16 December 2009

AFFIN INVESTMENT BANK

Initiate Coverage

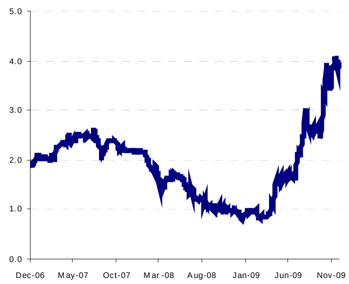
Supermax

SUCB MK

RM3.96

BUY

Price Target: RM6.41



Price Performance

	1M	3M	12M
Absolute	+2.9%	+52.9%	+319.0%
Rel to KLCI	+2.9%	+45.3%	+179.1%

Stock Data

Issued shares (m)	265.3
Mkt cap (RMm)	1,050.6
Avg daily vol - 6mth (m)	3.03
52-wk range (RM)	4.11-0.78
Est free float	64.0%
NTA per share (RM)	1.88
P/NTA (x)	2.11
Net cash/ (debt) (RMm) (3Q09)	(173.4)
ROE (FY09F)	27.7%
Derivatives	Nil

Key Shareholders

Dato' Seri Stanley Thai	20.7%
Datin Seri Cheryl Tan	15.3%

Earnings & Valuation Revisions

	09E	10E	11E
Prev EPS (sen)	-	-	-
Curr EPS (sen)	47.7	57.3	68.1
Chg (%)	-	-	-
Prev target price (RM)			
Curr target price (RM)			6.41

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Best of both worlds – offers growth and yields

Initiate coverage with BUY, TP of RM6.41

We are initiating coverage on Supermax with a **BUY** rating and target price of **RM6.41** – a 62% upside, pegged to CY10 PE of 11x (a 30% discount to Top Glove's target PE of 16x). Despite being the world's second largest rubber glove manufacturer after Top Glove, Supermax is only trading at CY10 PE of 6.9x compared to 14.6x for Top Glove and 7.4x for Kossan. Historically, the valuation gap between Top Glove and Supermax has averaged around 4.3x. The current gap is a steep 7.6x, which we believe is unjustifiable in view of Supermax's stronger earnings growth trajectory and more attractive dividend yields. Additionally, Supermax is one of the more liquid rubber gloves stocks, with an average daily trading volume of 3.03m shares vs 0.50m for Top Glove and 0.48m for Kossan.

3-year EPS CAGR of 42%

We project Supermax's earnings to grow at a FY09-11 CAGR of 42%, ahead of Top Glove's 20% and 29% for Kossan. Earnings will be anchored by its capacity expansion plans and increasing contribution from its associates. Supermax enjoys an additional source of income from its distribution centers located in USA, Brazil, Canada, Belgium and Australia. With the exception of Supermax USA, earnings from the other distribution centers are reflected under share of profit from associates. Based on the latest 9M09 results, contribution from associates have risen to 33% (RM28m) of net profit (RM85m) from around 27% in 9M08.

Investors' sentiment started to improve since the de-listing of APLI

After a turbulent 3 years, Supermax has finally decided to write-off its entire stake in APLI, recording an impairment loss of around RM17m for 4Q08. Going forward, management has assured that focus will be on organic growth. Coupled with strong earnings delivery for 9M09, we believe this has helped lift investors' sentiment on the stock, which saw a four-fold ytd appreciation in share price from RM0.80 back in Dec-08. Supermax's 9M09 net profit surged 88% yoy to RM85.6m, compared to 67% yoy for Top Glove and 54% yoy for Kossan.

Still deeply undervalued

Despite the stellar ytd share price performance, Supermax is still only trading at CY10 PE of 7x, which offers the cheapest exposure to the thriving rubber gloves sector. Its larger peers like Top Glove and Hartalega are trading at CY10 PEs of 15x and 11x. In addition, Supermax's CY10 dividend yields are fairly attractive at around 4% compared to peers average of 3%. Supermax is committed to a 20% dividend payout plus an additional special dividend payment amounting to the difference between reported EPS and management's internal EPS target.

Earnings & Valuation Summary

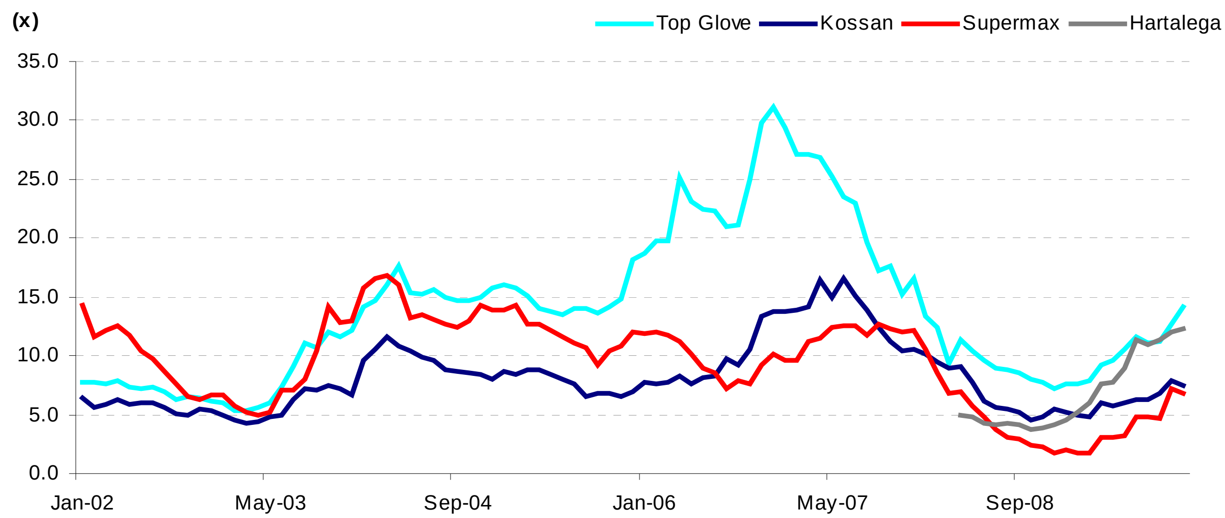
FYE Dec (RMm)	2007	2008	2009E	2010E	2011E
Revenue (RMm)	574.3	811.8	874.0	1,061.8	1,195.8
EBITDA (RMm)	74.9	98.9	159.7	186.6	213.8
Pretax profit (RMm)	58.6	52.0	150.8	180.9	214.9
Net profit (RMm)	55.9	47.0	126.7	151.9	180.6
EPS (sen)	21.1	17.7	47.7	57.3	68.1
EPS growth (%)	40.7	-16.0	169.5	19.9	18.8
PER (x)	18.8	22.4	8.3	6.9	5.8
Core net profit (RMm)	55.9	63.7	126.7	151.9	180.6
Core EPS (sen)	21.1	24.0	47.7	57.3	68.1
Core PER (x)	18.8	16.5	8.3	6.9	5.8
DPS (sen)	3.3	3.3	16.3	17.3	22.6
Dividend Yield (%)	0.8	0.8	4.1	4.4	5.7
EV/EBITDA (x)	18.3	14.3	8.2	6.7	5.6
Consensus profit			122.4	134.7	146.2
Affin/Consensus (x)			1.0	1.1	1.2

