

Changes to Earnings

Taking into account the land cost, we decrease our FY14 and FY15 earnings by approximately 3.0% to RM170.9mn and RM178.2mn respectively. This assumes 40% of the acquisition will be financed through borrowings. However, we have not imputed the impact of the proposed "Supermax Business Park" pending further information from management.

Undemanding Valuation

While we decrease our estimates, we upgrade our TP to RM3.50/share from RM2.90/share previously. This is based on our industry targeted PE multiple of 14x. Previously we placed a discount on the group due to our perceived uncertainty on its long term plans. Through the land acquisition, we are now more confident on its direction and intent moving ahead. Hence, we reiterate our BUY call with a total potential upside of 42.5%. Key buying/selling points include: 1) Second largest glove manufacturer under our coverage; 2) Strong OBM presence which makes up 69.0% of sales mix; 3) Diverse customer base and 4) Inability to start Glove City project due to a lack of natural gas supply.

Table 1: Earnings Summary

FYE Dec 31	2011	2012	2013f	2014f	2015f
Revenue	1,021.4	997.4	1,282.2	1,545.8	1,520.4
Other income	41.0	31.9	16.4	17.2	18.0
Total Cost	(937.7)	(883.2)	(1,123.7)	(1,352.0)	(1,319.8)
Finance Cost	(12.5)	(8.7)	(13.0)	(13.8)	(13.1)
PBT	112.1	137.3	161.8	197.2	205.6
Taxation	(8.1)	(15.9)	(21.6)	(26.3)	(27.4)
Net profit	104.1	121.4	140.3	170.9	178.2
EPS (sen)	30.6	17.9	20.6	25.1	26.2
EPS Growth (%)	(34.5)	(41.7)	15.5	21.9	4.2
Div (sen)	8.0	1.7	6.2	7.5	7.9
Div Yield (%)	2.6	2.0	2.5	3.0	3.1
PER (x)	8.2	14.0	12.2	10.0	9.6

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