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Recommendation:	HOLD
Current Price:	RM 1.32
Previous Target Price:	RM 1.26
Target Price:	↓ RM 1.25
Capital Upside/ Downside:	-5.3%
Dividend Yield (%):	0.0%
Total Upside/ Downside:	-5.3%

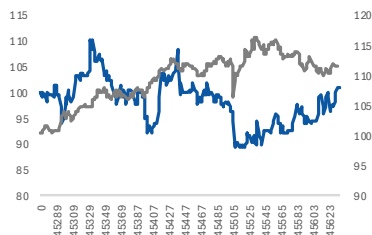
Stock information

Board	MAIN
Sector	Healthcare
Bursa/ Bloomberg Code	7113/ TOPGMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	8,011.8
Market Cap (RM' m)	10,575.6
52-Week Price Range (RM)	1.44- 0.78
Beta (x)	1.2
Free float (%)	48.1
3M Average Volume (m)	28.4
3M Average Value (RM' m)	33.0

Top 3 Shareholders

(%)

Lim Wee Chai	27.9
Central Depository Pte Ltd/ The	11.3
Kumpulan Wang Persaraan	7.8

Share Price Performance

	1M	3M	12M
Absolute (%)	15.8	20.0	42.7
Relative (%)	15.7	25.6	30.4

Top Glove Corporation Bhd

Brighter days to come

Executive Summary

- **Top Glove's (TOPG) 1QFY25 core net loss of RM21.5m narrowed from 4QFY24's core net loss from RM38.4m missed ours and market's expectations of core net profit at RM29.5m and RM146.4m respectively, due to higher-than-expected operating expenses and weaker-than-expected ASP improvements.**
- **Factoring the higher-than-expected operating expenses and higher ASP as guided by in their analyst briefing, we adjusted our FY25/FY26 CNP forecast lower by -37.1%/-33.8% to RM29.6m/RM63.0m.**
- **Downgrade to HOLD recommendation with a lower target price of RM1.25 (from RM1.26), based on 1.7x P/B multiple pegged to FY26F BVPS of 0.73.**

Results below expectations. Top Glove Corporation Bhd's (TOPG) 1QFY25 results came in below expectations with core net loss at RM21.5m, compared with our full-year forecast of RM29.5m core net profit and the market's expectations of RM146.4m.

QoQ. Excluding extraordinary items such as RM16.1m reversal of inventories written down, RM9.1m unrealised foreign exchange gain, RM1.8m disposal gain in PPE and money market fund, TOPG's reported a narrower core net loss of RM21.5m in 1QFY25 from a core loss of RM38.4m in the preceding quarter. This was due to higher revenue (+6.1% qoq) from increased sales volume. Blended ASP declined by 2% qoq to USD 19.3/1,000 pcs in the September quarter, but the revised ASP for the December quarter is ~USD20-21/1,000 pcs. The effects of these price adjustments came in only towards the end of 1QFY25, with the full impact expected to be reflected in 2QFY25.

YoY. Core net loss narrowed from RM38.4m in 1QFY25, primarily due to better sales volume. Revenue for the quarter climbed 79.5% yoy, lifted by higher sales volume.

Outlook. Glove industry sees multiple positive opportunities: (i) continual stock replenishment across all regions, (ii) Upcoming US tariffs impose towards China glovemakers offer an opportunity for Malaysian players capitalise onto sales to US, (iii) Stronger glove demand offers glovemakers better pricing power and margin improvement opportunities.

Things to note in CY25. (i) Early orders for Malaysian glove manufacturers, expected between January and early March CY25, are likely tepid as US clients have already stocked up their nitrile gloves inventories from China prior to tariffs imposition. Prospects of improve sales to US are anticipated to start in late March CY25. (ii) TOPG plans to reopen closed factories to increase production capacity by 10bn pcs by the end of FY25, this will bring total running capacity to 70bn pcs. (iii) Raw material prices remained mixed qoq: (a) average natural latex concentrate prices increased by 4% qoq to RM6.88/kg, (b) average nitrile latex prices were down 3% qoq to USD0.94/kg. (iv) The Group intends to fully redeem the Perpetual Sukuk in Feb 2025, utilising RM380m in cash, and will issue an RM800m senior Sukuk.

