

8 February 2012**Analyst**

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12-month upside potential

Target price	1.95
Current price (as at 3 Feb)	2.12
Capital upside (%)	-8.0
Net dividends (%)	2.7
Total return (%)	-5.3

Key stock information

Syariah-compliant?	Yes
Market cap (RM m)	1,442
Issued shares (m)	680
Free float (%)	53
52-week high / low (RM)	2.32 / 1.16
3-mth avg volume ('000)	3,603
3-mth avg turnover (RM m)	7

Share price performance

	1M	3M	6M
Absolute (%)	9.8	14.0	23.3
Relative (%)	7.4	9.7	19.9

Share price chart

Source: Bloomberg

Major shareholders

	%
Dato' Seri Stanley Thai Kim Sim	20.44
Datin Seri Cheryl Tan Bee Geok	15.13
EPF	8.14
Skagen Funds	4.35

Supermax Corporation**Neutral****Rubber Glove****Bloomberg Ticker: SUCB MK | Bursa Code: 7106****Supermax, the Super Marketing Expert!!!**

We initiate coverage on Supermax Corporation Berhad (Supermax) with a Neutral recommendation and a target price of RM1.95 based on 10x 12-month forward PER, a 40% discount to Top Glove valuation but 10% premium to its 10-year historical average PER of 9x. We believe the company fundamental has improved since 2009 where it has fully written off its investment in its associate, APL Industries (APLI). However, we still expect the company to continue to trade at a massive discount to Top Glove as we don't expect an industry up cycle (in terms of expansion in absolute profit per volume) in 2012. We noted that Supermax has the highest beta of 1.39x among its peers and tend to close its discount gap to the market leader during the industry up cycle but widen its discount gap during the industry down cycle.

High beta is good during upcycle but not now...

- Supermax is the second largest rubber glove manufacturer in the world with a total annual production capacity of 17.8 bn pieces in 2011. The company is undergoing expansion now to increase its production capacity by 22% over the next two years.
- Although we anticipate the company to deliver more than 10% earnings growth over the next 2 years due to its expansion plan, we still believe the probability of an industry up cycle in 2012 is low.
- Firstly, we foresee the global capacity surplus would continue to cap the rubber glove makers' absolute profit per volume. Based on our estimates, the global glove industry utilisation rate would further drop to 74% in 2012 and 2013 from 81%, 80% and 75% achieved in 2009, 2010 and 2011 respectively.
- Secondly, we expect the latex price volatility to remain and anticipate it to trade between RM6.50/kg to RM8.00/kg in 2012 as we foresee more governments' intervention to stabilise the commodity price. In the near term, we expect the latex price to rebound from its low of RM6.30/kg to RM8.00/kg by March 2012 as rubber estates start entering the wintering season in Feb-April.
- Last but not least, we expect the USD to weaken in 2012 as the US government pledged to keep its interest rate low until 2014 as well as indicating its willingness to implement another round of quantitative easing should the US economy falters. The USD weakening would definitely hurt Malaysian glove makers as they need 1-1 ½ month to adjust their USD-based average selling price (ASP). The impact could be bigger if the Thai Baht and Indonesian Rupiah appreciate less against USD as compared to Ringgit.

Expect earnings to grow steadily over the next two years, instead of a sharp recovery

- Going forward, we expect the company's earnings to grow by 18% and 12% in FY12 and FY13 respectively, underpinned by its sales volume growth of 12% and 10% in the respective years.
- We anticipate its earnings to grow stronger than its volume as we expect the company to achieve improved absolute profit per volume, thanks to the higher contribution from its better-margin surgical glove, which it expanded the capacity by 10-fold in 2011.
- Our forecasts are 1-2% lower than Bloomberg consensus forecasts.

Valuation and recommendation

- We recommend staying Neutral on Supermax with a target price of RM1.95, based on 10x 12-month forward PER. This implies 5.3% downside from the current price, including the estimated 2.7% dividend yield in FY12. We believe without an industry upcycle, Supermax's valuation is fair at current price.
- Key risks include (1) global pandemic disease outbreak, (2) sustainable downtrend in latex price, and (3) USD strengthening.



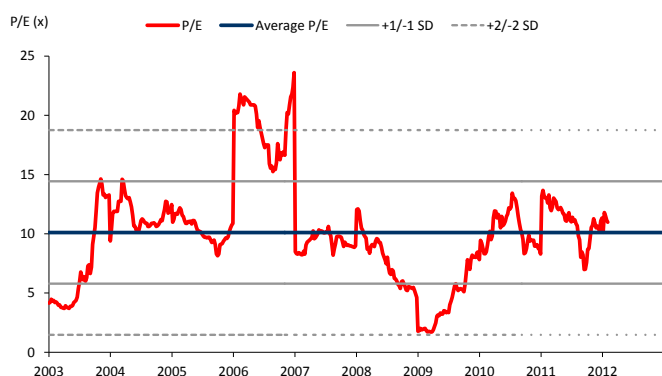
SNAPSHOT OF FINANCIAL AND VALUATION METRICS

Figure 1 : Key financial data

FYE 31 Dec	2009A	2010A	2011F	2012F	2013F
Revenue (RM m)	803.6	977.3	1,019.8	1,094.1	1,166.0
EBITDA (RM m)	166.4	204.9	126.9	145.3	159.1
EBIT (RM m)	134.5	178.9	99.2	115.1	126.7
Pretax profit (RM)	151.5	183.8	120.4	147.3	165.1
Net profit (RM m)	126.6	158.9	111.1	131.1	146.9
Adj net profit (RM m)	128.9	179.2	114.8	131.1	146.9
EPS (sen)	19.4	24.0	16.3	19.3	21.6
Adj EPS (sen)	19.8	27.0	16.9	19.3	21.6
Alliance / Consensus (%)			104.8	98.3	97.7
Adj EPS growth (%)	102.1	37.8	-37.6	14.2	12.1
Adj P/E (x)	10.7	7.8	12.6	11.0	9.8
EV/EBITDA (x)	4.0	4.0	6.1	9.8	9.2
ROE (%)	26.4	28.7	15.6	15.9	15.9
Net DPS (sen)	3.9	3.8	3.3	5.8	6.5
Net dividend yield (%)	1.9	1.8	1.5	2.7	3.1
BV/share (RM)	2.15	2.09	2.29	1.28	1.43
P/B (x)	1.0	1.0	0.9	1.7	1.5

