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Rubber Gloves

Stretching further

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Addressing the skeptics; still bullish on the rubber glove industry

Rubber gloves skeptics have raised concerns that (1) there are signs of an increase in demand for synthetic rubber gloves, which would dislodge Malaysia's competitive edge as the largest producer of natural gloves; (2) overcapacity in the industry; and (3) margin pressure given the high latex prices. We could not disagree more. Our channel checks and thorough review of the industry after our F.I.T.T report published in May-10 reassure us that our confidence in the industry is well-founded, and we expect sustainable demand growth of 13% pa until 2020.

Natural (NR) vs Synthetic Rubber (SR) gloves discussed

We see a natural up-trading of gloves from NR powdered to NR powder-free (PF) and SR (Nitrile) in developed countries due to growing affluence; we view this as positive, allowing margins to expand due to the higher ASP of NR PF and SR (Nitrile) gloves. However, emerging markets should provide the next surge in NR glove demand over the longer term given the low penetration rate of gloves and large population. There is a 10-25% price differential between the costs of NR powdered and Nitrile gloves. These markets typically start regulating the healthcare industry with the basic/cheapest gloves, i.e., NR powdered gloves. We have only seen 20-30% of new capacity for 2010 coming on stream in Jun-Jul10, suggesting that actual capacity additions by Dec10 may be lower than planned.

China healthcare reforms coming through; new growth market longer term

China unveiled its long-awaited medical reform plan in April-10, which involved RMB850bn (US\$124bn) in investments by 2011 to provide universal medical service to the country's 1.3bn population. Our China/HK healthcare analyst, Eugene Yeoh, tells us that reforms in China have been coming through and that he is seeing increased insurance coverage and small hospitals being built. Currently, China accounts for less than 3% of global gloves demand (glove usage per capita in China is 3 pcs vs 127 pcs in the US). We expect gloves demand from China to surge over the longer term once infrastructure, i.e., hospitals, is in place.

Near-term catalysts

The industry has generated an absolute return of c.20% over the last two months and out-performed the Malaysian and ASEAN markets by c.40% YTD. We see the weakness in share price (-4% WoW) as an opportunity to Buy. While there is a time lag to pass through higher costs, we see the moderating latex prices (-3% MOM), subdued MYR appreciation and news flow of still positive YoY earnings in the upcoming quarterly reporting season as potential short-term upside catalysts.

We reiterate Buy on Supermax and Top Glove

Despite a strong fundamental backdrop, the Malaysian glove industry trades at just 9.9x FY11E PE, a 26% and 19% discount to the Malaysian and ASEAN markets respectively, but offers a brighter growth outlook of 22% 3-year EPS CAGR. Our DCF-derived valuations for Top Glove and Supermax continue to offer over 15% in potential upside to our target price. In an ASEAN context, both stocks offer rare exposure to global healthcare spending. Top Glove is now our top pick in the industry given higher potential upside of 22% (vs Supermax's 16%). Key risks include: (1) volatile raw materials costs and currency fluctuations; (2) unfavourable regulations for the glove industry; and (3) excess production capacity.

Industry Update

Top picks

Top Glove (TPGC.KL),MYR6.75 Buy

Companies featured

Top Glove (TPGC.KL),MYR6.75 Buy

	2009A	2010E	2011E
P/E (x)	18.1	16.5	14.2
EV/EBITDA (x)	10.8	10.8	9.3
Price/book (x)	5.1	4.2	3.5

Supermax (SUPM.KL),MYR6.25 Buy

	2009A	2010E	2011E
P/E (x)	5.6	11.4	9.5
EV/EBITDA (x)	4.2	9.4	7.5
Price/book (x)	2.8	3.0	2.4

Semperit (SMPV.VI),EUR28.84 Buy

	2009A	2010E	2011E
DB EPS (EUR)	1.89	2.04	2.30
P/E (x)	10.7	14.1	12.5
EV/EBITA (x)	4.7	7.2	6.3

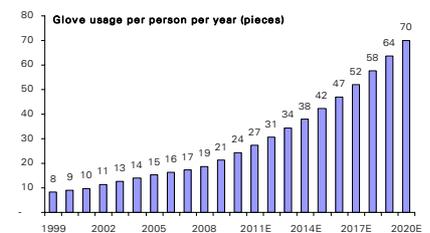
Rubber Gloves F.I.T.T



Industry trading at a discount



Staying bullish on glove demand



Deutsche Bank AG/Hong Kong

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More room for upside

Key points

We maintain our bullish view on the industry

- We performed a thorough review of natural versus synthetic rubber dynamics, demand, capacity and the pricing structure of the industry after our F.I.T.T report published in May-10 and maintain our bullish view on the industry.
- The rubber glove industry is a multi-year growth industry, driven by 1) population growth and aging population, (2) large and sustainable replacement demand in the developed countries, (3) increasing healthcare spending and reforms, (4) greater awareness of hygiene standards, and (5) growth in emerging market demand.
- The rubber glove stocks have generated an absolute return of c.20% over the last two months and on average out-performed the Malaysian and ASEAN markets by c.40% YTD. We see the recent weakness in share price (-3MoM) as an opportunity to enter the market.

