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# Top Glove, Hartalega could be Bursa's new behemoths, say analysts

Malaysian manufacturers contribute 70% of the world capacity market share for rubber gloves

by PRIYA VASU & SHAZNI ONG

**THE HIGHER** revision of valuation given by analysts on rubber glovemakers like Top Glove Corp Bhd and Hartalega Holdings Bhd could see them become the most valuable companies on the local stock exchange within the next few months.

Top Glove, which has seen its stock price rise by over 400% in the past six months, could become the most valuable counter on the exchange in future after Affin Hwang Investment Bank Bhd (Affin Hwang Capital) revised its target price (TP) on the counter to RM46.40 based on earnings growth of 309% in calendar year 2021, driven by higher average selling prices (ASPs) for its gloves amid a shortage in supply due to the excess demand created by the Covid-19 pandemic.

At that price, Top Glove would be worth RM125 billion, well above Malayan Banking Bhd (Maybank), which is now the market leader with a valuation of RM88.4 billion and second place

Public Bank Bhd at RM69.8 billion.

Analysts have a screaming 'Buy' on Top Glove as they expect a 25% increase in ASP of gloves. The glovemakers share price could hit as high as RM110.20 on fair value in a bull case scenario if selling prices increase by 10% month-on-month each month in financial year 2021E. Affin Hwang Capital noted in a report yesterday.

At that price and a market capitalisation of RM297 billion, Top Glove would be lifted as Bursa Malaysia's behemoth company, laying the brickworks to emerge as a Fortune 500 company by 2040. In 2017, Maybank broke the record on the local bourse when the financier's valuations broke the RM100 billion market cap ceiling.

The fourth-largest stock in FTSE Bursa Malaysia KLCI (FBM KLCI) is Tenaga Nasional Bhd at RM65 billion followed by Hartalega which was valued at RM61.7 billion at close yesterday.

"Given that we are only expecting the overall supply from the big four (glove producers) to grow by around 12%-15% year-on-year in 2020 and 2021, we believe it is still insufficient to meet the current demand.

"We are not fully convinced China manufacturers can deliver on their expansion targets, as they had previ-



The glovemakers company could become the most valuable counter on the exchange in future after Affin Hwang Capital revised its TP on the counter to RM46.40

ously fallen short on their expansion guidance," said Affin Hwang Capital analyst Ng Chi Hoong.

Malaysian manufacturers are still the world's leading manufacturers for rubber gloves, contributing to 70% of the world capacity market share.

"As such, we believe the current elevated ASPs can sustain, if not be higher," he added.

Affin Hwang Capital revised Top Glove's TP twice in July from RM22.40 on July 16 to RM46.40 yes-

terday. Top Glove's shares closed at RM24.90 valuing the company at RM67.2 billion.

RHB Investment Bank Bhd also revised Top Glove's TP from RM28.88 to RM33.30 on the back of higher ASP, and after the group announced a two-for-one bonus issue on Monday.

Since the pandemic began, analysts have been actively revising TPs of listed glovemakers due to rising earnings expectations.

Hartalega, which has surged

216.02 in the last six months, has had its TP revised on July 6 from RM11.80 to RM19 (up 61.02%) and from RM19 to RM21.60 (up 13.68%) on July 14.

Hartalega's shares closed 3.09% or 54 sen higher to RM18. The TP for Supermax Corp Bhd has also followed suit after MIDF Research revised it from RM11.20 to RM16.80 (up 50%) on July 21.

Meanwhile, RHB Research Institute Sdn Bhd pushed the glovemakers to RM13.88 from RM10.50 on July 8, and then to RM18.88 (up 36.02%) on July 14 and RM21.80 (up 15.47%) on July 21.

Supermax's shares closed 2.83% or 52 sen lower to RM17.88 yesterday, valuing the company at RM24.32 billion.

The TP for Kossan Rubber Industries Bhd has been revised upwards ranging from 14.38% to 40.03% by RHB Research from RM10.10 to RM13 (up 28.71%) on July 7 and then to RM15.50 (up 19.23%) on July 14. Kossan shares closed 1.4% or 20 sen higher to RM14.50, valuing the company at RM18.54 billion.

Comfort Glove Bhd, meanwhile, saw its TP revised from RM3.18 to RM4.80 (up 50.94%) by RHB Research recently. Its shares closed 2.19% or nine sen lower to RM4.02, valuing the company at RM2.34 billion.

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