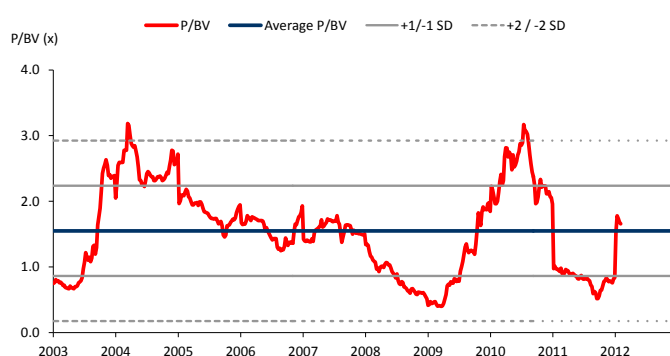
Source: Alliance Research, Bloomberg

Figure 2 : Forward P/E trend



Source: Alliance Research, Bloomberg

Figure 3 : Forward P/B trend



Source: Alliance Research, Bloomberg

Figure 4 : Peer comparison

Company	Call	Target price (RM)	Share price (RM)	Mkt Cap (RM m)	EPS Growth (%)		P/E (x)		P/BV (x)		ROE (%)		Net Dividend Yield (%)	
					CY12	CY13	CY12	CY13	CY12	CY13	CY12	CY13	CY12	CY13
Top Glove	Sell	4.10	5.06	3,130.1	34.9	5.7	20.2	19.1	2.5	2.4	12.1	12.7	2.3	3.3
Hartalega	Neutral	8.00	7.65	2,789.5	11.8	14.7	12.6	11.0	4.0	3.3	31.6	30.2	3.6	4.1
Supermax	Neutral	1.95	2.12	1,441.9	13.4	11.6	10.6	9.5	1.6	1.4	15.0	15.0	2.8	3.2
Kossan	Buy	4.70	3.58	1,144.6	22.2	18.5	9.5	8.0	1.8	1.5	18.9	19.2	2.4	3.0
Latexx	N/R	N/R	1.93	430.1	11.5	13.8	6.7	5.8	N/A	N/A	20.5	19.6	3.0	3.4
Adventa	N/R	N/R	1.71	261.3	243.3	N/A	10.0	N/A	1.2	N/A	10.0	N/A	4.0	N/A
Average					56.2	12.8	11.6	10.7	2.2	2.2	18.0	19.4	3.0	3.4

Note: Latexx & Adventa are based on consensus

Source: Alliance Research, Bloomberg

Share price date: 3 Feb 2012



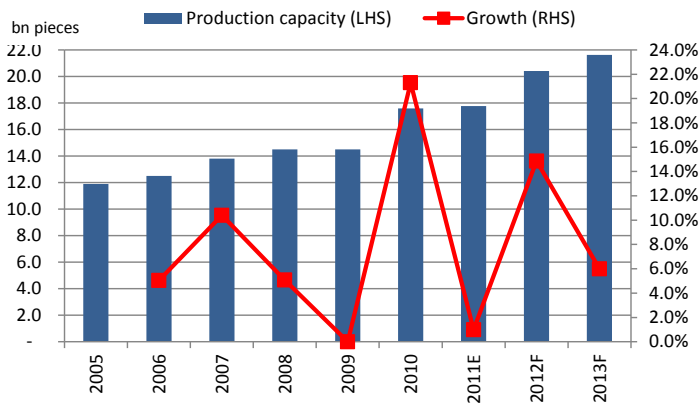
Supermax, the Super Marketing Expert!!!

Introduction

Second largest rubber glove manufacturer in the world

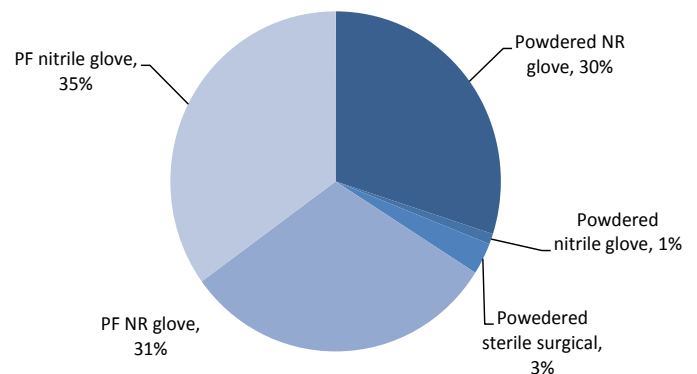
Supermax Corporation Berhad (Supermax) is the second largest rubber glove manufacturer in the world with a total annual production capacity of 17.8 bn pieces in 2011. The group was founded by its existing major shareholders, Dato' Seri Stanley Thai and his wife Datin Seri Cheryl Tan in 1987 as a trading company distributing latex gloves, before venturing into latex glove manufacturing in 1989. The group currently has nine manufacturing factories which are mainly located in Meru, Klang which supply latex gloves to more than 146 countries around the world. As at Sept 2011, the natural rubber (NR) glove contributes 61% of its revenue while nitrile glove makes up 36% of its revenue.

