

| Malaysia

ADD (no change)

Consensus ratings*: Buy 4 Hold 3 Sell 1

Current price:	RM3.24
Target price:	RM4.47 ▲
Previous target:	RM3.84
Up/downside:	37.9%
CGS-CIMB / Consensus:	18.1%
Reuters:	SUPM.KL
Bloomberg:	SUCB MK
Market cap:	US\$507.7m
	RM2,124m
Average daily turnover:	US\$4.00m
	RM16.55m
Current shares o/s:	680.2m
Free float:	62.5%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.6	-26.5	82
Relative (%)	1.2	-21.9	84.1

Major shareholders

	% held
Dato' Seri Thai Kim Sim, Stanley	20.7
Datin Seri Tan Bee Geok, Cheryl	15.3
Amanah Saham Nasional	1.5

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Supermax Corp

1QFY19: Expect stronger quarters ahead

- 1QFY6/19 net profit of RM29.4m (+5.5% yoy & more than 100% qoq) was in-line at 23.2% of our full-year estimate (22.8% of Bloomberg consensus).
- We expect SUCB to record stronger quarters ahead, backed by: i) new capacity from Block G (1.4bn pieces p.a.), and ii) higher cost efficiencies.
- Maintain Add with a higher TP of RM4.47 (18.3x CY20F) as we roll over to end-CY19F.

1QFY6/19 core net profit met expectations; rose 5.5% yoy

1QFY6/19 revenue rose 17.6% yoy, mainly thanks to higher sales volume. However, 1QFY19 EBIT margin was lower at 13.4% (-0.1% pts yoy), as we believe that the higher economies of scale were offset by start-up costs from its upgrading works on Plant G. Accordingly, 1QFY19 core net profit rose 5.5% yoy to RM29.4m, after excluding the one-off RM6.5m gain from insurance claim. This was despite recording higher tax rates (+0.8% pts yoy) and an increase in interest expenses (39% yoy).

A stronger performance on a qoq basis as well

On a qoq basis, 1QFY19 revenue and core net profit rose 11.4% and more than 100% respectively. Besides similar points that drove the strong yoy performance in 1QFY19, the stronger qoq results were also due to lower base effect in 4QFY18. This was due to: i) one-off losses (unrealised forex losses and impairment from upgrade works on existing plants), ii) lower tax rates, and iii) higher operational efficiencies.

Stronger earnings ahead

Moving forward, SUCB should record stronger earnings from 2QFY19 onwards. This is thanks to: i) the full contribution from Block G in Perak by end-Sep 18, ii) tailwinds from a weaker RM/US\$, and iii) the recent decline in raw material prices. Note that Block G is an existing plant in Kamunting, Perak that was revamped and now has a larger capacity of 1.4bn pieces p.a. (from 1bn).

Contact lens segment to remain loss-making

On its contact lens division, SUCB's target is to grow its own-brand segment to 40% of sales (from less than 5% in FY18), via global e-commerce and its existing glove distribution network. The rest will be made up of OEM sales. We expect this segment to continue to be in the red over the next 1-2 years due to higher advertisement and promotional costs in the near-term to drive sales more aggressively.

Maintain Add, with a higher TP of RM4.47

No changes to our FY19-21F EPS estimates. Our Add call is kept, with a higher TP of RM4.47 as we roll over to end-2019F. Our target multiple of 18.3x is still +1 s.d. of its 3-year mean. We believe that SUCB's risk-reward profile is appealing, as it is trading at a 45% discount to the sector's CY19 P/E. Key re-rating catalyst is faster-than-expected delivery of its glove capacity expansion plans. Downside risks: delay in expansion plans.

