

TOP GLOVE NET PROFIT PLUNGED 92.2PC TO RM185.72MIL IN Q1 DUE TO DECLINING ASP

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KUALA LUMPUR: Top Glove Corp Bhd's net profit plunged 92.2 per cent year-on-year (YoY) to RM185.72 million in the first quarter (Q1) ended November 30, 2021, from RM2.36 billion recorded in the same period previously.

In an exchange filing today, the world's largest glove producer said this was mainly attributed to declining average selling prices (ASPs) and higher operating costs as a result of lower utilisation rates, while raw material costs were reduced at a much slower pace in comparison to glove ASPs.

Top Glove said the average natural latex concentrate prices had reduced by 8.0 per cent from RM5.54 per kg to RM5.09 per kg, while nitrile latex price fell 19 per cent from US\$2.21 per kg to US\$1.79 per kg during the

quarter.

Its Q1 revenue plummeted 66.8 per cent YoY to RM1.58 billion from RM4.76 billion due to decreased sales volume and normalised ASPs, following mass vaccine rollout on a global scale that had affected glove demand.

Meanwhile, Top Glove has declared a dividend payment of 1.2 sen per ordinary share, amounting to a total payout of RM96 million, payable on January 10, 2022.

Managing director Datuk Lee Kim Meow said the company is prepared for the challenging environment with headwinds ahead, which would be part of the business cycle.

"We have built up our reserves over the last two years, which will enable us to go through leaner times and leverage any mergers and acquisitions (M&A) opportunities which may arise," he said in a separate statement today.

Although times may be challenging, he said Top Glove is confident the good times will come again.

"We believe even in the hardest of times, there are also opportunities, as long as we continue to stay healthy and maintain a positive expectation of the future."

Lee said the company would focus on internal factors to brace the challenging period and continue to improve its quality and efficiency through research and development, enhancement programmes and advanced technology.

"We will ensure our foundation is strong by remaining mentally, physically and financially healthy, which will enable us to weather the tough times, do better and emerge stronger," he added.

Due to increased competition and an oversupply situation, the company will be cautious and defer its expansion plans in light of the challenging business landscape.

Top Glove would continue with its growth strategy to include a combination of organic expansion, inorganic expansion and strategic investments.

"By December 31, 2025, Top Glove is projected to have a total of 59 factories comprising 46 glove factories and 13 other factories with a total of 1,486 glove production lines and a glove production capacity of 201 billion gloves per annum."

Top Glove expects the business environment to be challenging in the immediate term, as competition continues to intensify amid moderating glove demand.

Nonetheless, the company would remain cautiously optimistic on its industry outlook, given that global demand for gloves as an essential item will continue to grow steadily at a rate of more than 10 per cent per annum even after the pandemic recedes.

"As the world learns to live with Covid-19 while managing the emergence of new strains, and glove usage in the medical sector in developing countries continues to increase, glove demand is expected to be stronger, which will help offset the supply growth."