

Malaysia

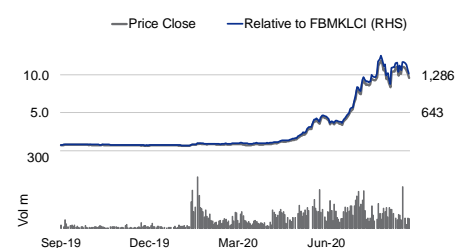
ADD (no change)

Consensus ratings*: Buy 10 Hold 1 Sell 0

Current price:	RM9.60
Target price:	RM13.50
Previous target:	RM13.50
Up/downside:	40.6%
CGS-CIMB / Consensus:	-46.1%
Reuters:	SUPM.KL
Bloomberg:	SUCB MK
Market cap:	US\$5,978m RM24,795m
Average daily turnover:	US\$118.3m RM500.3m
Current shares o/s:	2,721m
Free float:	62.5%
*Source: Bloomberg	

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-14.4	134.1	1207.9
Relative (%)	-10.6	137.1	1213.2

Major shareholders

	% held
Dato' Seri Thai Kim Sim, Stanley	20.7
Datin Seri Tan Bee Geok, Cheryl	15.3
Amanah Saham Nasional	1.5

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Supermax Corp

1-for-1 bonus issue to reward shareholders

- SUCB's 1-for-1 bonus issue goes ex-today, enlarging its share base to 2.7bn.
- We project stronger earnings ahead, given: i) higher glove demand from the Covid-19 pandemic, ii) increase in ASPs, and iii) better economies of scale.
- Retain Add, with an unchanged TP of RM13.50, based on 22.4x CY21F P/E.

1-for-1 bonus issue goes ex

Supermax Corp's (SUCB) share price goes ex-bonus today, post the issuance of 1,360.3m new bonus shares, increasing the group's share base to 2,720.6m shares. Overall, we believe that this exercise does not alter SUCB's fundamentals, with the exception of better liquidity and improvement in near-term trading sentiments. Post this exercise, our ex-bonus TP is adjusted to RM13.50, based on an unchanged 22.4x CY21F P/E (+1 s.d. of its 5-year mean).

The best is yet to come

We expect SUCB to achieve a record-high 256.2% yoy growth in FY21F net profit to RM1.9bn. This will be driven by strong global glove demand stemming from the Covid-19 pandemic, leading to: i) ASP increase (both on the manufacturing and distribution levels), ii) higher sales volume (2.2bn new capacity coming on-stream from 2QFY6/20 onwards), and iii) higher economies of scale. As a testament to its robust orderbook visibility (10-12 months), SUCB has collected deposits for its upcoming orders (prepayment from its customers) of RM892.4m (41.8% of FY6/20 revenue) as at end-4QFY6/20.

Higher ASPs going forward

In our view, SUCB is likely to raise ASPs at a slower pace (in terms of percentage of increase) of 3-5% monthly from Jul 20 onwards. This is not surprising to us as SUCB has aggressively raised its ASPs since Feb 2020 (a 220% increase since Jul on the manufacturing level) and remains ahead of its peers in terms of absolute ASPs.

Venturing into the production of face masks

SUCB plans to venture into face mask manufacturing in both Malaysia and Canada to complement its product offerings, given the huge global demand and strong consumption patterns. We gather that SUCB has acquired 2 machines to produce up to 8m face mask per month and is targeting to start production by 4QCY20F. SUCB is in talks with its Canadian partner to invest in the production of face masks on the back of the Canadian government's call for self-sufficiency in locally manufactured-PPE supply. We have yet to factor any contributions from its new venture into our FY21-23F EPS assumptions.

Reiterate Add, with an unchanged TP of RM13.50 ex-bonus

We retain our Add call. We continue to like SUCB for: i) its favorable operating environment (robust global glove demand), ii) attractive valuations (31.2% discount to the Malaysian glove sector average CY21F P/E of 27.6x), and iii) OBM business model, (higher margins from both distribution and manufacturing sales) vs. its peers.

