

**RESULTS FIRST LOOK**

1Q10 earnings surpassed our estimates by 21.8%; met 20.8% and 30.5% of our full-year top-line and earnings estimates. No. of gloves shipped was up 7.7% q-q, but a portion comprised delayed shipments rolled over from 4Q09. Pending clarification, we make no adjustments to our numbers. We would refrain from drawing conclusions from an annualized output figure given Supermax's upcoming expansions will provide much-needed capacity to drive positive earnings surprises moving forward, in our view. At current assumptions and levels, still a 26.7% potential upside to PT of RM8.74. Reiterate BUY.

Price target: MYR 8.74

Price (19 Apr 2010): MYR 6.9

Research analyst: Jacinda Loh

60-3-2027-6889

jacinda.loh@nomura.com

Publish Date: 19 Apr 2010

**1Q10 bottomline - More than Doubles y-y, up 5.5% q-q**

- Earnings vs. our Forecast: **IN LINE**

**Likely Impact:**

- Earnings Estimates: **NO CHANGE**
- Dividend Estimates: **NO CHANGE**
- Price Target: **NO CHANGE**
- Long-term View: **CONFIRMED**

**1Q10 net profit more than doubles y-y, up 5.5% q-q**

1Q10 net profit surpassed our estimates by 21.8%, registering 161% y-y and 5.5% normalized q-q growth (after adjusting for the one-off interest expense of RM5.4mn in 4Q09). Top-line growth of 14.7% y-y and 12.3% q-q was driven by continuing increased selling prices on the back of all-time high latex prices. To note that the aforementioned growth is based on reported top-line; we highlight that Supermax's 4Q09 management discussion and analysis (MD&A) highlighted that shipment of RM25mn worth of gloves was delayed to 1Q10 given inability of Supermax's customers to secure cargo container space. Pending confirmation with management as to whether the RM25mn is a top-line figure, we highlight that in the event that is the case, adjusted top-line growth would be 1.7% y-y and -0.4% q-q.

Performance during the 1<sup>st</sup> quarter made up 20.8% and 30.5% of our full-year top-line and earnings estimates of RM1,061mn and RM169mn respectively. Q-q growth in terms of number of pieces shipped was 7.7%, whereas y-y growth was 7.0%.

Supermax output figures (in mn pcs)	1Q10	1Q09	% chg y-y	4Q09	% chg q-q
No of pcs shipped	3205	2995	7.0	2975	7.7

\*Source: Company

Supermax PnL quarterly figures (RM mn)	1Q10	1Q09	% chg y-y	4Q09	% chg q-q
Revenue	220.65	192.37	14.7	196.42	12.3
EBIT	47.57	45.70	4.1	20.37	134.0
EBIT margin (%)	21.6	23.8		10.4	
Finance Costs	3.74	5.04	-25.8	3.08	21.4
Associate contribution to net profit	10.45	8.14	28.4	13.36	-21.8

Net profit	51.47	19.71	161.1	48.78	5.5
------------	-------	-------	-------	-------	-----

\*Source: Company

### **Improving gearing and inventory turnover; receivables cycle is a work-in-progress**

Absolute borrowings increased 0.4% q-q but were down 14.7% y-y. The minor increase in q-q borrowings were mainly from utilization of existing facilities. Boosted by higher reserves, gearing fell from 0.31x to 0.30x on a q-q basis, which more than achieved management target of between 0.50-0.75x. Management's commitment to improving inventory cycles is bearing fruit as inventory cycle fell from 1.56 to 1.45 months, below its FY07-08 levels of circa 2-2.2 months.

The receivables cycle remains a work in progress however. Receivables cycles for Supermax is typically higher than industry average given their different business model; with distribution centres selling Supermax products, it bears the working capital requirements of those distribution centres versus other players pursuing an OBM model who sell to distributors.

Supermax key ratios	1Q10	4Q09	Management target
Net Gearing	0.30	0.31	0.50-0.75
Inventory cycle (mths)	1.45	1.56	1-1.5
Receivables cycle (mths)	2.62	1.98	<2.5

\*Source: Company

### **No changes to our earnings forecasts for the moment; however at current assumptions and levels, BUY call remains with upside of 26.7%**

As mentioned earlier, 1Q10's reported performance clocked in 20.8% and 30.5% of our full-year top-line and earnings estimates respectively. Given management's (and largely the industry's) expectations that latex prices are more likely than not to come off by 2H10, selling prices for gloves will likely be repriced downwards given the highly transparent pricing mechanism, in our view.

We believe another indicator evidencing bottomline strength besides the usual top-line indicator is output sold. As reported above, output sold (in terms of million pieces of gloves shipped) chalked up 7.7% q-q growth, forming 27% of our full-year output estimates. However, pending clarification with management on the exact portion of gloves which comprised shipments that were designated for delivery in 4Q09, we make no changes to our output estimates for the moment.

