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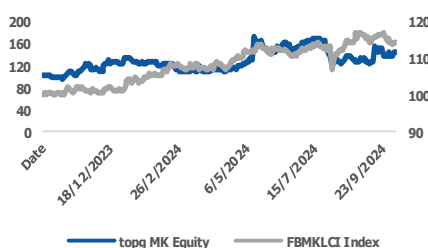
Recommendation:	BUY
Current Price:	RM 1.03
Previous Target Price:	RM 1.25
Target Price:	RM 1.26
Upside/Downside:	22.3%

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)	8,011.1
Market Cap (RM' m)	8,251.4
52-Week Price Range (RM)	1.31-0.7
Beta (x)	1.4
Free float (%)	44.8
3M Average Volume (m)	39.4
3M Average Value (RM' m)	40.7

Top 3 Shareholders	(%)
Lim Wee Chai	27.9
Central Depository Pte Ltd/The Kumpulan Wang Persaraan (Diperbadan)	9.5
	7.2

Share Price Performance



	1M	3M	12M
Absolute (%)	15.1	-14.9	40.1
Relative (%)	15.0	-15.8	22.7

Top Glove Corporation Berhad

Splendid turning point, but below expectations

Summary

- **Top Glove's 4QFY24 core net loss at -RM3.6m, bring core net loss of -RM116.2m came below our expectations of -RM70.0m, premised to sharp depreciation in USD against MYR.**
- **Better prospects ahead due to stock replenishment, as the new tariff on Chinese glovemakers will take effect in January 2025, and Malaysian glovemakers now have better pricing power.**
- **We upgrade to BUY recommendation with a slightly higher target price of RM1.26 derived from 1.7x to FY26F BV.**

Results Review







- **Results review.** Top Glove's 4QFY24 core net loss narrowed to -RM3.6m, while top-line ended with higher sales revenue of RM835.3m. This improvement is attributed to stronger sales volume growth driven by the continued replenishment of glove inventories. Despite challenges from sharp USD depreciation, better economies of scale arising from improved sales volume mitigated the impact.
- **Below expectations.** 12MFY24 core net loss narrowed to -RM116.2m, which came below both our expectations and consensus (-RM70m and -RM144m respectively). Nevertheless, the Group closed FY24 with a positive EBITDA due to higher utilisation rate driven by higher demand.
- **Bonus issue of warrants proposal.** The group is granting shareholders 1 warrant for every 20 existing Top Glove shares, pending approval at the January 2025 AGM. The warrants, exercisable within 5 years, will strengthen the capital base and allow shareholders to increase their equity participation without incurring additional interest expenses.
- **Operations Highlights.** Top Glove recorded 31% qoq increase in sales volume. No shipments delay in this quarter, demonstrating strong performance in both nitrile and natural rubber (NR) gloves, registering 43% qoq and 19% qoq increase respectively. The high volume was mainly driven by North America, which saw a 117% qoq increase. This led to a better pricing power, allowing the Group to pass some costs onto customers. The Group also plans to redeem the Perpetual Sukuk scheduled for call in February 2025 and is looking for Senior Sukuk instead of Perpetual Sukuk in the future.
- In this quarter, there are additional non-core contributions of RM42m, mainly from the sale of land and buildings of the China factory, which were subject to compulsory acquisition by the government at market price. In addition, the Group has established a trading company, Great Glove (Su Zhou) Co. Ltd., which is a JV with local small vinyl glove makers.
- ASPs for nitrile glove rose by 7% qoq, while NR latex increased by 3% qoq, despite substantially higher raw material costs. Stronger demand and high tariffs on Chinese glovemakers in 2025 facilitated the adoption of a cost-pass-through mechanism. The Group experienced high operating costs, mainly due to the sudden weakening

of the USD against the MYR in August, as 40% of the costs were denominated in USD.

