

News Release

Malaysia Glove Sector in the Limelight - New Put Warrant & Call Warrant Issuance by Maybank Investment Bank Berhad

Kuala Lumpur, 30 June 2020 - Maybank Investment Bank Berhad (“Maybank IB”) has issued two new European style cash-settled put warrants and two new European style cash-settled call warrants over the ordinary shares of Top Glove Corporation Berhad and Supermax Corporation Berhad, with tenors of approximately eight (8) months and an issue size of 100 million warrants each.

The put warrants are listed as TOPGLOV-HA and SUPERMX-HB whereas the call warrants are listed as TOPGLOV-C82 and SUPERMX-C97, respectively.

The development of COVID-19 into a full-fledged global pandemic has fuelled the urgent need for glove supplies. Consequently, it has provided an earnings boost for Malaysian-listed glove manufacturers such as Top Glove and Supermax.

Top Glove recorded its best-ever quarterly net profit at RM347.9 million, which more than quadrupled from RM74.7 million made last year, whereas Supermax delivered a set of stellar financial results which saw its recent quarterly net profit more than doubled to RM72.34 million from the financial year before.

Maybank IB Research opines that the reopening of economies and the potential second wave of COVID-19 cases may exacerbate the acute shortage of glove supplies especially with the emergence of new glove users such as the retail, food and beverage, as well as the airlines industries. As such, it believes that the second quarter of 2020 will mark the beginning of the average selling price (ASP) up-cycle and all glove manufacturers will see stronger earnings in the second quarter of 2020 with even bigger earnings growth taking place in the second half of 2020.

However, several key risk factors could derail the glove industry's performance. Among these key risk factors include the oversupply of gloves which may jeopardise the ASP hikes potential for the sector in the event that glove manufacturers in other countries (e.g. China) embark on an aggressive capacity expansion and commissioning. Moreover, any success in the development of a COVID-19 vaccine may dampen concerns over a resurgence of coronavirus infections which in turn may soften the sentiments on Malaysian glove stocks that are trading at all-time high valuations.

In light of the positive factors and inherent risks associated with the glove industry, the current stock price volatility of Top Glove and Supermax presents exciting trading opportunities. This call-put warrant pairing issuance strategy allows investors to take advantage of such opportunities in either direction.

The put warrants typically increase in value when the underlying share price declines and enables investors to express their bearish views. Conversely, the call warrants usually increase in value when the underlying share price rises and allows investors to express their bullish views. Furthermore, these warrants offer an added advantage to investors seeking exposure to an underlying stock via a leverage effect that could amplify potential returns should their directional views materialize.

The terms and conditions of these warrants are stated in their respective term sheets dated 29 June 2020. Investors should read these term sheets together with the Base Prospectus dated 15 November 2019 and First Supplementary Base Prospectus dated 21 May 2020.

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About Maybank Investment Bank Berhad

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For more information, please contact:

Amir Hamidi Amha : +603 2059 1980

E-mail: mkestratcomms@maybank-ib.com