



## Supermax Corporation Berhad

Results Within Ours' But Below Consensus Expectations

**TP: RM 3.90 (+20.3%)**

Last traded: RM3.24

**BUY**

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY\*

TA Research Team Coverage

+603-2072-1277 ext: 1626

liwong@ta.com.my

www.taonline.com.my

### Review

- Supermax turned in a better set of 3Q results with YTD net profit of RM77.9mn representing 73.0% of our full year forecast but 69.1% of consensus' estimates of RM106.7mn and RM112.9mn respectively.
- After 6 consecutive quarters of sequential decline, net profit jumped 36.4% QoQ to RM30.9mn. The encouraging 3QFY11 bottomline growth was underpinned by healthy revenue growth of 14.1% and the absence of a RM4.0mn write off in a bond investment. Excluding the RM4.0mn write off, 3Q net profit would have been 16% higher, thanks to better industry prospects. That said, EBITDA continued to advance to RM46.4mn from RM38.1mn on easier natural rubber latex prices and support from a stronger demand for nitrile gloves. This resulted in better EBITDA margin of 17.1% vs. 16.0% in 2Q FY11.
- Compared to 9M FY10, net profit sank by 42.5% YoY to RM77.9mn from RM135.4mn although revenue quickened by some 8.7% YoY to RM750.7mn. EBITDA also fell by around 33.4% YoY, mostly driven by the surge in latex costs.
- On a positive note, the group's balance sheet remained healthy with net gearing ratio of 0.27x (FY10: 0.29x).
- The board has declared an interim tax exempt dividend of 6% (or around 3 sen per share) amounting to RM10.2mn. This translates to a payout ratio of around 13%.

### Impact and outlook

- No change to our earnings estimates pending an analyst briefing tomorrow.

### Valuation

- Rolling forward our valuations to FY12, we raise Supermax's TP to RM3.90. Our valuation is based on a 10% discount to the industry's targeted PE multiple 12x to Supermax's FY12e EPS of 36.4 sen. With that, we upgrade Supermax to **BUY** premised on the potential 20.3% upside from the stock's last close.

### Share Information

Bloomberg Code	SUCB MK
Stock Code	7106
Listing	Main Market
Share Cap (mn)	340.1
Market Cap (RMmn)	1101.8
Par Value	0.50
52-wk Hi/Lo (RM)	4.83/2.26
12-mth Avg Daily Vol ('000 shrs)	1016.5
Estimated Free Float (%)	52.9
Beta	1.5

### Major Shareholders (%)

Dato' Seri Stanley Thai - 35.6
EPF - 8.3

### Forecast Revision

	FY11	FY12
Forecast Revision (%)	-	-
Net profit (RMmn)	106.7	123.7
Consensus	112.9	135.6
TA's / Consensus (%)	94.5	91.2
Previous Rating	Buy (Upgraded)	

### Financial Indicators

	FY11	FY12
Net gearing (x)	0.5	0.5
CFPS (RM)	0.8	1.4
P/CFPS (x)	4.0	2.4
ROAA (%)	9.0	9.8
ROAE (%)	17.1	17.4
NTA/Share (RM)	1.9	2.1
Price/ NTA (x)	1.7	1.5

### Scorecard

	% of FY	
vs TA	73.0	Within
vs Consensus	69.1	Below

### Share Performance (%)

Price Change	SUCB	FBM KLCI
1 mth	26.6	6.8
3 mth	(11.7)	6.8
6 mth	(21.5)	4.0
12 mth	(28.0)	2.2

## 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	8.7	6.6	10.3	8.9	8.2
Dividend (sen)	11.0	9.4	7.6	13.6	14.9
Dividend yield (%)	3.4	2.9	2.3	4.2	4.6

**Table 2: 3Q FY11 Results Analysis (RMmn)**

YE 31 Dec	3QFY10	2QFY11	3QFY11	QoQ	YoY	YTD FY10	YTD FY11	YoY
Revenue	235.1	237.9	271.4	14.1	15.4	690.6	750.7	8.7
Operating expenses	(198.2)	(218.8)	(241.6)	10.4	21.8	(564.4)	(683.3)	21.1
Finance costs	(3.7)	(2.2)	(4.8)	120.1	27.6	(10.8)	(10.2)	(4.8)
Share of profit of associa	8.3	11.0	9.0	(18.2)	8.0	29.2	(4.0)	(113.7)
Profit before tax	41.4	23.9	34.1	42.4	(17.8)	144.6	83.6	(42.1)
Taxation	(3.3)	(1.3)	(3.2)	148.6	(3.5)	(9.1)	(5.8)	(36.7)
Profit after tax	38.1	22.6	30.9	36.4	(18.9)	135.4	77.9	(42.5)
Net profit	11.2	6.7	9.1	36.4	(18.9)	39.8	22.9	(42.5)
PBT margin (%)	0.2	0.1	0.1			0.2	0.1	

## Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

for TA SECURITIES HOLDINGS BERHAD(14948-M)

MENARA TA ONE, 22 JALAN P. RAMLEE, 50250 KUALA LUMPUR, MALAYSIA TEL: +603-20721277 / FAX: +603-20325048

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Kaladher Govindan – Head of Research