

Supermax Corp

SUCB MK / SUPM.KL

➤ **Market Cap**
US\$561.0m
 RM1,813m

➤ **Avg Daily Turnover**
US\$2.50m
 RM8.08m

➤ **Free Float**
59.4%
 612.1 m shares

Current **RM2.67**
 Target ➤ **RM3.76**
 Prev. Target **RM3.76**
 Up/Downside **40.9%**

3QFY13 RESULTS NOTE

SHORT TERM (3MTH) **LONG TERM**

TRADING BUY **OUTPERFORM**

TRADING SELL NEUTRAL

UNDERPERFORM

CIMB Analyst(s)



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	8.3	10.4	22.3
Absolute	7.7	17.6	34.8

Major shareholders

	% held
Dato' Seri Thai Kim Sim, Stanley	20.7
Datin Seri Tan Bee Geok, Cheryl	14.8
Koperasi Permodalan Felda	5.2

Still delivering

Supermax's 9M13 earnings were in line with our forecast (76% of FY13 forecast) but above consensus (83%). The strong results were driven by a rise in sales volume due to new capacity, lower raw material prices and cost-mitigating measures.

We maintain our earnings estimates and target price which is based on 13.5x CY15 P/E, a 30% discount to Hartalega's target P/E. Despite its strong earnings growth, Supermax is trading at a single-digit P/E for CY15, reinforcing our Outperform call. The company is expecting high utilisation rates for its two new plants.

Stronger results yoy ➤

Supermax's 9M13 revenue increased 28.8% while net profit up 15.7% yoy. The stronger results were fuelled by the higher output from refurbished and new lines. YTD selling prices were lower yoy due to the lower raw material prices. Net profit increased at a slower rate than revenue due to a 41% plunge in associates' 1H contribution because of keen competition from overseas markets and a stronger ringgit. Associate profit however recovered in 3Q, with profit rising by 15% yoy. On a qoq basis, topline dropped 13.8% but net profit was flat. In 3Q, the group

produced a smaller volume than in 2Q as it accelerated its automation programme, which led to the temporary shutdown of production lines. The negative impact was offset by lower raw material prices and cost-mitigating measures.

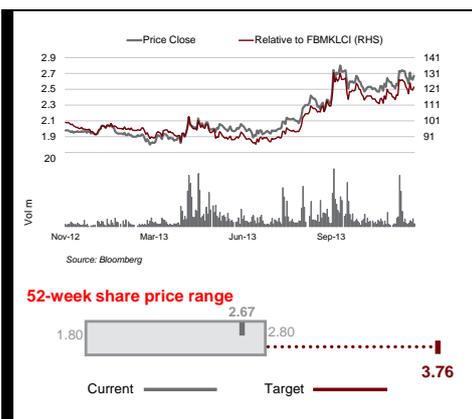
Aggressive expansion plan ➤

Its two new plants will be commissioned in stages starting from 1Q14. The two plants will raise the group's nitrile glove capacity from 5.4bn (47% of total capacity) currently to 12.3bn (53%) gloves. Supermax is also going ahead with its glove city project which will house six manufacturing plants (4.1bn gloves each) and will be built over 10-12 years. Construction of the first plant is targeted to begin in 3Q14. As for its newly acquired 100 acres of land, Supermax is planning to install a total of 40 production lines with the capacity to produce a total of 15.5bn pieces p.a. The plants will be constructed in 2014-22.

Results Comparison

FYE Dec (RM m)	3QFY13	3QFY12	yoy % chg	qoq % chg	3QFY13 Cum	3QFY12 Cum	yoy % chg	Prev. FY13F	Comments
Revenue	284.6	245.5	15.9 (13.8)	935.1	726.1	28.8	1340.1	Stronger driven by the higher volume due to the higher production capacity	
Operating costs	(245.8)	(212.3)	15.7 (16.0)	(823.1)	(640.0)	28.6	(1153.4)		
EBITDA	38.8	33.2	16.9 3.7	112.0	86.2	30.0	186.7	Flat yoy	
EBITDA margin (%)	13.6	13.5	0.1 2.3	12.0	11.9	0.1	13.9		
Depn & amort.	-	-	nm nm	-	-	nm	(27.3)	PPE of RM462.8m as at end-September 2013	
EBIT	38.8	33.2	16.9 3.7	112.0	86.2	30.0	159.4		
Interest expense	(2.1)	(2.7)	(21.5) (4.1)	(6.5)	(7.9)	(18.4)	(8.3)	Total borrowings of RM304.8m as at end-September 2013	
Interest & invt inc	-	-	nm nm	-	-	nm	1.2	Total cash of RM185.8m as at end-September 2013	
Associates' contrib	3.8	3.3	15.0 (16.1)	11.5	19.6	-	-41.2%	Lower due to the stiff competition from overseas markets and weaker forex against Ringgit	
Exceptionals	-	-	- -	-	-	-	-	None as expected	
Pretax profit	40.5	33.8	19.8 1.8	117.1	97.8	19.7	152.2	Accounted for 77% of our full year estimates	
Tax	(4.1)	(2.2)	82.3 (17.3)	(13.7)	(8.2)	66.7	(15.2)	Lower than statutory tax rate due to the availability of allowances and incentives	
Tax rate (%)	10.1	6.6	3.5 (2.3)	11.7	8.4	3.3	10.0		
Minority interests	(0.6)	-	nm (205.2)	0.3	(0.0)	nm	0.0		
Net profit	35.8	31.6	13.3 0.9	103.7	89.6	15.7	137.0	Accounted for 76% of our full year estimates	
Core net profit	35.8	31.6	13.3 0.9	103.7	89.6	15.7	137.0		
EPS (sen)	5.8	5.2	13.3 0.9	16.9	14.6	15.7	42.8	Based on shares outstanding of 612.1m	
Core EPS (sen)	5.8	5.2	13.3 0.9	16.9	14.6	15.7	42.8		

