



## Supermax Corporation Berhad

Results Within Ours' but Slightly Below Consensus

**TP: RM 2.50 (+39.7%)**

Last traded: RM1.79

**BUY**

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### Review

- Supermax turned in another quarter of weak sequential 1Q FY12 results. Nevertheless, the group's 1Q FY12 net profit of RM28.0mn is slightly ahead of our full year estimates of RM122.5mn but below consensus forecast of RM131.2mn.
- Net profit dipped 9.3% QoQ decline on the back of an 8.4% fall in revenue. Despite the slight 2.5% increase in the number of gloves sold, we understand that the topline fell on a 3% QoQ decline in the USD. The impact to the bottomline was exacerbated by a slight 3% increase in latex prices during the quarter.
- Compared to 1Q FY11, net profit accelerated by close to 15% from RM24.4mn. Revenue climbed 3% underpinned by healthy demand while the 20% drop in average selling prices muted the impact.
- Meanwhile, EBITDA advanced by some 4% largely due to lower raw material costs where natural rubber latex prices fell by 27% as well as greater operating efficiency at all of its factories. As a result, the group's EBITDA margin climbed marginally to 15.7% from 15.6% a year ago. We note that the 1Q FY12 results were also boosted by a 22% reduction in finance costs.
- The group's balance sheet remained healthy with net gearing ratio of 0.27x (FY11: 0.28x).

### Impact

- No change to earnings estimates.

### Outlook

- Demand for gloves appears to be unaffected by the slowdown. That said, Supermax has also been raising the production of its gloves especially nitrile. Management is looking to further decommission existing old lines and replacing them with new high productivity lines to help increase the production mix of nitrile gloves to 52% by 2013 from 35% currently.
- Meanwhile, management is maintaining its 20% earnings growth target for FY12, slightly above our growth forecast of 16%. We believe management's target could be achievable given that NR latex prices had eased in 2Q to around RM7.15/kg from a 3-month average of RM7.40/kg in 1Q and appreciation of the USD in 2Q.

### Valuation

- Rolling our valuations forward to FY13, TP maintained to RM2.50. Our valuation is based on the industry's targeted PE multiple 12x to Supermax's FY13e EPS of 21.2 sen. **BUY** maintained on Supermax.

### Share Information

Bloomberg Code	SUCB MK
Stock Code	7106
Listing	Main Market
Share Cap (mn)	680.2
Market Cap (RMmn)	1217.5
Par Value	0.50
52-wk Hi/Lo (RM)	2.375/1.13
12-mth Avg Daily Vol ('000 shrs)	2388.4
Estimated Free Float (%)	49.2
Beta	1.3

### Major Shareholders (%)

Dato' Seri Stanley Thai	- 35.5
EPF	- 8.9

### Forecast Revision

	FY12	FY13
Forecast Revision (%)	-	-
Net profit (RMm)	122.5	144.4
Consensus	131.2	144.6
TA's / Consensus (%)	93.4	99.9
Previous Rating	Buy (Maintained)	

### Financial Indicators

	FY12	FY13
Net gearing (x)	0.4	0.3
CFPS (RM)	0.7	0.9
P/CFPS (x)	2.6	2.1
ROAA (%)	9.5	10.0
ROAE (%)	15.0	15.8
NTA/Share (RM)	2.5	2.8
Price/ NTA (x)	0.7	0.6

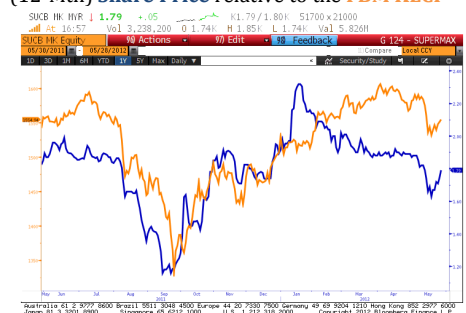
### Scorecard

	% of FY	
vs TA	26.4%	Within
vs Consensus	21.3%	Below

### Share Performance (%)

Price Change	SUCB	FBM KLCI
1 mth	(5.3)	(1.0)
3 mth	(11.4)	(0.9)
6 mth	(1.9)	5.6
12 mth	(3.2)	(0.2)

### (12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

**Table 1: Earnings Summary**

FYE Dec	2010	2011	2012F	2013F	2014F
Turnover	977.3	1026.9	1139.4	1207.7	1207.7
Pretax profit	183.8	113.0	145.8	171.9	188.5
Net profit	159.0	106.0	122.5	144.4	158.3
Net profit - adjusted	159.0	106.0	122.5	144.4	158.3
EPS	23.4	15.6	18.0	21.2	23.3
EPS - adjusted	23.4	15.6	18.0	21.2	23.3
EPS growth (%)	25.5	(33.3)	15.5	17.9	9.6
PER	7.7	11.5	9.9	8.4	7.7
Dividend (sen)	7.5	4.7	5.0	5.0	5.0
Dividend yield (%)	4.2	2.6	2.8	2.8	2.8

**Table 2: 1Q FY12 Results Analysis (RMmn)**

YE 31 Dec	1QFY11	4QFY11	1QFY12	QoQ	YoY	YTD FY11	YTD FY12	YoY
Revenue	241.4	271.4	248.5	(8.4)	3.0	241.4	248.5	3.0
Operating expenses	(222.9)	(241.6)	(224.2)	(7.2)	0.5	(222.9)	(224.2)	0.5
Finance costs	(3.3)	(4.8)	(2.6)	(45.7)	(22.0)	(3.3)	(2.6)	(22.0)
Share of profit of ass	10.5	9.0	8.9	(0.7)	(14.9)	10.5	8.9	(14.9)
Profit before tax	25.6	34.1	30.7	(9.9)	19.9	25.6	30.7	19.9
Taxation	(1.2)	(3.2)	(2.7)	(16.0)	121.5	(1.2)	(2.7)	121.5
Profit after tax	24.4	30.9	28.0	(9.3)	14.9	24.4	28.0	14.9
Net profit	3.6	4.5	4.1	(9.3)	14.9	3.6	4.1	14.9
PBT margin (%)	0.1	0.1	0.1			0.1	0.1	

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