Corporate Update

Top Glove Corporation Berhad

(7113 |TOPG MK) | Health care

ESG 3 Stars | SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM0.83** (from RM1.24)

Earnings Volatility to Persist

Maintain NEUTRAL. We are maintaining our **NEUTRAL** call with a revised target price of **RM0.83** based on FY26F BV/PS of 82.1sen pegged to a P/BV of 1.01x, aligning with nearly 2-year historical average -1SD. Outlook for the Top Glove remains mixed, driven by its strong diversification of revenue streams and effective cost management strategies that appears managed to mitigate challenges. However, margin compression is anticipated to persist, especially in the absence of frontloaded activity, which could affect performance in the upcoming quarters.

Additionally, ongoing supply chain disruptions, particularly from the Chinese market, are expected to exacerbate challenges. Resulting earnings volatility to be likely a key concern, especially in the face of market conditions that are being influenced by oversupply issues and a highly competitive environment.

Below expectations. Top Glove's 1HFY25 core PATANCI of RM53.1m, came in below ours and consensus forecast, making up only 23.0% and 37.9% of full year estimates respectively.

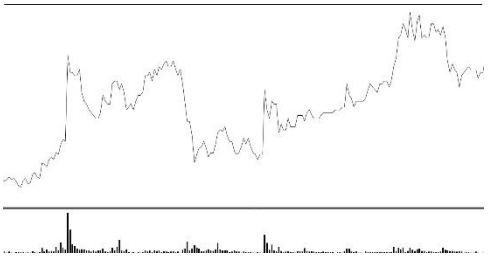
Reversing to black. Surprisingly, 2QFY25 core profit now turned to profit of RM58.1m. The expansion of margin by +18.5pts to 6.4% was mainly driven by 1) improved ASPs, 2) higher sales order volume over the past 2 quarters, 3) cost pass through mechanism, and 4) higher utilization rates which have enabled the company to offer more competitive pricing in certain regions.

Earnings Outlook. Since the earnings came in below ours/consensus estimates, we have made an adjustment to refine our full-year figures, resulting in revisions to our FY25F/ FY26F/ FY27F estimates by -22%yoy /-46%yoy /-65%yoy, respectively, to RM107.6m /RM125.4m /RM134.8m. Our estimates lean slightly on the conservative side, as utilisation rate to remain near breakeven level circa 55%-63% over the said period.

This outlook is based on continuous stock replenishment, higher orders from the U.S., and sustained demand for nitrile gloves. However, we do not rule out the possibility that other export destinations could face increased competition, as Chinese glove manufacturers may redirect their products.

RETURN STATISTICS	
Price @ 20th Mar 2025 (RM)	0.89
Expected share price return (%)	-6.81
Expected dividend yield (%)	+0.7
Expected total return (%)	-6.11

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.8	-2.3
3months	-33.6	-28.7
12 months	3.5	5.7

INVESTMENT STATISTICS

FYE Aug (RM'm)	2025F	2026F	2027F
Revenue	3,557.6	4,239.5	5,255.2
Operating Profit	148.7	171.8	181.2
PBT	141.5	165.0	177.3
Core PATANCI	107.6	125.4	134.8
Core EPS	1.3	1.6	1.7
DPS	0.5	0.6	0.7
Dividend Yield	0.6%	0.7%	0.8%

KEY STATISTICS

FBM KLCI	1,504.16
Issue shares (m)	8,011.01
Estimated free float (%)	48.10
Market Capitalisation (RM'm)	7,135.87
52-wk price range	RM0.79 – RM 1.44
3-mth average daily volume (m)	22.50
3-mth average daily value (RM'm)	25.78
Top Shareholders (%)	
Lim Wee Chai	27.93
Central Depository Pte Ltd/ The	11.31
FIRSTWAY UNITED CORP	7.77

