

# Supermax Corporation Berhad

*The Best is Yet to Come*

**TP: RM12.33**(+26.1%)

Last Traded: RM9.78

**Buy**

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## Review

- Supermax's IQFY21 net profit of RM789.5mn (+3090.4% YoY) was above ours and consensus estimates at 33.3% and 40.7% respectively. The variance was due to the high-than-expected margins.
- QoQ**, PAT soared 97.6% to a record profit of RM789.5mn, ahead of revenue growth of 45.6% to RM1.35bn. The stellar performance was due to: i) higher sales volumes, ii) higher ASP thanks to increased sales to end users directly, iii) increase in sales in other PPE, and iv) lower operating expenses. PBT margin was expanded by 21.7p.p to 77.6% with an utilisation rate of above 90% in IQFY21.
- Separately, the group announced that it is planning for a dual listing on the Singapore Exchange (SGX) to expand and diversify its shareholder base. We believe the objective is to raise funds for future expansion.

## Impact

- We raise our FY21/FY22/FY23 earnings projections by 60.5%/125.6%/82.8% after raising our ASP by 30%.

## Outlook

- Supermax is expected to achieve record profits over the next few quarters, driven by higher volumes and ASP of more than 5% MoM. In specific, we expect the group to record a profit of more than RM1bn in 2QFY21. Note that the group has sold out its capacity until end-21. On expansion, Supermax targets to increase the total capacity to 26.2bn and 36.4bn by end-20 and end-21 respectively, from its current capacity of circa-24bn gloves/annum.
- For expansion overseas, Supermax would be building glove manufacturing plants, P18 in US and P19 in UK, which is expected to commission in stages from 1H2022 onwards. The capex earmarked for expansions in US is US\$300mn for phase 1 and US\$250mn for phase 2, and the UK is GBP50mn, respectively. We understand that these gloves are to cater for local markets and will go directly to end users.
- Meanwhile in Canada, the group has started commissioning its face mask production since Sep-20. Note that the capacity is currently at 8mn pieces per month and orders from the Canadian government remains very strong.

## Valuation

- We raise our TP to RM12.33/share (previously RM11.83/share) based on revised 11x CY21 EPS (previously 19.0x). Maintain Buy on the stock.

## Share Information

Bloomberg Code	SUCB MK
Stock Code	7106
Listing	Main Market
Share Cap (mn)	2721.0
Market Cap (RMmn)	26,608.0
52-wk Hi/Lo (RM)	12.22/0.645
12-mth Avg Daily Vol ('000 shrs)	45,575.9
Estimated Free Float (%)	61.7
Beta	1.9
<b>Major Shareholders (%)</b>	
	Dato' Seri Stanley Thai - 38.3

## Forecast Revision

	FY21	FY22
Forecast Revision (%)	60.5	125.6
Net profit (RMmn)	3800.0	2301.4
Consensus	1940.0	1299.0
TA's / Consensus (%)	195.9	177.2
Previous rating	Buy (Maintained)	

## Financial Indicators

	FY21	FY22
Net gearing (x)	Net cash	Net cash
P/CFPS (x)	7.7	11.3
ROAA (%)	85.0	35.3
ROAE (%)	139.4	50.5
NTA/Share (RM)	1.4	1.9
Price/ NTA (x)	6.9	5.1

## Scorecard

	% of FY	
vs. TA	33.3	Above
vs. Consensus	40.7	Above

## Share Performance (%)

Price Change	SUCB	FBM KLCI
1 mth	13.9	(0.6)
3 mth	12.2	(5.7)
6 mth	735.9	9.5
12 mth	1224.1	(4.4)

## (12-Mth) Share Price relative to the FBMKLCI



**Table 1: IQFY21 Result Analysis**

FYE June (RM mn')	1QFY20	4QFY20	1QFY21	QoQ	YoY
Revenue	369.9	929.1	1,352.5	45.6	265.6
Operating expenses	(334.1)	(418.4)	(313.5)	(25.1)	(6.2)
EBITDA	49.2	561.4	1,065.7	89.8	2,067.3
Finance costs	(4.2)	(4.8)	(2.4)	(49.5)	(42.4)
Share of profit of associates	0.8	13.0	12.6	(3.2)	1,458.2
PBT	32.4	519.0	1,049.2	102.2	3,134.1
Taxation	(7.5)	(110.7)	(236.8)	113.8	3,063.9
PAT(-MI)	24.7	399.6	789.5	97.6	3,090.4
EPS (sen)	1.0	15.3	30.6	100.0	3,118.9
DPS (sen)	0.0	0.0	0.0	na	na
				<b>PP</b>	<b>PP</b>
EBITDA margin (%)	13.3	60.4	78.8	18.4	65.5
PBT margin (%)	8.8	55.9	77.6	21.7	68.8
Tax rates (%)	23.1	21.3	22.6	1.2	(0.5)
PAT (-MI) margin (%)	6.7	43.0	58.4	15.4	51.7

**Table 2: Earnings Summary**

FYE June (RM mn')	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,538.2	2,131.8	6,908.3	6,594.2	5,311.8
Other income	5.5	18.1	19.0	20.0	21.0
Operating expenses	(1,351.6)	(1,444.3)	(2,012.2)	(3,509.8)	(3,530.9)
Finance Cost	(19.7)	(17.1)	(24.5)	(23.7)	(26.5)
PBT	172.4	688.6	4,890.6	3,080.8	1,775.4
Taxation	(49.3)	(153.0)	(1,090.6)	(779.4)	(449.2)
Net profit (-MI)	123.1	525.6	3,800.0	2,301.4	1,326.2
Adj EPS (sen)	4.5	19.3	139.7	84.6	48.7
EPS Growth (%)	15.4	326.9	623.0	(39.4)	(42.4)
PER (x)	216.1	50.6	7.0	11.6	20.1
Dividend (sen)	0.8	na	55.9	33.8	19.5
Div Yield (%)	0.1	na	5.7	3.5	2.0

## Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Wednesday, October 28, 2020, the analyst, Tan Kong Jin, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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