

9 September 2020

Malaysia

## EQUITIES

TOPG MK Underperform  
Price (at 08:50, 09 Sep 2020 GMT) RM7.64

Valuation	RM	4.32-5.94
- PER		
12-month target	RM	5.40
Upside/Downside	%	-29.3
12-month TSR	%	-16.7
Volatility Index		High

GICS sector

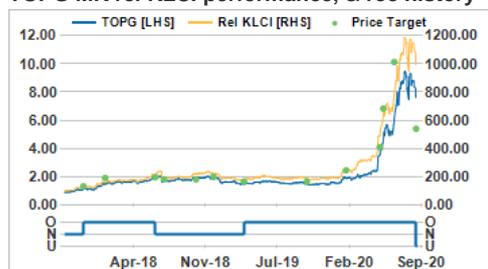
Health Care Equipment &amp; Services

Market cap	RMm	62,099
Market cap	US\$m	14,901
Free float	%	56
30-day avg turnover	US\$m	53.1
Number shares on issue	m	8,128

## Investment fundamentals

Year end 31 Aug		2019A	2020E	2021E	2022E
Revenue	m	4,801	7,727	19,058	9,023
EBIT	m	495	2,153	12,337	2,442
EBIT growth	%	-8.5	334.7	473.1	-80.2
Reported profit	m	365	1,725	10,259	2,022
Adjusted profit	m	365	1,725	10,259	2,022
EPS rep	RM	0.05	0.22	1.29	0.25
EPS rep growth	%	-15.0	359.4	478.1	-80.3
EPS adj	RM	0.05	0.22	1.29	0.25
EPS adj growth	%	-15.0	350.0	490.1	-80.3
PER rep	x	157.8	34.4	5.9	30.2
PER adj	x	157.8	35.1	5.9	30.2
Total DPS	RM	0.02	0.13	0.96	0.15
Total div yield	%	0.3	1.7	12.6	2.0
ROA	%	9.0	36.4	131.9	22.4
ROE	%	14.8	53.6	144.5	23.1
EV/EBITDA	x	87.7	26.2	5.0	22.4
Net debt/equity	%	88.3	27.0	-39.1	-12.5
P/BV	x	22.7	15.6	5.9	8.4

## TOPG MK rel KLCI performance, &amp; rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, September 2020

(all figures in MYR unless noted)

## Macquarie Governance and Risk Score (MGRS)

On our proprietary [Governance and Risk Score](#) Top Glove scores in the first quartile of our current universe coverage.

## Analysts

Macquarie Capital Securities (Malaysia) Sdn. Bhd.



Prem Jearajasingam +60 3 2059 8989  
[prem.jearajasingam@macquarie.com](mailto:prem.jearajasingam@macquarie.com)

## Top Glove (TOPG MK)

### Time to take off the gloves

## Key points

- ▶ FY21 peak earnings unlikely to repeat; tech boom 99/00 says walk away
- ▶ We believe post results upgrades provides an excellent opportunity to lock in gains
- ▶ FY20/21/22 earnings +8/121/138%; TP -47% to RM5.40; Downgrade to UP

## Event

- We downgrade Top Glove from Outperform to Underperform with a revised price target of RM5.40 (prev RM10.13 adjusted for bonus issue) ahead of FY20 results due out on 17 September. While we expect strong results and positive commentary around near-term ASP increases to fuel significant consensus upgrades, we believe the FY21 earnings peak is unlikely to repeat once the demand-supply equation normalises in 2H21/1H22. We would use this upgrade cycle and potential share price spike as an opportunity to take profits. While we maintain that long-run PER multiples should mimic those of the consumer staples at 40-50x, we believe investors should be ascribing these multiples on long-run earnings, rather than peak earnings. At current levels, TOPG's shares are trading at a lofty 70x FY23E PER.

## Impact

- **Shortage still driving ASPs.** Our recent discussions with the company and the procurement team at a regional hospital chain confirm that the supply of gloves remains very tight and ASPs continue to rise. We understand that ASP increases of 15-20% per month are still the order of the day till November. We expect the upcoming flu season in the Northern Hemisphere will be an added boost. Interestingly, medical professionals we spoke to suggest that the opening up of borders will fuel demand for gloves as each traveller tested will require gloves. Against this backdrop, we have modelled in 20-25% ASP increases for nitrile gloves between Sept-Dec 2021 – resulting in a RM10.3bn profit in FY21.
- **Multiples the key issue.** We liken the run-up in the gloves to the 99/00 run-up in Malaysian IC packaging companies. Strong demand drove profit increases and multiple expansions. However share prices peaked in 1Q00 with earnings holding their peaks between 2Q-4Q00 before normalising by 2Q01, by which time the market caps of the two leaders were down 76%. (see Fig 1)
- **The bull and bear outcomes.** We derive a bull case valuation of RM20.40 (30x 22E bull EPS), a base case of RM5.40 (50x 23E base EPS) and a bear case valuation of RM2.80 (20x 22E base EPS). See pg 2 for details.

## Earnings and target price revision

- FY20/21/22E earnings raised 8/121/138% on higher ASPs. PT lowered from RM10.13 (RM30.40 cum-bonus) to RM5.40.

## Price catalyst

- 12-month price target: RM5.40 based on a PER methodology.
- Catalyst: Slowing and reversal of ASP trend

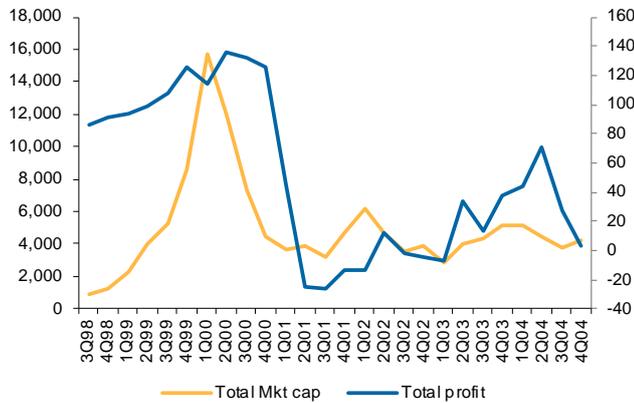
## Action and recommendation

- Downgrade to Underperform. We would look to sell into strength on post-4Q20 results upgrades. Coverage is transferred to Prem Jearajasingam.

