

Supermax Corp

SUCB MK / SUPM.KL

4Q12 RESULTS NOTE

Market Cap US\$394.0m <small>RM1,222m</small>	Avg Daily Turnover US\$0.53m <small>RM1.61m</small>	Free Float 59.4% <small>340.1 m shares</small>
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Current	RM1.80
Target	RM2.37
Previous Target	RM2.64
Up/downside	31.6%

SHORT TERM (3 MTH)	LONG TERM
TRADING BUY	OUTPERFORM
TRADING SELL	NEUTRAL
	UNDERPERFORM



Yeoh Yung-Juen CFA

T (60) 3 20849911
E yungjuen.yeoh@cimb.com

Share price info

Share price perf. (%)	1M	3M	12M
Relative	-6.4	-12.8	-10.9
Absolute	-7.2	-11.8	-6.7

Major shareholders

	% held
Dato' Seri Thai Kim Sim, Stanley	20.7
Datin Seri Tan Bee Geok, Cheryl	14.8
Koperasi Permodalan Felda	5.2

Grip slips in FY12

FY12 core net profit was broadly within our expectations at 96% of our forecast, but above consensus at 106% of consensus numbers. Our estimates were higher as our tax rate was 3% pts below the actual. Demand is strong as EBITDA rose by 17% yoy due to higher output.

A proposed 3sen final DPS would take FY12 DPS to 5sen, which would be 21% above our expectations. However, we maintain our 20% payout as the company continues to expand. Supermax remains an Outperform and would be catalysed by strong demand. Our target falls after we cut FY13-15 EPS on lower associate income but our target P/E remains 10.6x or 25% below Top Glove's two-year average of 14.15x.

of 12.6% was lower than management's guidance of 20% at its 3Q12 results briefing.

Tech advancement

To pre-empt higher labour, material and energy costs, Supermax's management is aggressively automating its manufacturing process. The company intends to focus on the stacking and packing functions of the supply chain, which is more labour intensive. While this may cause minor disruptions to production in the short run, it is expected to improve productivity and efficiency over the long term.

Latin expansion

Management may build a manufacturing base in South America to bypass punitive import taxes. This tax has led to lower associate income (FY12: -33% yoy) and if Supermax is successful, associate income may recover.

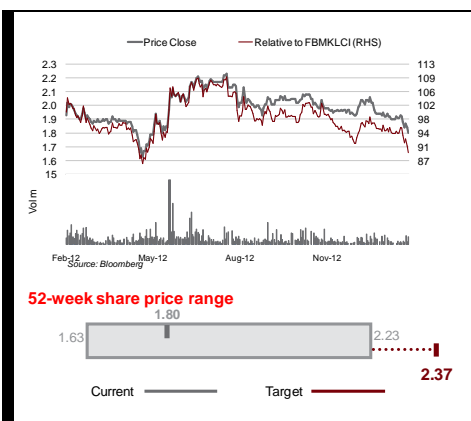
FY12 net profit up 13% yoy

FY12 revenue rose by 2.6% to RM1bn due to higher output from new factories and refurbished lines. Total costs remained stable at RM874m due to lower natural rubber and synthetic nitrile prices. EBITDA rose by 17% yoy as EBITDA margins expanded by 2% pts. Core net profit rose by 12.6% to RM122m. Our FY12 estimate was higher due to a higher tax rate of 13% compared to our 10% estimate. Also, FY12 core EPS growth

Results Comparison

FYE Dec (RM m)	4Q FY12	4Q FY11	yoy % chg	3QFY12	qoq % chg	4QFY12 cum	4QFY11 cum	yoy % chg	Prev. FY12F	Comments (cum yoy comparison)
Revenue	322.3	271.2	18.8	245.5	31.3	1,048.4	1,021.4	2.6	1,378.0	Higher output from new factories and refurbished lines
Operating costs	(275.4)	(224.8)	22.5	(206.1)	33.7	(874.1)	(872.6)	0.2	(1,229.7)	Stable costs due to lower natural rubber prices
EBITDA	46.8	46.4	0.9	39.4	18.7	174.3	148.7	17.2	148.3	Higher due to new factories and refurbished lines
EBITDA margin (%)	14.5	17.1	(15.1)	16.1	(9.5)	16.6	14.6	14.2	10.8	Higher due to new factories and refurbished lines
Deprn & amort.	(6.3)	(4.2)	49.5	(6.3)	(0.1)	(24.3)	(24.1)	0.8	(53.3)	PPE of RM451m as at 31 Dec 2012
EBIT	40.6	25.8	57.3	33.2	22.3	126.7	94.4	34.2	95.0	Costs were stable but revenue was higher
Interest expense	(2.0)	(2.7)	(24.6)	(2.7)	(25.3)	(9.9)	(13.1)	(24.2)	(17.8)	Total borrowings of RM283m as at 31 Dec 2012
Interest & invt inc	-	-	nm	-	nm	-	-	nm	17.8	Cash balance of RM122m as at 31 Dec 2012
Associates' contrib	3.8	4.4	(13.9)	3.3	12.5	23.4	34.8	(32.9)	45.4	Distribution of gloves in Brazil, Canada and Belgium
Exceptionals	-	-	nm	-	nm	-	(4.0)	nm	-	Bond write off in FY11
Pretax profit	42.3	27.5	53.9	33.8	25.1	140.2	112.1	25.0	140.7	Accounted for 100% of our full year estimate
Tax	(10.5)	(1.3)	736.0	(2.2)	369.2	(18.7)	(8.1)	131.4	(14.0)	Lower than the statutory rate of 25% due to the availability of allowances and incentives
Tax rate (%)	24.8	4.6	443.3	6.6	275.1	13.3	7.2	85.1	10.0	
Minority interests	0.3	0.1	184.3	-	nm	0.3	0.1	166.4	-	None expected
Net profit	32.1	26.3	21.8	31.6	1.6	121.8	104.2	16.9	126.7	Accounted for 96% of our full year estimate
Core net profit	32.1	26.3	21.8	31.6	1.6	121.8	108.2	12.6	126.7	Accounted for 96% of our full year estimate
EPS (sen)	5.2	4.3	21.8	5.2	1.6	19.9	17.0	16.9	20.7	Based on 612.1m total shares outstanding
Core EPS (sen)	5.2	4.3	21.8	5.2	1.6	19.9	17.7	12.6	20.7	Excluding exceptional items

