END OF 'SUPER PROFITS'? SHARES OF TOP MEDICAL GLOVE MAKER FALL AS COVID-INDUCED DEMAND EASES

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Shares of Malaysia's Top Glove, the world's largest medical glove maker, have fallen by more than 50% this year as the rollout of Covid-19 vaccinations worldwide dampened demand for gloves.

"Like in every business, there're always highs and lows. And you cannot expect super profits to continue for a long, long time. So, we're glad that we had a good run last year," Lee Kim Meow, Top Glove's managing director, told CNBC's "Street Signs Asia" on Monday.

The company on Friday announced a 48% year-on-year drop in net profit to 608 million Malaysian ringgit ($145.11 million) in the June-to-August period. Revenue was around 2.1 billion ringgit, 32% lower than a year ago.

The results “were softer on the back of normalising demand, following mass vaccine rollout on a global scale, leading to lower sales volume and [average selling prices], which were not matched by a corresponding reduction in raw material prices,” Top Glove said in its financial statement.

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In addition, the company’s sales were hit by a U.S. import ban due to allegations of forced labor practices. The ban was lifted earlier this month.

Top Glove shares in Malaysia fell more than 8% on Monday, extending its year-to-date losses to over 54%.

Other Malaysian glove stocks also declined, with Hartalega, Supermax and Kossan registering losses of between 4% and 6% on Monday.

In comparison, the benchmark stock index FTSE Bursa Malaysia KLCI Index dropped 1.3% on the same day.

Last year, Top Glove shares jumped 290% as it reported record sales and profits, thanks to surging demand for gloves during the pandemic.

Hong Kong stock listing

Top Glove delayed a plan to seek a “dual primary listing” to raise $1 billion on the Hong Kong Stock Exchange after the company was slapped with the U.S. import ban.

Lee told CNBC the company still wants to go ahead with the listing. Top Glove already has a primary listing in Malaysia and a secondary listing in Singapore.

“We felt that for the purpose of long-term business, for the purpose of moving ahead and looking at the advantages of having a listing in Hong

Kong, we felt that it’s something that we have to go through,” said the managing director.

“A listing exercise in Hong Kong will put us in a good spot to be where we want to be in order to thrive for our dream to be a Fortune Global 500 company in the year 2030,” he added.