Figure 5 : Supermax's production capacity expansion trend



Source: Company data, Alliance Research

Figure 6 : Supermax's revenue by product



Source: Company data, Alliance Research

SWOT analysis

Strong marketing skills and position itself as an OBM player...

Supermax positions itself as an own-brand manufacturer (OBM) as compared to most of its competitors who operate as an original-equipment manufacturer (OEM) in the competitive glove industry. The group has five distribution centres cum corporate offices in United States, Brazil, Canada, Germany and Belgium to distributes its own brands such as Supermax, Aurelia, Maxter, Medic-dent and Supergloves which are trusted and well recognised by laboratories, hospitals, pharmacists, doctors and surgeons around the world.

As at Sept 2011, 68% of its gloves were sold under its own brands while 32% were sold as OEM gloves. We believe this is the group's biggest strength as it extracts the maximum value out of the glove supply chain via downstream integration. Over the past four years, the group has been achieving a better net profit margin of 12% as compared to the world biggest OEM manufacturer, Top Glove which generates about 10% net profit margin over the same period.

Aims to achieve 80% OBM sales over the next 3 years

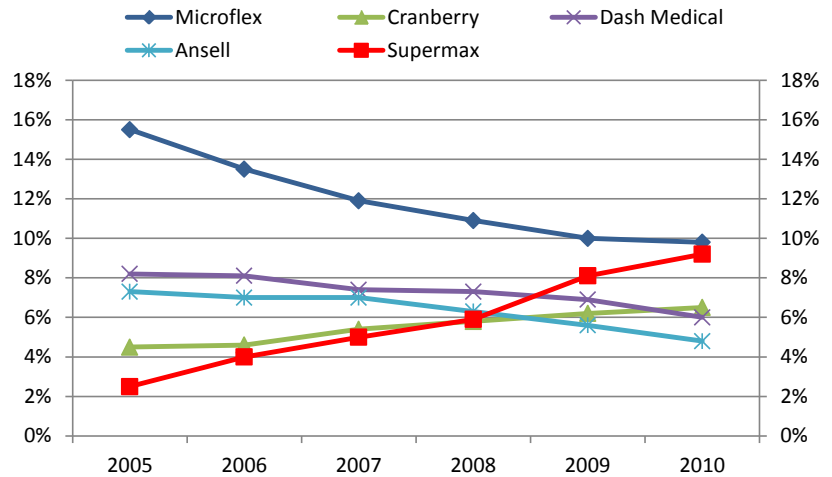
Going forward, we expect Supermax to continue to expand its business under this product differentiation strategy as it targets to achieve 80% OBM sales from its total revenue over the next 3 years. In 2011, the group has formed Supermax Global Ltd in Bermuda to undertake global trading, sales and marketing of its own gloves as well as products that are not currently produced by the group such as masks and surgical gowns. This new trading business appears to be a new income stream for the group. Furthermore, the group had also activated its wholly-owned subsidiary, Supermax International Sdn Bhd, to carry out as a regional distribution centre for the group.



Strong contestant to the MNC

Given the group's clear marketing strategy, we believe Supermax's brands will emerge as a strong contestant to the multinational healthcare corporates (MNCs) such as Microflex, Ansell, Cranberry and others over the long term. In fact, Supermax has been gaining strong foothold in the US dental market from a 2.5% market share in 2005 to 9.2% in 2010, claiming the second spot as the most popular glove brand in the US dental segment. Hence, we believe the group has the strong marketing capabilities to replicate its branding success in the other healthcare segments.

Figure 7 : US dental top five glove brands



Source: Company data, Alliance Research

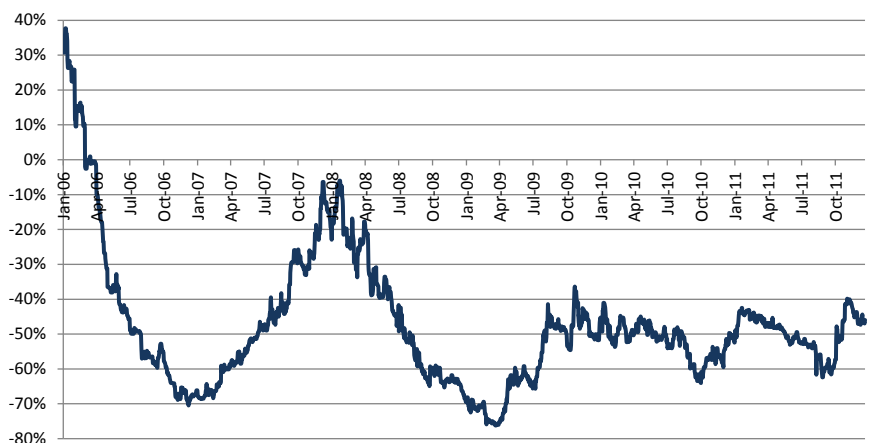
High share price volatility due to high beta appears to be its biggest weakness...

On the flip side, we noted that Supermax has the highest share price volatility due to its high beta as compared to its peers. We believe one of the reasons why the company has the highest beta (1.39x) among its peers (< 1x) might be due to the investors' preference on taking a trading stance on the company instead of buying it as a long term investment. This is very much related to the market's lack of confidence on Supermax's investment approach following a bad investment in APL Industries (APLI) back in Feb 2005, which was then fully written off in 2008. Back then, the company was severely penalised by the market and sold down sharply from more than 10x PER to only 1.6x PER in 1Q09.

A near-term company re-rating without an industry-wide up cycle is unlikely, prompting us to apply a 40% discount to its valuation.