- Industry Highlights.** i) The NR latex experienced a slight decline in this quarter (currently at USD 1.65/kg) but is expected to show an increasing trend with c.3.6% in the next quarter due to heavy rainfall in Thailand. ii) In contrast, nitrile (currently at USD 0.99/kg) has seen a reversal; it increased by c.8% this quarter but is declining in the current trend for the next quarter. Due to favourable demand, the Group plans to pass on raw material price increase to customers. However, there will be some time lag, with contributions expected to start in November.
- Outlook.** Strong demand for gloves is expected to persist due to stock replenishment and US customers outsourcing to Malaysian manufacturers ahead of c.50% tariff on Chinese imports effective January 1, 2025. No medical gloves are anticipated to ship from China after mid-November (with 1.5 months shipment time). ASPs (USD20-21/'000 pcs) have been adjusted for higher raw material costs, while supply from China is not expected to expand in the next 1 to 2 years. The Group is expecting to ramp up the utilisation rates to improve production efficiency and profit margins, despite volatile raw material prices. Additionally, the Group expected to increase running capacity to 64.0bn pcs by December 2024.
- Valuation.** Trimmed our GP margin from 16.0% to 10.0% for FY25F, due to higher input costs and a weakening USD trend (as c.40% costs are denominated in USD). We also tweak the depreciation rate in FY25F from 8.5% to 7.0%, as the Group is considering new technological advancements in the existing factory to reduce manpower, moving forward. We are also introducing FY26F earnings at RM107.5m (+84.4%). Consequently, we upgrade our call on TOPGLOV to **BUY** with a slightly higher target price of RM1.26 by assigning same 1.7x BV to FY26F. We adopt the P/B valuation method as a better measure to reflect in the Group's fundamentals.
- Risk.** Volatility in raw material prices and currency exchange rates will impact ASPs and margins.

This quarter's Metrics	qoq	yoy	Future expectations
ASP	+5%	+8.5% - +14.2%	ASP in US will increase to USD 20-21'000 pcs starting November.
Sales volume	+31%	+19%	Might double-up in volume (especially the medical glove in US) due to higher demand.

Figure 1: Results Comparison

FYE Aug (RM m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	12MFY23	12MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	835.3	475.9	75.5	636.9	31.2	2,257.0	2,516.0	11.5		Slightly higher sales volume
EBITDA	70.2	(380.4)	118.5	127.6	(45.0)	(550.0)	249.7	145.4		
Pre-tax profit	4.1	(461.9)	100.9	58.6	92.9	(898.0)	(33.2)	96.3		
Net profit	7.5	(454.0)	101.7	61.7	87.8	(887.0)	(18.1)	98.0		
Core net profit	(3.6)	(74.6)	95.2	(3.7)	2.8	(595.5)	(116.2)	80.5		
Core EPS (sen)	(0.0)	(0.9)	95.2	(0.0)	2.8	(7.3)	(1.4)	80.5		Robust sales volume improved cost efficiency, mitigating the mismatch
EBITDA margin (%)	8.4	(79.9)		20.0		(24.4)	9.9			
PBT margin (%)	0.5	(97.1)		9.2		(39.8)	(1.3)			
Core PATMI margin (%)	(0.4)	(15.7)		(0.6)		(26.4)	(4.6)			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	5572.3	2257.2	2648.4	3014.5	3453.0
Gross Profit	4795.1	64.3	-47.9	301.5	345.3
EBITDA	690.4	-550.0	249.7	391.9	448.9
Depreciation & Amortisation	-348.2	-342.9	-287.5	-283.5	-284.8
EBIT	342.2	-892.9	-37.9	108.4	164.1
Net Finance Income/ (Cost)	19.9	4.6	2.9	10.6	11.3
Associates & JV	-3.7	-5.8	1.7	1.7	1.7
Pre-tax Profit	358.4	-894.1	-33.2	120.7	177.2
Tax	-76.8	14.9	15.2	-21.7	-31.9
Profit After Tax	281.6	-879.2	-18.1	98.9	145.3
Minority Interest	56.0	39.7	43.7	40.7	37.8
Net Profit	225.6	-918.9	-61.8	58.3	107.5
Exceptionals	0.0	405.5	-54.3	0.0	0.0
Core Net Profit	225.6	-513.3	-116.2	58.3	107.5

