



## Supermax (SUCB MK)

## Above

## BUY

Share Price **RM6.80**  
Target Price **RM10.20 +50%**

### Record breaking trend continuing

- Overview.** 2QFY21 revenue increased to RM2bn (+47.8% qoq, +418.5% yoy), while PATMI jumped to RM1.1bn (+34.2% qoq, +3,412% yoy). The record breaking results were mainly due to i) exponential surge in demand due to Covid-19 together with fully commissioning of plant #12 Block A & B and ii) higher ASP (increase of 3-7% mom during this quarter).
- Key highlights.** Supermax will add production capacity of 22.25bn pcs p.a. making a total of 48.42bn pcs p.a. by end-2022 (refer table 2). Additionally, Supermax is planning to build new glove manufacturing plants in US (total allocation of US\$550m) and expected to kick start the project in 1H2021 with commissioning stage starting 1H2022.
- Against estimates: Above.** 1HFY21 net profit of RM1.8bn (+3,267% yoy) made up 47% and 56% of our and consensus full year forecast. We deem this to be above expectations, owing to higher-than-expected ASPs which to be reflected in upcoming quarters.
- Dividend.** First interim DPS of 3.8 sen was declared during the quarter.
- Outlook.** We expect Supermax to record sequentially stellar performance in the upcoming two quarters on the back of higher demand and ASPs. However, with the roll-out of vaccines and rising competition, we are taking a more prudent approach expecting ASPs hike to peak in 1H2021 and gradually decline from 2H2021 onwards. Although ASP is unlikely to sustain at current levels in 2022, we still believe demand growth post-covid19 will remain steadfast at c.10-12% from higher global consumption due to structural change in gloves usage.
- Our call.** We revised our FY21/22 earnings forecast higher by 16%/19% as we adjusted higher our ASP assumption. Despite the rise in earnings, our TP is lowered to RM10.20 (from RM14.50) as we rolled over valuation to CY22F EPS of 73sen pegged on PER 14x (5 yrs pre-covid19 historical forward mean). Our new valuation is justified in our opinion as moving forward, post-covid19 earnings growth will gradually moderate to pre-covid19 level, hence our PE valuation is tracked back to its historical forward mean (pre-covid19). Maintain BUY, we believe the stock remains attractive trading at PER of 5x CY21F and 9.3x CY22F. We like Supermax due to i) higher yield from OBM business model vs its peers average, and ii) constant evolution activities.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	13.1	(26.6)	681.0
vs FBM KLCI	17.8	(29.8)	673.7

#### Stock Data

Mkt Cap (RM)	17,799.9
Free float (%)	37.2
Issued shares (m)	2,720
52w H/L (RM)	11.95/ 0.64
3m avg daily volume (m)	30,533,040

#### Major Shareholders (%)

Supermax SB	38.4
Thai Kim Sim	22.1
NORGES BANK	2.4

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Table 1: Quarterly figures

Supermax Bhd FYE 31 June (RM m)	Quarterly			Change (%)		Cumulative			BIMB	
	2Q20	1Q21	2Q21	QoQ	YoY	1H20	1H21	%	2021F*	6M/F
Revenue	385.5	1352.5	1998.6	47.8%	418.5%	755.4	3351.2	343.6%	6,775.9	49%
EBIT	46.7	1039.0	1396.6	34.4%	2888.7%	82.6	2435.7	2850.4%	5,190.1	47%
<b>Pretax profit</b>	<b>41.8</b>	<b>1049.2</b>	<b>1397.2</b>	<b>33.2%</b>	<b>3240.4%</b>	<b>74.3</b>	<b>2446.5</b>	<b>3193.9%</b>	5,138.4	<b>48%</b>
Taxation	(11.8)	(236.8)	(317.5)	34.1%	2589.4%	(19.3)	(554.3)	2773.5%	(1,233.2)	45%
<b>PATMI</b>	<b>30.2</b>	<b>789.5</b>	<b>1059.5</b>	<b>34.2%</b>	<b>3412.2%</b>	<b>54.9</b>	<b>1849.0</b>	<b>3267.2%</b>	<b>3,900.2</b>	<b>47%</b>
EPS (sen)	1.1	29.0	39.0	34.2%	3412.2%	2.0	68.0	3267.2%	143.4	47%
Net gearing (x)	0.2	net cash	net cash			0.2	net cash		net cash	
				<b>chg (ppts)</b>					<b>chg (ppts)</b>	
EBIT margin (%)	12.1%	76.8%	69.9%	-6.9%	57.8%	10.9%	72.7%	61.8%	76.6%	
PBT margin (%)	10.9%	77.6%	69.9%	-7.7%	59.1%	9.8%	73.0%	63.2%	75.8%	
PATMI margin (%)	7.8%	58.4%	53.0%	-5.4%	45.2%	7.3%	55.2%	47.9%	57.6%	
Effective tax rate (%)	28.2%	22.6%	22.7%	0.2%	-5.5%	26.0%	22.7%	-3.3%	24.0%	

