

Chelsea Chew

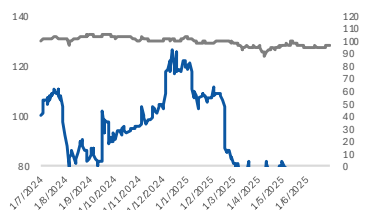
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Recommendation:	HOLD
Current Price:	RM0.72
Previous Target Price:	RM0.78
Target Price:	↔ RM0.78
Capital Upside/Downside:	8.3%
Dividend Yield (%):	0.0%
Total Upside/Downside	8.3%

Stock information	
Board	MAIN
Sector	Healthcare
Bursa / Bloomberg Code	7113 / TOPGMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	8,017.8
Market Cap (RM' m)	5,772.8
52-Week Price Range (RM)	1.44-0.7
Beta (x)	1.1
Free float (%)	49.6
3M Average Volume (m)	15.9
3M Average Value (RM' m)	13.2

Top 3 Shareholders	(%)
Lim Wee Chai	27.9
Central Depository Pte Ltd/ The	11.3
Kumpulan Wang Persaraan	7.7

Share Price Performance

	1M	3M	12M
Absolute (%)	-11.1	-11.1	-34.5
Relative (%)	-12.3	-12.0	-31.9

Earnings Summary

FYE Aug (RM m)	FY25F	FY26F	FY27F
Revenue	3831.6	3978.5	4103.7
PATAMI	13.1	27.5	30.2
CNP	13.1	27.5	30.2
Core EPS (sen)	0.2	0.3	0.4
PE(x)	452.7	215.1	196.0

Source: Company, Apex Securities

Top Glove Corporation Bhd

Profitable, but missed targets

- Top Glove's (TOPG) 3QFY25 core net profit of RM2.3m dropped from 2QFY25's core net profit of RM23.3m, bringing 9MFY25 CNP to RM4.1m. The reported numbers missed expectations, accounting for only 31.0% and 5.0% of ours and the markets full-year forecasts.
- Key deviations were due to weaker-than-expected demand improvements, higher-than-expected finance costs and depreciation expenses.
- Glove industry outlook remains volatile due to tariff uncertainties, prolonged intensifying Chinese competition in non-US markets, and potential growing oversupply.
- Re-iterate HOLD recommendation with a target price of RM0.78, based on P/B multiple of 1.1x pegged to FY26F BVPS of RM0.70.

Missed expectations. Excluding exceptional items, such as gain on disposal of PPE (-RM29.7m), reversal of inventory write-downs (-RM6.8m), and other adjustments (+RM4.0m), Top Glove Corporation Bhd's (TOPG) 3QFY25 core net profit (CNP) of RM2.3m (-90% qoq) came in below expectations. 9MFY25 core net profit of RM4.1m accounts for only 31% of our full-year forecast and a mere 5% of the consensus estimate. The earnings miss was due to weaker-than-expected demand improvements, and higher-than-anticipated finance costs and depreciation expenses.

YoY. 3QFY25 CNP stood at RM2.3m a significant improvement from the core net loss (CNL) of RM58.2m in 3QFY24. Turnaround was primarily lifted by a 30% increase in sales recognition compared to the same period last year. Overall, latex and nitrile glove saw a 26% yoy and 58% yoy improvement in sales respectively. Growth is attributed to continued market share gains in North America following the Biden administration's tariff announcement on Chinese glovemakers in Sep 2024, coupled with restocking activity following inventory depletion in the region.

QoQ. CNP decline 90.0% qoq from the previous quarter. The significant drop was impacted by lower sales volume (-6% qoq) and a 4.5% decrease in blended ASP from a weakening of USD, a massive 341.0% increase in finance costs, and a 1.4% rise in depreciation expenses.

YTD. For 9MFY25, TOPG has posted a CNP of RM4.1m compared to a CNL of RM173.0m in 9MFY24. The improvement was primarily driven by a 98% yoy increase in nitrile glove sales, Biden administration's tariff announcement on Chinese glovemakers in Sep 2024 and 125% tariff imposed on Chinese gloves in Apr 2025. Additionally, increased utilisation rates and improved blended ASP (+1.6% yoy) further contributed to TOPG's enhanced profitability in 9MFY25.

Outlook. Looking ahead, the Malaysian rubber products sector faces a challenging outlook, pressured by intense international competition (due to US tariffs and expanding Chinese capacity), subdued demand, and rising domestic costs. During the analyst briefing, TOPG's management indicated the Group are able to apply for a 5% SST exemption on imported latex. Also, the 2% EPF contribution impact on foreign workers would be approximately RM200k a month, which constitutes a negligible impact of c.0.1% on the ASP.