Analysis

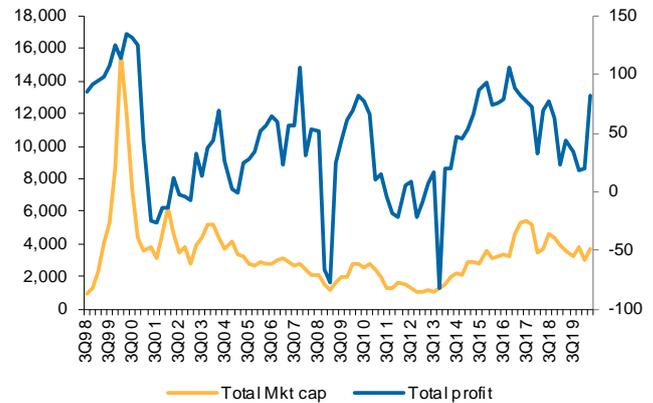
Drawing comparisons to tech 99/00

**Fig 1 Combined market cap of MPI and Unisem jumped 594% between 1Q99 and 1Q00 before falling 76% by 2Q01**



Source: Company data, Macquarie Research, September 2020

**Fig 2 Quarterly profits did recover, but market caps are still well below their 2000 peaks.**



Source: Company data, Macquarie Research, September 2020

We liken the run-up in glove manufacturer share prices to the move in Malaysian IC packaging companies back in 99/00, where a multi-year upward profit trajectory coupled with an expansion in multiples in the global tech sector led to a 594% increase in the combined market cap of MPI and Unisem between 1Q99-1Q00. Aggregate earnings peaked in 2Q00 and held till 4Q00 before declining sharply (negative by 2Q01). However, the aggregate market cap declined 76% by 2Q01 from their peak in 1Q00.

While we do expect Top Glove to remain profitable in the long run, with increased capacity supporting a longer term earnings level above pre-COVID-19 levels, we believe that unless these peak earnings are sustainable (unlikely in our view), its share price is set to decline.

The key is when does it happen. Based on the 99/00 tech cycle, we would argue that the decline in share price will take place once the market has little reason to believe that ASPs will continue to rise at a faster pace than already factored into analysts' models.

**The Bull, Bear and Base cases**

See Fig 3 and Fig 4 below for ASP and earnings scenarios behind our bull, bear and base case valuations.

**The Base case RM5.40**

Our base case valuation for Top Glove of RM5.40 assumes a 50x PER multiple on normalised earnings, which we define as earnings in FY23. Together with a RM1.18 DPS assumed for FY21-22, this would imply a -14% TSR.

Recall, our thesis is that glove producers including Top Glove are staples within the healthcare sector as such long-run multiples should be similar to those of consumer staples within the region which trade at 40-50x. With LT demand growth of 8-10% pa, we believe the glove producers can justify the upper end of this range, thus our 50x multiple expectation.

**The Bull case RM20.40**

Our bull case valuation of RM20.40 ascribes a 30x multiple on Top Glove's bull case profit estimate for FY22 (see below) which is 2sd above its historic PER range. A 50x multiple on FY22 earnings or any double-digit multiple on FY21's peak earnings we believe would be stretching the bull too far.

**The Bear case RM2.80**

Our bear case valuation for Top Glove would be a 40x multiple on our bear case earnings estimates for FY21. Given the demand-supply dynamics, currently at play, we believe this outcome is a very low probability event.

Fig 3 Implied multiples at target price of RM5.40

	FY18	FY19	FY20	FY21E	FY22E	FY23E
Implied PER (x)	16.1	37.9	25.0	4.2	21.3	49.6
EV/EBITDA (x)	65.6	66.9	18.5	3.1	15.1	29.4
PB (x)	37.9	33.2	16.2	4.7	7.1	7.1
FCF yield (%)	(0.3)	(0.2)	3.6	20.8	4.5	1.2
Dividend yield (%)	1.6	1.4	2.4	17.9	2.8	1.0

Source: Company data, Macquarie Research, September 2020

Fig 4 Top Glove - Earnings changes

	New			Old			Change		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Revenue	7,727	19,058	9,023	7,342	12,140	7,413	5%	57%	22%
EBITDA	2,392	12,631	2,790	2,067	5,812	1,274	16%	117%	119%
Net profit	1,725	10,259	2,022	1,475	4,646	850	17%	121%	138%
DPS	13.0	96.4	15.2	9.6	30.3	5.7	35%	218%	168%

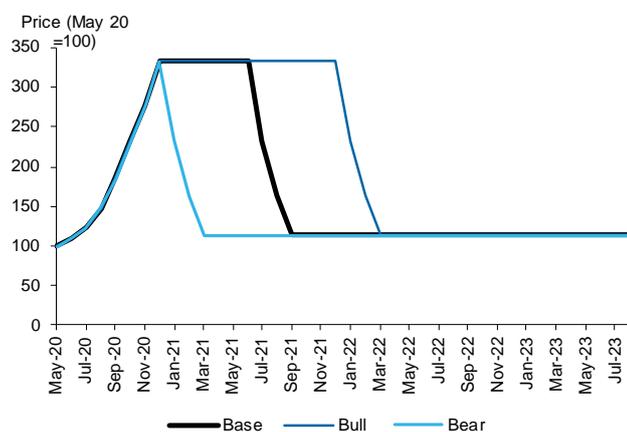
Source: Company data, Macquarie Research, September 2020

