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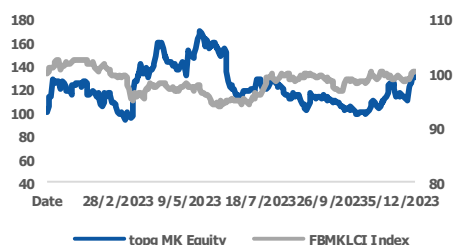
Recommendation:	SELL
Current Price:	RM 0.905
Previous Target Price:	RM 0.63
Target Price:	RM 0.73
Upside/Downside:	-19.3%

Stock information

Board	MAIN
Sector	Healthcare
Bursa / Bloomberg Code	7113 / TOPG MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	8,008.2
Market Cap (RM' m)	7,247.4
52-Week Price Range (RM)	1.25-0.66
Beta (x)	1.5
Free float (%)	41.7
3M Average Volume (m)	59.7
3M Average Value (RM' m)	50.2

Top 3 Shareholders	(%)
Lim Wee Chai	27.9
Oversea-Chinese Banking Corp Ltd	9.5
UOB Kay Hian Hong Kong Ltd	6.9

Share Price Performance



	1M	3M	12M
Absolute (%)	11.7	12.4	25.7
Relative (%)	11.6	11.2	25.5

Top Glove Corporation Berhad







Recovery on the cards

Summary

- **1QFY24 core net loss narrowed to -RM57.7m against core net loss of -RM168.2m, driven by improved operational landscape from cost optimisation initiatives came below our expectations.**
- **Brighter outlook with ASP expected to remain stable, while demand may tick higher as purchasers replenishes depleting inventories.**
- **Maintain our SELL recommendation with a higher target price of RM0.73 by pegging 35.0x PE to FY25F EPS of 2.1 sen.**

Results Review

- **Results review.** 1QFY24 core net loss narrowed to -RM57.7m against core net loss of -RM168.2m, driven by improved operational landscape from cost optimisation initiatives. Revenue for the quarter, however, fell 22.0% YoY to RM493.5m on slightly lower ASP that negated the higher sales volume.
- **Results below expectations.** We deemed the reported results to be below expectations and the group is expected to remain in red in subsequent quarters. Over the longer-term horizon, recovery is largely on the cards with the group likely to breakeven by end-FY24F or early FY25F. This is premised to the on-going cost rationalisation initiatives and improvement in orders, coupled with signs of stability in ASP. Meanwhile, we noticed EBITDA has turned positive for the first time in past five quarters at RM21.3m.
- **Operations Highlights.** As at end 1QFY24, we gather that production is running at approximately 40% utilisation rate (up from approximately 30% in 4QFY23). We expect utilisation to average 35-40% for FY24F. Elsewhere, ASP is expected to remain stable at c.US\$20/1,000 pcs of gloves as the oversupply condition remains on the cards.
- **Industry Highlights.** Cost wise, both nitrile prices and natural rubber prices has risen in recent months, but is expected to remain fairly stable over the foreseeable future. Meanwhile, natural gas prices may inch higher at the start of next year.
- **Outlook.** Improvement on bottomline highlights the effectiveness of cost rationalisation measures undertaken by Top Glove. Demand has seen some uptick on the back of drawdown in customers inventory levels as of late and is expected to see further recovery in subsequent quarters. At the same time, purchasers may also turn their heads back to the Malaysian markets as the pricing gap between local and foreign manufacturers narrowed.
- **Valuation.** Trimmed our earnings forecast for FY24F to -RM72.8m and kept our FY25F unchanged in anticipation of turnaround. We maintained our **SELL** with an a slightly higher target price of RM0.73 by revised pegging 35.0x P/E to FY25F EPS of 2.1 sen. The revision of P/E is in line with the higher valuation of the industry.
- **Risk.** Stronger-than-expected demand. Exposure to foreign exchange risk given that the ASP are denominated in USD.

FYE Aug (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	493.5	632.5	(22.0)	530.6	(7.0)	632.5	493.5	(22.0)		Weaker ASP offset better sales volume
EBITDA	21.3	(63.3)	133.7	(47.6)	144.8	(63.3)	21.3	133.7		
Pre-tax profit	(52.9)	(151.6)	65.1	(138.5)	61.8	(151.6)	(52.9)	65.1		
Net profit	(47.2)	(157.6)	70.1	(120.4)	60.8	(157.6)	(47.2)	70.1		
Core net profit	(57.7)	(168.2)	65.7	(130.6)	55.8	(168.2)	(57.7)	65.7		Improved on higher utilisation rate
Core EPS (sen)	(1.7)	(4.9)	65.7	(3.8)	55.8	(4.9)	(1.7)	65.7		
EBITDA margin (%)	4.3	(10.0)		(9.0)		(10.0)	4.3			
PBT margin (%)	(10.7)	(24.0)		(26.1)		(24.0)	(10.7)			
Core PATMI margin (%)	(11.7)	(26.6)		(24.6)		(26.6)	(11.7)			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Aug (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	16361.4	5572.3	2257.2	2958.3	4122.2
Gross Profit	4098.0	4795.1	64.3	473.3	783.2
EBITDA	10282.4	690.4	-556.3	310.6	618.3
Depreciation & Amortisation	-308.7	-348.2	-342.9	-345.0	-362.4
EBIT	9973.8	342.2	-899.2	-34.4	255.9
Net Finance Income/ (Cost)	57.4	19.9	4.6	3.1	2.3
Associates & JV	2.6	-3.7	-5.8	-5.8	-5.8
Pre-tax Profit	10033.8	358.4	-900.4	-37.1	252.4
Tax	-2209.8	-76.8	14.9	7.4	-45.4
Profit After Tax	7824.0	281.6	-885.5	-29.7	207.0
Minority Interest	113.7	56.0	39.7	43.0	40.0
Net Profit	7710.3	225.6	-925.2	-72.7	167.0
Exceptionals	0.0	0.0	405.5	0.0	0.0
Core Net Profit	7710.3	225.6	-519.7	-72.7	167.0