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (RMm)	1,021	997	1,340	1,400	1,449
Operating EBITDA (RMm)	113.9	147.0	158.6	190.4	206.3
Net Profit (RMm)	104.1	121.4	137.0	161.3	172.4
Core EPS (RM)	0.18	0.20	0.22	0.26	0.28
Core EPS Growth	(32.2%)	12.7%	12.8%	17.7%	6.9%
FD Core P/E (x)	15.17	13.46	11.93	10.13	9.48
DPS (RM)	0.036	0.041	0.050	0.058	0.058
Dividend Yield	1.35%	1.55%	1.86%	2.18%	2.18%
EV/EBITDA (x)	14.05	10.74	9.98	8.08	7.18
P/FCFE (x)	48.92	41.73	57.67	20.47	16.68
Net Gearing	25.2%	18.6%	16.8%	10.7%	4.7%
P/BV (x)	2.13	1.96	1.73	1.52	1.35
ROE	14.7%	15.1%	15.4%	16.0%	15.1%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.09	1.12	1.12

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Sector Comparisons

Company	Bloomberg Ticker	Recom.	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 (%)	
						CY13	CY14		CY13	CY14	CY13	CY14	CY13	CY14	CY13	CY14
Hartalega Holdings	HART MK	Neutral	7.39	8.33	1703.0	21.0	18.7	11.7%	6.2	5.2	32.5%	30.2%	13.3	11.9	2.2%	2.4%
Kossan Rubber Industries	KRI MK	Outperform	3.61	4.34	714.1	16.8	13.6	19.5%	3.4	2.8	21.8%	22.7%	9.8	8.3	1.7%	2.1%
Supermax Corp	SUCB MK	Outperform	2.67	3.76	561.0	11.9	10.1	10.7%	1.7	1.5	15.8%	16.0%	9.7	8.1	1.9%	2.2%
Top Glove Corporation	TOPG MK	Neutral	5.72	6.46	1098.0	18.1	16.5	5.0%	2.6	2.4	15.3%	15.0%	10.9	10.1	2.9%	3.0%
Malaysia average						17.7	15.5	10.9%	3.3	2.9	20.4%	20.1%	11.3	10.0	2.2%	2.5%

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

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Description:		Excellent	Very Good	Good	N/A

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Spitzer Chart for stock being researched (2 year data)



Distribution of stock ratings and investment banking clients for quarter ended on 31 October 2013		
1251 companies under coverage for quarter ended on 31 October 2013		
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Neutral/Hold	34.0%	5.7%
Underperform/Sell/Trading Sell/Reduce	16.2%	4.6%

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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.

CIMB Stock Recommendation Framework #2 *

Outperform	The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.
Neutral	The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.
Underperform	The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

Trading Buy	The stock's total return is expected to exceed a relevant benchmark's total return by 3% or more over the next 3 months.
Trading Sell	The stock's total return is expected to be below a relevant benchmark's total return by 3% or more over the next 3 months.

* This framework only applies to 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. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.
CIMB Research Pte Ltd (Co. Reg. No. 198701620M)

CIMB Stock Recommendation Framework #3 **

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.

** This framework only applies to stocks listed on the Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2012.

AAV – not available, **ADVANC** - Excellent, **AEONTS** – Good, **AMATA** - Very Good, **ANAN** – not available, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** – not available, **BCP** - Excellent, **BEC** - Very Good, **BGH** - not available, **BJC** – Very Good, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Excellent, **CCET** - Good, **CENTEL** – Very Good, **CK** - Very Good, **CPALL** - Very Good, **CPF** - Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Very Good, **EGCO** – Excellent, **ERW** – Excellent, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Very Good, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Very Good, **ITD** – Very Good, **IVL** - Very Good, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KK** – Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** - Good, **MAKRO** – Very Good, **MCOT** - Excellent, **MINT** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** – Excellent, **SAMART** – Excellent, **SC** – Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIRI** - Good, **SPALI** - Very Good, **SRICHA** – not available, **SSI** – not available, **STA** - Good, **STEC** - Very Good, **TCAP** - Very Good, **THAI** - Excellent, **THCOM** – Very Good, **TICON** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Very Good, **TTW** – Very Good, **TUF** - Very Good, **VGI** – not available, **WORK** – Good.