GROSSLY UNDERVALUED

Initiate coverage with BUY, TP of RM6.41

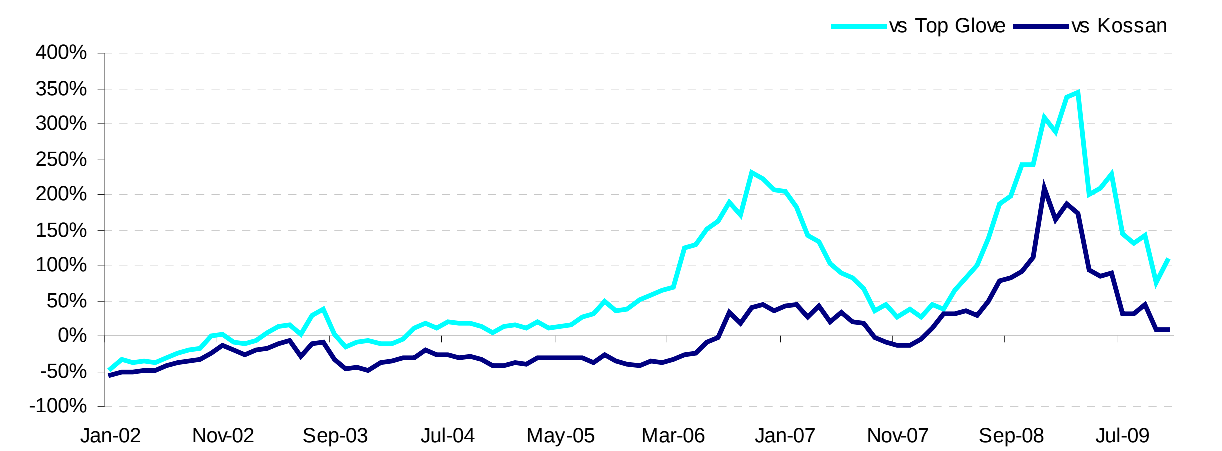
We are initiating coverage on Supermax with a **BUY** rating and target price of **RM6.41** – a 62% upside, pegged to CY10 PE of 11x (a 30% discount to Top Glove's target PE of 16x). Despite being the world's second largest rubber glove manufacturer after Top Glove, Supermax is only trading at CY10 PE of 6.9x compared to 14.6x for Top Glove and 7.4x for Kossan. Historically, the valuation gap between Top Glove and Supermax has averaged around 4.3x. The current gap is a steep 7.6x, which we believe is unjustifiable in view of Supermax's stronger earnings growth trajectory and more attractive dividend yields. Additionally, Supermax is one of the more liquid rubber gloves stocks, with an average daily trading volume of 3.03m shares vs 0.50m for Top Glove and 0.48m for Kossan.

Fig 1: Forward PE trend for Supermax, Top Glove, Kossan and Hartalega



Source: Bloomberg, Affin estimates

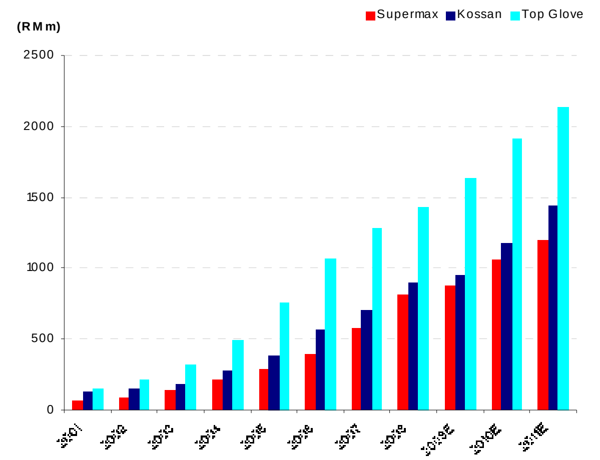
Fig 2: PE premium of Top Glove and Kossan to Supermax



