


RUBBER GLOVE

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Stock Profile/Statistics

Bloomberg Ticker	SUCB MK
KLCI	Equity 1026.78
Issued Share Capital (m)	265.27
Market Capitalisation (RMm)	400.55
52 week H L Price (RM)	1.75 0.78
Average Volume (3m) '000	698.26
YTD Returns (%)	0.76
Net gearing (x)	0.90
Altman Z-Score	1.89
ROCE/WACC	1.48
Beta (x)	0.86
Book Value/share (RM)	1.49

Major Shareholders (%)

Dato' Seri Stanley Tai	23.85
Datin Seri Cheryl Tan	17.49
FELDA	6.61

Share Performance (%)

Month	Absolute	Relative
1m	75.00	47.26
3m	63.83	38.38
6m	67.36	38.62
12m	(9.00)	15.26

6-month Share Price Performance


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

1QFY09 Results Review

Private Circulation Only

Supermax Corp.

BUY	Maintain
Price	RM1.51
Target	RM2.05

A New Chapter Unfolds

Supermax's 1QFY09 results were within expectations. The strong results were attributed to production efficiency, higher contribution from its distribution units and more favourable exchange rates. Also, the company no longer has to carry the burden of 14.09% associate APLI, which has not been performing up to expectation since it had fully impaired the stake in 4QFY08 and management has not sought re-election after retiring from the board last year. This development opens a new chapter for the company. **Maintain Buy with an upgraded target price of RM2.05.**

Results within expectation. The 1QFY09 net profit made up about 28% and 29% of consensus and our FY09 forecasts respectively. Although 1QFY09 revenue was up marginally by 5.2% q-o-q and 0.5% YTD, the core net profit of RM19.7m was higher by 8.4% q-o-q and 25.3% YTD mainly due to: 1) a reduction in operating expenses; 2) higher profit contribution from its distribution units, and 3) more favourable exchange rates during the quarter. Also, the 1QFY09 EBITDA margin of 14.5% improved marginally by 0.6%-pts and 2.4%-pts q-o-q and YTD respectively as a result of production efficiency in producing higher grade medical gloves and more favourable latex prices.

FY09-10 earnings upgraded by 8% respectively. Our earnings revision is in line with the strong 1QFY09 results as well as better outlook for the rubber glove industry in tandem with the expected recovery in the global economy, which may boost the demand for the non-medical glove segment. Also, Supermax is now free from the burden of 14.09% associate APLI, which was fully impaired in 4QFY08. Management retired from the APLI board last year and has not sought for re-election.

Maintain BUY. We are revising upwards our target price for Supermax to RM2.05 based on PER of 7x FY10 earnings (previously RM1.62 based on a PER of 6x FY10 earnings). Our upgraded PER valuation is also in line with the company's improving outlook as it now can focus on OBM gloves with APLI now out of the picture. At the current share price, we think Supermax's valuation is attractive as it is trading at a PER of 5.2x FY10 earnings, which is still below the rubber glove industry average of about 8.5x. Also, management is guiding for a full-year EPS of 26-27 sen for 2009.

FYE 31 Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Total revenue	389.1	582.1	833.4	1,109.8	1,203.5
Net Profit	40.8	59.4	46.5	71.3	77.7
Consensus profit	-	-	-	65.8	76.0
% chg YoY	12.6	45.5	(21.7)	53.4	8.9
EPS (sen)	15.4	21.4	16.7	25.7	29.3
Gross DPS (sen)	2.8	3.3	4.0	4.0	4.0
Gross Div Yield (%)	1.8	2.2	2.6	2.6	2.6
ROE (%)	18.3	18.8	11.3	15.4	14.7
ROA (%)	8.2	8.6	5.0	6.8	6.9
PER (x)	10.9	7.1	9.0	5.9	5.2
P/BV	1.7	1.1	1.0	0.9	0.7
EV/EBITDA (x)	10.5	8.1	7.3	6.6	5.3

APPENDIX

Figure 1: Results Table

FYE Dec 31 (RMm)	1QFY09	4QFY08	% chg	FY09	FY08	% chg
Turnover	192.4	182.8	5.2%	192.4	191.5	0.5%
EBITDA	27.8	26.7	4.2%	27.8	23.2	19.8%
Depreciation	(7.5)	(7.1)	5.2%	(7.5)	(7.1)	5.2%
Net interest expense	(5.0)	(5.1)	-0.2%	(5.0)	(5.0)	1.1%
Associates	8.1	6.2	30.5%	8.1	5.2	56.3%
PBT before EI	23.5	20.8	12.9%	23.5	16.4	43.4%
EI	0.0	(16.7)		0.0	0.0	
PBT	23.5	4.1	473.5%	23.5	16.4	43.4%
Tax	(3.8)	(2.6)	44.2%	(3.8)	(0.6)	497.6%
MI	0.0	0.0		0.0	0.0	
Reported Net Profit	19.7	1.5	1226.2%	19.7	15.7	25.3%
Core Net Profit	19.7	18.2	8.4%	19.7	15.7	25.3%
Core EPS (sen)	7.4	6.9		7.4	6.1	
EBITDA margin	14.5%	13.9%		14.5%	12.1%	

FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Turnover	389.1	582.1	833.4	1,109.8	1,203.5
EBITDA	55.9	92.1	100.1	117.9	138.6
PBT	47.2	67.2	51.6	83.9	91.4
Net Profit	40.8	59.4	46.5	71.3	77.7
EPS (sen)	15.4	21.4	16.7	25.7	29.3
DPS (sen)	2.8	3.3	4.0	4.0	4.0
Margin					
EBITDA	14.4%	15.8%	12.0%	10.6%	11.5%
PBT	12.1%	11.5%	6.2%	7.6%	7.6%
Net Profit	10.5%	10.2%	5.6%	6.4%	6.5%
ROE	18.3%	18.8%	11.3%	15.4%	14.7%
ROA	8.2%	8.6%	5.0%	6.8%	6.9%
Balance Sheet					
Fixed Assets	300.7	510.6	507.2	502.4	496.1
Current Assets	219.2	359.0	482.5	606.9	656.2
Total Assets	519.9	869.6	989.7	1,109.3	1,152.3
Current Liabilities	126.3	309.7	391.0	446.8	419.8
Net Current Assets	92.9	49.3	91.5	160.1	236.4
LT Liabilities	152.8	168.7	168.7	168.7	168.7
Shareholders' Fund	240.8	391.2	430.1	493.7	563.8
Net Gearing (%)	76.4%	88.3%	77.9%	76.0%	58.6%

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Published and printed by :-

OSK RESEARCH SDN. BHD. (206591-V)

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