

Rubber Products

Capitalising On Industry Tailwinds; Keep O/W

- **Maintain OVERWEIGHT; Sector Top Picks: Hartalega (HART) and Kossan Rubber (KRI), and Riverstone (RSTON).** Industry operating dynamics remain in favour of the local glove manufacturers on the back of better demand visibility, supply rationalisation, and ASP stabilisation. That said, the recent weakening USD remains a key hindrance. However, we expect the flow through impact from trade diversion arising from the hike in US import tariff on China (from 2025) to have a net positive effect on the earnings of rubber products companies under our coverage (see our previous [report](#)).
- **ASP.** Industry-blended ASPs are currently hovering at USD20-21/1,000 pieces (pcs), improved slightly from USD20/1000 pcs in 2Q24. According to our channel checks, China glove makers' ASPs now range between USD18-19/1,000 pcs, higher from USD17-18 from the previous quarter. That said, we understand that local glove makers are in discussions to pass on the effects of a weakening USD to customers of at least USD1. This would result in the ASP range of within USD21-22 by 4Q24.
- **Demand.** Malaysia's gloves export volume surged 66% MoM and 105% YoY in August, outpacing the growth in July (+12% MoM; +43% YoY). Export value surged 15% MoM and 51% YoY to MYR1,583m. Meanwhile, China's gloves exports grew 5% in August following a 3% MoM contraction in July. That said, we expect 2024 global glove demand growth of 22% (Figure 3) premised on the recovery of glove restocking activities in 2H24. That said, Malaysian Rubber Glove Manufacturers Association (MARGMA) expects global gloves demand to chart a CAGR growth of 10% to 450bn pieces from 2023-2027.
- **Supply.** We gather that local manufacturers are running within the range of 70-80% according to our latest channel checks. That said, we expect a marginal change in global industry supply of 6bn in 2024 on the back of planned capacity replenishment by HART (4bn as a result of the relocation of production lines to NGC1.5 by end 2024), 3bn by Top Glove Corp (TOPG) (on the resumption of previous capacity that was decommissioned temporarily), 0.3bn planned capacity expansion by Sri Trang Gloves (Thailand) offset against by 1.3bn decommission exercise by RSTON.
- **Maintain OVERWEIGHT.** We maintain our OVERWEIGHT call on the sector premised on improving cost-pass-through model and restocking activities materialising in 2H24 (as demand-supply dynamics are expected to achieve equilibrium). The hike in US import tariff on China made products is icing on the cake as we expect this could escalate trade diversion outside China, eventually benefitting Malaysia manufacturers. We favour gloves manufacturers which demonstrate strong earnings resilience, solid balance sheet profile, and higher exposure to nitrile products (as latex prices remain volatile due to recent flooding in Thailand). With that, our sector Top Picks are HART and KRI. We also like RSTON thanks to its above-peer margin performance, unique exposure to cleanroom gloves (which should benefit from the recovery of semiconductor sales), and consistent dividend payout. Key risks are labour shortage, weakening of the USD against MYR, higher-than-expected raw material prices, and slower-than-expected demand recovery.

Overweight (Maintained)

Stocks Covered 5
Rating (Buy/Neutral/Sell): 5 / 0 / 0
Last 12m Earnings Revision Trend: Positive

Top Picks

	Target Price
Hartalega (HART MK) - BUY	MYR3.47
Kossan Rubber (KRI MK) - BUY	MYR2.51
Riverstone (RSTON SP) - BUY	SGD1.02

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ESG scores of rubber products companies under our coverage

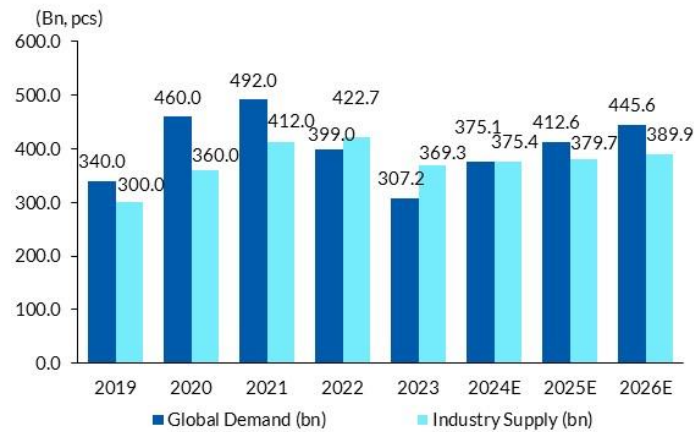
Company	ESG scores
Top Glove Corp	3.1
Hartalega	2.9
Kossan Rubber	2.8
Supermax Corp	2.3
Riverstone	3.1

Source: RHB

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Hartalega	Buy	MYR3.47	22.7	48.0	1.9	4.1	-
Kossan Rubber	Buy	MYR2.51	32.2	40.7	1.2	3.0	0.7
Riverstone	Buy	SGD1.02	16.8	14.3	2.3	16.7	5.6
Supermax Corp	Buy	MYR1.01	22.2	1,895.6	0.5	0.0	-
Top Glove Corp	Buy	MYR1.26	24.5	715.4	1.8	0.3	-

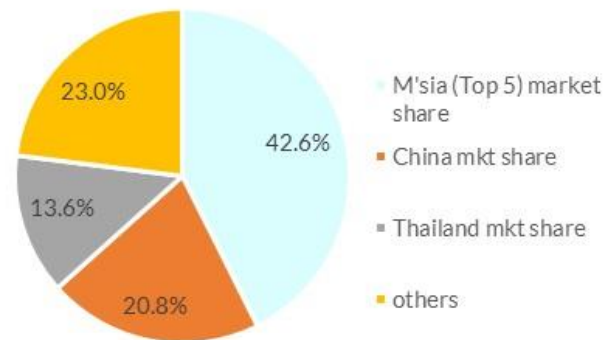
Source: Company data, RHB

Figure 1: Global demand & supply overview



Source: MARGMA, RHB

Figure 2: 2024 Market share by installed capacity



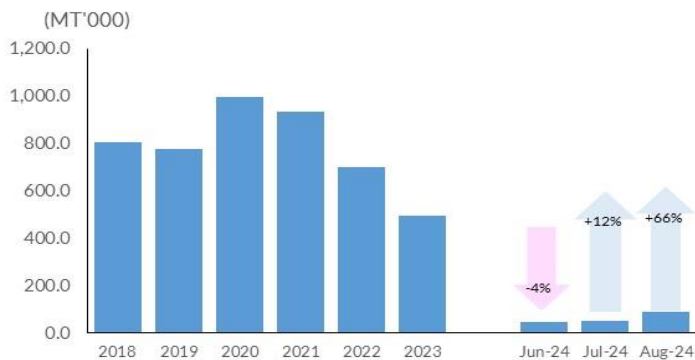
Source: MARGMA, Respective companies, RHB

Figure 3: Overview of global glove demand & supply (by countries)

	2019	2020	2021	2022	2023	2024E	2025F	2026F
Global Demand (bn)	340.0	460.0	492.0	399.0	307.2	375.1	412.6	445.6
YoY		35.3%	7.0%	-18.9%	-23.0%	22.1%	10.0%	8.0%
Industry Supply (bn)	300.0	360.0	412.0	422.7	369.3	375.4	379.7	389.9
YoY		20.0%	14.4%	2.6%	-12.6%	1.6%	1.1%	2.7%
Surplus/(Deficit)	-40.0	-100.0	-80.0	23.7	62.1	0.3	-32.9	-55.7
Malaysia (Top 5) Supply (bn)	165.5	195.2	213.2	209.2	154.2	159.9	164.2	174.4
YoY	9.4%	18.0%	9.2%	-1.9%	-26.3%	3.7%	2.7%	6.2%
Malaysia (Top 5) market share	55.2%	54.2%	51.7%	49.5%	41.7%	42.6%	43.2%	44.7%
China	25.8	51.6	75.0	75.0	78.0	78.0	78.0	78.0
YoY		100.0%	45.3%	0.0%	4.0%	0.0%	0.0%	0.0%
China mkt share	8.6%	14.3%	18.2%	17.7%	21.1%	20.8%	20.5%	20.0%
Thailand	25.0	32.0	40.3	46.2	50.8	51.1	51.1	51.1
YoY		27.8%	26.2%	14.6%	9.9%	0.6%	0.0%	0.0%
Thailand mkt share	8.3%	8.9%	9.8%	10.9%	13.8%	13.6%	13.5%	13.1%
Others	83.7	81.3	83.5	92.3	86.4	86.4	86.4	86.4
YoY		-2.9%	2.8%	10.6%	-6.4%	0.0%	0.0%	0.0%

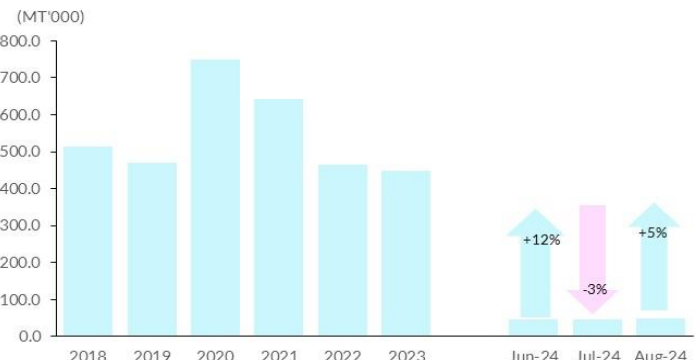
Source: MARGMA, Respective companies, RHB

Figure 4: Malaysia's gloves exports (in tonnes)



Source: Department of Statistics Malaysia (DOSM), RHB

Figure 5: China's gloves exports (in tonnes)



Source: General Administration of Customs of the People's Republic of China, RHB

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US tariff scenario analysis. To recap, The Office of the United States Trade Representative (USTR) announced the final modifications concerning the statutory review of tariff actions on China, entailing a new set tariff rate on medical/surgical gloves, which will be revised to 50% and 100% (effective 2025 and 2026) from 25% effective 2026 as proposed in May. Following the announcement, there were concerns on China offloading glove to the non-US market (primarily Europe) at competitive prices to suppress Malaysian players. Given the lack of clarity at this juncture, we think it is essential to understand how China gloves manufacturers will react and what courses of actions they may pursue. We list out two possible scenarios:

- i. **China lowers prices to remain competitive in the US market.** Capitalising on its cost competitiveness, China could sell its product at cost (c.USD14 per 1,000 pcs) to US customers by 2025 to nullify the impact of import tariff. That said, the effective post-tariff ASP of USD21 per 1,000 pcs (in 2025) could be similar to Malaysian manufacturers under such scenario; however, the ASP could rise to USD28 by 2026 with a 100% tariff in place. Still, we believe the probability under Scenario 1 is low due to the deteriorating US-China relationship, ongoing quality concerns with US Food and Drug Administration as well as unsustainability from a profit point of view. Our channel checks suggest that China manufacturers tend to place greater emphasis towards non-US markets;
- ii. **China redirects its focus in Europe (the world second largest market).** In this scenario, assuming Malaysia gains a 50% market share from China's export to the US while simultaneously losing 50% of its export sales in the EU (Malaysia's sales to the EU average at 31%) to China players, we estimate an earnings accretion of 5-6% on average to 2025-2026 sector earnings (Figure 6). This is done on the basis of: i) Malaysia having a higher export exposure to the US market (c.40%); ii) gloves sold in the US market are USD1 more expensive (on the basis of 1,000 pcs) compared to gloves sold in the EU market given the US' imposed stringent border control. All else being equal, we expect RSTON to benefit the least from the potential trade diversion given the company has a lesser focus on generic products (c.30-40% of its volume).

