

TOP GLOVE SHARES TO REMAIN WEAK BECAUSE OF ASPION ISSUE

11 July 2018 / 12:07



NSTP file photo of op Glove Corp Bhd's facility in Meru, Klang. [NSTP/ROSDAN WAHID]

KUALA LUMPUR: Top Glove Corp Bhd's share performance will remain weak given the uncertainties and downside risks of impairment, long-drawn litigation process with Aspion Sdn Bhd and lawsuit fees, analysts said.

The stock narrowed its losses yesterday, from the 24.5 per cent plunge on Tuesday as the rubber glovemaking explained to analysts about its legal action against Singapore's Adventa Capital Pte Ltd to recover at least RM714.86 million from its RM1.37 billion acquisition of Aspion.

Top Glove dropped as much as 57 sen or 5.8 per cent to RM9.33 in early trade, before gaining some grounds to close 0.10 per cent or one sen lower to RM9.89 with 28.78 million shares traded.

Public Investment Bank Bhd, which attended Top Glove's briefing on the issue on Monday, cut its earnings estimates by three to nine per cent for financial years 2018-2020. This was to account for lower contribution from Aspion.

PublicInvest's target price on the stock is subsequently lowered to RM9.65 from RM10.65.

The firm said Aspion's two-month net profit contribution to Top Glove post-acquisition was only RM7 million, which was far behind the profit target of RM80.9 million for the year ending October 2018.

It also noted that the profit guarantee was no longer valid as Top Glove had taken full control of Aspion.

Public Invest maintained its "trading sell" call on Top Glove and revalued the share price to RM9.65 from RM10.65.

Last week, Top Glove reportedly said it was suing the directors and Aspion former parent Adventa Capital for overstating RM74.4 million in assets and overvaluing the deal by RM640.5 million.

The glove maker said it had only discovered irregularities in Aspion's balance sheet items, especially inventories, plant and machinery, after it bought over the company.

The company had since appointed an independent accounting firm to further investigate the irregularities in Aspion's accounts.

PublicInvest noted that the overvaluation was derived using the annualised net profit of RM40 million for the current financial year based on Aspion's actual seven-month performance.

Top Glove had reportedly said Aspion's profit target of RM80.9 million for the current year ending October 2018 and RM108.3 million for the next year ending October 2019 were not practical, after all.

Pegging a 16.9 times price to earnings ratio, PublicInvest estimated that Aspion was overvalued by RM640.5 million or 52 per cent of the paid acquisition price.

New Straits Times