Corporate Update

Top Glove Corporation Berhad

(7113 |TOPG MK) | Health care

ESG 3 Stars

SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM0.70** (from RM0.83)

3QFY25 Results Review

Anticipating Further Volatility Ahead

Attaining a healthy profit margin remains a concern. We are maintaining our **NEUTRAL** recommendation for Top Glove post the announcement of its 3QFY25 quarterly results. The improving landscape has enabled the group to maintain quarterly revenue of more than RM800m since 4QFY24. The utilisation rate also appears stable at around 60%.

We anticipate more challenges ahead. In terms of ASP, the group would need to offer more attractive pricing for the U.S. market. Meanwhile, the European market could remain competitive though this could be mitigated by the recent restriction for China to tender for medical device. We view that the group's utilisation rate would need to improve further beyond the 60% level to enjoy a healthier profit margin. However, this may be a challenging task given that the group still has ample excess capacity. To partially make up for such outlook, there is a more pressing need to improve production efficiency via cost optimisation. This would also enable to the group to be more competitive globally.

Quarterly revenue sustained above RM 800m. Top Glove's 3QFY25 normalised earnings improved to RM23.7m from a loss of -RM59.7m a year ago. This was mainly supported by higher revenue of RM830.3m (+30.4%yoy). Improvement in sales volume resulted in higher utilisation rate of 61%.

Below expectations. On a cumulative basis, 9MFY25 normalised earnings amounted to RM47.1m, a reversal from loss of -RM182.3m incurred for 9MFY25. The sales revenue grew by +54.7%yoy to RM2.6b as a results of +65%yoy increased in sales volume. It still came below our expectation, making up only 44.8% of our FY25 earnings estimates. The deviation primarily came from the lower ASPs for both Nitrile and Natural Rubber gloves.

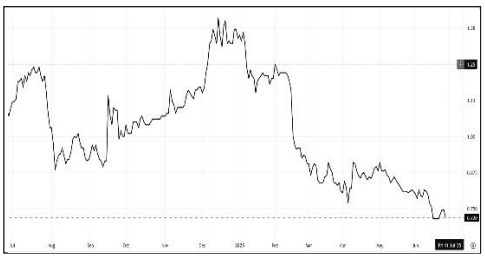
A more conservative earnings estimate. Taking into consideration the group's performance as well as potential outlook, we revised FY25/FY26/FY27 earnings estimates to RM67.1m/RM128.9m/RM196.0m respectively.

Our earnings revision has also led to lower **target price of RM0.70** (previously RM0.83) as we pegged revised FY26 BVPS of 70.4sen against unchanged target P/BV of 1.0x.

Better financial position. With the sustained profitability as well as better cash collection, the group has managed to reduce its net debt position to RM461m. Note that RM215m was used to bring down its borrowings. This resulted in low gearing ratio of 0.10x as at 3QFY25.

RETURN STATISTICS	
Price @ 26th June 2025 (RM)	0.72
Expected share price return (%)	-2.7
Expected dividend yield (%)	+0.9
Expected total return (%)	-1.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.6	-5.7
3months	-6.8	-10.4
12 months	-30.1	-27.0

INVESTMENT STATISTICS

FYE Aug (RM'm)	2025F	2026F	2027F
Revenue	3,557.6	4,239.5	5,016.3
Operating Profit	510.5	645.3	980.4
Profit Before Tax	113.0	161.1	243.5
Core PATAMI	67.1	128.9	196.0
Core EPS	0.8	1.6	2.4
DPS	0.5	0.6	1.0
Dividend Yield	0.6	0.9	1.3

KEY STATISTICS

FBM KLCI	1,528.16
Issue shares (m)	8,011.01
Estimated free float (%)	49.60
Market Capitalisation (RM'm)	6,053.47
52-wk price range	RM0.7 – RM 1.44
3-mth average daily volume (m)	15.76
3-mth average daily value (RM'm)	13.19
Top Shareholders (%)	
Lim Wee Chai	27.93
Central Depository Pte Ltd/ The	11.31
Kumpulan Wang Persaraan Diperba	7.72

Analyst

MIDF Research

research@midf.com.my

03-2173 8461

FYE Aug (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	830.3	883.7	636.9	30.4	(6.0)	2,599.8	1,680.7	54.7
Operating expenses	(821.9)	(839.5)	(671.2)	22.5	(2.1)	(2,545.0)	(1,833.2)	38.8
Other operating income	32.6	10.3	89.5	(63.5)	217.2	58.3	115.2	(49.4)
Operating profit (EBIT)	**41.0**	**54.5**	**55.2**	**(25.8)**	**(24.8)**	**113.1**	**(37.3)**	**(403.0)**
Net finance income/(cost)	(7.7)	0.4	0.8	(1,029.1)	(2,033.0)	(6.1)	(0.7)	812.9
Profit before tax (PBT)	**31.2**	**56.0**	**58.6**	**(46.7)**	**(44.3)**	**106.6**	**(37.4)**	**(385.3)**
Taxation	3.2	(14.9)	3.2	1.7	(121.7)	(14.3)	11.8	(221.3)
Profit after tax (PAT)	**34.4**	**41.1**	**61.7**	**(44.2)**	**(16.3)**	**92.3**	**(25.6)**	**(460.9)**
PATANCI/ LATANCI	34.7	30.3	50.7	(31.4)	14.7	70.5	(58.2)	(221.1)
Core PATANCI	**23.7**	**28.4**	**(59.7)**	**(139.7)**	**(16.4)**	**47.1**	**(182.3)**	**(125.9)**
Core EPS (sen)	0.3	0.4	(0.7)	(139.7)	(16.3)	0.6	(2.3)	(125.8)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Operating Profit/Loss Margin	4.9	6.2	8.7	(3.7)	(1.2)	4.4	(2.2)	6.6
PBT/LBT Margin	3.8	6.3	9.2	(5.4)	(2.6)	4.1	(2.2)	6.3
Core PATANCI/LATANCI Margin	2.9	3.2	(9.4)	12.2	(0.4)	1.8	(10.8)	12.7