Figure 6: Glove earnings sensitivity to changes in USD/MYR

	Hartalega		Top Glove		Riverstone		Kossan		Supermax	
	CY25	CY26	CY25	CY26	CY25	CY26	CY25	CY26	CY25	CY26
(A) USD/MYR	4.08	4.08	4.01	4.15	4.00	4.10	4.00	4.10	4.09	4.08
(B) Volume (bn pcs)	29.4	33.5	37.6	43.0	3.7	4.2	20.3	20.7	13.7	14.9
(C) ASP base case (USD per 1,000 pcs)	23.1	23.5	20.8	21.0	26.6	26.6	22.1	22.6	20.5	21.1
(D) Capacity (bn pcs) (FY)	36.0	40.0	63.0	63.0	3.1	3.1	30.5	30.5	21.2	21.2
(E) Capacity share (%)	23%	25%	41%	40%	2%	2%	20%	19%	14%	13%
Trade diversion arising from US tariff on China:										
(F) US import from China (bn pcs) based on TTM as at July					27.8					
(G) Assuming MY gaining 50%/75% US market share in 2025-2026	3.2	5.3	5.7	8.3	0.3	0.4	2.8	4.0	1.9	2.8
(F) x 50% x (E) for 2025/(F) x 75% x (E) for 2026										
Potential share lost from Europe:										
(H) Malaysia total gloves exports (in MT) (TTM as at July)					544,193.4					
(I) Malaysia total gloves exports in bn pcs (assuming 7g per pcs)					77.7					
(J) Malaysia total gloves exports to EU (in bn pcs)					24.1					
(Based on average Top 5 players export sales to EU= 31%)										
(K) Assuming 50% share loss (bn pcs)					12.0					
(L) Assuming MY loss 50%/75% EU market share in 2025/26	(2.8)	(4.2)	(4.9)	(7.4)	(0.2)	(0.4)	(2.4)	(3.6)	(1.7)	(2.5)
(K) x 50% x (E) for 2025 / (K) x 75% x (E) for 2026										
(M) Net volume changes arising from market share gain from China but share loss from EU market (bn, pcs)	29.8	34.6	38.3	43.9	3.8	4.2	20.6	21.1	13.9	15.2
(B) + (G) + (L)										
(N) net changes in vol from our base case	1.5%	3.1%	2.0%	2.1%	1.0%	1.1%	1.8%	2.1%	1.8%	2.0%
Base case earnings (MYRm) (based on FYE)	165.2	213.9	(4.9)	44.1	295.3	323.0	119.3	167.4	(7.4)	9.6
Earnings assuming market share swap	172.9	232.2	3.9	55.3	296.3	324.2	126.4	176.9	(5.8)	11.8
Net changes	4.7%	8.6%	n.m.	n.m.	0.3%	0.4%	6.0%	5.7%	28.3%	23.4%
Base case TP (LCY)	3.47		1.26		1.02		2.51		1.01	
TP after changes (LCY)	3.48		1.26		1.03		2.52		1.01	
Net changes	0.2%		0.2%		0.3%		0.2%		0.1%	

Source: RHB

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Recalibrating our forex assumptions. The MYR has appreciated by 6% against the USD during 3Q24. The weakening USD is expected to adversely affect glove makers' profitability as most of the sales proceeds (c.90-95%) are denominated in the USD. We did a blanket adjustment resulting in our USD/MYR assumptions for 2024-2025 to 4.50 and 4.00.

For every 5% fluctuation in USD, we estimate at least 8-26% earnings impact to gloves makers under our coverage. We believe this impact could be mitigated by gloves manufacturers raising ASP given the weakening of USD (as most of them are already in the discussion stage with customers to raise prices by at least USD1). The balance of the risk could skew negative as RHB Economics is expecting a 25bps cut in each of the meetings in November and December (bringing the total cut to 100bps in 2024), followed by another 100bps cut in 2025.

Figure 7: Glove earnings sensitivity to changes in USD/MYR

	USD/MYR FY25F			USD/MYR FY26F		
	-5%	Base	+5%	-5%	Base	+5%
TOPG	3.81	4.01	4.21	3.80	4.00	4.20
HART	4.11	4.33	4.55	3.80	4.00	4.20
RSTON	3.80	4.00	4.20	3.90	4.10	4.31
KRI	3.80	4.00	4.20	3.90	4.10	4.31
SUCB	3.93	4.13	4.34	3.85	4.05	4.25

	Earnings FY25			Earnings FY26		
	-5%	Base	+5%	-5%	Base	+5%
TOPG	(45.0)	(4.9)	35.1	(0.6)	44.1	88.7
HART	121.9	165.2	208.6	164.8	213.9	263.0
RSTON	270.6	295.3	320.1	296.5	323.0	349.4
KRI	92.8	119.3	145.8	138.4	167.4	196.5
SUCB	(22.6)	(7.4)	7.8	(7.9)	9.6	27.1

	Earnings impact FY25 %			Earnings impact FY26 %		
	-5%	Base	+5%	-5%	Base	+5%
TOPG	n.m.		n.m.	n.m.		n.m.
HART	-26.2%		26.2%	-23.0%		23.0%
RSTON	-8.4%		8.4%	-8.2%		8.2%
KRI	-22.2%		22.2%	-17.4%		17.3%
SUCB	n.m.		n.m.	n.m.		n.m.

	TP impact (FY25)			TP impact (FY26)		
	-5%	Base	+5%	-5%	Base	+5%
TOPG	1.25	1.26	1.26	1.25	1.26	1.26
HART	3.46	3.47	3.49	3.46	3.47	3.49
RSTON	1.02	1.02	1.03	1.02	1.02	1.03
KRI	2.50	2.51	2.52	2.50	2.51	2.52
SUCB	1.01	1.01	1.01	1.01	1.01	1.02

	TP impact (FY25) %			TP impact (FY26) %		
	-5%	Base	+5%	-5%	Base	+5%
TOPG	-0.4%		0.4%	-0.4%		0.4%
HART	-0.4%		0.4%	-0.4%		0.4%
RSTON	-0.4%		0.4%	-0.4%		0.4%
KRI	-0.4%		0.4%	-0.4%		0.4%
SUCB	-0.4%		0.0%	-0.4%		0.4%

Source: RHB

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Raw material prices. Natural latex price climbed 7% MoM during the month of September as a result of the recent severe floods in [Thailand](#). Nonetheless, natural latex prices were 8% lower QoQ in 3Q24 (averaging at USD1.54 per kg). We expect natural latex prices to ease subsequently during the month of October and November with weather conditions expected to stabilise.

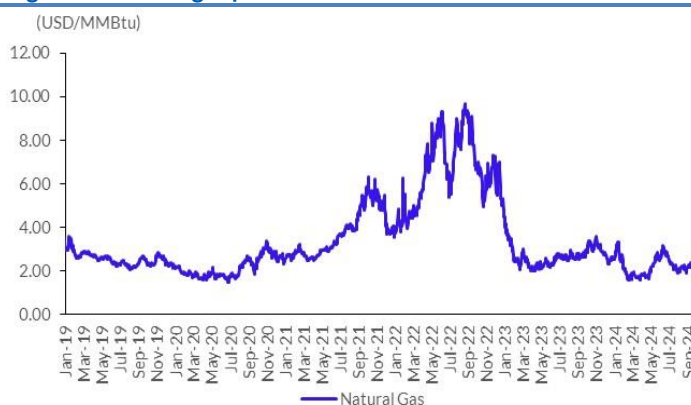
Meanwhile, acrylonitrile prices eased 6% QoQ (-5% MoM in September), averaging at USD1.17 per kg, on the back of easing raw material prices, ie polypropylene. Lastly, the natural gas tariff decreased by 3% QoQ average at USD2.26 mmbtu in 3Q24. Moving into 4Q24, natural gas prices are expected to be volatile amid the demand-peak season as winter approaches while on the other hand, the easing of crude oil prices (key source for the production of natural gas) are expected to cap the upside of natural gas prices.

Figure 8: Natural latex and acrylonitrile prices



Source: Bloomberg, RHB

Figure 9: Natural gas prices



Source: Bloomberg, RHB

Strategy. The sector is currently trading at a compelling forward P/BV of 1.3x, against its 2-year historical mean of 1.2x in view of the potential sectoral earnings recovery by 2024-2025 premised on the catalysts we mentioned above. Our sector OVERWEIGHT call is warranted based on the improving cost-pass-through model, restocking activities that are likely to materialise by 2H24 (as demand-supply dynamics are expected to achieve equilibrium), and the easing of price competition from China. The hike in US import tariff on China made products is icing on the cake as we expect this to escalate trade diversion outside China, eventually benefitting Malaysia manufacturers.

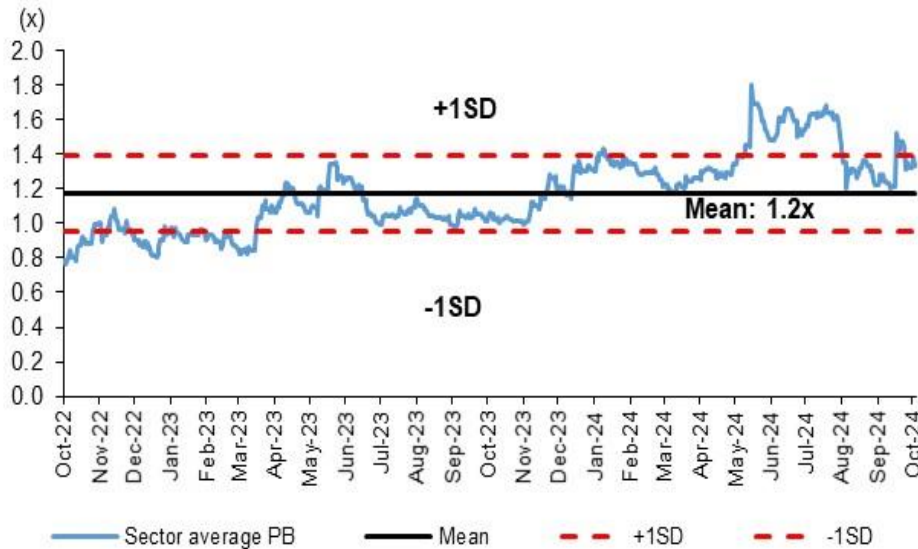
Our Top Picks are: i) HART – owing to its better operating efficiency among local glove makers (resulting in better margins and operating efficiencies); ii) KRI – for its highest net cash among peers, above-peer average margin profile, and consistent dividend payout; and iii) RSTON – thanks to its above-peer margin performance, exposure to cleanroom gloves (which should benefit from the recovery of semiconductor sales), and consistent dividend payout;

