Top Glove Corporation Berhad

(7113 | TOPG MK) Main | Healthcare

SHARIAH Compliant

ESG 3 Stars

Corporate Update

Maintain **BUY**

Revised Target Price **RM1.13**
(from RM0.88)

Boosted Demand Improved FY26 Earnings

Maintain BUY. Top Glove Corporation Bhd's (Top Glove) FY26 core earnings came in above our expectation by +22% and consensus by +23%. As such, we revise our earnings forecast for the group and maintain a **BUY** call with a revised **target price of RM1.13** (previously RM0.88).

FY26 core profit surge >100%yoy. 4QFY26 and FY26 revenue came in at RM1.2b (+40%yoy) and RM4.2b (+21%yoy) respectively. Meanwhile, 4QFY26 and FY26 core profit surged over 4x to RM159m (from RM36m in 4QFY25) and RM371m (from RM84m in FY25) respectively. The core profits were adjusted to exclude forex loss and written off items. The improved performance was driven by a steady growth in glove demand, outpacing supply growth, which enabled manufacturers to rebuild margins. The ongoing conflict in the Middle East continues to tighten raw material and glove supply, further supporting cost pass through.

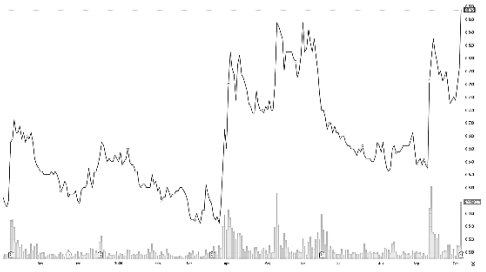
FY26 sales volume grows amid geopolitical tensions. Total sales volume grew to nearly +30%yoy for FY26, led by North America (28%), Asia (24%) and Eastern Europe (+18%). This is in line with the projection of a total annual glove consumption to over 500 billion pieces at an approximate CAGR of 12%. Despite the ongoing conflict in the Middle East, and the upcoming US election, North America continues to be the highest buyer for Top Glove's products, largely driven by: (i) the US tariffs on Chinese gloves, (ii) post-pandemic inventory replenishment, (iii) hedging against supply chain disruption and (iv) low sensitivity in sea freight bottlenecks. This is followed by Europe and emerging markets in Asia Pacific. The group reinstated that emerging markets continue to represent a massive untapped long-term growth potential due to the large populations and low current per-capita usage.

FY26 utilisation rate added +13%yoy. Top Glove maintains its installed capacity at 95b pieces in FY26, unchanged since FY24, due to the freeze in new expansion to prevent cost overruns. We noted that FY27 also targets similar installed capacity. However, running capacity hit 72b pieces in FY26 (+13% from FY25), hitting its forecasted capacity. For FY27, the group targeted a higher running capacity at 78b pieces (+8%). As of September CY26, total running capacity had increased +2% from the total 77% running capacity in FY26.

Impact on cost expected from gas tariff hike. The scheduled Malaysian natural gas tariff hike, which was rolled out early this month, is expected to directly impact Top Glove's operational margins. To offset this specific cost pressure, the group disclosed that it is partnering with industrial energy specialists and technology firms to optimize thermal efficiency across its dipping factories. Additionally, the group is also integrating AI and advanced automation into line heat exchangers, recovering waste heat, and upgrading insulation systems to reduce total gas consumption per 1000 gloves produced.

RETURN STATISTICS	
Price @ 6th October 2026 (RM)	0.88
Expected share price return (%)	+28.4
Expected dividend yield (%)	+1.5
Expected total return (%)	+29.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	+35.7	+40.0
3 months	+19.1	+22.0
12 months	+49.6	+49.9

INVESTMENT STATISTICS

FYE Aug (RM mil)	2027E	2028F	2029F
Revenue	4,661	4,856	5,055
Operating Profit	480	500	529
Profit Before Tax	446	460	480
Core PATAMI	379	394	414
Core EPS	4.7	4.9	5.2
DPS	1.7	2.0	2.3
Dividend Yield	1.5	1.6	1.9

KEY STATISTICS	
FBM KLCI	1,633.35
Issue shares (m)	8,017.97
Estimated free float (%)	49.50
Market Capitalisation (RM'm)	6,779.80
52-wk price range	RM0.53 - RM0.88
3-mth average daily volume (m)	18.10
3-mth average daily value (RM'm)	13.94
Top Shareholders (%)	
Lim Wee Chai	29.4
Firstway United Corp	6.9
Kumpulan Wang Persaraan	6.3

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Immediate downside risk: manpower bottlenecks. While market demand is currently outpacing production capacity, Top Glove has no plans to immediately expand its manpower, due to ongoing foreign labor recruitment constraints and general manpower shortages. Nevertheless, the group is dynamically shuffling its existing workers between its plants to maximize existing capacity, while broadening its talent sourcing channels by recruiting local workers and graduates from TVET programs to fill operational gaps. This strategy also compliments Top Glove's focus in automation to reduce manual labour hours per 1000 gloves produced.

