



Company report

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TOP GLOVE CORP

(TOPG MK EQUITY, TPGC.KL)

17 Nov 2020

Workers' dorm, surrounding areas in Klang put under EMCO

HOLD

Price: RM7.20
 Fair Value: RM7.88

Rationale for report: Company update

YE to Jun	FY20F	FY21F	FY23F	FY23F
FD Core EPS (sen)	3.1	79.5	28.6	27.2
PE (x)	31.2	9.1	25.2	26.4

Source: AmInvestment Bank Bhd

Quick Take

- Yesterday, Senior Minister (Security Cluster) Datuk Seri Ismail Sabri Yaakob announced that Top Glove's workers dormitory and the surrounding area will be placed under an enhanced movement control order (EMCO) beginning 17 Nov 2020.
- The affected area is the male workers' dormitory and Jalan Abadi 1A/KU8, and the female workers' dormitory as well as Jalan Abadi 1A and Jalan Abadi 10/KU8. The lockdown involves 13,190 workers and close to 1,200 residents.
- Meanwhile, Top Glove said the company will seek clarification with the relevant authorities with regards to the implementation of the EMCO from 17 Nov to 30 Nov 2020. The company has revealed that the total number of workers affected by the EMCO is 2,500 people, representing 15% of total workforce.
- Based on our rough estimate, with 15% of workforce affected by the 14-day quarantine, the impact to Top Glove's bottom line is less than 1%, which is insignificant. Hence, we are not making any changes to our earnings forecasts. Maintain HOLD with an unchanged fair value of RM7.88 per share based on 5-year average PER of 28x.

TABLE 1 : VALUATION MATRIX

YE to Aug	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	7,236.3	20,396.3	9,800.3	10,233.5
Core net profit (RM mil)	1,890.6	6,505.6	2,339.3	2,229.0
FD Core EPS (sen)	23.1	79.5	28.6	27.2
FD Core EPS growth (%)	4.2	2.4	(0.6)	(0.0)
Consensus Net Profit (RM mil)	-	8,397.3	3,440.6	2,376.6
DPS (sen)	12.0	40.0	14.0	14.0
PE (x)	31.2	9.1	25.2	26.4
EV/EBITDA (x)	22.5	6.5	16.2	16.5
Div yield (%)	1.7%	5.6%	1.9%	1.9%
ROE (%)	42.9%	82.4%	23.1%	19.8%
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company, AmInvestment Bank Bhd estimates

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