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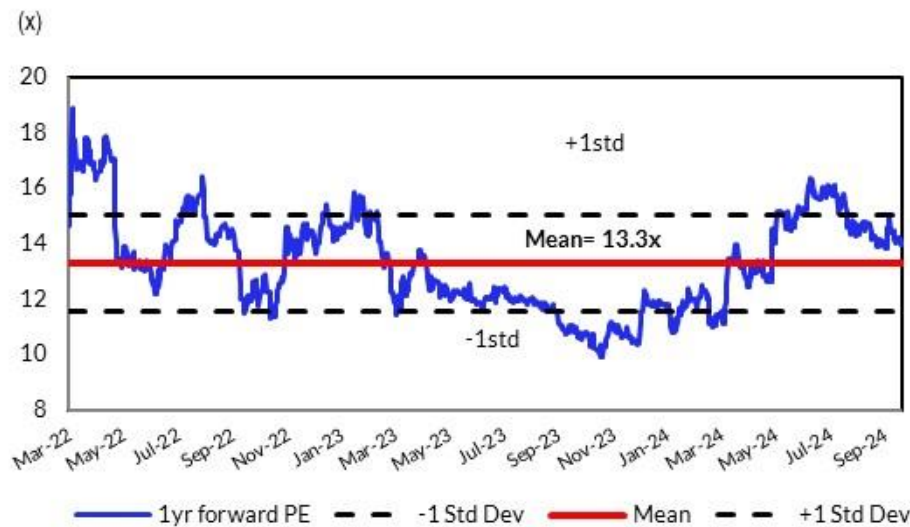
Downside risks: i) Decrease in glove ASPs, ii) slower-than-expected demand recovery, iii) lower-than-expected utilisation rates, and iv) higher-than-expected raw material prices.

Figure 10: Gloves sector's (ex-Riverstone) 2-year forward P/BV band



Source: Bloomberg, RHB

Figure 11: Riverstone's forward P/E band



Source: Bloomberg, RHB

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Hartalega (HART MK)

Buy (Maintained)

Upbeat On Prospects Despite Near-Term Headwinds

- **Still BUY, with new DCF-derived TP of MYR3.47 from MYR3.55, 23% upside.** Hartalega stands to benefit from the potential trade diversion with the latest revision of higher import tariff on China glove makers. Execution remains crucial as the recent weakening USD should be a key hindrance among investors. We continue to like the company given its solid balance sheet and improving market dynamics which should propel its FY25F (Mar) earnings. Our TP incorporates a 2% discount as HART's ESG score is 2.9.
- **Industry dynamics remain favourable.** We learnt that the industry operating dynamics have turned favourable for gloves manufacturers as customers are more receptive to the ASP increase. That said, industry blended ASP is set to improve further to USD21-22/1,000 pieces (pcs) by 4QCY24 as Malaysian glove makers are in the discussion stage to raise prices to translate the effect of the weakening USD to customers. Meanwhile, China glove makers' ASPs now range at USD18-19/1,000 pcs from USD17-18 in the previous quarter. In terms of demand, Malaysia's gloves export volume surged 66% MoM and 105% YoY in August, outpacing the growth in July (+12% MoM; +43% YoY). The latest export volume is even 34% higher compared to the pre-pandemic's 2-year monthly average number, indicating that the recovery momentum of global gloves demand remains healthy.
- **US tariff on China.** To recap, The Office of the United States Trade Representative (USTR) announced the final modifications concerning the statutory review of tariff actions on China, entailing a new set tariff rate on medical/surgical gloves, which will be revised to 50% and 100% (effective 2025 and 2026) from 25% effective 2026 as proposed in May. We expect HART to benefit from the potential trade diversion with estimated net earnings accretion of 5-9% in FY25-26 based on our estimate.
- **Earnings revision and valuation.** We lower our FY25F-26F earnings by 21-37% largely reflecting the impact of the weakening USD against the MYR. Our USD/MYR assumptions for FY25-26 are lowered to 4.33 and 4.00 from 4.55-4.50. For every 5% changes in USD/MYR, the impact to HART's FY25F-26F net earnings is 26% and 23%. We believe this impact could be mitigated by gloves manufacturers raising ASP given the weakening USD (as most of them are already in the discussion stage with customers to raise prices by at least USD1). HART's valuation remains compelling, trading at +0.9SD from its 2-year historical mean. Post earnings adjustment, we derive our new a TP of MYR3.47, representing 2.5x 2025F P/BV, or +2SD from its 2-year historical mean. Key risks: Decrease in gloves ASP, slower-than-expected capacity expansion, lower-than-expected utilisation rate, and higher-than-expected raw material prices.

Target Price (Return):	MYR3.47 (+23%)
Price (Market Cap):	MYR2.83 (USD2,288m)
ESG score:	2.9 (out of 4)
Avg Daily Turnover (MYR/USD)	24.8m/5.64m

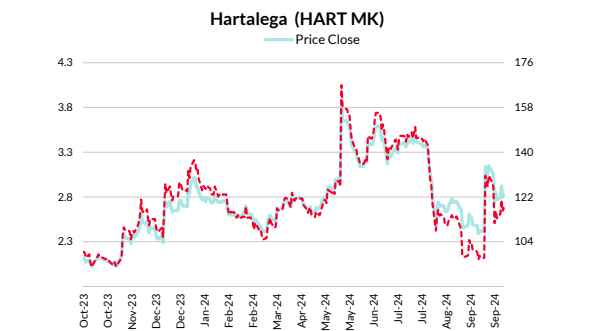
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	4.8	8.4	(14.0)	2.2	32.2
Relative	(8.0)	10.5	(15.6)	(4.6)	16.6
52-wk Price low/high (MYR)				2.02	-3.82



Source: Bloomberg

Overall ESG Score: 2.9 (out of 4)

E: GOOD

Hartalega has pledged to reduce its carbon emission intensity by 45% by 2030 through the installation various production related equipment and advanced technologies to optimise equipment efficiency and further reduce the group's energy consumption and carbon emissions. More than 90% of product packaging are made from recyclable materials.

S: GOOD

The group has invested more than MYR98m in providing first-rate workers' accommodation, which complies with the ILO's 11 Indicators of Forced Labour and exceeds the requirements of the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Act 446) specified under the Malaysian law.

G: EXCELLENT

56% of its board members are independent, and 33% are women, exceeding the Malaysian Code on Corporate Governance's requirement of 30%. Additionally, Hartalega provides full disclosure on its directors' remuneration, including salaries and bonuses. The company holds investor briefings regularly, embodying good transparency and disclosure practices.

Forecasts and Valuation	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Total turnover (MYRm)	2,410	1,838	2,600	2,810	3,341
Recurring net profit (MYRm)	118	31	165	214	365
Recurring net profit growth (%)	(96.3)	(74.1)	441.5	29.4	70.6
Recurring P/E (x)	82.35	317.41	58.61	45.28	26.54
P/B (x)	2.1	2.1	2.0	1.9	1.8
P/CF (x)	na	na	27.65	29.83	22.64
Dividend Yield (%)	1.2	na	na	na	na
EV/EBITDA (x)	na	40.34	22.07	18.39	12.24
Return on average equity (%)	(4.8)	0.6	3.5	4.3	7.0
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (MYR)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Malaysia	Recurring EPS	0.03	0.01	0.05	0.06	0.11
Consumer Cyclical	DPS	0.03	-	-	-	-
Hartalega	BVPS	1.36	1.36	1.41	1.47	1.58
HART MK	Return on average equity (%)	(4.8)	0.6	3.5	4.3	7.0
Buy						
	Valuation metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Valuation basis	Recurring P/E (x)	82.35	317.41	58.61	45.28	26.54
DCF	P/B (x)	2.1	2.1	2.0	1.9	1.8
	FCF Yield (%)	(3.6)	(2.3)	1.6	1.3	2.4
Key drivers	Dividend Yield (%)	1.2	-	-	-	-
i. Sales volume growth;	EV/EBITDA (x)	na	40.34	22.07	18.39	12.24
ii. Appreciation of USD against MYR;	EV/EBIT (x)	na	130.99	37.40	28.49	16.27
iii. Lower-than-expected raw material prices.						
	Income statement (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Key risks	Total turnover	2,410	1,838	2,600	2,810	3,341
i. Decrease in gloves ASP;	Gross profit	319	266	447	536	773
ii. Slower-than-expected capacity expansion;	EBITDA	(55)	206	370	436	635
iii. Lower-than-expected utilisation rate;	Depreciation and amortisation	(152)	(143)	(152)	(155)	(157)
iv. Higher-than-expected raw material price.	Operating profit	(207)	64	218	282	478
	Net interest	(8)	(8)	(3)	(3)	(3)
Company Profile	Pre-tax profit	(214)	56	215	278	475
Hartalega is the second world's largest glove producer by market cap.	Taxation	(24)	(19)	(49)	(64)	(109)
	Reported net profit	(235)	30	165	214	365
	Recurring net profit	118	31	165	214	365
	Cash flow (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Change in working capital	119	(147)	44	(29)	(78)
	Cash flow from operations	(38)	(55)	350	325	428
	Capex	(307)	(166)	(200)	(200)	(200)
	Cash flow from investing activities	(266)	(107)	(186)	(181)	(180)
	Cash flow from financing activities	(352)	(142)	(30)	(23)	(23)
	Cash at beginning of period	2,378	1,724	1,427	1,562	1,682
	Net change in cash	(657)	(303)	135	120	225
	Ending balance cash	1,723	1,427	1,568	1,689	1,913
	Balance sheet (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Total cash and equivalents	1,724	1,427	1,562	1,682	1,907
	Tangible fixed assets	1,943	1,901	1,797	1,692	1,585
	Total assets	5,305	5,257	5,542	5,739	6,123
	Short-term debt	87	62	42	22	2
	Total long-term debt	64	7	0	0	0
	Total liabilities	647	613	732	715	732
	Total equity	4,658	4,645	4,810	5,025	5,390
	Total liabilities & equity	5,305	5,257	5,542	5,739	6,123
	Key metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Revenue growth (%)	(69.5)	(23.7)	41.5	8.1	18.9
	Recurrent EPS growth (%)	(96.3)	(74.1)	441.5	29.4	70.6
	Gross margin (%)	13.2	14.5	17.2	19.1	23.1
	Operating EBITDA margin (%)	(2.3)	11.2	14.2	15.5	19.0
	Net profit margin (%)	(9.8)	1.6	6.4	7.6	10.9
	Dividend payout ratio (%)	(50.9)	0.0	0.0	0.0	0.0
	Capex/sales (%)	12.8	9.0	7.7	7.1	6.0
	Interest cover (x)	(27.3)	8.4	70.0	90.3	153.3