Despite tighter competition and exchange rate headwinds, TOPG targets to maintain ASP at c.USD17-19 per 1,000 pieces in 2HCY25. Natural rubber prices may ease slightly, while nitrile butadiene rubber demand is set to grow in tandem with the higher raw material costs.

Earnings Revision. Despite the disappointing earnings, we are keeping our forecast unchanged. We believe orders are expected to grow by c.15% in the coming quarters, as our channel checks indicate that capacity and utilisation rates at Chinese nitrile glove factories have been reduced from 80% to 60%, leading to low supply. Coupled with the uncertainty

caused by US tariffs, TOPG is well-positioned to benefit if a supply shortage occurs in the coming months.

Valuation. Re-iterate our **HOLD** recommendation on TOPG with an unchanged target price of **RM0.78**. Our valuation is based on a 1.1x P/B multiple applied to our FY26F BVPS of RM0.70, with no ESG premium or discount given TOPG's three-star ESG rating. We would consider revising our forecast and multiple upon seeing more concrete margin improvements.

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

Results Note

Monday, 30 Jun, 2025

Results Comparison

FYE Aug (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	830.3	636.9	30.4	883.7	(6.0)	2,599.8	1,680.7	54.7	Sales recognition declined qoq due to a weakening USD.
COGS	(821.9)	(671.2)	22.5	(839.5)	(2.1)	(2,545.0)	(1,833.2)	38.8	
Gross Profit	8.3	(34.3)	<i>nm</i>	44.2	(81.2)	54.8	(152.6)	<i>nm</i>	
Other operating income/(expenses)	32.6	89.5	(63.5)	10.3	217.2	58.3	115.2	(49.4)	
(Loss)/ Profit from operations	41.0	55.2	(25.8)	54.5	(24.8)	113.1	(37.3)	<i>nm</i>	
EBITDA	119.0	127.6	(6.7)	131.4	(9.5)	113.1	179.5	(37.0)	
Depreciation	(78.0)	(72.4)	7.8	(76.9)	1.4	(228.7)	(216.8)	5.5	
Finance income	2.0	2.6	(26.1)	2.6	(24.2)	6.8	7.7	(11.9)	
Finance cost	(9.6)	(1.8)	429.1	(2.2)	341.3	(12.8)	(8.3)	54.1	
Share of JV results	(2.1)	2.6	<i>nm</i>	1.1	<i>nm</i>	(0.5)	0.6	<i>nm</i>	
PBT	31.2	58.6	(46.7)	56.0	(44.3)	106.6	(37.4)	<i>nm</i>	
Tax credit/ (expenses)	3.2	3.2	1.7	10.9	(70.3)	11.4	4.1	175.8	
PAT	34.4	61.7	(44.2)	66.8	(48.5)	118.0	(33.2)	<i>nm</i>	
PATMI	34.7	50.7	(31.4)	56.0	(37.9)	96.2	(55.9)	<i>nm</i>	
Core net profit	2.3	(58.2)	<i>nm</i>	23.3	(90.0)	4.1	(173.0)	<i>nm</i>	
Core EPS (sen)	0.0	(0.7)	<i>nm</i>	0.3	(90.0)	0.1	(2.2)	<i>nm</i>	
EBITDA margin (%)	14.3	20.0		14.9		4.4	10.7		
PBT margin (%)	3.8	9.2		6.3		4.1	(2.2)		
Core PATMI margin (%)	0.3	(9.1)		2.6		0.2	(10.3)		

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Aug (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2257.2	2514.4	3831.6	3978.5	4103.7
Gross Profit	64.3	265.3	383.2	397.9	410.4
EBITDA	-556.2	251.6	371.1	375.3	403.2
Depreciation & Amortisation	-343.0	-287.5	-296.6	-292.4	-314.0
EBIT	-899.2	-35.9	74.4	82.9	89.1
Net Finance Income/ (Cost)	4.6	2.8	3.6	5.0	6.7
Associates & JV	-5.8	1.7	1.8	1.8	1.9
Pre-tax Profit	-900.4	-31.3	79.7	89.8	97.7
Tax	14.9	9.9	-22.3	-16.2	-19.5
Profit After Tax	-885.5	-21.4	57.4	73.6	78.2
Minority Interest	39.7	43.5	44.3	46.1	48.0
PATMI	-925.2	-64.9	13.1	27.5	30.2
Exceptionals	405.5	152.0	0.0	0.0	0.0
Core Net Profit	-1330.7	-216.9	13.1	27.5	30.2

