



Supermax Corporation

3Q In-line

Neutral

Price: **RM3.22**

Target Price: **RM3.12**

Stock Data

Bloomberg Ticker	SUCB MK	Altman Z-score	3.6
Market Cap	1,095.0	YTD price chg	-19.1%
Issued shares	340.1	YTD KLCI chg	-4.5%
52-week range (H)	4.83	Beta	1.5
52-week range (L)	2.26	Major Shareholders	
3-mth avg daily volume	1,091,16	Dato Seri Stanley Thai	20.4%
Free Float	56.1%	Datin Seri Cheryl Tan	15.1%
Shariah Compliant	Y	EPF	8.3%

Share Performance (%)	1mth	3mth	12mth
Absolute	35.9	(14.6)	(32.3)
vs. KLCI	(31.3)	(8.1)	(31.3)

Financial Highlights

FYE 31 Dec	2009	2010	2011E	2012E	2013E
Turnover	803.6	923.3	923.3	1,093.3	1,228.0
EBIT	131.9	148.5	90.7	109.1	124.0
Pretax profit	151.5	177.4	111.2	131.1	143.9
Core Net Profit	126.6	168.2	104.0	117.9	129.5

EBIT margin	16.4%	16.1%	9.8%	10.0%	10.1%
Pretax margin	18.8%	19.2%	12.0%	12.0%	11.7%
Effective tax rate	16.4%	5.2%	10.0%	10.0%	10.0%
ROE	26.0%	26.6%	13.9%	14.1%	13.8%
ROA	13.4%	16.0%	8.3%	9.1%	9.1%
Net Gearing (x)	0.32	0.27	0.19	0.15	0.10
Core EPS (sen)	37.2	49.4	30.6	34.7	38.1
Core EPS growth	98.9%	32.8%	-38.1%	13.4%	9.8%
PER (x)	7.3	5.5	8.9	7.8	7.1
DPS (sen)	3.2	5.0	5.0	6.0	7.0
Div. Yield (%)	1.2%	1.8%	1.8%	2.2%	2.6%
NTA/share (RM)	1.56	1.99	2.24	2.52	2.83

Growth ratios

Turnover	-1.0%	14.9%	0.0%	18.4%	12.3%
EBIT	87.9%	12.6%	-38.9%	20.3%	13.6%
Pretax profit	191.3%	17.1%	-37.3%	17.9%	9.8%
Core Net profit	98.9%	32.8%	-38.1%	13.4%	9.8%

Share Price Chart



The Research Team

research@bimbsec.com.my

03-26918887 ext 111

Supermax' 9MFY11 core net earnings of RM81.9m is 42.5% lower than previous year. Nevertheless, it is in-line with our expectation given the all time high latex price for the financial year. As forecasted, QoQ earnings has improved marginally. Expect earnings to rebound in the next financial year given that the latex price had stabilised and lower income base. We maintain our FY11 and FY12 net earnings estimates at RM104m and RM117.9m respectively. Target price remains unchanged at RM3.12. Maintain NEUTRAL.

Better QoQ earnings. QoQ earnings has improved by 16.4% to RM30.9m as latex price averaged lower during the current quarter at about RM8.50/kg compared to RM9.80/kg in the previous quarter.

Lower Margins. QoQ EBIT margin has improved slightly from 8% to 11%, while 9M EBIT margin has dropped by more than half to 9% due to high latex price and lower US\$ in the 1H. Management highlighted that the company is able to pass on the additional cost to customers; however, due to (i) the timing differences and (ii) the increase in latex cost is faster than selling price revision, the company has taken a hit.

Stabilised latex price. Latex price has peaked in early 2011 at RM10.90/kg. It has since moved south to below 8.00/kg recently. If this level can be sustained for a longer period, it would be a welcome reprieve for rubber glove makers. Moreover, the level of RM8.50/kg which is the critical support has been violated; hence technically, it is highly likely to hit the RM6.50/kg level in the medium term.

No change in forecast. We are maintaining our FY11 and FY12 net earnings forecast at RM104m and RM117.9m respectively. Meanwhile, financial leverage is manageable at 0.3x supported by strong interest coverage of 6.6x.

Valuation & Recommendation. We maintain our target price at RM3.12 based on its 5-year average PE band of 9x over FY12 core EPS of 34.7sen. Maintain **NEUTRAL**.