Top Glove (TOPG MK) is now our top pick

- The Malaysian glove industry as a whole trades at just 9.9x FY11E PE, a 26% and 19% discount to the Malaysian and ASEAN markets respectively, but offers a brighter growth outlook of 22% 3-year EPS CAGR. We reiterate our Buy recommendations on Top Glove (TOPG MK, RM6.75, target price RM8.25), Supermax (SUCB MK, RM6.25, target price RM7.23) and Semperit (SEM AV, €28.09, target price €37.00). Top Glove is now our top pick in the industry given its market leader position (22% global market share), strong 3-year EPS CAGR of 25% and higher potential upside of 22% (vs Supermax's 16%).

Addressing the skeptics; staying bullish

1) Malaysia's competitive edge remains secure

There have been concerns that due to the higher price of natural rubber, the cost differential between natural rubber (NR) and synthetic rubber (SR) gloves has narrowed and consumers can now switch from NR gloves to SR gloves. As such, Malaysia would lose its competitive edge as the world's supplier of NR gloves.

Barrier to entry into the glove industry remains high

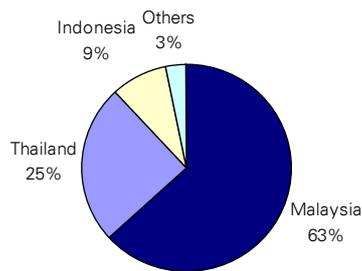
We hold the view that the barrier to entry into the glove industry remains high. Besides the need to have economies of scale and proximity to the raw material source, technological efficiency and a strong customer base is important. Top Glove and Supermax sell to more than 800 customers in more than 150 countries. No one customer accounts for more than 3% of their total sales.

(2) Natural vs Synthetic Rubber gloves argument; emerging market growth to drive NR demand

Natural up-trading of gloves in developed countries

Malaysia supplies c.63% of the world's demand for NR gloves and c.55% of SR (Nitrile) gloves. About 70% of Malaysia's gloves exports (mainly medical-grade powder-free NR gloves) are to developed countries like the US and EU, which are steady replacement markets for glove consumption. We see a natural up-trading of gloves from NR powdered to NR powder-free and SR (Nitrile) in developed countries due to growing affluence, and we view the trend as positive. This allows margins to expand due to the higher ASP of NR powdered and SR (Nitrile) gloves.

Figure 1: Major glove exporting countries (2009)



Source: Deutsche Bank, MREPC

Emerging markets to provide the next surge in NR glove demand over the longer term

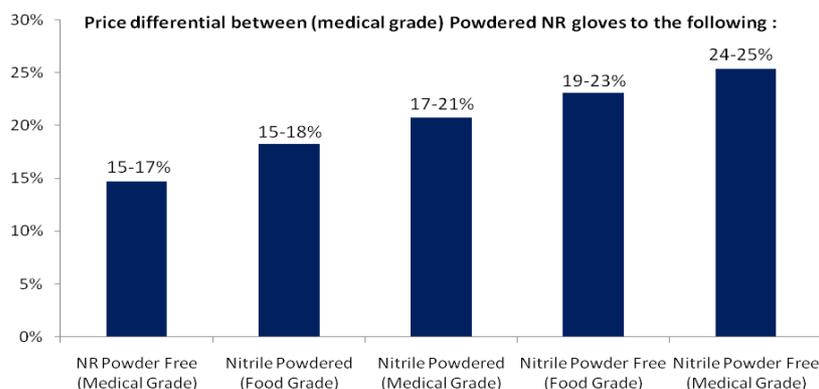
Meanwhile, we are of the view that the emerging markets in Asia, Eastern Europe and LATAM will provide the next surge in NR glove demand over the longer term given the low penetration rate of glove usage, large population base, and improving hygiene standards. These markets would typically start regulating their healthcare industry by using the most basic/cheapest types of glove, i.e., NR powdered gloves.

Further analysis on the NR vs SR argument:

Nitrile gloves still 10-25% more expensive than NR gloves

1. **SR (Nitrile) gloves cost 10-25% more than NR gloves.** Any switch in the usage of NR gloves to SR (Nitrile) gloves would mean that the hospitals would incur a 10-25% increase in costs for their healthcare consumables. Examination gloves, especially in the healthcare industry, are single-use, disposable items. Our checks with several distributors suggest that the bulk of glove demand in developed countries such as the US and EU is still medical-grade NR powder-free gloves. This is because there is still 10-15% cost savings between NR powder-free and SR (Nitrile) gloves.

Figure 2: ASP differential between the medical-grade powdered NR gloves and other types of gloves (As at Jul-10; per 1,000 pieces)



Source: Deutsche Bank, various company data aggregated

Production for NR and SR (Nitrile) gloves is interchangeable

2. **Production for NR and SR (Nitrile) gloves is interchangeable.** Gloves manufacturers in Malaysia produce gloves based on customers' requirements. The production lines in Malaysia are interchangeable and can produce both types of gloves. It takes less than five days to change the production lines to run on the different raw materials. All the major glove manufacturers in Malaysia have production capabilities to cater to the product mix. However, each company has adopted different strategies to compete in the market.

