



## Malaysia

**ADD** (previously HOLD)

|                         |            |
|-------------------------|------------|
| Current price:          | RM3.39     |
| Target price:           | RM5.00     |
| Previous target:        | RM2.95     |
| Up/downside:            | 47.6%      |
| Reuters:                | SUPM.KL    |
| Bloomberg:              | SUCB MK    |
| Market cap:             | US\$521.4m |
|                         | RM2,276m   |
| Average daily turnover: | US\$5.04m  |
|                         | RM21.76m   |
| Current shares o/s      | 679.2m     |
| Free float:             | 56.0%      |

**Key changes in this note**

- ▶ FY16-18F Revenue increased by 11-27%.
- ▶ FY16-18F EPS increased by 15-60%.



Source: Bloomberg

|                          |      |      |      |
|--------------------------|------|------|------|
| <b>Price performance</b> | 1M   | 3M   | 12M  |
| Absolute (%)             | 9.7  | 62.2 | 82.3 |
| Relative (%)             | 10.6 | 67.4 | 89.4 |

**Supermax Corp****Turning the corner**

- We were positively surprised by developments in the contact lens division.
- We were encouraged that it has finally resolved the utilities issues at Plants 10 & 11.
- Supermax is in the midst of expansion to add 5.6bn capacity by end-FY16.
- Upgrade Supermax to Add with a RM5.00 target price, based on 18.4x CY17 P/E.
- Stronger earnings performance, better capacity delivery and higher contact lens contribution are potential re-rating catalysts for the stock.

**Supermax's investor briefing and plant visit**

We attended Supermax's investor briefing yesterday, held at its headquarters in Sungai Buloh, Selangor. The briefing was followed by a tour to its contact lens division and visit to Plants 10 & 11 in Meru, Klang. The briefing was hosted by Dato' Seri Stanley Thai, Supermax's CEO. Approximately 15 analysts and fund managers attended the briefing.

**Plants 10 & 11 have started commissioning since 2H15**

We are encouraged that Supermax has finally resolved the much delayed Plants 10 & 11 operations. It has started commissioning with eight lines since 2H15. To recap, the deployment of Plants 10 & 11 has been delayed for more than two years due to the lack of water and electricity issues. As at Dec 2015, the combined production capacity for both plants were about 2.2bn p.a., or 17% capacity increased from Dec 14.

**New capacity coming onstream from the Glove City project**

Apart from that, management also shared on the development of its Glove City project in Bukit Kapar, Selangor. This project will include four plants and is expected to sustain the group expansion plan until 2021. Each plant is expected to have an installed capacity of 7.9bn gloves p.a. Supermax is planning to start commissioning Plant 1 in 3Q17.

**Impressive growth potential from contact lenses**

We are impressed with the group's development in the contact lens division. We learned that Supermax has already started producing dry lenses for OEM businesses, albeit at a smaller quantity of 3m-4m per/month. Management expects to see a healthy revenue contribution of about 10% from the division in FY18.

**Turning more positive**

We are turning optimistic on its growth prospects given that it has finally resolved the utilities issues and management is confident about stronger growth, driven by the Glove City project and new drivers in contact lenses. We raise our FY16-18 EPS by 15-60% as we increase our utilisation rate assumption to over 78% from sub-60% previously as we are more confident with Supermax's ability to deliver new capacity following the resumption of its Plant 10 & 11 operations.

**Upgrade to Add with RM5.00 target price**

Therefore, we upgrade Supermax to Add from Hold with a higher RM5.00 target price, based on 18.4x CY17 P/E, a 20% discount to Hartalega's target P/E of 23x (30% previously) as we see improving earnings prospects for Supermax on the back of an FY15-18 EPS CAGR of 21%

**Analyst(s)**

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| <b>Financial Summary</b>       | <b>Jun-14A</b> | <b>Jun-15A</b> | <b>Jun-16F</b> | <b>Jun-17F</b> | <b>Jun-18F</b> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue (RMm)                  | 1,026          | 959            | 1,367          | 1,489          | 1,651          |
| Operating EBITDA (RMm)         | 161.0          | 149.3          | 219.1          | 260.2          | 306.9          |
| Net Profit (RMm)               | 107.8          | 97.9           | 145.0          | 166.9          | 203.8          |
| Core EPS (RM)                  | 0.16           | 0.14           | 0.21           | 0.25           | 0.30           |
| Core EPS Growth                | (10.6%)        | (9.2%)         | 48.1%          | 15.1%          | 22.1%          |
| FD Core P/E (x)                | 21.36          | 23.52          | 15.88          | 13.80          | 11.30          |
| DPS (RM)                       | 0.050          | 0.047          | 0.064          | 0.074          | 0.090          |
| Dividend Yield                 | 1.47%          | 1.39%          | 1.89%          | 2.17%          | 2.66%          |
| EV/EBITDA (x)                  | 14.14          | 15.42          | 10.75          | 9.91           | 8.59           |
| P/FCFE (x)                     | 98.92          | 58.59          | NA             | NA             | 18.71          |
| Net Gearing                    | 20.4%          | 22.2%          | 25.0%          | 41.2%          | 41.0%          |
| P/BV (x)                       | 2.50           | 2.35           | 2.13           | 1.92           | 1.72           |
| ROE                            | 12.1%          | 10.2%          | 14.1%          | 14.6%          | 16.0%          |
| % Change In Core EPS Estimates |                |                | 14.6%          | 33.3%          | 60.3%          |
| CIMB/consensus EPS (x)         |                |                |                |                |                |

