

21 March 2025

Consumer Cyclical | Rubber Products

Top Glove Corp (TOPG MK)

Buy (from Sell)

A Commendable Performance; Upgrade To BUY

Target Price (Return): MYR1.06 (19.1%)
Price (Market Cap): MYR0.89 (USD1,608m)
ESG score: 3.1 (out of 4)
Avg Daily Turnover (MYR/USD) 22.2m/4.99m

- **U/G to BUY from Sell, new MYR1.06 TP (DCF) from MYR1.10, 19% upside.** Top Glove Corp booked a 2QFY25 (Aug) core profit of MYR23.3m (above our expectation) on improving cost pass-throughs despite sequentially sluggish volume. As the share price has hit our previous TP, we upgrade our call on potentially improving sales volumes by June (4QFY25) as US customers' inventory levels fully deplete. Our new TP incorporates a 2% ESG premium, as TOPG's 3.1 ESG score is above the 3.0 country median.
- **Results overview.** TOPG reported a 2QFY25 core profit of MYR23.3m, taking 1HFY25 core earnings to MYR1.4m (better than our expected MYR13m core loss) and largely due to improving ASPs. Realised ASPs spiked up by 3% QoQ to USD19.90 on a better sales mix (increased contributions from higher ASP products) while sales volumes dipped 9% QoQ to 9.4bn pieces – no thanks to frontloading by US customers. Raw material prices lowered QoQ: Natural latex dipped 1% QoQ while nitrile butadiene rubber prices decline by 8% QoQ. Plant utilisation declined 6ppts QoQ to 58%.
- **Key takeaways from the results briefings.** Management guided that sales volumes hit trough in February, but are likely to resume the positive growth trend in March-May. Order enquiries for June from US customers picked up meaningfully, indicating signs of inventory restocking for the quarters ahead. Competition within the non-US market remains intense, as China ASPs of USD15 remain beyond unsustainable levels for Malaysian glove makers. Nonetheless, the net effect remains positive for local players, as the effect of losing out on non-US sales is set to be compensated by better ASPs in the US.
- **Outlook.** Our [previous downgrade](#) call largely played out. TOPG now trades at 1.6x P/BV or 0.3SD below its 3-year historical mean of 1.7x. Looking beyond May, we expect sales volumes to pick up gradually when the US channel inventory depletes. Following the recent share price correction, we think TOPG's valuation is undemanding, as such valuations last traded prior to the tariff announcements in May 2024 and Sep 2024.
- **Post results, we raise** our FY25F-27F earnings to MYR39m, MYR102m, and MYR225m from -MYR13m, MYR35m, and MYR199m after we align our volume sales assumptions with management's guidance, ie 42bn from 40.9bn previously. Despite our earnings upgrade, our TP is lowered slightly to MYR1.06 after we raised our WACC assumptions to 10.8% from 10.5% to [reflect our in-house economics team's cautious view](#) on the 2025 global trade outlook. Post adjustment, we upgrade our call to BUY – premised on the recovery in sales volumes in 4QFY25 and attractive valuation. Our TP implies 1.9x P/BV, 0.7SD above its 3-year historical average. Key risks: Decrease in gloves ASP, slower-than-expected demand recovery, lower-than- expected utilisation rate, and higher-than-expected raw material prices.

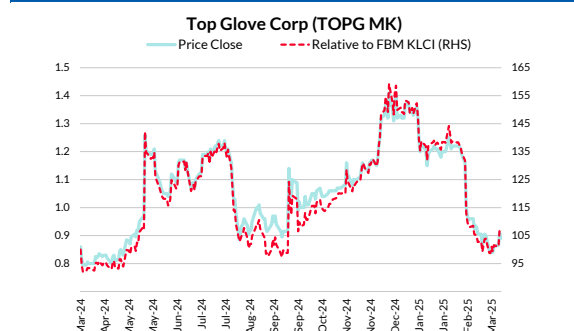
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Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|--------|-------|--------|-------------|-----|
| Absolute | (33.6) | (6.8) | (32.6) | (19.1) | 3.5 |
| Relative | (26.0) | (3.0) | (28.0) | (10.0) | 4.7 |
| 52-wk Price low/high (MYR) | | | | 0.80 – 1.41 | |



