

# Results Update

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For Internal Circulation Only

KLCI : 1,067.76  
Sector : Industrial  
Bloomberg : SUCB MK

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Target RM2.50  
Price (27.6%)

RM1.96 BUY

## Supermax Corporation Bhd

Surprise Indeed

### Share Info

	Supermax
Stock Code	Supermax
Listing	Main Board
Share Cap (m)	265.3
Market Cap (RMm)	252.0
Par Value (RM)	1.00
52-wk Hi/Lo (RM)	2.99 / 0.95
12-mth Avg Daily Vol ('000 sl)	138.2
Estimated Free Float (%)	4500%
Beta	0.88
Major Shareholders (%)	
	Datuk Seri Stanley Thai (23.9%)
	Cheryl Tan (17.5%)
	Dubai Investment Group (11.9%)

### Forecast Revision

	FY08	FY09
Net profit (RMm)	84.2	108.2
Consensus	88.0	102.0
TA/Consensus	96%	106%
Previous Rating	HOLD	

### Financial Indicators

	FY08	FY09
Net debt/equity (%)	60.60	58.40
CFPS (sen)	66.00	73.00
P/CFPS (x)	0.00	0.00
ROA (%)	5.80	6.20
NTA/Share (RM)	1.81	2.03
Price/ NTA (x)	0.00	0.00

### Scorecard

		% of FY09
vs TA	Within	53%
vs Consensus	Within	52%

### Share Performance (%)

Price chg	Supermax	KLCI
1 mth	18.8%	-2.1%
3 mth	83.2%	13.1%
6 mth	120.2%	16.9%
12 mth	56.8%	-7.2%

### Review

- Supermax surprised us with an early 2Q09 result announcement last Friday. The group made RM25.78mn in net profit backed by total revenue of RM188.49mn.
- This is in line with our and consensus expectations.
- Sequentially, the group's net bottomline surged in excess of 30% QoQ despite a 2% dip in revenue. Revenue slowed down during the quarter as there were price adjustments during the quarter as cost of latex dipped. The QoQ dip in revenue was mainly caused by the 2.5% depreciation of USD against RM. Nevertheless, this resulted in stronger margins. EBIT and pretax margin improved during the quarter by 8.4pp and 4.4pp respectively.
- YTD, 6M FY09 net profit jumped by a healthy 53% although revenue eased by -8.8%. Cumulatively, EBIT and pretax margin expanded by 5.2pp and 4.7pp respectively.
- The group improved its cash holding by 100% since the last financial year. Total cashpile stood at RM66mn as at 30 Jun 2009 vs. RM31mn at the end of Dec 2008.

### Impact

- Our average latex price for the year is maintained at RM4.50 per kg in FY09, slightly above the YTD average of RM4.30. We believe latex prices should shoot up due to the impending rainy season that would put pressure on supply.
- As the results came in well within our estimates, no change to our numbers is necessary at this point in time.

### Outlook

- Supermax has embarked on restructuring, focusing on inventory management, production efficiency and receivable management.
- This has been very successful since 1Q09 – evidenced by the Group's lower inventory turnover, lower trade receivables and higher operating efficiency.

### Valuation

- Previously we have been very careful in the group's valuation. We put a 30% discount to the PER multiple to impute the restructuring risk taking place. We believe this discount is no longer justified and hence upgrade its PER multiples from 5.5x previously to 8x - comparable to its peers. Based on this, our new fair value is RM2.50. As such, we are upgrading our call to a BUY from HOLD.

Share Price chart



Source : Bloomberg

Earnings Summary (RMmn)

YE 31 Dec	2005	2006	2007	2008	2009F	2010F
Revenue	284.7	389.1	582.1	833.0	846.1	970.9
EBITDA	44.3	55.0	75.0	102.3	144.1	174.5
EBITDA margin (%)	16%	14%	13%	12.3%	17.0%	18.0%
Pretax profit	41.3	47.2	67.2	51.6	100.3	127.3
Net profit	36.2	40.8	49.4	46.5	84.2	108.2
Net profit -adj	36.2	48.1	49.4	63.2	84.2	108.2
EPS (sen)	16.0	19.0	18.6	17.5	31.7	40.8
EPS - adj	16.0	21.2	18.6	23.8	31.7	40.8
EPS Growth (%)	20.2%	18.8%	-1.9%	28%	33%	29%
PER (x)	7.5	6.3	6.4	5.2	5.2	4.0
GDPS (sen)	5.0	5.0	5.0	5.0	6.0	9.5
Div Yield (%)	4.2	4.2	4.2	4.2	5.0	5.8

2Q09 Results Analysis

YE 31 Dec	Cumulative					
	2Q09	1Q09	QOQ%	2Q09	2Q08	YOY%
Turnover	188.49	192.37	-2.0%	350.86	384.74	-8.8%
EBIT	35.84	20.36	76.0%	36.04	19.74	82.6%
Net Int Inc/ (exp)	-4.50	-5.00	-10.0%	9.45	10.00	-5.5%
Pretax	31.34	23.47	33.5%	45.49	29.74	53.0%
Taxation	-5.56	-3.75	48.3%	-9.32	-1.56	497.4%
Net Profit	25.78	19.70	30.9%	45.49	29.74	53.0%
EPS (sen)	9.72	7.43	30.8%	17.15	11.21	53.0%
EBIT Margin (%)	19.0%	10.6%		10.3%	5.1%	
Pretax Margin (%)	16.6%	12.2%		13.0%	7.7%	
Tax Rate (%)	-17.7%	-16.0%		-20.5%	-5.2%	

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for TA SECURITIES HOLDINGS BERHAD (14948-M)  
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