



Jason Yap
+60 (3) 9207 7698
Jason.yap@osk.com.my

1QFY10 Results Review

Supermax Corporation

A Bountiful Quarter

BUY ↻

Target
Previous
Price

RM11.39
RM10.00
RM6.99

RUBBER GLOVES

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

Stock Statistics

Bloomberg Ticker	SUCB MK
Share Capital (m)	271.41
Market Cap (RMm)	1897.16
52 week H L Price (RM)	7.45 1.04
3mth Avg Vol ('000)	3,572.5
YTD Returns	50.9
Beta (x)	1.17

Major Shareholders (%)

Dato' Seri Stanley Tai	20.24
Datin Seri Cheryl Tan	14.62

Share Performance (%)

Month	Absolute	Relative
1m	16.5	21.2
3m	26.1	18.1
6m	157.4	125.0
12m	616.5	367.0

6-month Share Price Performance



The estimates beating 1QFY10 results were mainly boosted by higher glove selling prices and persistently robust demand for examination gloves. Going forward, we continue to see hearty demand growth for gloves as the global population becomes increasing more hygiene conscious. We are upgrading our FY10-11 forecasts by 14%-18%, which bumps up our target price to RM11.39 (previously RM10.00), based on the present PER of 15x FY11 EPS.

Above expectations. Supermax's 1QFY10 results were above consensus and our expectations, making up 31% of the FY10 forecasts. The 1QFY10 revenue of RM220.7m was higher by 12.3% q-o-q, mainly contributed by surging sales and higher selling prices of gloves as the company passed on the higher latex cost to its customers. The increase was also contributed by continuous demand for medical examination gloves, which allows Supermax to effectively pass through >90% of its costs in a timely manner (<1 month). The revenue growth also led to a higher 1QFY10 core net profit of RM51.5m, which was an increase of 4.0% q-o-q. To recap, there was an exceptional item in 4QFY09 in the form of a one-off interest payment of RM5.4m arising from the company's earlier redemption of its bonds. Revenue and net profit were higher YTD, bolstered mainly by higher production capacity and higher selling prices of gloves.

Upgrading our FY10-11 forecasts by 14%-18%. Our upgrade is in line with the stellar 1QFY10 results and anticipation of robust demand for examination gloves as hygiene awareness among the global population grows.

Maintain Buy. We are upgrading our target price for Supermax to RM11.39 based on the stock's existing PER of 15x FY11 EPS. We continue to like the company's ideal product mix (>70% natural rubber gloves) targeting the right markets in developing countries. We believe the company is poised to be one of the big beneficiaries as hygiene standards in developing countries like China and India start to move up as awareness grows.

FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Revenue	582.1	811.8	814.8	1,176.0	1,385.5
Net Profit	59.4	47.0	129.8	195.4	201.4
% chg y-o-y	45.5	-20.9	176.1	50.6	3.1
Consensus	-	-	-	177.0	204.0
EPS (sen)	21.4	16.9	46.7	73.7	75.9
DPS (sen)	3.3	4.0	10.0	8.5	9.0
Dividend yield (%)	0.5	0.6	1.4	1.2	1.3
ROE (%)	18.8	11.4	26.3	30.2	24.3
ROA (%)	8.6	5.1	13.5	18.7	15.9
PER (x)	32.7	41.3	15.0	9.5	9.2
BV/share (RM)	1.47	1.62	2.10	2.78	3.47
P/BV (x)	5.1	4.6	3.6	2.7	2.1
EV/ EBITDA (x)	23.9	19.0	12.5	7.9	7.6

Results Table (RMm)

