

TOP GLOVE'S Q2 NET PROFIT PLUNGES TO RM87.55MIL FROM RM2.87BIL A YEAR AGO

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Top Glove Corp Bhd's net profit fell 97 per cent to RM87.55 million in the second quarter (Q2) ended February 28, 2022 from RM2.87 billion a year earlier. REUTERS/Lim Huey Teng

KUALA LUMPUR: Top Glove Corp Bhd's net profit fell 97 per cent to RM87.55 million in the second quarter (Q2) ended February 28, 2022 from RM2.87 billion a year earlier.

The company's revenue fell 73 per cent to RM1.45 billion in Q2 2022 from RM5.37 billion last year.

Top Glove said the softer financial performance came on the back of normalising average selling prices (ASPs) which were moving closer to pre-pandemic levels.

It said the raw material prices were generally on a downward trend, decreasing at a slower pace than ASPs, which resulted in margin compression.

"The company also had to contend with increases in other operating costs including utilities, manpower and chemical costs as well as intensifying competition, with the new glove supply causing pricing pressure in light of the successful Covid 19 vaccine rollout globally," it said.

No dividend was proposed by Top Glove for the current quarter under review.

Despite challenges encountered in Q2, Top Glove said its sales volume had shown a marked improvement in comparison with Q1 FY22, following the resumption of regular glove restocking activity by customers, and as ASPs approach pre-pandemic levels.

Moreover, its sales to the United States (US) were well on its path to recovery since September 2021, with sales volume to the US market growing sharply by 220 per cent to date.

"In September 2021, sales to the US comprised four per cent of total company's global sales and by February 2022, sales to the US had grown to contribute 13 per cent towards total company global sales.

"In tandem, Top Gloves's production utilisation increased from 60 per cent in September 2021 to 73 per cent in February 2022," it said.

For the first-half period (1HFY22), Top Glove registered a lower net profit of RM273.27 million from RM5.23 billion last year, while its revenue fell 70 per cent to RM3.03 billion from RM10.12 billion a year ago.

Managing director Datuk Lee Kim Meow said while the company's Q2 FY22 results were not as robust as it would like them to be, this was to be expected as the pandemic receded.

Lee said having been in the glove business for 31 years, Top Glove had seen many such cycles and its experience had prepared the company well to go through this one.

"What is important for us now is to continue to focus on quality and efficiency, improve, innovate, invest in research and development (R&D), leverage advanced technology/digitalisation and recruit more good talents, while deepening our commitment to sustainability.

"With all these in place and our good balance sheet position, I believe we are well able to navigate this challenging period and emerge stronger," he said.

As at February 28, 2022, Top Glove has maintained a net cash position of RM656 million and net assets of RM6.95 billion.

On the outlook, Lee said the business environment is anticipated to be challenging and competitive in the immediate term, as the pandemic gradually comes under control.

He said the additional glove supply and ensuing pricing/margin pressure may in turn result in industry consolidation, as part of the business cycle.

"Nonetheless, taking a positive view of the situation, Top Glove is confident that even in the hardest of times, opportunity still abounds and maintains that the long term industry outlook is promising.

"Glove demand will still continue to grow steadily, albeit not at the accelerated but unsustainable pace during the pandemic.

"This challenging period is temporary and we will continue to focus on maintaining our strong foundation by staying mentally, physically and financially healthy," he added.

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