Figure 3: Product mix of the top four glove manufacturers in Malaysia

	Powdered	Powder-free	Nitrile	Others
Top Glove	58	23	7	12
Supermax	45	35	20	-
Kossan Rubber	20	40	40	-
Hartalega	4	16	80	-

Source: Deutsche Bank, company data

Latex protein allergy in the general population is less than 1%

- Cases of latex allergies are low.** According to the American Latex Allergy Association, the incidence of latex protein allergy in the general population is less than 1%. Technological advancement has allowed manufacturers to produce low-protein latex gloves and powder-free NR gloves, which reduces the protein content to ~0.01%.
- Environmental issues.** The raw material for NR gloves is sourced from a renewable source (i.e., rubber trees), while the raw material for SR gloves is a petrochemical by-product. Synthetic gloves are not bio-degradable, unlike latex gloves.

Figure 4: Comparison between latex and synthetic Nitrile gloves

Description	Latex	Nitrile
Material	Natural rubber latex from rubber trees	A synthetic copolymer made up from monomers of carboxylic acid, acrylonitrile and butadiene
Strength	Superior	Good strength and puncture resistance
Barrier protection	Natural rubber latex has good film formation properties and the natural rubber latex film provides superior barrier protection	Nitrile latex film exhibits comparable barrier protection as NR if film is continuous
Glove-associated health reaction	Type 1 & IV hypersensitivity caused by certain NR latex proteins and certain kinds of accelerators used in the vulcanization process	Delay type IV hypersensitivity due to type of accelerators used
Durability	High resistance to tear and puncture, superior dynamic durability	High resistance to puncture and tear, moderate dynamic durability
Elasticity	High levels of elasticity, memory and elongation	Medium to high
Fit and comfort	Excellent fit; conforms to hand	Good, conforms to hand
Chemical resistance	Depending on type of chemicals in contact, generally good	Depending on kind of chemicals, generally good
Cost	Low to Moderate	Moderate to High
Price (as at Jul-10)	US\$26 - US\$35/1000 pieces	US\$33 - US\$38/1000pieces
Usage	Cost effective and proven protection	Alternative to latex (latex allergy)
Recommended use	Optimal choice based on overall performance, material strength supports use in high risk environment and exposure to blood borne pathogens	Latex-like properties make this an ideal synthetic alternative for latex-sanitized individuals.

Source: Deutsche Bank, American Latex Allergy Association, MRPEC

No capacity overhang; new 2010 capacity only started coming on stream in Jun-Jul-10

(3) No capacity overhang

We conducted a thorough review of the manufacturers' planned capacity expansion for 2010-2011. Our observations suggest that announced capacity additions mostly differ from actual additions. The major producers have a good sense of market demand and supply conditions, and additional capacities will only be phased in according to demand levels so as not to destroy margins due to excess supply. Meanwhile, depending on the product mix, absolute supply (i.e., the absolute number of pieces of gloves produced) could also be lower due to the fact that SR (Nitrile) gloves take a longer time to 'cure' and thus output would be lower. Meanwhile, we have only started to see about 20-30% of new capacity for 2010 coming on stream in Jun-Jul10, suggesting that actual capacity additions by Dec10 will likely be lower than planned.

Figure 5: Global capacity addition estimates

	As at			Absolute increase in no. of gloves		Growth in capacity		What's new since our F.I.T.T research report on rubber gloves
	2009	2010E	2011E	2010E	2011E	2010E	2011E	
Top Glove	31.5	35.3	41.3	3.8	6.0	12%	17%	No change
Supermax	14.5	17.6	21.7	3.1	4.1	21%	23%	No change
Kossan	11.0	12.5	14.5	1.5	2.0	14%	16%	Increasing product mix to more Nitrile gloves (ie. 40-50% in 2011), which lowers absolute quantity of gloves produced given longer 'curing' time.
Hartalega	6.2	8.4	9.9	2.2	1.5	35%	18%	No change
Rest of the world	83.0	91.3	100.4	8.3	9.1	10%	10%	Smaller players have indicated cut backs on expansion plans by 10-20%
Total World Supply	146.2	165.1	187.8	18.9	22.7	13%	14%	
75% utilization				14.1	17.0			

Source: Deutsche Bank, company data

(4) Positive on China healthcare reforms = upbeat on glove demand

With 1.3 bn people accounting for 22% of the world's population, China consumes less than 3% of the world's total gloves supply. Deutsche Bank's China healthcare team expects China's healthcare spend to rise sevenfold in ten years. This is equivalent to a CAGR of 23% between 2009-2018E and is premised upon China's penetration rate, as defined by healthcare spend as a percentage of GDP, which is currently 4.5% and expected to reach the world average of 9.5% by 2018E.

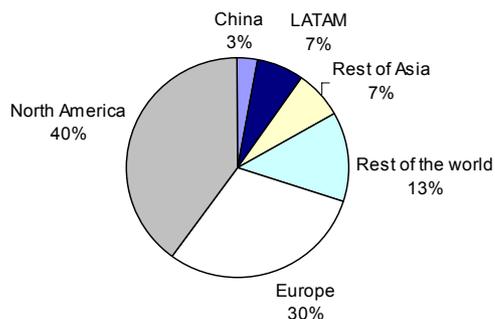
Healthcare reforms in China have been coming through

China unveiled its long-awaited medical reform plan in April-10, which involved RMB 850bn (US\$124bn) of investment by 2011 to provide universal medical service to the country's 1.3bn population. Our China/HK healthcare analyst, Eugene Yeoh, also tells us that reforms in China have been coming through and that he is seeing increased insurance coverage and small hospitals being built.

