

TOP GLOVE AWAITS DEMAND PICKUP FROM OMICRON VARIANT

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THE MALAYSIAN RESERVE

TOP Glove Corp Bhd is expecting demand for rubber gloves to rise again supported by the emergence of the new Covid-19 Omicron variant which is spreading globally.

Its MD Lee Kim Meow said customers were watching development around the new variant to decide on whether to stockpile gloves again.

He added that the group had received huge orders from the Middle East for medical use.

“We have not seen the full response of how the Omicron variant has developed all over the world.

“However, a lot of our buyers and customers are basically on the lookout, and I believe some of them could be also replenishing their stock,” he said during the media briefing of Top Glove’s first quarter ended Nov 30, 2021 (1Q22), results announcement last Friday.

Lee added that the rise of China’s glove manufacturing sector had affected Top Glove’s business and its market share.

However, he said the group is not very concerned as Malaysia still holds the advantage in terms of cost and quality.

“When it comes to labour and utility costs, we are more competitive than them. On top of that, we also have sufficient raw material.

“During the previous months, some of our customers bought gloves from China. But with our good customers rapport and cost structure, we were able to be competitive and attract them back,” he noted.

The world’s biggest rubber glovemaker is anticipating the business environment to remain challenging in the immediate term as competition continues to intensify amid moderating glove demand.

Nonetheless, Lee said the group remains cautiously optimistic on its industry outlook, given global demand for gloves as an essential item will continue to grow steadily at a rate of more than 10% per annum even after the Covid-19 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 growth in supply.

“While we have entered a challenging and competitive time in the glove industry, we are not deterred,” he noted.

Lee said Top Glove will continue to improve its quality and efficiency through research and development, enhancement programmes and advanced technology, as it deepens its commitment to sustainability.

Most importantly, the group will ensure its foundation is strong by remaining mentally, physically and financially healthy, which will enable it to weather the tough times, do better and emerge stronger.

Commenting on the prosperity tax, Top Glove ED Lim Cheong Guan said the tax is unlikely to affect its finances as the group has about eight separate glove entities that are generating income for the group and subsidiaries.

“Assuming we have whatever profit, this will be spread among the eight entities. There is potential that some will have profits in excess of RM100 million, and some may not, and these will not be subjected to the tax. This may help us cushion the impact of the tax on the group,” he noted.

Top Glove's net profit for 1Q22 shrank 92.12% year-on-year (YoY) to RM185.72 million on lower average selling prices (ASPs), 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.

Revenue for the quarter plunged 66.71% YoY to RM1.58 billion, dragged by the lower sales volume and normalised ASPs, following mass vaccine rollout on a global scale effected glove demand.

Earnings per share for the quarter was 2.32 sen versus 29.02 sen in 1Q21.

Top Glove announced a lower dividend of 1.2 sen per share, which was 93% lower than the 16.5 sen dividend paid in the corresponding period a year ago.

The ex-date for the dividend is Dec 24, 2021, while the payment date is on Jan 10, 2022.

Top Glove noted that it will be cautious and defer its expansion plans to be in line with market trends and the demand supply situation amid the challenging business landscape.

The group's growth strategy will include a combination of organic expansion, inorganic expansion and strategic investments.

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