Fig 5 Key assumption changes

	FY20E			FY21E			FY22E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
USDMYR	4.28	4.28	0%	4.15	4.15	0%	4.04	4.04	0%
Capacity (bn pcs)	73.7	73.7	0%	90.05	90.1	0%	99.10	99.1	0%
Utilisation (%)	89%	89%	0%	79%	82%	3%	80%	81%	1%
Sales volume (bn pcs)	65.3	65.3	0%	71.17	73.8	4%	79.05	80.2	1%
ASP (USD/000 pcs)									
Latex	21.18	22.37	6%	31.65	34.63	9%	19.41	19.66	1%
Nitrile	29.64	31.21	5%	48.87	86.78	78%	24.97	33.23	33%
Raw material prices									
Natural rubber (RM/kg)	4.45	4.45	0%	4.36	4.36	0%	4.27	4.27	0%
Nitrile latex (USD/kg)	1.55	1.55	0%	1.62	1.62	0%	1.62	1.62	0%

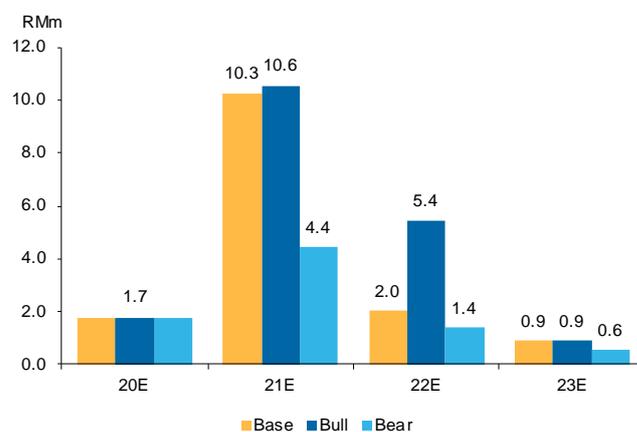
Source: Company data, Macquarie Research, September 2020

Fig 6 ASP trends – peak the same, the question is WHEN it falls



Source: Company data, Macquarie Research, September 2020

Fig 7 Has material impact on profit outcomes in FY22 assuming bear case doesn't play out



Source: Company data, Macquarie Research, September 2020

Our base case assumption is that ASPs rise 20-25% MoM in September, October, November and December 2020 before plateauing for six months (1H20) and reverting to 14% above May 2020 levels by Oct 2021. Our bull case assumes peak prices hold through 2021 (12 months) before declining over a 3-month (same as base case) period to a 14% premium to May 20 levels. Our bear case assumes prices peak in December 2020 and fall over five months again to a 2% discount to May 20 levels.

While the supply-demand dynamics are certainly positive for ASP trends, we note that industry players are very clear in the fact that when prices start to ease they will revert to pre-COVID-19 levels very quickly.

Have glove prices been this high before? Yes, they have. In the 90s glove prices were above US\$60/thousand pieces due to less efficient production processes and higher latex contents. In 1991, prices did spike due to a severe shortage but came crashing back just as quickly – supporting our ASP trend assumptions above.

#### **What are hospitals saying about the situation?**

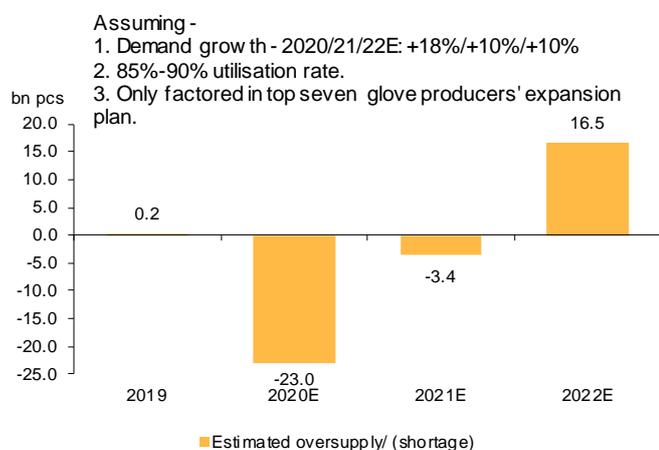
Our checks with a regional healthcare provider suggests that getting gloves on a spot basis remains tough, with average wait times of 12 months. Larger chains have generally signed contracts which ensure they have sufficient supplies. While hospitals are mindful of the rising costs, it seems to be less of an issue with patients undertaking elective procedures, as the cost is passed on. In instances where private hospitals have an obligation to treat COVID-19 patients on government-set pricing, margins will be compressed, but they have little choice.

#### **The opening up of a travel-driven surge?**

It was interesting to learn that health professionals see another surge in demand for gloves when borders open up. Why? All travellers will need to be tested. This would require health professionals to keep changing gloves after each test.

## The supply response

Fig 8 Market likely to remain in deficit in 2021 even as supply response kicks in



Source: Company data, Macquarie Research, September 2020

Fig 9 Top Glove's capacity to increase to 106bn pcs pa by end 2022 vs 70bn as at end 2019

3QFY20	Type of glove	No of production lines	Installed Capacity (bn pcs p.a.)	Target commence operations by
Current: 34 glove factories		700	78.7	
<b>Expansion in progress : Glove</b>				
F40 New Factory 1st Phase	Nitrile	22	3.1	3Q20
F41 New Factory 1st Phase (block 1)	PVC	20	2.4	3Q20
F20A line refurbishment	Latex		2.2	3Q20
			<b>86.4</b>	
F40 New Factory 2nd Phase	Nitrile	16	2.2	1Q21
F8A New Factory 1st Phase	Nitrile	28	3.9	1Q21
F38 (Block A2)	Nitrile	16	2.2	1Q21
F35CD New Factory (Block A)	Surgical/Nitrile	12	1.7	2Q21
F37A lines refurbishment	Nitrile	6	0.8	2Q21
F37D lines refurbishment	Nitrile	6	0.8	2Q21
F41 New Factory 1st phase (block 2)	PVC	20	2.4	4Q21
			<b>100.4</b>	
F42 New Factory 1st Phase	Nitrile	24	3.4	1Q22
F45 New Factory 1st Phase	Nitrile	20	2.8	1Q22
<b>Total by Dec 2022 : 41 glove factories</b>		<b>890</b>	<b>106.6</b>	

Source: Company data, Macquarie Research, September 2020

Top Glove has eked out higher capacities from its existing lines by speeding up the lines and increased automation. This appears to have added a few pts to their production capacity (73.8bn pcs as at May 2020) from what we understand. They have also guided for capex of RM1bn pa over coming years to deal with the stronger demand for gloves. Management is looking for 100bn capacity by August 2021 and 120bn pcs by 2022.

