

TOP GLOVE UPBEAT ON PROSPECTS AS VIRUS OUTBREAK LIFTS DEMAND

19 March 2020 / 12:03



The world's largest glove maker by volume is set for stronger earnings as the coronavirus pandemic boosts demand for its products.

KUALA LUMPUR (Nikkei Markets) -- Malaysia's Top Glove Corporation Thursday reported a 9.3% annual jump in its fiscal second quarter net profit helped by higher sales volume, and the company guided for better performance in the months ahead as demand for its products soar amid COVID-19 pandemic.

Net profit of the world's largest glove maker by volume for the three months ended Feb. 29 totaled 115.68 million ringgit (\$26.25 million) compared with 105.79 million ringgit in the same quarter last year, Top Glove said in an exchange filing. Quarterly revenue jumped 6% year-on-year to 1.23 billion ringgit from 1.16 billion ringgit as sales of nitrile gloves rose.

Analysts said Top Glove's latest results came in largely within expectations and the company is set for stronger earnings in the fiscal second half as ongoing coronavirus pandemic boosts demand for its products.

"Second half is likely to be stronger due to COVID-19 outbreak and average selling price has been revised upwards by 4% in mid-February," said TA Securities Analyst Kevin Tan. "The company going to recognize the impact of price adjustment in the coming quarter," he said.

Every one per cent increase in the average selling price could lift Top Glove's annual profit by nearly seven per cent as long as raw material costs remain unchanged, according to Tan's estimate.

Shares of Top Glove have rallied as much as 40% as the COVID-19 coronavirus spread across the world before paring some of the gains this week. The shares ended 1.74% higher at 5.85 ringgit apiece, while the benchmark FBM KLCI closed 1.6% down.

Going forward, Top Glove expects "very solid quarters" ahead, having already secured exceptionally large orders for the next few months for its products, an essential item in the medical sector. The highly-contagious COVID-19 virus has led to nearly 9,000 deaths and infected more than 200,000 people globally.

The company's outstanding sales order has doubled as it booked "strong" orders from the Europe, the U.S. and other countries through the recent weeks following rapid spread of COVID-19, it said, adding that it was able to ramp up production close to 100% to meet the surge in demand.

"A stronger U.S. dollar will also help Top Glove in their earnings given 90% of their products are for export," said JF Apex Securities' Analyst How Chi Hoong. The greenback has strengthened 7.8% so far this year against the ringgit, Top Glove's reporting currency.

Top Glove said it is planning to increase capacity by 150 lines to produce up to 17.7 billion pieces. By December 2021, Top Glove will have 861 production lines across 39 factories producing as many as 91.1 billion pieces of gloves annually, the company added.

Malaysia, home to Top Glove, has imposed partial lock down in a bid to contain the disease following spikes in the infection. The so-called movement restriction order allows Top Glove and manufacturers in other sectors to operate, but only at 50% manpower till month-end.

Malaysian Rubber Glove Manufacturers Association is pleading the government to exempt the industry from the recent order and allow production to resume at full capacity. "It is also important to allow the supporting industries to operate as well," the association said.

The association said Malaysia, the world's largest medical gloves producer, has to supply about 225 billion pieces of the protective medical equipment to customers in 190 countries.

Nikkei Asia