Source: Bloomberg

| Forecasts and Valuation | Aug-23 | Aug-24 | Aug-25F | Aug-26F | Aug-27F |
|---------------------------------|----------|----------|---------|---------|----------|
| Total turnover (MYRm) | 2,257 | 2,514 | 3,687 | 4,055 | 4,478 |
| Recurring net profit (MYRm) | (517) | (232) | 39 | 102 | 225 |
| Recurring net profit growth (%) | (231.4) | (55.2) | - | 158.2 | 120.8 |
| Recurring P/E (x) | na | na | 185.52 | 71.85 | 32.55 |
| P/B (x) | 1.6 | 1.6 | 1.6 | 1.5 | 1.5 |
| P/CF (x) | 60.42 | 353.28 | 13.97 | 22.15 | 15.29 |
| Dividend Yield (%) | na | na | na | na | na |
| EV/EBITDA (x) | na | 25.01 | 21.83 | 16.66 | 11.34 |
| Return on average equity (%) | (18.0) | (1.4) | 0.8 | 2.2 | 4.6 |
| Net debt to equity (%) | net cash | net cash | 4.7 | 0.8 | net cash |

Source: Company data, RHB

Overall ESG Score: 3.1 (out of 4)

E Score: 3.0 (GOOD)

S Score: 2.7 (GOOD)

G Score: 3.7 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

| Trend analysis | Emissions (tCO2e) | Aug-22 | Aug-23 | Aug-24 | Aug-25 |
|--|-------------------|---------|---------|--------|--------|
| CO2 emissions have been on a decreasing trend from FY20 to FY23. | Scope 1 | 605,871 | 273,483 | - | - |
| | Scope 2 | 292,567 | 425,886 | - | - |
| | Scope 3 | 19,916 | 6,033 | - | - |
| | Total emissions | 918,354 | 705,402 | na | na |

Source: Company data, RHB

Latest ESG-Related Developments

The company has retained its position in the Dow Jones Sustainability Index for five consecutive years.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: 20 December 2024

E Score: 3.0 (GOOD)

TOPG measures its CO2 emissions intensity (FY22 as baseline) with a target of 10% annual reduction by 2025. It has undertaken several initiatives – ranging from implementing rainwater harvesting technology and installing solar power in 2020 to renewing a solar power purchase agreement or PPA to increase its solar power capacity.

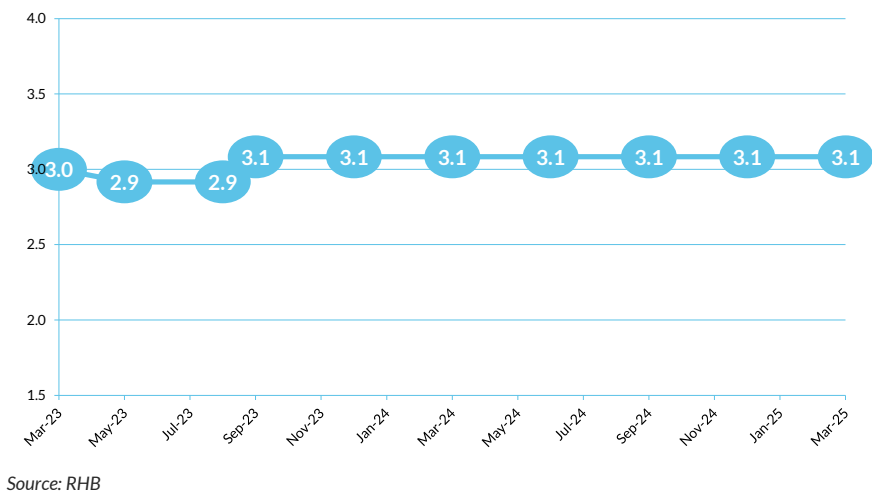
S Score: 2.7 (GOOD)

75% of its factory has been audited and certified with an “A” rating by the Business Social Compliance Initiative or BSCI, of which the scope of audit entails the empowerment of basic human and labour rights. TOPG is also involved in TG Scholarship Award and EduShare Programme to provide much needed assistance towards the underprivileged community.

G Score: 3.7 (EXCELLENT)

67% of its board members are independent, and 42% are female, exceeding the Malaysian Code on Corporate Governance requirement of 30%. TOPG provides full disclosure on its directors’ remunerations, including salaries and bonuses, on a named basis. It has an in-house investor relations team and holds investor briefings regularly, embodying good transparency and disclosure practices.