SOURCE: COMPANY DATA, CIMB FORECASTS

### Key takeaways from Supermax’s briefing and plant visit ➤

Approximately 15 analysts and fund managers attended Supermax’s investor briefing yesterday at its headquarters in Sungai Buloh, Selangor. The briefing was hosted by group CEO Dato’ Seri Stanley Thai. Also present was Executive Director, Datin Seri Cheryl Tan. The briefing started with the company updates and expansion plan strategy, then a Q&A session. This was followed by a tour of its contact lens division and a visit to Plants 10 & 11 in Meru, Klang.

We were positively surprised with the group’s development in its contact lens division and its impressive production processes and lines that are highly automated using robotic equipment. Moreover, we see this as a new potential growth driver for Supermax given that management is targeting 10% revenue contribution from the segment in FY18.

Apart from that, we were also encouraged that Supermax has finally resolved the much delayed Plants 10 & 11 operations. It started commissioning with eight lines in 2H15. The company is still in the midst of installing new production lines in both plants which is expected to be completed by Jun 16. Overall, both plants are expected to increase the overall group production capacity by 5.6bn to 23.2bn. Following the full commissioning of Plants 10 & 11, Supermax will have higher nitrile glove production of about 55% vs. 47% in Sep 15.

**Figure 1: Supermax’s projected growth in gloves capacity**

| Date              | Expansion plan strategy                       | capacity p.a. (mil) |
|-------------------|---|---------------------|
| 12/31/2014        | Existing production (Supermax & Maxwell)      | 17.6                |
|                   | Plant 10 &11                                  | 2.2                 |
| <b>12/31/2015</b> | <b>Total (Supermax &amp; Maxwell)</b>         | <b>19.8</b>         |
|                   | Plant 10 &11 (remaining part)                 | 3.4                 |
| <b>12/31/2016</b> | <b>Expected total capacity</b>                | <b>23.2</b>         |
|                   | Supermax Glove City, Bukit Kapar, Factory 1-4 | 31.9                |
| <b>12/31/2020</b> | <b>Expected total capacity</b>                | <b>55.1</b>         |

SOURCE: CIMB RESEARCH, COMPANY

In addition, management also highlighted that the newly-awarded NHS contract is expected to increase its market share in hospitals across the United Kingdom. Supermax is targeting 15-20% of market share for the contract. To recap, Supermax has been awarded the licence to supply medical gloves to the UK National Health Service (NHS) for the next four years. We understand that the NHS covers all hospitals in the UK and consumes an estimated £50m of medical gloves p.a. Hence, Supermax is in a good position to gain from the lucrative NHS business.

Finally, management is targeting to increase its dividend payout to about 40% from 30% currently. This is in line with the trend among local rubber glove players to raise their dividend payout given the strong and healthy free cashflow generation.

### New capacity coming onstream ➤

Supermax is also in the midst of expansion with two ongoing projects, namely Glove City in Bukit Kapar and Supermax Business Park in Serendah.

- 1) Glove City in Bukit Kapar. This will house four production facilities with an installed capacity of 7.9bn/plant. Supermax is planning to start construction of factory 1 in 3Q16 and targeting to start commissioning by 3Q17 on a gradual basis. Meanwhile, the remaining factory 2, 3 & 4 will only be constructed as management sees an improving demand outlook.

- 2) Supermax Business Park in Serendah. The project will be carried out in four phases. The first phase will involve the construction of hi-tech cleanroom facilities to serve as its contact lens division headquarters. We understand that Supermax has already received the local authority Development Order to proceed with the construction, but the project layout is still in progress.