Source: Company data, RHB

Figure 1: DCF valuation

FYE Mar (MYRm)	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	FY35F	Terminal
NOPAT	166	214	363	504	542	571	599	628	685	707	718	
+ D&A	152	155	157	160	163	166	169	172	175	178	181	
- Change in NWC	44	(29)	(78)	(52)	(23)	(21)	(21)	(14)	(7)	(6)	(6)	
- CAPEX	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	
Free cash flow to firm (FCFF)	162	140	242	412	482	516	547	586	653	679	694	16,069
Discount factor	0.90	0.84	0.79	0.74	0.70	0.65	0.61	0.57	0.54	0.51	0.47	0.47
PV of FCFF	145	118	192	306	336	337	335	336	351	343	329	7,612
Risk-free	4%											
WACC	7%											
Terminal growth	2%											
Enterprise Value (MYRm)	10,740											
- Minority	(7)											
Cash	1,427											
- Debt	(42)											
Equity Value (MYRm)	12,117											
No of shares (m)	3,422											
Intrinsic value (MYR)	3.53											
ESG discount/premium	(0.06)											
TP (MYR)	3.47											

Source: RHB

Emissions And ESG

Trend analysis

Lower Scope 1 and 2 emissions in FY23 due to lower natural gas and purchased electricity consumption

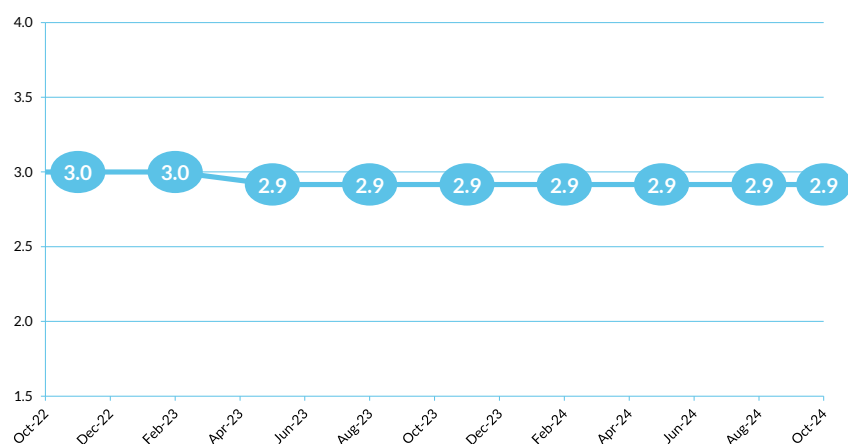
Emissions (tCO ₂ e)	Mar-22	Mar-23	Mar-24
Scope 1	521,681	378,118	na
Scope 2	136,705	114,517	na
Scope 3	-	5,383	na
Total emissions	658,386	498,018	na

Source: Company data, RHB

Latest ESG-Related Developments

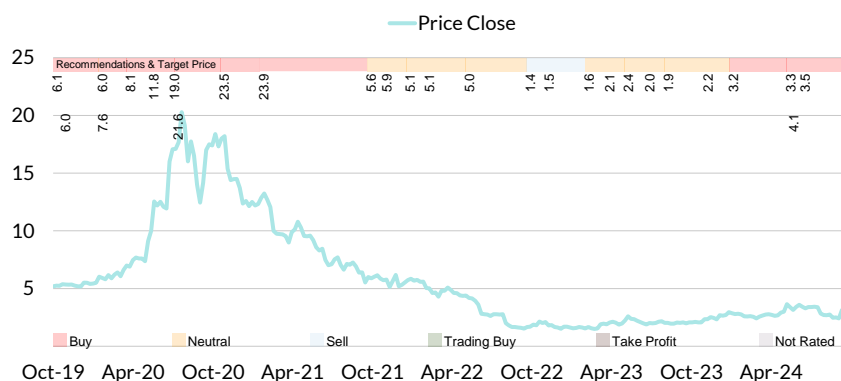
- Invested more than MYR90m in strengthening wastewater systems at its manufacturing plants.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-07	Buy	3.5	2.7
2024-05-23	Buy	4.1	3.5
2024-05-15	Buy	3.3	3.8
2024-02-07	Buy	na	2.6
2024-01-05	Buy	3.2	3.0
2023-11-08	Neutral	2.2	2.4
2023-08-10	Neutral	1.9	2.1
2023-06-28	Neutral	2.0	1.9
2023-05-10	Neutral	2.4	2.3
2023-03-27	Neutral	2.1	1.9
2023-02-08	Neutral	1.6	1.5
2022-11-09	Sell	1.5	2.0
2022-09-27	Sell	1.4	1.6
2022-05-11	Neutral	5.0	4.4
2022-02-08	Neutral	5.1	5.6

Source: RHB, Bloomberg

7 October 2024

Consumer Cyclical | Rubber Products

Kossan Rubber (KRI MK)

Buy (Maintained)

Navigating Headwinds With Resilience; Keep BUY

Target Price (Return): MYR2.51 (+32%)
Price (Market Cap): MYR1.90 (USD1,148m)
ESG score: 2.8 (out of 4)
Avg Daily Turnover (MYR/USD) 14.6m/3.32m

- **Maintain BUY, with new DCF-derived TP of MYR2.51 from MYR2.55, 32% upside.** Kossan Rubber is poised to benefit from the potential trade diversion with the latest revision of higher import tariff on China glove makers. Execution remains crucial as the recent weakening USD should be a key hindrance among investors. We continue to like KRI – still a sector Top Pick – given its solid balance sheet and above-peer margin profile. Our TP incorporates a 4% discount, as KRI's ESG score is 2.8.
- **Industry dynamics remain favourable.** We learnt that the industry operating dynamics have turned favourable for gloves manufacturers as customers are more receptive to the ASP increase. That said, industry blended ASP is set to improve further to USD21-22/1000 pieces (pcs) by 4QCY24 as Malaysian glove makers are in the discussion stage to raise prices to translate the effect of the weakening USD to customers. Meanwhile, China glove makers' ASPs now range at USD18-19/1,000 pcs from USD17-18 in the previous quarter. In terms of demand, Malaysia's gloves export volume surged 66% MoM and 105% YoY in August, outpacing the growth in July (+12% MoM; +43% YoY). The latest export volume is even 34% higher compared to the pre-pandemic's 2-year monthly average number, indicating that the recovery momentum of global gloves demand remains healthy.
- **US tariff on China.** To recap, The Office of the United States Trade Representative (USTR) announced the final modifications concerning the statutory review of tariff actions on China, entailing a new set tariff rate on medical/surgical gloves, which will be revised to 50% and 100% (effective 2025 and 2026) from 25% effective 2026 as proposed in May. We expect KRI to benefit from the potential trade diversion with estimated net earnings accretion of 6-6% in FY25-26 based on our estimate.
- **Earnings revision and valuation.** We lower our FY24F-26F earnings by 12%, 33% and 20% largely reflecting the impact of the weakening USD against the MYR. Our USD/MYR assumptions for FY24-26 are lowered to 4.50, 4.00 and 4.10 from 4.65, 4.45 and 4.40. For every 5% change in USD/MYR, the impact to KRI's FY25F-26F net earnings is estimated at 22% and 17%. Nonetheless, we believe the impact could be mitigated by gloves manufacturers raising ASP given the weakening USD (as most of them are already in the discussion stage with customers to raise prices by at least USD1). KRI's valuation remains compelling, trading at +0.5SD from its 2-year historical mean. Post earnings adjustment, we derived new a TP of MYR2.51 representing 1.6x 2025F P/BV, or +2SD from its 2-year historical mean. Key risks: Decrease in gloves ASP, slower-than-expected capacity expansion, lower-than-expected utilisation rate, and higher-than-expected raw material prices.

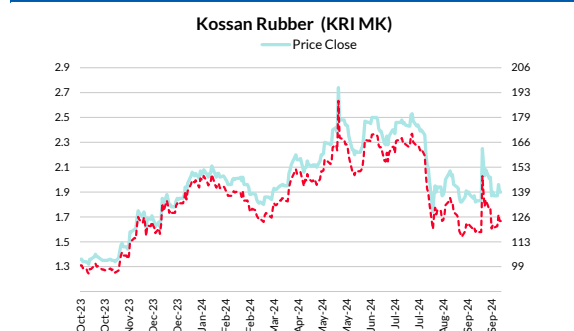
Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.7	(0.5)	(19.8)	(8.7)	39.7
Relative	(10.1)	1.6	(21.4)	(15.5)	24.1
52-wk Price low/high (MYR)				1.32	2.74



Source: Bloomberg

Overall ESG Score: 2.8 (out of 4)

E: GOOD

KRI employs a 3R strategy to Reduce, Reuse and Recycle to manage the impacts of pollutants derived from its manufacturing process. The group undertake energy optimisation initiatives which include transition to solar energy plant, LED lights and solar-powered perimeter spotlights are fitted at all factories and offices.

S: GOOD

KRI adopted Employee Pays (Zero-Cost) Policy under migrant workers recruitment process. Workers are protected from debt bondage, prohibit coercion into employment and allow freedom of movement. To ensure transparency employment contracts are make available in the workers' native languages. Potential recruitment agencies are also required to go through an onsite due diligence audit accompanied together with an independent consultant.