On that note, we would however refrain from drawing any conclusions from any adjusted annualized output figure given Supermax's planned expansions of 16 new lines and refurbishment of 8 existing lines (as highlighted in our note out last week <http://www.nomura.com/research/getpub.aspx?pid=367194>). Positive earnings surprises are likely to be driven by the rebound in output capacity from 2H10 onwards (after the FY05-09 period of undertaking the lowest capacity expansions amongst its peers). Also highlighted in that note is the fact that our price assumptions for the majority of its glove products are 14-31% above our full-year assumptions. At these existing levels and assumptions, there still remains an upside of 26.7% to our PT of RM8.74.

Nomura initiated on the Malaysian rubber glove sector on 10 March 2010 (link to full report here <http://www.nomura.com/research/getpub.aspx?pid=362202>)

**Valuation Methodology and Investment Risks:** We peg Supermax's target P/E of 11.5x at a 21% discount to Top Glove, derived from its historical discount of ~30% to Top Glove; however, we argue that it should see an upward rerating given its write-off of the APLI investment. Applying this to FY11F EPS of RM0.75, we derive our PT of RM8.74. Downside to our call is industry-related ie high latex prices of >RM7/kg continue to be seen going into 2H10 as well as adverse and rapid currency movements that could affect income from its overseas distribution arms

Note: Ratings and Price Targets are as of the date of the most recently published report (<http://www.nomura.com/research>) rather than the date of this email.

Results First Look is the analyst's preliminary interpretation of the results announcement. Our recommendation and earnings estimates are not being changed in this report. Any formal changes to our recommendation or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed in this report.

#### **Analyst Certification:**

I, Jacinda Loh, hereby certify (1) that the views expressed in this research email accurately reflect my personal views about any or all of the subject securities or issuers referred to in this email and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this email and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

## Mentioned Stocks:

Mentioned Company	Ticker	Price	Price Date	Stock Rating	Disclosures
Supermax Corp Bhd	SUCB MK	MYR 6.9	19 Apr 2010	Buy	

## ISSUER SPECIFIC REGULATORY DISCLOSURES

### Online availability of research and additional conflict-of-interest disclosures:

Nomura Japanese Equity Research is available electronically for clients in the US on NOMURA.COM, REUTERS, BLOOMBERG and THOMSON ONE ANALYTICS. For clients in Europe, Japan and elsewhere in Asia it is available on NOMURA.COM, REUTERS and BLOOMBERG.

Important disclosures may be accessed through the left hand side of the Nomura Disclosure web page <http://www.nomura.com/research> or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email [researchportal@nomura.co.uk](mailto:researchportal@nomura.co.uk) for technical assistance.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities.

### Distribution of Ratings:

Nomura Global Equity Research has 1,818 companies under coverage.

44% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 31% of companies with this rating are investment banking clients of the Nomura Group\*.

39% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 44% of companies with this rating are investment banking clients of the Nomura Group\*.

15% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 11% of companies with this rating are investment banking clients of the Nomura Group\*.

As at 31 Dec 2009.

\*The Nomura Group as defined in the Disclaimer section at the end of this report.

## Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America for ratings published from 27 October 2008:

The rating system is a relative system indicating expected performance against a specific benchmark identified for each individual stock. Analysts may also indicate absolute upside to price target defined as (fair value - current price)/current price, subject to limited management discretion. In most cases, the fair value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as discounted cash flow or multiple analysis, etc.

### Stocks:

- A rating of "1", or "**Buy**", indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months.
- A rating of "2", or "**Neutral**", indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months.
- A rating of "3", or "**Reduce**", indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months.
- A rating of "**RS-Rating Suspended**" indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.

Benchmarks are as follows: **United States:** S&P 500, MSCI World Technology Hardware & Equipment; **Europe:** Please see valuation methodologies for explanations of relevant benchmarks for stocks (accessible through the left hand side of the Nomura Disclosure web page: <http://www.nomura.com/research>); **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology.

### Sectors:

A "**Bullish**" stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months.

A "**Neutral**" stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months.

A "**Bearish**" stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months.

Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX® 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia.

## Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009:

### Stocks:

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Price Target \* Current Price) / Current Price, subject to limited management discretion. In most cases, the Price Target will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc.

- A rating of "1", or "**Buy**" recommendation indicates that potential upside is 15% or more.
- A rating of "2", or "**Neutral**" recommendation indicates that potential upside is less than 15% or downside is less than 5%.
- A rating of "3", or "**Reduce**" recommendation indicates that potential downside is 5% or more.
- A rating of "**RS**" or "**Rating Suspended**" indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company.
- Stocks labeled as "**Not rated**" or shown as "**No rating**" are not in Nomura's regular research coverage.

