

Malaysia

ADD (no change)

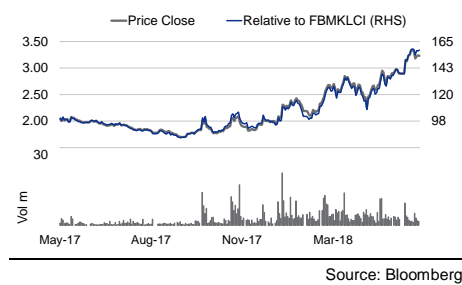
Consensus ratings*: Buy 6 Hold 2 Sell 1

Current price:	RM3.23
Target price:	RM3.75 ▲
Previous target:	RM3.47
Up/downside:	16.1%
CGS-CIMB / Consensus:	19.3%
Reuters:	SUPM.KL
Bloomberg:	SUCB MK
Market cap:	US\$531.9m
	RM2,118m
Average daily turnover:	US\$2.68m
	RM10.41m
Current shares o/s:	680.2m
Free float:	62.5%

*Source: Bloomberg

Key changes in this note

► FY18-20F EPS increased by 7.8-8.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.1	23.3	55.3
Relative (%)	18.8	27.6	55.1

Major shareholders

	% held
Dato' Seri Thai Kim Sim, Stanley	20.7
Datin Seri Tan Bee Geok, Cheryl	15.3
Amanah Saham Nasional	1.5

Analyst(s)



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Supermax Corp

3QFY18: Still going strong

- 9MFY6/18 net profit of RM97.2m was above expectations, at 78.4% of our and 82.3% of Bloomberg consensus full-year forecasts.
- The stronger-than expected growth in 9MFY18 net profit (57.1% yoy) was attributable to: i) higher sales volume, ii) better economies of scale, and iii) better cost control.
- SUCB's glove production capacity will grow 16.1% to 27.2bn by end-2019, thanks to ongoing rebuilding works on older plants and the addition of two new plants.
- We raise our FY18-20F EPS by 7.8-8.7% to account for: i) higher sales volume, ii) better cost control, and iii) lower tax rates.
- Maintain Add, with higher TP of RM3.75 (15.2x CY19F P/E).

9MFY18 net profit in line with expectations

9MFY6/18 revenue rose 19.8% yoy, while net profit surged 57.1% yoy to RM975m. The stronger-than-expected 9MFY18 performance was attributable to: i) higher sales volume with increased contribution from Plants 10 and 11, ii) better economies of scale in tandem with higher output, and iii) better cost control. 9MFY18 EBITDA margin improved 6.5% pts yoy to 15.4%. Overall, 9MFY18 net profit came in above expectations, at 78.4% of our and 82.3% of Bloomberg consensus full-year estimates.

3QFY18 core net profit down 7.0% qoq

On a qoq basis, 3QFY18 revenue declined 2.6% due to the strengthening of ringgit vs. US\$. 3QFY18 EBITDA margin contracted 3.5% qoq to 14.5% as a result of the time lag in passing on the hike in gas prices as well as increase in nitrile butadiene prices. Accordingly, 3QFY18 net profit came in slightly weaker at RM33.4m (-7.0% qoq) despite a decline in tax rate (-10.3% pts qoq).

Full production of Plant 16 to drive stronger quarters ahead

Moving forward, we expect SUCB to continue recording stronger earnings growth in tandem with its planned capacity increase. SUCB plans to increase its glove production capacity by 16.1% to 27.2bn p.a. by end-2019. Besides building two new plants (combined capacity: 4.2bn pieces p.a.), it will also undertake a complete revamp of two existing plants (+1.5bn pieces p.a.). The first plant undergoing revamp (Block G, Kamunting) is scheduled to begin gradual contribution beginning-3QCY18 (1QFY19).

FY18-20F EPS raised by 7.8-8.7%

With the results above expectations, we raise our FY18-20F EPS by 7.8-8.7%. This is mainly to account for: i) higher sales volume, ii) better cost efficiencies leading to margin expansion, and iii) lower tax rates. Overall, we expect SUCB to record net profit growth of 91.8% in FY18F, and 19.1% in FY19F, mainly driven by its capacity expansion.

Maintain Add, TP unchanged at RM3.75

As a result of our EPS upgrade, our 12-month TP rises to RM3.75, still based on 15.2x CY19F P/E, in line with its 5-year historical average P/E. We believe the stock's outlook has improved, with better earnings visibility and resolution of the utilities issues previously faced by its Plants 10 and 11. Our Add call remains, with faster-than-expected delivery of its capacity expansion plans as a potential re-rating catalyst. Downside risks are delays in its expansion plans and loss of key management personnel.