\*Forecast before adjustment

Source: BIMB Securities, Company

Table 2: Supermax expansion plans summary (2020-2022)

	Installed Annual Capacity as of 31.12.2018 (Mil pcs/lines)	New Expansion (Mil pcs/ Lines)	Installed Annual Capacity as of 31.12.2020 (Mil pcs/ Lines)	New Expansion (Mil pcs/ Lines)	Installed Annual Capacity as of 31.12.2021 (Mil pcs/ Lines)	New Expansion (Mil pcs/ Lines)	Installed Annual Capacity as of 31.12.2022 (Mil pcs/ Lines)
<b>SUPERMAX GROUP</b>	21,751 (174)		26,175 (206)		36,426 (286)		48,426 (346)
Additional capacity from:							
- New lines from Plant #12 (Lot 6061)		+4,424 (32)					
- New lines from Plant #13 (Lots 6072 & 6073)				+2,750 (22)		+1,000 (8)	
- New lines from Plant #14 (Lots 6072 & 6073)				+1,000 (8)		+2,750 (22)	
- New lines from Plant #15 (Lots 6072 & 6073)				+3,750 (30)			
- New lines from Plant #16 (Lot 6062)				+1,375 (10)		+4,125 (30)	
- New lines from Plant #17 (Lot 6060)				+1,375 (10)		+4,125 (30)	
<b>Total</b>	<b>21,751 (174)</b>	<b>+4,424 (32)</b>	<b>26,175 (206)</b>	<b>+10,250 (80)</b>	<b>36,426 (286)</b>	<b>+12,000 (90)</b>	<b>48,426 (346)</b>

Source: BIMB Securities, Company

Table 3: Earnings forecast

FYE June (RMm)	FY19	FY20	FY21F	FY22F	FY23F
Turnover	1,538.2	2,131.8	8,803.1	7,288.4	5,174.9
EBITDA	225.2	763.6	6,183.0	3,899.4	1,669.9
EBIT	180.1	687.5	6,128.6	3,837.1	1,599.8
Pretax Profit	172.4	688.6	6,060.6	3,781.2	1,561.9
<b>PATMI</b>	<b>123.1</b>	<b>525.6</b>	<b>4,526.0</b>	<b>2,828.7</b>	<b>1,142.0</b>
<b>CY PATMI</b>	<b>321.10</b>	<b>2525.81</b>	<b>3677.39</b>	<b>1985.38</b>	
Consensus PATMI			3,324.9	2,035.1	1527.0
<b>EPS (sen)</b>	<b>4.5</b>	<b>19.3</b>	<b>166.4</b>	<b>104.0</b>	<b>42.0</b>
<b>CY EPS (sen)</b>	<b>11.8</b>	<b>92.9</b>	<b>135.2</b>	<b>73.0</b>	
PER (x)	150.2	35.2	4.1	6.5	16.2
DPS (sen)	2.0	7.5	67.0	42.0	17.0
D. Yield (%)	0.3%	1.1%	9.9%	6.2%	2.5%
<b>Key Ratios (%)</b>					
ROE	10.9%	38.8%	136.4%	54.3%	29.0%
EBITDA margin	14.6%	35.8%	70.2%	53.5%	32.3%
EBIT margin	11.7%	32.3%	69.6%	52.6%	30.9%
Pretax margin	11.2%	32.3%	68.8%	51.9%	30.2%
PATMI margin	8.0%	24.7%	51.4%	38.8%	22.1%

Source: Bloomberg, BIMB Securities

