



## RUBBER GLOVE

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### Stock Profile/Statistics

Bloomberg Ticker	SUCB MK
KLCI	Equity
Issued Share Capital (m)	894.07
Market Capitalisation (RMm)	265.27
52 week H   L Price (RM)	208.23
Average Volume (3m) '000	1.88   0.79
YTD Returns (%)	170.02
Net gearing (x)	0.21
Altman Z-Score	0.88
ROCE/WACC	1.99
Beta (x)	1.18
Book Value/share (RM)	0.71
	1.34

### Major Shareholders (%)

Dato' Seri Stanley Tai	23.85
Datin Seri Cheryl Tan	17.49
FELDA	6.61

### Share Performance (%)

Month	Absolute	Relative
1m	8.24	1.33
3m	1.10	0.16
6m	(12.20)	8.85
12m	(43.10)	(10.73)

### 6-month Share Price Performance



Supermax's principal activities are in the manufacture of medical rubber gloves

## FY08 Results Review

Private Circulation Only

# Supermax Corp.

<b>BUY</b>	<b>Maintain</b>
<b>Price</b>	<b>RM0.785</b>
<b>Target</b>	<b>RM1.92</b>

## *Inline If Not For the Impairment Loss*

Supermax's FY08 results were inline with our expectations, if not for the impairment loss on its 14.09% stake in APLI. The better performance in the current quarter was mainly due to the cost savings from greater operating efficiencies and lower latex prices. Going forward, we understand that demand for rubber gloves should continue to remain strong, contributed by strong demand from the healthcare and food-handling sectors whereby their use are mandatory. **Maintain Buy.**

**Within expectations, if not for the impairment loss from APLI.** The FY08 core net profit made up about 95% of our forecasted results. Although 4QFY08 revenue of RM204.4m declined by 16.3% q-o-q, core net profit was up 17.5% to RM18.2m. The improvement was largely due to cost savings from greater operating efficiencies and lower latex prices. On a YTD comparison, FY08 revenue was up 43.2%, contributed by the higher output from additional 10 lines and intensified marketing effort to increase its sales, with core net profit also improving by 6.4%.

**Has fully factored in impairment of its 14.09% stake in APLI.** Supermax has made full impairment of its investment in APLI, amounting to RM16.7m in 4QFY08.

**Demand for rubber gloves continues to be strong.** According to the Malaysian Rubber Glove Manufacturers Association, the demand for rubber gloves continue to be strong, with total export increasing by 20% in 2008 to RM7.03bn from 5.88bn in 2007 despite the slowdown in the global economy. The strong demand mainly comes from healthcare and food-handling sectors whereby their use is mandatory in many developed countries.

**Maintain BUY.** Our target price for Supermax is RM1.92 based on a PER of 6x FY10 earnings (previously RM1.86 based on PER of 7x FY09 earnings). We think the valuation of the company is attractive at current price level. Furthermore, our targeted PER of 6x for Supermax is below the rubber glove industry average of about 8x.

FYE 31 Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Total revenue	389.1	582.1	833.4	1,114.1	1,219.7
Net Profit	40.8	59.4	46.5	70.3	84.7
Consensus profit	-	-	-	69.0	86.0
% chg YoY	12.6	45.5	(21.7)	51.3	20.4
EPS (sen)	15.4	21.4	16.7	25.3	31.9
Gross DPS (sen)	2.8	3.3	4.0	4.0	4.0
Gross Div Yield (%)	3.5	4.1	5.1	5.1	5.1
ROE (%)	18.3	18.8	11.3	15.2	15.9
ROA (%)	8.2	8.6	5.0	6.6	7.2
PER (x)	5.6	3.7	4.7	3.1	2.5
P/BV	0.9	0.6	0.5	0.4	0.4
EV/EBITDA (x)	7.0	6.0	5.4	5.0	3.7

**APPENDIX****Figure 1: Results Table**

<b>FYE Dec 31 (RMm)</b>	<b>4QFY08</b>	<b>3QFY08</b>	<b>% chg</b>	<b>FY08</b>	<b>FY07</b>	<b>% chg</b>
Turnover	204.4	244.3	-16.3%	833.4	582.1	43.2%
EBITDA	28.4	26.2	8.5%	100.1	92.1	8.7%
Depreciation	(7.1)	(7.1)	0.0%	(28.3)	(27.4)	3.4%
Net interest expense	(5.1)	(5.6)	-10.3%	(22.1)	(15.1)	46.3%
Associates	6.2	2.4	n.a.	18.7	17.6	n.a.
PBT before EI	22.5	15.9		68.3	67.2	
EI	(16.7)	0.0	n.a.	(16.7)	0.0	n.a.
PBT	5.8	15.9	-63.3%	51.6	67.2	-23.1%
Tax	(4.4)	(0.4)	942.1%	(5.1)	(7.8)	-33.7%
MI	0.0	0.0		0.0	0.0	
Reported Net Profit	1.5	15.5	-90.4%	46.5	59.4	-21.7%
Core Net Profit	18.2	15.5	17.5%	63.2	59.4	6.4%
Core EPS (sen)	6.9	5.8		23.8	21.1	
EBITDA margin	13.9%	10.7%		12.0%	15.8%	

<b>FYE Dec (RMm)</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09f</b>	<b>FY10f</b>
Turnover	389.1	582.1	833.4	1,114.1	1,219.7
EBITDA	55.9	92.1	100.1	116.7	146.9
PBT	47.2	67.2	51.6	82.8	99.6
Net Profit	40.8	59.4	46.5	70.3	84.7
EPS (sen)	15.4	21.4	16.7	25.3	31.9
DPS (sen)	2.8	3.3	4.0	4.0	4.0
Margin					
EBITDA	14.4%	15.8%	12.0%	10.5%	12.0%
PBT	12.1%	11.5%	6.2%	7.4%	8.2%
Net Profit	10.5%	10.2%	5.6%	6.3%	6.9%
ROE	18.3%	18.8%	11.3%	15.2%	15.9%
ROA	8.2%	8.6%	5.0%	6.6%	7.2%
Balance Sheet					
Fixed Assets	300.7	510.6	507.2	502.4	496.1
Current Assets	219.2	359.0	482.5	647.3	701.2
Total Assets	519.9	869.6	989.7	1,149.7	1,197.3
Current Liabilities	126.3	309.7	408.8	454.9	425.2
Net Current Assets	92.9	49.3	73.7	192.3	276.0
LT Liabilities	152.8	168.7	168.7	168.7	168.7
Shareholders' Fund	240.8	391.2	430.1	492.7	569.8
Net Gearing (%)	76.4%	88.3%	77.9%	76.2%	58.0%

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