TOPG's geographical position strategy. (i) Own some land bank in Vietnam. (ii) Thailand's factories are relatively cheaper than Malaysia's, and capex is RM150m to set up a factory. (iii) TOPG has sufficient cash reserves to allocate production to other countries with lower personnel costs. (i.e., Phuket's workforce expense is higher than Sadao's).

Earnings Revision. We made some housekeeping adjustments to factor in the audited numbers from the FY24 annual report. We also factor in the higher-than-expected operating expenses and higher ASP as guided by TOPG in their analyst briefing. Following these changes, we adjusted our FY25/FY26 earnings forecast lower by -37.1%/-33.8% to RM29.6m/RM63.0m.

Valuation. Downgrade to **HOLD** recommendation on TOPG with a lower target price of **RM1.25** (from RM1.26) by pegging 1.7x BV multiple to FY26F BVPS of 0.73 and 0% ESG factored premium/discount based on three-star ESG rating. The recent surge in share price has priced in the positive catalyst. This TP does not include the dilution of bonus warrants, but we have included the TP adjusted for the scenario in our table below.

Risk. Volatility in raw material prices and currency exchange rates will impact ASPs and margins.

Earnings Summary

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	5572.3	2257.2	2514.4	3966.9	4474.6
EBITDA	690.4	-556.2	251.6	366.0	406.6
Pre-tax profit	358.4	-900.4	-31.3	90.1	133.1
Net profit	281.6	-885.5	-21.4	73.9	109.1
Core net profit	225.6	-519.7	87.1	29.6	63.0
Core EPS (sen)	2.7	-6.3	1.1	0.4	0.8
P/E (x)	48.0	N/A	N/A	366.7	172.1
P/B (x)	1.6	1.8	1.9	1.8	1.8
EV/EBITDA (x)	15.8	-19.1	43.0	29.6	26.5
Dividend Yield (%)	0.8%	0.0%	0.0%	0.1%	0.1%
Net Gearing (%)	Net Cash	4.5%	0.8%	0.7%	1.7%

Source: Company, Apex Securities

Diluted Book Value Per Share Valuation

Book Value	6528.757
BVPS	0.758
Multiple	1.7
Fair Value	1.29
Fair Value (roundup)	1.29
No. of shares	8210.8
Market Cap	10838.2
Share Price (RM)	1.32
Up/Downside	-2.3%
Verdict	HOLD
Dividend Yield	0.0%
Total Up/Downside	-2.3%

Source: Company, Apex Securities

Without Warrant

Book Value	6013.137
BVPS	0.732
Multiple	1.7
Fair Value	1.24
Fair Value (roundup)	1.25
No. of shares	8210.8
Market Cap	10838.2
Share Price (RM)	1.32
Up/Downside	-5.3%
Verdict	HOLD
Dividend Yield	0.0%
Total Up/Downside	-5.3%

Results Note

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Results Comparison

FYE Aug (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	885.9	493.5	79.5	835.3	6.1	885.9	493.5	79.5	stronger sales volume due to stock
EBITDA	91.4	21.3	328.9	70.2	30.3	91.4	21.3	328.9	replenish activities
Pre-tax profit	19.4	(52.9)	nm	4.1	370.3	16.7	(54.8)	nm	
Net profit	16.7	(54.8)	nm	7.5	122.8	5.5	(55.4)	nm	
Core net profit	(21.5)	(58.0)	(62.9)	(38.4)	(44.0)	(21.5)	(58.0)	(62.9)	higher than expected opex expenses
Core EPS (sen)	(0.3)	(0.7)	(62.9)	(0.5)	(44.0)	(0.3)	(0.7)	(62.9)	after excluded reversal inventories
EBITDA margin (%)	10.3	4.3		8.4		10.3	4.3		
PBT margin (%)	2.2	(10.7)		0.5		1.9	(11.1)		
Core PATMI margin (%)	(2.4)	(11.8)		(4.6)		(2.4)	(11.8)		