Key Ratios

FYE Aug (RM m)	FY23	FY24	FY25F	FY26F	FY27F
P/E (x)	N/A	N/A	452.7	215.1	196.0
EPS	-16.2	-2.6	0.2	0.3	0.4
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	-12.3	28.1	17.4	17.6	16.9
DPS (sen)	0.0	0.0	0.0	0.1	0.1
Dividend Yield (%)	0.0%	0.0%	0.0%	0.1%	0.1%
EBITDA margin	-24.6%	10.0%	9.7%	9.4%	9.8%
EBIT margin	-39.8%	-1.4%	1.9%	2.1%	2.2%
PBT margin	-39.9%	-1.2%	2.1%	2.3%	2.4%
PAT margin	23.1%	-0.9%	1.5%	1.9%	1.9%
NP margin	-41.0%	-2.6%	0.3%	0.7%	0.7%
Core NP margin	-41.0%	-2.6%	0.3%	0.7%	0.7%
ROE	-15.6%	-1.1%	0.2%	0.5%	0.5%
ROA	-13.1%	-0.9%	0.2%	0.4%	0.4%
Net gearing	4.5%	0.8%	5.1%	2.9%	Net Cash

Key Assumptions

FYE Aug (RM m)	FY25F	FY26F	FY27F
Production lines	788.0	788.0	788.0
Utilisation rate (%)	45.0%	44.5%	45.0%
Production ('000)	42750.0	42275.0	42750.0
Blended ASP (RM/'000 pcs)	89.6	94.1	96.0

Valuations

Book Value/share (RM)	0.707
Multiple (x)	1.1
Fair Value (RM)	0.78
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.78

Source: Company, Apex Securities

Balance Sheet

FYE Aug (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	285.4	351.2	72.9	148.2	331.2
Receivables	182.6	359.0	451.4	468.7	483.4
Inventories	301.5	376.3	481.8	510.1	516.1
Other current assets	918.5	744.9	765.3	769.7	773.5
Total Current Assets	1688.0	1831.4	1771.5	1896.8	2104.2
PPE	4080.2	3778.9	3712.1	3658.5	3611.2
Intangibles	864.5	861.2	861.2	861.2	861.2
Other non-current assets	428.9	486.6	486.6	486.6	486.6
Total Non-current assets	5373.5	5126.7	5059.9	5006.3	4959.0
Short-term Debt	540.4	398.0	359.7	317.1	276.1
Payables	265.3	433.0	548.0	490.5	516.1
Other Current Liabilities	118.3	118.8	118.8	118.8	118.8
Total Current Liabilities	923.9	949.8	1026.5	926.4	910.9
Long-term Debt	14.1	0.0	0.0	0.0	0.0
Other non-current liabilities	197.4	172.8	172.8	172.8	172.8
Total Non-current Liabilities	211.6	172.8	172.8	172.8	172.8
Shareholder's equity	4714.5	4630.0	4787.9	4957.7	5131.5
Minority interest	1211.6	1205.5	844.3	846.1	848.0
Equity	5926.1	5835.5	5632.2	5803.9	5979.5

Cash Flow

FYE Aug (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	-900.4	-31.3	79.7	89.8	97.7
Depreciation & amortisation	343.0	287.5	296.6	292.4	314.0
Changes in working capital	91.1	-37.7	-103.4	-107.5	1.1
Others	587.3	-197.7	-34.3	-30.2	-34.1
Operating cash flow	121.0	20.7	238.7	244.5	378.7
Net capex	-364.2	-142.5	-229.9	-238.7	-266.7
Others	-19.1	390.0	13.5	14.0	14.6
Investing cash flow	-383.3	247.5	-216.4	-224.7	-252.2
Dividends paid	0.0	0.0	-2.6	-6.9	-7.5
Others	94.8	-181.7	-296.4	62.3	64.0
Financing cash flow	94.8	-181.7	-299.0	55.5	56.4
Net cash flow	-167.5	86.5	-276.7	75.3	183.0
Forex	14.0	-16.9	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	433.4	280.0	349.7	72.9	148.2
Ending cash	280.0	349.7	72.9	148.2	331.2

Results Note

Monday, 30 Jun, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Improved its Climate Change score from C (Awareness) to B (Management).
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, but water security maintaining at C (Awareness).
Compliance	★★★★	Maintained S&P Sustainability Yearbook inclusion for 4th year, ranking in the top 12% of its industry.

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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(a) nil.