Financial Summary

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	1,029	1,127	1,594	1,864	2,140
Operating EBITDA (RMm)	188.5	148.5	253.7	295.3	322.5
Net Profit (RMm)	105.2	70.2	134.7	160.4	174.6
Core EPS (RM)	0.15	0.10	0.20	0.24	0.26
Core EPS Growth	7.4%	(33.2%)	91.8%	19.1%	8.8%
FD Core P/E (x)	20.89	31.29	16.31	13.70	12.59
DPS (RM)	0.060	0.025	0.059	0.071	0.077
Dividend Yield	1.86%	0.77%	1.84%	2.19%	2.38%
EV/EBITDA (x)	12.61	16.97	10.71	9.40	8.88
P/FCFE (x)	NA	31.36	NA	20.29	24.28
Net Gearing	37.7%	49.5%	62.1%	61.4%	62.1%
P/BV (x)	2.08	2.01	1.85	1.69	1.54
ROE	10.3%	6.5%	11.8%	12.9%	12.8%
% Change In Core EPS Estimates			8.68%	8.01%	7.77%
CIMB/consensus EPS (x)			1.08	1.15	1.14

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Jun	3Q	3Q	yoy %	qoq %	3QFY18	3QFY17	yoy %	Prev.	Comments
(RM m)	FY18	FY17	chg	chg	Cum	Cum	chg	FY18F	
Revenue	327.1	308.2	6.1	(2.6)	975.0	814.0	19.8	1,493.9	9MFY18 revenue grew 19.8% yoy mainly from higher sales volume and increased production capacity
Operating costs	(268.2)	(288.1)	(6.9)	0.6	(786.3)	(741.4)	6.1	(1,281.3)	
EBIT	47.4	20.1	136.0	(13.1)	150.0	72.6	106.7	167.9	
EBIT margin	14.5	6.5	8.0	(3.5)	15.4	8.9	6.5		9MFY18 EBIT margins improved 6.5% pts yoy due to higher economies of scale as contributions from Plant 10 and 11 increase
Interest expense	(3.3)	(3.0)	11.3	(0.2)	(10.0)	(7.4)	35.4	(17.9)	
Interest & invt inc	-	-	-	-	-	-	-	-	
Associates' contrib	1.4	3.8	(63.6)	196.1	3.7	9.2	(59.3)	12.2	
Exceptionals	-	-	-	-	-	-	-	-	
Pretax profit	45.5	20.9	117.5	(21.1)	143.7	74.4	93.3	162.2	
Tax	(11.4)	(1.6)	608.0	(44.1)	(44.3)	(13.1)	236.7	(48.7)	
Tax rate (%)	25.0	7.7	17.3	(10.3)	30.8	17.7	13.1	30.0	Higher than statutory tax rate due to higher tax rates of overseas subsidiaries
Minority interests	(0.7)	0.5	(253.8)	(48.8)	(2.3)	0.6	(461.7)	(3.1)	
Net profit	33.4	19.8	69.0	(7.0)	97.2	61.9	57.1	123.9	Above expectations
Core net profit	33.4	19.8	69.0	(7.0)	97.2	61.9	57.1	123.9	9MFY18 made up 78% of CIMB and 82% of consensus full-year estimates
EPS (sen)	5.0	2.9	70.5	(7.0)	14.7	9.2	59.2	16.2	
Core EPS (sen)	5.0	2.9	71.2	(6.6)	14.7	9.2	59.2	16.2	Based on 662.3m total outstanding shares

SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 2: Earnings revision

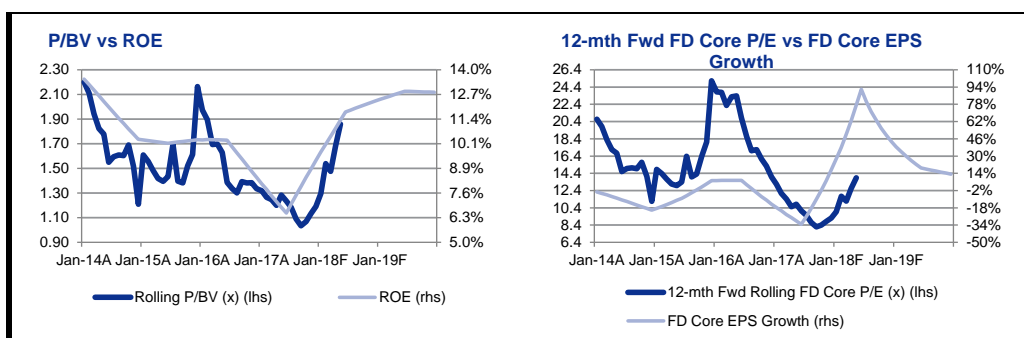
RM m	2017A	2018F			2019F			2020F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	1,127	1,494	1,594	7%	1,774	1,864	5%	2,051	2,140	4%
EBITDA	149	237	254	7%	279	295	6%	305	322	6%
Core pretax profit	110	181	197	9%	217	232	7%	236	252	7%
Core net profit	70	124	135	9%	148	160	8%	162	175	8%

SOURCES: CIMB, COMPANY REPORTS

Figure 3: Sector comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY18F	CY19F		CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
Hartalega Holdings	HART MK	Hold	6.08	5.75	5,057	40.3	33.4	23.4%	9.3	8.4	24.3%	26.6%	27.7	23.4	1.4%	1.8%
Kossan Rubber Industries	KRI MK	Hold	7.32	7.70	1,175	22.1	18.6	7.9%	3.7	3.4	20.7%	21.1%	12.9	11.1	2.2%	2.7%
Supermax Corp	SUCB MK	Add	3.23	3.75	532	14.9	13.1	18.6%	1.8	1.6	12.1%	12.8%	10.2	9.1	2.0%	2.3%
Riverstone Holdings	RSTON SP	Add	1.00	1.28	552	15.3	13.1	16.5%	3.0	2.6	20.9%	21.5%	10.0	8.5	2.6%	3.0%
Weighted Average						31.4	26.0	14.0%	6.8	6.1	22.3%	24.4%	21.5	17.9	1.8%	2.2%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	1,029	1,127	1,594	1,864	2,140
Gross Profit	343	326	497	564	628
Operating EBITDA	188	149	254	295	322
Depreciation And Amortisation	(34)	(39)	(50)	(55)	(59)
Operating EBIT	154	110	204	241	263
Financial Income/(Expense)	(11)	(11)	(18)	(21)	(24)
Pretax Income/(Loss) from Assoc.	19	12	11	12	13
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	163	110	197	232	252
Exceptional Items	0	0	0	0	0
Pre-tax Profit	163	110	197	232	252
Taxation	(59)	(37)	(60)	(70)	(76)
Exceptional Income - post-tax					
Profit After Tax	104	73	138	162	177
Minority Interests	1	(3)	(3)	(2)	(2)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	105	70	135	160	175
Recurring Net Profit	105	70	135	160	175
Fully Diluted Recurring Net Profit	105	70	135	160	175

Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	188.5	148.5	253.7	295.3	322.5
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(70.1)	26.6	(146.0)	(32.3)	(71.9)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	30.1	30.8	32.1	35.6	39.1
Net Interest (Paid)/Received	(10.6)	(11.0)	(17.9)	(20.7)	(23.5)
Tax Paid	(59.1)	(25.0)	(59.6)	(69.6)	(75.7)
Cashflow From Operations	78.6	170.0	62.3	208.2	190.5
Capex	(110.0)	(150.0)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(110.0)	(150.0)	(150.0)	(150.0)	(150.0)
Debt Raised/(repaid)	0.0	50.0	50.0	50.0	50.0
Proceeds From Issue Of Shares					
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(31.5)	(24.8)	(40.4)	(48.1)	(52.4)
Preferred Dividends					
Other Financing Cashflow	(12.9)	(15.1)	(17.9)	(20.7)	(23.5)
Cash Flow From Financing	(44.5)	10.1	(8.3)	(18.8)	(25.9)
Total Cash Generated	(75.9)	30.1	(96.0)	39.4	14.6
Free Cashflow To Equity	(31.4)	70.0	(37.7)	108.2	90.5
Free Cashflow To Firm	(20.7)	31.0	(69.8)	79.0	64.0

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	140	96	0	40	54
Total Debtors	290	269	408	432	496
Inventories	181	154	243	288	335
Total Other Current Assets	27	79	127	174	175
Total Current Assets	638	599	778	934	1,061
Fixed Assets	903	1,062	1,159	1,250	1,384
Total Investments	217	217	217	217	217
Intangible Assets	29	29	29	29	29
Total Other Non-Current Assets	2	2	2	2	2
Total Non-current Assets	1,150	1,309	1,406	1,498	1,631
Short-term Debt	215	215	215	215	215
Current Portion of Long-Term Debt					
Total Creditors	164	143	225	262	301
Other Current Liabilities					
Total Current Liabilities	379	358	439	477	516
Total Long-term Debt	323	423	523	623	723
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	323	423	523	623	723
Total Provisions	33	33	33	33	33
Total Liabilities	735	814	995	1,133	1,272
Shareholders' Equity	1,055	1,095	1,189	1,301	1,424
Minority Interests	(1)	(1)	(1)	(1)	(1)
Total Equity	1,054	1,094	1,188	1,300	1,423

Key Ratios

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	7.3%	9.5%	41.5%	17.0%	14.8%
Operating EBITDA Growth	26.2%	(21.2%)	70.8%	16.4%	9.2%
Operating EBITDA Margin	18.3%	13.2%	15.9%	15.8%	15.1%
Net Cash Per Share (RM)	(0.58)	(0.80)	(1.08)	(1.17)	(1.30)
BVPS (RM)	1.55	1.61	1.75	1.91	2.09
Gross Interest Cover	14.48	10.01	11.39	11.63	11.19
Effective Tax Rate	36.3%	33.6%	30.2%	30.0%	30.0%
Net Dividend Payout Ratio	19.2%	19.6%	20.8%	20.9%	20.9%
Accounts Receivables Days	83.75	78.42	66.84	74.47	75.33
Inventory Days	99.07	76.40	66.09	74.55	75.41
Accounts Payables Days	43.75	37.77	34.59	40.38	40.84
ROIC (%)	15.2%	8.7%	14.0%	13.8%	13.7%
ROCE (%)	10.1%	6.5%	11.0%	11.7%	11.5%
Return On Average Assets	10.3%	6.6%	10.5%	11.0%	10.8%

Key Drivers

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	7.6%	5.6%	2.1%	16.1%	20.1%
Unit sales grth (% , main prod./serv.)	-18.5%	48.8%	14.6%	2.3%	97.7%
Util. rate (% , main prod./serv.)	60.0%	80.0%	82.5%	82.5%	85.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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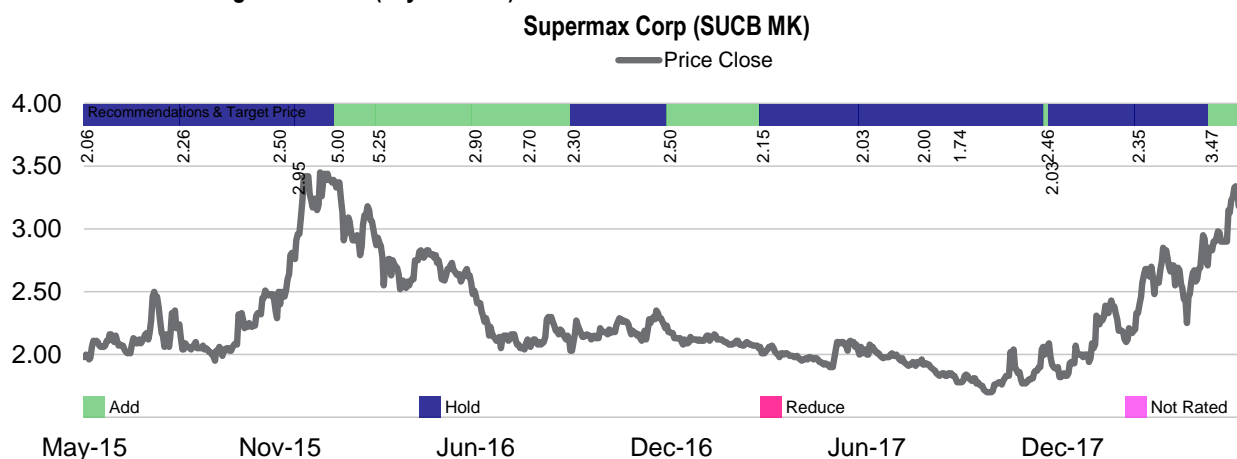
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	Rating Distribution (%)	Investment Banking clients (%)
Add	61.1%	5.5%
Hold	29.7%	2.0%
Reduce	8.9%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.