Source: Bloomberg, Affin estimates

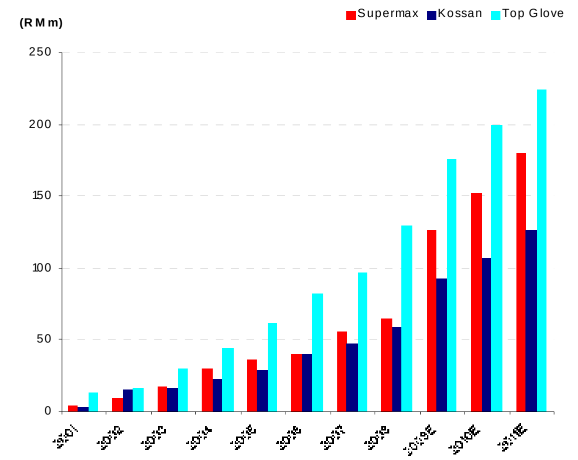
FOCUS CHARTS

Fig 3: Absolute revenue comparison



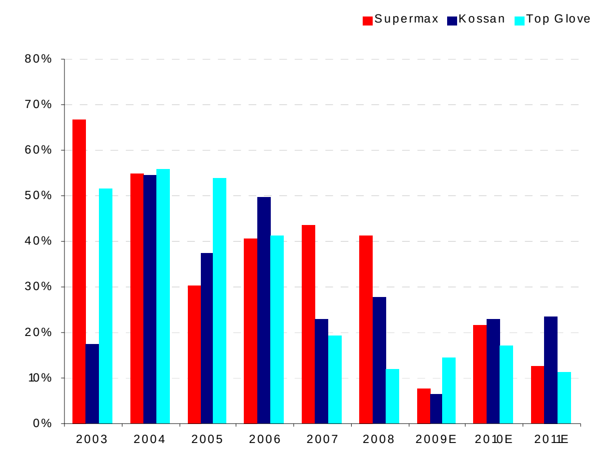
Source: Company, Affin estimates

Fig 4: Absolute net profit comparison



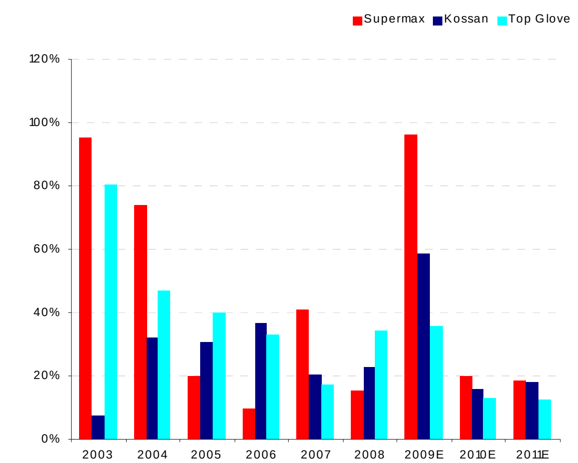
Source: Company, Affin estimates

Fig 5: Revenue growth comparison



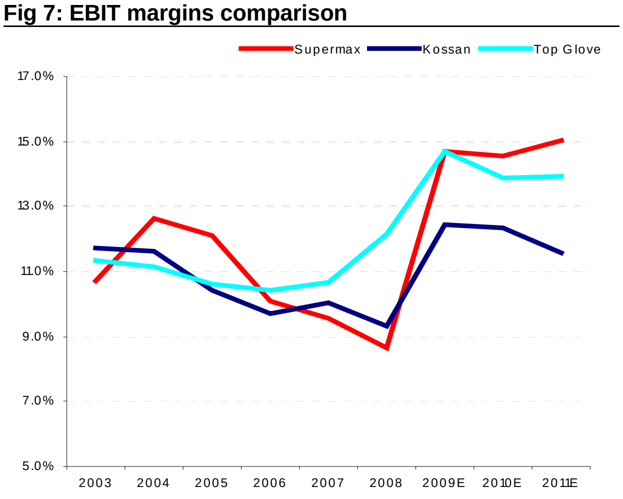
Source: Company, Affin estimates

Fig 6: Net profit growth comparison



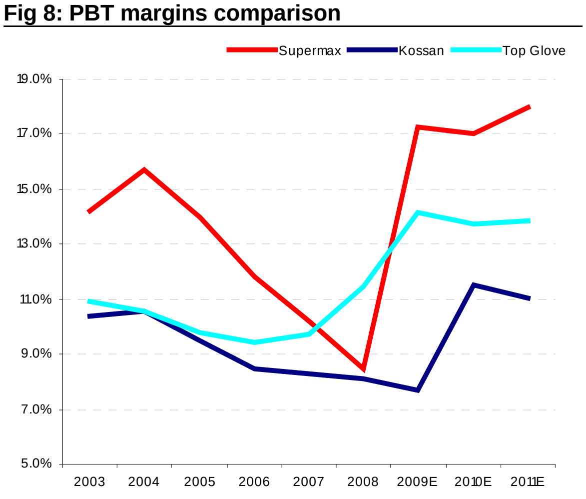
Source: Company, Affin estimates

Fig 7: EBIT margins comparison



Source: Company, Affin estimates

Fig 8: PBT margins comparison



Source: Company, Affin estimates

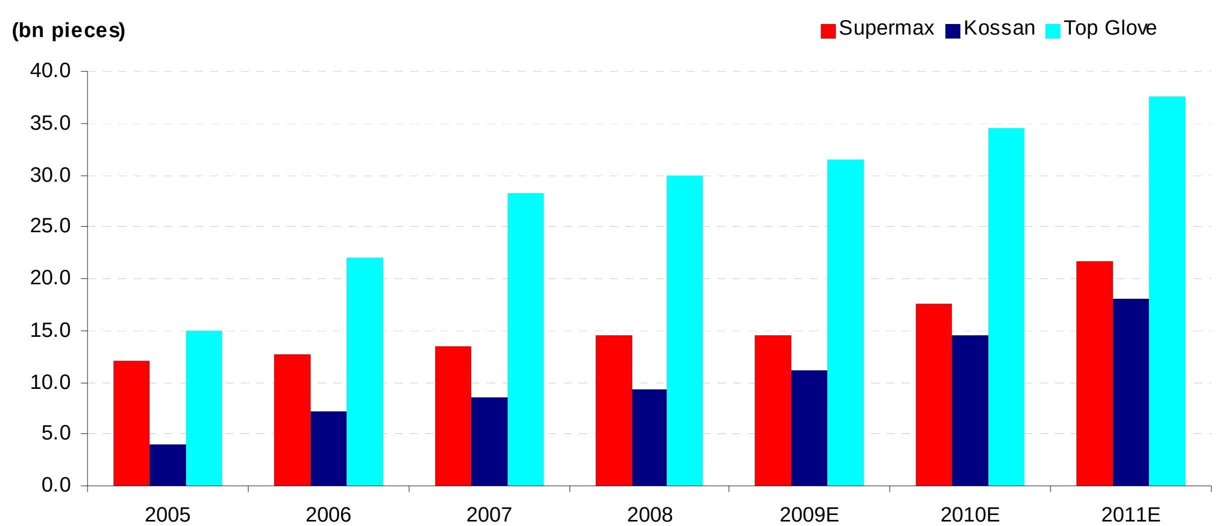
Trading at a discount to Top Glove since Apr-04

Inline with Supermax's stronger earnings growth trajectory, the stock has traded at a premium to Top Glove throughout most of FY02-03. However, from Apr-04 onwards, the trend reversed, in tandem with Supermax's slower earnings momentum in FY05 and subsequent acquisition of a 12.9%-stake in APLI on Feb-05. The acquisition was negative, with APLI riddled with problems like bad debts, assets impairments, inventory write-downs and operational losses due to inefficiencies. Since then, Supermax has remained on the sidelines while Top Glove and Kossan continue to be re-rated. At the peak, Top Glove was trading at a 345% PE premium to Supermax.