Revised earnings estimates. Considering that FY26 earnings came in above our expectations, we revise our earnings forecast upwards for FY27 and FY28 by +29% and +16% respectively. Likewise, we **revise our target price** from RM0.88 **to RM1.13**, pegging on a PER of 24x to a revised EPS27 of 4.7sen. The PER is slight premium to the glove industry's historical pre-pandemic average 5-Y PER of 22x.

Moving forward into FY27, Top Glove will continue to be vigilant on its cost containment strategies, while keeping ASPs elevated to sustain its financial performance. The group is currently focusing on reducing defect rates and improving the characteristics of its products to justify future premium pricing, in light of the ongoing uncertainties in raw material availability. While ASPs are expected to increase by USD2 to USD4 per 1000 pcs in the near-to-midterm, the geopolitical situation would determine if the cost pass-through would hold up in FY27. All in all, we are optimistic on the glove sector and Top Glove's strategies to mitigate the internal risks of manpower shortages and gas tariff hikes and improve its overall operation. Hence, we maintain a **BUY** call on the group.

TOP GLOVE'S 4QFY26 FINANCIAL RESULTS

FYE Aug (RM mil)	Quarterly Results					Cumulative Results		
	4Q25	3Q26	4Q26	QoQ%	YoY%	FY25	FY26	YoY%
Revenue	889.6	1095.2	1248.3	14.0	40.3	3489.4	4232.1	21.3
Operating Expenses	-856.2	-953.6	-1058.0	10.9	23.6	-3400.4	-3825.8	12.5
Operating Profit/Loss	**33.4**	**141.5**	**190.3**	34.5	470.1	**89.0**	**406.3**	356.5
Other Operating Income	3.3	-33.1	-57.6	74.0	-1866.5	60.7	-69.3	-214.1
Share of Results of Associates	-1.2	0.2	0.4	77.8	-131.2	-1.6	3.9	-343.4
EBIT	**35.5**	**108.6**	**133.0**	22.5	274.9	**148.2**	**340.9**	130.1
Interest Income	21.5	1.0	5.2	405.4	-75.9	28.3	8.3	-70.7
Finance Cost	-9.2	-9.0	-9.0	-0.2	-2.0	-22.0	-35.6	61.7
PBT	**47.8**	**100.6**	**129.2**	28.4	170.2	**154.4**	**313.6**	103.1
Tax	-12.2	-20.1	29.9	-248.7	-344.3	-26.5	-3.8	-85.5
PAT	**35.6**	**80.5**	**159.1**	97.6	347.1	**127.9**	**309.7**	142.2
Minority Interest	3.0	0.5	-1.5	-434.7	-150.9	4.3	-1.8	-140.8
PATAMI	0.0	0.0	0.0	nm	#DIV/0!	-23.1	0.0	-100.0
Exceptional Items	**38.6**	**81.0**	**157.6**	94.6	308.8	**109.1**	**308.0**	182.4
Core PATAMI ex-EI	2.9	-38.1	-0.1	-99.8	-103.3	25.1	-61.2	-343.7
EPS Basic (sen)	**35.6**	**118.7**	**159.2**	34.2	346.8	**83.9**	**370.9**	341.9
EPS Basic ex-EI (sen)	0.48	1.01	1.97	95.0	310.4	1.36	3.84	182.4
				+/(-)ppts	*+/(-)ppts*			*+/(-)ppts*
EBIT margin %	4.0	9.9	10.7	0.7	6.7	4.2	8.1	3.8
PBT margin %	5.4	9.2	10.4	1.2	5.0	4.4	7.4	3.0
PATAMI margin %	4.3	7.4	12.6	5.2	8.3	3.1	7.3	4.2
Core PATAMI margin %	4.0	10.8	12.8	1.9	8.8	2.4	8.8	6.4
Tax Rate %	25.6	20.0	-23.1	-43.1	-48.7	17.2	1.2	-16.0
SEGMENTAL	**4Q25**	**3Q26**	**4Q26**	**QoQ%**	**YoY%**	**FY25**	**FY26**	**YoY%**
Revenue:								
Malaysia	816.9	1005.4	1140.2	13.4	39.6	3224.9	3875.6	20.2
Thailand	119.8	188.4	232.1	23.2	93.8	558.7	738.1	32.1
Vietnam	41.0	42.4	18.7	-56.0	-54.4	41.0	65.4	59.7
Others	34.6	100.0	53.3	-46.7	53.9	144.6	153.3	6.0
EBIT:								
Malaysia	47.2	120.0	101.2	-15.7	114.2	154.3	311.1	101.6
Thailand	-14.0	15.7	588.6	3655.9	4291.5	-13.0	611.0	4797.5
Vietnam	-12.5	-30.1	187.9	724.3	1602.8	-12.5	150.6	1304.6
Others	27.1	3.8	10.5	174.0	-61.4	25.6	23.0	-10.4

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2025A	2026A	2027E	2028F	2029F
Revenue	3,489	4,232	4,661	4,856	5,055
EBIT	150	337	480	500	529
PBT	154	314	446	460	480
Taxation	-27	-4	-74	-74	-76
PAT	128	310	372	386	404
MI	4	-2	-6	-6	-7
PATAMI	109	308	366	380	397
Core PATAMI	84	369	379	394	414
EPS (sen)	1.0	4.6	4.7	4.9	5.2
PER (x)	55.9	18.4	24.0	24.5	25.0
DPS (sen)	0.5	1.5	1.7	2.0	2.3
Dividend yield (%)	0.8	1.8	1.5	1.6	1.9

Cash Flow (RM'm)	2025A	2026A	2027E	2028F	2029F
PBT	154	314	446	460	480
Depreciation	306	309	314	315	325
OP pre-WC changes	430	753	812	834	868
Change in NWC	-74	-152	3	-1	4
Operating cash flow	**307**	**528**	**626**	**536**	**598**
Capital expenditure	-141	-118	-309	-406	-463
Investing cash flow	**454**	**-407**	**-507**	**-418**	**-413**
Debt raised/(repaid)	-403	11	-29	-41	-73
Dividends paid	-1	-41	-44	-44	-45
Financing cash flow	**-802**	**-32**	**-52**	**-63**	**-94**
Net cash flow	**-42**	**89**	**67**	**55**	**91**
Beginning cash flow	**351**	**305**	**382**	**446**	**499**
Ending cash flow	**305**	**382**	**446**	**499**	**587**

Growth (%)	2025A	2026A	2027E	2028F	2029F
Revenue growth	38.8	21.3	10.1	4.2	4.1
PBT growth	-592.7	103.1	42.1	3.2	4.4
PATAMI growth	-268.1	182.4	18.9	3.7	4.5
Core PATAMI growth	-148.5	339.8	2.8	3.8	5.3

Profitability Ratios (%)	2025A	2026A	2027E	2028F	2029F
EBIT margin	4.3	8.0	10.3	10.3	10.5
PBT margin	4.4	7.4	9.6	9.5	9.5
PATAMI margin	3.1	7.3	7.9	7.8	7.8
Core PATAMI margin	2.4	8.7	8.1	8.1	8.2
ROA	1.3	5.5	5.7	5.8	5.8
ROE	1.8	7.4	7.7	7.8	7.9

Balance Sheet (RM'm)	2025A	2026A	2027E	2028F	2029F
PPE	3,296	3,032	3,166	3,321	3,491
ROU assets	165	150	165	169	166
Non-current assets	**4,819**	**4,513**	**4,433**	**4,517**	**4,686**
Trade receivables	463	620	581	566	570
Cash & bank balances	305	382	446	499	587
Current assets	**1,455**	**2,176**	**2,195**	**2,289**	**2,412**
Long-term debt	798	799	788	798	801
Non-current liabilities	**962**	**955**	**949**	**960**	**971**
Short-term debt	29	39	43	64	83
Trade payables	390	563	543	540	549
Current liabilities	**529**	**735**	**766**	**811**	**864**
Share capital	1,856	1,856	1,856	1,856	1,856
Reserves	4,210	4,486	4,404	4,515	4,737
Equity	**4,782**	**4,999**	**4,913**	**5,035**	**5,263**

Liquidity Ratios (x)	2025A	2026A	2027E	2028F	2029F
Current ratio	2.8	3.0	2.9	2.8	2.8
Quick ratio	0.3	0.3	0.2	0.1	0.0

Leverage Ratios (x)	2025A	2026A	2027E	2028F	2029F
Debt-to-equity	0.3	0.3	0.3	0.4	0.3
Interest coverage	6.8	9.5	11.7	10.3	9.1

Efficiency Ratios (days)	2025A	2026A	2027E	2028F	2029F
Cash conversion cycle	54	60	48	43	40
DIO	-37	-47	-45	-45	-45
DSO	48	53	46	43	41
DPO	-42	-54	-48	-45	-44

Source: Bloomberg, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

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MBSB 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