FYE Dec	1Q10	4Q09	Q-o-Q chg	YTD FY10	YTD FY09	Y-o-Y chg	Comments
Turnover	220.7	196.4	12.3%	220.7	192.4	14.7%	Higher q-o-q due to: 1) the increase in glove sales on growing hygiene awareness, and 2) the higher selling prices of gloves on incorporating higher latex cost
EBITDA	58.2	54.0	7.8%	58.2	27.8	109.3%	Higher in line with the higher revenue.
Depreciation	-10.7	-8.3	28.3%	-10.7	-7.5	43.0%	
Net interest expense	-3.7	-3.1	21.5%	-3.7	-5.0	-25.7%	
Associates	10.5	13.4	-21.8%	10.5	8.1	28.4%	Lower as income from Latin America began to normalize back.
PBT before EI	54.3	56.0	-3.0%	54.3	23.5	131.3%	
EI	0.0	-5.4	-	0.0	0.0	-	4QFY09 saw an exceptional item in the form of a one-off interest expense as a result of earlier bond repayment.
PBT	54.3	50.6	7.3%	54.3	23.5	131.3%	
Tax	-2.8	-6.5	-56.7%	-2.8	-3.8	-25.3%	
MI	0.0	0.0		0.0	0.0		
Reported Net Profit	51.5	44.1	16.7%	51.5	19.7	161.2%	
Core Net Profit	51.5	49.5	4.0%	51.5	19.7	161.2%	Slightly higher following production margin improvement, production efficiency and cost savings.
Core EPS (sen)	19.0	18.5		19.0	7.4		
DPS (sen)	0.0	8.0		0.0	0.0		
EBITDA margin	26.4%	27.5%		26.4%	14.5%		
NTA/share (RM)	2.23	2.05		2.23	1.97		

EARNINGS FORECAST

FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Turnover	582.1	811.8	814.8	1,176.0	1,385.5
EBITDA	92.1	115.2	162.3	257.2	265.8
PBT	67.2	52.0	152.1	229.9	237.0
Net Profit	59.4	47.0	129.8	195.4	201.4
EPS (sen)	21.4	16.9	46.7	73.7	75.9
DPS (sen)	3.3	4.0	10.0	8.5	9.0
Margin					
EBITDA (%)	15.8	14.2	19.9	21.9	19.2
PBT (%)	11.5	6.4	18.7	19.6	17.1
Net Profit (%)	10.2	5.8	15.9	16.6	14.5
ROE (%)	18.8	11.4	26.3	30.2	24.3
ROA (%)	8.6	5.1	13.5	18.7	15.9
Balance Sheet					
Fixed Assets	510.6	507.2	569.5	658.8	741.0
Current Assets	359.0	479.5	364.6	494.3	640.1
Total Assets	869.6	986.7	934.1	1,153.1	1,381.0
Current Liabilities	309.7	387.4	202.2	242.0	287.0
Net Current Assets	49.3	92.1	162.4	252.3	353.1
LT Liabilities	168.7	168.7	173.9	173.9	173.9
Shareholders Funds	391.2	430.6	558.0	737.2	920.2
Net Gearing (%)	88.3	77.8	31.5	22.4	17.9

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

All research is based on material compiled from data considered to be reliable at the time of writing. However, information and opinions expressed will be subject to change at short notice, and no part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. We do not accept any liability directly or indirectly that may arise from investment decision-making based on this report. The company, its directors, officers, employees and/or connected persons may periodically hold an interest and/or underwriting commitments in the securities mentioned.

Distribution in Singapore

This research report produced by OSK Research Sdn Bhd is distributed in Singapore only to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with, this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd ("DMG").

All Rights Reserved. No part of this publication may be used or re-produced without expressed permission from OSK Research.
Published and printed by :-

OSK RESEARCH SDN. BHD. (206591-V)

(A wholly-owned subsidiary of OSK Investment Bank Berhad)



Chris Eng

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd. 12 th Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	Singapore Office DMG & Partners Securities Pte. Ltd. 20 Raffles Place #22-01 Ocean Towers Singapore 048620 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 th Floor, Jln. Jend. Sudirman Kav 25, Jakarta 12920 Indonesia Tel : +(6221) 520 4599 Fax : +(6221) 520 4598	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No.1266, West Nan Jing Road 200040 Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633