

# TOP GLOVE SCALES BACK EXPANSION PLAN AS CHAIRMAN WARNS OVERSUPPLY WILL PULL DOWN SELLING PRICE FURTHER

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KUALA LUMPUR (June 9): Top Glove Corp Bhd, which suffered severe earnings contraction in the third financial quarter ended May 31, 2022, announced that it intends to defer its expansion plans in view of the oversupply situation, which is expected to exert downward pressure on the the average selling prices (ASP) of rubber gloves.

In its quarterly financial result briefing, the world's largest glove producer said that it would downsize its expansion plan by about 32 billion pieces in four years until 2025 given the challenging operating environment that is likely to persist in the near term.

Top Glove's initial plan was to double its annual manufacturing capacity from 100 billion pieces of gloves in 2021 to 201 billion in 2025. The group already decided to reduce its capacity expansion by 13 billion pieces in the previous financial quarter.

In short, Top Glove has reduced its capacity expansion programme by about 22% or 45 billion pieces of gloves to 156 billion from 201 billion previously.

Top Glove's founder and executive chairman Tan Sri Lim Wee Chai warned that the oversupply in the rubber glove industry will continue to exert downward pressure on the group's gloves ASPs.

“ASPs (for gloves) is possible to drop below the pre-pandemic period in the year 2019, because the supply is still more than demand. The supply (of gloves) has to be reduced, so that the ASPs will recover...especially nitrile gloves whose ASP has been dropping a lot and now it is almost at the bottom, which is about the same or slightly lower than the ASP in the year 2019, before the pandemic,” he said.

According to Wee Chai, the group’s current average ASPs for gloves stood at US\$25 per 1,000 pieces depending on product mix, noting that “it is very low and close to bottom already”.

Nonetheless, its executive director Lim Cheong Guan is optimistic that the oversupply situation might improve as small players and newcomers are also shutting down their production lines.

“With small players and newcomers shutting down their operations, plus the deferment of expansion (among the glove players)...all that helps to reduce the new supplies. I think the ASP, going forward, may experience some adjustment but I believe it will be more stable,” he explained.

### **Earnings shrink further**

Top Glove Corp Bhd saw its net profit for the third quarter ended May 31, 2022 (3QFY22) slump 82.53% quarter-on-quarter (q-o-q) to RM15.29 million from RM87.55 million in the preceding quarter as the group continued to be battered by the effect of the normalisation in terms of demand and lower ASP for gloves following the transition into endemic from pandemic.

Quarterly revenue, however, was flat at RM1.46 billion from RM1.45 billion in 2QFY22, indicating margin compression that the glove maker is currently facing as a result of the sharp fall in ASP.

On a year-on-year (y-o-y) basis, the group’s latest quarterly net profit was less than 1% of RM2.04 billion it achieved a year ago in 3QFY21, while revenue shrank by 64.5% from RM4.16 billion.

As a result, its earnings per share came in substantially lower at 0.19 sen, versus 25.44 sen posted for 2QFY21 and the 1.09 sen for the preceding quarter 2QFY22.

No dividend was declared during the quarter under review.

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