Analyst

MIDF Research

research@midf.com.my

03-2173 8461

Top Glove: 2QFY25 Results Summary

FYE Aug (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	**883.7**	**885.9**	**550.3**	**60.6**	**(0.3)**	**1,769.5**	**1,043.8**	**69.5**
Operating expenses	(839.5)	(883.6)	(609.1)	37.8	(5.0)	(1,723.1)	(1,162.1)	48.3
Other operating income	10.3	15.4	17.2	(40.0)	(33.3)	25.7	25.8	(0.2)
Operating profit (EBIT)	54.5	17.7	(41.6)	(231.0)	208.2	72.2	(92.5)	(178.0)
Net finance income	0.4	1.2	(0.1)	(407.8)	(66.6)	1.6	(1.5)	(206.2)
PBT	**56.0**	**19.4**	**(43.1)**	**(230.0)**	**188.2**	**75.4**	**(95.9)**	**(178.6)**
Taxation	14.9	(2.7)	2.9	405.7	(655.0)	12.2	8.6	41.3
PAT	70.8	16.7	(40.1)	(276.5)	322.9	87.6	(87.3)	(200.3)
PATANCI	60.0	5.5	(51.2)	(217.2)	995.8	65.5	(108.9)	(160.1)
Core PATANCI	**58.1**	**(4.9)**	**(66.6)**	**(187.2)**	**(1,276.0)**	**53.1**	**(122.7)**	**(143.3)**
Core EPS (sen)	0.7	(0.1)	(0.8)	(187.0)	(1,274.7)	0.7	(1.5)	(143.2)
Growth & Margin (%)				+/- ppts	+/- ppts			+/- ppts
Operating Profit	6.2	2.0	(7.6)	13.7	4.2	4.1	(8.9)	12.9
PBT Margin	6.3	2.2	(7.8)	14.2	4.1	4.3	(9.2)	13.4
Core PATANCI Margin	6.4	(0.6)	(12.1)	18.5	7.0	3.0	(11.8)	14.8

Source: Company, MIDFR

Top Glove: Segmental Breakdown & Operational Stats.

FYE Aug (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue (External)								
Malaysia	1,547.2	793.4	486.3	218.2	95.0	4,568.3	923.5	394.7
Thailand	147.1	56.7	33.0	345.7	159.3	351.4	62.3	464.4
China	0.0	1.1	2.7	(100.0)	(100.0)	11.1	5.3	110.8
Others	75.3	34.7	28.4	165.5	117.1	240.6	52.8	355.8
Total	1,769.5	885.9	550.3	221.5	99.7	5,171.4	1,043.8	395.4
Operating Profit								
Malaysia	71.4	22.7	(36.3)	(296.5)	214.2	54.1	(75.1)	(172.1)
Thailand	6.2	(2.0)	0.2	2,560.8	(413.2)	(12.5)	(3.5)	257.8
China	0.0	0.5	(0.9)	(100.0)	(100.0)	35.9	(1.6)	(2,373.5)
Others	(0.6)	(1.4)	(1.5)	(60.2)	(55.2)	(5.8)	(7.4)	(21.7)
Total	77.0	19.9	(38.5)	(299.8)	286.7	71.8	(87.5)	(182.1)
Operating profit margin								
Malaysia	4.6	2.9	(7.5)	12.1	1.8	1.2	(8.1)	9.3
Thailand	4.2	(3.5)	0.7	3.5	7.7	(3.6)	(5.6)	2.1
China	n.m.	49.0	(33.1)	n.m.	n.m.	322.5	(29.9)	352.4
Others	(0.8)	(3.9)	(5.4)	4.6	3.1	(2.4)	(13.9)	11.5
Total	4.3	2.2	(7.0)	11.4	2.1	1.4	(8.4)	9.8
Available Capacity								
Production Capacity 'm	95,000	95,000	95,000	-	-	190,000	190,000	-
Effective Capacity 'm	55,100	60,800	38,000	45.0	-9.4	115,900	70,300	64.9
Utilisation Rate (%)	58	64	45	13.0	-6.0	61	37	24.0