New demand from China to grow once infrastructure is in place

Under the medical reform plan, the central government will fund the construction of 29,000 township hospitals, build 2,000 county-level hospitals to ensure each county has at least one hospital in compliance with national standards this year, and upgrade 5,000 township hospitals. In addition, 3,700 community health centers and 11,000 community health stations would be set up or upgraded in cities. As part of the effort, the health insurance subsidy offered by the government for unemployed urban residents and farmers will rise by 50% to RMB120 per person by 2011. With the government's strong support and commitment to healthcare, increasing infrastructure and demand for medical attention, we expect gloves demand from China to surge over the longer term.

Figure 6: Global glove demand by region: China – 22% of world population accounts for 3% of global glove demand (2009)



Source: Deutsche Bank, Industry estimates

88% of the world's population accounts for just 30% of total gloves demand

Figure 7: Healthcare spending and glove consumption estimates

Country	Population (bn)	Healthcare expenditure per capita (USD)	Healthcare % of GDP	Glove usage per capita (pcs)
India	1.152	109	4.9	3.0
China	1.328	342	4.5	3.5
Russia	0.143	638	5.3	17.0
Brazil	0.189	765	7.5	22.0
Japan	0.128	2514	7.9	38.0
EU	0.492	2323	8.0	89.0
United States	0.303	6714	15.3	127.0
Australia	0.021	3122	8.7	133.0

Source: Deutsche Bank, WHO 2006 Yearbook, UN population statistics

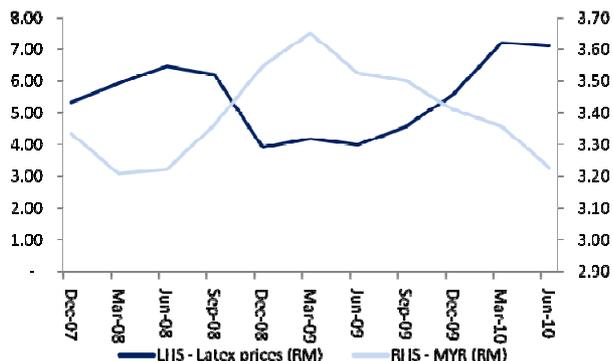
Latex prices have eased 10.3% since Apr-10 peak of RM7.72/kg

Time lag in costs pass-through but full year earnings to remain strong

Near-term catalyst = 2Q results + moderating rubber prices

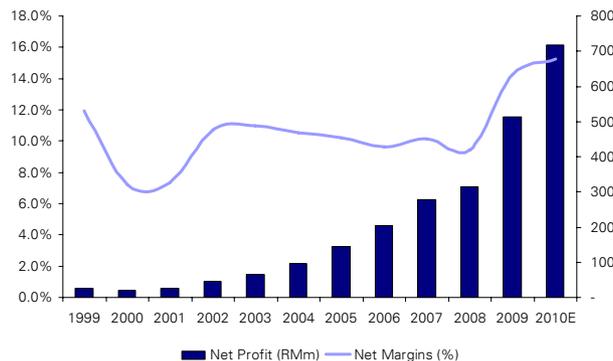
- **Lower latex prices and moderate MYR appreciation.** Malaysian rubber production for the month of May rose 19.8% YoY. Latex prices have eased 10.3% from their all-time high of RM7.72/kg in Apr-10 to RM6.92/kg currently. The moderating prices are likely to extend as rubber trees emerge from the winter season and supply increases. We believe that current fundamentals are positive for the rubber glove industry on the back of lower latex prices and moderate appreciation of the MYR. Our checks with industry players and some distributors indicated that the ASP has been raised by c.10-12% (70-80% cost pass through), as latex prices peaked in April and have since held steady, despite the fact that latex prices have started to moderate in July. This implies that while there is a time lag in cost pass-through, glove manufacturers such as Top Glove and Supermax will still be able to sustain low-teens net margins going forward.
- **News flow of still positive YoY earnings in the upcoming quarterly reporting season.** On the back of Top Glove's 3Q10 (Mar–May 2010) +53% YoY, -8.6% QoQ net profits and 11.6% net margins, we expect gloves companies that are reporting results in August to also register similar positives in earnings, supported by still healthy demand. We flag that there may be some seasonality weakness in earnings on a QoQ basis, arising from the normalization of margins due to the time lag in cost pass-through and purchasing patterns of the distributors. However, we continue to expect the full year earnings for these glove companies to remain intact.

Figure 8: Latex prices have eased from their high while MYR appreciation has been gradual



Source: Deutsche Bank, Bloomberg Finance LPI

Figure 9: Margins remained steady despite higher costs



Source: Deutsche Bank * Industry revenue is an aggregate of the top 4 players in Malaysia, namely Top Glove, Supermax, Kossan and Hartalega

Demand growth – 13% CAGR over the next 10 years

Demand for gloves to grow at 13% CAGR for the next 10 years...