Other manufacturers are likely to do the same, which should alleviate the demand supply situation by 2022.

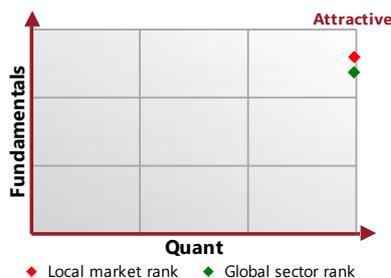
## Macquarie Quant Alpha Model Views

The quant model currently holds a strong positive view on Top Glove. The strongest style exposure is Earnings Momentum, indicating this stock has received earnings upgrades and is well liked by sell side analysts. The weakest style exposure is Quality, indicating this stock is likely to have a weaker and less stable underlying earnings stream.

**4/498**

Global rank in  
Health Care Equip. & Services

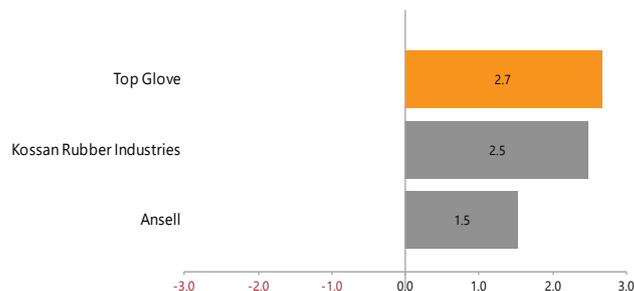
**% of BUY recommendations** 87% (20/23)  
**Number of Price Target downgrades** 2  
**Number of Price Target upgrades** 1



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.  
Two rankings: Local market (Malaysia) and Global sector (Health Care Equip. & Services)

### Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



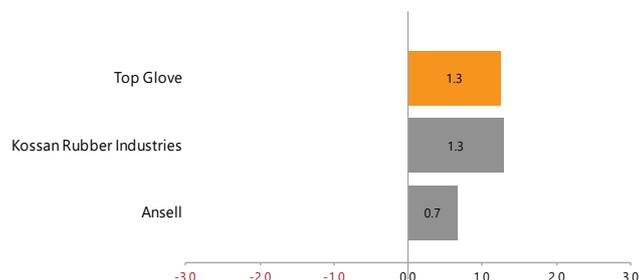
### Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



### Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



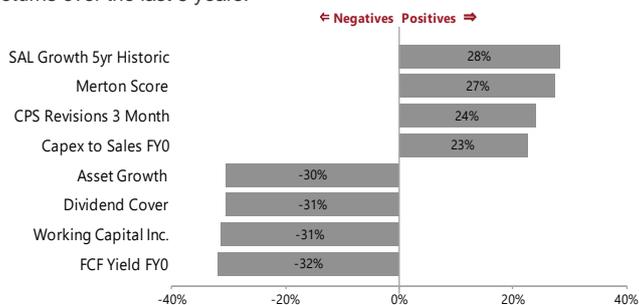
### Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



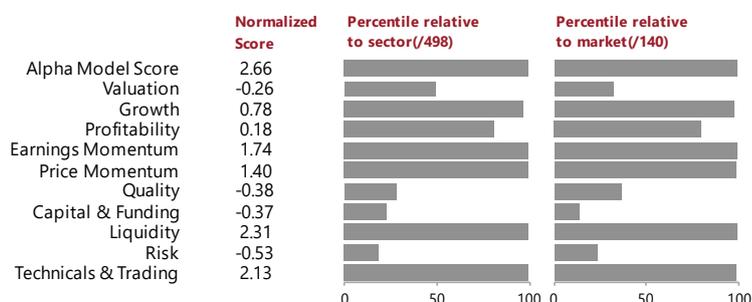
### What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



