



# BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

**4QFY12**

## Supermax Corporation

**Buy** ◀ ▶

**Inline**

**As Expected**

**Price: RM1.80**

**Target Price: (+26.5% upside) RM2.28**

### Stock Data

Bloomberg Ticker	SUCB MK	Altman Z-score	4.1
Market Cap	1,222.5	YTD price chg	-6.7%
Issued shares	679.2	YTD KLCI chg	-3.8%
52-week range (H)	2.25	Beta	1.4
52-week range (L)	1.63	<b>Major Shareholders</b>	
3-mth avg daily volume	917,143	Dato Seri Stanley Thai	20.5%
Free Float	56.0%	Datin Seri Cheryl Tan	15.2%
Shariah Compliant	Y	EPF	8.3%
Financial Derivatives	n.a.		

### Share Performance (%)

	1mth	3mth	12mth
Absolute	(7.2)	(9.5)	(3.4)
vs. KLCI	(9.1)	(11.9)	(9.1)

### Consensus

	2012	2013
Net Profit	126.3	142.7
EPS (sen)	18.8	21.3

### Historical Price Ratio (x)

	FY 2009	FY 2010	FY 2011
Price Earnings	10.4	9.9	10.5
Price to Book	2.4	1.7	1.4

### Financial Highlights

FYE 31 Dec (RMm)	2010	2011	2012	2013E	2014E
Turnover	977.3	1,021.	1,048.	1,215.	1,377.
EBIT	155.8	94.3	125.9	120.3	132.3
Pretax profit	183.9	112.0	139.3	143.4	154.0
<b>Core Net Profit</b>	<b>159.0</b>	<b>108.1</b>	<b>120.6</b>	<b>129.1</b>	<b>138.6</b>
EBIT margin	15.9%	9.2%	12.0%	9.9%	9.6%
Pretax margin	18.8%	11.0%	13.3%	11.8%	11.2%
Effective tax rate	13.5%	7.2%	13.4%	10.0%	10.0%
ROE	25.4%	14.8%	14.7%	14.0%	13.5%
ROA	15.8%	9.2%	9.9%	9.8%	9.7%
Net Gearing (x)	0.29	0.28	0.18	0.12	0.07
Core EPS (sen)	23.4	15.9	17.7	19.0	20.4
PER (x)	7.7	11.3	10.1	9.5	8.8
DPS (sen)	0.9	2.4	5.0	5.0	5.0
Div. Yield (%)	0.5%	1.3%	2.8%	2.8%	2.8%
NTA/share (RM)	0.97	1.09	1.25	1.39	1.54

### Growth ratios

	2010	2011	2012	2013E	2014E
Turnover	21.6%	4.5%	2.6%	16.0%	13.3%
EBIT	18.1%	-39.5%	33.5%	-4.5%	10.0%
Pretax profit	21.4%	-39.1%	24.4%	2.9%	7.4%
Core Net profit	25.6%	-32.0%	11.7%	7.0%	7.4%
Core EPS growth	25.6%	-32.0%	11.7%	7.0%	7.4%

**Thong Pak Leng**

[pakleng.thong@bimbsec.com.my](mailto:pakleng.thong@bimbsec.com.my)

03-26918887 ext 186

**Supermax FY12 core net earnings of RM120.6m is within our expectation. Despite the flat revenue growth of 2.6%, core net profit improved by 11.7% mainly due to lower latex price. Correspondingly, full year EBIT margin has also improved from 11.0% to 13.3%. We made no changes to our earnings forecast and maintain our target price at RM2.28 based on average 5 year PE band of 12x. We maintain our BUY recommendation on Supermax.**

**Stabilised latex price.** Latex price has stabilised for the past 3 months averaging slightly above RM6.00/kg, therefore, we expect margins shall remain stable in the coming quarters.

**New surgical lines getting ready.** The surgical glove capacity expansion at the Sg. Buloh plant is progressing with the commissioning of 5 out of the 7 lines planned in May 2012 while the remaining lines will be commissioned in stages.

**Expanding nitrile division.** Besides surgical gloves, Supermax is also expanding its nitrile division on plants no.10 and no. 11 over the next 12 months in Meru, Klang. These new plants will have the flexibility to switch between natural rubber and Nitrile glove; once completed in 4QFY13, production capacity will increase by 6.8bn pieces bringing Supermax Group's current Nitrile capacity from 5.2bn pieces per annum to 12bn pieces per annum.