Lagged behind in capacity expansion plans

We believe Supermax's steep valuation discount to Top Glove also stems from the formers' minimal capacity expansion previously as management's time was devoted to turning around APLI. In contrast, Top Glove embarked on an aggressive expansion strategy, which saw its production capacity growing by 110% since FY05 to 31bn pieces of gloves currently. The increased production capacity had led to higher earnings, reflected by Top Glove's 3-year historical CAGR of 28%. Over the same period, Supermax's CAGR was a less robust 21%. However, with the full impairment of its investment in APLI late last year ('exit' APLI and leaving to the liquidators to salvage whatever value that is left), management is now fully focused on Supermax's expansion strategy. By end FY10, Supermax is estimated to have increased its total production capacity to 17.6bn pieces of gloves, narrowing the gap with Top Glove's 34.5bn pieces.

Fig 9: Production capacity (bn pieces per annum)



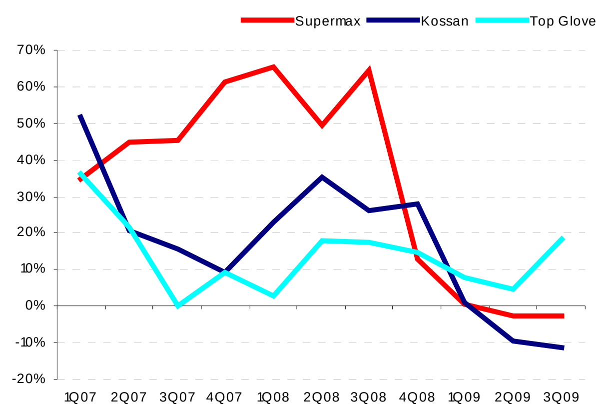
Source: Company, Affin estimates

LEGACY ISSUES REMOVED – NEW LEASE OF LIFE

Investor's sentiment started to improve since the de-listing of APLI

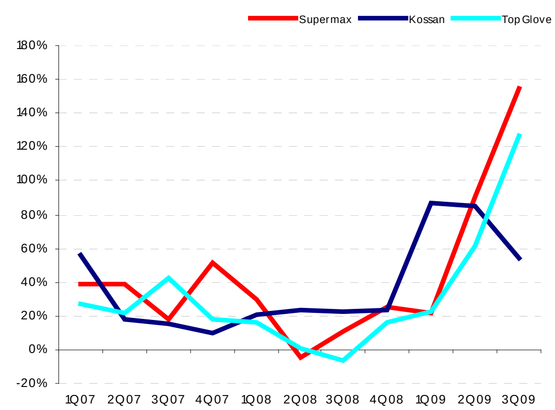
After a turbulent 3 years, Supermax has finally decided to write-off its entire stake in APLI, recording an impairment loss of around RM17m for 4Q08. Going forward, management has assured that focus will be on organic growth. Coupled with strong earnings delivery for 9M09, we believe this has helped lift investors sentiment on the stock, which saw a four-fold ytd appreciation in its share price to RM3.96 from a low of RM0.80 back in Dec-08. Supermax's 9M09 net profit surged 88% yoy to RM85.6m, compared to 67% yoy for Top Glove and 54% yoy for Kossan. However, Supermax's 9M09 revenue was marginally lower (-2% yoy) as some cost savings were passed back to customers via lower selling prices. This trend is also similar for Kossan, which recorded a 7% yoy fall in 9M09 revenue. Top Glove's 9M09 revenue bucked the trend, and grew by 10% yoy, as they were able to fully capitalize on increased orders from the H1N1 flu virus outbreak, as utilization rates were only around 70%.

Fig 10: Quarterly revenue momentum (yoy % growth)



Source: Company, Affin estimates

Fig 11: Quarterly earnings momentum (yoy % growth)

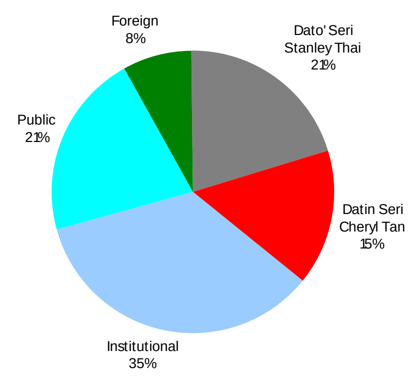


Source: Company, Affin estimates

Perception of key controlling shareholders has also improved

Investors' perception on the controlling shareholder, in our view, has also improved following the 'scrapping' of a plan that would see the merger with loss-making APLI and emergence of a new substantial shareholder Dubai Investment Group. Dubai Investment currently has exited the company. Supermax is now majority controlled by group MD, Dato' Seri Stanley Thai. Together with his wife, Datin Seri Cheryl Tan, they own a collective 36% stake in Supermax.

Fig 12: Shareholding structure (as at 18 Nov 2009)



Source: Company

EARNINGS OUTLOOK

Resilient demand for medical gloves

Global glove consumption is estimated to grow by around 8-10% p.a. (c. 10bn pieces of gloves), driven by increased healthcare awareness from developing countries like India, China and Brazil where healthcare spending (as a % of GDP) lags behind major developed nations like US and Europe. Outbreak of pandemic illnesses like the recent H1N1 is a further impetus to demand growth and at the same time, creates increased awareness on hygeine standards. We gather that the H1N1 flu outbreak resulted in an additional demand for approximately 12.5bn pieces of gloves. With an 11% global market share (second largest after Top Glove), we believe Supermax stands to benefit from any uptick in glove usage.