**Figure 2: Key milestones for contact lens division**

| Project      | Description  | Expected to start | Cost (RM m) |
|--------------|--|-------------------|-------------|
| Phase 1      | Hi-tech Cleanroom for contact lens manufacturing plant, includes earthwork, infra and acillary building construction | 4Q2016            | 90          |
| Phase 2      | 14 units of single-storey bungalow factories   | 1Q2017            | 60          |
| Phase 3      | 20 units of Semi-D factories, 3 units of customize factories   | 1Q2018            | 70          |
| Phase 4      | 48 units of Semi-D factories   | 1Q2019            | 70          |
| <b>Total</b> |  |                   | <b>290</b>  |

SOURCE: CIMB RESEARCH, COMPANY

### Good traction in contact lens business ➤

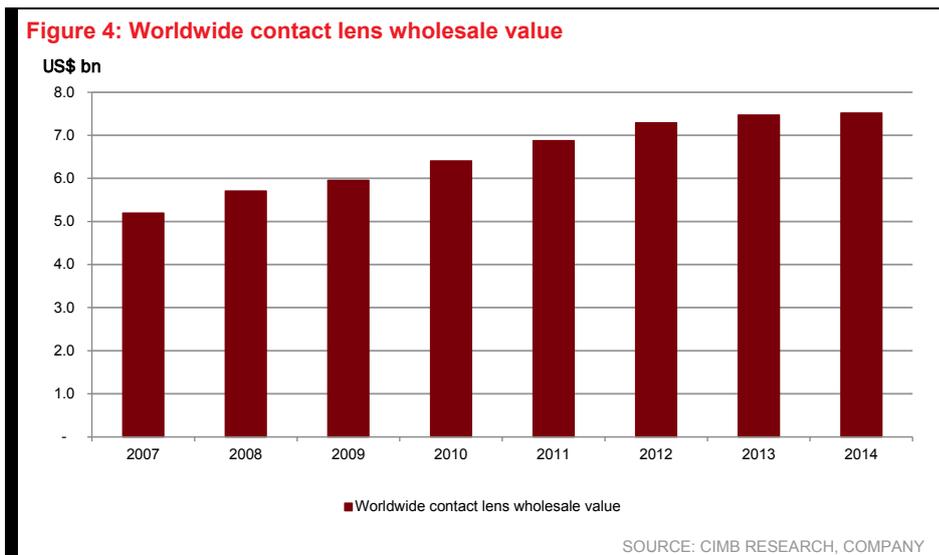
First and foremost, Supermax’s contact lens division is parked under SuperVision Optimax Sdn Bhd. Supermax plans to set up new contact lens manufacturing headquarters on the 16.3 acre land in Supermax Business Park, Serendah. Management is planning to spend at least RM225m in contact lens manufacturing, which will fall under phases 2, 3 and 4. Management believes that the contact lens business is a lucrative business to enter, and it requires higher initial investments to set up the operation in Asia.

In addition, management is confident about the growth potential in the contact lens market. For example, we learned that the overall market size for contact lenses is slightly higher than the overall gloves market and it is expected to maintain a growth trajectory of 8-9% in the coming years. Meanwhile, Supermax is targeting to launch its own brand in Malaysia for the contact lens division in 2Q16. Moreover, we are also impressed with the group’s ability to attract good talent and professionals to assist in the development stage of its contact lens division. We see that the hiring of professionals addressed most of investors’ concerns over the group’s lack of experience in the business.

**Figure 3: Key milestones for contact lens division**

| Period | Key milestones for contact lens division  |
|--------|---|
| 3Q2014 | Ordered first 2 production lines  |
| 2Q2015 | Completed clean room and production facilities  |
| 3Q2015 | Delivery of production machineries on site  |
| 4Q2015 | Completed equipment commissioning & performance qualification test                            |
| 1Q2016 | Production run on Dry-lens  |
| 2Q2016 | Stability test on shelf-life on packaged contact lenses<br>Target for new launch of own brand |

SOURCE: CIMB RESEARCH, COMPANY



To recap, in a bid to expand its business beyond rubber gloves, Supermax is venturing into the contact lens business. The capital investment for the first phase of this project is about RM65m. R&D work would be carried out in the UK while manufacturing will be done in its manufacturing plant in Sungai Buloh, Malaysia. However, it only expects meaningful earnings contribution from the new contact lens business from FY18 onwards.

