

"SUCB has collected c. RM892m in deposits from customers"

Share price performance



	1M	3M	12M
Absolute (%)	55.7	611.4	1279.9
Rel KLCI (%)	57.7	525.7	1318.0

	BUY	HOLD	SELL
Consensus	9	2	-

Source: Bloomberg

Stock Data

Sector	Rubber Products
Issued shares (m)	1,291.4
Mkt cap (RMm)/(US\$m)	27378.1/6529
Avg daily vol - 6mth (m)	27.9
52-wk range (RM)	1.29-24.44
Est free float	58.2%
Stock Beta	1.87
Net cash / (debt) (RMm)	(254.33)
ROE (FY21E)	70.6%
Derivatives	No
Shariah Compliant	Yes

Key Shareholders

Thai Kim Sim	21.9%
Tan Bee Geok	16.2%

Source: Affin, Bloomberg



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Supermax (SUCB MK)

BUY (maintain)

Up/Downside: +55.7%

Price Target: RM33.00

Previous Target (Rating): RM13.90 (Buy)

Operating leverage drives profitability

- Supermax (SUCB) reported a very strong set of FY20 results, as PATAMI of RM525.6m (+340% yoy) is above both market and our expectations
- The better-than-expected performance was driven by both higher sales volume and also higher ASP, especially in 4QFY20
- We have raised our EPS forecast for FY21-22E by 106%-154% due to the higher ASP realisation, and maintain our BUY call with a higher TP of RM33

Strong earnings growth momentum continues

SUCB's FY20 performance was above both market and our expectations, as it managed to deliver earnings which were 131% and 220% of the respective forecasts. The better performance is mainly due to the surprisingly strong performance in 4QFY20, as net profit jumped 462% qoq or 2,554% yoy, supported by the strong revenue growth of 108% qoq and 147% yoy. SUCB not only benefited from higher ASPs but also higher sales volumes due to the full contribution of the recently completed Plant #12 A. Given that ASPs are still on an upward trajectory and we are expecting more capacity to come on stream in the coming months, we believe that earnings have yet to peak. SUCB has also collected customer deposits of around RM892m. Assuming SUCB only collects 30-50% as deposits, SUCB's current orderbook is around 6-8 months.

Forecasting ASPs to increase till end of 2020

Similar to its peers, we are forecasting higher ASPs which will only peak by 1HCY21 before prices start to normalise, on the basis that a vaccine for COVID-19 is publicly available by then. However, we are less aggressive on our overall ASP assumption for SUCB relative to its peers, as we are only forecasting ASPs for SUCB to grow by an average of 40% yoy or 2.8% mom in FY21. We believe that as more manufacturers start to allocate capacity for spot orders, the price hike momentum for SUCB will slow, as it sells more than 50% of its gloves either through spot or distributes them directly to end buyers.

Still positive on outlook, maintain BUY with a higher TP of RM33.00

We believe that the earnings outlook for SUCB will remain positive, as the recent spike in COVID-19 cases has helped to drive demand for PPE higher, including rubber gloves. Due to the acute shortage of gloves, we are expecting ASPs to continue rising, which will improve SUCB's operating leverage. As such, we are raising our EPS forecasts for FY21-22E by 105%-153% to factor in the higher ASP and better margins. We have also raised our TP for SUCB to RM33.00 (cum 1 for 1 bonus issue), based on an unchanged 33x CY21E PER, while reiterating our BUY call.

Earnings & Valuation Summary

FYE 30 June	2019	2020	2021E	2022E	2023E
Revenue (RMm)	1,489.3	2,131.8	4,805.3	3,387.8	3,110.1
EBITDA (RMm)	224.1	763.6	2,699.1	1,224.1	963.7
Pretax profit (RMm)	172.6	688.6	2,661.1	1,186.4	926.5
Net profit (RMm)	123.8	525.6	1,880.2	838.2	754.6
EPS (sen)	9.1	38.6	138.2	61.6	55.5
PER (x)	119.4	28.1	7.9	17.6	19.6
Core net profit (RMm)	119.3	525.6	1,880.2	838.2	754.6
Core EPS (sen)	9.1	38.6	138.2	61.6	55.5
Core EPS growth (%)	16.0	324.7	257.7	(55.4)	(10.0)
Core PER (x)	119.4	28.1	7.9	17.6	19.6
Net DPS (sen)	4.5	4.7	63.4	28.3	22.6
Dividend Yield (%)	0.4	0.4	5.8	2.6	2.1
EV/EBITDA	65.0	19.0	4.9	10.3	12.6

Chg in EPS (%)

154%

106%

New

Affin/Consensus (x)

1.6

1.1

-

Source: Company, Affin Hwang estimates



Fig 1: Results Comparison

FYE 30 Jun (RMm)	4Q19	3Q20	4Q20	QoQ % chg	YoY % chg	FY19	FY20	YoY % chg	Comments
Revenue	376.0	447.2	929.1	107.7	147.1	1,489.3	2,131.8	43.1	The increase qoq was due to both higher selling prices and higher sales volume
Op costs	(344.0)	(339.9)	(380.8)	12.0	10.7	(1,265.3)	(1,368.2)	8.1	The increase qoq was mainly due to higher sales volume
EBITDA	32.0	107.3	548.4	411.0	1,615.2	224.1	763.6	240.8	
<i>EBITDA margin (%)</i>	<i>8.5</i>	<i>24.0</i>	<i>59.0</i>	<i>+35.0 ppt</i>	<i>+50.5 ppt</i>	<i>15.0</i>	<i>35.8</i>	<i>+20.8 ppt</i>	Improvement qoq is mainly due to price increases
Depn and amort	(11.6)	(13.1)	(37.6)	187.3	223.5	(43.6)	(76.1)	74.3	Higher depreciation yoy due to the new lines
EBIT	20.4	94.2	510.8	442.0	2,409.9	180.4	687.5	281.1	
<i>EBIT margin (%)</i>	<i>5.4</i>	<i>21.1</i>	<i>55.0</i>	<i>+33.9 ppt</i>	<i>+49.6 ppt</i>	<i>12.1</i>	<i>32.3</i>	<i>+20.1 ppt</i>	
Int expense	(5.9)	(3.5)	(4.8)	35.4	(19.2)	(19.7)	(17.1)	(13.2)	
JV & Associates	1.8	4.6	13.0	184.6	641.1	5.4	18.1	235.5	
EI	-	-	-	n.m	n.m	6.5	-	(100.0)	
Pretax profit	16.2	95.3	519.0	444.7	3,104.1	172.6	688.6	298.9	Flow through from EBITDA
Tax	(2.2)	(22.9)	(110.7)	383.0	4,947.3	(49.0)	(153.0)	212.5	
<i>Tax rate (%)</i>	<i>13.5</i>	<i>24.1</i>	<i>21.3</i>	<i>(2.7) ppt</i>	<i>+7.8 ppt</i>	<i>30.2</i>	<i>26.0</i>	<i>(4.2ppt)</i>	
MI	1.1	(1.3)	(8.7)	569.1	(920.1)	0.1	(10.0)	nm	
Net profit	15.1	71.1	399.6	462.4	2,553.7	123.8	525.6	324.7	
EPS (sen)	1.1	5.2	29.4	462.4	2,553.7	9.4	38.6	324.7	
Core net profit	15.1	71.1	399.6	462.4	2,553.7	119.3	525.6	340.5	Above our and consensus 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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