

Supermax Corporation Berhad

(7106 | SUCB MK) | Health Care | Health Care Equipment & Services

Maintain NEUTRAL

Revised Target Price: RM16.80
(Previously RM11.20)

Proposes one-for-one bonus issue

KEY INVESTMENT HIGHLIGHTS

- **Proposes one-for-one bonus issue**
- **Bonus issue to improve trading liquidity**
- **Bonus issue to enhance affordability of shares**
- **Earnings forecast maintained**
- **Maintain Neutral with a revised TP of RM16.80**

Proposes one-for-one bonus issue. Supermax announced that the company proposes to undertake a bonus issue of up to 1,360,309,760 new Supermax shares on the basis of one bonus share for every one existing Supermax share. The entitlement date will be determined and announced later. The bonus issue is expected to be completed by 3QCY20.

Bonus issue to improve trading liquidity. The bonus issue of shares is positive to shareholders as it would enable the existing shareholders of Supermax to have greater participation in the equity of Supermax in terms of number of shares held. Besides, the bonus issue would improve trading liquidity of Supermax shares as enlarged issued share capital is expected to double to 2.72bil shares after the completion of bonus issue.

Enhance affordability of shares. The bonus issue will reduce stock price of Supermax and increase attractiveness of Supermax shares. We estimate theoretical ex-bonus issue price, assuming yesterday's closing price, to be at RM8.73. Hence, we expect the bonus issue to enhance affordability of Supermax shares to retail investors.

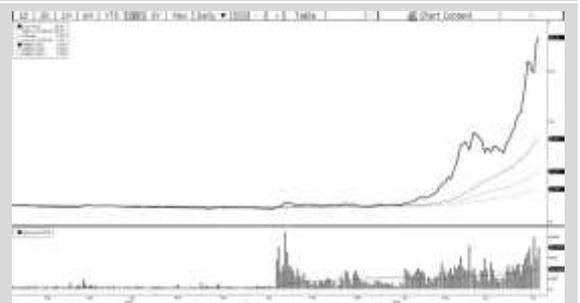
Earnings forecast maintained. We make no changes to our earnings forecast for FY20/21F as the bonus issue is not expected to have effect on earnings of Supermax. Earnings outlook for Supermax is positive, underpinning by higher average selling price (ASP) of gloves amid Covid-19 pandemic.

Maintain Neutral with a revised TP of RM16.80. We revise our TP for Supermax to RM16.80 from RM11.20 as we roll over our valuation to FY22. We peg FY22F EPS at a higher PER of 48x (previously 38x) due to better liquidity of Supermax shares. We value Supermax close to its +2SD 3-year mean due to the positive outlook for ASP of gloves. Nevertheless, we maintain our **NEUTRAL** call on Supermax due to its rich valuation. 

RETURN STATISTICS

Price @ 20 th July 2020 (RM)	18.40
Expected share price return (%)	-8.9
Expected dividend yield (%)	0.3
Expected total return (%)	-8.6

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	148.6	135.8
3 months	130.0	699.8
12 months	1039.2	1088.5

KEY STATISTICS

FBM KLCI	1589.45
Syariah compliant	Yes
Issue shares (m)	1326.60
Estimated free float (%)	58.24
Market Capitalisation (RM'm)	23,762.16
52-wk price range	RM1.29 - RM19.6
Beta vs FBM KLCI (x)	1.90
Monthly velocity (%)	8.17
Monthly volatility (%)	16.48
3-mth average daily volume (m)	38.55
3-mth average daily value (RM'm)	325.09
Top Shareholders (%)	
Thai Kim Sim	21.86
Tan Bee Geok	16.18

Analyst(s)

Jessica Low Jze Tieng
Jessica.low@midf.com.my
03-21738391

INVESTMENT STATISTICS

Financial year ending 30th June (in RM'm, unless otherwise stated)	2018A	2019A	2020E	2021F	2022F
Revenue	1,304.5	1,538.2	2,433.3	3,362.9	4,043.2
Cost of goods sold	(1,134.6)	(1,351.6)	(2,018.6)	(2,776.3)	(3,346.0)
Gross profit	169.9	186.6	414.7	586.6	697.2
Finance costs	(14.0)	(19.7)	(31.2)	(43.1)	(51.8)
PBT	161.9	172.4	394.3	558.4	663.3
Taxation	(51.8)	(49.3)	(118.3)	(167.5)	(199.0)
PATANCI	106.7	123.1	272.8	386.4	458.9
PBT Margin (%)	12.4	11.2	16.2	16.6	16.4
PATANCI Margin (%)	8.2	8.0	11.2	11.5	11.3
EPS (sen)	8.1	9.4	20.8	29.5	35.0
EPS Growth (%)	58.7	15.4	121.6	41.7	18.8
PER (x)	226.1	195.9	88.4	62.4	52.6
Dividend (sen)	4.0	1.5	5.0	5.0	5.0
Dividend yield (%)	0.2	0.1	0.3	0.3	0.3

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.