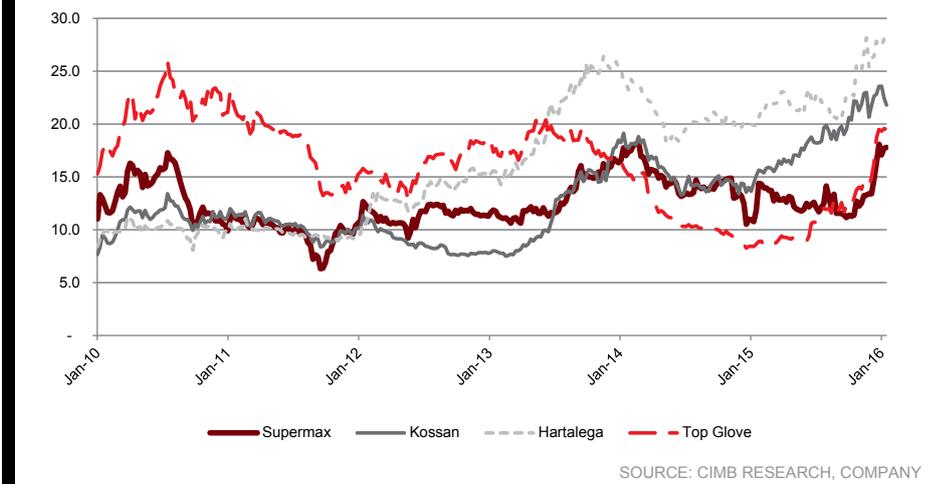
**Upgrade to an Add ➤**

We are turning optimistic on Supermax’s growth prospects given that it has finally resolved the utilities issues and management is confident about stronger growth driven by the Glove City project and new driver in contact lenses. We raise our FY16-18 EPS by 15-60% as we increase our utilisation rate assumption to over 78% from sub-60% previously given that we are more convinced about the group’s ability to deliver new capacity. Hence, we upgrade Supermax to an Add rating with a higher RM5.00 target price, based on 18.4x CY17 P/E, a lower 20% discount to Hartalega’s target market P/E, vs. 30% previously.

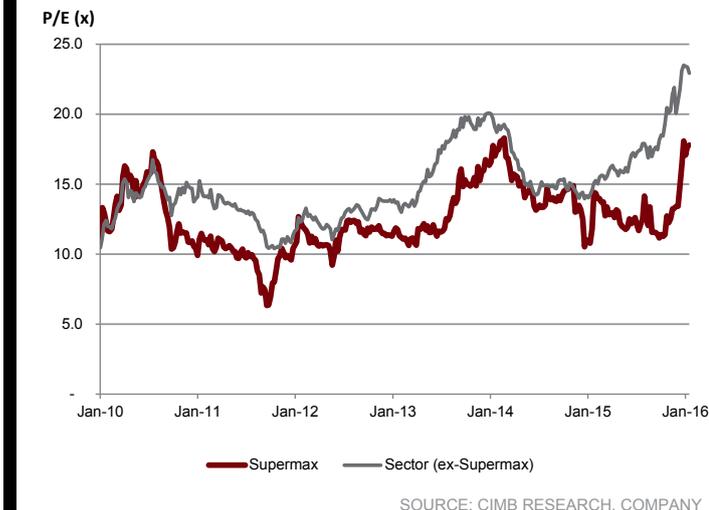
**Still trading at a higher discount to the sector ➤**

The stock currently trades at 14.7x CY16 P/E, which is slightly above its three-year historical mean of 14x. However, this is still nearly 20% below the sector mean of 18x. We expect to see a narrowing down in Supermax’s discount to its peers given its positive earnings outlook, driven by capacity expansion in the rubber gloves business and new driver from the contact lens business. In addition, we believe that the stock is still a laggard relative to its domestic peers, hence we see a potential catch-up in the share price.

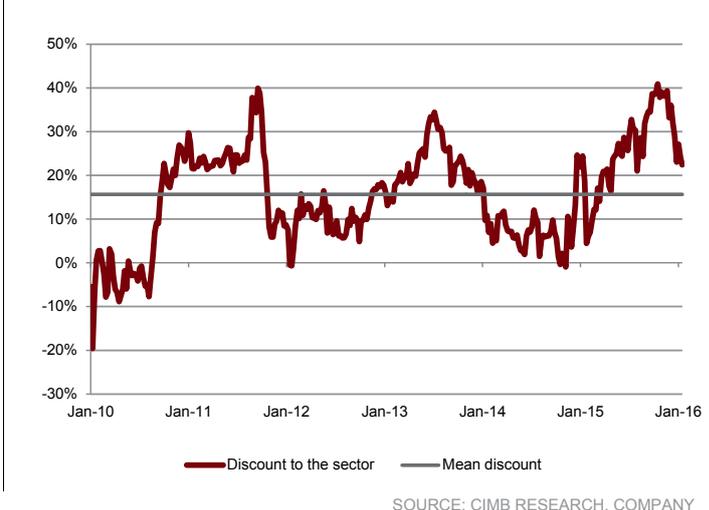
**Figure 5: Top 4 Malaysian glove players P/E (x)**