Source: Company, Apex Securities

Segmental Breakdown

FYE Aug (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Segment profit/ (loss)									
Malaysia	22.7	(38.7)	nm	(22.8)	nm	22.7	(38.7)	nm	
Thailand	(2.0)	(3.7)	(47.0)	(10.7)	(81.5)	(2.0)	(3.7)	(47.0)	
China	0.5	(0.7)	nm	36.8	(98.6)	0.5	(0.7)	nm	
Others	(1.4)	(5.8)	(76.6)	1.2	nm	(1.4)	(5.8)	(76.6)	
Total	19.9	(49.0)	nm	4.6	335.9	19.9	(49.0)	nm	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	5572.3	2257.2	2514.4	3966.9	4474.6
Gross Profit	953.4	64.3	265.3	396.7	447.5
EBITDA	690.4	-556.2	251.6	366.0	406.6
Depreciation & Amortisation	-348.2	-343.0	-287.5	-281.2	-280.3
EBIT	342.2	-899.2	-35.9	84.8	126.3
Net Finance Income/ (Cost)	19.9	4.6	2.8	3.6	5.1
Associates & JV	-3.7	-5.8	1.7	1.7	1.7
Pre-tax Profit	358.4	-900.4	-31.3	90.1	133.1
Tax	-76.8	14.9	9.9	-16.2	-24.0
Profit After Tax	281.6	-885.5	-21.4	73.9	109.1
Minority Interest	56.0	39.7	43.5	44.3	46.1
Net Profit	225.6	-925.2	-64.9	29.6	63.0
Exceptionals	0.0	405.5	152.0	0.0	0.0
Core Net Profit	225.6	-519.7	87.1	29.6	63.0

Key Ratios

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E (x)	48.0	N/A	N/A	366.7	172.1
EPS	2.7	-6.3	1.1	0.4	0.8
P/B (x)	1.6	1.8	1.9	1.8	1.8
EV/EBITDA (x)	15.8	-19.1	43.0	29.6	26.5
DPS (sen)	1.0	0.0	0.0	0.1	0.2
Dividend Yield (%)	0.8%	0.0%	0.0%	0.1%	0.1%
EBITDA margin	12.4%	-24.6%	10.0%	9.2%	9.1%
EBIT margin	6.1%	-39.8%	-1.4%	2.1%	2.8%
PBT margin	6.4%	-39.9%	-1.2%	2.3%	3.0%
PAT margin	-8.1%	-39.2%	-0.9%	1.9%	2.4%
NP margin	4.0%	-41.0%	-2.6%	0.7%	1.4%
Core NP margin	4.0%	-41.0%	-2.6%	0.7%	1.4%
ROE	3.3%	-15.6%	-1.1%	0.5%	1.0%
ROA	2.8%	-13.1%	-0.9%	0.4%	0.9%
Net gearing	Net Cash	4.5%	0.8%	0.7%	1.7%

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 (%)	80.0%	60.0%	24.3%	44.5%	45.0%
Production ('000)	60000.0	23106.9	29014.3	42750.0	44650.0
Blended ASP (RM/'000 pcs)	92.9	97.7	86.7	92.8	100.2

Valuations	FY26F
Book Value/share (RM)	0.732
Multiple (x)	1.7
Fair Value (RM)	1.25

Source: Company, Apex Securities

Balance Sheet

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	437.6	285.4	351.2	316.1	209.6
Receivables	258.8	182.6	359.0	467.3	527.1
Inventories	575.3	301.5	376.3	498.8	573.7
Other current assets	839.5	918.5	744.9	769.4	784.6
Total Current Assets	2111.1	1688.0	1831.4	2051.7	2095.1
Fixed Assets	4746.0	4080.2	3778.9	3735.7	3723.9
Intangibles	1005.3	864.5	861.2	861.2	861.2
Other non-current assets	254.2	428.9	486.6	486.6	486.6
Total Non-current assets	6005.6	5373.5	5126.7	5083.5	5071.7
Short-term Debt	306.1	540.4	398.0	358.3	310.4
Payables	459.4	265.3	433.0	567.3	551.7
Other Current Liabilities	231.0	118.3	118.8	118.8	118.8
Total Current Liabilities	996.5	923.9	949.8	1044.4	980.9
Long-term Debt	93.0	14.1	0.0	0.0	0.0
Other non-current liabilities	234.0	197.4	172.8	172.8	172.8
Total Non-current Liabilities	327.0	211.6	172.8	172.8	172.8
Shareholder's equity	6754.9	5890.2	5805.7	5873.6	5967.0
Minority interest	38.3	35.9	29.8	44.3	46.1
Equity	6793.2	5926.1	5835.5	5918.0	6013.1