G: GOOD

44% of its board members are independent and 22% are female. Both are still below the Malaysian Code on Corporate Governance requirement of 50% independent and 30% female directors. On a positive note, KRI provides full disclosures on its directors' remunerations. The company also holds regular investor briefings, which embodies good transparency and disclosure practices.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	2,344	1,591	2,153	2,142	2,270
Recurring net profit (MYRm)	167	33	137	119	167
Recurring net profit growth (%)	(94.2)	(80.1)	311.4	(12.8)	40.4
Recurring P/E (x)	29.17	146.23	35.55	40.74	29.02
P/B (x)	1.3	1.3	1.2	1.2	1.2
P/CF (x)	52.04	23.97	22.61	20.48	17.51
Dividend Yield (%)	1.3	2.1	0.8	0.7	1.0
EV/EBITDA (x)	11.50	34.35	12.40	12.94	9.90
Return on average equity (%)	3.8	(0.2)	3.5	3.0	4.1
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	Recurring EPS	0.07	0.01	0.05	0.05	0.07
Consumer Cyclical	DPS	0.02	0.04	0.02	0.01	0.02
Kossan Rubber	BVPS	1.52	1.50	1.54	1.57	1.62
KRI MK	Return on average equity (%)	3.8	(0.2)	3.5	3.0	4.1
Buy						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
DCF-FCFF valuation	Recurring P/E (x)	29.17	146.23	35.55	40.74	29.02
	P/B (x)	1.3	1.3	1.2	1.2	1.2
	FCF Yield (%)	(0.5)	2.4	2.4	2.8	3.7
	Dividend Yield (%)	1.3	2.1	0.8	0.7	1.0
	EV/EBITDA (x)	11.50	34.35	12.40	12.94	9.90
	EV/EBIT (x)	19.61	na	20.54	23.07	15.57
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Earnings forecasts are most sensitive to changes in:	Total turnover	2,344	1,591	2,153	2,142	2,270
i. Improvement in sales volume;	Gross profit	451	233	264	275	346
ii. Positive effect of any change in the USD/MYR rate;	EBITDA	314	106	286	266	334
iii. Lower nitrile butadiene prices;	Depreciation and amortisation	(130)	(113)	(114)	(117)	(121)
iv. Lower natural rubber prices.	Operating profit	185	(7)	173	149	212
	Net interest	29	42	10	11	13
	Pre-tax profit	204	15	183	160	225
	Taxation	(54)	(18)	(44)	(38)	(54)
	Reported net profit	148	(7)	137	119	167
	Recurring net profit	167	33	137	119	167
Key risks	Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Increase/decrease in gloves ASP;	Change in working capital	319	64	(28)	10	(2)
ii. Slower/faster-than-expected capacity expansion;	Cash flow from operations	93	203	215	237	278
iii. Higher/lower-than-expected utilisation rate;	Capex	(115)	(87)	(100)	(100)	(100)
iv. Lower/higher-than-expected raw material price.	Cash flow from investing activities	(812)	(162)	(83)	(83)	(81)
	Dividends paid	(308)	(64)	(41)	(36)	(50)
	Cash flow from financing activities	(481)	(130)	(60)	(47)	(57)
	Cash at beginning of period	2,558	1,348	1,271	1,343	1,451
	Net change in cash	(1,200)	(89)	72	107	140
	Ending balance cash	1,358	1,259	1,343	1,451	1,590
Company Profile	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Kossan Rubber is one of the world's big 4 glove makers.	Total cash and equivalents	1,348	1,271	1,343	1,451	1,590
It has a production capacity of 33.5bn pieces pa.	Tangible fixed assets	1,420	1,364	1,351	1,334	1,312
	Total assets	4,286	4,173	4,389	4,474	4,626
	Short-term debt	77	12	0	0	0
	Total long-term debt	7	5	5	0	0
	Total liabilities	429	339	458	457	489
	Total equity	3,856	3,833	3,931	4,017	4,138
	Total liabilities & equity	4,286	4,173	4,389	4,474	4,626
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	(64.7)	(32.1)	35.3	(0.5)	6.0
	Recurrent EPS growth (%)	(94.2)	(80.1)	311.4	(12.8)	40.4
	Gross margin (%)	19.2	14.6	12.2	12.8	15.3
	Operating EBITDA margin (%)	13.4	6.6	13.3	12.4	14.7
	Net profit margin (%)	6.3	(0.4)	6.3	5.6	7.4
	Dividend payout ratio (%)	43.2	(1555.6)	30.0	30.0	30.0
	Capex/sales (%)	4.9	5.5	4.6	4.7	4.4
	Interest cover (x)	43.4	(5.0)	25.5	23.1	33.6

Source: Company data, RHB

Figure 1: DCF valuation

FYE Dec (MYRm)	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	Terminal
NOPAT	131	113	161	241	248	268	287	307	320	333	
+ D&A	114	117	121	126	131	135	141	148	155	162	
- Change in NWC	(28)	10	(2)	(30)	(12)	(13)	(8)	(24)	(27)	(28)	
- CAPEX	(100)	(100)	(100)	(100)	(100)	(100)	(150)	(150)	(150)	(150)	
Free cash flow to firm (FCFF)	117	140	181	237	266	290	271	282	299	318	7,524
Discount factor	0.98	0.93	0.87	0.81	0.76	0.71	0.67	0.63	0.59	0.55	0.55
PV of FCFF	115	130	157	193	203	207	181	177	175	175	4,143
 Risk-free	4%										
WACC	7%										
Terminal growth	2%										
 Enterprise Value (MYRm)	5,856										
- Minority	(87)										
Cash	1,208										
- Debt	(231)										
Equity Value (MYRm)	6,745										
No of shares (m)	2,552										
Intrinsic value (MYR)	2.64										
ESG discount/premium	-0.13										
TP (MYR)	2.51										

Source: RHB

Emissions And ESG

Trend analysis

Installed 3.16 MWp of solar energy as at 2022. Pledged to reduce carbon emission via "reduce and optimise" strategy.

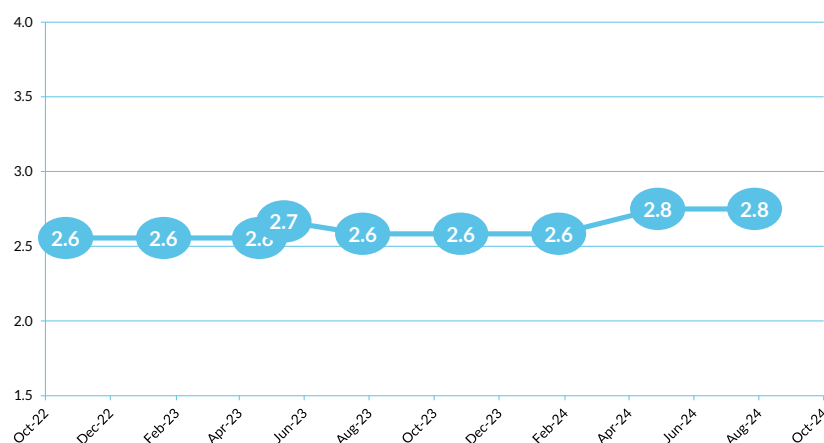
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	382,028	295,547	212,743
Scope 2	130,998	126,020	86,211
Scope 3	-	5,250	5,305
Total emissions	513,026	426,818	304,258

Source: Company data, RHB

Latest ESG-Related Developments

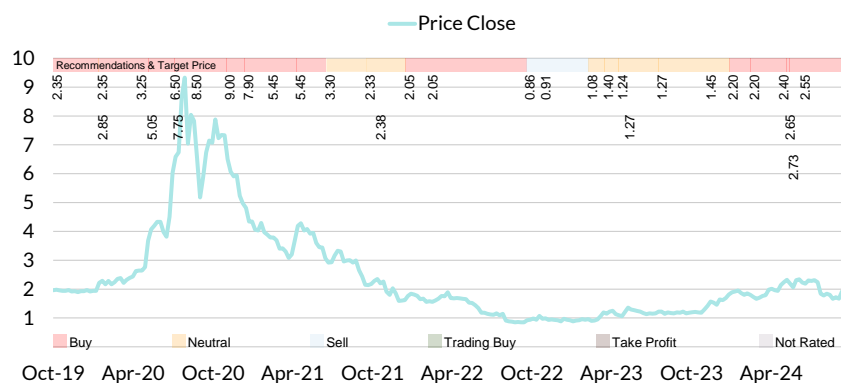
- Introduced a comprehensive carbon accounting system and database, and have improvised GHG calculation methodology by taking methane (CH4) and nitrous oxide (N2O) into consideration when calculating emissions.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-23	Buy	2.55	1.96
2024-05-23	Buy	2.73	2.43
2024-05-15	Buy	2.65	2.74
2024-04-30	Buy	2.40	2.20
2024-02-23	Buy	2.20	1.96
2024-01-05	Buy	2.20	1.97
2023-11-16	Neutral	1.45	1.58
2023-07-28	Neutral	1.27	1.38
2023-05-15	Neutral	1.27	1.33
2023-04-28	Neutral	1.24	1.25
2023-03-27	Neutral	1.40	1.31
2023-02-17	Neutral	1.08	1.12
2022-11-03	Sell	0.91	1.09
2022-09-27	Sell	0.86	1.00
2022-02-17	Buy	2.05	1.69

Source: RHB, Bloomberg

7 October 2024

Consumer Cyclical | Rubber Products

Riverstone (RSTON SP)

Buy (Maintained)

Positive Outlook Amidst Short-Term Challenges; BUY

- **Maintain BUY, with new DCF-derived TP of SGD1.02 from SGD1.04, 14% upside and c.6% FY25F yield.** We remain positive on Riverstone's 2H24F outlook premised on the recovery of global semiconductor sales (July [semiconductor sales](#) spiked 19% YoY) as well as improving market dynamics within the healthcare gloves industry. The company may benefit from the potential trade diversion with the latest revision of higher import tariff by the US on China glove makers.
- **Industry dynamics remain positive.** Current industry operating dynamics remain in favour of the local gloves manufacturers as customers are more receptive to the ASP increase. That said, industry blended ASP is set to improve further to USD21-22/1,000 pieces (pcs) by 4QCY24 as Malaysian glove makers are in the discussion stage to raise prices to translate the effect of the weakening USD to customers. China glove makers' ASPs now range at USD18-19/1,000 pcs from USD17-18 in the previous quarter. In terms of demand, Malaysia's gloves export volume surged 66% MoM and 105% YoY in August, outpacing the growth in July (+12% MoM; +43% YoY). The latest export volume is even 34% higher compare to the pre-pandemic's 2-year monthly average number, indicating that the recovery momentum of global gloves demand remains healthy. Meanwhile, prospects in the global semiconductor industry are expected to be driven by the increasing demand for generative artificial intelligence (AI), high-performance computing (HPC), and rapid advancement of the AI industry.
- **US tariff on China.** To recap, The Office of the United States Trade Representative (USTR) announced the final modifications concerning the statutory review of tariff actions on China, entailing a new set tariff rate on medical/surgical gloves, which will be revised to 50% and 100% (effective 2025 and 2026) from 25% effective 2026 as proposed in May. We expect RSTON to benefit from the potential trade diversion given >55% of its revenue is contributed by the healthcare gloves segment.
- **Earnings revision and valuation.** We lower our FY24F-26F earnings by 3%, 8% and 8%, largely reflecting the impact of the weakening USD against the MYR. Our USD/MYR assumptions for FY24-26 are lowered to 4.50, 4.00 and 4.10. For every 5% change in USD/MYR, the impact to RSTON's FY25F-26F net earnings is at 8% and 8%. Nevertheless, we believe the impact could be mitigated by the company raising ASP to offset against the weakening USD (currently it is in discussion with customers to raise prices by at least USD1) which in turn should sustain our base case long-term margin outlook. RSTON's valuation remains compelling, trading at +0.2SD from its pre-COVID-19 historical mean. Post earnings adjustment, we derived our new TP of SGD1.02, representing +0.7SD from its pre-COVID-19 historical mean. Our TP incorporates a 0% ESG premium as RSTON's ESG score of 3.1 is on par with the country median.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	1,260	915	1,145	1,204	1,254
Recurring net profit (MYRm)	313	220	293	295	323
Recurring net profit growth (%)	(78.0)	(29.8)	33.3	0.8	9.4
Recurring P/E (x)	13.73	19.55	14.67	14.55	13.31
P/B (x)	2.3	2.6	2.5	2.4	2.3
P/CF (x)	11.36	17.25	11.92	12.06	11.00
Dividend Yield (%)	18.6	9.7	5.5	5.5	6.0
EV/EBITDA (x)	6.73	10.07	7.56	7.38	6.71
Return on average equity (%)	14.8	12.3	17.1	16.7	17.6
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

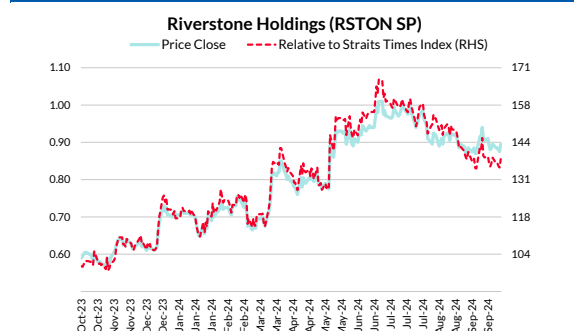
Target Price (Return):	SGD1.02 (+14%)
Price (Market Cap):	SGD0.90 (USD1,018m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (SGD/USD)	2.47m/1.88m

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	27.0	2.9	(10.1)	10.5	49.2
Relative	16.2	(1.4)	(14.4)	(0.4)	35.2
52-wk Price low/high (SGD)				0.57	1.01



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E: GOOD

Riverstone has set a goal for energy use reduction up until 2025. It aims to reduce energy use/1000 pieces of gloves by 2% each year for the next three years. By 2025, the company aims to decrease its energy intensity by at least 10% from 2020 levels.