**Figure 6: Supermax's 1yr-forward P/E vs. sector**



**Figure 7: Discount to the sector P/E(x) still above hist mean**



**Figure 8: Sector comparison**

| Company                 | Bloomberg Ticker | Recom. | Price | Target Price | Market Cap (US\$ m) | Core P/E (x) |             | 3-year EPS CAGR (%) | P/BV (x)    |             | Recurring ROE (%) |              | Dividend Yield (%) |             |
|-------------------------|------------------|--------|-------|--------------|---------------------|--------------|-------------|---------------------|-------------|-------------|-------------------|--------------|--------------------|-------------|
|                         |                  |        |       |              |                     | CY2015       | CY2016      |                     | CY2015      | CY2016      | CY2015            | CY2016       | CY2015             | CY2016      |
| Top Glove Corp          | TOPG MK          | Add    | 13.90 | 16.00        | 1,989               | 26.1         | 19.6        | 19.5%               | 5.09        | 4.48        | 23.2%             | 24.6%        | 1.8%               | 2.6%        |
| Supermax Corp           | SUCB MK          | Add    | 3.39  | 5.00         | 521                 | 18.8         | 14.7        | 13.3%               | 2.23        | 2.02        | 13.0%             | 14.9%        | 1.6%               | 2.0%        |
| Kossan Rubber Indl.     | KRI MK           | Add    | 9.00  | 9.80         | 1,319               | 27.2         | 22.8        | 17.0%               | 6.11        | 5.20        | 26.5%             | 24.6%        | 1.3%               | 1.5%        |
| Hartalega Holdings      | HART MK          | Hold   | 5.90  | 5.68         | 2,218               | 34.9         | 27.1        | 14.0%               | 6.98        | 6.18        | 23.1%             | 24.6%        | 1.4%               | 1.8%        |
| <b>Malaysia average</b> |                  |        |       |              |                     | <b>28.0</b>  | <b>21.9</b> | <b>16.3%</b>        | <b>5.21</b> | <b>4.61</b> | <b>21.6%</b>      | <b>22.7%</b> | <b>1.5%</b>        | <b>2.0%</b> |

SOURCE: CIMB RESEARCH, COMPANY

**Figure 9: Plant 10&11 in Meru, Klang**



SOURCE: CIMB RESEARCH, COMPANY

**Figure 10: Plant 11 production line**



SOURCE: CIMB RESEARCH, COMPANY

**Figure 11: Plant 11 gloves storage**



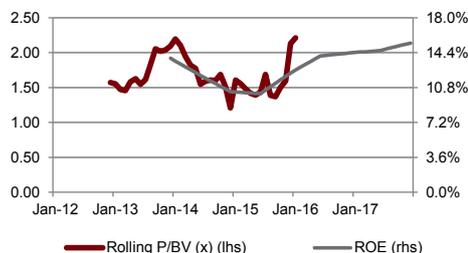
SOURCE: CIMB RESEARCH, COMPANY

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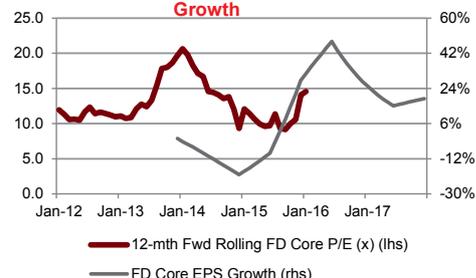
### Share price info

| Share px perf. (%)               | 1M   | 3M   | 12M    |
|----------------------------------|------|------|--------|
| Relative                         | 10.6 | 67.4 | 89.4   |
| Absolute                         | 9.7  | 62.2 | 82.3   |
| Major shareholders               |      |      | % held |
| Dato' Seri Thai Kim Sim, Stanley |      |      | 20.5   |
| Datin Seri Tan Bee Geok, Cheryl  |      |      | 15.1   |
| Employee Provident Fund          |      |      | 8.3    |

