

TOP GLOVE Q3 RESULTS BELOW EXPECTATIONS

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PETALING JAYA: Maybank Investment Bank Research said Top Glove Corp Bhd's third quarter financial results ended May 31 was "exceptionally weak" and below expectations on a convergence of negative factors.

The research house said it had lowered its "already street-low FY8/16-18 earnings per share forecasts further by 5% per annum on lower average selling price assumptions.

"Our new target price is RM4.35 (-5%; unchanged 15x 2017 PER–mean valuations) and the stock is now a sell. As we expect Top Glove's earnings to normalise ahead, we see downside risk to street's earnings projections and hence, pressure on Top Glove's share price," Maybank said.

It said Top Glove's third quarter to May 31 net profit of RM63mil brought nine months net profit to RM295mil and made up 74% and 72% of the research house and street's full-year forecasts.

"The results are below expectations as we do not expect earnings to significantly strengthen in fourth quarter. A first interim dividend per share

of 6 sen was declared (versus 8 sen interim in FY8/15)—below expectations,” it added.

Maybank expects fourth quarter FY8/16 earnings to improve, but just slightly on lower latex cost, already down 13% from its recent peak in end-April 2016 due to seasonality and easing of nitrile competition. Top Glove raised its nitrile butadiene rubber (NBR) glove average selling price by around 5% in mid-May 2016.

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