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BUY

Fair Value  
Previous  
Price

RM6.91  
RM6.91  
RM3.96

**RUBBER GLOVES**

Supermax's principal activities are in the manufacture of medical rubber gloves.

**Stock Statistics**

Bloomberg Ticker	SUCB MK
Share Capital (m)	340.08
Market Cap (RMm)	1346.72
52 week H L Price (RM)	6.60   3.75
3mth Avg Vol ('000)	825.4
YTD Returns	2.0
Beta (x)	1.45

**Major Shareholders (%)**

Dato' Seri Stanley Tai	20.41
Datin Seri Cheryl Tan	15.09
EPF	9.00

**Share Performance (%)**

Month	Absolute	Relative
1m	-4.0	-2.0
3m	-7.4	-7.7
6m	-10.2	-11.7
12m	-22.7	-33.4

**6-month Share Price Performance****1QFY11 Results Review****Supermax Corporation****Affected By External Factors**

Supermax's 1QFY11 results were below expectations. As anticipated, the results were lower owing to the higher latex price, forex losses and slower-than-expected demand for examination gloves from certain countries. With that, 1QFY11 net profit dropped by 25.5% q-o-q and 52.6% YTD due to margin compression on higher latex price coupled with an unfavorable exchange rate. However, we still maintain our Buy call on the stock. Within a 6 to 12 months horizon, we think Supermax's earnings stand a strong chance to re-rate.

**Below expectations.** Supermax's 1QFY11 results were below consensus and our expectations, making up 14% and 16% of FY11 forecasts. As highlighted in our result preview note recently, we had anticipated a poorer-than-expected results due to the higher latex price, which rose 18% or RM1.57 from RM8.58/kg in 4QFY10 to RM10.15/kg in 1QFY11, potential forex losses and likely slower-than-expected demand for examination gloves from certain countries, especially the developing countries for natural rubber gloves. We believe this reported poor 1QFY11 results was inline with our earlier view. Although 1QFY11 revenue was up 3.7% q-o-q and 9.4% YTD following the higher selling prices of gloves on incorporating higher latex cost and production capacity, its net profit continue to fall by 25.5% q-o-q and 52.6% YTD due to margin compression on higher latex price coupled with an unfavorable exchange rate.

**Maintain Buy.** Our target price for Supermax of RM6.91 is based on a PER of 13x FY12 EPS. As mentioned earlier, we think Supermax's valuation still stands out over some of its peers given that the company is only trading at a single-digit PER. Within a 6 to 12 months horizon and provided the latex price does not break its recent high of about RM11.00/kg and continues its recent uptrend, we think Supermax's earnings stand a strong chance to re-rate as it can then pass on the latex cost increase to its customers in a more accurate and timely manner.

FYE Dec (RMm)	FY08	FY09	FY10	FY11f	FY12f
Revenue	811.8	814.8	923.3	1,127.5	1,227.8
Net Profit	47.0	129.8	168.2	155.5	176.4
% chg y-o-y	-20.9	176.1	29.6	(7.5)	13.4
Consensus	-	-	-	166.0	184.0
EPS (sen)	13.7	37.7	50.7	46.9	53.2
DPS (sen)	4.0	11.0	11.0	11.5	13.5
Dividend yield (%)	1.0	2.8	2.8	2.9	3.4
ROE (%)	11.5	26.3	26.6	20.2	19.5
ROA (%)	5.1	13.5	16.0	12.9	13.2
PER (x)	29.0	10.5	7.8	8.4	7.4
BV/share (RM)	1.29	1.68	2.13	2.52	2.95
P/BV (x)	3.2	2.6	2.0	1.7	1.4
EV/ EBITDA (x)	14.3	9.2	8.6	9.3	7.8

**Results Table (RMm)**

<b>FYE Dec</b>	<b>1Q11</b>	<b>4Q10</b>	<b>Q-o-Q chg</b>	<b>YTD FY11</b>	<b>YTD FY10</b>	<b>Y-o-Y chg</b>	<b>Comments</b>
Turnover	241.4	232.7	3.7%	241.4	220.7	9.4%	Higher due to the higher selling prices of gloves on incorporating higher latex cost and production capacity.
EBITDA	29.5	33.1	-10.9%	29.5	58.2	-49.4%	Lower due to margin compression on higher latex price coupled with unfavorable exchange rate.
Depreciation	-11.0	-10.7	3.0%	-11.0	-10.7	3.5%	
Net interest expense	-3.3	-2.3	43.1%	-3.3	-3.7	-11.4%	
Associates	10.5	12.8	-18.0%	10.5	10.5	0.4%	
PBT before EI	25.6	32.8	-22.0%	25.6	54.3	-52.8%	
EI	0.0	0.0	-	0.0	0.0	-	
PBT	25.6	32.8	-22.0%	25.6	54.3	-52.8%	
Tax	-1.2	-0.1	1086.3%	-1.2	-2.8	-56.9%	
MI	0.0	0.0		0.0	0.0		
Reported Net Profit	24.4	32.7	-25.5%	24.4	51.5	-52.6%	Lower in line with lower EBITDA.
Core Net Profit	24.4	32.7	-25.5%	24.4	51.5	-52.6%	
Core EPS (sen)	7.2	9.6		7.2	19.0		
DPS (sen)	0.0	2.5		0.0	0.0		
EBITDA margin	12.2%	14.2%		12.2%	26.4%		
NTA/share (RM)	2.08	2.08		2.08	2.03		

**EARNINGS FORECAST**

<b>FYE Dec (RMM)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11f</b>	<b>FY12f</b>
Turnover	811.8	814.8	923.3	1,127.5	1,227.8
EBITDA	115.2	162.3	174.5	155.2	174.4
PBT	52.0	152.1	177.4	165.5	187.6
Net Profit	47.0	129.8	168.2	155.5	176.4
EPS (sen)	13.7	37.7	50.7	46.9	53.2
DPS (sen)	4.0	11.0	11.0	11.5	13.5
<b>Margin</b>					
EBITDA (%)	14.2	19.9	18.9	13.8	14.2
PBT (%)	6.4	18.7	19.2	14.7	15.3
Net Profit (%)	5.8	15.9	18.2	13.8	14.4
<b>ROE (%)</b>	11.5	26.3	26.6	20.2	19.5
<b>ROA (%)</b>	5.1	13.5	16.0	12.9	13.2
<b>Balance Sheet</b>					
Fixed Assets	507.2	569.5	614.8	783.2	843.6
Current Assets	477.5	364.6	546.6	471.5	582.3
Total Assets	984.7	934.1	1,161.5	1,254.6	1,425.9
Current Liabilities	387.4	202.2	289.5	254.6	281.7
Net Current Assets	90.1	162.4	257.1	216.9	300.6
LT Liabilities	168.7	173.9	165.9	165.9	165.9
Shareholders Funds	428.6	558.0	706.1	834.2	978.3
Net Gearing (%)	78.1	31.5	27.0	16.3	5.2

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