3-year EPS CAGR of 42%

We project Supermax's earnings to grow at a FY09-11 CAGR of 42%, ahead of Top Glove's 20% and 29% for Kossan. Earnings will be anchored by its capacity expansion plans and increasing contribution from its associates (Supermax Brazil & Supermax Canada). Current plant utilization is around 85%. Over the next 1-2 years, Supermax will decommission some 12 production lines and replace it with 17 new lines, giving it a net addition of 808m pieces of gloves. Natural gas will not be an issue as Supermax will tap into existing supply at its factories. Over the medium-term, Supermax plans to develop its dream project, GloveCity in Kapar, Klang, which can contribute an additional 18bn pieces of gloves when fully constructed. Phase 1 is slated for commissioning by 2011, with an annual production capacity of 4.15 bn pieces of gloves. The glove manufacturing business is essentially volume-driven and thrives from economies of scale. Hence, capacity expansion will help drive unit production cost down. Coupled with resilient demand, this ensures earnings growth remains intact.

Fig 12: Supermax's expansion plans

Factory	No. of Equivalent Single Lines	Installed Annual Capacity as of 31.12.09	New Expansion (million pcs)	Total Capacity as of 31.12.10 (million pcs)	New Expansion (million pcs)	Total Capacity as of 31.12.11 (million pcs)
Supermax						
Lot 38	12	1,728	-	1,728	-	1,728
Lot 42	Existing: 5	360	-	360	-	360
	Dismantled: 2	-	-144	-144	-	-144
	New: 3	-	270	270	-	270
Melaka	Existing: 14	1,058	-	1,058	-	1,058
	Dismantled: 6	-	-338	-338	-	-338
	New: 8	-	816	816	-	816
Lot 6070	Phase 1:12	1,224	-	1,224	-	1,224
	Dismantled: 4	-	-408	-408	-	-408
	New: 6	-	612	612	-	612
Lot 5128	10	1,442	-	1,442	-	1,442
Lot 6068	Phase 1:12	1,728	-	1,728	-	1,728
	Phase 2: 14	2,016	-	2,016	-	2,016
Lot 6069	Phase 1:12	-	1,728	1,728	-	1,728
	Phase 2: 4	-	576	576	-	576
Glove City	Phase 1:32	-	-	-	4,150	4,150
Total	**132**	**9,556**	**3,112**	**12,668**	**4,150**	**16,818**
Seal Polymer (SPIB)						
Ipoh	25	1,920	-	1,920	-	1,920
Kamunting	Phase 1: 8	960	-	960	-	960
	Phase 2: 10	1,080	-	1,080	-	1,080
	Phase 3: 10	960	-	960	-	960
Total	**53**	**4,920**	**-**	**4,920**	**-**	**4,920**
Combined Total	**185**	**14,476**	**3,112**	**17,588**	**4,150**	**21,738**

Source: Company

Still deeply undervalued

Despite the stellar ytd share price performance, Supermax is still only trading at CY10 PE of 6.9x, which offers the cheapest exposure to the thriving rubber gloves sector. Its larger peers like Top Glove and Hartalega are trading at CY10 PEs of 14.6x and 10.6x. In addition, Supermax's CY10 dividend yields are fairly attractive at around 4% compared to peers average of 3%. Supermax is committed to a 20% dividend payout plus an additional special dividend payment amounting to the difference between the company's reported EPS and management's internal EPS target. Management has set its EPS target at 44 sen for FY09, 50 sen for FY10 and 65 sen for FY11. Meanwhile, our FY09-11 EPS projections are 48 sen, 57 sen and 68 sen, respectively.

Fig 13: Peers comparison

Stock	Rating	Sh Pr (RM)	TP (RM)	Mkt Cap (RMm)	Year End	Core PE (x) CY09	Core PE (x) CY10	EPS growth (%) CY09	EPS growth (%) CY10	EV/EBITDA (x)	P/B (x)	ROE (%) FY09	ROE (%) FY10	Div Yield (%) FY09	Div Yield (%) FY10
Kossan	BUY	5.00	6.72	799	Dec	8.6	7.4	58.4	15.6	6.5	2.3	28.8	27.4	1.2	2.2
Top Glove	BUY	9.53	10.61	2,909	Aug	16.5	14.6	35.9	12.9	8.7	3.0	21.5	21.4	2.6	3.0
Supermax	BUY	3.96	6.41	1,051	Dec	8.3	6.9	96.0	19.9	7.7	2.1	27.7	28.7	4.1	4.4
Hartalega**	NR	5.82	na	1,410	Mar	12.7	10.6	37.0	19.7	8.9	4.8	37.2	32.0	2.7	3.1
Adventa**	NR	2.50	na	363	Oct	15.8	9.7	17.8	62.3	12.4	2.0	8.6	13.9	1.8	3.0
Simple average						**12.4**	**9.9**	**49.0**	**26.1**	**8.8**	**2.8**	**24.7**	**24.7**	**2.5**	**3.2**

**based on consensus estimates

Source: Bloomberg, Affin estimates

Strong balance sheet position, healthy operating cash flows

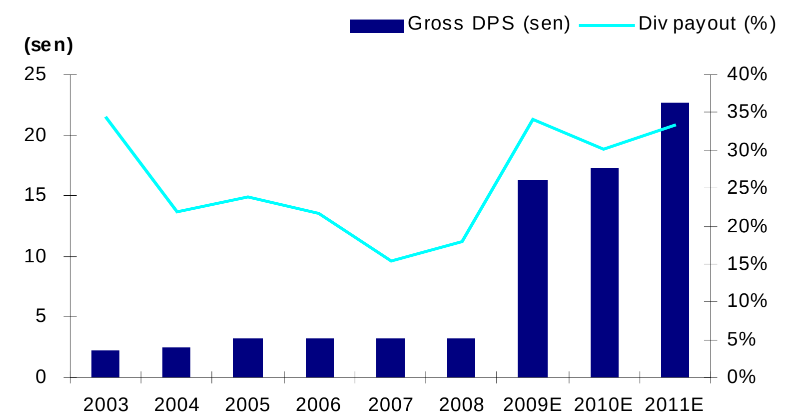
We believe Supermax's strong balance sheet position, with a mere net gearing of 0.35x as at end Sep-09, and healthy free cash flows can easily support its dividend payments. Despite Supermax's capacity expansion plans, we estimate Supermax is still able to generate an annual free cash flows of RM130-192m over FY09-11, backed by improved earnings and increased contribution from its associates. Notably, Supermax's cash balance has jumped three-fold to RM90m from RM31m as at end FY08.

