

TOP GLOVE'S Q3 EARNINGS FALL ON NORMALISATION IN DEMAND, AVERAGE SELLING PRICES

09 June 2022 / 12:06



KUALA LUMPUR, June 9 (Bernama) -- Top Glove Corp Bhd's net profit fell to RM15.29 million in the third quarter ended May 31, 2022 (Q3) from RM2.04 billion a year earlier, on the back of lower revenue due to the effects of normalisation in demand and average selling prices (ASPs) affecting the industry.

Revenue for the quarter declined to RM1.46 billion compared with RM4.16 billion year-on-year?

"This is in contrast to the exceptionally strong performance in the corresponding period in the financial year ended Aug 31, 2021 (FY2021), when the pandemic was at its peak, during which demand and ASPs were at all-time highs and operating costs were lower," Top Glove said in a filing with Bursa Malaysia today.

In Q3, the average natural latex concentrate price rose 17 per cent quarter-on- quarter to RM6.50 per kilogramme (kg) while the average nitrile latex price was at US\$1.11 per kg, down 3.0 per cent from Q2.

Top Glove managing director Datuk Lee Kim Meow said it is an extremely challenging time for the glove industry currently and the quarter's results were not reflective of the group's 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 in a separate statement.

For the nine-month period, the glove producer posted a net profit of RM288.56 million compared to

RM7.26 billion year-on-year, while revenue stood at RM4.50 billion against RM14.29 billion a year earlier.

Top Glove said the softer performance occurred amid a convergence of headwinds, with production costs moving upward due to global inflation and as the RussiaUkraine conflict drove up crude oil prices.

Additionally, the group had to contend with increases in natural gas and electricity tariffs, as well as minimum wage implementation, which came into effect on May 1, 2022, resulting in margin compression, as the company was unable to fully pass cost through amid ongoing oversupply situation.

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

However, the ASPs are declining at a far slower pace, which would help cushion the cost impact going forward.

Meanwhile, sales from Malaysia to the United States continued to trend higher in Q3, increasing by 8.0 per cent compared with the preceding quarter, with great potential for further growth, which bodes well for the group, said Top Glove.

Moving forward, the group expects the challenging business environment to persist in the near term, but emphasises that the situation is a temporary setback.

Lee said the group is confident that demand would 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 the post-pandemic era.

Bernama