

# Supermax Corporation Berhad

**TP: RM12.33** (+81.4%)

2QFY21 Surpassed RM1bn Profit

Last Traded: RM6.80

**Buy**

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### Review

- Supermax's achieved another record profit for 1HFY21 at RM1.85bn, which came in within our expectation at 48.7% of our full-year projections but above consensus estimates at 55.6%.
- 1HFY21 profit surged about 33.7 times to RM1.85bn, underpinned by higher ASP thanks to increased OBM sales and higher sales volume from the fully commissioned production lines at Plant 12 Block B (2.2bn gloves). As such, PAT margin expanded by 47.9p.p to 55.2%.
- QoQ, PBT increased 33.2% to RM1.4bn while revenue grew 47.8% to RM2.0bn. The solid results were due to higher ASP of more than 25% and increased sales volumes. Overall utilisation rates are at above 90% in 2QFY21.
- Separately, the group declared a first interim dividend of 3.8sen per share, representing a payout ratio of only 5.3% for 1HFY21.

### Impact

- No change to our FY21-FY23 earnings projections at this juncture, pending a briefing later today.

### Outlook

- Supermax expects better profits in the coming quarters as ASP has continuously trended upward. The higher ASP would mostly come from natural rubber glove prices (circa-5% MoM) while nitrile glove prices are expected to remain stable. Note that the group has sold out all its capacity until end-21.
- On expansion, Supermax targets to increase the total capacity to 36.4bn and 48.4bn by end-21 and end-22 respectively, from its current capacity of circa-26.2bn gloves/annum.

### Valuation

- We maintain our TP at RM12.33/share based on 11x CY21 EPS. Reiterate Buy.

### Share Information

Bloomberg Code	SUCB MK
Stock Code	7106
Listing	Main Market
Share Cap (mn)	2721.0
Market Cap (RMmn)	18,500.0
52-wk Hi/Lo (RM)	11.954/0.636
12-mth Avg Daily Vol ('000 shrs)	49,786.4
Estimated Free Float (%)	61.7
Beta	1.6

### Major Shareholders (%)

Supermax Holdings Sdn Bhd- 38.3

### Forecast Revision

	FY21	FY22
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	3800.0	2301.3
Consensus	3325.0	2035.0
TA's / Consensus (%)	114.3	113.1
Previous rating	Buy (Maintained)	

### Financial Indicators

	FY21	FY22
Net gearing (x)	Net cash	Net cash
P/CFPS (x)	4.8	9.3
ROAA (%)	81.2	33.2
ROAE (%)	157.3	58.5
NTA/Share (RM)	1.2	1.7
Price/ NTA (x)	5.6	4.0

### Scorecard

	% of FY	
vs. TA	48.7	Within
vs. Consensus	55.6	Above

### Share Performance (%)

Price Change	SUCB	FBM KLCI
1 mth	12.2	(4.7)
3 mth	(26.4)	4.8
6 mth	(25.6)	(2.7)
12 mth	680.7	1.0

### (12-Mth) Share Price relative to the FBMKLCI



**Table 1: IHFY21 Result Analysis**

FYE June (RM mn')	2QFY20	1QFY21	2QFY21	QoQ	YoY	IHFY20	IHFY21	YoY
Revenue	385.5	1,352.5	1,998.6	47.8	418.5	755.4	3,351.2	343.6
Operating expenses	(338.8)	(313.5)	(602.0)	92.0	77.7	(672.9)	(915.5)	36.1
EBITDA	59.3	1,065.7	1,414.7	32.7	2,286.0	108.5	2,480.4	2,186.8
Finance costs	(4.6)	(2.4)	(2.0)	(18.2)	(57.4)	(8.8)	(4.4)	(50.3)
Share of profit of associates	(0.3)	12.6	2.6	(79.6)	(1,030.3)	0.5	15.2	2,753.9
PBT	41.8	1,049.2	1,397.2	33.2	3,240.4	74.3	2,446.5	3,193.9
Taxation	(11.8)	(236.8)	(317.5)	34.1	2,589.4	(19.3)	(554.3)	2,773.5
PAT(-MI)	30.2	789.5	1,059.5	34.2	3,412.2	54.9	1,849.0	3,267.2
EPS (sen)	1.2	30.6	41.1	34.5	3,477.4	2.1	71.8	3,319.0
DPS (sen)	0.0	0.0	3.8	nm	nm	0.0	3.8	nm
				<b>PP</b>	<b>PP</b>			<b>PP</b>
EBITDA margin (%)	15.4	78.8	70.8	(8.0)	55.4	14.4	74.0	59.7
PBT margin (%)	10.9	77.6	69.9	(7.7)	59.1	9.8	73.0	63.2
Tax rates (%)	28.2	22.6	22.7	0.2	(5.5)	26.0	22.7	(3.3)
PAT (-MI) margin (%)	7.8	58.4	53.0	(5.4)	45.2	7.3	55.2	47.9

**Table 2: Earnings Summary**

FYE June (RM mn')	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,538.2	2,131.8	6,908.3	6,594.2	5,311.8
Other income	5.5	18.1	19.0	20.0	21.0
Operating expenses	(1,351.6)	(1,444.3)	(2,013.3)	(3,513.5)	(3,537.6)
Finance Cost	(19.7)	(17.1)	(23.4)	(20.0)	(19.8)
PBT	172.4	688.6	4,890.7	3,080.7	1,775.3
Taxation	(49.3)	(153.0)	(1,090.6)	(779.4)	(449.2)
Net profit (-MI)	123.1	525.6	3,800.0	2,301.3	1,326.2
Adj EPS (sen)	4.5	19.3	139.7	84.6	48.7
EPS Growth (%)	15.4	326.9	623.0	(39.4)	(42.4)
PER (x)	150.3	35.2	4.9	8.0	13.9
Dividend (sen)	0.8	na	55.9	33.8	19.5
Div Yield (%)	0.1	na	8.2	5.0	2.9

### Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Tuesday, February 02, 2021, the analyst, Tan Kong Jin, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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