Key Ratios

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E (x)	37.5	N/A	N/A	145.1	78.7
EPS	2.7	-6.3	-1.4	0.7	1.3
EBITDA margin	12.4%	-24.4%	9.4%	13.0%	13.0%
EBIT margin	6.1%	-39.6%	-1.4%	3.6%	4.8%
PBT margin	6.4%	-39.6%	-1.3%	4.0%	5.1%
PAT margin	-1.6%	-39.0%	-0.7%	3.3%	4.2%
NP margin	4.0%	-40.7%	-2.3%	1.9%	3.1%
Core NP margin	4.0%	-40.7%	-2.3%	1.9%	3.1%
ROE	3.3%	-15.5%	-1.1%	1.0%	1.8%
ROA	2.8%	-13.0%	-0.9%	0.8%	1.5%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Production lines	810.0	788.0	784.0	788.0	788.0
Utilisation rate (%)	70.0%	60.0%	30.0%	31.0%	33.0%
Production ('000)	60000.0	28500.0	29490.9	31350.0	33250.0
Blended ASP (RM/'000 pcs)	92.9	79.2	89.8	96.2	103.9

Valuations FY26F

Book Value/share (RM)	0.739
Multiple (x)	1.7
Fair Value (RM)	1.26

Source: Company, Apex Securities

Balance Sheet

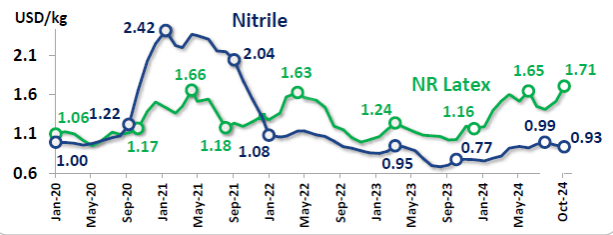
FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	950.9	948.5	1000.3	992.5	972.0
Receivables	258.8	182.6	371.2	371.7	378.4
Inventories	575.3	301.5	355.8	371.7	442.7
Other current assets	326.2	255.4	92.2	150.7	138.1
Total Current Assets	2111.1	1688.0	1819.5	1886.5	1931.2
Fixed Assets	4749.6	4312.8	4050.0	4068.0	4128.5
Intangibles	1005.3	864.5	861.2	861.2	861.2
Other non-current assets	250.7	196.3	195.3	195.3	195.3
Total Non-current assets	6005.6	5373.5	5106.5	5124.5	5185.0
Short-term Debt	308.7	540.4	398.0	358.2	322.4
Payables	459.4	265.3	406.6	431.1	425.7
Other Current Liabilities	228.4	118.3	130.1	131.5	132.7
Total Current Liabilities	996.5	923.9	934.7	920.8	880.8
Long-term Debt	108.3	14.1	0.0	0.0	0.0
Other non-current liabilities	218.7	197.4	171.2	171.2	171.2
Total Non-current Liabilities	327.0	211.6	171.2	171.2	171.2
Shareholder's equity	5579.2	4714.5	4614.2	4672.5	4779.9
Minority interest	1214.0	1211.6	1205.8	1246.5	1284.3
Equity	6793.2	5926.1	5820.0	5919.0	6064.3

Cash Flow

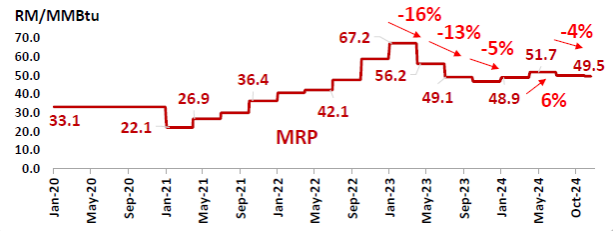
FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	358.4	-894.1	-33.2	120.7	177.2
Depreciation & amortisation	348.2	342.9	287.5	283.5	284.8
Changes in working capital	90.5	91.1	-22.8	-49.0	-69.5
Others	-621.9	581.1	-193.7	-32.3	-43.2
Operating cash flow	175.2	121.0	37.8	322.9	349.3
Net capex	-954.3	-244.3	202.0	-301.5	-345.3
Others	1090.3	-139.0	46.4	20.0	19.8
Investing cash flow	136.0	-383.3	248.4	-281.4	-325.5
Dividends paid	-547.3	0.0	-2.1	0.0	0.0
Others	-193.1	94.8	-182.5	-49.3	-44.3
Financing cash flow	-740.3	94.8	-184.6	-49.3	-44.3
Net cash flow	-429.1	-167.5	101.5	-7.8	-20.5
Forex	-12.6	14.0	-35.5	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	875.2	433.4	280.0	346.0	338.3
Ending cash	433.4	280.0	346.0	338.3	317.7