ESG Rating History



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Financial Exhibits

| | | | | | | |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia | Financial summary (MYR) | Aug-23 | Aug-24 | Aug-25F | Aug-26F | Aug-27F |
| Malaysia | Recurring EPS | (0.06) | (0.03) | 0.00 | 0.01 | 0.03 |
| Consumer Cyclical | BVPS | 0.57 | 0.56 | 0.57 | 0.58 | 0.61 |
| Top Glove Corp | Return on average equity (%) | (18.0) | (1.4) | 0.8 | 2.2 | 4.6 |
| TOPG MK | | | | | | |
| Buy | | | | | | |
| Valuation basis | Valuation metrics | Aug-23 | Aug-24 | Aug-25F | Aug-26F | Aug-27F |
| DCF | Recurring P/E (x) | na | na | 185.52 | 71.85 | 32.55 |
| | P/B (x) | 1.6 | 1.6 | 1.6 | 1.5 | 1.5 |
| | FCF Yield (%) | (3.5) | (1.7) | 5.0 | 2.3 | 4.4 |
| | EV/EBITDA (x) | na | 25.01 | 21.83 | 16.66 | 11.34 |
| | EV/EBIT (x) | na | na | 123.73 | 47.25 | 21.60 |
| Key drivers | Income statement (MYRm) | Aug-23 | Aug-24 | Aug-25F | Aug-26F | Aug-27F |
| Our earnings forecasts are most sensitive to: | Total turnover | 2,257 | 2,514 | 3,687 | 4,055 | 4,478 |
| i. Sales volumes; | Gross profit | 64 | 265 | 262 | 412 | 598 |
| ii. USD/MYR; | EBITDA | (548) | 252 | 325 | 415 | 581 |
| iii. Raw material prices | Depreciation and amortisation | (351) | (288) | (268) | (269) | (276) |
| | Operating profit | (899) | (36) | 57 | 146 | 305 |
| | Net interest | 5 | 3 | (8) | (13) | (11) |
| | Pre-tax profit | (900) | (31) | 50 | 133 | 294 |
| | Taxation | 15 | 10 | (11) | (29) | (65) |
| | Reported net profit | (925) | (65) | 39 | 102 | 225 |
| | Recurring net profit | (517) | (232) | 39 | 102 | 225 |
| Key risks | Cash flow (MYRm) | Aug-23 | Aug-24 | Aug-25F | Aug-26F | Aug-27F |
| i. Decrease in gloves ASPs; | Change in working capital | 91 | (38) | 230 | (30) | (13) |
| ii. Slower-than-expected demand recovery; | Cash flow from operations | 121 | 21 | 524 | 330 | 478 |
| iii. Lower-than-expected utilisation rate; | Capex | (375) | (145) | (160) | (160) | (160) |
| iv. Higher-than-expected raw material prices. | Cash flow from investing activities | (383) | 247 | (148) | (148) | (147) |
| | Cash flow from financing activities | 95 | (182) | (376) | (50) | (50) |
| | Cash at beginning of period | 444 | 285 | 351 | 351 | 483 |
| | Net change in cash | (167) | 86 | (1) | 132 | 281 |
| | Ending balance cash | 286 | 390 | 406 | 555 | 853 |
| Company Profile | Balance sheet (MYRm) | Aug-23 | Aug-24 | Aug-25F | Aug-26F | Aug-27F |
| Top Glove is the world's largest disposable gloves producer. | Total cash and equivalents | 948 | 1,002 | 1,001 | 1,133 | 1,414 |
| | Tangible fixed assets | 3,893 | 3,605 | 3,498 | 3,389 | 3,273 |
| | Total investments | 420 | 468 | 468 | 468 | 468 |
| | Total assets | 7,062 | 6,958 | 6,861 | 6,933 | 7,152 |
| | Short-term debt | 540 | 398 | 398 | 348 | 298 |
| | Total long-term debt | 40 | 22 | 822 | 822 | 822 |
| | Total liabilities | 1,135 | 1,123 | 2,163 | 2,131 | 2,120 |
| | Total equity | 5,926 | 5,835 | 4,698 | 4,802 | 5,032 |
| | Total liabilities & equity | 7,062 | 6,958 | 6,861 | 6,933 | 7,152 |
| | Key metrics | Aug-23 | Aug-24 | Aug-25F | Aug-26F | Aug-27F |
| | Revenue growth (%) | (59.5) | 11.4 | 46.6 | 10.0 | 10.4 |
| | Recurrent EPS growth (%) | (231.4) | (55.2) | 0.0 | 158.2 | 120.8 |
| | Gross margin (%) | 2.8 | 10.6 | 7.1 | 10.2 | 13.4 |
| | Operating EBITDA margin (%) | (24.3) | 10.0 | 8.8 | 10.2 | 13.0 |
| | Net profit margin (%) | (41.0) | (2.6) | 1.1 | 2.5 | 5.0 |
| | Capex/sales (%) | 16.6 | 5.8 | 4.3 | 3.9 | 3.6 |
| | Interest cover (x) | (70.6) | (3.6) | 2.3 | 4.9 | 10.7 |