### How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group ([cpg@macquarie.com](mailto:cpg@macquarie.com))

## Top Glove (TOPG MK, Underperform, Target Price: RM5.40)

Interim Results					Profit & Loss						
		1H/20A	2H/20E	1H/21E	2H/21E		2019A	2020E	2021E	2022E	
Revenue	m	2,439	5,288	10,101	8,957	Revenue	m	4,801	7,727	19,058	9,023
Gross Profit	m	598	2,374	10,041	3,390	Gross Profit	m	1,067	2,972	13,431	3,422
Cost of Goods Sold	m	1,841	2,914	59	5,567	Cost of Goods Sold	m	3,734	4,755	5,627	5,602
EBITDA	m	399	1,994	6,694	5,936	EBITDA	m	678	2,392	12,631	2,790
Depreciation	m	111	129	156	138	Depreciation	m	183	240	294	348
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	288	1,865	6,538	5,798	EBIT	m	495	2,153	12,337	2,442
Net Interest Income	m	-34	-30	45	40	Net Interest Income	m	-69	-64	86	6
Associates	m	2	-2	0	0	Associates	m	-3	0	0	0
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	0	0	0	0	Other Pre-Tax Income	m	0	0	0	0
Pre-Tax Profit	m	256	1,833	6,584	5,839	Pre-Tax Profit	m	424	2,089	12,422	2,448
Tax Expense	m	-28	-327	-1,119	-993	Tax Expense	m	-56	-355	-2,112	-416
Net Profit	m	228	1,506	5,465	4,846	Net Profit	m	368	1,734	10,311	2,032
Minority Interests	m	-1	-8	-27	-24	Minority Interests	m	-3	-9	-52	-10
Reported Earnings	m	228	1,497	5,437	4,822	Reported Earnings	m	365	1,725	10,259	2,022
Adjusted Earnings	m	227	1,498	5,437	4,822	Adjusted Earnings	m	365	1,725	10,259	2,022
EPS (rep)		0.03	0.19	0.68	0.60	EPS (rep)		0.05	0.22	1.29	0.25
EPS (adj)		0.03	0.19	0.68	0.60	EPS (adj)		0.05	0.22	1.29	0.25
EPS Growth yoy (adj)	%	5.2	850.1	2,160.1	221.9	EPS Growth (adj)	%	-15.0	350.0	490.1	-80.3
						PE (rep)	x	32.7	39.4	5.9	30.2
						PE (adj)	x	32.7	40.2	5.9	30.2
EBITDA Margin	%	16.3	37.7	66.3	66.3	Total DPS		0.02	0.13	0.96	0.15
EBIT Margin	%	11.8	35.3	64.7	64.7	Total Div Yield	%	1.6	1.5	12.6	2.0
Earnings Split	%	13.2	86.8	53.0	47.0	Basic Shares Outstanding	m	7,533	7,979	7,979	7,979
Revenue Growth	%	0.7	122.2	314.1	69.4	Diluted Shares Outstanding	m	7,533	7,756	7,979	7,979
EBIT Growth	%	-4.0	855.0	2,169.9	211.0						
Profit and Loss Ratios					Cashflow Analysis						
		2019A	2020E	2021E	2022E		2019A	2020E	2021E	2022E	
Revenue Growth	%	13.8	60.9	146.6	-52.7	EBITDA	m	678	2,392	12,631	2,790
EBITDA Growth	%	-1.4	252.9	427.9	-77.9	Tax Paid	m	-56	-355	-2,112	-416
EBIT Growth	%	-8.5	334.7	473.1	-80.2	Chgs in Working Cap	m	-42	391	-632	577
Gross Profit Margin	%	22.2	38.5	70.5	37.9	Net Interest Paid	m	-69	-64	86	6
EBITDA Margin	%	14.1	31.0	66.3	30.9	Other	m	15	-0	0	0
EBIT Margin	%	10.3	27.9	64.7	27.1	Operating Cashflow	m	526	2,365	9,972	2,957
Net Profit Margin	%	7.6	22.3	53.8	22.4	Acquisitions	m	0	0	0	0
Payout Ratio	%	51.6	59.5	75.0	60.0	Capex	m	-624	-800	-1,000	-1,000
EV/EBITDA	x	20.1	29.9	5.0	22.4	Asset Sales	m	0	0	0	0
EV/EBIT	x	27.6	33.2	5.1	25.6	Other	m	131	0	0	0
Balance Sheet Ratios						Investing Cashflow	m	-493	-800	-1,000	-1,000
ROE	%	14.8	53.6	144.5	23.1	Dividend (Ordinary)	m	-217	-366	-3,849	-5,102
ROA	%	9.0	36.4	131.9	22.4	Equity Raised	m	0	0	0	0
ROIC	%	9.7	37.2	205.5	32.1	Debt Movements	m	-644	-1,042	-181	-181
Net Debt/Equity	%	88.3	27.0	-39.1	-12.5	Other	m	827	0	0	0
Interest Cover	x	7.2	33.7	nmf	nmf	Financing Cashflow	m	-35	-1,408	-4,030	-5,283
Price/Book	x	4.7	17.9	5.9	8.4	Net Chg in Cash/Debt	m	-2	156	4,942	-3,326
Book Value per Share		0.3	0.5	1.3	0.9	Free Cashflow	m	-98	1,565	8,972	1,957
					Balance Sheet						
		2019A	2020E	2021E	2022E		2019A	2020E	2021E	2022E	
Cash	m	166	322	5,264	1,938	Cash	m	166	322	5,264	1,938
Receivables	m	592	445	1,096	519	Receivables	m	592	445	1,096	519
Inventories	m	630	521	617	614	Inventories	m	630	521	617	614
Investments	m	263	263	263	263	Investments	m	263	263	263	263
Fixed Assets	m	2,480	3,043	3,752	4,407	Fixed Assets	m	2,480	3,043	3,752	4,407
Intangibles	m	1,256	1,256	1,256	1,256	Intangibles	m	1,256	1,256	1,256	1,256
Other Assets	m	300	302	299	296	Other Assets	m	300	302	299	296
Total Assets	m	5,688	6,152	12,547	9,294	Total Assets	m	5,688	6,152	12,547	9,294
Payables	m	492	627	742	739	Payables	m	492	627	742	739
Short Term Debt	m	1,041	181	181	181	Short Term Debt	m	1,041	181	181	181
Long Term Debt	m	1,379	1,201	1,021	840	Long Term Debt	m	1,379	1,201	1,021	840
Provisions	m	0	0	0	0	Provisions	m	0	0	0	0
Other Liabilities	m	221	221	221	221	Other Liabilities	m	221	221	221	221
Total Liabilities	m	3,134	2,230	2,164	1,980	Total Liabilities	m	3,134	2,230	2,164	1,980
Shareholders' Funds	m	2,537	3,896	10,306	7,226	Shareholders' Funds	m	2,537	3,896	10,306	7,226
Minority Interests	m	17	26	77	88	Minority Interests	m	17	26	77	88
Other	m	0	0	0	0	Other	m	0	0	0	0
Total S/H Equity	m	2,554	3,922	10,383	7,313	Total S/H Equity	m	2,554	3,922	10,383	7,313
Total Liab & S/H Funds	m	5,688	6,152	12,547	9,294	Total Liab & S/H Funds	m	5,688	6,152	12,547	9,294

All figures in MYR unless noted.

Source: Company data, Macquarie Research, September 2020

## Important disclosures:

## Recommendation definitions

## Macquarie – Asia and USA

Outperform – expected return >10%  
Neutral – expected return from -10% to +10%  
Underperform – expected return <-10%

## Macquarie – Australia/New Zealand

Outperform – expected return >10%  
Neutral – expected return from 0% to 10%  
Underperform – expected return <0%

Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk

## Volatility index definition\*

This is calculated from the volatility of historical price movements.