Although we believe the company's fundamental has improved significantly over the past few years, we still reckon that the market may continue to apply a discount to its valuation, until the market regains its confidence on the management. Hence, a near-term company re-rating without an industry-wide up cycle is unlikely, in our view. This prompts us to apply a 40% discount to its valuation against the market leader. We believe this is the company's biggest weakness, especially during the down cycle where discount might be widening further.

Figure 8 : Supermax's PER premium/ (discount) to Top Glove since Jan 2006



Source: Bloomberg data, Alliance Research



Near-term growth underpinned by its new 3.9 bn capacity

On the positive front, Supermax is currently still on expansion mode with the aim to add 3.9 bn pieces of glove by 2013, translating to 22% additional capacity from current capacity of 17.8 bn pieces. This will be achieved via the construction of two new plants on two parcels of land totaling 10 acres located adjacent to its existing Meru, Klang plants where basic infrastructure are already in place, bringing its total factories to 11. Hence, the commissioning of the plants would be fast, scheduled to come on stream in stages from 2Q12 and be completed and fully operational by 2013. The new plants will be built with production facilities capable of inter-switching product types such as powder free natural rubber glove (PF-NR gloves) and powder free nitrile gloves (PF-nitrile gloves) with a total capex of RM122m.

Opportunities arise if the Glove City Project, which could double its existing production capacity, kick-off

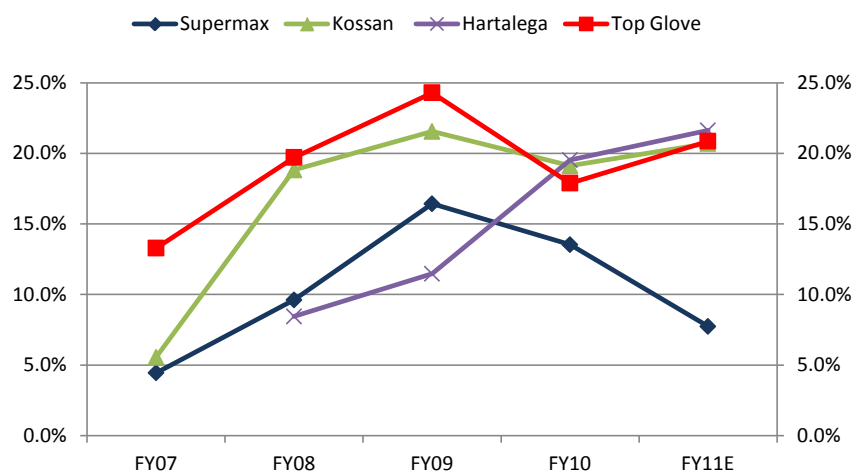
On top of this, the group also draws a 10-year long term plan to build a glove city with a total annual production capacity of 18 bn pieces on a 36.8-acre plot of land in Bukit Kapar, Klang. We understand that the Glove City Project (GCP) requires a total capex of RM300-400m to construct a total of 6 factories. However, given the existing tightness in natural gas supply within the country, the group will now focus on completing its 10th and 11th plants before commencing on phase 1 of GCP. Any earlier than expected construction start for GCP may act as a re-rating catalyst for the company.

Exceptional low effective tax rate might be a threat to the company's earnings...

Supermax has a very low effective tax rate of less than 10% in the first nine-month of 2011, as compared to its peers' average effective tax rate of more than 20%. This is also lower than its effective tax rate of 13.5% in 2010. The lower effective tax rate was mainly due to its higher reinvestment allowances in 2011 and the significant earnings contribution from its associates. If we exclude its associates' earnings, the group's effective tax rate in 2011 should be around 12% as compared to 17.5% in 2010. Hence, we reckon that the low effective tax rate in 2011 might not be sustainable over the long term if the group's capex slows down in future. This appears to be a threat to the group's earnings if the effective tax rate increases sharply from one year to another year.

However, over the next 2 years, we believe Supermax's effective tax rate should be pretty stable as the group is still on expansion mode which would ensure it to continue to enjoy the reinvestment allowances. In addition, Supermax could also benefit from its recent set-up of its global trading company in a tax haven jurisdiction in Bermuda. Presently, we project an 11% effective tax rate for the group in FY12 and FY13. Hence, any surprise on the upside might be a threat to the company, vice versa.

