

MAY THE OX YEAR BLESS TOP GLOVE (AND ITS SHAREHOLDERS) WITH BOUNTIFUL HARVEST

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SOMETIMES investors simply do not digest good news or perhaps the perceived good news do not entice them.

On Tuesday (Feb 9), the Malaysian Rating Corporation Bhd (MARC) upgraded Top Glove Corp Bhd's corporate credit rating from AA in 2020 to AA+ in 2021.

This improved rating of AA+ represents the second highest rating to be awarded to a corporate and is one notch away from the highest attainable rating of AAA.

The AA+ rating is also the highest corporate credit rating assigned to a Malaysian manufacturing company to date.

The upgrade follows a significant increase in Top Glove's revenue and cash flow on the back of the company's unprecedented financial performance where its sales revenue spiked to RM4.8 bil while pre-tax profit rose to RM3.1 bil, exceeding the performance registered for the full financial year 2020.

The higher earnings coupled with the full conversion of its US\$200 mil convertible bonds have strengthened the capital structure of the world's largest glove maker, resulting in a more favourable debt-to-equity ratio as of end-1Q FY2021.

But whether this piece of good news – alongside prospects of higher average selling prices or product demand on the back of unabated rise of COVID-19 infection rate globally – will translate into its share price recovery is another question altogether.

On Feb 2, Top Glove was on the verge of price recovery thanks to the GameStop-inspired rally whereby the local infantry of online armies ganged up to teach “shorties” a lesson by propping up its stock price (with positive spill-over effect on every Big Four glove counter).

The glove maker saw its stock soared 53 sen or 8.53% to close at RM6.74 and had even momentarily touched RM7.12 at the commencement of trading before its share price started to consolidate.

But that frenzy soon fizzled out alongside GameStop which is now a pale contrast of what it used to be (the brick and mortar video retailer which closed at US\$347.51 on Jan 27 is only worth US\$51.20 today).

With the forward-looking nature of the stock market which takes into account the likelihood of vaccination becoming a near-term norm, glove stocks – in general – have lost most of the glitter that propelled them to the limelight just a year ago.

As its price continued to drift lower, Top Glove has resumed its share buyback exercise for the first time in 2021 since Dec 14 last year.

The glove maker mopped up 600,700 shares in the open market yesterday (Feb 10) at RM6.15/share which coincidentally was also its closing price for a total sum of RM3.69 mil.

According to its Bursa Malaysia filing, Top Glove currently holds 178.96 million treasury shares which is 2.19% of its total issued share capital of 8.2 billion shares.

On Dec 14, the glove maker spent RM3.63 mil on 576,900 shares while for the duration of that month, Top Glove spent RM123.5 mil on its share buyback exercise.

Since September, the company has utilised a hefty RM1.28 bil of its cash pile for share buyback with RM354.74 mil spent in September and RM802.55 mil in November.

On Tuesday (Feb 9), Top Glove announced in a Bursa filing that its executive chairman Tan Sri Dr Lim Wee Chai intends to deal in the shares of the group during the closed period prior to the release of the company's financial results for 2Q FY2021 ending Feb 28, 2021.

Lim currently holds a collective 34.87% stake in the group. Yesterday (Feb 10), Top Glove announced that its independent non-executive director (INED) Tan Sri Rainer Althoff also harbours intention to deal in the company's shares during the closed period.

Earlier on Feb 5, Top Glove informed that its executive directors Lim Hooi Sin and Lim Cheong Guan as well as its INED Datuk Noripah Kamso also intend to deal with its securities during the closed period.

At 10.17am, Top Glove was up 4 sen or 0.65% at RM6.19 with 4.05 million shares traded, thus valuing the company at RM50.77 bil. – *Feb 11, 2021*