

TOP GLOVE REMAINS A FAVOURABLE COUNTER, SAYS MAYBANK

12 October 2020 / 12:10



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Maybank Investment Banking Research analyst Lee Yen Ling has reiterated her “buy” call and target price on glove manufacturer Top Glove, at RM9.53 (\$3.12).

This will give the counter a 17% upside from its RM8.80 price on Oct 8, she says.

Lee's optimism comes from the Malaysia-based company's compliance to environmental, social and corporate governance (ESG) and international audit standards such as the Business Social Compliance Initiatives (BSCI) and Sedex Members Ethical Trade Audits (SMETA).

Lee also touches on several improvements to the Withhold Release Order (WRO) imposed by the US Customs and Border Protection (CBP) in mid-July on two of its subsidiaries.

These include: (i) the payout of RM136 million (or 1% of FY21 net profit) to its 11,300 migrant workers as remediation fees, (ii) enlargement of workers' space at hostels in accordance to the minimum standards imposed recently by Malaysian authorities, (iii) ensuring workers wear personal protective equipment and (iv) strengthening its whistle blowing policies,

These developments could see the lift of the WRO by end 2020, says Lee.

“We understand that Top Glove has met all the expectations of the US CBP, save for the remediation fees. Hence, with the remediation fees underway, we think the WRO could be lifted by end-2020,” she observes.

Lee notes that the WRO has not had a “significant impact” on the company as the gloves produced have been diverted to other markets.

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