

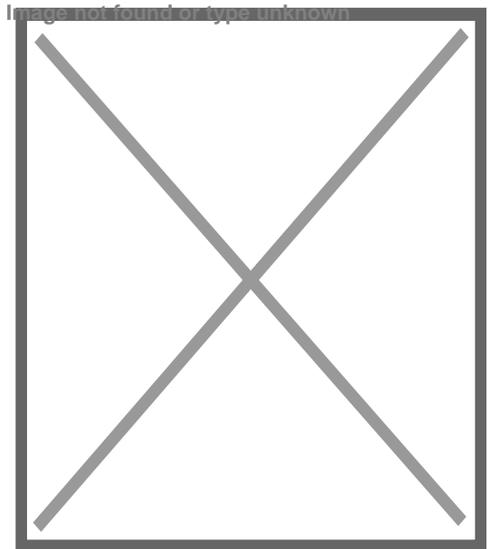
TOP GLOVE'S 1Q NET PROFIT DROPS TO RM186M FROM RM2.36B, SEES CHALLENGING LANDSCAPE

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KUALA LUMPUR (Dec 10): Top Glove Corp Bhd's net profit shrank 69.45% quarter-on-quarter (q-o-q) to RM185.72 million for the first quarter ended Nov 30, 2021 (1QFY22), compared with RM607.95 million for the immediate preceding quarter of 4QFY21, dragged by declining glove average selling prices (ASPs) and higher operating cost as a result of lower utilisation rates.

It added that raw material costs were reduced at a much slower pace in comparison to glove ASPs, thereby impacting profit, said the glove maker in a filing with Bursa Malaysia.



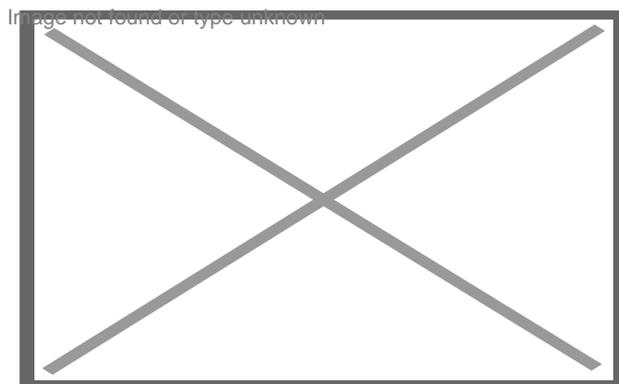
Earnings per share (EPS) dropped to 2.32 sen per share for 1QFY22 from 7.59 sen for 4QFY21.

Revenue fell 25.15% q-o-q to RM1.58 billion for 1QFY22 from RM2.12 billion previously.

Both earnings and revenue also contracted on a yearly basis. Net profit plunged 92.12% year-on-year (y-o-y) from RM2.36 billion for 1QFY21, while revenue dropped 66.71% y-o-y from RM4.76 billion previously. EPS dived from 29.02 sen.

Notably, Top Glove's earnings have been on a downtrend for the past three quarters since its earnings peaked in 2QFY21, recording RM2.87 billion on the back of a revenue of RM5.37 billion.

In line with the softer results recorded for 1QFY22, the group announced a lower dividend of 1.2 sen per share, 93% lower than the 16.5 sen dividend paid a year ago. The ex-date for the dividend falls on Dec 24, 2021, while the payment date is Jan 10, 2022.



In a separate statement, Top Glove said the sales volume recorded in 1QFY22 was flattish as it transitioned closer to pre-Covid-19 levels as customers remained cautious about replenishing orders.

Managing director Datuk Lee Kim Meow said the group was aware that a challenging environment was part of the business cycle and had prepared for it.

"We have built up our reserves over the last two years, which will enable us to go through leaner times and leverage any M&A (merger and acquisition) opportunities which may arise.

"While times may be tough now, we are confident 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 positive expectations for the future," he added.

In light of the challenging business landscape, Top Glove said it will be cautious and defer its expansion plans to be in line with market trends and the demand-supply situation.

Top Glove also warned that it anticipates the business environment to be challenging in the immediate term as competition continues to intensify amid moderating glove demand.

"While we have entered a challenging and competitive time in the glove industry, we are not deterred. Challenges are not within our control and the way to manage them well is to focus on internal factors.

"To this end, we will continue improving our quality and efficiency through R&D (research and development), enhancement programmes and advanced technology as we deepen our commitment to sustainability.

"Most importantly, 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", said Lee.

However, the group said the surplus in glove supply will likely be offset in part by steady and consistent growth in global glove demand.

“Glove demand, which continued to be driven by strong market fundamentals, was already growing at a rate of 10% yearly pre-Covid-19 and is expected to increase further even after the pandemic recedes on the back of heightened glove usage and hygiene awareness,” it said.

Top Glove said it is gradually regaining its exports from Malaysia to the US, which is expected to improve the sales volume in the quarters to come.

“Further mitigating the situation, raw material prices were on a downtrend q-o-q, with average natural latex concentrate prices weakening by 8% to RM5.09/kg. Meanwhile, nitrile latex prices decreased by 19% to US\$1.79 (about RM7.55)/kg and are expected to continue declining at a much higher percentage going forward,” it added.

At the time of writing on Friday (Dec 10), Top Glove's share price had fallen three sen or 1.24% to RM2.38, bringing it a market capitalisation of RM19.53 billion.

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