)	1,217.5
Issued shares	680.2
52-week range (H)	2.38
52-week range (L)	1.13
3-mth avg daily vol:	1,391,956
Free Float	56%
Beta	1.3

Major Shareholders

Thai Kim Sim	20.4%
Tan Bee Geok	15.1%
EPF	8.9%

Summary Earnings Table

FYE Dec (RM m)	2011A	2012E	2013E
Turnover	1026.9	1137.9	1250.5
EBIT	91.2	125.5	148.1
PBT	113.0	141.1	162.1
Net Profit (NP)	106.1	127.1	146.0
Consensus (NP)	-	131.2	144.6
Earnings Revision	-	-	-
EPS (sen)	15.6	18.7	21.5
EPS growth (%)	-0.3	0.2	0.1
GDPS (sen)	4.8	6.0	7.0
NTA/Share (RM)	1.1	1.2	1.4
PER (X)	12.2	10.2	8.9
Gearing (%)	0.3	0.2	0.1
Dividend Yield (%)	2.5%	3.2%	3.7%

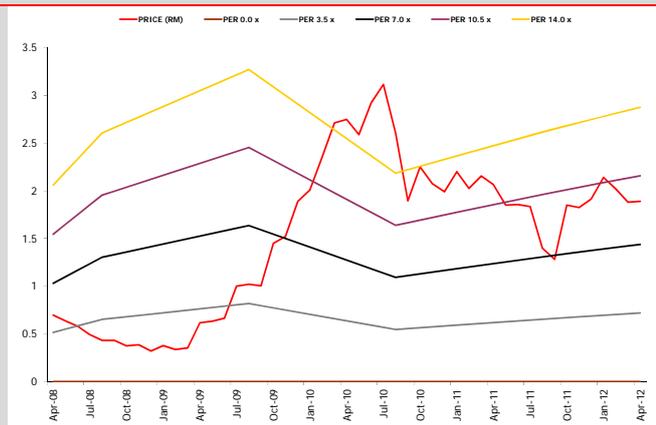
Law Mei Chi
mclaw@kenanga.com.my
 +603 2713 2292

Result Highlight

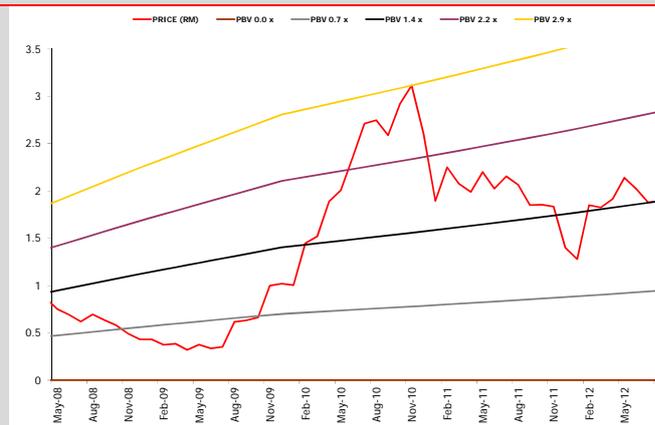
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
Y/E : Dec (RM mn)	FY12	FY11	Chg	FY11	Chg	FY12	FY11	Chg
Turnover	248.5	276.2	-10%	241.4	3%	248.5	241.4	3%
EBITDA	30.2	33.8	-11%	24.5	23%	30.2	24.5	23%
EBIT	24.4	27.8	-12%	18.4	32%	24.4	18.4	32%
Interest income	0	0	-	0	-	0	0	-
Interest expense	-2.6	-2.9	-9%	-3.3	-22%	-2.6	-3.3	-22%
Associates	8.9	4.4	104%	10.5	-15%	8.9	10.5	-15%
Exceptional items	0	0	-	0	-	0	0	-
Pretax profit	30.7	29.3	5%	25.6	20%	30.7	25.6	20%
Taxation	-2.7	-1.2	127%	-1.2	121%	-2.7	-1.2	121%
Profit after tax	28.0	28.1	0%	24.4	15%	28.0	24.4	15%
Minority interest	0	0.1	-	0	-	0	0	-
Net profit	28.0	28.2	-1%	24.4	15%	28.0	24.4	15%
EPS (sen)	4.1	4.1	-1%	3.6	15%	4.1	3.6	15%
DPS (sen)	0	1.8	-	0	-50%	0	0	-14%
NTA/share (RM)	1.17	2.27	7%	1.13	20%	1.17	1.13	20%
EBITDA margin	12%	12%		10%		12%	10%	
EBIT margin	10%	10%		8%		10%	8%	
Pretax margin	12%	11%		11%		12%	11%	
Effective tax rate	9%	4%		5%		9%	5%	

Source: Company, Kenanga Research

Forward PER



Forward PBV



Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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KENANGA INVESTMENT BANK BERHAD (15678-H)

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenangaresearch.com



Chan Ken Yew
Associate Director