

# MARC UPGRADES TOP GLOVE CREDIT RATING TO AA+ ON STRONG FINANCIAL PERFORMANCE

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## THE EDGE MARKETS

KUALA LUMPUR (Feb 9): Malaysian Rating Corp Bhd (MARC) has upgraded Top Glove Corp Bhd's corporate credit rating to AA+ and kept its outlook at stable.

The rating agency updated the credit rating from AA previously, it said. At the same time, MARC affirmed Top Glove's rating of AA-IS(CG) on special purpose vehicle TG Excellence Bhd's RM3 billion Perpetual Sukuk Wakalah Programme, it said.

Top Glove, which wholly owns TG Excellence, has provided a subordinated unconditional and irrevocable corporate guarantee on the perpetual sukuk, it said.

"The rating upgrade is premised on the significant increase in Top Glove's revenue and cash flow on the back of recording unprecedented sales of gloves resulting from the Covid-19 pandemic.

"The strong financial performance has led to a sharp improvement in the group's overall credit metrics. The rating on the perpetual sukuk has been maintained to reflect its subordination to the group's senior unsecured obligations. This is in line with MARC's notching principles on subordinated debt and hybrid securities for entities rated AA and above," the rating agency said in a statement today.

For the first quarter ended Nov 30, 2020 (1QFY21), Top Glove's revenue increased to RM4.8 billion while profit before tax rose to RM3.1 billion, exceeding its full FY20 performance.

The higher earnings, coupled with the full conversion of its US\$200 million convertible bonds, have strengthened Top Glove's capital structure, leading to an adjusted debt-to-equity ratio of 0.17 times as at end-1QFY21 from 0.95 times in FY19, said MARC.

"Group leverage is not expected to increase over the medium term as its expansion strategy will be largely met by internally generated funds. Its capital expenditure plan is aimed at capturing market share in line with the industry growth forecast of between 15% and 20% over the medium term," said MARC.

Notwithstanding the marked improvement in group performance, MARC said there are some concerns over foreign worker issues in the manufacturing industry. While these have led to restrictions on some of the group's exports, MARC noted the group is implementing measures to allay stakeholders' concerns.