**Very high–highest risk** – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

**High** – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

**Medium** – stock should be expected to move up or down at least 30–40% in a year.

**Low–medium** – stock should be expected to move up or down at least 25–30% in a year.

**Low** – stock should be expected to move up or down at least 15–25% in a year.

\* Applicable to select stocks in Asia/Australia/NZ

## Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

## Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense  
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa\*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

\*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

## Recommendation proportions – For quarter ending 30 June 2020

	AU/NZ	Asia	USA	
Outperform	49.82%	60.45%	66.29%	(for global coverage by Macquarie, 4.18% of stocks followed are investment banking clients)
Neutral	35.09%	23.46%	33.71%	(for global coverage by Macquarie, 4.41% of stocks followed are investment banking clients)
Underperform	15.09%	16.09%	0.00%	(for global coverage by Macquarie, 3.21% of stocks followed are investment banking clients)

## TOPG MK vs KLCI, &amp; rec history



(all figures in MYR currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, September 2020

## 12-month target price methodology

TOPG MK: RM5.40 based on a PER methodology

## Company-specific disclosures:

**TOPG MK:** Macquarie may be an Issuer of Structured Warrants on securities mentioned in this report

Important disclosure information regarding the subject companies covered in this report is available publicly at

[www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures). Clients receiving this report can additionally access previous recommendations (from the year prior to publication of this report) issued by this report's author at <https://www.macquarieinsights.com>.

Date	Stock Code (BBG code)	Recommendation	Target Price
03-Jul-2020	TOPG MK	Outperform	RM10.13
30-May-2020	TOPG MK	Outperform	RM6.83
19-May-2020	TOPG MK	Outperform	RM4.10
04-Feb-2020	TOPG MK	Outperform	RM2.45
05-Oct-2019	TOPG MK	Outperform	RM1.66
23-Mar-2019	TOPG MK	Outperform	RM1.67
19-Dec-2018	TOPG MK	Neutral	RM2.00
17-Jul-2018	TOPG MK	Neutral	RM1.81
20-Jun-2018	TOPG MK	Neutral	RM1.96
15-Jan-2018	TOPG MK	Outperform	RM1.91
08-Nov-2017	TOPG MK	Outperform	RM1.33

## Target price risk disclosures:

**TOPG MK:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

## Sensitivity analysis:

Clients receiving this report can request access to a model which allows for further in-depth analysis of the assumptions used, and recommendations made, by the author relating to the subject companies covered. To request access please contact [insights@macquarie.com](mailto:insights@macquarie.com).

## Analyst certification:

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views

expressed in this report. The Analysts responsible for preparing this report receive compensation from Macquarie that is based upon various factors including Macquarie Group Ltd total revenues, a portion of which are generated by Macquarie Group's Investment Banking activities.

#### General disclaimers:

Macquarie Securities (Australia) Ltd; Macquarie Capital (Europe) Ltd; Macquarie Capital (USA) Inc; Macquarie Capital Limited, Taiwan Securities Branch; Macquarie Capital Securities (Singapore) Pte Ltd; Macquarie Securities (NZ) Ltd; Macquarie Capital Securities (India) Pvt Ltd; Macquarie Capital Securities (Malaysia) Sdn Bhd; Macquarie Securities Korea Limited and Macquarie Securities (Thailand) Ltd are not authorized deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia), and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or MGL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any of the above mentioned entities. MGL provides a guarantee to the Monetary Authority of Singapore in respect of the obligations and liabilities of Macquarie Capital Securities (Singapore) Pte Ltd for up to SGD 35 million. This research has been prepared for the general use of the wholesale clients of the Macquarie Group and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. MGL has established and implemented a conflicts policy at group level (which may be revised and updated from time to time) (the "Conflicts Policy") pursuant to regulatory requirements which sets out how we must seek to identify and manage all material conflicts of interest. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. In preparing this research, we did not take into account your investment objectives, financial situation or particular needs. Macquarie salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this research. Macquarie Research produces a variety of research products including, but not limited to, fundamental analysis, macro-economic analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise. Before making an investment decision on the basis of this research, you need to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. This research is based on information obtained from sources believed to be reliable but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. No member of the Macquarie Group accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Clients should contact analysts at, and execute transactions through, a Macquarie Group entity in their home jurisdiction unless governing law permits otherwise. The date and timestamp for above share price and market cap is the closed price of the price date. #CLOSE is the final price at which the security is traded in the relevant exchange on the date indicated. Members of the Macro Strategy team are Sales & Trading personnel who provide desk commentary that is not a product of the Macquarie Research department or subject to FINRA Rule 2241 or any other regulation regarding independence in the provision of equity research.