Figure 9 : Rubber glove companies' effective tax rate



Source: Companies data, Alliance Research estimates



VALUATION AND RECOMMENDATION

We value Supermax based on 10x 12-month forward PER

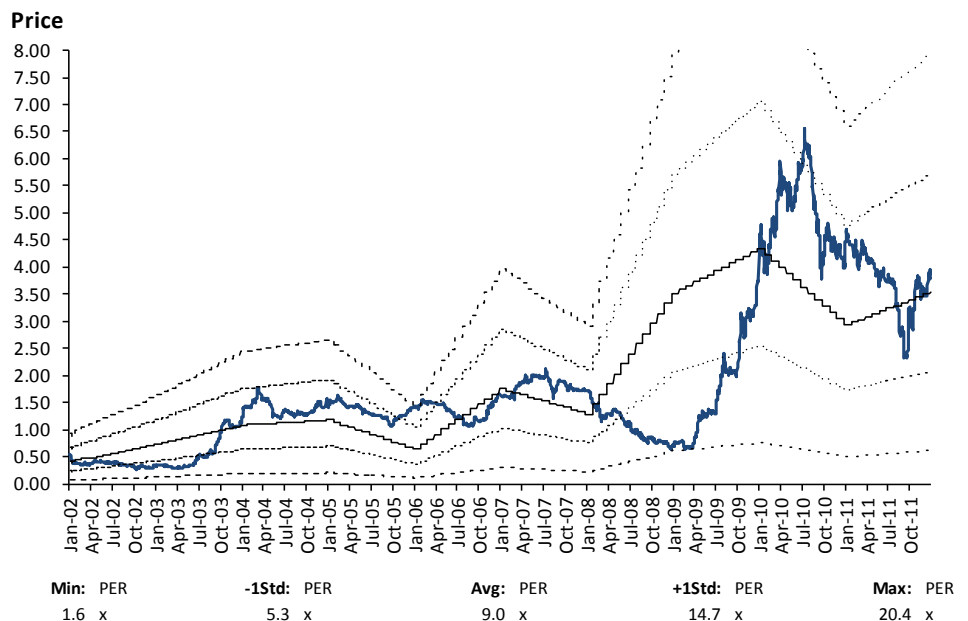
We value Supermax based on 10x 12-month forward PER, implying a 40% discount to the market leader's 6-year historical average PER of 17x. This is also about 10% premium than its 10-year historical average PER of 9x. We believe the company fundamental has improved since it made a bad investment in its associate, APLI back in 2008. Hence, a premium to its historical average PER is appropriate. But still, we expect the company to continue to trade at a wide discount to Top Glove's valuation as we don't expect an industry up cycle (in terms of expansion in absolute profit per volume) in 2012.

Recommend to stay Neutral with a target price of RM1.95

Going forward, we expect the company's earnings to grow by 18% and 12% in FY12 and FY13 respectively, underpinned by its sales volume growth of 12% and 10% in the respective years. We anticipate its earnings to grow stronger than its volume as we expect the company to achieve better absolute profit per volume, thanks to the higher contribution from its better-margin surgical glove as the company expands the surgical glove capacity by 10-fold in 2011. Our forecasts are 1-2% lower than Bloomberg consensus forecasts.

Hence, we recommend staying Neutral on Supermax with a target price of RM1.95, based on 10x 12-month forward PER. This implies 5.3% downside from the current price, including the estimated 2.7% dividend yield in FY12. We believe without the industry up cycle, Supermax's valuation is fair at current price.

Figure 10 : Supermax 10-year historical PER band



Note: Share price was pre-bonus issues in Jan 2012.

Source: Bloomberg data, Alliance Research



APPENDIX I

External auditors

The current external auditors of Supermax are Baker Tilly Monteiro Heng, which have not expressed any qualified opinion on the company's financial statements.

Board of directors

Supermax has a strong and experienced management team. The board consists of seven members, of which four are independent directors.

- 1) **Dato' Seri Stanley Thai Kim Sim, 50**
Executive Chairman and Managing Director, since 2000

Qualification > BComm (Hons.) from University of Windsor, Ontario.

Experience > Dato' Seri Stanley Thai was the founder and currently the largest shareholder of Supermax with a total direct and indirect stake of 35.5%. He started his early business training with Mulpha International Berhad before started his own trading business to distribute latex gloves and eventually ventured into manufacturing of latex gloves in 1989.

- 2) **Datin Seri Cheryl Tan Bee Geok, 46**
Group Executive Director, since 2000

Qualification > > BComm (Hons.) from University of Windsor, Ontario.

Experience > Datin Seri Cheryl Tan received her early business training in credit administration with a local financial institution. Datin Seri Cheryl Tan currently heads the finance, operations and administration of the Supermax Group.

- 3) **Dato' Ting Heng Peng, 50**
Independent non-executive director, since 2000

Qualification > BComm (Hons.) from University of Windsor, Ontario, Bachelor of Law (University of Sussex) and Barrister of Lincoln's Inn (London).

Experience > Dato' Ting has been in legal practice as advocate and solicitor in the legal firm of Amin-Tan & Co from October 1987 until May 2007. Since 1 June 2007, Dato' Ting is a Partner of Joseph Ting & Co. Dato' Ting is also an independent non-executive director of D.B.E. Gurney Resources Berhad as well as an audit committee member of CSF Group PLC.

- 4) **Dato' Dr. Tan Geok Swee @ Tan Chin Huat, 60**
Non-executive director, since 2000

Qualification > Completed Senior Cambridge studies and PhD in Business Administration.

Experience > Dato' Dr. Tan is currently the MD of MIFF Sdn. Bhd. Dato' Dr. Tan is actively involved with the Malaysia furniture industry and is currently the executive advisor to the KL & Selangor Furniture Industry Association.

- 5) **Mr. Felix Gong Wooi Teik, 60**
Independent non-executive director, since 2001

Qualification > Fellow of ICAEW (UK), CA with MIA and Fellow of the Malaysian Institute of Taxation.

Experience > Mr. Felix Gong is currently the managing partner of GEP Associates, which is a member firm of AGN International. He is also a director of Nikko Electronics Berhad (in liquidation) and Cheetah Holdings Berhad.



Board of directors (*continued*)

- 6) **Encik Shamsudin @ Samad Bin Kassim, 64**
Independent non-executive director, since 2002

Qualification > BEcons (University Malaya), Master in Public and International Affairs (University of Pittsburgh)

Experience > Encik Shamsudin had worked in the MITI for 15 years and was the CEO of SMIDEC from 2000 to 2001. He is currently a director of Century Logistics Holdings Bhd, Ingress Corporation Bhd, Kinsteel Bhd, BHS Industries Bhd, Homeritz Corporation Bhd, Perwaja Holdings Bhd and Multi-Code Electronic Industries (M) Bhd.

- 7) **Encik Rashid Bin Bakar, 52**
Independent non-executive director, since 2002

Qualification > Bachelor of Law (UiTM), Master in Law (Universiti Kebangsaan Malaysia), Diploma in Syariah Law and Practice (UIAM) and Diploma in Public Administration (UiTM).

