Results Note | **RM9.78 @ 27 October 2020**

"Results are above both ours and street expectations"

Share price performance

	1M	3M	12M
Absolute (%)	13.9	12.2	1224.1
Rel KLCI (%)	14.5	18.9	1285.3

	BUY	HOLD	SELL
Consensus	11	-	-

Source: Bloomberg

Stock Data

Sector	RUBBER
Issued shares (m)	2,568.7
Mkt cap (RMm)/(US$m)	25122.2/6030.3
Avg daily vol - 6mth (m)	63.0
52-wk range (RM)	0.65-12.22
Est free float	58.0%
Stock Beta	1.89
Net cash/(debt)	(254.33)
ROE (FY21E)	91%
Derivatives	No
Shariah Compliant	Yes

Key Shareholders

Thai Kim Sim	22.0%
Tan Bee Geok	16.3%

Source: Affin Hwang, Bloomberg

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Supermax (SUCB MK)

BUY (maintain)
Up/Downside: +67.7%

Price Target: RM16.40
Previous Target (Rating): RM16.50 (BUY)

There is still more to it

- **Supermax reported a strong set of numbers, 1QFY21 PATAMI of RM789.5m (+>30x) is above both ours and consensus expectations, as it constituted to 42% and 41% of respective full year forecast**
- **The increase was driven by the strong ASPs in the quarter, which has widened SUCB PBT margin to 77.6% from 8.8% a year ago**
- **Given that the current COVID-19 is still on a rising trend, we have raised our ASP assumption and hence FY21E-23E EPS by 50.4%-61.7%. TP however remains relatively unchanged as we lower our target PER multiples**

Business is still good

Management guided that the current quarter earnings is not their best quarter yet, as ASP for the upcoming quarter is still higher than the current quarter. Although management did not provide a clear guidance on ASPs, we believe that blended ASPs can continue to increase by 4-5% mom in FY21E, before remaining stagnant in FY22E. As Plant 12B is already near completion, this would add another 4-5% additional capacity by end of 1QFY21E. The new capacity will focus on nitrile gloves, but we think that not all the capacity will be able to produce nitrile glove, given the current shortage of raw materials. However, there should be limited impact to margins, as there has been a likewise recent surge in ASPs for powdered-free latex gloves.

Leveraging on its current network

Interestingly, management has unveiled its ambition to venture into glove manufacturing in both the US and UK, as they try to leverage on the client base they acquired recently. While the scale of the expansion is still small relative to its Malaysian operations, SUCB is earmarking a total investment of around US$650m for the new plants. The new plants will supply directly to government agencies, similar to the business strategy SUCB has for its face mask manufacturing in Canada. Management believes that demand for those glove manufactured in those countries will be stable, as those governments would want to reduce dependency from foreign imports and maintain a strategic reserve.

Maintain BUY with a lower TP of RM16.40

We have raised our FY21-23E EPS by 50%-62% to factor in a higher ASP assumption, due to the ASP achieved in current quarter. However, we lowered our TP to RM16.40 (from RM16.50 previously) based on a lower PER of 21x (+1stdev of pre COVID-19 historical mean) from 31x, as we believe that sentiments on the sector could be weaker due to the news flow on availability of vaccines. Downside risk includes, shortage of raw material and unexpected disruption of its manufacturing facilities.

Earnings & Valuation Summary

FYE 30 June	2019	2020	2021E	2022E	2023E
Revenue (RMm)	1,489.3	2,131.8	6,325.4	4,205.2	3,638.0
EBITDA (RMm)	224.1	763.6	4,268.0	1,805.8	1,517.8
Pretax profit (RMm)	172.6	688.6	4,230.1	1,768.2	1,480.6
Net profit (RMm)	123.8	525.6	2,988.7	1,249.3	1,205.9
EPS (sen)	4.5	19.3	109.9	45.9	44.3
PER (x)	215.0	50.6	8.9	21.3	22.1
Core net profit (RMm)	117.3	525.6	2,988.7	1,249.3	1,205.9
Core EPS (sen)	4.3	19.3	109.9	45.9	44.3
Core EPS growth (%)	9.9	348.2	468.6	(58.2)	(3.5)
Core PER (x)	226.9	50.6	8.9	21.3	22.1
Net DPS (sen)	4.5	4.7	50.4	21.1	18.1
Dividend Yield (%)	0.5	0.5	5.2	2.2	1.8
EV/EBITDA (x)	119.7	33.7	5.8	13.2	15.2
Chg in EPS (%)			59.6	50.4	61.7
Affin/Consensus (x)			1.5	1.0	1.1

Source: Company, Affin Hwang estimates

Fig 2: Results Comparison

FYE June (RMm)	1Q FY20	4Q FY20	1Q FY21	QoQ % chg	YoY % chg	Comments
Revenue	369.9	929.1	1,352.5	45.6	265.6	The improvement QoQ is mainly driven by higher ASPs
Op costs	(321.6)	(380.8)	(299.4)	(21.4)	(6.9)	
EBITDA	**48.4**	**548.4**	**1,053.1**	**92.0**	**2,077.4**	
EBITDA margin (%)	*13.1*	*59.0*	*77.9*	*+18.8 ppts*	*+64.8 ppts*	Higher margin qoq and yoy due to the margin led price hike
Depn and amort	(12.5)	(37.6)	(14.0)	(62.6)	12.0	
EBIT	**35.8**	**510.8**	**1,039.0**	**103.4**	**2,800.5**	
EBIT margin (%)	*9.7*	*55.0*	*76.8*	*+21.8 ppts*	*+67.1 ppts*	
Int expense	(4.2)	(4.8)	(2.4)	(49.5)	(42.4)	
Int and other inc	0.8	13.0	12.6	(3.2)	1,458.2	
EI	-	-	-	n.m	n.m	
Pretax profit	**32.4**	**519.0**	**1,049.2**	**102.2**	**3,134.1**	
Tax	(7.5)	(110.7)	(236.8)	113.8	3,063.9	
Tax rate (%)	*23.1*	*21.3*	*22.6*	*+1.2 ppts*	*-0.5 ppts*	
MI	(0.2)	(8.7)	(23.0)	165.5	10,683.6	
PATAMI	**24.7**	**399.6**	**789.5**	**97.6**	**3,090.4**	
EPS (sen)	1.8	29.4	58.0	97.6	3,090.4	
Core net profit	**24.7**	**399.6**	**789.5**	**97.6**	**3,090.4**	Above both ours and streets expectations

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

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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