#### Country-specific disclaimers:

**Australia:** In Australia, research is issued and distributed by Macquarie Securities (Australia) Ltd (AFSL No. 238947), a participating organization of the Australian Securities Exchange. Macquarie Securities (Australia) Limited staff involved with the preparation of research have regular interaction with companies they cover. Additionally, Macquarie Group Limited does and seeks to do business with companies covered by Macquarie Research. There are robust information barriers in place to protect the independence of Macquarie Research's product. However, recipients of Macquarie Research should be aware of this potential conflict of interest. **New Zealand:** In New Zealand, research is issued and distributed by Macquarie Securities (NZ) Ltd, a NZX Firm. **United Kingdom and the EEA:** In the United Kingdom and the European Economic Area, research is distributed by Macquarie Capital (Europe) Ltd, which is authorised and regulated by the Financial Conduct Authority (No. 193905). **Hong Kong & Mainland China:** In Hong Kong, research is issued and distributed by Macquarie Capital Limited, which is licensed and regulated by the Securities and Futures Commission. In Mainland China, Macquarie Securities (Australia) Limited Shanghai Representative Office only engages in non-business operational activities excluding issuing and distributing research. Only non-A share research is distributed into Mainland China by Macquarie Capital Limited. **Japan:** In Japan, research is issued and distributed by Macquarie Capital Securities (Japan) Limited, a member of the Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. (Financial Instruments Firm, Kanto Financial Bureau (kin-sho) No. 231, a member of Japan Securities Dealers Association). **India:** In India, research is issued and distributed by Macquarie Capital Securities (India) Pvt. Ltd. (CIN: U65920MH1995PTC090696), 92, Level 9, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India, which is a SEBI registered Research Analyst having registration no. INH000000545. During the past 12 months, Macquarie Group Limited or one of its affiliates may have provided securities services to companies mentioned in this report for which it received compensation for Broking services. **Malaysia:** In Malaysia, research is issued and distributed by Macquarie Capital Securities (Malaysia) Sdn. Bhd. (Company registration number: 199801007342 (463469-W)) which is a Participating Organisation of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission. **Taiwan:** In Taiwan, research is issued and distributed by Macquarie Capital Limited, Taiwan Securities Branch, which is licensed and regulated by the Financial Supervisory Commission. No portion of the report may be reproduced or quoted by the press or any other person without authorisation from Macquarie. Nothing in this research shall be construed as a solicitation to buy or sell any security or product. The recipient of this report shall not engage in any activities which may give rise to potential conflicts of interest to the report. Research Associate(s) in this report who are registered as Clerks only assist in the preparation of research and are not engaged in writing the research. Macquarie may be in past one year or now being an Issuer of Structured Warrants on securities mentioned in this report. **Thailand:** In Thailand, research is produced, issued and distributed by Macquarie Securities (Thailand) Ltd. Macquarie Securities (Thailand) Ltd. is a licensed securities company that is authorized by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is an exchange member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. Macquarie Securities (Thailand) Ltd does not endorse the result of the Corporate Governance Report of Thai Listed Companies but this Report can be accessed at: <http://www.thai-iod.com/en/publications.asp?type=4>. **South Korea:** In South Korea, unless otherwise stated, research is prepared, issued and distributed by Macquarie Securities Korea Limited, which is regulated by the Financial Supervisory Services. Information on analysts in MSKL is disclosed at <http://dis.kofia.or.kr/websquare/index.jsp?w2xPath=/wq/fundMgr/DISFundMgrAnalystStut.xml&divisionId=MDIS03002001000000&serviceld=SDIS03002001000>. **Singapore:** In Singapore, research is issued and distributed by Macquarie Capital Securities (Singapore) Pte Ltd (Company Registration Number: 198702912C), a Capital Markets Services license holder under the Securities and Futures Act to deal in securities and provide custodial services in Singapore. Pursuant to the Financial Advisers (Amendment) Regulations 2005, Macquarie Capital Securities (Singapore) Pte Ltd is exempt from complying with sections 25, 27 and 36 of the Financial Advisers Act. All Singapore-based recipients of research produced by Macquarie Capital (USA) Inc. represent and warrant that they are institutional investors as defined in the Securities and Futures Act. Singapore recipients should contact Macquarie Capital Securities (Singapore) Pte Ltd at +65 6601 0888 for matters arising from, or in connection with, this report. **United States:** In the United States, research is issued and distributed by Macquarie Capital (USA) Inc., which is a registered broker-dealer and member of FINRA. Macquarie Capital (USA) Inc. accepts responsibility for the content of each research report prepared by one of its non-US affiliates when the research report is distributed in the United States by Macquarie Capital (USA) Inc. Macquarie Capital (USA) Inc.'s affiliate's analysts are not registered as research analysts with FINRA, may not be associated persons of Macquarie Capital (USA) Inc., and therefore may not be subject to FINRA rule restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account. Information regarding futures is provided for reference purposes only and is not a solicitation for purchases or sales of futures. Any persons receiving this report directly from Macquarie Capital (USA) Inc. and wishing to effect a transaction in any security described herein should do so with Macquarie Capital (USA) Inc. Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures), or contact your registered representative at 1-888-MAC-STOCK, or write to the Supervisory Analysts, Research Department, Macquarie Capital (USA) Inc, 125 W.55th Street, New York, NY 10019. **Canada:** In Canada, research is distributed by Macquarie Capital Markets Canada Ltd., a (i) member of the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund, and (ii) participating organisation of the Toronto Stock Exchange, TSX Venture Exchange & Montréal Exchange. Important disclosure

information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures). IIROC Rule 3400  
Disclosures can be obtained by writing to Macquarie Capital Markets Canada Ltd., 181 Bay St. Suite 3100, Toronto, ON M5J2T3.

© **Macquarie Group**

## Equities

## Asia Research

## Head of Equity Research

Jake Lynch (Asia)	(852) 3922 3583
Damian Thong (Japan)	(813) 3512 7877
Jayden Vantarakis (ASEAN)	(6221) 2598 8310

## Strategy, Country

Viktor Shvets (Asia, Global)	(852) 3922 3883
David Ng (China, Hong Kong)	(852) 3922 1291
Damian Thong (Japan)	(813) 3512 7877
Daniel Kim (Korea)	(822) 3705 8641
Jeffrey Ohlweiler (Taiwan)	(8862) 2734 7512
Jayden Vantarakis (ASEAN, Singapore)	(6221) 2598 8310
Ari Jahja (Indonesia)	(6221) 2598 8366
Prem Jearajasingam (Malaysia)	(603) 2059 8989
Gilbert Lopez (Philippines)	(632) 857 0892
Peach Patharavanakul (Thailand)	(662) 694 7753
Aditya Suresh (India)	(852) 3922 1265
Charles Yonts (Asia ESG)	(852) 3922 5832
Felix Rusli (Asia Product)	(852) 3922 4283

## Technology

Nicolas Baratte (Asia)	(852) 3922 5801
Damian Thong (Asia)	(813) 3512 7877
Jeffrey Ohlweiler (Greater China)	(8862) 2734 7512
Cherry Ma (Greater China)	(852) 3922 5800
Erica Chen (Greater China)	(8621) 2412 9024
Kaylin Tsai (Greater China)	(8862) 2734 7523
Hiroshi Taguchi (Japan)	(813) 3512 7867
Daniel Kim (Korea)	(822) 3705 8641
Sonny Lee (Korea)	(822) 3705 8678
Abhishek Bhandari (India)	(9122) 6720 4088

## Telecoms

Nicolas Baratte (Asia)	(852) 3922 5801
Hiroshi Yamashina (Japan)	(813) 3512 5968
Andy Kim (Korea)	(822) 3705 8690
Prem Jearajasingam (ASEAN)	(603) 2059 8989
Kervin Sisayan (Philippines)	(632) 857 0893