Experience > Encik Rashid is an advocate and solicitors in Malaysia.

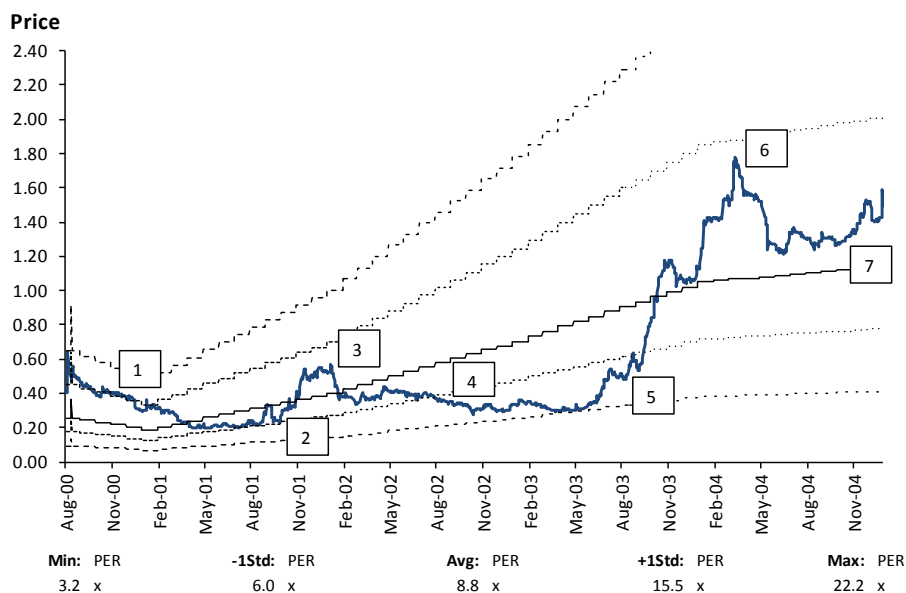
Note: Dato' Seri Stanley Thai Kim Sim is the spouse of Datin Seri Cheryl Tan Bee Geok.



APPENDIX II

Historical valuation review

Figure 11 : Supermax historical PER band (2000-2004)- Stage 1



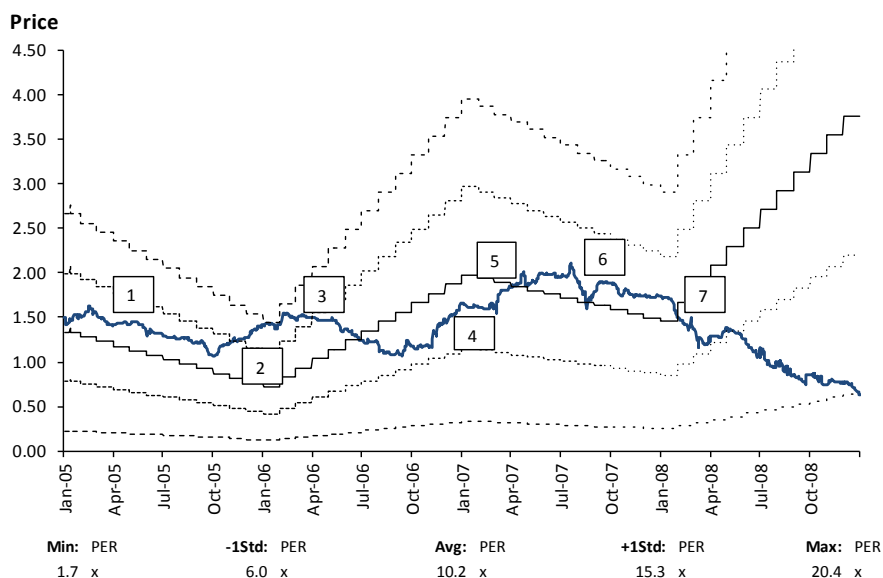
Note: Share price was prior to the adjustment for the bonus issues in Jan 2012.

Source: Bloomberg data, Alliance Research

- 1) Supermax was listed on Bursa Malaysia on 4 Aug 2000 with an IPO price of RM0.405 (adjusted for corporate exercises). The stock was traded up 60% in its debut day, but retreated thereafter from an expensive valuation of 22x PER to 6x PER in Aug 2001 as company's earnings grew slowly by 4.2% in FY01.
- 2) However, the stock was traded up again from 6x PER to 12.5x PER within the 3 months period from Oct to Dec 2001 after the company secured a one-year contract worth RM4.75m (7% of 2001 revenue) to supply latex gloves to a few Middle East countries. The stock appreciated by a whopping 160% over the 3-month period.
- 3) Nonetheless, the rebound in 4Q01 was short lived as the stock was being sold down again back to 6-7x PER in 1Q02.
- 4) Thereafter, Supermax was being de-rated by the market from 6-7x PER to 3.2x PER in May 2003 although earnings rose four-fold from 2001 as production capacity expanded. We believe the high volatility of share price since its listing was one of the main de-rating reasons, while the company's plan to raise cash via rights issue in May 2002 might be taken negatively by the market.
- 5) After 6 months of consolidation at low single digit PER, Supermax was once again re-rated by market from 3x PER to the peak of 14x PER in March 2004 as SARS outbreak in the Asia countries boosted latex glove orders. The company benefited with earnings grew at a 2-year CAGR of 55% in 2003 and 2004.
- 6) Supermax's share price corrected by about 30% from its peak in March 2004 after a five-fold appreciation over the past 12 months.
- 7) Share price reacted positively again after the company secured two hospital contracts in Canada and signed a significant distribution contract in Brazil.