Fig 14: FCF projections

(RMm)	2008	2009E	2010E	2011E
CFO	98.34	222.25	175.14	204.09
Capex	(38.54)	(30.50)	(45.00)	(55.00)
FCF	**59.79**	**191.75**	**130.14**	**149.09**
Gross dividends paid	8.62	43.24	45.90	52.79

Source: Company, Affin estimates

Fig 15: Dividend payout and absolute DPS (sen)



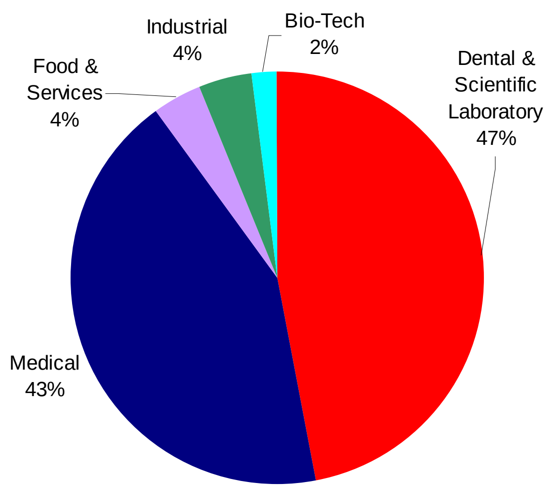
Source: Company, Affin estimates

KEY STRENGTHS

Strong branding in dental gloves segment

Supermax is an own brand manufacturer (OBM) as well as an orignial equipment manufacturer (OEM). Supermax's own brand names include Supermax, Aurelia, Maxter, Medic-Dent and Supergloves. OBM accounts for 60% of sales, largely driven by sale of its own brand dental gloves in US. Dental gloves accounts for around 47% of Supermax's sales mix. Supermax currently commands a 8.1% market share in US, from 5.0% in FY07, and is now just behind Microflex, which has the largest market share by vendor at 10.1%.

Fig 16: Supermax sales mix



Source: Company

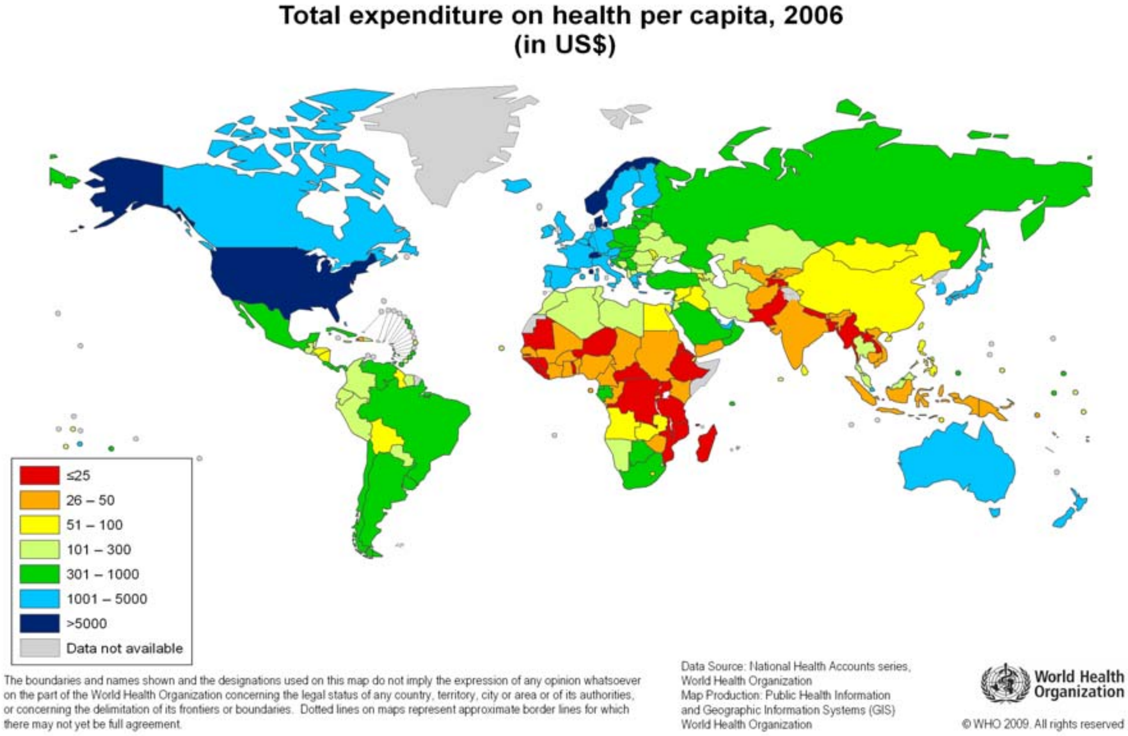
Additional income from distribution centers

In addition to its glove manufacturing business, Supermax also enjoys an additional source of income from its distribution centers located in USA, Brazil, Canada, Belgium and Australia. With the exception of Supermax USA, earnings from the other distribution centers are reflected under share of profit from associates as shareholdings is 50% and less, with Brazil and Canada forming the bulk of profit. Based on the latest 9M09 results, contribution from associates have risen to 33% (RM28m) of net profit (RM85m) from around 27% in 9M08.

Bright prospects from Brazil

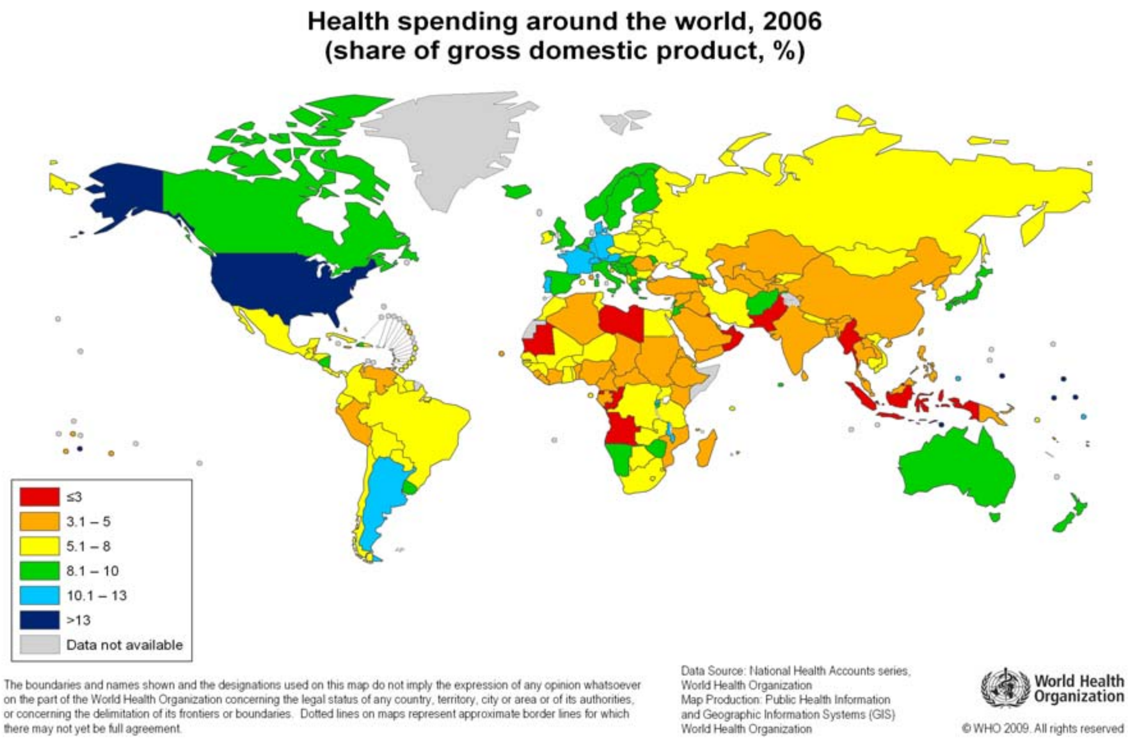
With a population of 190m and healthcare spending (as a % of GDP) lagging behind major developed countries, we believe Brazil offers strong growth potential for Supermax through its 50%-owned distribution center. 15% of Supermax's total production is channeled to Brazil. Only 2 domestic glove manufacturers (Top Glove and Supermax) currently meet the new Brazilian standards, which requires the distributor's name and batch number to be printed on each glove. Supermax distributes its own brand medical gloves in Brazil via 50%-owned Supermax Brazil, where retail prices are around 120 Real (US$70) per 1,000 pieces of gloves. In comparison, ASP for OEM gloves range between US$22-29 per 1,000 pieces.

Fig 17: Healthcare expenditure per capita in developing countries lags behind developed nations



Source: WHO

Fig 18: Healthcare expenditure as a % of GDP



Source: WHO

KEY RISKS

Inherent risk for glove manufacturers
Overall, key risks faced by glove manufacturers are: 1) labor conditions (subjected to government's policy on reducing dependence on foreign labor), 2) supply and pricing of natural gas, and 3) RM/US$ exchange rate. Glove manufacturers are currently paying a subsidized rate of RM15/mmbtu for natural gas. In a bid to cut operating expenditures, the government may opt to reduce subsidies further, thereby dampening competitiveness of local rubbber glove players. But, immediate focus will be on: 1) strong quarterly earnings growth, and 2) special dividend payments.

Supply of natural gas
Natural gas is an important source of fuel for rubber glove manufacturers and accounts for around 10% of total production cost. Last year, glove companies were dodged by uncertainties over the release of new natural gas supply for new glove factories, which will curb capacity expansion plans and hence, dampen earnings growth. To overcome this, Supermax has opted to replace its older lines with new production lines to improve efficiency, leading to increased capacity, without the need for new natural gas supply. Going forward, we gather that glove manufacturers are lobbying the government to release additonal natural gas supply for their expansion plans. We believe glove manufacturers will have the government's ears as the rubber glove sector is one of Malaysia's most competitive sectors, with Malaysian rubber glove manufacturers commanding a 67% global market share. In the meantime, local glove manufacturers are increasingly turning to biofuel as an alternative to natural gas. However, we believe this is not a long-term solution as with more local manufacturers opting for biomass fuel, we are concerned that availability of biofuels may lag behind demand.

RM vs US$ exchange rate
Selling prices for gloves are predominantly quoted in US$. Hence, an appreciating RM vs US$ does not augur well for glove manufacturers. The RM has appreciated by some 4% to RM3.38/US$ since July-09. However, given the resilient demand for medical gloves, glove manufacturers are able to raise selling prices to cushion the impact from a stronger RM, as was the case in 2008, albeit with a 1-2 month time lag. As such, despite latex prices peaking at RM7.18/kg in July-08 and the RM strengthening to RM3.14/US$ in Apr-08, Supermax was still able to deliver a 15% yoy growth in core earnings for FY08, demonstrating its proven ability to pass on higher production cost to customers. End of the day, economies of scale and continuous efforts to push down unit production cost is still the most critical factor.

Fig 19: RM/US$ trend

Source: Bloomberg

Supermax – Financial Summary

Profit & Loss Statement

FYE Dec (RMm)	2007	2008	2009E	2010E	2011E
Total revenue	574.3	811.8	874.0	1061.8	1195.8
Operating expenses	(499.4)	(712.9)	(714.4)	(875.2)	(982.0)
EBITDA	74.9	98.9	159.7	186.6	213.8
Depreciation	(19.9)	(28.8)	(31.1)	(32.1)	(33.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	55.0	70.1	128.6	154.4	179.9
Net interest income/(expense)	(15.3)	(20.3)	(17.5)	(17.2)	(14.2)
Associates' contribution	18.4	18.8	39.6	43.4	49.0
Others	0.4	0.1	0.1	0.2	0.2
Pretax profit	58.6	52.0	150.8	180.9	214.9
Tax	(2.6)	(4.1)	(24.1)	(28.9)	(34.4)
Minority interest	0.0	0.0	0.0	0.0	0.0
Net profit	55.9	47.9	126.7	151.9	180.6

Balance Sheet Statement

FYE Dec (RMm)	2007	2008	2009E	2010E	2011E
Fixed assets	373.1	382.9	382.3	395.2	416.3
Other long term assets	141.2	156.5	178.9	205.8	238.0
Total non-current assets	**514.3**	**539.4**	**561.2**	**601.0**	**654.4**
Cash and equivalents	29.2	31.0	56.3	71.6	92.6
Stocks	106.4	135.5	89.9	110.4	125.6
Debtors	107.8	131.3	138.8	168.6	189.9
Other current assets	110.9	109.5	109.5	109.5	109.5
Total current assets	**354.2**	**407.3**	**394.5**	**460.1**	**517.6**
Creditors	97.9	108.0	106.2	130.4	148.4
Short term borrowings	142.3	221.1	154.8	139.3	125.4
Other current liabilities	15.0	18.3	28.9	28.9	28.9
Total current liabilities	**255.1**	**347.4**	**289.9**	**298.6**	**302.7**
Long term borrowings	203.7	169.7	152.7	137.4	123.7
Other long term liabilities	25.9	13.3	13.3	13.3	13.3
Total long term liabilities	**229.6**	**183.0**	**166.0**	**150.7**	**137.0**
Shareholders' Funds	**383.8**	**416.4**	**499.8**	**611.7**	**732.3**

Cash Flow Statement

FYE Dec (RMm)	2007	2008	2009E	2010E	2011E
EBIT	55.0	70.1	128.6	154.4	179.9
Depreciation & amortisation	19.9	28.8	31.1	32.1	33.9
Working capital changes	(80.7)	(37.9)	47.0	(26.1)	(18.5)
Cash tax paid	(2.6)	(4.1)	(24.1)	(28.9)	(34.4)
Others	82.3	41.4	39.7	43.6	49.2
Cashflow from operations	**73.9**	**98.3**	**222.3**	**175.1**	**210.1**
Capex	(33.9)	(38.5)	(30.5)	(45.0)	(55.0)
Disposal/(purchases)	(13.9)	(18.6)	(22.4)	(26.9)	(32.3)
Others	2.7	0.0	0.0	0.0	0.0
Cash flow from investing	**(45.2)**	**(57.2)**	**(52.9)**	**(71.9)**	**(87.3)**
Debt raised/(repaid)	(14.3)	(15.6)	(83.3)	(30.7)	(27.7)
Equity raised/(repaid)	4.8	(5.9)	0.0	5.9	0.0
Net interest income/(expense)	(14.8)	(20.2)	(17.5)	(17.2)	(14.2)
Dividends paid	(7.4)	(8.6)	(43.2)	(45.9)	(60.0)
Others	3.0	2.1	0.0	0.0	0.0
Cash flow from financing	**(28.8)**	**(48.1)**	**(144.1)**	**(87.9)**	**(101.8)**
Free Cash Flow	**40.0**	**59.8**	**191.8**	**130.1**	**155.1**

Source: Company, Affin estimates

Key Financial Ratios and Margins

FYE Dec (RMm)	2007	2008	2009E	2010E	2011E
Growth					
Revenue (%)	43.4	41.4	7.7	21.5	12.6
EBITDA (%)	40.2	32.1	61.4	16.8	14.6
Core net profit (%)	40.7	(14.3)	164.2	19.9	18.8
Profitability					
EBITDA margin (%)	13.0	12.2	18.3	17.6	17.9
PBT margin (%)	10.2	6.4	17.3	17.0	18.0
Net profit margin (%)	9.7	5.9	14.5	14.3	15.1
Effective tax rate (%)	4.4	7.8	16.0	16.0	16.0
ROA (%)	6.4	5.1	13.3	14.3	15.4
Core ROE (%)	17.9	16.1	27.7	27.3	26.9
ROCE (%)	9.4	9.1	15.9	18.2	19.2
Dividend payout ratio (%)	15.4	18.0	34.1	30.2	33.2
Liquidity					
Current ratio (x)	1.4	1.2	1.4	1.5	1.7
Op. cash flow (RMm)	73.9	98.3	222.3	175.1	210.1
Free cashflow (RMm)	40.0	59.8	191.8	130.1	155.1
FCF/share (sen)	15.1	22.5	72.3	49.1	58.5
Asset management					
Debtors turnover (days)	62	56	55	55	55
Stock turnover (days)	94	82	55	55	55
Creditors turnover (days)	57	41	45	45	45
Capital structure					
Core ROA (%)	6.4	6.8	13.3	14.3	15.4
ROCE (%)	9.4	9.1	15.9	18.2	19.2

Quarterly Profit & Loss

FYE 31 Dec (RMm)	3Q08	4Q08	1Q09	2Q09	3Q09
Revenue	244.3	204.4	192.4	188.5	237.6
Operating expenses	(218.1)	(176.0)	(164.8)	(153.7)	(189.8)
EBITDA	26.2	28.4	27.6	34.8	47.7
Depreciation	(7.1)	(7.0)	(7.2)	(7.9)	(8.2)
EBIT	19.1	21.4	20.4	26.8	39.5
Net int income/(expense)	(4.9)	(5.1)	(5.0)	(4.5)	(4.1)
Associates' contribution	2.4	6.2	8.1	9.0	11.3
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pretax profit	16.6	5.9	23.5	31.3	46.7
Tax	(0.8)	(4.4)	(3.8)	(5.6)	(6.6)
Minority interest	0.0	0.0	0.0	0.0	0.0
Net profit	15.8	1.5	19.7	25.8	40.2
Core net profit	15.8	1.5	19.7	25.8	40.2
Margins (%)					
EBIT	7.8	10.5	10.6	14.2	16.6
PBT	6.8	2.9	12.2	16.6	19.7
Net profit	6.5	0.8	10.2	13.7	16.9

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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