## Internet, Media and Software

Han Joon Kim (Asia)	(852) 3922 5926
John Wang (China, Hong Kong)	(852) 3922 3578
Frank Chen (China, Hong Kong)	(852) 3922 1433
Ellie Jiang (China, Hong Kong)	(852) 3922 4110
Hiroshi Yamashina (Japan)	(813) 3512 5968
Andy Kim (Korea)	(822) 3705 8690
Alankar Garude (India)	(9122) 6720 4134

## Consumer, Gaming

Linda Huang (Asia)	(852) 3922 4068
Terence Chang (China, Hong Kong)	(852) 3922 3581
Sunny Chow (China, Hong Kong)	(852) 3922 3768
Edward Engel (China, Hong Kong)	(852) 3922 5750
Leon Rapp (Japan)	(813) 3512 7879
Karisa Magpayo (Philippines)	(632) 857 0899
Chaline Congmuang (Thailand)	(662) 694 7993

## Healthcare and Pharmaceuticals

David Ng (China, Hong Kong)	(852) 3922 1291
Mi Hyun Kim (Korea)	(822) 3705 8689
Ari Jahja (Indonesia)	(6221) 2598 8366
Bo Denworalak (Thailand)	(662) 694 7774
Alankar Garude (India)	(9122) 6720 4134

## Banks and Financials

Scott Russell (Asia)	(852) 3922 3567
Dexter Hsu (China, Taiwan)	(8862) 2734 7530
Suresh Ganapathy (India)	(9122) 6720 4078
Nishant Shah (India)	(9122) 6720 4099
Jayden Vantarakis (ASEAN, Indonesia, Singapore)	(6221) 2598 8310
Ben Shane Lim (Malaysia)	(603) 2059 8868
Gilbert Lopez (Philippines)	(632) 857 0892
Peach Patharavanakul (Thailand)	(662) 694 7753

## Property, REIT

Kelvin Tam (China, Hong Kong)	(852) 3922 1181
Masahiro Mochizuki (Japan)	(813) 3512 7868
Richard Danusaputra (Indonesia)	(6221) 2598 8368
Aiman Mohamad (Malaysia)	(603) 2059 8986
Kervin Sisayan (Philippines)	(632) 857 0893
Derrick Heng (Singapore)	(65) 6601 0436
Bo Denworalak (Thailand)	(662) 694 7774
Abhishek Bhandari (India)	(9122) 6720 4088

## Oil, Gas and Petrochemicals

Mark Wiseman (Asia)	(612) 8232 8417
Anna Park (Asia)	(822) 3705 8669
Yasuhiro Nakada (Japan)	(813) 3512 7862
Ben Shane Lim (Malaysia)	(603) 2059 8868
Yupapan Polpornprasert (Thailand)	(662) 694 7729
Aditya Suresh (India)	(852) 3922 1265

## Basic Materials, Commodities

David Ching (China, Hong Kong)	(852) 3922 1823
Yasuhiro Nakada (Japan)	(813) 3512 7862
Anna Park (Korea)	(822) 3705 8669
Ashish Jain (India)	(9122) 6720 4063

## Mobility, Automation, Industrials

James Hong (Asia)	(822) 3705 8661
Eric Zong (China, Hong Kong)	(852) 3922 4749
Allen Yuan (China, Hong Kong)	(8621) 2412 9009
Kunio Sakaida (Japan)	(813) 3512 7873
Zhiwei Foo (Singapore)	(65) 6601 0465
Arya Sen (India)	(9122) 6720 4010
Ajinkya Bhat (India)	(9122) 6720 4052

## Utilities, Renewables

Mark Wiseman (China, Hong Kong)	(612) 8232 8417
Kerry Cheng (China, Hong Kong)	(8621) 2412 9025
Karisa Magpayo (Philippines)	(632) 857 0899

## Find our research at

Macquarie:	<a href="http://www.macquarieinsights.com">www.macquarieinsights.com</a>
Refinitiv:	<a href="http://www.refinitiv.com">www.refinitiv.com</a>
Bloomberg:	MAC GO
Factset:	<a href="http://www.factset.com/home.aspx">http://www.factset.com/home.aspx</a>
CapitalIQ	<a href="http://www.capitaliq.com">www.capitaliq.com</a>

Contact [macresearch@macquarie.com](mailto:macresearch@macquarie.com) for access requests.

## Email addresses

[FirstName.Surname@macquarie.com](mailto:FirstName.Surname@macquarie.com)

## Asia Sales

## Regional Heads of Sales

Christina Lee (Head of Asian Sales)	(1 212) 231 2559
Alan Chen (HK/China)	(852) 3922 2019
Amelia Mehta (Singapore)	(65) 6601 0211
Paul Colaco (US)	(1 415) 762 5003
Mothlib Miah (UK/Europe)	(44 20) 3037 4893
Anjali Sinha (India)	(9122) 6653 3229
Janeman Latul (Indonesia)	(6221) 2598 8303
Thomas Renz (Geneva)	(41 22) 818 7712
Leslie Hoy (Japan)	(813) 3512 7919

## Regional Heads of Sales cont'd

Tomohiro Takahashi (Japan)	(813) 3512 7823
DJ Kwak (Korea)	(822) 3705 8608
Nik Hadi (Malaysia)	(603) 2059 8888
Gino C Rojas (Philippines)	(632) 857 0861
Richard Liu (Taiwan)	(8862) 2734 7590
Angus Kent (Thailand)	(662) 694 7601

## Sales Trading

Mark Weekes (Asia)	(852) 3922 2084
Sacha Beharie (HK/China)	(852) 3922 2111
Susan Lin (Taiwan)	(8862) 2734 7583
Edward Jones (Japan)	(813) 3512 7822
Douglas Ahn (Korea)	(822) 3705 9990
Stanley Dunda (Indonesia)	(6221) 515 1555
Suhaida Samsudin (Malaysia)	(603) 2059 8888
Michael Santos (Philippines)	(632) 857 0813
Justin Morrison (Singapore)	(65) 6601 0288
Brendan Rake (Thailand)	(662) 694 7707
Alex Johnson (India)	(9122) 6720 4022
Mike Gray (New York)	(1 212) 231 2555
Mike Keen (UK/Europe)	(44 20) 3037 4905