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	2,257.2	2,514.4	3,557.6	4,239.5	5,016.3
Gross Profit	64.3	265.3	1,082.8	1,326.1	1,631.6
EBITDA	(968.8)	194.0	510.5	645.3	980.4
EBIT	(899.2)	(35.9)	120.1	167.9	247.9
PBT	**(900.4)**	**(31.4)**	**113.0**	**161.1**	**243.5**
Taxation	14.9	9.9	(22.6)	(32.2)	(48.7)
PAT	(885.5)	(21.4)	90.4	128.9	194.8
Core PATANCI	(526.2)	(64.9)	67.1	128.9	196.0
Core EPS (sen)	(6.6)	(0.8)	0.8	1.6	2.4
DPS (sen)	0.0	0.0	0.5	0.6	1.0
Dividend Yield (%)	0.0	0.0	0.6	0.9	1.3

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	(65.9)	(59.5)	41.5	19.2	18.3
Gross Profit Growth	(91.4)	(93.3)	308.1	22.5	23.0
EBITDA Growth	(93.3)	(240.3)	163.1	26.4	51.9
Core PATANCI Growth	(93.7)	(206.7)	(203.4)	92.0	52.1

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
Property, plant and equipment	3,893.1	3,406.6	3,194.2	2,928.5	2,697.8
Intangible assets	864.5	866.7	1,103.6	1,183.6	1,260.5
Total Non-current assets	5,373.5	4,899.8	4,947.3	4,785.2	4,657.7
Inventories	301.5	452.1	496.1	584.0	678.5
ST - Trade and other receivables	182.6	247.2	348.8	415.7	491.8
Cash and cash equivalents	285.4	270.2	340.3	365.0	496.6
Total current assets	1,688.0	1,891.0	2,177.3	2,381.6	2,708.0
Total Assets	7,061.6	6,790.9	7,124.7	7,166.8	7,365.7
Total Equity	5,926.1	5,528.2	5,717.1	5,634.7	5,701.9
LT Loans and borrowings	14.1	14.3	14.4	14.6	14.7
Total Non-current liabilities	211.6	212.5	270.6	293.7	317.0
ST Trade and other payables	265.3	373.6	410.0	482.7	560.8
ST Loans and borrowings	540.4	545.8	551.2	556.7	562.3
Total Current Liabilities	923.9	1,050.1	1,137.0	1,238.4	1,346.7
Total Liabilities	1,135.5	1,262.7	1,407.6	1,532.0	1,663.7

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Pretax Profit	(900.4)	(31.4)	113.0	161.1	243.5
Operating cash flow	121.0	66.3	417.1	588.2	926.8
Investing cash flow	(383.3)	47.9	(190.2)	(226.3)	(516.2)
Financing cash flow	94.8	(123.9)	(156.9)	(337.2)	(278.9)
Net cash flow	(167.5)	(9.8)	70.1	24.7	131.7
Beginning cash flow	433.4	280.0	270.2	340.3	365.0
Ending cash flow	280.0	270.2	340.3	365.0	496.6

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	17.1	2.8	30.4	31.3	32.5
EBITDA Margin	12.4	(42.9)	14.3	15.2	19.5
EBIT Margin	6.1	(39.8)	3.4	4.0	4.9
Core PATANCI Margin	8.9	(23.3)	1.9	3.0	3.9

Liquidity Ratios (x)	2023A	2024A	2025F	2026F	2027F
Current ratio	1.8	1.8	1.9	1.9	2.0
Quick ratio	1.5	1.4	1.5	1.5	1.5

Leverage Ratios (x)	2023A	2024A	2025F	2026F	2027F
Total Debt to Equity	0.1	0.1	0.1	0.1	0.1
Total Debt to Assets	0.1	0.1	0.1	0.1	0.1
Net debt/total equity	4.5	5.2	3.9	3.7	1.4

Efficiency Ratios (Days)	2023A	2024A	2025F	2026E	2027F
Inventories Turnover	73.0	61.0	69.9	67.7	68.1
Account Receivable	36.2	31.8	31.3	33.8	34.0
Account Payable	61.1	53.0	59.2	57.5	58.0
Cash Conversion Cycle	48.0	39.8	42.0	44.0	44.1

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad

197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD. The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

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