S: GOOD

Riverstone conducts regular third-party audit in all of its plants to assess areas such as including signs of forced labour or child labour, employee health and safety, business ethics, and management system. The company also provides dormitory facilities at Taiping equipped with various amenities, providing greater well-being and quality living standards for employees.

G: EXCELLENT

Riverstone has seven directors, out of which three are independent. According to the Singapore Institute of Directors, non-executive directors should comprise at least a majority of the board. The company provides timely announcements of material matters to the SGX.

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Singapore	Recurring EPS	0.21	0.15	0.20	0.20	0.22
Consumer Cyclical	DPS	0.54	0.28	0.16	0.16	0.17
Riverstone	BVPS	1.25	1.13	1.17	1.21	1.26
RSTON SP	Return on average equity (%)	14.8	12.3	17.1	16.7	17.6
Buy						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	13.73	19.55	14.67	14.55	13.31
DCF	P/B (x)	2.3	2.6	2.5	2.4	2.3
	FCF Yield (%)	5.7	4.6	6.1	6.0	6.8
Key drivers	Dividend Yield (%)	18.6	9.7	5.5	5.5	6.0
i. ASP/sales volume for cleanroom and healthcare gloves;	EV/EBITDA (x)	6.73	10.07	7.56	7.38	6.71
ii. Operating costs	EV/EBIT (x)	7.75	12.25	8.81	8.69	7.87
	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Key risks	Total turnover	1,260	915	1,145	1,204	1,254
Lower-than-expected ASP/sales volume.	Gross profit	450	296	427	433	472
	EBITDA	480	340	449	457	499
Company Profile	Depreciation and amortisation	(63)	(60)	(63)	(69)	(74)
Riverstone is a nitrile gloves producer which specialises in cleanroom and healthcare gloves production. It is mainly a nitrile gloves manufacturer with 95% concentration on nitrile gloves.	Operating profit	417	279	385	389	425
	Net interest	(0)	(0)	0	0	0
	Pre-tax profit	412	277	385	389	425
	Taxation	(103)	(59)	(93)	(93)	(102)
	Reported net profit	309	218	293	295	323
	Recurring net profit	313	220	293	295	323
	Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Change in working capital	116	(24)	4	(7)	(6)
	Cash flow from operations	378	249	361	356	391
	Capex	(133)	(52)	(100)	(100)	(100)
	Cash flow from investing activities	(133)	(51)	(100)	(100)	(100)
	Dividends paid	(800)	(415)	(234)	(236)	(258)
	Cash flow from financing activities	(792)	(390)	(234)	(236)	(258)
	Cash at beginning of period	1,613	1,066	875	902	922
	Net change in cash	(546)	(192)	26	20	33
	Ending balance cash	1,076	901	902	922	955
	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	1,066	875	902	922	955
	Tangible fixed assets	742	726	763	794	820
	Total assets	2,020	1,825	1,903	1,969	2,035
	Total liabilities	167	144	163	169	171
	Total equity	1,853	1,682	1,740	1,799	1,864
	Total liabilities & equity	2,020	1,825	1,903	1,969	2,035
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	(59.1)	(27.4)	25.2	5.1	4.1
	Recurrent EPS growth (%)	(78.0)	(29.8)	33.3	0.8	9.4
	Gross margin (%)	35.8	32.3	37.3	35.9	37.6
	Operating EBITDA margin (%)	38.1	37.1	39.2	38.0	39.8
	Net profit margin (%)	24.5	23.8	25.6	24.5	25.8
	Dividend payout ratio (%)	258.9	190.6	80.0	80.0	80.0
	Capex/sales (%)	10.6	5.7	8.7	8.3	8.0
	Interest cover (x)	18,132	8,217			

Source: Company data, RHB

Figure 1: DCF valuation

FYE Mar (MYRm)	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	Terminal
NOPAT	293	296	324	337	379	403	427	452	479	506	
+ D&A	63	69	74	79	84	89	94	99	104	109	
- Change in NWC	4	(8)	(6)	(7)	(21)	(10)	(10)	(10)	(10)	(11)	
- CAPEX	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	
Free cash flow to firm (FCFF)	261	257	292	308	342	382	411	441	472	504	6,254
Discount factor	0.97	0.88	0.80	0.72	0.66	0.60	0.54	0.49	0.44	0.40	0.40
PV of FCFF	252	226	233	223	224	227	222	216	210	203	2,522
 Risk-free	3%										
WACC	10%										
Terminal growth	2%										
 Enterprise Value (MYRm)	4,758										
Cash	667										
- Debt	(2)										
Equity Value (MYRm)	5,424										
No of shares (m)	1,482										
Fair Value (MYR)	3.66										
SGD/MYR	3.50										
Fair Value (SGD)	1.02										
ESG discount/premium	0.00										
TP (SGD)	1.02										

Source: RHB

Emissions And ESG

Trend analysis
The company's renewal energy intensity (GJ/1,000 pieces) is in a decreasing trend as Riverstone installed more solar panels to increase its biomass sourced energy.

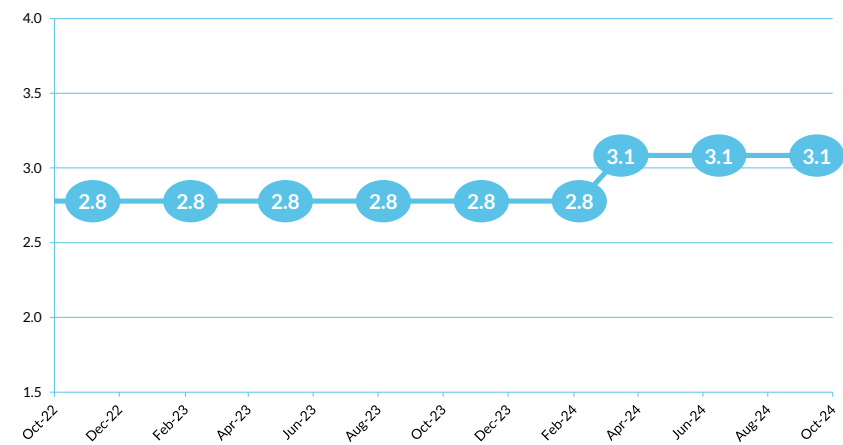
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	159,010	112,388	76,514
Scope 2	63,033	52,236	55,478
Scope 3	-	-	na
Total emissions	222,043	164,624	131,992

Source: Company data, RHB

Latest ESG-Related Developments

- The company has received various recognition (ie BSCI, ISO 45001:2018, Responsible Business Alliance) in upholding stringent Labour Rights policy.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-08	Buy	1.04	0.92
2024-05-13	Buy	1.05	0.86
2024-03-20	Buy	0.93	0.77
2022-02-23	Neutral	0.74	0.83
2021-11-10	Sell	0.65	0.79
2021-09-27	Neutral	0.95	0.91
2021-06-28	Neutral	1.30	1.27
2021-05-11	Buy	1.85	1.32
2021-02-26	Buy	1.85	1.36
2020-11-10	Buy	2.73	1.63
2020-10-28	Buy	5.45	1.82

Source: RHB, Bloomberg

7 October 2024

Consumer Cyclical | Rubber Products

Top Glove Corp (TOPG MK)

Buy (Maintained)

4QFY24F Results Preview; Maintain BUY

Target Price (Return): MYR1.26 (+25%)
 Price (Market Cap): MYR1.01 (USD1,917m)
 ESG score: 3.1 (out of 4)
 Avg Daily Turnover (MYR/USD) 39.9m/9.05m

Analyst

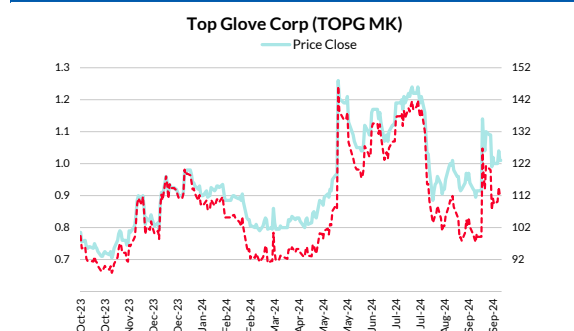
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- **Maintain BUY, with new DCF-derived TP of MYR1.26 from MYR1.28, 25% upside.** Top Glove Corp is scheduled to report its 4QFY24F (Aug) results on 10 Oct. We expect its core loss to narrow QoQ to MYR2-5m (vs 3QFY24 core loss: MYR53.5m), on a recovery in sales volume, offset against by QoQ flattish ASP and a weaker USD/MYR. Our BUY call is premised on improving investor sentiment (due to favourable operating dynamics) – we think TOPG (being a high-beta) is poised for a meaningful share price recovery.
- **Results preview.** We expect TOPG to deliver a core loss of MYR2-5m from a core loss of MYR53.5m in 3QFY24 on the back of: i) Improving operating efficiency (expecting a higher plant utilisation rate) with sales volume expected to grow by 20%; ii) flattish ASP, offset against by a weaker USD/MYR (-3% during the quarter). In terms of cost, global natural gas commodity prices spiked 19% QoQ, offset against by the easing of raw material prices (ie natural latex: -2%; acrylonitrile: -5%).
- **Outlook.** Industry operating dynamics remain in favour of local gloves manufacturers as customers are more receptive to the price hike. That said, industry blended ASP is set to improve further to USD21-22/1,000 pieces (pcs) by 4QCY24 as MY glove makers are in the discussion stage to raise prices to translate the effect of the weakening USD to customers. China glove makers' ASPs now at USD18-19 per 1,000 pcs from USD17-18 in the previous quarter. In terms of demand, Malaysia's gloves export volume surged 66% MoM and 105% YoY in Aug, outpacing the growth in July (+12% MoM; +43% YoY). The latest export volume is even 34% higher compare to pre-pandemic 2-years monthly average number indicating that the recovery momentum of global gloves demand remains healthy.
- **Earnings revision and valuation.** We lower our FY25F-26F earnings to -MYR5m and MYR44m (from -MYR6m and MYR52m) attributed to the weakening USD against the MYR. Our USD/MYR assumptions for FY25-26 were lowered to 4.01 and 4.00 from 4.65 and 4.60. While the impact of the weaker USD may erode TOPG's margin in the near term, we believe the impact could be mitigated by the company raising ASP to offset against the weakening USD, which in turn should sustain our base case long-term margin outlook. As such, we raise our FY25F-26F ASP by 5% and 5%. Post earnings adjustment, we derived new TP of MYR1.26, representing 1.8x FY25F P/BV, or +1.3SD from its 2-year historical mean. We believe its valuation remains compelling, trading at -0.2SD from its 2-year historical mean of 1.5x. Our TP also incorporates a 2% ESG premium as TOPG's ESG score is 3.1. Key risks: Decrease in gloves ASP, slower-than-expected demand recovery, lower-than-expected utilisation rate, and higher-than-expected raw material prices.