Quarterly figures

FY 31 Dec (RMm)	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	QoQ Chg	YoYChg	9MFY10	9MFY11	YTD Chg
Revenue	235.1	232.7	241.4	237.9	271.4	14.1%	15.4%	690.6	750.7	8.7%
EBIT	36.9	22.3	18.4	19.1	29.9	56.2%	-19.0%	126.2	67.4	-46.6%
Pretax profit	41.4	32.8	25.6	23.9	34.1	42.4%	-17.8%	144.6	83.6	-42.1%
Taxation	(3.3)	(0.1)	(1.2)	(1.4)	(3.2)	135.2%	-3.5%	(9.1)	(5.8)	-36.7%
Minority Interest	(0.0)	0.0	0.0	(0.0)	0.0	-134.6%	-134.6%	(0.0)	(0.0)	-34.6%
Net Profit	38.1	32.7	24.4	22.6	30.9	37.0%	-18.9%	135.4	77.9	-42.5%
Core Net Profit	38.1	32.7	24.4	26.6	30.9	16.4%	-18.9%	135.4	81.9	-39.6%
EPS (sen)	11.2	9.6	7.2	7.8	9.1	16.4%	-18.9%	39.8	24.1	-39.6%
Net gearing (x)	0.3	0.3	0.4	0.3	0.3	-12.8%	-4.1%	0.3	0.3	-4.1%
EBIT margin (%)	15.7%	9.6%	7.6%	8.0%	11.0%	37.0%	-29.8%	18.3%	9.0%	-50.8%
PBT margin (%)	17.6%	14.1%	10.6%	10.1%	12.6%	24.8%	-28.8%	20.9%	11.1%	-46.8%
Net profit margin (%)	16.2%	14.1%	10.1%	9.5%	11.4%	20.1%	-29.8%	19.6%	10.4%	-47.1%
Effective tax rate (%)	-8.0%	-0.3%	-4.7%	-5.7%	-9.4%	65.1%	17.3%	-6.3%	-6.9%	9.4%

Source: BIMB Securities

Income Statement

FY 31 Dec (RMm)	2009	2010	2011E	2012E	2013E
Revenue	803.6	923.3	923.3	1,093.3	1,228.0
EBITDA	163.8	181.4	125.9	147.4	165.9
Pretax profit	151.5	177.4	111.2	131.1	143.9
Tax	(24.9)	(9.2)	(11.1)	(13.1)	(14.4)
MI	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Net profit	126.6	168.2	100.0	117.9	129.5
EPS growth (%)	98.9%	32.8%	-38.1%	13.4%	9.8%
DPS (sen)	3.2	5.0	5.0	6.0	7.0
NTA/ share (RM)	1.6	2.0	2.2	2.5	2.8
Net gearing (x)	0.3	0.3	0.2	0.1	0.1
PER (x)	7.3	5.5	8.9	7.8	7.1
Div. yield (%)	1.2%	1.8%	1.8%	2.2%	2.6%
P/ NTA (x)	1.7	1.4	1.2	1.1	1.0
EV/ EBITDA (x)	6.8	5.9	8.4	6.9	5.8
ROE (%)	26.0%	26.6%	13.9%	14.1%	13.8%

Source: BIMB Securities

Balance Sheet

FYE 31 Dec (RMm)	2009	2010	2011E	2012E	2013E
Non Current Assets	564.1	614.8	611.0	632.7	655.8
Current Assets	381.2	546.6	630.7	731.0	832.6
Total Assets	945.2	1,161.5	1,241.8	1,363.7	1,488.5
Current Liabilities	213.7	289.5	286.8	311.2	330.3
Non Current Liabilities	172.7	165.9	165.9	165.9	165.9
Shareholders' Fund	558.8	706.1	789.1	886.7	992.3
Minority Interests	0.0	0.0	0.0	0.0	0.0
Equity & Liabilities	945.2	1,161.5	1,241.8	1,363.7	1,488.5

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months
OUTPERFORM	The stock is expected to perform ahead of the market in the next 12 months
TRADING BUY	The stock is expected to outperform the market in the next 3 months
NEUTRAL	The stock is expected to perform in line with the market in the next 12 months
TRADING SELL	The stock is expected to underperform the market in the next 3 months
SELL	An expected price depreciation of more than 10% in the next 12 months

SECTOR RECOMMENDATION

OVERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months

NEUTRAL The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months

UNDERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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BIMB SECURITIES SDN BHD (290163-X)

A Participating Organisation of Bursa Malaysia Securities Berhad

Level 32, Menara Multi Purpose, Capital Square,

No. 8 Jalan Munshi Abdullah,

50100 Kuala Lumpur

Tel: 03-2691 8887, Fax: 03-2691 1262

<http://www.bimbsec.com.my>

Kenny Yee

Head of Research