Source: Company data, RHB

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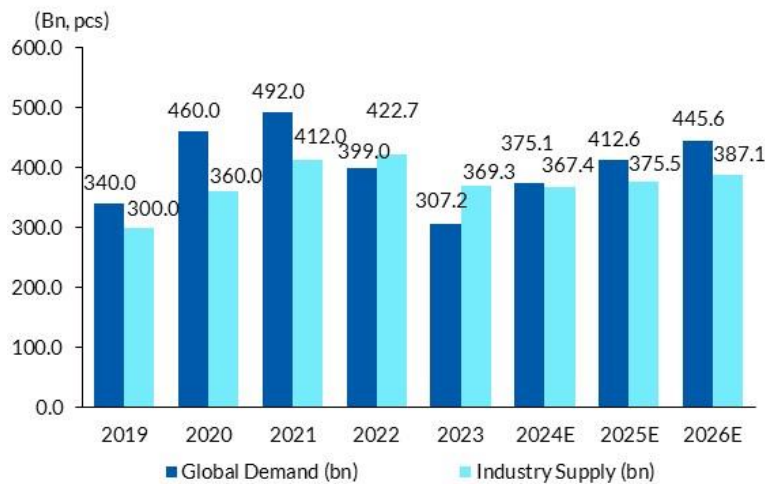
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Figure 1: Results snapshot

| FYE Aug | 2QFY24 | 1QFY25 | 2QFY25 | QoQ (%) | YoY (%) | 1H FY24 | 1H FY25 | YoY (%) | Comments |
|------------------------|--------|--------|--------|---------|---------|---------|---------|---------|---|
| Revenue | 550.3 | 885.9 | 883.7 | (0.3) | 60.6 | 1,043.8 | 1,769.5 | 69.5 | Revenue was flattish QoQ improvement due to improving ASPs (+3%), which was offset against by weaker sales volumes (-9%). |
| EBITDA | 16.8 | 76.0 | 121.1 | 59.3 | 619.8 | 29.5 | 197.1 | 567.3 | |
| EBITDA margin (%) | 3.1 | 8.6 | 13.7 | | | 2.8 | 11.1 | | |
| Depreciation | (72.2) | (73.7) | (76.9) | 4.3 | 6.6 | (144.4) | (150.6) | 4.3 | |
| EBIT | (55.3) | 2.3 | 44.2 | 1,856.5 | (179.9) | (114.9) | 46.5 | (140.4) | |
| EBIT margin (%) | (10.1) | 0.3 | 5.0 | | | (11.0) | 2.6 | | |
| Interest expense (net) | (0.1) | 1.2 | 0.4 | (66.6) | (407.8) | (1.5) | 1.6 | (206.2) | |
| Associates | (1.3) | 0.6 | 1.1 | 97.6 | (181.1) | (1.9) | 1.6 | (185.6) | |
| Pre-tax profit | (43.1) | 19.4 | 56.0 | 188.2 | (230.0) | (95.9) | 75.4 | (178.6) | |
| Pre-tax margin (%) | (7.8) | 2.2 | 6.3 | | | (9.2) | 4.3 | | |
| Tax | 2.9 | (2.7) | (14.9) | 455.0 | (605.7) | 8.6 | (17.5) | (303.4) | |
| Effective tax rate (%) | (0.1) | (0.1) | (0.3) | | | (9.2) | (23.8) | | |
| Minority interest | 0.5 | 0.5 | 0.5 | 10.1 | nm | 1.6 | 1.0 | (38.9) | |
| Net profit | (51.2) | 5.5 | 30.3 | 453.2 | nm | (108.9) | 35.8 | (132.8) | |
| Core net profit | (77.8) | (21.9) | 23.3 | (206.4) | nm | (132.7) | 1.4 | (101.0) | Above our but below Street's expectations. |
| Net margin (%) | (14.1) | (2.5) | 2.6 | | | (12.7) | 0.1 | | |

