

TOP GLOVE'S 3Q SETS THE BAR FOR OTHER GLOVEMAKERS

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TOP Glove Corp Bhd's third-quarter (3Q) financial results released yesterday were much awaited by the market.

Its 3Q ended May 31, 2020, would capture the impact of higher demand and pricing power glovemakers were enjoying due to the Covid-19 pandemic, and in many ways, help investors and analysts rerate the company and its peers like Hartalega Holdings Bhd, Kossan Rubber Industries Bhd and Supermax Corp Bhd.

Top Glove's share price was trading in the RM16-RM18 range under the expectations its earnings could rise by around 200% in the period.

The 3Q financial results did not disappoint. Top Glove's revenue for the quarter grew some 42% year- on-year (YoY) to RM1.69 billion as buyers, including the desperate government, queued up with fresh orders, while earnings rose 366% YoY to RM348 million or earnings per share of 13.6 sen.

With a year's worth of orders in the pipeline and bumper earnings prospects, the company declared an interim dividend of 10 sen a share.

The news saw Top Glove share price jump in the afternoon trading session to a high of RM18, but profit-taking saw it down 38 sen at RM16.70 at close.

The price action in the shares yesterday suggests shareholders were pleased with the numbers and likely holding on in expectations of further gains in the quarters ahead, although the top side could be capped for now.

If the 3Q numbers were weaker, the stock would have more likely come under heavier profit-taking correction. Peers like Hartalega and Supermax closed two sen and 30 sen lower at RM12.44 and RM8.25 respectively yesterday, while Kossan bucked the trend to rise two sen to RM9.10.

The rise in Top Glove and Hartalega's share price has helped the benchmark FTSE Bursa Malaysia KLCI recover much from its low of 1,207 points on March 19. The benchmark remains down 2% year-to-date and closed 8.02 points lower at 1,557 yesterday, with some 9.2 billion shares traded.

Top Glove's robust set of 3Q financial numbers now sets the bar for an equally strong showing from its industry peers.

The outlook for the industry remains good. The World Health Organisation has warned Covid-19 infections and death numbers continue to rise globally despite the lifting of lockdowns and with many more countries moving to normalised economic activity.

The threat of a second wave of infections remains, while the discovery of a vaccine has yet to materialise.

Top Glove MD Datuk Lee Kim Meow said the industry can fall back on about 8%-10% growth annually, even without the Covid-19 pandemic

factor.

With a challenging year ahead and unemployment numbers set to rise as the Malaysian economy edges towards a recession, the real economy-equity markets disconnect will not be reflected in the investment case which remains strong for the glovemakers, but is best reflected in the strong financial performances of the companies.