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	12.2	4.1	(10.6)	23.2	28.7
Relative	(0.6)	6.2	(12.2)	16.4	13.1
52-wk Price low/high (MYR)				0.71	1.26



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E: GOOD

TOPG measures its CO2 emissions intensity (FY22 as baseline) with a target of 10% annual reduction by 2025. It had undertaken several initiatives ranging from implementing rainwater harvesting technology, installed solar power in 2020 and renewed solar power PPA to increase its solar power capacity.

S: GOOD

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

G: 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' remuneration, 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.

Forecasts and Valuation	Aug-22	Aug-23	Aug-24F	Aug-25F	Aug-26F
Total turnover (MYRm)	5,572	2,257	2,670	3,028	3,325
Recurring net profit (MYRm)	394	(517)	(175)	(5)	44
Recurring net profit growth (%)	(94.9)	(231.4)	(66.1)	(97.2)	-
Recurring P/E (x)	20.78	na	na	na	185.72
P/B (x)	1.5	1.7	1.8	1.8	1.8
P/CF (x)	60.39	67.60	14.83	30.00	23.12
Dividend Yield (%)	1.2	na	na	na	na
EV/EBITDA (x)	11.01	na	62.31	21.61	17.22
Return on average equity (%)	3.9	(18.0)	(3.8)	(0.1)	1.0
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (MYR)	Aug-22	Aug-23	Aug-24F	Aug-25F	Aug-26F
Malaysia	Recurring EPS	0.05	(0.06)	(0.02)	(0.00)	0.01
Consumer Cyclical	DPS	0.01	-	-	-	-
Top Glove Corp	BVPS	0.69	0.58	0.56	0.56	0.57
TOPG MK	Return on average equity (%)	3.9	(18.0)	(3.8)	(0.1)	1.0
Buy						
Valuation basis	Valuation metrics	Aug-22	Aug-23	Aug-24F	Aug-25F	Aug-26F
DCF	Recurring P/E (x)	20.78	na	na	na	185.72
	P/B (x)	1.5	1.7	1.8	1.8	1.8
	FCF Yield (%)	(10.0)	(3.0)	4.5	1.1	2.1
	Dividend Yield (%)	1.2	-	-	-	-
Key drivers	EV/EBITDA (x)	11.01	na	62.31	21.61	17.22
Our earnings forecasts are most sensitive to sales volume, USD/MYR and raw material prices.	EV/EBIT (x)	21.79	na	na	176.01	65.08
Key risks	Income statement (MYRm)	Aug-22	Aug-23	Aug-24F	Aug-25F	Aug-26F
i. Increase/decrease in gloves ASP;	Total turnover	5,572	2,257	2,670	3,028	3,325
ii. Slower/faster-than-expected capacity expansion;	Gross profit	953	64	(11)	220	302
iii. Higher/lower-than-expected utilisation rate;	EBITDA	677	(548)	110	315	386
iv. Lower/higher-than-expected raw material price.	Depreciation and amortisation	(335)	(351)	(294)	(276)	(284)
	Operating profit	342	(899)	(184)	39	102
	Net interest	20	5	15	16	16
	Pre-tax profit	358	(900)	(169)	54	118
	Taxation	(77)	15	37	(12)	(26)
	Reported net profit	226	(925)	(175)	(5)	44
	Recurring net profit	394	(517)	(175)	(5)	44
Company Profile	Cash flow (MYRm)	Aug-22	Aug-23	Aug-24F	Aug-25F	Aug-26F
Top Glove is the world's largest disposable gloves producer.	Change in working capital	61	(257)	406	(30)	(7)
	Cash flow from operations	136	121	552	273	354
	Capex	(954)	(364)	(180)	(180)	(180)
	Cash flow from investing activities	172	(383)	(165)	(166)	(165)
	Cash flow from financing activities	(740)	95	(46)	(46)	(46)
	Cash at beginning of period	878	444	285	626	686
	Net change in cash	(433)	(167)	340	61	142
	Ending balance cash	440	286	641	716	872
	Balance sheet (MYRm)	Aug-22	Aug-23	Aug-24F	Aug-25F	Aug-26F
	Total cash and equivalents	950	948	1,289	1,349	1,492
	Tangible fixed assets	4,709	3,893	3,542	3,446	3,342
	Total investments	232	420	420	420	420
	Total assets	8,117	7,062	6,972	6,974	7,058
	Short-term debt	309	540	309	309	309
	Total long-term debt	108	40	40	40	40
	Total liabilities	1,323	1,135	1,224	1,230	1,268
	Total equity	6,793	5,926	5,748	5,744	5,790
	Total liabilities & equity	8,117	7,062	6,972	6,974	7,058
	Key metrics	Aug-22	Aug-23	Aug-24F	Aug-25F	Aug-26F
	Revenue growth (%)	(65.9)	(59.5)	18.3	13.4	9.8
	Recurrent EPS growth (%)	(94.9)	(231.4)	(66.1)	(97.2)	0.0
	Gross margin (%)	17.1	2.8	(0.4)	7.3	9.1
	Operating EBITDA margin (%)	12.2	(24.3)	4.1	10.4	11.6
	Net profit margin (%)	4.0	(41.0)	(6.6)	(0.2)	1.3
	Dividend payout ratio (%)	43.1	0.0	0.0	0.0	0.0
	Capex/sales (%)	17.1	16.1	6.7	5.9	5.4
	Interest cover (x)	77.4	(70.6)	(39.7)	11.1	29.4

Source: Company data, RHB

Figure 1: DCF valuation

FYE Mar (MYRm)	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	Terminal
NOPAT	(144)	30	80	358	433	597	710	828	945	1,065	
+ D&A	294	276	284	292	301	309	317	326	334	342	
- Change in NWC	86	(30)	(7)	(49)	(56)	(54)	(41)	(43)	(44)	(46)	
- CAPEX	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	
Free cash flow to firm (FCFF)	57	96	177	421	498	672	807	931	1,055	1,182	17,629
Discount factor	0.98	0.90	0.83	0.76	0.70	0.64	0.59	0.54	0.46	0.42	0.42
PV of FCFF	56	87	147	321	349	433	477	505	483	498	7,425
Risk-free	4%										
WACC	9%										
Terminal growth	2%										
Enterprise Value (MYRm)	10,780										
- Minority	7										
- Perpetual securities	(1,176)										
Cash	948										
- Debt	(580)										
Equity Value (MYRm)	9,979										
No of shares (m)	8,102										
Intrinsic Value (MYR)	1.23										
ESG Premium/(Discount)	0.02										
TP (MYR)	1.26										

Source: RHB

Emissions And ESG

Trend analysis

CO2 emission are on the decreasing trend from FY20 to FY23

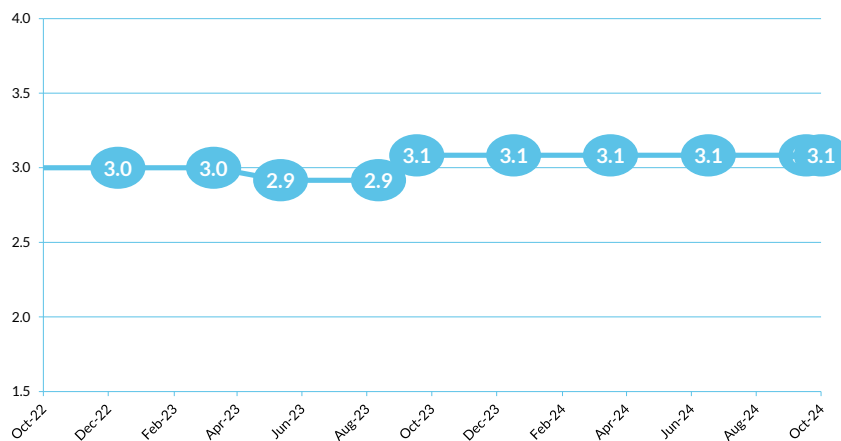
Emissions (tCO2e)	Aug-21	Aug-22	Aug-23
Scope 1	790,587	605,871	273,483
Scope 2	328,801	292,567	425,886
Scope 3	29,248	19,916	6,033
Total emissions	1,148,636	918,354	705,402

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 Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
2022-12-15	Sell	0.6	0.7
2022-09-27	Sell	0.5	0.6
2022-09-21	Sell	0.6	0.6

Source: RHB, Bloomberg

7 October 2024

Consumer Cyclical | Rubber Products

Supermax Corp (SUCB MK)

Buy (Maintained)

Prospects Remain Intact; Maintain BUY

- **Maintain BUY, with new DCF-derived TP of MYR1.01 from MYR1.04, 22% upside.** Supermax is expected to benefit from the potential trade diversion with the latest revision of higher import tariff by the US on China glove makers. Execution remains crucial as the recent weakening USD should be a key hindrance among investors. We maintain our BUY call on the company premised on industry demand-supply dynamics continuing to show signs of recovery and customers being more receptive towards price hikes.
- **Industry dynamics.** We learnt that the industry operating dynamics have turned favourable for gloves manufacturers as customers are more receptive to the ASP increase. That said, industry blended ASP is set to improve further to USD21-22/1,000 pieces (pcs) by 4QCY24 as Malaysian glove makers are in the discussion stage to raise prices to translate the effect of weakening USD to customers. China glove makers' ASPs now range at USD18-19/1,000 pcs from USD17-18 in the previous quarter. In terms of demand, Malaysia's gloves export volume surged 66% MoM and 105% YoY in August, outpacing the growth in July (+12% MoM; +43% YoY). The latest export volume is even 34% higher compared to the pre-pandemic's 2-year monthly average number, indicating that the recovery momentum of global gloves demand remains healthy.
- **US tariff on China.** To recap, The Office of the United States Trade Representative (USTR) announced the final modifications concerning the statutory review of tariff actions on China, entailing a new set tariff rate on medical/surgical gloves, which will be revised to 50% and 100% (effective 2025 and 2026) from 25% effective 2026 as proposed in May.
- **Earnings revision and valuation.** We lower our FY25F-26F (Jun) earnings to -MYR7m and MYR10m from MYR23m and MYR49m, largely reflecting the impact of the weakening USD against the MYR. Our USD/MYR assumptions for FY25-26 were lowered to 4.13 and 4.05 from 4.55 and 4.50. For every 5% change in USD/MYR, the impact to SUCB's FY25F-26F net earnings is at MYR15m and MYR17.5m. While the weaker USD may result in margin compression in the near term, we believe the impact could be mitigated by the company raising ASP to offset against the weakening USD (currently in the discussion stage with customers to raise prices by at least USD1) which in turn should sustain our base case long-term margin outlook. SUCB's valuation remains compelling, trading at -0.4SD from its 2-year historical mean. Post earnings adjustment, we derive our TP of MYR1.01, representing 0.6x FY25F P/BV, or +2SD from its 2-year historical mean, and including a 14% ESG discount.
- **Key risks:** Decrease in gloves ASP, slower-than-expected capacity expansion, lower-than-expected utilisation rate, and higher-than-expected raw material prices.

