

TOP GLOVE ONE OF LARGEST BENEFICIARIES OF COVID-19 PANDEMIC

21 May 2020 / 12:05



KUCHING: Top Glove Corporation Bhd (Top Glove) has been viewed as one of the largest beneficiaries of the Covid-19 pandemic due to the group's highly diversified customer base.

AmlInvestment Bank Bhd (AmlInvestment Bank) recalled that during the previous major pandemic outbreak, Top Glove's earnings and share price were affected.

The research firm noted that at the start of the 2009–2010 H1N1 pandemic, Top Glove's share price was RM0.73 and it rose to RM1.80 by the end.

“Previously during the H1N1 pandemic, Top Glove's revenue and net profit expanded 36 per cent and 38.6 per cent respectively in FY10 as demand soared,” AmlInvestment Bank said.

It highlighted that this resulted in a 0.3ppt improvement in net margins (11.8 per cent in FY10).

“We believe Top Glove is one of the largest beneficiaries of the Covid-19 pandemic due to its highly diversified customer base, which allows the company more freedom for selling price adjustments.

“Top Glove’s expansion plans remain intact. Its production capacity is expected to grow by around 20 per cent year on year (y-o-y) to 76 billion pieces per annum in FY20F, 10 per cent to 86 billion pieces in FY21F and seven per cent to 96 billion pieces in FY22F.

“We are increasing our sales volume assumption by six per cent for FY20F and five per cent for FY21F as plant utilisation is expected to be maxed out at 95 to 100 per cent levels in FY20F before tapering in FY21F where we assume 85 per cent utilisation rate.

“We also raise our average selling price (ASP) assumption by 45 per cent to US\$29 in FY20F, 40 per cent to US\$28 in FY21F and 18 per cent to US\$24 in FY22F.”

All in, AmInvestment Bank increased its earnings forecasts by 98 per cent for FY20F, 95 per cent for FY21F and by 20 per cent for FY22F.

The research firm’s core net profit estimates for FY20F, FY21F and FY22F are now at RM1.044 billion, RM948 million and RM600.3 million, respectively.

“This is underpinned by increased demand as the Covid-19 pandemic persists, assuming it lasts another 12 months.”

Additionally, the research firm estimated Top Glove’s net margins to be around 12.7 per cent in FY20F, 11.5 per cent in FY21F and 8.5 per cent in FY22F.

The Borneo Post