


RUBBER GLOVE

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Stock Profile/Statistics

Bloomberg Ticker	SUCB MK
KLCI	Equity 1067.76
Issued Share Capital (m)	265.27
Market Capitalisation (RMm)	519.93
52 week H L Price (RM)	1.76 0.78
Average Volume (3m) '000	973.77
YTD Returns (%)	0.87
Net gearing (x)	0.90
Altman Z-Score	2.12
ROCE/WACC	1.55
Beta (x)	0.87
Book Value/share (RM)	1.49

Major Shareholders (%)

Dato' Seri Stanley Tai	23.85
Datin Seri Cheryl Tan	17.49
FELDA	6.61

Share Performance (%)

Month	Absolute	Relative
1m	4.15	1.60
3m	89.58	51.18
6m	110.91	57.12
12m	29.89	30.62

6-month Share Price Performance


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

1HFY09 Results Review

Private Circulation Only

Supermax Corp.

BUY	Maintain
Price	RM1.96
Target	RM2.35

Another Superb Quarter

Supermax's 2QFY09 results were above expectations, mainly attributed to lower operating expenses, production efficiency and higher associate contribution as a result of higher sales and selling prices of gloves to the Brazilian market. We are upgrading our FY09-10 earnings by 14%-15% respectively. Maintain Buy with a revised target price of RM2.35.

Results surprise on the upside. The 1HFY09 net profit made up 63% of consensus and our FY09 forecasts respectively. Although 2QFY09 revenue was down marginally by 2.0% q-o-q, the core net profit of RM25.8m was higher by 30.8% q-o-q, mainly due to: 1) lower operating expenses; 2) production efficiency, and 3) higher profit contribution from its associates. The improvement in associate contribution of 10.7% q-o-q was mainly owing to an increase in sales volume and selling prices of gloves to Brazil after the Brazilian Government imposed higher requirements on gloves entering the country. Consequently, this reduced the number of competitors and Supermax had taken this opportunity to boost the sales and selling prices of its gloves to that country. YTD net profit sprang 54% to RM45.5m. In addition, EBITDA margin was better by 4%-pts to 18% q-o-q and 16% YTD respectively as a result of production efficiency and lower prices of latex, which fell from average of RM6.00/kg to RM4.00/kg.

FY09-10 earnings upgraded 14%-15%. Our earnings revision is in line with the stronger 2QFY09 results and improved outlook for the rubber glove industry, especially the non-medical segments like automotive and food processing, in tandem with the expected recovery in the global economy.

Maintain BUY. We are revising upwards our target price for Supermax to RM2.35 (previously RM2.05) based on the existing PER of 7x FY10 earnings. We believe Supermax stands to benefit from the recovery in the non-medical (automotive and food processing) gloves segment, which moves in tandem with the anticipated recovery in the global economy since 74% of its products comprises latex gloves, of which 38% is powdered and 36% powder-free. Nitrile gloves only make up about 23% of its product mix while the remaining 3% is from sterile surgical gloves.

FYE 31 Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Total revenue	389.1	582.1	833.4	1,109.8	1,203.5
Net Profit	40.8	59.4	46.5	81.7	88.9
Consensus profit	-	-	-	72.5	83.9
% chg YoY	12.6	45.5	(21.7)	75.7	8.8
EPS (sen)	15.4	21.4	16.7	29.4	33.5
Gross DPS (sen)	2.8	3.3	4.0	4.0	4.0
Gross Div Yield (%)	1.4	1.7	2.0	2.0	2.0
ROE (%)	18.3	18.8	11.3	17.5	16.3
ROA (%)	8.2	8.6	5.0	7.8	7.9
PER (x)	14.1	9.2	11.7	6.7	5.8
P/BV	2.2	1.4	1.3	1.1	0.9
EV/EBITDA (x)	12.6	9.4	8.5	6.9	5.6

APPENDIX**Figure 1: Results Table**

FYE Dec 31 (RMm)	2QFY09	1QFY09	% chg	FY09	FY08	% chg
Turnover	188.5	192.4	-2.0%	380.9	384.7	-1.0%
EBITDA	34.3	27.8	23.3%	62.1	45.4	36.8%
Depreciation	(7.5)	(7.5)	0.0%	(14.9)	(14.2)	5.2%
Net interest expense	(4.5)	(5.0)	-10.7%	(9.5)	(11.4)	-16.4%
Associates	9.0	8.1	10.7%	17.1	10.1	70.3%
PBT before EI	31.3	23.5	33.6%	54.8	29.9	83.4%
EI	0.0	0.0		0.0	0.0	
PBT	31.3	23.5	33.6%	54.8	29.9	83.4%
Tax	(5.6)	(3.8)	48.0%	(9.3)	(0.4)	2454.5%
MI	0.0	0.0		0.0	0.0	
Reported Net Profit	25.8	19.7	30.8%	45.5	29.5	54.0%
Core Net Profit	25.8	19.7	30.8%	45.5	29.5	54.0%
Core EPS (sen)	9.7	7.4		17.2	11.2	
EBITDA margin	18%	14%		16%	12%	

FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Turnover	389.1	582.1	833.4	1,109.8	1,203.5
EBITDA	55.9	92.1	100.1	130.1	151.9
PBT	47.2	67.2	51.6	96.1	104.6
Net Profit	40.8	59.4	46.5	81.7	88.9
EPS (sen)	15.4	21.4	16.7	29.4	33.5
DPS (sen)	2.8	3.3	4.0	4.0	4.0
Margin					
EBITDA	14.4%	15.8%	12.0%	11.7%	12.6%
PBT	12.1%	11.5%	6.2%	8.7%	8.7%
Net Profit	10.5%	10.2%	5.6%	7.4%	7.4%
ROE	18.3%	18.8%	11.3%	17.5%	16.3%
ROA	8.2%	8.6%	5.0%	7.8%	7.9%
Balance Sheet					
Fixed Assets	300.7	510.6	507.2	502.4	496.1
Current Assets	219.2	359.0	482.5	606.9	656.2
Total Assets	519.9	869.6	989.7	1,109.3	1,152.3
Current Liabilities	126.3	309.7	391.0	436.5	398.1
Net Current Assets	92.9	49.3	91.5	170.4	258.1
LT Liabilities	152.8	168.7	168.7	168.7	168.7
Shareholders' Funds	240.8	391.2	430.1	504.1	585.4
Net Gearing (%)	76.4%	88.3%	77.9%	74.5%	56.4%

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