



Top Glove Corporation Bhd

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PRESS RELEASE

For Immediate Release

STAYING SUSTAINABLE IN TRANSITION TO NORMALITY

Top Glove remains resilient through tough times and looks forward to better days ahead

Shah Alam, Tuesday, 20 September 2022 Top Glove Corporation Bhd or “Top Glove” today announced its financial results for the Fourth Quarter (4QFY2022) and full financial year 2022 (FY2022) ended 31 August 2022 as it navigates a turbulent environment. Against the highly challenging backdrop, the Group delivered Sales Revenue of RM5.57 billion and Profit After Tax of RM292 million for FY2022.

For 4QFY2022, it recorded Sales Revenue amounting to RM990 million, while posting a quarterly Loss After Tax of RM42 million, as the glove industry experiences the effects of normalisation. Concurrently, Sales Volume for the quarter contracted by 27% year on year. The Group’s softer financial performance came as the industry weathers an adjustment period, contending with the twin factors of oversupply coupled with excess stockpiling by customers during the pandemic. This has led to a slowdown in orders, setting average selling prices (ASPs) on a downward trend, which has been aggravated as customers adopt a “wait and see” approach in anticipation of a further decline in ASPs. Following the decline in ASPs, the Group has also written down its inventory value to net realisable value by RM56 million in 4QFY2022 and by RM229 million for FY2022. Additionally, the Group saw an escalation in cost structure attributed to global supply chain disruptions. On the domestic front, it was impacted by approximately a 60% hike in natural gas tariff over the course of FY2022, as well as a 25% increase in the Malaysian minimum wage from RM1,200 to RM1,500 which took effect in May 2022. The escalating costs, which the Group is unable to pass on to customers amidst the ongoing oversupply situation, have impacted its bottom line.

“The glove industry has been facing strong headwinds over the last year. The temporary oversupply situation and weaker demand has distorted the demand/supply mechanism and the Group’s 4QFY2022 performance is

not reflective of our business or the sector's true potential, both of which remain very promising in the longer term", remarked Mr Lim Cheong Guan, Managing Director of Top Glove.

"We have delivered exceptionally strong profits over the last two years and are now going through a period of normalisation as glove demand/supply stabilises. We accept this as part of being in the glove business, mindful that our loss position this quarter is a temporary setback, and are confident the industry will recover eventually," Mr Lim continued.

To ensure the Group is well positioned to navigate this challenging period, its primary focus is on operational efficiency and cost rationalisation. Towards this, Top Glove has swiftly responded, establishing mitigating measures which include deferring all CAPEX for new capacity in 2023, in view of lower utilisation levels. It has also embarked on streamlining facilities, focusing on enhancing those producing its in house supply of materials. In addition, Top Glove continues to collaborate with its suppliers towards ensuring more cost effective procurement for a win win outcome.

In tandem, efforts will be directed towards recapturing sales to the U.S., promoting more cost efficient products, while developing value added products and enhancing its green product line. In addition, it has resumed participation in trade shows and customer visits. Despite the oversupply situation, Top Glove remains confident that once customers' stockpiles are depleted and glove restocking activity resumes, the market will stabilise and be better positioned to absorb the additional supply from new capacity. As the glove industry is estimated to be running at below 50% utilisation, glove supply is expected to reduce accordingly. The Group anticipates that industry consolidation will follow, further reducing glove supply and paving the way for recovery.

In view of glove ASPs starting to stabilise, the Group has also increased its ASPs by 5% for October 2022, so as to enable cost pass through, in view of the rising cost in the past 1 year.

The challenging environment notwithstanding, Top Glove remains steadfast in its commitment to do well and deliver value to its stakeholders across the sustainability spectrum. Top Glove was honoured to have garnered several awards and accolades over the course of FY2022, the most recent being named the Company of Year for Overall Excellence in Sustainability and CSR under the Manufacturing category at the Sustainability & CSR Malaysia Awards 2022, in recognition of its corporate social responsibility activities, including financial contributions, donations of personal protective equipment, and philanthropic activities totalling approximately RM190 million in 2021.

Outlook: A Brighter Tomorrow

In the near term, the business environment is expected to remain challenging into 2023, as customers continue to deplete pipeline inventories and glove demand/supply gradually equilibrates. However, the Group believes that recovery is on the horizon. "Based on our industry experience, a period of adjustment is to be expected after each pandemic. Owing to the 'perfect storm' of normalising demand and ASPs, alongside increased production capacity however, the recovery timeline is more protracted than usual", observed Mr Lim.

"However, we are optimistic that the storm will pass. Once the demand /supply mechanism rebalances, we will see glove demand resuming its 10% growth per annum as projected by the Malaysian Rubber Glove Manufacturers Association (MARGMA), in line with actual consumption which is underpinned by rising usage and hygiene awareness. The industry's fundamentals remain intact as there are no structural changes to the industry; gloves remain an essential item in the medical sector with no viable replacement, and are also disposable which means demand is recurring. Hence, this setback is temporary and part of the business cycle, which we are confident of navigating successfully", Mr Lim concluded.

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About Top Glove Corporation Bhd

Top Glove Corporation Bhd is listed on the Bursa Malaysia Stock Exchange Main Board and Singapore Exchange Mainboard. It is also one of the component stocks of the MSCI Global Standard Index, FTSE Bursa Malaysia KLCI Index, FBM Top 100 Index, FBM Emas Index, FBM Hijrah Syariah Index, FBM Emas Syariah Index and the Dow Jones Sustainability Indices (DJSI) for Emerging Markets. A Forbes Global 2000 company, Top Glove is currently the world's largest manufacturer of gloves with an established corporate culture and good business direction of producing consistently high quality, cost efficient gloves. Top Glove has over 2,000 customers worldwide and exports to more than 195 countries.

Summary of key information:

| | As at 20 September 2022 |
|----------------------------------|---|
| Number of Factories | 50 factories (43 in Malaysia, 5 in Thailand, 1 in China and 1 in Vietnam) comprising: <ul style="list-style-type: none">• 37 glove factories• 2 latex concentrate plants• 3 chemical factories• 1 glove former factory• 2 packaging material factories• 1 dental dam factory• 1 condom factory• 1 face mask factory• 1 gamma sterilization factory• 1 rapid test kit factory |
| Number of Marketing Offices | 7 (Malaysia, USA, Germany, Brazil, China, Thailand and Vietnam) |
| Number of Glove Production Lines | 812 |
| Glove Production Capacity | 100 billion pieces per annum |
| Number of Employees | 17,700 |