### Sectors:

A "**Bullish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A "**Neutral**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A "**Bearish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

#### **Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008):**

##### *Stocks:*

- A rating of "1", or "**Strong buy**", indicates that the analyst expects the stock to outperform the Benchmark by 15% or more over the next six months.
- A rating of "2", or "**Buy**", indicates that the analyst expects the stock to outperform the Benchmark by 5% or more but less than 15% over the next six months.
- A rating of "3", or "**Neutral**", indicates that the analyst expects the stock to either outperform or underperform the Benchmark by less than 5% over the next six months.
- A rating of "4", or "**Reduce**", indicates that the analyst expects the stock to underperform the Benchmark by 5% or more but less than 15% over the next six months.
- A rating of "5", or "**Sell**", indicates that the analyst expects the stock to underperform the Benchmark by 15% or more over the next six months.
- Stocks labeled "**Not rated**" or shown as "**No rating**" are not in Nomura's regular research coverage. Nomura might not publish additional research reports concerning this company, and it undertakes no obligation to update the analysis, estimates, projections, conclusions or other information contained herein.

##### *Sectors:*

A "**Bullish**" stance, indicates that the analyst expects the sector to outperform the Benchmark during the next six months.

A "**Neutral**" stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next six months.

A "**Bearish**" stance, indicates that the analyst expects the sector to underperform the Benchmark during the next six months.

Benchmarks are as follows: **Japan:** TOPIX; **United States:** S&P 500, MSCI World Technology Hardware & Equipment; **Europe**, by sector — *Hardware/Semiconductors:* FTSE W Europe IT Hardware; *Telecoms:* FTSE W Europe Business Services; *Business Services:* FTSE W Europe; *Auto & Components:* FTSE W Europe Auto & Parts; *Communications equipment:* FTSE W Europe IT Hardware; **Ecology Focus:** Bloomberg World Energy Alternate Sources; **Global Emerging Markets:** MSCI Emerging Markets ex-Asia.

#### **Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008:**

##### *Stocks:*

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

- A rating of "1", or "**Strong buy**" recommendation indicates that upside is more than 20%.
- A rating of "2", or "**Buy**" recommendation indicates that upside is between 10% and 20%.
- A rating of "3", or "**Neutral**" recommendation indicates that upside or downside is less than 10%.
- A rating of "4", or "**Reduce**" recommendation indicates that downside is between 10% and 20%.
- A rating of "5", or "**Sell**" recommendation indicates that downside is more than 20%.

##### *Sectors:*

A "**Bullish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A "**Neutral**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A "**Bearish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

#### **Price targets**

Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

#### **DISCLAIMERS**

This publication contains material that has been prepared by the Nomura entity identified on the banner at the top or the bottom of page 1 herein and, if applicable, with the contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or elsewhere identified in the publication. Affiliates and subsidiaries of Nomura Holdings, Inc. (collectively, the "Nomura Group"), include: Nomura Securities Co., Ltd. ("NSC") Tokyo, Japan; Nomura International plc, United Kingdom; Nomura Securities International, Inc. ("NSI"), New York, NY; Nomura International (Hong Kong) Ltd., Hong Kong; Nomura Singapore Ltd., Singapore; Nomura Australia Ltd., Australia; P.T. Nomura Indonesia, Indonesia; Nomura Securities Malaysia Sdn. Bhd., Malaysia; Nomura International (Hong Kong) Ltd., Taipei Branch, Taiwan; Nomura International (Hong Kong) Ltd., Seoul Branch, Korea; or Nomura Financial Advisory and Securities (India) Private Limited, Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant

This material is: (i) for your private information, and we are not soliciting any action based upon it; (ii) not to be construed as an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such offer or solicitation would be illegal; and (iii) based upon sources that we consider reliable. NOMURA GROUP DOES NOT WARRANT OR REPRESENT THAT THE PUBLICATION IS ACCURATE, COMPLETE, RELIABLE, FIT FOR ANY PARTICULAR PURPOSE OR MERCHANTABLE AND DOES NOT ACCEPT LIABILITY FOR ANY ACT (OR DECISION NOT TO ACT) RESULTING FROM USE OF THIS PUBLICATION AND RELATED DATA. TO THE MAXIMUM EXTENT PERMISSIBLE ALL WARRANTIES AND OTHER ASSURANCES BY NOMURA GROUP ARE HEREBY EXCLUDED AND NOMURA GROUP SHALL HAVE NO LIABILITY FOR THE USE, MISUSE, OR DISTRIBUTION OF THIS INFORMATION.

