

TOP GLOVE LIKELY TO RISE IN 3Q21

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The glovemaker expects its powdered NR gloves' ASP to increase by 3%-5% going forward

by NUR HANANI AZMAN / pic by TMR FILE

TOP Glove Corp Bhd's near-term outlook remains positive as the group is expected to post stronger results in its third quarter ending May 31, 2021 (3Q21), partly backed by higher rubber glove selling prices in emerging markets.

Hong Leong Investment Bank Bhd analyst Gan Huan Wen said he expects the world's largest glove producer to record stronger 3Q21 earnings against 2Q21 as production volumes were affected by the Enhanced Movement Control Order (EMCO).

In the absence of the EMCO impact on productions, Top Glove estimates that its 2Q21 core profit after tax and minority interests would be about RM500 million higher than the RM2.9 billion reported.

The research firm kept its forecast by maintaining 'Buy' on the counter with an unchanged target price of RM8.14. Top Glove's shares last

traded one sen or 0.2% lower at RM5.40 per share.

Gan said while the company expects the average selling prices (ASPs) for nitrile-and powder-free natural rubber (NR) latex gloves to decline by 3% to 5% in the next two months, powdered NR gloves' ASP is expected to increase.

“Powdered NR gloves' ASP is expected to increase by 3%-5% going forward as powdered gloves are mainly sold to emerging nations, which have not rolled out vaccines as quickly as developed nations,” he said in a note yesterday.

Commenting on its US Customs and Border Protection dilemma, Top Glove said it expects the Withhold Release Order to be revoked soon after being audited.

Top Glove expects this to result in increased sales to the US as its sales volume has only grown by 6% in the first half of 2021 (1H21) year-on-year (YoY) compared to Western Europe, which leapt 62%

YoY over the same period. On the local front, the company was found to have breached the Minimum Standards of Housing, Accommodation and Employee Facilities Act 1990 (Act 446), which came into force in September 2020, after failing to meet certain living requirements for its employees as stipulated by the labour department.

Top Glove was charged based on inspections done in November 2020. The company said it was not given adequate time to make necessary changes.

The glovemaking is expected to be fined RM50,000 per charge (RM500,000 in total).

However, the company said it has since fulfilled all requirements and is currently waiting for the Certificate for Accommodation.

To recap, Top Glove's net profit in its 2Q21 surged 2,380% YoY to RM2.87 billion from RM115.68 million in 2Q20 on the back of higher sales output and high utilisation levels which amplified production efficiency, coupled with higher ASPs in line with market pricing.

Its revenue soared 336.3% YoY to RM5.37 billion from RM1.23 billion due to high demand for gloves globally.

On a year-to-date basis, Top Glove registered a net profit of RM5.23 billion in 1H21, up 2,201.4% YoY, while revenue rose 315.1% YoY to RM10.12 billion.