Financial Summary

	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Revenue (RMm)	1,127	1,304	1,638	1,897	2,126
Operating EBITDA (RMm)	148.5	216.4	256.8	299.2	336.8
Net Profit (RMm)	70.2	107.0	129.2	154.6	175.7
Core EPS (RM)	0.10	0.16	0.19	0.23	0.26
Core EPS Growth	(33.2%)	52.4%	20.7%	19.7%	13.7%
FD Core P/E (x)	31.39	20.59	17.06	14.26	12.54
DPS (RM)	0.025	0.080	0.085	0.090	0.072
Dividend Yield	0.77%	2.47%	2.64%	2.78%	2.23%
EV/EBITDA (x)	17.02	12.38	10.74	9.43	8.44
P/FCFE (x)	31.5	128.4	21.1	17.7	37.9
Net Gearing	49.5%	60.4%	62.8%	62.9%	58.4%
P/BV (x)	2.01	1.92	1.81	1.68	1.53
ROE	6.5%	9.5%	10.9%	12.2%	12.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.96	1.03	1.07

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results Comparison

FYE Jun	1Q	1Q	yoy %	4Q	qoq %	Prev.	Comments
(RM m)	FY19	FY18	chg	FY18	chg	FY19F	
Revenue	367.1	312.0	17.6	329.5	11.4	1,637.9	Mainly from higher sales volume and increased production capacity
Operating costs	(306.2)	(269.9)	13.5	(294.8)	3.9	(1,434.1)	
EBIT	49.3	42.1	17.1	25.7	23.6	203.9	
EBIT margin	13.4	13.5	(0.1)	7.8	5.6	12.4	Decline in 1QFY18 EBIT margin on a yoy basis due to higher overall operating expenses
Interest expense	(4.6)	(3.3)	39.0	(4.0)	15.1	(20.7)	
Interest & invt inc	-	-	-	-	-	-	
Associates' contrib	1.5	1.9	(20.4)	1.8	(17.0)	7.0	Lower contribution recorded from associate companies
Exceptionals	6.5	-	>100	-	>100	-	One-off gain of RM6.5m from insurance claim for fire that hit one of its glove factories in Sungai Buloh, Selangor.
Pretax profit	52.7	40.7	29.6	23.4	124.7	190.2	
Tax	(16.7)	(12.6)	33.0	(12.0)	39.7	(57.1)	
Tax rate (%)	31.7	30.9	0.8	51.0	(19.3)	30.0	Higher than statutory tax rate due to higher tax rates of overseas subsidiaries
Minority interests	(0.0)	(0.2)	(86.0)	(1.6)	(98.4)	(4.0)	
Net profit	35.9	27.9	28.8	9.8	265.2	129.2	Within expectations
Core net profit	29.4	27.9	5.5	9.8	199.2	129.2	1QFY19 made up 23.2% of CIMB and 22.8% of consensus full-year estimates
EPS (sen)	5.4	4.2	28.8	1.5	265.2	19.0	
Core EPS (sen)	4.4	4.2	5.5	1.5	199.2	19.0	Based on 662.3m total outstanding shares