Financial Summary

	Jun-19A	Jun-20A	Jun-21F	Jun-22F	Jun-23F
Revenue (RMm)	1,538	2,132	4,742	4,352	4,757
Operating EBITDA (RMm)	230	764	2,588	2,005	2,109
Net Profit (RMm)	123	526	1,872	1,391	1,451
Core EPS (RM)	0.04	0.19	0.69	0.51	0.53
Core EPS Growth	9%	351%	256%	(26%)	4%
FD Core P/E (x)	224.0	49.7	14.0	18.8	18.0
DPS (RM)	0.02	0.08	0.28	0.20	0.21
Dividend Yield	0.18%	0.80%	2.87%	2.13%	2.22%
EV/EBITDA (x)	113.5	32.8	9.5	12.0	11.2
P/FCFE (x)	382.7	25.1	20.1	24.9	25.6
Net Gearing	19.4%	(53.0%)	(47.6%)	(49.9%)	(49.7%)
P/BV (x)	23.18	16.46	9.29	7.16	5.78
ROE	10.9%	38.7%	85.1%	43.1%	35.6%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.11	1.26	1.44

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

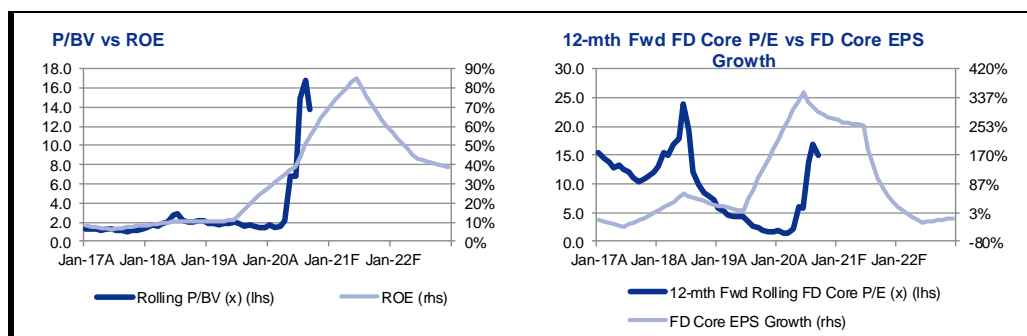
Re-rating catalysts and downside risks

Potential re-rating catalysts include higher-than-expected ASP increase and stronger-than-expected margin expansion. Downside risks: discovery of a cure/vaccine for Covid-19, stiffer-than-expected competition, and a spike in raw material prices.

Figure 1: Sector Comparisons (CGS-CIMB's Malaysia glove sector coverage)

Company	Bloomberg Ticker	Recom.	Share price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
			(local curr)	(local curr)		CY20F	CY21F		CY20F	CY21F	CY20F	CY21F	CY20F	CY21F
Hartalega Holdings	HART MK	Add	14.00	24.30	11,570	31.7	40.2	47.4%	15.3	12.2	53.7%	56.1%	1.9%	2.5%
Kossan Rubber Industries	KRI MK	Add	13.40	17.00	4,132	24.6	17.7	37.1%	9.3	7.1	43.1%	45.6%	1.6%	2.3%
Supermax Corp	SUCB MK	Add	9.60	13.50	5,978	21.7	16.0	71.5%	11.9	8.1	67.7%	59.4%	1.8%	2.5%
Top Glove Corporation	TOPG MK	Add	8.38	9.20	16,419	24.3	16.5	36.0%	16.7	11.1	82.4%	80.6%	2.0%	3.0%
Weighted average						26.2	23.7	45.1%	14.7	10.5	67.1%	66.1%	1.9%	2.7%
Consumer Discretionary														
Riverstone Holdings	RSTON SP	Add	3.65	5.55	1,980	19.3	15.6	58.5%	7.2	5.4	44.7%	39.5%	2.1%	2.6%
Weighted Subsector Average						19.3	15.6	58.5%	7.2	5.4	44.7%	39.5%	2.1%	2.6%
Weighted Average						25.8	23.3	45.8%	14.3	10.3	66.0%	64.8%	1.9%	2.7%
Simple Average						23.9	20.8	50.6%	11.8	8.5	57.6%	55.3%	1.9%	2.6%