Appendix
Raw material price trend

Nitrile & NR Latex Concentrate Prices

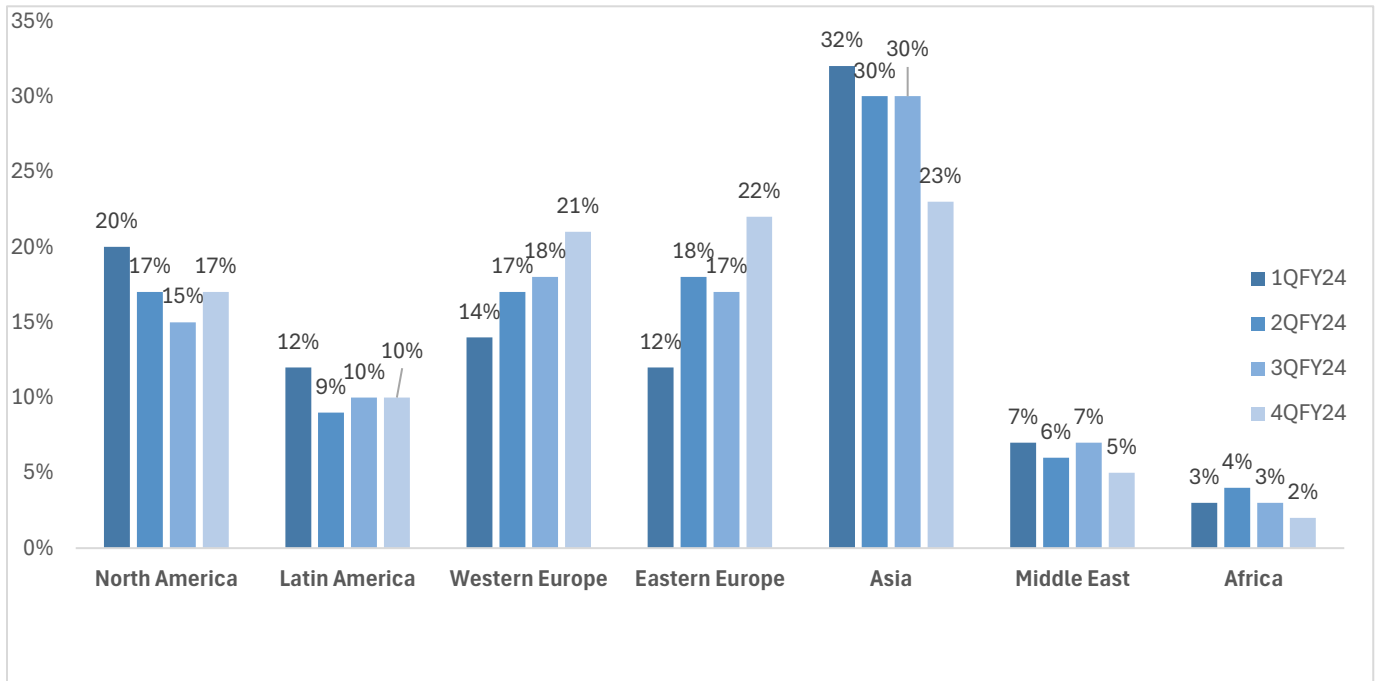


MRP [M'sia Reference Price] Natural Gas Prices



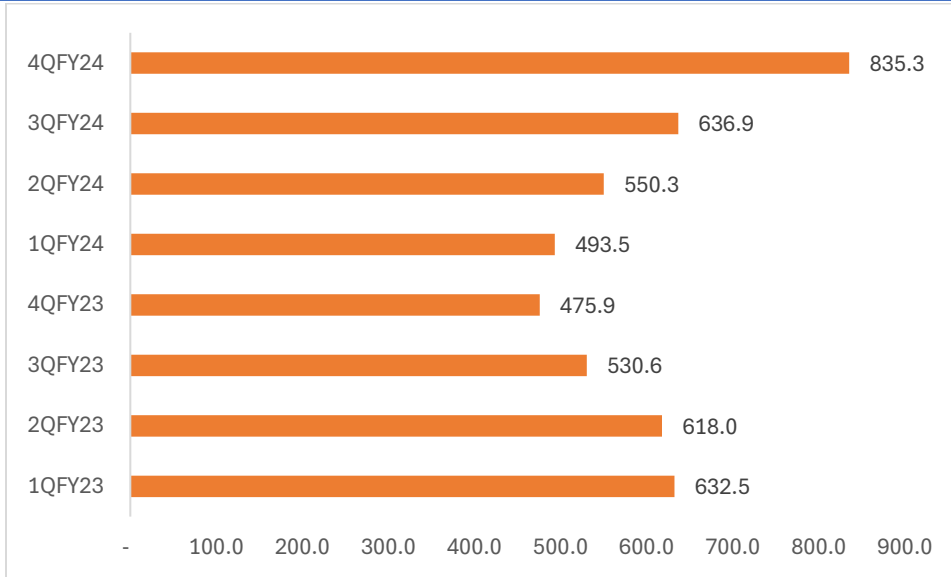
Source: Company, Top Glove

Sales Volume for Top Glove by Regions



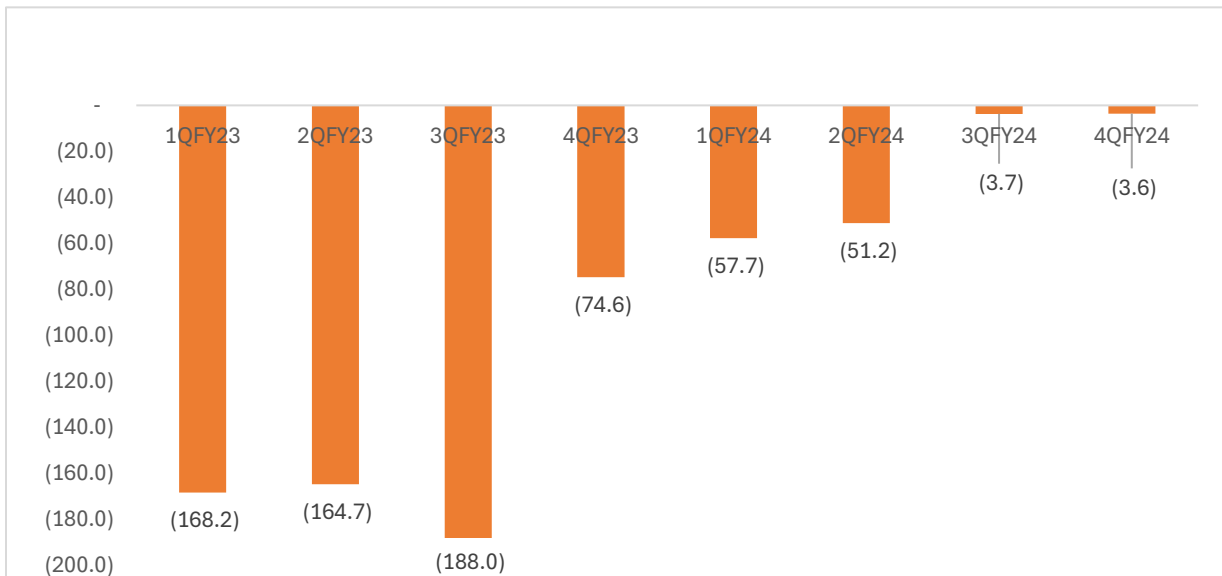
Source: Company, Apex Securities

Top Glove's Revenue for 8th Quarters



Source: Company, Apex Securities

Top Glove's Core LATAMI for 8th Quarters



Source: Company, Apex Securities

APEX SECURITIES BERHAD – CONTACT LIST

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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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