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (RMm)	1,021	1,048	1,532	1,603	1,660
Operating EBITDA (RMm)	141.7	174.3	185.0	222.5	231.6
Net Profit (RMm)	84.2	121.7	137.0	161.3	159.0
Core EPS (RM)	0.15	0.20	0.22	0.26	0.26
Core EPS Growth	(54.8%)	33.2%	12.6%	17.7%	(1.4%)
FD Core P/E (x)	12.06	9.05	8.04	6.83	6.93
DPS (RM)	0.036	0.041	0.050	0.058	0.058
Dividend Yield	2.01%	2.29%	2.76%	3.24%	3.24%
EV/EBITDA (x)	7.73	5.71	4.97	3.57	2.84
P/FCFE (x)	14.50	16.46	9.61	6.48	5.93
Net Gearing	28.5%	10.0%	2.5%	(7.6%)	(16.6%)
P/BV (x)	1.43	1.21	1.07	0.95	0.84
Recurring ROE	12.3%	14.5%	14.2%	14.7%	12.9%
% Change In Core EPS Estimates			(10.2%)	(8.8%)	
CIMB/consensus EPS (x)			1.06	1.09	1.04

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
			(local curr)	(local curr)		CY13	CY14		CY13	CY14	CY13	CY14	CY13	CY14
Hartalega Holdings	HART MK	Outperform	4.75	5.66	1,122	13.6	11.6	9.6%	4.09	3.42	32.9%	32.2%	4.4%	5.2%
Kossan Rubber Industries	KRI MK	Outperform	3.30	3.69	339	8.2	6.8	16.2%	1.49	1.27	19.6%	20.2%	2.5%	3.0%
Supermax Corp	SUCB MK	Outperform	1.80	2.37	394	8.0	6.8	9.2%	1.07	0.95	14.3%	14.7%	2.8%	3.2%
Top Glove Corporation	TOPG MK	Neutral	5.50	5.97	1,098	14.4	13.0	8.4%	2.27	2.04	16.5%	16.5%	4.6%	5.1%
Average						11.9	10.3	10.0%	2.21	1.93	19.8%	20.0%	4.1%	4.7%

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

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Score Range	90 – 100	80 – 89	70 – 79	Below 70 or No Survey Result
Description	Excellent	Very Good	Good	N/A

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Spitzer Chart for stock being researched (2 year data)



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918 companies under coverage		
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Outperform/Buy/Trading Buy	52.6%	8.6%
Neutral	34.6%	4.2%
Underperform/Sell/Trading Sell	12.7%	8.4%

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Stock

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NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

Sector

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.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Korea Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Recommendation Framework #2 **

Stock

OUTPERFORM: Expected positive total returns of 10% or more over the next 12 months.

NEUTRAL: Expected total returns of between -10% and +10% over the next 12 months.

UNDERPERFORM: Expected negative total returns of 10% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 10% or more over the next 3 months.

TRADING SELL: Expected negative total returns of 10% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months.

** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2011.

AAV – not available, **ADVANC** - Excellent, **AMATA** - Very Good, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** - Good, **BEC** - Very Good, **BECL** - Very Good, **BGH** - not available, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Very Good, **CCET** - Good, **CK** - Very Good, **CPALL** - Very Good, **CPF** - Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Very Good, **GLOBAL** - not available, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Very Good, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Very Good, **ITD** - Good, **IVL** - Very Good, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KK** - Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** - Very Good, **MCOT** - Excellent, **MINT** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - not available, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** - Excellent, **SC** – Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIRI** - Very Good, **SPALI** - Very Good, **STA** - Very Good, **STEC** - Very Good, **TCAP** - Very Good, **THAI** - Very Good, **THCOM** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Very Good, **TUF** - Very Good, **WORK** - Good.