Source: Company data, RHB

Figure 2: Global demand & supply overview



Source: Malaysian Rubber Glove Manufacturers Association (MARGMA), RHB

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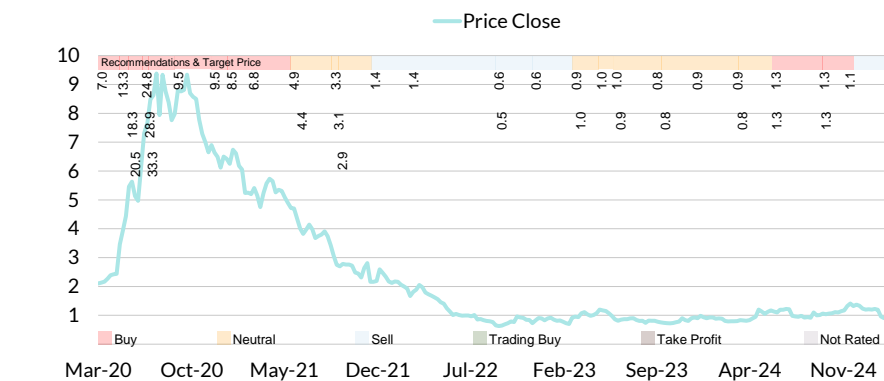
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Figure 3: DCF valuation

| FYE 31 Aug (MYRm) | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F | FY31F | FY32F | FY33F | FY34F | Terminal |
|--------------------------------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|
| NOPAT | 45 | 114 | 238 | 380 | 540 | 653 | 774 | 891 | 1,015 | 1,147 | |
| + D&A | 268 | 269 | 276 | 284 | 291 | 299 | 307 | 315 | 323 | 331 | |
| - Change in NWC | 119 | (30) | (13) | (37) | (40) | (29) | (30) | (28) | (27) | (28) | |
| - Capex | (160) | (160) | (160) | (170) | (170) | (170) | (170) | (170) | (170) | (170) | |
| Free cash flow to firm (FCFF) | 271 | 193 | 341 | 457 | 622 | 753 | 881 | 1,008 | 1,141 | 1,279 | 15,126 |
| Discount factor | 0.95 | 0.86 | 0.78 | 0.70 | 0.63 | 0.57 | 0.51 | 0.46 | 0.38 | 0.34 | 0.34 |
| PV of FCFF | 259 | 166 | 265 | 321 | 393 | 430 | 454 | 468 | 431 | 436 | 5,158 |
| Risk-free | 4% | | | | | | | | | | |
| WACC | 11% | | | | | | | | | | |
| Terminal growth | 2% | | | | | | | | | | |
| Enterprise value (MYRm) | 8,781 | | | | | | | | | | |
| - Minority | 1 | | | | | | | | | | |
| - Perpetual securities | 0 | | | | | | | | | | |
| Cash | 1,001 | | | | | | | | | | |
| - Debt | (1,220) | | | | | | | | | | |
| Equity value (MYRm) | 8,563 | | | | | | | | | | |
| No of shares (m) | 8,218 | | | | | | | | | | |
| Intrinsic value (MYR) | 1.04 | | | | | | | | | | |
| ESG premium/(discount) | 0.02 | | | | | | | | | | |
| TP (MYR) | 1.06 | | | | | | | | | | |

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2024-12-22 | Sell | 1.1 | 1.3 |
| 2024-10-11 | Buy | 1.3 | 1.1 |
| 2024-10-06 | Buy | 1.3 | 1.0 |
| 2024-06-20 | Buy | 1.3 | 1.2 |
| 2024-06-18 | Buy | 1.3 | 1.2 |
| 2024-04-02 | Neutral | 0.8 | 0.8 |
| 2024-03-21 | Neutral | 0.9 | 0.8 |
| 2023-12-21 | Neutral | 0.9 | 0.9 |
| 2023-10-08 | Neutral | 0.8 | 0.8 |
| 2023-09-20 | Neutral | 0.8 | 0.8 |
| 2023-06-28 | Neutral | 0.9 | 0.8 |
| 2023-06-18 | Neutral | 1.0 | 1.0 |
| 2023-05-15 | Neutral | 1.0 | 1.1 |
| 2023-03-27 | Neutral | 1.0 | 1.0 |
| 2023-03-17 | Neutral | 0.9 | 0.9 |

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

| | |
|---------------------|--|
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| Neutral: | Share price may fall within the range of +/- 10% over the next 12 months |
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