**Maintaining our forecast.** With the stabilised latex price, we do not see a great deal of changes on the company's earnings trend hence maintaining our FY13 and FY14 earnings forecasts at RM129.1m and RM138.6m respectively. Meanwhile financial leverage is manageable with net gearing of 0.1x supported by strong interest coverage of 15x.

**Valuation & Recommendation.** Maintain our target price at RM2.28 based on its 5-year average PER band of 12x. We reiterate our BUY recommendation on Supermax.

### Share Price Chart



## Quarterly figures

FY 31 Dec (RMm)	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	QoQ	YoYChg	FY11	FY12	YTD Chg
Revenue	270.6	248.5	232.1	245.5	322.3	31.3%	19.1%	1,021.4	1,048.4	2.6%
EBIT	26.9	24.4	28.6	32.0	40.9	27.6%	52.1%	94.3	125.9	33.5%
<b>Pretax profit</b>	<b>28.4</b>	<b>30.7</b>	<b>33.3</b>	<b>32.7</b>	<b>42.6</b>	<b>30.3%</b>	<b>50.2%</b>	<b>112.0</b>	<b>139.3</b>	<b>24.4%</b>
Taxation	(2.3)	(2.7)	(3.3)	(2.2)	(10.5)	369.2%	351.3%	(8.1)	(18.7)	131.4%
Minority Interest	0.1	(0.0)	(0.0)	0.0	0.0	-79.2%	-92.2%	0.1	0.0	-91.1%
<b>Net Profit</b>	<b>26.2</b>	<b>28.0</b>	<b>30.0</b>	<b>30.5</b>	<b>32.1</b>	<b>5.3%</b>	<b>22.8%</b>	<b>104.1</b>	<b>120.6</b>	<b>15.9%</b>
<b>Core Net Profit</b>	<b>26.2</b>	<b>28.0</b>	<b>30.0</b>	<b>30.5</b>	<b>32.1</b>	<b>5.3%</b>	<b>22.8%</b>	<b>108.1</b>	<b>120.6</b>	<b>11.7%</b>
EPS (sen)	3.8	4.1	4.4	4.5	4.7	5.3%	22.8%	15.9	17.7	11.7%
Net gearing (x)	0.3	0.3	0.3	0.2	0.2	-10.4%	-35.5%	0.3	0.2	-35.5%
EBIT margin (%)	9.9%	9.8%	12.3%	13.0%	12.7%	-2.8%	27.8%	9.2%	12.0%	30.1%
PBT margin (%)	10.5%	12.4%	14.3%	13.3%	13.2%	-0.7%	26.1%	11.0%	13.3%	21.2%
Net profit margin (%)	9.7%	11.3%	12.9%	12.4%	10.0%	-19.7%	3.1%	10.2%	11.5%	13.0%
Effective tax rate (%)	-8.2%	-8.7%	-9.9%	-6.8%	-24.6%	260.0%	200.4%	-7.2%	-13.4%	86.0%

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>NEUTRAL</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

**Applicability of ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

**Disclaimer**

The investments discussed or recommended in this report may not be suitable for all investors. This report has been prepared for information purposes only and is not an offer to sell or a solicitation to buy any securities. The directors and employees of BIMB Securities Sdn Bhd may from time to time have a position in or either the securities mentioned herein. Members of the BIMB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. The information herein was obtained or derived from sources that we believe are reliable, but while all reasonable care has been taken to ensure that stated facts are accurate and opinions fair and reasonable, we do not represent that it is accurate or complete and it should not be relied upon as such. No liability can be accepted for any loss that may arise from the use of this report. All opinions and estimates included in this report constitute our judgements as of this date and are subject to change without notice. BIMB Securities Sdn Bhd accepts no liability for any direct, indirect or consequential loss arising from use of this report.

**Published by**

بي اى سي بيرد سيكوريٲيس سنڊيرين برڊ

**BIMB SECURITIES SDN BHD** (290163-X)

*A Participating Organisation of Bursa Malaysia Securities Berhad*  
Level 32, Menara Multi Purpose, Capital Square,

No. 8 Jalan Munshi Abdullah,

50100 Kuala Lumpur

Tel: 03-2691 8887, Fax: 03-2691 1262

<http://www.bimbsec.com.my>

Kenny Yee  
Head of Research