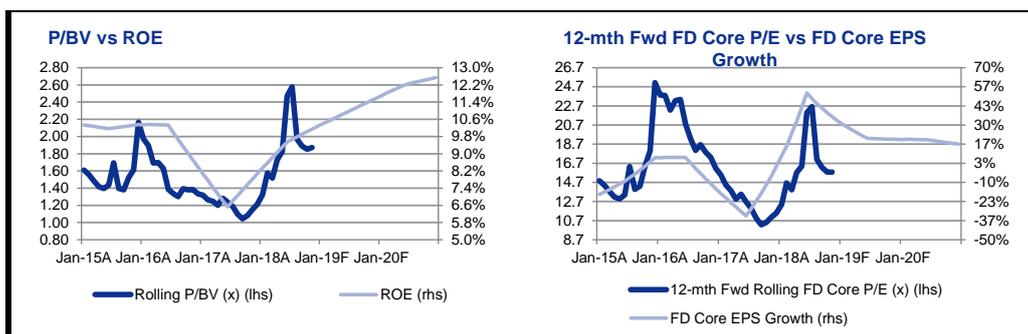
SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY18	CY19		CY18	CY19	CY18	CY19	CY18	CY19	CY18	CY19
Hartalega Holdings	HART MK	Hold	6.27	6.30	4,985	41.5	34.4	22.1%	9.6	8.7	24.6%	26.7%	27.5	23.6	1.4%	1.8%
Kossan Rubber Industries	KRI MK	Hold	4.13	4.34	1,262	24.9	21.0	19.2%	4.2	3.8	17.6%	19.0%	14.0	12.1	2.0%	2.4%
Supermax Corp	SUCB MK	Add	3.24	4.47	508	18.6	15.5	23.0%	1.9	1.7	10.3%	11.7%	11.3	10.0	2.6%	2.7%
Weighted Average						34.4	28.4	22.5%	6.4	5.7	22.0%	24.3%	19.4	16.3	2.3%	2.8%
Simple Average						28.8	23.8	22.1%	4.7	4.3	18.5%	20.5%	15.9	13.6	2.4%	2.8%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Total Net Revenues	1,127	1,304	1,638	1,897	2,126
Gross Profit	326	415	506	581	652
Operating EBITDA	149	216	257	299	337
Depreciation And Amortisation	(39)	(41)	(53)	(58)	(62)
Operating EBIT	110	176	204	242	275
Financial Income/(Expense)	(11)	(14)	(21)	(24)	(26)
Pretax Income/(Loss) from Assoc.	12	6	7	7	7
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	110	167	190	225	255
Exceptional Items	0	0	0	0	0
Pre-tax Profit	110	167	190	225	255
Taxation	(37)	(56)	(57)	(68)	(77)
Exceptional Income - post-tax					
Profit After Tax	73	111	133	158	179
Minority Interests	(3)	(4)	(4)	(3)	(3)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	70	107	129	155	176
Recurring Net Profit	70	107	129	155	176
Fully Diluted Recurring Net Profit	70	107	129	155	176

Cash Flow

(RMm)	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
EBITDA	148.5	216.4	256.8	299.2	336.8
Cash Flow from Inv. & Assoc.					
Change In Working Capital	26.6	(64.3)	(55.3)	(66.9)	(59.0)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	30.8	35.3	30.5	33.3	33.3
Net Interest (Paid)/Received	(11.0)	(14.0)	(20.7)	(23.5)	(26.3)
Tax Paid	(25.0)	(56.2)	(57.1)	(67.5)	(76.6)
Cashflow From Operations	170.0	117.2	154.2	174.5	208.2
Capex	(150.0)	(150.0)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(150.0)	(150.0)	(150.0)	(150.0)	(150.0)
Debt Raised/(repaid)	50.0	50.0	100.0	100.0	0.0
Proceeds From Issue Of Shares					
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(24.8)	(54.4)	(58.1)	(61.8)	(49.2)
Preferred Dividends					
Other Financing Cashflow	(15.1)	(14.0)	(20.7)	(23.5)	(26.3)
Cash Flow From Financing	10.1	(18.4)	21.2	14.7	(75.5)
Total Cash Generated	30.1	(51.2)	25.4	39.2	(17.3)
Free Cashflow To Equity	70.0	17.2	104.2	124.5	58.2
Free Cashflow To Firm	31.0	(18.9)	24.9	48.0	84.5

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Total Cash And Equivalents	96	45	70	110	92
Total Debtors	269	334	380	440	493
Inventories	154	197	251	291	327
Total Other Current Assets	79	127	174	175	176
Total Current Assets	599	702	875	1,016	1,088
Fixed Assets	1,062	1,154	1,200	1,289	1,376
Total Investments	217	217	217	217	217
Intangible Assets	29	29	29	29	29
Total Other Non-Current Assets	2	2	2	2	2
Total Non-current Assets	1,309	1,401	1,448	1,536	1,623
Short-term Debt	215	215	215	215	215
Current Portion of Long-Term Debt					
Total Creditors	143	186	231	265	294
Other Current Liabilities					
Total Current Liabilities	358	401	446	480	509
Total Long-term Debt	423	523	623	723	723
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	423	523	623	723	723
Total Provisions	33	33	33	33	33
Total Liabilities	814	957	1,102	1,236	1,265
Shareholders' Equity	1,095	1,147	1,218	1,311	1,438
Minority Interests	(1)	(1)	3	6	9
Total Equity	1,094	1,146	1,221	1,317	1,447