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025F	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	2,257.2	2,514.4	3,557.6	4,239.5	5,255.2	Pretax Profit	(900.4)	(31.4)	141.5	165.0	177.3
Gross Profit	64.3	265.3	1,057.7	1,266.7	1,552.9	Operating cash flow	121.0	66.3	399.3	479.5	613.8
EBITDA	(968.8)	194.0	482.1	530.4	706.5	Investing cash flow	(383.3)	(304.2)	(439.2)	(523.1)	(645.6)
EBIT	(899.2)	(35.9)	148.7	171.8	181.2	Financing cash flow	94.8	228.1	110.0	68.2	187.1
PBT	(900.4)	(31.4)	141.5	165.0	177.3	Net cash flow	(167.5)	(9.8)	70.1	24.7	155.3
Taxation	14.9	9.9	(34.0)	(39.6)	(42.6)	Beginning cash flow	433.4	280.0	270.2	340.3	365.0
PAT	(885.5)	(21.4)	107.6	125.4	134.8	Ending cash flow	280.0	270.2	340.3	365.0	520.3
Core PATANCI	(526.2)	(64.9)	107.6	125.4	134.8						
Core EPS (sen)	(6.6)	(0.8)	1.3	1.6	1.7						
DPS (sen)	0.0	0.0	0.5	0.6	0.7						
Dividend Yield (%)	0.0	0.0	0.6	0.7	0.8						
Growth (%)	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**	**Profitability Ratios (%)**	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**
Revenue Growth	(65.9)	(59.5)	41.5	19.2	24.0	Gross Profit Margin	17.1	2.8	29.7	29.9	29.5
Gross Profit Growth	(91.4)	(93.3)	298.7	19.8	22.6	EBITDA Margin	12.4	(42.9)	13.6	12.5	13.4
EBITDA Growth	(93.3)	(240.3)	148.5	10.0	33.2	EBIT Margin	6.1	(39.8)	4.2	4.1	3.4
Core PATANCI Growth	(93.7)	(206.7)	(265.8)	16.6	7.4	Core PATANCI Margin	8.9	(23.3)	3.0	3.0	2.6
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**	**Liquidity Ratios (x)**	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**
Property, plant and equipment	3,893.1	3,625.0	3,718.5	3,868.5	3,973.9	Current ratio	1.8	1.8	1.9	1.9	2.0
Intangible assets	864.5	866.7	1,103.6	1,183.6	1,320.5	Quick ratio	1.5	1.4	1.5	1.4	1.5
Total Non-current assets	5,373.5	5,118.2	5,471.6	5,725.1	5,995.8						
Inventories	301.5	452.1	501.1	595.9	742.2						
ST - Trade and other receivables	182.6	247.2	348.8	415.7	515.3	**Leverage Ratios (x)**	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**
Cash and cash equivalents	285.4	270.2	340.3	365.0	520.3	Total Debt to Equity	0.1	0.1	0.1	0.1	0.1
Total current assets	1,688.0	1,891.0	2,182.4	2,393.5	2,836.7	Total Debt to Assets	0.1	0.1	0.1	0.1	0.1
Total Assets	7,061.6	7,009.3	7,654.0	8,118.6	8,832.4	Net debt/total equity	4.5	5.0	3.6	3.1	0.6
Total Equity	5,926.1	5,746.6	6,242.3	6,576.7	7,091.0						
LT Loans and borrowings	14.1	14.3	14.4	14.6	14.7	**Efficiency Ratios (Days)**	**2023A**	**2024A**	**2025F**	**2026E**	**2027F**
Total Non-current liabilities	211.6	212.5	270.6	293.7	331.4	Inventories Turnover	73.0	61.0	69.6	67.3	66.0
ST Trade and other payables	265.3	373.6	414.2	492.5	613.4	Account Receivable	36.2	31.8	31.3	33.8	33.3
ST Loans and borrowings	540.4	545.8	551.2	556.7	562.3	Account Payable	61.1	53.0	58.9	57.2	56.2
Total Current Liabilities	923.9	1,050.1	1,141.1	1,248.2	1,410.0	Cash Conversion Cycle	48.0	39.8	41.9	44.0	43.1
Total Liabilities	1,135.5	1,262.7	1,411.7	1,541.9	1,741.4						

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology