

Jason Yap  
+60 (3) 9207 7698  
jason.yap@my.oskgroup.com

## 1QFY12 Results Review

# Supermax Corp

### Another Stable Quarter

Supermax's 1QFY12 results were within expectations. Overall, the numbers were flat q-o-q despite a 10% drop in 1QFY12 revenue as customers opted for thinner gloves, for which the selling prices are lower. However, the company achieved better cost efficiency, which partly mitigated the drop and led to a flat net profit growth. Although the current quarter's results only made up 22% of our FY12 forecast, we are leaving our forecast unchanged as we see better results in the upcoming quarters, boosted by a bigger production capacity, the introduction of new gloves, a stronger USD/MYR and lower latex prices. **Maintain Buy.**

### BUY ↔

Fair Value **RM2.50**  
Previous Price **RM2.50**  
RM1.79

#### RUBBER GLOVES

Supermax's principal activities are in the manufacture of medical rubber gloves.

#### Stock Statistics

Bloomberg Ticker	SUCB MK
Share Capital (m)	680.15
Market Cap	1217.47
52 week H   L Price	2.38   2.38
3mth Avg Vol (000)	1,807.4
YTD Returns	-2.3
Beta (x)	1.26
Shariah Compliant	YES

#### Major Shareholders (%)

Dato' Seri Stanley Tai	20.44
Datin Seri Cheryl Tan	15.13
EPF	8.34

#### Share Performance (%)

Month	Absolute	Relative
1m	-1.1	-0.8
3m	-11.3	-11.1
6m	4.8	-6.2
12m	-6.0	-12.0

#### 6-month Share Price Performance



**Within expectations.** Supermax's 1QFY12 results were within consensus and our expectations, making up 22% of our FY12 forecasts. Overall, the results remained quite flatish q-o-q, with both the 1QFY12 revenue and net profit of RM248.5m and RM28.0m marginally down by 10.0% and 0.6%. Revenue fell as its customers opted for thinner natural rubber and nitrile gloves, causing selling prices to weaken. However, we believe that the net profit still came in flat q-o-q despite a 10% drop in revenue, attributed to the glove maker achieving higher cost efficiency as it moves up the learning curve in relation to the production of thinner gloves, which we understand have been in demand since 2 years ago. Finally, on a YTD comparison, both the revenue and net profit were up 3.0% and 14.8% respectively, contributed by the higher sales of gloves sold as its production capacity expanded and as the company became more efficient.

**No change to our FY12 earnings forecast.** Although 1QFY12 results only made up 22% of our FY12 forecast, we are keeping our earnings forecast unchanged for now as we expect improved quarterly performance in the upcoming quarters, contributed by the bigger production capacity and introduction of new product lines (new gloves). Also, given the ongoing economic crisis in Europe, the industry may continue to see a stronger USD/MYR and the prices of commodities such as latex price trend lower. On the other hand, as in any economic crisis, sales volume may also be affected since about 30% of Supermax's rubber gloves are sold to Europe. However, we are of the view that the favorable exchange rate and lower production cost would more than compensate for the lower sales volume.

**Maintain Buy.** Our fair value for Supermax remains unchanged at RM2.50, based on the existing PER of 13x FY12 EPS. We continue to like the company's attractive valuation as well as recession-proof nature of the industry it is in.

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Revenue	814.8	977.3	1,026.9	1,135.5	1,286.1
Net Profit	129.8	158.9	106.1	127.6	137.8
% chg y-o-y	176.1	22.5	(33.2)	20.2	8.0
Consensus	-	-	-	130.0	143.0
EPS (sen)	19.2	24.0	16.0	19.2	20.8
DPS (sen)	11.0	7.5	7.5	8.5	9.5
Dividend yield (%)	6.1	4.2	4.2	4.7	5.3
ROE (%)	26.6	25.1	14.4	15.7	15.2
ROA (%)	13.5	15.2	9.0	9.9	9.5
PER (x)	9.3	7.5	11.2	9.3	8.6
BV/share (RM)	0.84	1.06	1.16	1.29	1.44
P/BV (x)	2.3	1.9	1.7	1.5	1.3
EV/ EBITDA (x)	8.4	7.6	7.3	10.1	10.4

**Results Table (RMm)****Results Table (RMm)**

FYE Dec	1Q12	4Q11	Q-o-Q chg	YTD FY12	YTD FY11	Y-o-Y chg	Comments
Turnover	248.5	276.2	-10.0%	248.5	241.4	3.0%	Lower q-o-q as its customers preferred thinner natural rubber and nitrile gloves, for which the selling price is lower. Marginally up YTD due to the higher sales of gloves as a result of bigger capacity.
EBITDA	32.3	38.8	-16.8%	32.3	29.5	9.5%	Lower q-o-q in line with lower revenue. Higher YTD due to improvement in cost efficiency.
Depreciation	-7.9	-11.0	-28.2%	-7.9	-11.0	-28.3%	
Net interest expense	-2.6	-2.9	-9.2%	-2.6	-3.3	-22.0%	
Associates	8.9	4.4	104.2%	8.9	10.5	-14.9%	
PBT before EI	30.7	29.3	4.8%	30.7	25.6	19.9%	
EI	0.0	0.0	-	0.0	0.0	-	
PBT	30.7	29.3	4.8%	30.7	25.6	19.9%	
Tax	-2.7	-1.3	113.5%	-2.7	-1.2	121.5%	
MI	0.0	0.1		0.0	0.0		
Reported Net Profit	28.0	28.2	-0.6%	28.0	24.4	14.8%	
Core Net Profit	28.0	28.2	-0.6%	28.0	24.4	14.8%	Movement quite in line with EBITDA
EPS (sen)	4.1	4.1		4.1	3.6		
DPS (sen)	0.0	1.8		0.0	0.0		
EBITDA margin	13.0%	14.0%		13.0%	12.2%		
NTA/share (RM)	1.17	1.14		1.17	1.13		

**EARNINGS FORECAST**

<b>FYE Dec (RMm)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12f</b>	<b>FY13f</b>
Turnover	814.8	977.3	1,026.9	1,135.5	1,286.1
EBITDA	162.3	181.8	193.5	136.0	142.2
PBT	152.1	183.8	113.0	135.7	146.5
Net Profit	129.8	158.9	106.1	127.6	137.8
EPS (sen)	19.2	24.0	16.0	19.2	20.8
DPS (sen)	11.0	7.5	7.5	8.5	9.5
Margin					
EBITDA (%)	19.9	18.6	18.8	12.0	11.1
PBT (%)	18.7	18.8	11.0	11.9	11.4
Net Profit (%)	15.9	16.3	10.3	11.2	10.7
ROE (%)	26.6	25.1	14.4	15.7	15.2
ROA (%)	13.5	15.2	9.0	9.9	9.5
Balance Sheet					
Fixed Assets	569.5	614.8	662.6	778.1	756.8
Current Assets	364.6	546.6	522.8	615.3	751.8
Total Assets	934.1	1,161.5	1,185.3	1,393.4	1,508.6
Current Liabilities	202.2	289.5	244.9	366.0	383.5
Net Current Assets	162.4	257.1	277.9	249.4	368.2
LT Liabilities	173.9	165.9	169.9	169.9	169.9
Shareholders Funds	558.0	706.1	770.6	857.6	955.1
Net Gearing (%)	31.5	27.0	28.5	21.2	31.1

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**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated (NR):** Stock is not within regular research coverage

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Kuala Lumpur	Hong Kong	Singapore
<p><b>Malaysia Research Office</b> OSK Research Sdn. Bhd. 6<sup>th</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202</p>	<p><b>OSK Securities Hong Kong Ltd.</b> 12<sup>th</sup> Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908</p>	<p><b>DMG &amp; Partners Securities Pte. Ltd.</b> 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p><b>PT OSK Nusadana Securities Indonesia</b> Plaza CIMB Niaga, 14<sup>th</sup> Floor, Jl. Jend. Sudirman Kav. 25, Jakarta Selatan 12920 Indonesia Tel : (6221) 2598 6888 Fax : (6221) 2598 6777</p>	<p><b>OSK (China) Investment Advisory Co. Ltd.</b> Room 6506, Plaza 66 No.1266, West Nan Jing Road 200040 Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p><b>OSK Indochina Securities Limited</b> No. 1-3, Street 271, Sangkat Toeuk Thla, Khan Sen Sok, Phnom Penh, Cambodia Tel: (855) 23 969 161 Fax: (855) 23 969 171</p>
Bangkok		
<p><b>OSK Securities (Thailand) PCL</b> 10<sup>th</sup> Floor ,Sathorn Square Office Tower, 98, North Sathorn Road,Silom, Bangrak, Bangkok 10500 Thailand Tel: +(66) 862 9999 Fax : +(66) 108 0999</p>		