Key Ratios

	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Revenue Growth	9.5%	15.8%	25.6%	15.8%	12.1%
Operating EBITDA Growth	(21.2%)	45.7%	18.7%	16.5%	12.6%
Operating EBITDA Margin	13.2%	16.6%	15.7%	15.8%	15.8%
Net Cash Per Share (RM)	(0.80)	(1.02)	(1.13)	(1.22)	(1.24)
BVPS (RM)	1.61	1.69	1.79	1.93	2.11
Gross Interest Cover	10.01	12.56	9.85	10.28	10.43
Effective Tax Rate	33.6%	33.6%	30.0%	30.0%	30.0%
Net Dividend Payout Ratio	19.6%	33.3%	31.2%	27.8%	19.5%
Accounts Receivables Days	78.42	72.75	72.13	75.03	75.98
Inventory Days	76.40	72.09	72.20	75.43	76.52
Accounts Payables Days	37.77	37.55	39.11	40.85	41.44
ROIC (%)	8.7%	12.1%	12.3%	13.4%	14.0%
ROCE (%)	6.5%	9.5%	10.2%	11.0%	11.7%
Return On Average Assets	6.6%	9.0%	9.5%	10.2%	10.7%

Key Drivers

	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
ASP (% chg, main prod./serv.)	5.6%	0.0%	13.7%	16.9%	9.9%
Unit sales grth (% , main prod./serv.)	48.8%	2.8%	-8.2%	88.4%	90.8%
Util. rate (% , main prod./serv.)	80.0%	79.0%	79.0%	81.0%	83.0%
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

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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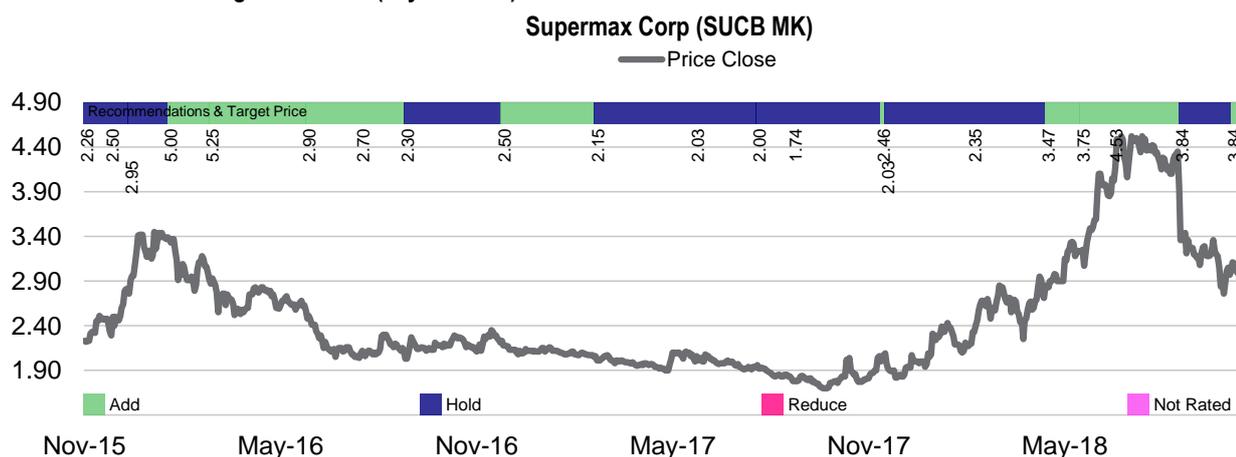
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
Reduce	13.7%	0.4%

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 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared,

GRAMMY - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

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.