

NO LONGER GLOOMY ABOUT TOP GLOVE'S PROSPECTS AFTER AN OPEN BRIEFING

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WHILE the withhold release order (WRO) by the by the US Customs and Border Protection (CBP) will negatively impact Top Glove Corp Bhd's sales to the North American markets, the world's largest glove maker can still re-locate its supply to other markets which have seen resurgence in new COVID-19 cases.

Not only will this ensure high demand for its disposable rubber glove, but mitigate the adverse effect of the WRO measure on the glove maker's sales and earnings, according to MIDF Research.

“On the other hand, its factories outside of Malaysia (ie in Thailand, China and Vietnam) will still be able to export to the US,” analyst Ng Bei Shan pointed out in a company update following a webinar by Top Glove yesterday (March 8).

Nevertheless, the research house opined that the reduction in sales to the US might have a slight negative impact on Top Glove's average selling price (ASP) given the management has shared that its ASPs will be adjusted by about 5% to match the current market prices.

"We believe that the diversion of trades to other markets will cushion the impact," justified MIDF Research. "Moreover, its production capacity was capped by the halt in operations previously."

All-in, the research house maintained its "buy" rating on Top Glove with an unchanged target price of RM8.29 as it does not expect significant impact to the company's earnings from the CBP debacle.

However, its theoretical ex-price will be adjusted to RM6.99 if the over-allotment option is fully-taken up for the company's proposed dual-listing on the Hong Kong Exchange (HKEX).

Meanwhile, AmBank Research is still wary of falling glove ASPs, economic effects of the WRO and the accompanying reputational risks that will be encountered by Top Glove.

"We believe that until the CBP lifts the sanction, Top Glove's future outlook remains significantly uncertain," projected the research house.

AmBank Research retained its "hold" rating on Top Glove with an unchanged fair value of RM4.75/share.

At 10.30am, Top Glove was down 13 sen or 2.41% to RM5.27 with 17.09 million shares traded, thus valuing the company at RM43.25 bil. – *April 9, 2021*