

TOP GLOVE REMAINS STEADFAST IN CHALLENGING TIMES

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SHAH ALAM: In announcing its financial results for the second quarter ended Feb 28, 2023 (Q2'23) today, Top Glove Corporation Bhd said its taking the challenging environment in stride and maintaining a positive long-term outlook.

For Q2'23, the group's results were largely flattish against Q1'23, with revenue of RM618 million and loss after tax of RM155 million, while there was an improvement in sales volume compared with the preceding quarter.

On a half yearly basis, revenue amounted to RM1.25 billion with loss after tax of RM313 million.

The group's financial performance continued to be impacted by headwinds which weighed heavily on the glove industry. Destocking activity persisted, driven by excess customer inventory, resulting in a softer order book.

Aggravating the situation was the ongoing glove oversupply situation, combined with a lack of customer urgency to place orders in light of shorter delivery times from lower manufacturer utilisation. Meanwhile, rising production costs – which the group was unable to share out with customers owing to moderating average selling prices (ASP) – also contributed to the muted financial results.

The group notes that customers' glove inventory levels are moving closer to normality. However, while sales have started to pick up, not all orders received will prove feasible due to lower price points.

As the glove industry faces losses coupled with escalating costs, the industry has started

to revise selling prices upward from February 2023, which is a necessary step towards the industry's eventual recovery and sustainability.

Top Glove managing director Lim Cheong Guan observed, "The glove industry has been experiencing an extremely challenging past one year. Owing to the perfect storm of rebalancing demand and supply, coupled with softer ASPs and cost increases, the financial results delivered will not be representative of the company's or industry's actual potential. However, this is a temporary phase we will have to weather after two years of elevated pandemic driven glove demand."

To mitigate effects of the headwinds encountered, he said, they continued to implement efficiency enhancement and cash conservation initiatives aimed at driving recovery and improving their bottom line, while increasing ASP to offset rising costs.

The challenging and competitive business landscape is expected to persist through 2023. However, the group takes a long-term view of industry prospects, which are still promising.

Lim asserted: "We are under no illusion and remain mindful that the market will continue to equilibrate in the near term. Nonetheless, we believe that the glove industry will recover in due course as its fundamentals remain robust and unchanged.

"We believe that it will be a matter of time before our results are more reflective of the glove industry's potential. In the meantime, we continue to be committed to ensuring the well being of both our people and our business, while delivering value to our stakeholders," he added.

The Sun Daily

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