Opinions expressed are current opinions as of the original publication date appearing on this material only and the information, including the opinions contained herein, are subject to change without notice. Nomura is under no duty to update this publication. If and as applicable, NSI's investment banking relationships, investment banking and non-investment banking compensation and securities ownership (identified in this report as "Disclosures Required in the United States"), if any, are specified in disclaimers and related disclosures in this report. In addition, other members of the Nomura Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from, companies mentioned herein. Further, the Nomura Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by applicable law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by NSI, referenced above), or derivatives (including options) thereof, of companies mentioned herein, or related securities or derivatives. In addition, the Nomura Group, excluding NSI, may act as a market maker and principal, willing to buy and sell certain of the securities of companies mentioned herein. Further, the Nomura Group may buy and sell certain of the securities of companies mentioned herein, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Please see the further disclaimers in the disclosure information on companies covered by Nomura analysts available at <http://www.nomura.com/research> under the "Disclosure" tab. Nomura Group produces a number of different types of research product including, amongst others, fundamental analysis, quantitative analysis and short term trading ideas; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as result of differing time horizons, methodologies or otherwise; it is possible that individual employees of Nomura may have different perspectives to this publication.

NSC and other non-US members of the Nomura Group (i.e., excluding NSI), their officers, directors and employees may, to the extent it relates to non-US issuers and is permitted by applicable law, have acted upon or used this material prior to, or immediately following, its publication.

Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk.

The securities described herein may not have been registered under the U.S. Securities Act of 1933, and, in such case, may not be offered or sold in the United States or to U.S. persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. Unless governing law permits otherwise, you must contact a Nomura entity in your home jurisdiction if you want to use our services in effecting a transaction in the securities mentioned in this material.

This publication has been approved for distribution in the United Kingdom and European Union as investment research by Nomura International plc ("NIPIC"), which is authorised and regulated by the U.K. Financial Services Authority ("FSA") and is a member of the London Stock Exchange. It does not constitute a personal recommendation, as defined by the FSA, or take into account the particular investment objectives, financial situations, or needs of individual investors. It is intended only for investors who are "eligible counterparties" or "professional clients" as defined by the FSA, and may not, therefore, be redistributed to retail clients as defined by the FSA. This publication may be distributed in Germany via Nomura Bank (Deutschland) GmbH, which is authorised and regulated in Germany by the Federal Financial Supervisory Authority ("BaFin"). This publication has been approved by Nomura International (Hong Kong) Ltd. ("NIHK"), which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. Neither NIPIC nor NIHK hold an Australian financial services license as both are exempt from the requirement to hold this license in respect of the financial services either provides. This publication has also been approved for distribution in Malaysia by Nomura Securities Malaysia Sdn. Bhd. In Singapore, this publication has been distributed by Nomura Singapore Limited ("NSL"). NSL accepts legal responsibility for the content of this publication, where it concerns securities, futures and foreign exchange, issued by its foreign affiliate in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this publication may contact NSL in respect of matters arising from, or in connection with, this publication. NSI accepts responsibility for the contents of this material when distributed in the United States.

No part of this material may be (i) copied, photocopied, or duplicated in any form, by any means, or (ii) redistributed without the prior written consent of the Nomura Group member identified in the banner on page 1 of this report. Further information on any of the securities mentioned herein may be obtained upon request. If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

This publication has not been approved for distribution in the Kingdom of Saudi Arabia or to clients other than 'professional clients' in the United Arab Emirates by Nomura Saudi Arabia, Nomura International plc or any other member of the Nomura Group, as the case may be. Neither this publication nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into the Kingdom of Saudi Arabia or in the United Arab Emirates or to any person located in the Kingdom of Saudi Arabia or to clients other than 'professional clients' in the United Arab Emirates. By accepting to receive this publication, you represent that you are not located in the Kingdom of Saudi Arabia or that you are a 'professional client' in the United Arab Emirates and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the Kingdom of Saudi Arabia or the United Arab Emirates.

#### **Additional information available upon request.**

NIPIC and other Nomura Group entities manage conflicts identified through the following: their Chinese Wall, confidentiality and independence policies, maintenance of a Stop List and a Watch List, personal account dealing rules, policies and procedures for managing

conflicts of interest arising from the allocation and pricing of securities and impartial investment research and disclosure to clients via client documentation.

**Disclosure information is available at the Nomura Disclosure web page: <http://www.nomura.com/research>**

---

**Nomura Securities Malaysia Sdn. Bhd.**

Tel: +60 3 2076 6811

Suite No 16.5, Level 16, Menara IMC, 8 Jalan Sultan Ismail,  
50250 Kuala Lumpur, Malaysia

Fax: +60 3 2076 6888

---

*Caring for the environment: to receive only the electronic versions of our research, please contact your sales representative.*