### P/BV vs ROE



### 12-mth Fwd FD Core P/E vs FD Core EPS Growth



### Profit & Loss

| (RMm)                                     | Jun-14A      | Jun-15A    | Jun-16F      | Jun-17F      | Jun-18F      |
|---|--------------|------------|--------------|--------------|--------------|
| <b>Total Net Revenues</b>                 | <b>1,026</b> | <b>959</b> | <b>1,367</b> | <b>1,489</b> | <b>1,651</b> |
| <b>Gross Profit</b>                       | <b>319</b>   | <b>297</b> | <b>404</b>   | <b>509</b>   | <b>657</b>   |
| <b>Operating EBITDA</b>                   | <b>161</b>   | <b>149</b> | <b>219</b>   | <b>260</b>   | <b>307</b>   |
| Depreciation And Amortisation             | (27)         | (29)       | (35)         | (44)         | (43)         |
| <b>Operating EBIT</b>                     | <b>134</b>   | <b>120</b> | <b>184</b>   | <b>216</b>   | <b>264</b>   |
| Financial Income/(Expense)                | (9)          | (9)        | (12)         | (15)         | (18)         |
| Pretax Income/(Loss) from Assoc.          | 13           | 11         | 12           | 13           | 15           |
| Non-Operating Income/(Expense)            | 0            | 0          | 0            | 0            | 0            |
| <b>Profit Before Tax (pre-EI)</b>         | <b>138</b>   | <b>122</b> | <b>185</b>   | <b>213</b>   | <b>261</b>   |
| Exceptional Items                         | 0            | 0          | 0            | 0            | 0            |
| <b>Pre-tax Profit</b>                     | <b>138</b>   | <b>122</b> | <b>185</b>   | <b>213</b>   | <b>261</b>   |
| Taxation                                  | (31)         | (25)       | (41)         | (47)         | (57)         |
| Exceptional Income - post-tax             |              |            |              |              |              |
| <b>Profit After Tax</b>                   | <b>107</b>   | <b>98</b>  | <b>144</b>   | <b>166</b>   | <b>203</b>   |
| Minority Interests                        | 1            | 0          | 1            | 1            | 1            |
| Preferred Dividends                       |              |            |              |              |              |
| FX Gain/(Loss) - post tax                 |              |            |              |              |              |
| Other Adjustments - post-tax              |              |            |              |              |              |
| <b>Net Profit</b>                         | <b>108</b>   | <b>98</b>  | <b>145</b>   | <b>167</b>   | <b>204</b>   |
| Recurring Net Profit                      | 108          | 98         | 145          | 167          | 204          |
| <b>Fully Diluted Recurring Net Profit</b> | <b>108</b>   | <b>98</b>  | <b>145</b>   | <b>167</b>   | <b>204</b>   |

### Cash Flow

| (RMm)                            | Jun-14A        | Jun-15A        | Jun-16F        | Jun-17F        | Jun-18F        |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>EBITDA</b>                    | <b>161.0</b>   | <b>149.3</b>   | <b>219.1</b>   | <b>260.2</b>   | <b>306.9</b>   |
| Cash Flow from Inv. & Assoc.     |                |                |                |                |                |
| Change In Working Capital        | 0.4            | 2.6            | (186.6)        | (186.7)        | (43.6)         |
| (Incr)/Decr in Total Provisions  |                |                |                |                |                |
| Other Non-Cash (Income)/Expense  | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Other Operating Cashflow         | (0.5)          | (25.6)         | 23.6           | 30.3           | 35.1           |
| Net Interest (Paid)/Received     | (8.8)          | (9.2)          | (11.6)         | (15.1)         | (17.9)         |
| Tax Paid                         | (29.0)         | (28.8)         | (40.7)         | (46.9)         | (57.3)         |
| <b>Cashflow From Operations</b>  | <b>123.2</b>   | <b>88.3</b>    | <b>3.9</b>     | <b>41.8</b>    | <b>223.1</b>   |
| Capex                            | (135.0)        | (123.8)        | (110.0)        | (200.0)        | (200.0)        |
| Disposals Of FAs/subsidiaries    |                |                |                |                |                |
| Acq. Of Subsidiaries/investments |                |                |                |                |                |
| Other Investing Cashflow         |                |                |                |                |                |
| <b>Cash Flow From Investing</b>  | <b>(135.0)</b> | <b>(123.8)</b> | <b>(110.0)</b> | <b>(200.0)</b> | <b>(200.0)</b> |
| Debt Raised/(repaid)             | 35.1           | 74.8           | 0.0            | 100.0          | 100.0          |
| Proceeds From Issue Of Shares    |                |                |                |                |                |
| Shares Repurchased               | (0.0)          | 0.0            | 0.0            | 0.0            | 0.0            |
| Dividends Paid                   | (27.2)         | (23.8)         | (43.5)         | (50.1)         | (61.1)         |
| Preferred Dividends              |                |                |                |                |                |
| Other Financing Cashflow         | (8.8)          | (9.2)          | (13.9)         | (15.1)         | (17.9)         |
| <b>Cash Flow From Financing</b>  | <b>(0.9)</b>   | <b>41.8</b>    | <b>(57.4)</b>  | <b>34.8</b>    | <b>21.0</b>    |
| Total Cash Generated             | (12.7)         | 6.3            | (163.5)        | (123.4)        | 44.0           |
| <b>Free Cashflow To Equity</b>   | <b>23.3</b>    | <b>39.3</b>    | <b>(106.1)</b> | <b>(58.2)</b>  | <b>123.1</b>   |
| <b>Free Cashflow To Firm</b>     | <b>(3.1)</b>   | <b>(26.3)</b>  | <b>(94.5)</b>  | <b>(143.1)</b> | <b>41.0</b>    |