We are bullish on demand for gloves and expect long-term growth of 13% CAGR for the next 10 years. We expect glove usage per person to increase 3.3x from 21 pieces in 2009 to 70 pieces by 2020E. (The current average developed market consumption is 108 pieces, while the average in emerging markets [China and India] is three pieces.)

Growth in demand is driven by population and aging population growth, and increased penetration in emerging markets due to sanitation awareness, government healthcare reforms and regulations.

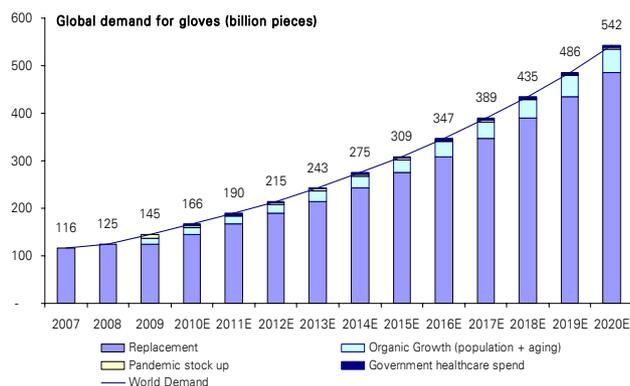
...driven by secular growth and new demand from emerging markets

Demand is inelastic to economic cycles given that it is a basic necessity for protection in the healthcare industry. This should underpin demand for the glove replacement market (85-90% of demand). Sporadic outbreaks of diseases too should help to create 'new' demand (2%, with underlying organic growth at 8%). We expect this multi-year growth trend to persist.

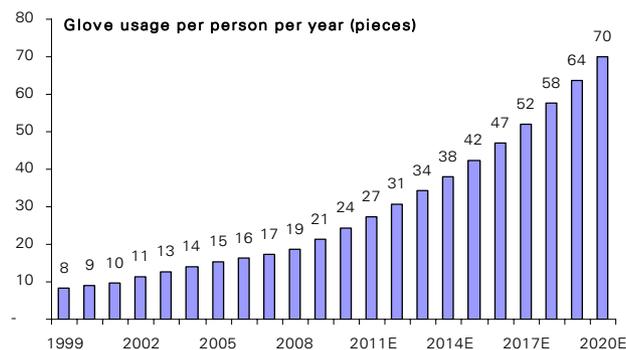
Figure 10: Our forecast for glove demand

Billion pieces	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Replacement	125	145	166	190	215	243	275	309	347	389	435	486
Organic growth	12.5	14.5	16.6	19.0	21.5	24.3	27.5	30.9	34.7	38.9	43.5	48.6
Pandemic stock up	10.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Government healthcare spending		3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	4.0	4.1
Total world demand	145	166	190	215	243	275	309	347	389	435	486	542
% change YoY	16%	14%	14%	14%	13%	13%	13%	12%	12%	12%	12%	12%

Source: Deutsche Bank

Figure 11: We expect global demand for gloves to increase at a CAGR of 13% for the next 10 years

Deutsche Bank, UN Population Estimates, industry estimates

Figure 12: Global usage for gloves is still low at 21 pieces per person

Source: Deutsche Bank, UN Population Estimates

Outperformance in the industry to continue

Malaysian glove industry as a whole trades at just 9.9x FY11E PE, a 26% and 19% discount to the Malaysian and ASEAN markets respectively

The aggregate top three Malaysian glove manufacturers currently trade at 14.5x FY10E PE, below the five-year historical average PE of 15.3x. Peak and trough PE valuations for the sector have ranged from 26.9x to 7.6x since 2002. Despite the better-than-market earnings profile (22% 3-year EPS CAGR), ROE and gearing levels, the Malaysian glove industry as a whole trades at just 9.9x FY11E PE, a 26% and 19% discount to the Malaysian and ASEAN markets respectively.

Our DCF-based valuations of Top Glove and Supermax offer over 15% in potential upside

Our DCF-based valuations of the two companies offer over 15% in potential upside. We like Top Glove's market leading position in the industry, un-levered balance sheet with a net cash position and its strategy of focusing on capturing the emerging markets' glove demand through its production of low-cost medical natural rubber powdered gloves. We like Supermax for its strong number two position in the global glove industry, low net gearing of 0.3x and its strategy of developing its own brand of gloves on top of being an OEM manufacturer, which would generate both manufacturing and distribution income. We base our target prices on DCF valuations, to take into account the strong cash flow generation and sustainable earnings growth for these companies.

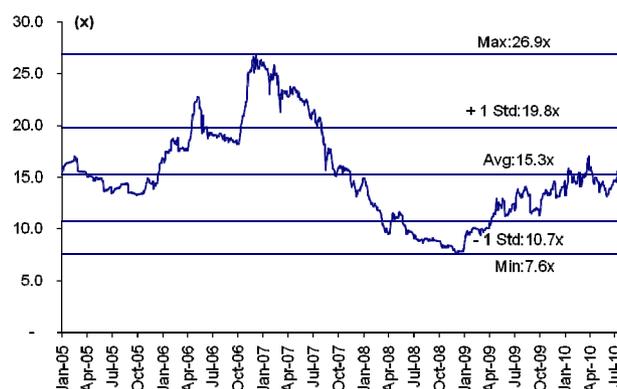
Top Glove is now our top pick given higher potential return of 22%

Top Glove (TOPG MK) is our top pick

We reiterate our Buy recommendations on Top Glove (TOPG MK, RM6.75, target price RM8.25), Supermax (SUCB MK, RM6.25, target price RM7.23) and Semperit (SEM AV, €28.09, target price €37.00). Top Glove is now our top pick in the industry given its market leader position (22% global market share), strong 3-year EPS CAGR of 25% and higher potential upside of 22% (vs Supermax's 16%).

Figure 13: Malaysia's top three glove manufacturer PE versus the Malaysian market PE – trading at discount

Source: Deutsche Bank, Bloomberg Finance LP

Figure 14: Aggregate PE valuation of the top three glove manufacturers by global market share

Source: Deutsche Bank, Bloomberg Finance LP

Key risks

Industry risks 1) Excess capacity. The players in the industry have undertaken aggressive capacity expansion plans, which may result in an oversupply situation. 2) Sharp volatility in latex costs and foreign currencies resulting in near-term margin squeeze. 3) Political risks, domestic and regional. Glove manufacturers source c.50% of their raw material (natural rubber latex) from Thailand. The risks are a shortage of NR latex supply slowing production output at glove manufacturers. 4) Infrastructural bottlenecks and labour shortages. Malaysia's natural gas supply to the glove industry has reached maximum capacity allocation and new allocations are expected to come on stream only in 2012. Any delay in new allocation will limit capacity expansion for the manufacturers, and they may have to look for alternative fuel; this may be less efficient or even cost more.

Risks for Malaysia glove companies 1) Weaker-than-expected sales volume. 2) Volatility in prices of raw materials and fuel, the two main costs for the company, which may result in margin contraction or even losses, as there is a lag in cost pass-through. 3) Execution risks related to aggressive capacity expansion plans. The market is constantly concerned about excess capacity plans, given that most of the major players plan to expand capacity in the next two years. 4) Over-paying for acquisitions or investments.

Figure 15: Peer valuation

Deutsche Bank - Global Rubber Comps

		As at																				23-Jul-10								
Company	BBerg	Year End	Rec	Currency	Price	TP (Local Currency)	Market Cap	Market Cap (US\$ m)	3M ADTV (US\$ m)	EV/EBITDA (x)			P/E (x)			EPSg			P/BV (x)			Div Yield (%)			ROE (%)			Net Gearing (%)		
							2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
MNC resellers																														
Kimberly-Clark	KMB US	31-Dec	Hold	USD	62.96	65.00	26,218	26,218	205.1	7.1	8.0	7.4	12.2	13.1	12.2	12.0	6.3	7.3	4.7	4.8	4.6	4.4	4.2	4.6	39.4	33.7	38.2	80.9	85.4	84.1
Beiersdorf	BEI GR	31-Dec	Buy	EUR	47.18	52.00	10,701	13,813	36.3	10.6	11.0	9.6	22.4	21.8	18.8	(22.9)	31.0	15.9	4.0	3.7	3.3	1.9	1.9	2.3	14.7	17.7	18.5	(26.1)	(29.0)	(33.5)
Cardinal Health	CAH US	30-Jun	Hold	USD	33.26	37.00	12,022	12,022	142.6	6.1	7.3	6.7	11.4	14.8	13.0	(34.5)	(9.8)	13.6	0.9	1.2	1.2	2.0	2.1	2.1	10.9	8.6	9.0	20.6	3.5	4.8
							17,351	128.0	7.9	8.8	7.9	15.3	16.6	14.7	(15.2)	9.2	12.3	3.2	3.2	3.0	2.7	2.7	3.0	21.7	20.0	21.9	25.1	20.0	18.5	
Rubber glove																														
Top Glove	TOPG MK	31-Aug	Buy	MYR	6.75	8.25	4,199	1,307	3.8	10.8	10.8	9.3	18.1	16.5	14.2	52.7	46.5	16.1	5.1	4.2	3.5	1.6	4.8	5.6	22.7	27.4	26.8	(19.5)	(27.0)	(32.3)
Ansell	ANN AU	30-Jun	Buy	USD	13.44	14.50	1,618	1,618	8.8	9.0	11.4	10.2	12.7	17.7	16.2	(5.9)	13.3	9.4	1.8	2.9	2.6	2.7	2.2	2.2	16.0	17.3	17.0	19.2	16.9	4.8
Semperit	SEM AV	31-Dec	Buy	EUR	28.09	37.00	573	735	1.0	3.2	4.8	4.2	10.7	13.8	12.2	3.2	8.0	12.7	1.8	1.8	1.7	5.7	4.6	5.2	12.9	13.1	13.9	(49.0)	(41.3)	(44.2)
Supernax	SUCB MK	31-Dec	Buy	MYR	6.25	7.23	2,154	671	3.9	4.2	9.3	7.5	13.0	11.3	9.4	173.0	41.7	19.7	2.8	3.0	2.4	4.1	2.0	2.4	26.6	29.5	28.2	31.5	23.7	16.5
Hartalega	HART MK	31-Mar	NR	MYR	7.67	NA	1,977	618	0.7	18.0	10.1	7.8	25.2	13.9	11.7	87.9	80.6	19.1	0.4	5.1	4.0	1.3	2.2	2.9	33.3	40.8	36.9	-	(18.3)	(21.1)
Kossan	KRI MK	12/2009	NR	MYR	7.82	NA	1,279	400	0.8	9.8	7.1	6.1	15.9	9.9	8.3	NA	94.7	27.0	3.5	2.6	2.1	4.1	4.4	4.9	21.4	27.2	26.3	23.2	36.3	21.5
Latexx Partners	LTX MK	12/2009	NR	MYR	3.64	NA	768	240	1.1	11.7	6.4	4.9	18.3	9.4	7.4	NA	59.0	40.0	-	-	-	1.1	2.0	2.2	35.9	46.5	40.4	-	-	-
Adventa	ADV MK	10/2009	NR	MYR	3.32	NA	466	146	0.5	15.4	10.1	7.3	18.2	11.5	8.2	NA	38.3	30.8	2.3	2.2	1.8	1.1	2.3	3.2	8.6	18.3	18.5	51.8	-	-
Riverstone	RSTON SF	12/2009	NR	SGD	0.66	NA	176	129	0.1	9.4	6.9	5.7	15.0	10.9	8.3	(73.7)	287.7	15.8	2.5	2.2	1.9	1.4	2.4	3.1	17.5	20.4	20.6	-	(20.2)	(27.6)
Rubber glove							651	2.3	10.2	8.6	7.0	16.4	12.8	10.7	39.5	74.4	21.2	2.5	3.0	2.5	2.6	3.0	3.5	21.7	26.7	25.4	9.5	(4.3)	(11.8)	
Rubber products																														
Lanxess	LXS GR	31-Dec	Buy	EUR	38.16	41.00	3,175	4,098	32.8	6.7	6.5	5.6	16.3	11.8	9.2	(69.4)	184.0	27.5	1.5	2.0	1.7	2.7	2.6	3.3	2.8	16.5	20.0	58.2	61.7	57.4
Goodyear Tire & Rubber	GT US	31-Dec	Buy	USD	12.23	19.00	2,960	2,960	60.8	7.0	5.9	3.9	NM	NM	6.1	(265.5)	(63.8)	(679.9)	3.5	3.5	2.2	-	-	-	(23.3)	(9.9)	44.2	164.5	232.8	191.4
Sumitomo Rubber	5110 JP	31-Dec	NR	JPY	824.00	NA	218,589	2,527	22.0	8.0	7.3	6.5	37.8	17.2	12.8	121.2	119.5	34.2	1.3	1.2	1.1	2.1	1.9	2.1	3.5	6.9	8.8	119.5	123.8	113.2
Yokohama Rubber	5101 JP	31-Mar	NR	JPY	436.00	NA	149,373	1,727	10.3	8.1	6.2	6.1	-	16.2	13.3	(124.6)	(261.6)	22.0	1.0	1.0	0.9	2.4	2.3	2.4	(4.7)	6.1	7.4	112.3	97.8	85.4
Tokai Rubber Industries	5191 JP	31-Mar	NR	JPY	1,029.00	NA	105,187	1,216	3.4	3.9	-	3.4	80.9	-	15.4	(90.1)	-	-	0.9	0.9	0.8	1.2	1.0	1.2	1.0	-	5.6	(4.6)	-	-
Sri Trang Agro	STA TB	12/2009	NR	THB	20.60	NA	20,600	637	11.3	16.0	15.0	16.2	11.3	10.9	11.7	108.1	3.6	(7.1)	2.0	1.4	1.3	2.6	2.2	2.0	19.2	19.4	15.8	-	-	-
Rubber products							2,151	23.4	8.3	8.2	6.9	36.6	14.0	11.4	(53.4)	(3.1)	(100.5)	1.7	1.7	1.4	1.8	1.7	1.8	(0.2)	7.8	17.0	90.0	129.0	111.9	
DB global rubber universe average							137.9	9.1	9.0	8.6	21.3	14.4	13.7	(7.2)	28.5	(27.4)	2.2	2.6	2.5	2.4	2.4	2.6	13.1	17.1	19.9	33.2	39.8	33.3		

Source: Deutsche Bank estimates, Bloomberg

* Refers to Bloomberg consensus estimates

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Top Glove	TPGC.KL	6.75 (MYR) 23 Jul 10	NA
Semperit	SMPV.VI	28.84 (EUR) 23 Jul 10	NA
Supermax	SUPM.KL	6.25 (MYR) 23 Jul 10	NA

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

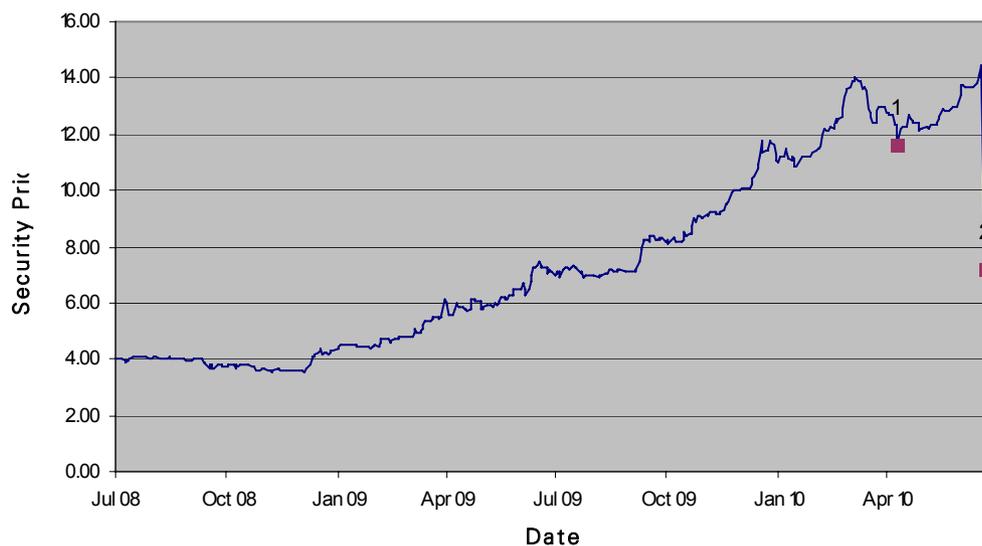
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Historical recommendations and target price: Top Glove (TPGC.KL)

(as of 7/23/2010)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

1.	7/5/2010:	Buy, Target Price Change MYR16.50	2.	19/7/2010:	Buy, Target Price Change MYR8.25
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Historical recommendations and target price: Semperit (SMPV.VI)

(as of 7/23/2010)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

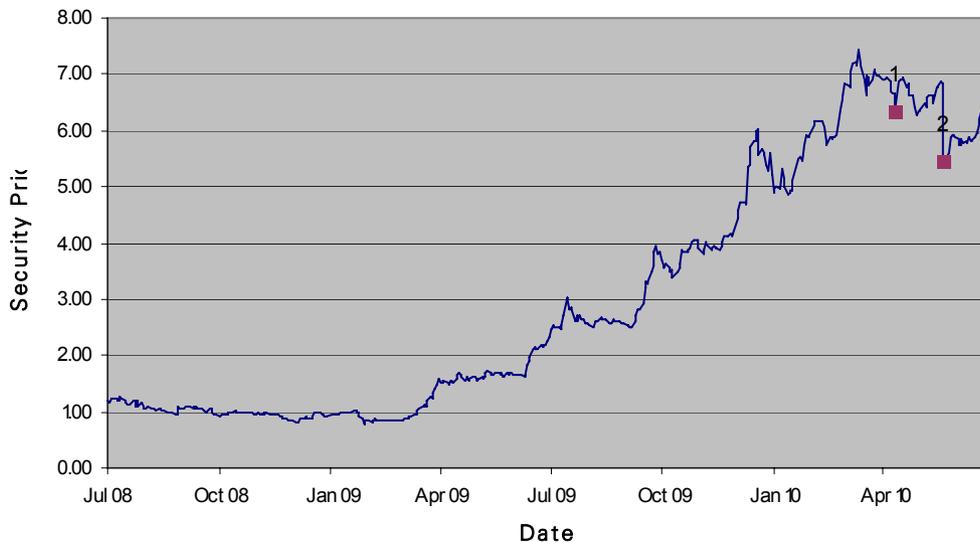
- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1. 25/2/2008:	Hold, Target Price Change EUR28.10	4. 13/1/2010:	Upgrade to Buy, Target Price Change EUR35.00
2. 9/9/2008:	Hold, Target Price Change EUR28.90	5. 3/5/2010:	Buy, Target Price Change EUR37.00
3. 9/10/2008:	Hold, Target Price Change EUR25.60		

Historical recommendations and target price: Supermax (SUPM.KL)

(as of 7/23/2010)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1. 7/5/2010:	Buy, Target Price Change MYR9.00	2. 16/6/2010:	Buy, Target Price Change MYR7.23
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Equity rating dispersion and banking relationships

Buy: Based on a current 12- month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

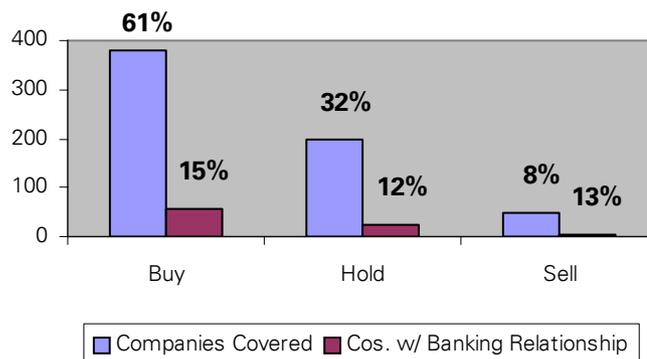
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Buy: Expected total return (including dividends) of 10% or more over a 12-month period

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