Cash Flow

FYE Aug (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	358.4	-900.4	-31.3	90.1	133.1
Depreciation & amortisation	348.2	343.0	287.5	281.2	280.3
Changes in working capital	-92.1	91.1	-37.7	-121.0	-165.6
Others	-435.6	587.3	-197.7	-28.2	-38.0
Operating cash flow	178.8	121.0	20.7	222.1	209.8
Net capex	-949.4	-364.2	-142.5	-238.0	-268.5
Others	1079.0	-139.6	264.9	13.5	14.0
Investing cash flow	129.6	-503.7	122.3	-224.5	-254.4
Dividends paid	-528.6	0.0	0.0	-5.9	-15.7
Others	-211.8	94.8	-181.7	-25.2	-46.1
Financing cash flow	-740.3	94.8	-181.7	-31.1	-61.8
Net cash flow	-431.9	-287.9	-38.6	-33.5	-106.5
Forex	-12.6	14.0	-16.9	0.0	0.0
Others	2.8	120.5	125.1	0.0	0.0
Beginning cash	875.2	433.4	280.0	349.7	316.1
Ending cash	433.4	280.0	349.7	316.1	209.6

Results Note

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Nitrile gloves:

Metrics	Jun 2024 – Aug 2024	Sep 2024 – Nov 2024	qoq (%)	Future expectations
ASP (USD)	US: USD 17.5	US: USD 18-19	+2% (4QFY24 vs 1QFY25)	- ASP in US: USD 21 in Dec. -ASP in Non-US (Europe): USD 18 in Dec.
Sales Volume (bn pcs)			+21% (4QFY24 vs 1QFY25)	Higher volume will be seen in 3Q and 4Q as some of the US customers stocked up on Chinese's gloves before tariffs kick-in.

Note: If the gap is less than USD 2 between Malaysia and China glovemakers, customers will consider Malaysia's gloves as they are concerned about the ESG problem. (China uses coal as the source of energy, while Malaysia uses Natural Gas and Biomass)

Natural Latex gloves:

Metrics	Jun 2024 – Aug 2024	Sep 2024 – Nov 2024	qoq (%)	Future expectations
ASP (USD)	Latex Powdered: USD 16.5 Latex Powder Free: USD 21.8	Average on Natural Latex gloves: USD 17-18	-2% (4QFY24 vs 1QFY25)	- ASPs were adjusted downwards; however, the cost per carton increased by 3% due to the mismatch caused by a time lag of around two months. - China ASP on powdered glove is USD 15-16. - TOPG ASP: USD 17-18/ looking to USD 16 if raw material costs lower in a downtrend basis
Sales Volume (bn pcs)			+6% (4QFY24 vs 1QFY25)	-Sales Volume is up by 6%, mainly from the Middle East. - China glovemakers do not produce natural rubber powder-free gloves; TOPG has less competition in that category.

* Note: ROW (aside US) is not buying nitrile, most of the countries are buying Natural Rubber gloves

Results Note

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ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Reduce carbon emission intensity by 10% to 0.0183 tonnes/'000 pcs gloves in FY24
Waste & Effluent	★★★	Reduced solid waste by 64.7% to 3,575 tonnes, target to achieve in FY25
Energy	★★★	Energy consumption reduced by 14% to 7.41 kWh.'000 pcs gloves
Water	★★★	Water consumption reduced by 29% to 0.164 m3/'000 pcs gloves in FY24
Compliance	★★★	Scored among the top 3% out of 274 companies assessed in the Health Care Equipment & Supplies Industry in the S&P Global Corporate Sustainability Assessment

Social

Diversity	★★★	55% female leadership in managerial positions (manager and above) in FY24
Human Rights	★★★	Conduct Human Rights Due Diligence, HRDD for 100% TG own operation
Occupational Safety and Health	★★	Reduced occupational accident rate to 2.45/'000 employees and 100% contractors passed safety evaluation in FY24
Labour Practices	★	2 factories audited achieved 'C' rating

Governance

CSR Strategy	★★★	Donation to Dinas Kehutanan team, Kelompok Tani Hutan (KTH), and Kesatuan Hutan Produksi (KPHP) in FY24.
Management	★★	8/9 board members age over 50, 33% female director, 5/9 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Monday, 23 Dec, 2024**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.