## BY THE NUMBERS

### Balance Sheet

| (RMm)                                | Jun-14A    | Jun-15A    | Jun-16F      | Jun-17F      | Jun-18F      |
|--------------------------------------|------------|------------|--------------|--------------|--------------|
| Total Cash And Equivalents           | 150        | 195        | 267          | 143          | 187          |
| Total Debtors                        | 251        | 253        | 227          | 396          | 439          |
| Inventories                          | 172        | 190        | 133          | 217          | 220          |
| Total Other Current Assets           | 3          | 1          | 2            | 4            | 2            |
| <b>Total Current Assets</b>          | <b>576</b> | <b>639</b> | <b>629</b>   | <b>760</b>   | <b>848</b>   |
| Fixed Assets                         | 595        | 692        | 903          | 1,054        | 1,212        |
| Total Investments                    | 213        | 217        | 217          | 217          | 217          |
| Intangible Assets                    | 29         | 29         | 29           | 29           | 29           |
| Total Other Non-Current Assets       | 9          | 2          | 2            | 2            | 2            |
| <b>Total Non-current Assets</b>      | <b>845</b> | <b>939</b> | <b>1,150</b> | <b>1,301</b> | <b>1,459</b> |
| Short-term Debt                      | 201        | 215        | 215          | 215          | 215          |
| Current Portion of Long-Term Debt    |            |            |              |              |              |
| Total Creditors                      | 129        | 152        | 127          | 193          | 195          |
| Other Current Liabilities            |            |            |              |              |              |
| <b>Total Current Liabilities</b>     | <b>330</b> | <b>367</b> | <b>342</b>   | <b>408</b>   | <b>410</b>   |
| Total Long-term Debt                 | 136        | 198        | 323          | 423          | 523          |
| Hybrid Debt - Debt Component         |            |            |              |              |              |
| Total Other Non-Current Liabilities  | 0          | 0          | 0            | 0            | 0            |
| <b>Total Non-current Liabilities</b> | <b>136</b> | <b>198</b> | <b>323</b>   | <b>423</b>   | <b>523</b>   |
| Total Provisions                     | 33         | 33         | 33           | 33           | 33           |
| <b>Total Liabilities</b>             | <b>500</b> | <b>598</b> | <b>697</b>   | <b>864</b>   | <b>966</b>   |
| Shareholders' Equity                 | 922        | 981        | 1,083        | 1,199        | 1,342        |
| Minority Interests                   | (1)        | (1)        | (1)          | (1)          | (1)          |
| <b>Total Equity</b>                  | <b>921</b> | <b>980</b> | <b>1,082</b> | <b>1,198</b> | <b>1,341</b> |

### Key Ratios

|                           | Jun-14A | Jun-15A | Jun-16F | Jun-17F | Jun-18F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth            | 0.5%    | (6.6%)  | 42.5%   | 8.9%    | 10.9%   |
| Operating EBITDA Growth   | 3.2%    | (7.3%)  | 46.8%   | 18.7%   | 17.9%   |
| Operating EBITDA Margin   | 15.7%   | 15.6%   | 16.0%   | 17.5%   | 18.6%   |
| Net Cash Per Share (RM)   | (0.28)  | (0.32)  | (0.40)  | (0.73)  | (0.81)  |
| BVPS (RM)                 | 1.36    | 1.44    | 1.59    | 1.77    | 1.98    |
| Gross Interest Cover      | 15.28   | 13.09   | 15.92   | 14.31   | 14.76   |
| Effective Tax Rate        | 22.5%   | 20.2%   | 22.0%   | 22.0%   | 22.0%   |
| Net Dividend Payout Ratio | 24.4%   | 26.1%   | 23.4%   | 23.4%   | 23.4%   |
| Accounts Receivables Days | 52.36   | 75.99   | 55.73   | 66.04   | 79.80   |
| Inventory Days            | 99.54   | 99.96   | 61.39   | 65.15   | 80.31   |
| Accounts Payables Days    | 34.92   | 39.03   | 26.62   | 32.21   | 39.70   |
| ROIC (%)                  | 16.1%   | 12.9%   | 18.2%   | 18.5%   | 17.5%   |
| ROCE (%)                  | 10.8%   | 8.7%    | 12.0%   | 12.3%   | 13.3%   |
| Return On Average Assets  | 10.8%   | 8.6%    | 11.7%   | 11.9%   | 12.8%   |

### Key Drivers

|  | Jun-14A | Jun-15A | Jun-16F | Jun-17F | Jun-18F |
|--|---------|---------|---------|---------|---------|
| ASP (% chg, main prod./serv.)          | 2.2%    | 3.8%    | 6.6%    | -0.2%   | 0.0%    |
| Unit sales grth (% , main prod./serv.) | -0.5%   | 46.5%   | 20.9%   | 11.1%   | 9.9%    |
| Util. rate (% , main prod./serv.)      | 83.2%   | 92.4%   | 82.5%   | 76.0%   | 65.0%   |
| ASP (% chg, 2ndary prod./serv.)        | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit sales grth (% ,2ndary prod/serv)  | N/A     | N/A     | N/A     | N/A     | N/A     |
| Util. rate (% , 2ndary prod/serv)      | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit raw mat ASP (%chg,main)           | N/A     | N/A     | N/A     | N/A     | N/A     |
| Unit raw mat ASP (%chg,2ndary)         | N/A     | N/A     | N/A     | N/A     | N/A     |

SOURCE: CIMB RESEARCH, COMPANY DATA

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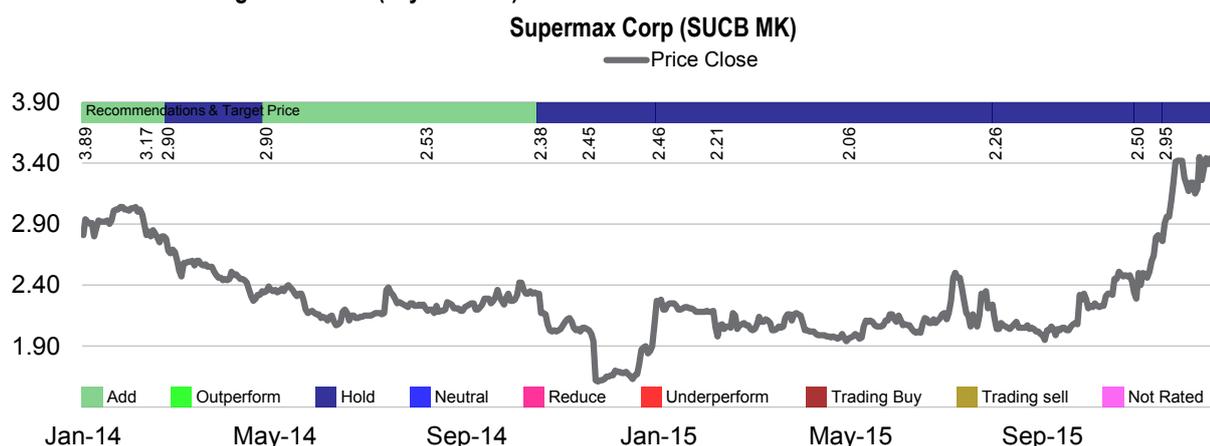
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|--|-------------------------|--------------------------------|
| 1536 companies under coverage for quarter ended on 31 December 2015                                |                         |                                |
|  | Rating Distribution (%) | Investment Banking clients (%) |
| Add  | 58.8%                   | 9.3%                           |
| Hold   | 31.5%                   | 4.0%                           |
| Reduce   | 8.5%                    | 0.7%                           |

**Spitzer Chart for stock being researched ( 2 year data )**



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.**

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP - Excellent, 5, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC - Good, 3B, BECL – Very Good, 3B, BH - Good, 2, BIGC - Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, BMCL - Very Good, 1, BTS - Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN - Excellent, 5, DELTA - Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO - Excellent, 4, EPG – not available, 3B, GFPT - Very Good, 3A, GLOBAL – Very Good, 2, GLOW - Good, 3A, GRAMMY - Excellent, 3B, GUNKUL – Very Good, 1, HANA - Excellent, 4, HEMRAJ – Very Good, 2, HMPRO - Excellent, 3A, ICHI – Very Good, 3A, INTUCH - Excellent, 4, ITD – Good, 1, IVL - Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK - Excellent, 4, KCE - Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB - Excellent, 4, KTC – Very Good, 3A, LH - Very Good, 3B, LPN – Excellent, 3A, M - Good, 2, MAJOR - Good, 1, MAKRO – Good, 3A, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT - Excellent, 3A, MTLN – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL - Excellent, 4, PTT - Excellent, 5, PTTEP - Excellent, 4, PTTGC - Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SAMART - Excellent, 3B, SAPPE - Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB - Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCCC - Good, 3A, SIM - Excellent, 3B, SIRI - Good, 1, SPALI - Excellent, 3A, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO - Excellent, 4, TK – Very Good, 3B, TMB - Excellent, 4, TPCB – Good, 3B, TOP - Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, VGI – Excellent, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

**CIMB Recommendation Framework**

**Stock Ratings**

Definition:

**Add** The stock's total return is expected to exceed 10% over the next 12 months.

**Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

**Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

**Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

**Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

**Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

**Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

**Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

**Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

*\*Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*