Key Ratios

FYE Aug (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	62.8%	12.4%	-24.6%	10.5%	15.0%
EBIT margin	61.0%	6.1%	-39.8%	-1.2%	6.2%
PBT margin	61.3%	6.4%	-39.9%	-1.3%	6.1%
PAT margin	47.8%	5.1%	-39.2%	-1.0%	5.0%
NP margin	47.1%	4.0%	-41.0%	-2.5%	4.1%
Core NP margin	47.1%	4.0%	-41.0%	-2.5%	4.1%
ROE	106.8%	3.3%	-15.6%	-1.2%	2.8%
ROA	141.8%	3.8%	-17.2%	-1.4%	3.0%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Aug (RM m)	FY21	FY22	FY23	FY24F	FY25F
Production lines	810.0	810.0	788.0	788.0	788.0
Utilisation rate (%)	70.0%	60.0%	30.0%	36.5%	47.5%
Production ('000)	70000.0	60000.0	28500.0	34675.0	45125.0
Blended ASP (RM/'000 pcs)	233.7	92.9	79.2	85.3	91.3

Valuations

Core EPS (RM)	0.021
P/E multiple (x)	35.0
Fair Value (RM)	0.73

Source: Company, Apex Securities

Balance Sheet

FYE Aug (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	2508.4	950.9	948.5	845.4	883.7
Receivables	566.3	258.8	182.6	222.9	225.9
Inventories	1144.7	575.3	301.5	337.9	347.1
Other current assets	126.4	326.2	255.4	295.8	288.6
Total Current Assets	4345.8	2111.1	1688.0	1702.0	1745.3
Fixed Assets	4186.1	4749.6	4312.8	4263.6	4395.8
Intangibles	1008.8	1005.3	864.5	864.5	864.5
Other non-current assets	241.8	250.7	196.3	215.5	215.5
Total Non-current assets	5436.7	6005.6	5373.5	5343.5	5475.8
Short-term Debt	318.2	308.7	542.1	569.2	554.9
Payables	692.4	459.4	265.3	301.9	319.3
Other Current Liabilities	1187.9	228.4	116.5	116.5	116.5
Total Current Liabilities	2198.5	996.5	923.9	987.6	990.8
Long-term Debt	164.1	108.3	39.8	38.8	37.8
Other non-current liabilities	199.6	218.7	171.8	165.8	171.2
Total Non-current Liabilities	363.8	327.0	211.6	204.5	209.0
Shareholder's equity	5872.4	5579.2	4714.5	4641.8	4808.8
Minority interest	1347.8	1214.0	1211.6	1211.6	1211.6
Equity	7220.2	6793.2	5926.1	5853.4	6020.3

Cash Flow

FYE Aug (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	10033.8	358.4	-900.4	-37.1	252.4
Depreciation & amortisation	308.7	348.2	342.9	345.0	362.4
Changes in working capital	-791.9	90.5	91.1	-148.9	-44.1
Others	-1723.6	-621.9	587.4	184.5	184.5
Operating cash flow	-2206.9	-183.2	1021.5	380.6	502.8
Net capex	-1361.0	-954.3	-244.3	-295.8	-494.7
Others	113.1	1090.3	-139.0	-139.0	-139.0
Investing cash flow	-1247.9	136.0	-383.3	-434.8	-633.6
Dividends paid	-5525.4	-547.3	0.0	0.0	0.0
Others	-1376.9	-193.1	94.8	50.8	-124.2
Financing cash flow	-6902.3	-740.3	94.8	50.8	-124.2
Net cash flow	-10357.1	-787.5	733.0	-3.3	-255.0
Forex	-6.5	-12.6	14.0	14.0	14.0
Others	0.0	1.0	2.0	3.0	4.0
Beginning cash	1204.9	875.2	433.4	280.0	253.6
Ending cash	875.2	434.4	282.0	256.6	269.1

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
Head Office: 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang, Selangor Darul Ehsan, Malaysia General Line: (603) 8736 1118 Mutiara Damansara Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia General Line: (603) 7890 8899	Head Office: Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028) Institutional Dealing Team: Siti Nur Nadhirah (ext 2032) PJ Office: General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)	Mutiara Damansara Office: Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069) Aiman Kamil (ext 2071)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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