Target Price (Return):

MYR1.01 (+22%)

Price (Market Cap):

MYR0.83 (USD501m)

ESG score:

2.3 (out of 4)

Avg Daily Turnover (MYR/USD)

6.17m/1.40m

Analyst

Oong Chun Sung

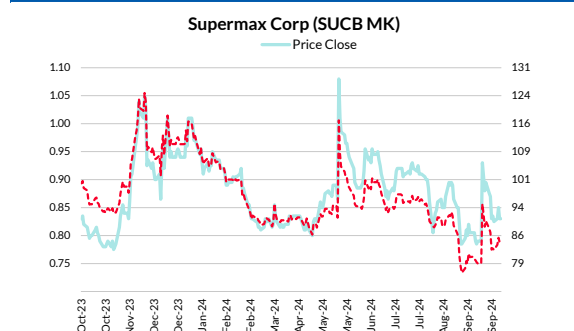
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(11.7)	2.5	(7.3)	0.0	(1.8)
Relative	(24.5)	4.6	(8.9)	(6.8)	(17.4)
52-wk Price low/high (MYR)				0.78	1.08



Source: Bloomberg

Forecasts and Valuation	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover (MYRm)	821	646	1,090	1,200	1,367
Recurring net profit (MYRm)	(113)	(36)	(7)	10	59
Recurring net profit growth (%)	(115.5)	(67.9)	(79.5)	-	516.7
Recurring P/E (x)	na	na	na	229.47	37.21
P/B (x)	0.5	0.5	0.5	0.5	0.5
P/CF (x)	na	na	31.78	18.19	11.91
Dividend Yield (%)	6.1	na	na	na	na
EV/EBITDA (x)	na	na	8.32	6.94	4.44
Return on average equity (%)	(2.9)	(3.9)	(0.2)	0.2	1.3
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 2.3 (out of 4)

E: GOOD

SUCB practices recycling of waste materials from its raw materials by products. The group will also evaluate its supplier performance via periodic audit to ensure adherence to its purchasing and quality requirements. Overall environmental disclosure lack of further clarity and future targets.

S: GOOD

SUCB has established an independent grievance reporting channel (SUARA KAMI) that is administered by an independent party. Workers facilities at its dormitories are in accordance with Malaysia's Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446).

G: MODERATE

50% of its board members are independent. 25% of its directors are female – still below the Malaysian Code on Corporate Governance requirement of 30%. Additionally, SUCB provides full disclosure on its directors' remunerations, including salaries and bonuses.

7 October 2024

Consumer Cyclical | Rubber Products

Financial Exhibits

Asia Malaysia Consumer Cyclical Supermax Corp SUCB MK Buy	Financial summary (MYR)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Recurring EPS	(0.04)	(0.01)	(0.00)	0.00	0.02
	DPS	0.05	-	-	-	-
	BVPS	1.74	1.69	1.69	1.69	1.72
	Return on average equity (%)	(2.9)	(3.9)	(0.2)	0.2	1.3
Valuation basis	Valuation metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Recurring P/E (x)	na	na	na	229.47	37.21
	P/B (x)	0.5	0.5	0.5	0.5	0.5
	FCF Yield (%)	(31.4)	(34.9)	(3.7)	(1.3)	1.6
	Dividend Yield (%)	6.1	-	-	-	-
Key drivers	EV/EBITDA (x)	na	na	8.32	6.94	4.44
	EV/EBIT (x)	na	na	na	54.71	10.83
	Income statement (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Total turnover	821	646	1,090	1,200	1,367
Key risks	Gross profit	151	(171)	290	334	422
	EBITDA	(90)	(70)	104	130	199
	Depreciation and amortisation	(85)	(105)	(110)	(114)	(117)
	Operating profit	(175)	(176)	(6)	17	82
	Net interest	(7)	(5)	(4)	(4)	(4)
Company Profile	Pre-tax profit	(189)	(179)	(10)	13	79
	Taxation	18	(4)	1	(1)	(8)
	Reported net profit	(141)	(175)	(7)	10	59
	Recurring net profit	(113)	(36)	(7)	10	59
	Cash flow (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Change in working capital	166	(89)	(36)	(8)	(7)
	Cash flow from operations	(79)	(248)	69	121	184
	Capex	(611)	(517)	(150)	(150)	(150)
	Cash flow from investing activities	(611)	(536)	(150)	(150)	(150)
	Dividends paid	(134)	0	0	0	0
	Cash flow from financing activities	(287)	(15)	(9)	(4)	(4)
	Cash at beginning of period	3,029	2,146	1,333	1,243	1,209
	Net change in cash	(977)	(800)	(90)	(34)	30
	Ending balance cash	2,146	1,339	1,249	1,216	1,246
	Balance sheet (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Total cash and equivalents	2,146	1,333	1,243	1,209	1,240
	Tangible fixed assets	2,243	2,691	2,731	2,768	2,800
	Total investments	228	224	224	224	226
	Total assets	5,246	4,865	4,889	4,921	5,025
	Short-term debt	86	106	101	101	101
	Total long-term debt	19	20	20	20	20
	Total liabilities	464	334	366	388	420
	Total equity	4,782	4,531	4,522	4,534	4,606
	Total liabilities & equity	5,246	4,865	4,889	4,921	5,025
	Key metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Revenue growth (%)	(69.4)	(21.3)	68.7	10.1	13.9
	Recurrent EPS growth (%)	(115.5)	(67.9)	(79.5)	0.0	516.7
	Gross margin (%)	18.4	(26.4)	26.6	27.8	30.9
	Operating EBITDA margin (%)	(11.0)	(10.9)	9.6	10.9	14.6
	Net profit margin (%)	(17.2)	(27.1)	(0.7)	0.8	4.3
	Dividend payout ratio (%)	(95.1)	0.0	0.0	0.0	0.0
	Capex/sales (%)	74.4	80.1	13.8	12.5	11.0
	Interest cover (x)	(24.3)	(35.4)	(1.3)	4.0	20.2

Source: Company data, RHB

Figure 1: DCF valuation

FYE Jun (MYRm)	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	Terminal
NOPAT	(8)	9	58	87	87	132	137	141	142	142	
+ D&A	110	114	117	121	124	128	131	134	137	140	
- Change in NWC	(36)	(8)	(7)	(19)	(4)	8	(3)	(3)	(2)	(2)	
- CAPEX	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	
Free cash flow to firm (FCFF)	(85)	(36)	19	39	57	118	114	122	127	131	2,082
Discount factor	0.86	0.80	0.73	0.68	0.62	0.58	0.53	0.49	0.45	0.42	0.42
PV of FCFF	(73)	(29)	14	26	36	68	61	60	57	55	867
Risk-free	4%										
WACC	8%										
Terminal growth	2%										
Enterprise Value (MYRm)	1,142										
- Minority	(90)										
Cash	2,146										
- Debt	(104)										
Equity Value (MYRm)	3,093										
No of shares (m)	2,644										
Intrinsic value (MYR)	1.17										
ESG premium/discount	-0.16										
TP	1.01										

Source: RHB

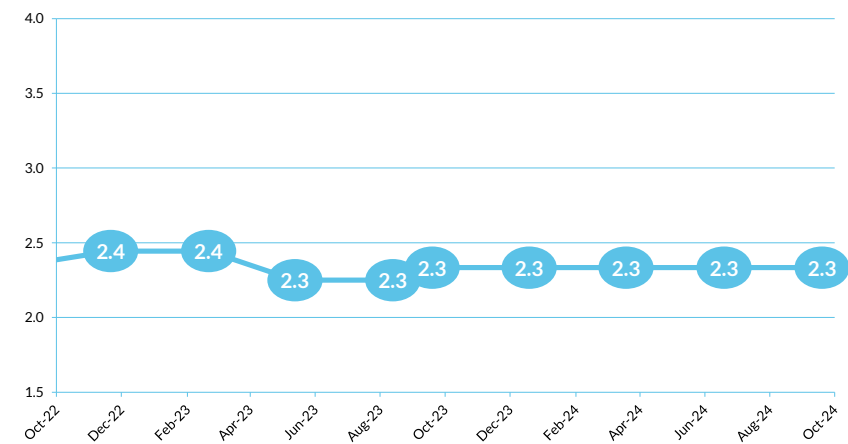
Emissions And ESG

Trend analysis	Emissions (tCO2e)	Jun-22	Jun-23	Jun-24
CO2 emissions are on the decreasing trend from FY21 to FY23	Scope 1	44,724	24,298	-
	Scope 2	50,827	39,248	-
	Scope 3	-	-	-
	Total emissions	95,551	63,546	na
	Source: Company data, RHB			

Latest ESG-Related Developments

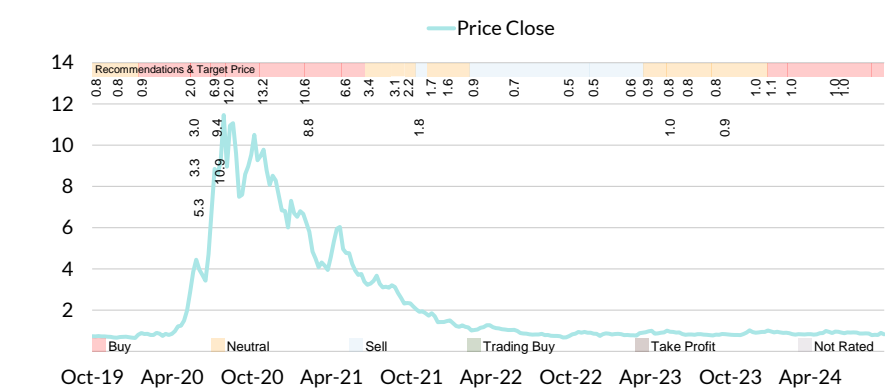
- USCBP's ban was lifted following the group's successful remediation of forced labour practices.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-29	Buy	1.0	0.8
2024-05-29	Buy	1.0	0.9
2024-02-21	Buy	1.0	0.9
2024-01-05	Buy	1.1	1.0
2023-11-30	Neutral	1.0	0.9
2023-09-21	Neutral	0.9	0.8
2023-08-30	Neutral	0.8	0.8
2023-06-28	Neutral	0.8	0.8
2023-05-19	Neutral	1.0	1.0
2023-05-15	Neutral	0.8	0.9
2023-03-27	Neutral	0.9	0.9
2023-02-17	Sell	0.6	0.8
2022-11-23	Sell	0.5	0.9
2022-09-27	Sell	0.5	0.7
2022-05-26	Sell	0.7	1.0

Source: RHB, Bloomberg

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