SOURCES: CGS-CIMB, BLOOMBERG

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-19A	Jun-20A	Jun-21F	Jun-22F	Jun-23F
Total Net Revenues	1,538	2,132	4,742	4,352	4,757
Gross Profit	469	1,092	2,985	2,434	2,575
Operating EBITDA	230	764	2,588	2,005	2,109
Depreciation And Amortisation	-44	-76	-67	-85	-102
Operating EBIT	187	688	2,521	1,920	2,006
Financial Income/(Expense)	-20	-17	-11	-10	-9
Pretax Income/(Loss) from Assoc.	6	18	40	25	20
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	172	689	2,550	1,935	2,017
Exceptional Items	0	0	0	0	0
Pre-tax Profit	172	689	2,550	1,935	2,017
Taxation	-49	-153	-663	-532	-555
Exceptional Income - post-tax					
Profit After Tax	123	536	1,887	1,403	1,462
Minority Interests	0	-10	-15	-12	-11
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	123	526	1,872	1,391	1,451
Recurring Net Profit	117	526	1,872	1,391	1,451
Fully Diluted Recurring Net Profit	117	526	1,872	1,391	1,451

Cash Flow

(RMm)	Jun-19A	Jun-20A	Jun-21F	Jun-22F	Jun-23F
EBITDA	230.2	763.6	2,587.5	2,004.8	2,108.7
Cash Flow from Inv. & Assoc.					
Change In Working Capital	0.0	639.1	(166.5)	49.5	(55.3)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	67.0	(27.0)	50.5	34.8	29.2
Net Interest (Paid)/Received	(19.7)	(17.1)	(10.5)	(9.8)	(9.2)
Tax Paid	(49.3)	(61.9)	(663.0)	(532.1)	(554.7)
Cashflow From Operations	228.2	1,296.8	1,798.0	1,547.2	1,518.7
Capex	(115.7)	(192.0)	(500.0)	(500.0)	(500.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(115.7)	(192.0)	(500.0)	(500.0)	(500.0)
Debt Raised/(repaid)	(44.3)	(63.4)	0.0	0.0	0.0
Proceeds From Issue Of Shares					
Shares Repurchased	(67.2)	0.0	0.0	0.0	0.0
Dividends Paid	(32.8)	0.0	(748.8)	(556.3)	(580.6)
Preferred Dividends					
Other Financing Cashflow	(19.7)	(17.1)	(10.5)	(9.8)	(9.2)
Cash Flow From Financing	(164.0)	(80.5)	(759.3)	(566.1)	(589.8)
Total Cash Generated	(51.5)	1,024.3	538.7	481.1	429.0
Free Cashflow To Equity	68.2	1,041.4	1,298.0	1,047.2	1,018.7
Free Cashflow To Firm	132.2	1,121.9	1,308.5	1,057.1	1,027.9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Jun-19A	Jun-20A	Jun-21F	Jun-22F	Jun-23F
Total Cash And Equivalents	174	1,181	1,670	2,151	2,580
Total Debtors	197	392	619	568	621
Inventories	183	253	306	334	380
Total Other Current Assets	77	85	176	177	178
Total Current Assets	631	1,910	2,771	3,230	3,759
Fixed Assets	972	1,086	1,547	1,954	2,345
Total Investments	202	225	225	225	225
Intangible Assets	29	29	29	29	29
Total Other Non-Current Assets	1	2	2	2	2
Total Non-current Assets	1,204	1,341	1,803	2,210	2,600
Short-term Debt	350	226	226	226	226
Current Portion of Long-Term Debt					
Total Creditors	229	308	422	448	492
Other Current Liabilities	49	944	944	944	944
Total Current Liabilities	627	1,477	1,592	1,618	1,662
Total Long-term Debt	42	102	102	102	102
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	42	102	102	102	102
Total Provisions	40	64	64	64	64
Total Liabilities	709	1,643	1,757	1,784	1,827
Shareholders' Equity	1,127	1,586	2,811	3,646	4,517
Minority Interests	0	22	5	10	15
Total Equity	1,127	1,608	2,817	3,656	4,532

