



Supermax Corporation Berhad

Spot On!

TP: RM 2.20 (+14.0%)

Last traded: RM1.93

BUY

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Review

- Supermax turned in slightly weaker 4Q results although full year net profit of RM106.3mn is in line with ours' and consensus full year forecast of RM106.7mn and RM108.9mn respectively.
- Net profit dipped after recovering in 3Q. 4Q FY11 net profit stood at RM28.1mn, a 9.2% QoQ decline. Despite lower average latex prices, the weaker 4Q results were attributed to a combination of factors such as: 1) lower profit contribution from associates, 2) decline in average selling prices where PF latex gloves and nitrile gloves dipped 11% and 14% QoQ, and 3) increase in output from 3.1bn glove in 3Q to 3.6bn in 4Q. As a result, the group's utilisation rate increased from to 81% in 4Q vs. an average of 76% for 2011.
- Compared to FY10, net profit sank by close to 33% to RM106.3mn from RM158.4mn although revenue quickened by some 5.0% YoY to RM1,026.9mn. EBITDA fell 31% mostly due to higher average latex costs for the FY. We note that the FY11 results were also impacted by a 17% reduction in profit from associates along with a RM4.0mn write off in a bond investment. However, lower tax rate of 6.1% (vs. 13.5% in FY10) due to: 1) reinvestment allowances, 2) tax benefit from Supermax Global, and 3) tax write backs - helped cushion the impact.
- The group's balance sheet remained healthy with net gearing ratio of 0.28x (FY10: 0.29x). Elsewhere, Supermax is proposing a 2nd interim + final tax exempt dividend of 3.5% each. Including the 1st interim tax exempt dividend of 6%, total DPS for FY11 would stand at around 4.7 sen per share or yield of around 2.4%.

Impact and outlook

- Incorporating FY11 results, we tweak our FY12/13/14 net profit estimates to RM122.5/145.0/154.1mn from RM123.7/134.4/181.2mn respectively. Note that our earnings estimates and assumptions are subject to further change pending an analyst briefing tomorrow.

Valuation

- TP revised to RM2.20. Our valuation is based on the industry's targeted PE multiple 12x to Supermax's FY12e EPS of 18.0 sen. **BUY** maintained on Supermax premised on the potential 14.0% upside from the stock's last close.

Share Information

Bloomberg Code	SUCB MK
Stock Code	7106
Listing	Main Market
Share Cap (mn)	680.2
Market Cap (RMmn)	1312.7
Par Value	0.50
52-wk Hi/Lo (RM)	2.375/1.13
12-mth Avg Daily Vol ('000 shrs)	2390.3
Estimated Free Float (%)	52.6
Beta	1.4
Major Shareholders (%)	
Dato' Seri Stanley Thai	- 35.6
EPF	- 8.6

Forecast Revision

	FY12	FY13
Forecast Revision (%)	(1.0)	7.9
Net profit (RMm)	122.5	145.0
Consensus	134.5	150.9
TA's / Consensus (%)	91.1	96.1
Previous Rating	Buy (Upgraded)	

Financial Indicators

	FY12	FY13
Net gearing (x)	0.4	0.3
CFPS (RM)	0.8	1.0
P/CFPS (x)	2.6	2.0
ROAA (%)	9.5	10.0
ROAE (%)	15.0	15.8
NTA/Share (RM)	2.5	2.8
Price/ NTA (x)	0.8	0.7

Scorecard

	% of FY	
vs TA	99.6%	Within
vs Consensus	102.1%	Within

Share Performance (%)

Price Change	SUCB	FBM KLCI
1 mth	(9.8)	2.3
3 mth	5.8	5.7
6 mth	37.9	7.6
12 mth	(4.7)	4.4

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



Source: Bloomberg

Table 1: Earnings Summary

FYE Dec	2010	2011	2012F	2013F	2014F
Turnover	977.3	1026.9	1110.1	1176.7	1207.7
Pretax profit	183.8	113.0	145.8	172.6	183.5
Net profit	159.0	106.0	122.5	145.0	154.1
Net profit - adjusted	159.0	106.0	122.5	145.0	154.1
EPS	23.4	15.6	18.0	21.3	22.7
EPS - adjusted	23.4	15.6	18.0	21.3	22.7
EPS growth (%)	25.5	(33.3)	15.5	18.4	6.3
PER	8.3	12.4	10.7	9.1	8.5
Dividend (sen)	7.5	4.7	5.0	5.0	5.0
Dividend yield (%)	3.9	2.4	2.6	2.6	2.6

Table 2: 4Q FY11 Results Analysis (RMmn)

YE 31 Dec	4QFY10	3QFY11	4QFY11	QoQ	YoY	YTD FY10	YTD FY11	YoY
Revenue	246.2	271.4	276.2	1.8	12.2	977.3	1,026.9	5.1
Operating expenses	(221.5)	(241.6)	(248.4)	2.8	12.1	(821.8)	(931.7)	13.4
Finance costs	(3.4)	(4.8)	(2.9)	(40.2)	(15.1)	(13.9)	(13.1)	(5.8)
Share of profit of associa	12.8	9.0	4.4	(51.3)	(65.8)	42.0	34.8	(17.0)
Profit before tax	34.4	34.1	29.3	(14.0)	(14.8)	183.8	112.9	(38.6)
Taxation	(4.0)	(3.2)	(1.3)	(60.6)	(68.8)	(24.9)	(6.9)	(72.1)
Profit after tax	30.3	30.9	28.1	(9.2)	(7.3)	158.4	106.3	(32.9)
Net profit	4.4	4.5	4.1	(9.2)	(7.3)	23.3	15.6	(32.9)
PBT margin (%)	0.1	0.1	0.1			0.2	0.1	

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