Figure 12 : Supermax historical PER band (2005-2008)- Stage 2



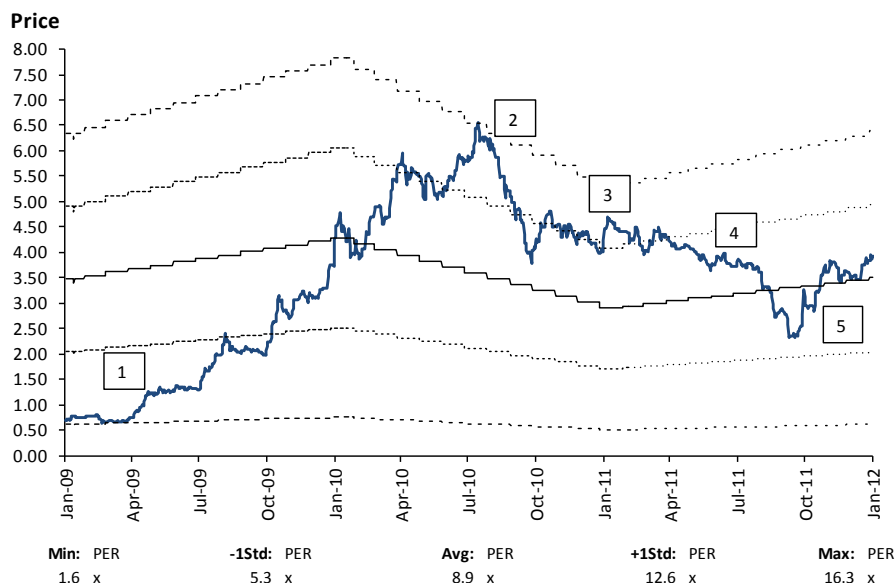
Note: Share price was prior to the adjustment for the bonus issues in Jan 2012.

Source: Bloomberg data, Alliance Research

- 1) In Feb 2005, Supermax announced its decision to acquire a 12.9% stake of the loss-making listed latex glove manufacturer, APLI, with the aim to turn it around. In addition, the company also announced to take up a 17% stake of another listed latex glove manufacturer, Seal Polymer in May 2005. However, the market was cautious on the investment in APL Industries as it was loss-making, share price corrected by 35% from Feb to Oct 2005.
- 2) Share price rebounded without significant newsflow.
- 3) Share price came off by about 30% again as the merger rumours with Seal Polymer started to spread in the market since March 2006 and management formed an ad-hoc committee to explore the merger possibility in June 2006.
- 4) The proposed merger was called off in Sept 2006 and led to the rebound in valuation from 7x PER to 8-9x PER by the end of Feb 2007.
- 5) However, Supermax on 6 March 2007 announced a takeover offer for Seal Polymer with the purchase consideration in a combination of cash and share. Market took the news positively this time and share price surged 20% in a week time.
- 6) Nonetheless, the rally was short lived and market seems to remain cautious on the deal and started to sell down Supermax in mid July 2007. In addition, higher natural gas price imposed by Malaysian government also added selling pressure to the counter.
- 7) The counter was sharply de-rated by the market from 12-13x PER in early 2008 to 1.7x PER by the end of 2008 due to several reasons including strong latex cost pressure, weak USD currency and a full investment write down for its RM27m investment on APLI. As a result, the company recorded a -26% earnings contraction in FY08.



Figure 13 : Supermax historical PER band (2009-Jan 2012)- Stage 3



Note: Share price was prior to the adjustment for the bonus issues in Jan 2012.

Source: Bloomberg data, Alliance Research

- 1) Swine flu (H1N1) pandemic revived the sector as well as the company since March 2009. The company was sharply re-rated by the market from its trough valuation of 1.6x PER in 1Q09 to the peak valuation of 16x PER in July 2010. Share price surged almost nine-fold within the 15-month period, supported by its earnings growth of 178% y-o-y in FY09.
- 2) Supermax's share price peaked in July 2010 and plunged almost 40% in a 2-month period as demand normalised post H1N1. At the same time, latex costs pressure increased amid Ringgit strengthening.
- 3) Share price entered a consolidation stage as market was uncertain on the industry outlook given the persistence high raw material costs as well as overcapacity concerns.
- 4) Supermax was further sold down by the market as earnings contracted by 42% in the first nine-month of 2011.
- 5) Supermax was back into investors' radar again since late Sept 2011 as latex cost pressure eased and USD appreciated. The stock was re-rated again from 6.5x PER in Sept 2011 to 10x PER as at 6 Jan 2012.



Supermax Corporation Berhad

Financial Summary

Price Date: 03 February 2012

Balance Sheet

FY 31 Dec (RM m)	2009A	2010A	2011F	2012F	2013F
PPE	368.7	388.4	420.8	442.8	480.3
Intangible Assets	-	-	-	-	-
Inventories	116.2	133.1	159.1	166.0	174.7
Receivables	84.0	120.1	120.1	128.9	137.4
Other assets	257.7	326.4	370.6	423.9	483.8
Deposit, bank and cash	118.7	97.4	71.7	78.2	102.2
Total Assets	945.2	1,065.4	1,142.3	1,239.7	1,378.4
LT borrowings	165.8	140.5	140.5	140.5	140.5
ST borrowings	129.0	155.1	120.0	120.0	150.0
Payables	70.1	60.3	83.5	89.1	94.9
Other liabilities	21.5	17.9	17.9	17.9	17.9
Liabilities	386.4	373.8	361.9	367.5	403.3
Share capital	134.1	170.0	170.0	340.1	340.1
Reserves	424.7	521.4	610.3	532.0	634.8
Shareholders' equity	558.8	691.5	780.3	872.1	974.9
Minority interest	-	0.1	0.1	0.1	0.2
Total Equity	558.8	691.5	780.4	872.2	975.1
Total Equity and Liabilities	945.2	1,065.4	1,142.3	1,239.7	1,378.4