Key Ratios

	Jun-19A	Jun-20A	Jun-21F	Jun-22F	Jun-23F
Revenue Growth	18%	39%	122%	(8%)	9%
Operating EBITDA Growth	9%	232%	239%	(23%)	5%
Operating EBITDA Margin	15.0%	35.8%	54.6%	46.1%	44.3%
Net Cash Per Share (RM)	-0.08	0.31	0.49	0.67	0.83
BVPS (RM)	0.41	0.58	1.03	1.34	1.66
Gross Interest Cover	9.5	40.2	240.0	195.0	218.4
Effective Tax Rate	28.6%	22.2%	26.0%	27.5%	27.5%
Net Dividend Payout Ratio	27.1%	31.0%	29.5%	28.9%	28.9%
Accounts Receivables Days	40.10	34.11	27.77	38.13	34.95
Inventory Days	63.35	76.75	58.02	60.84	59.67
Accounts Payables Days	61.53	61.74	48.37	57.70	56.58
ROIC (%)	16%	58%	424%	146%	120%
ROCE (%)	12.2%	38.6%	96.8%	52.9%	44.7%
Return On Average Assets	10.9%	27.7%	65.4%	38.8%	34.3%

Key Drivers

	Jun-19A	Jun-20A	Jun-21F	Jun-22F	Jun-23F
ASP (% chg, main prod./serv.)	20.7%	58.9%	107.5%	65.0%	50.9%
Unit sales grth (% , main prod./serv.)	-8.2%	87.0%	125.4%	65.5%	81.4%
Util. rate (% , main prod./serv.)	79.0%	85.0%	93.0%	75.0%	74.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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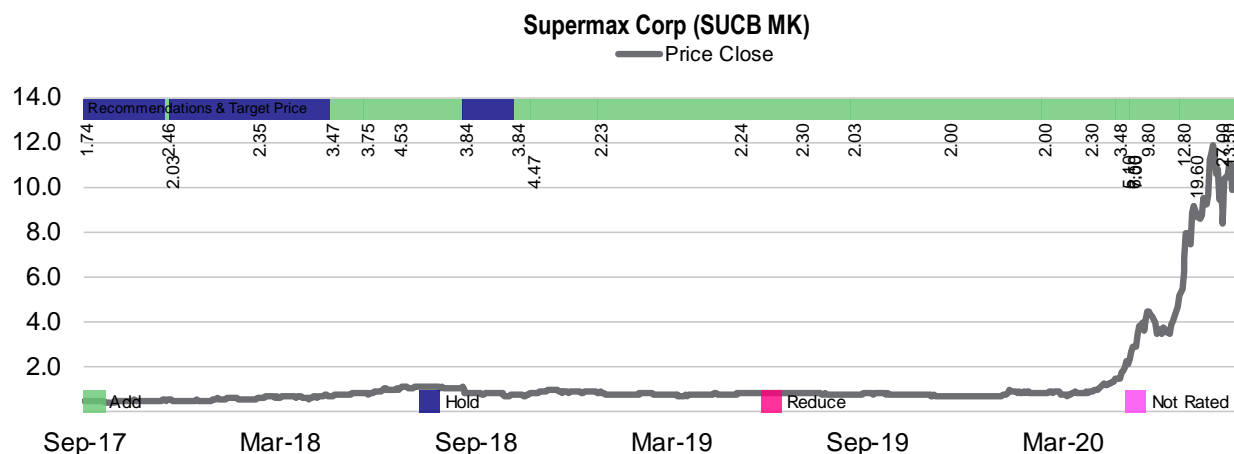
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800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
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- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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