

TOP GLOVE'S NET PROFIT PLUNGES FROM RM2.04BIL TO RM15.29MIL IN Q3

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Top Glove said the softer performance came amid a convergence of headwinds, with production costs moving upward due to global inflation and as the Russia-Ukraine conflict drove up crude oil prices. (Photo by Mohd RASFAN / AFP)

KUALA LUMPUR: Top Glove Corporation Bhd's net profit plunged 99.2 per cent to RM15.29 million in the third quarter (Q3) ended May 31, 2022, from the RM2.04 billion recorded in the same quarter a year ago.

Its revenue for the quarter shrank 64.8 per cent to RM1.46 billion from RM4.16 billion.

In a statement today, the glove manufacturer said the softer performance came amid a convergence of headwinds, with production costs moving upward due to global inflation and as the Russia-Ukraine conflict drove up crude oil prices.

Additionally, the group contended with increases in natural gas and electricity tariffs, as well as minimum wage implementation which came into effect from May 1, 2022.

"The escalating costs resulted in margin compression, as the group was unable to fully pass the cost through amidst the ongoing oversupply situation," it said.

Top Glove said, however, average selling prices (ASPs) were declining at a far slower pace which would help cushion the cost impact going forward.

Meanwhile, sales to the US from Malaysia continue to trend higher in Q3 FY22, increasing by eight per cent compared with Q2 FY22, with great potential for further growth, which bodes well for the group.

Top Glove said for Q3, the average natural latex concentrate price rose 17 per cent quarter-on-quarter to RM6.50 per kg.

The average nitrile latex price was US\$1.11 per kg, three per cent lower compared to Q2 FY22.

In consideration of the moderating demand, the group has deferred and reduced its major capital expenditure (capex) for the immediate term, as it continues to align its expansion plans with market conditions.

Managing director Datuk Lee Kim Meow said this was an extremely challenging time for the glove industry.

He said this quarter's results were not reflective of its usual business performance, owing to the ongoing normalisation trend coupled with demand-supply imbalance.

"However, we will press on and continue focusing on the fundamentals: delivering quality products at an efficient cost, a direction which remains our priority both in good and lean times," he said.

For the nine-month period, Top Glove's net profit decreased 96 per cent to RM288.56 million from RM7.26 billion, while revenue decreased 68.5 per cent to RM4.49 billion from RM14.29 billion.

Lee said Top Glove believed that the outlook for the glove industry was still promising as gloves remained an essential item in the healthcare sector.

"We are very confident that demand will keep growing with increased usage from emerging markets where the glove consumption base is relatively low, coupled with higher levels of hygiene and health consciousness in a post-pandemic era," he said.

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