Cash Flow Statement

FY 31 Dec (RM m)	2009A	2010A	2011F	2012F	2013F
Pretax profit	151.5	183.8	120.4	147.3	165.1
Depreciation & amortisation	31.9	26.0	27.7	30.3	32.4
Change in working capital	75.0	(94.9)	(6.9)	(17.1)	(18.3)
Net interest received / (paid)	22.0	13.6	14.9	14.0	14.8
Tax paid	(13.1)	(24.5)	(9.3)	(16.2)	(18.2)
Others	(63.9)	(56.0)	(55.5)	(60.6)	(68.3)
Operating Cash Flow	203.4	48.1	91.4	97.7	107.5
Capex	-	(46.6)	(60.0)	(52.2)	(69.8)
Others	(17.0)	0.9	0.4	0.4	0.4
Investing Cash Flow	(17.0)	(45.7)	(59.6)	(51.8)	(69.4)
Issuance of shares	27.0	5.7	-	-	-
Changes in borrowings	(102.3)	2.7	(35.1)	-	30.0
Dividend paid	(15.0)	(31.6)	(22.2)	(39.3)	(44.1)
Others	1.1	-	-	-	-
Financing Cash Flow	(89.2)	(23.1)	(57.4)	(39.3)	(14.1)
Net cash flow	97.1	(20.8)	(25.6)	6.5	24.0
Forex	0.2	0.2	-	-	-
Beginning cash	20.6	118.0	97.4	71.7	78.2
Ending cash	118.0	97.4	71.7	78.2	102.2

Income Statement

FY 31 Dec (RM m)	2009A	2010A	2011F	2012F	2013F
Revenue	803.6	977.3	1,019.8	1,094.1	1,166.0
EBITDA	166.4	204.9	126.9	145.3	159.1
Depreciation & amortisation	(31.9)	(26.0)	(27.7)	(30.3)	(32.4)
Net interest expenses	(22.0)	(13.6)	(14.9)	(14.0)	(14.8)
Share of associates	41.8	42.0	40.2	46.2	53.2
Exceptional items	(2.8)	(23.4)	(4.0)	-	-
Pretax profit	151.5	183.8	120.4	147.3	165.1
Taxation	(24.9)	(24.9)	(9.3)	(16.2)	(18.2)
Minority interest	-	(0.0)	(0.0)	(0.0)	(0.0)
Net profit	126.6	158.9	111.1	131.1	146.9
Adj net profit	128.9	179.2	114.8	131.1	146.9

Key Statistics & Ratios

FY 31 Dec	2009A	2010A	2011F	2012F	2013F
Growth					
Revenue	-1.0%	21.6%	4.3%	7.3%	6.6%
EBITDA	54.1%	24.8%	-35.6%	10.6%	7.1%
Pretax profit	191.3%	21.4%	-34.5%	22.3%	12.1%
Net profit	169.4%	25.6%	-30.1%	18.0%	12.1%
Adj EPS	102.1%	37.8%	-37.6%	14.2%	12.1%
Profitability					
EBITDA margin	23.1%	23.7%	14.6%	15.1%	15.2%
Net profit margin	15.8%	16.3%	10.9%	12.0%	12.6%
Effective tax rate	16.4%	13.5%	7.7%	11.0%	11.0%
Return on assets	13.6%	17.8%	10.4%	11.0%	11.2%
Return on equity	26.4%	28.7%	15.6%	15.9%	15.9%
Leverage					
Total debt / total assets (x)	0.31	0.28	0.23	0.21	0.21
Total debt / equity (x)	0.53	0.43	0.33	0.30	0.30
Net debt / equity (x)	0.32	0.29	0.24	0.21	0.19

Key Drivers

FY 31 Dec	2009A	2010A	2011F	2012F	2013F
Sales volume (bn pieces)	12.12	14.42	13.34	14.94	16.43
Growth (%)	12.2%	19.0%	-7.5%	12.0%	10.0%
ASP (USD/ k pieces)	19.1	19.9	25.0	24.0	23.3
Growth (%)	-16.6%	4.2%	25.7%	-3.9%	-3.1%

Valuation

FY 31 Dec	2009A	2010A	2011F	2012F	2013F
EPS (sen)	19.4	24.0	16.3	19.3	21.6
Adj EPS (sen)	19.8	27.0	16.9	19.3	21.6
P/E (x)	10.7	7.8	12.6	11.0	9.8
EV/EBITDA (x)	4.0	4.0	6.1	9.8	9.2
Net DPS (sen)	3.9	3.8	3.3	5.8	6.5
Net dividend yield	1.9%	1.8%	1.5%	2.7%	3.1%
BV per share (RM)	2.15	2.09	2.29	1.28	1.43
P/BV (x)	1.0	1.0	0.9	1.7	1.5



DISCLOSURE

Stock rating definitions

- Strong buy - High conviction buy with expected 12-month total return (including dividends) of 30% or more
- Buy - Expected 12-month total return of 15% or more
- Neutral - Expected 12-month total return between -15% and 15%
- Sell - Expected 12-month total return of -15% or less
- Trading buy - Expected 3-month total return of 15% or more arising from positive newsflow. However, upside may not be sustainable

Sector rating definitions

- Overweight - Industry expected to outperform the market over the next 12 months
- Neutral - Industry expected to perform in-line with the market over the next 12 months
- Underweight - Industry expected to underperform the market over the next 12 months

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date



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