



Supermax Corporation Berhad

1:1 Bonus Issue

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TP: RM 4.80 (+29.7%)

Last traded: RM3.70

BUY

Supermax proposes 1:1 bonus issue

In an announcement to Bursa Malaysia yesterday, Supermax is proposing to undertake a bonus issue of 340.1mn new Supermax shares on the basis of 1 bonus share for every one 1 existing Supermax share held. At the same time, the company is proposing to undertake a share buy-back of up to 10% of its issued and paid-up share capital. The proposals are conditional upon approvals being obtained from Bursa, shareholders at an EGM and any other relevant authority, if required. No tentative timeframe has been given for these exercises.

Earnings dilution envisaged in FY12 and beyond

Management noted that the proposed Bonus Issue is to reward its existing shareholders and at the same time enhance the stock's liquidity. Upon completion of the bonus issue, we expect FY12e and FY13e earnings to be diluted - from 36.4 sen and 39.5 sen to 18.2 sen and 19.8 sen respectively.

Positive on this development, TP raised to RM4.80

Nevertheless, we believe this development should reflect positively on Supermax's share price. As such, we are reviewing our TP by tagging a 10% premium to the industry's targeted PE multiple of 12x. Based on our FY12e EPS of 36.4 sen, we fairly value Supermax at RM4.80. With that, we reiterate our **BUY** recommendation on Supermax premised on the potential 29.7% upside from the stock's last close.

We also continue to like Supermax due to its improving results performance along with improving industry's prospects, now that natural latex prices have softened and the USD strengthened. Furthermore, the change in Supermax's dividend payout policy - up from 20% to 30% in FY12 - should make good investment case for investors searching for decent dividend returns amid the volatile global outlook.

Share Information

Bloomberg Code	SUCB MK
Stock Code	7106
Listing	Main Market
Share Cap (mn)	340.1
Market Cap (RMmn)	1258.3
Par Value	0.50
52-wk Hi/Lo (RM)	4.74/2.26
12-mth Avg Daily Vol ('000 shrs)	1076.9
Estimated Free Float (%)	53.1
Beta	1.56

Major Shareholders (%)

Dato' Seri Stanley Thai	- 35.5
EPF	- 7.6

Forecast Revision

	FY11	FY12
Forecast Revision (%)	-	-
Net profit (RMm)	106.7	123.7
Consensus	113.5	135.7
TA's / Consensus (%)	94.0	91.1
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY11	FY12
Net gearing (x)	0.5	0.5
CFPS (RM)	0.8	1.4
P/CFPS (x)	4.5	2.7
ROAA (%)	9.0	9.8
ROAE (%)	17.1	17.4
NTA/Share (RM)	1.9	2.1
Price/NTA (x)	2.0	1.7

Share Performance (%)

Price Change	SUCB	FBM KLCI
1 mth	0.0	6.4
3 mth	32.1	(5.1)
6 mth	0.0	(3.9)
12 mth	(10.8)	(2.1)

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Table 1: Earnings Summary

FYE Dec	2009	2010	2011F	2012F	2013F
Turnover	803.6	923.3	1098.6	1117.5	1136.5
Pretax profit	151.5	177.4	127.0	147.2	160.0
Net profit	126.6	168.2	106.7	123.7	134.4
Net profit - adjusted	126.6	168.2	106.7	123.7	134.4
EPS	37.2	49.5	31.4	36.4	39.5
EPS - adjusted	37.2	49.5	31.4	36.4	39.5
EPS growth (%)	169.2	32.8	(36.6)	15.9	8.7
PER	9.9	7.5	11.8	10.2	9.4
Dividend (sen)	11.0	9.4	7.6	13.6	14.9
Dividend yield (%)	3.0	2.6	2.0	3.7	4.0

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