



RUBBER GLOVE

Jason Yap
+60 (3) 9207 7698
Jason.yap@osk.com.my

Mohlini Narayanan
+60 (3) 9207 7686
mohlini.narayanan@osk.com.my

Stock Profile/Statistics

Bloomberg Ticker	SUCB MK
KLCI	Equity 1134.70
Issued Share Capital (m)	265.27
Market Capitalisation (RMm)	570.33
52 week H L Price (RM)	2.23 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	20.40
Datin Seri Cheryl Tan	14.96
Tabung Haji	9.98

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

Company Update

Private Circulation Only

Supermax Corp.

BUY	Maintain
Price Target	RM2.15
	RM2.69

No Change In Business Strategy

Most of the information we gathered from Supermax's analyst briefing yesterday to update investors on the way forward is similar to that disclosed at the previous briefing. To summarise, there is no change in business strategy as: 1) management will continue to focus on OBM gloves, for which margins are higher; 2) management will develop a new Glove City in Bukit Kapar, Klang, to double its annual production capacity to 30.0bn pieces p.a. in 10 years' time, and 3) there will be no M&As in the immediate term. Nevertheless, we are upgrading our FY09-10 forecasts by 10%-15% in line with the better earnings guidance based on the company's sales and operating environment to date. **Maintain Buy.**

Focus on OBM gloves. There is no change in the production breakdown since the last briefing, i.e 55%:45% for OBM and OEM respectively. Going forward, management will increase production of OBM gloves because they yield better margins since there is less intense competition in this segment. Also, the company would earn distribution margins from these OBM gloves since these are in its own brand name.

Glove City Project in Klang. Management has revealed additional information whereby the plan is to build 6 large manufacturing plants on a 36.8 acres of land. These plants will add 18bn pieces p.a. to its existing capacity of 14.5bn pieces p.a. The project is also expected to kick off in 2011. The estimated capex cost per factory is about RM40-50m.

No intention for M&As. Management indicated that it will consolidate its operations, focus on production efficiency and manufacture more higher-margin gloves. Any growth would be organic, such as the refurbishment of existing production lines as well as adding 12 new lines by 2010, producing about 1.7bn pieces more a year.

Maintain BUY. We are also upgrading our FY09-10 earnings by 10%-15% respectively in line with the better earnings guidance from management based on the company's sales and operating environment to date. Hence, our revised target price for Supermax is RM2.69 (previously RM2.35) based on a PER of 7x FY10 earnings.

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	89.8	102.0
Consensus profit	-	-	-	81.0	91.0
% chg YoY	12.6	45.5	(21.7)	93.1	13.7
EPS (sen)	15.4	21.4	16.7	32.3	38.5
Gross DPS (sen)	2.8	3.3	4.0	4.0	4.0
Gross Div Yield (%)	1.3	1.5	1.9	1.9	1.9
ROE (%)	18.3	18.8	11.3	19.1	18.2
ROA (%)	8.2	8.6	5.0	8.6	9.0
PER (x)	15.5	10.0	12.8	6.6	5.6
P/BV	2.4	1.6	1.4	1.2	1.0
EV/EBITDA (x)	13.5	9.9	9.0	6.8	5.4

APPENDIX

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	139.6	167.3
PBT	47.2	67.2	51.6	105.6	120.0
Net Profit	40.8	59.4	46.5	89.8	102.0
EPS (sen)	15.4	21.4	16.7	32.3	38.5
DPS (sen)	2.8	3.3	4.0	4.0	4.0
Margin					
EBITDA	14.4%	15.8%	12.0%	12.6%	13.9%
PBT	12.1%	11.5%	6.2%	9.5%	10.0%
Net Profit	10.5%	10.2%	5.6%	8.1%	8.5%
ROE	18.3%	18.8%	11.3%	19.1%	18.2%
ROA	8.2%	8.6%	5.0%	8.6%	9.0%
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	428.4	377.0
Net Current Assets	92.9	49.3	91.5	178.5	279.2
LT Liabilities	152.8	168.7	168.7	168.7	168.7
Shareholders' Fund	240.8	391.2	430.1	512.2	606.6
Net Gearing (%)	76.4%	88.3%	77.9%	73.3%	54.5%

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated:** Stock is not within regular research coverage

All research is based on material compiled from data considered to be reliable at the time of writing. However, information and opinions expressed will be subject to change at short notice, and no part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. We do not accept any liability directly or indirectly that may arise from investment decision-making based on this report. The company, its directors, officers, employees and/or connected persons may periodically hold an interest and/or underwriting commitments in the securities mentioned.

Distribution in Singapore

This research report produced by OSK Research Sdn Bhd is distributed in Singapore only to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with, this research report, you are to contact our Singapore Office, DMG & Partners Pte Ltd ("DMG").

All Rights Reserved. No part of this publication may be used or re-produced without expressed permission from OSK Research.
Published and printed by :-

OSK RESEARCH SDN. BHD. (206591-V)*(A wholly-owned subsidiary of OSK Investment Bank Berhad)*


Chris Eng

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd. 1201-1203, 12/F, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2537 1332	Singapore Office DMG & Partners Securities Pte. Ltd. #22-01 Ocean Towers 20 Raffles Place Singapore 048620 Tel : +(65) 6438 8810 Fax : +(65) 6535 4809	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 th Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4505	Shanghai Office OSK (China) Investment Advisory Co. Ltd Room 6506, Plaza 66 No. 1266 West Nanjing Road 200040, Shanghai China Tel : +(8621) 6288 9611 Fax : + (8621) 6288 9633