AmInvestment Bank

Company Report

TOP GLOVE CORP

(TOPG MK EQUITY, TPGC.KL)

30 Jun 2025

Dark clouds linger

SELL

(Maintained)

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Rationale for report: Company Result

Price	**RM0.72**
Fair Value	**RM0.50**
52-week High/Low	RM1.44/RM0.70

Key Changes

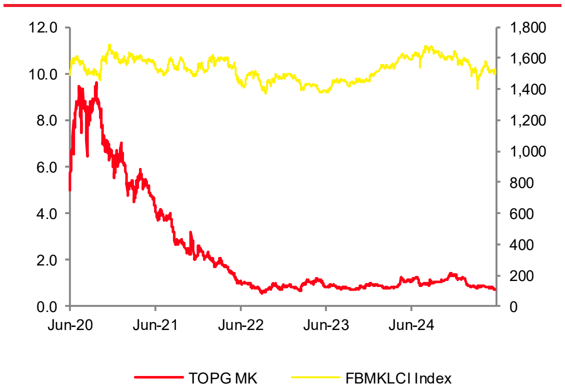
Fair value	⬇
EPS	⬇

YE to Aug	**FY24**	**FY25F**	**FY26F**	**FY27F**
Revenue (RM mil)	2,514.4	4,177.2	5,798.8	6,517.6
Core net profit (RM mil)	(370.5)	8.6	206.1	307.3
FD Core EPS (sen)	(4.6)	0.1	2.6	3.8
FD Core EPS growth (%)	(28.9)	(102.3)	2,298.0	49.1
Consensus Net Profit (RM mil)	-	82.2	196.4	261.7
DPS (sen)	-	0.5	1.0	2.0
PE (x)	nm	671.6	28.0	18.8
EV/EBITDA (x)	nm	19.8	11.7	9.8
Div yield (%)	-	0.7	1.4	2.8
ROE (%)	(1.4)	0.2	4.4	6.5
Net Gearing (%)	1.0	26.2	22.7	28.8

Stock and Financial Data

Shares Outstanding (million)	8,017.8
Market Cap (RMmil)	5,772.8
Book Value (RM/Share)	0.58
P/BV (x)	1.2
ROE (%)	(1.4)
Net Gearing (%)	1.0
Major Shareholders	Tan Sri Dr Lim Wee Chai (39.2%) KWSP (7.7%) Firstway United Corp (6.9%)
Free Float	49.6
Avg Daily Value (RMmil)	13.2

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	(14.3)	(47.4)	(32.7)
Relative (%)	(15.1)	(43.5)	(30.0)



Investment Highlights

Maintain SELL with lower TP of RM0.50 (from RM0.68 previously) as we cut our forecast to reflect the earnings miss. Top Glove Corporation Bhd (Top Glove)'s 9MFY25 core net profit of RM3.0mil was a big miss, forming only 4.4% and 3.4% of respective full-year estimates. While Top Glove delivered an earnings turnaround in 9MFY25, it still fell short of expectations as US customers adopted a "wait and see" approach due to tariff uncertainties in 3QFY25. Amid intensifying competition, US tariffs on Chinese gloves offer limited relief. Besides, management indicated that the recent EU's exclusion of Chinese glovemakers from public tenders above EUR5mil has minimal impact, as the value of gloves tenders is typically lower than the threshold.

- **Retain SELL with lower TP of RM0.50** (from RM0.68 previously) post earnings cut. This is based on a target CY26F PE of 16x, which is in line with the pre-pandemic average for FY15–FY19. Due to underwhelming 9MFY25 results, our forecast for FY25F/FY26F/FY27F was cut by 87%/42%/21% (refer to Exhibit 2).

- **Weaker ASP was a drag.** Top Glove swung into a loss of RM2.3mil during the quarter, as revenue fell 6% QoQ due to lower ASP (Nitrile glove -5%, Natural Rubber Latex -3%) and weaker USD despite higher sales volume (+4%). ASP decreased as the company passed on the lower raw material prices (natural latex concentrate -9% QoQ and nitrile latex -4% QoQ) to customers.

- **Structural oversupply situation limits pricing power.** Despite the 50% sectoral tariff on Chinese glove makers, the ASP gap between US and non-US markets remains narrow at just USD1.5–2/carton, as non-Chinese manufacturers ramp up shipments into the US, heightening competition. In the upcoming quarter, management guided that the ASP is likely to remain lacklustre due to structural oversupply situation.

- **Dim prospects in Europe despite EU tender restrictions on China.** Volume in Europe, which accounts for 37% of sales, continued to decline in 3QFY25 as Chinese players redirected their sales from the US market. Additionally, management noted the recent EU's exclusion of Chinese firms from public tenders above EUR5mil has minimal impact, as the value of gloves tenders is typically lower than the threshold.

EXHIBIT 1: 3QFY25 EARNINGS SUMMARY

FYE Aug (RM mil)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Turnover	636.9	883.7	830.3	-6.0	30.4	1,680.7	2,599.8	54.7
Operating costs	-509.3	-752.3	-711.3	-5.4	39.7	-1,501.2	-2,258.0	50.4
EBITDA	127.6	131.4	119.0	-9.5	-6.7	179.5	341.8	90.4
Depreciation	-72.4	-76.9	-78.0	1.4	7.8	-216.8	-228.7	5.5
EBIT	55.2	54.5	41.0	-24.8	-25.8	-37.3	113.1	<-100
Net interest	0.8	0.4	-7.7	<-100	<-100	-0.7	-6.1	>100
-Interest expense	-1.8	-2.2	-9.6	>100	>100	-8.3	-12.8	54.1
-Interest income	2.6	2.6	2.0	-24.2	-26.1	7.7	6.8	-11.9
PBT	58.6	56.0	31.2	-44.3	-46.7	-37.4	106.6	<-100
Tax	3.2	-14.9	3.2	<-100	1.7	11.8	-14.3	<-100
Perpetual Sukuk	-11.7	-11.4	0.0	n/a	n/a	-35.0	-23.1	-33.9
MI	0.7	0.5	0.3	-38.0	-53.0	2.3	1.3	-43.1
Net Profit	50.7	30.3	34.7	14.7	-31.4	-58.2	70.5	<-100
Exceptional item	79.3	12.3	37.0	>100	-53.4	98.7	67.5	-31.6
Core Net Profit	-28.7	18.0	-2.3	<-100	-92.1	-156.9	3.0	<-100
EPS (sen)	-0.4	0.2	0.0	<-100	-92.2	-2.0	0.0	<-100
DPS (sen)	0.0	0.0	0.0	n/a	n/a	0.0	0.0	n/a
BV/share (RM)	0.6	0.6	0.6	1.1	1.7	0.6	0.6	1.7
Cash	958.7	579.7	527.8	-9.0	-44.9	958.7	527.8	-44.9
Borrowings	469.4	1,180.7	988.4	-16.3	>100	469.4	988.4	>100
Equity ex Perpetual Sukuk & MI	4,641.0	4,684.3	4,702.9	0.4	1.3	4,641.0	4,702.9	1.3
Net cash/(debt)	489.3	-601.0	-460.6	-23.4	<-100	489.3	-460.6	<-100
EBITDA margin (%)	20.0	14.9	14.3	-0.5ppt	-5.7ppt	10.7	13.1	2.5ppt
Pretax margin (%)	9.2	6.3	3.8	-2.6ppt	-5.4ppt	-2.2	4.1	6.3ppt
Effective tax rate (%)	-5.4	26.5	-10.3	-36.9ppt	-4.9ppt	31.6	13.4	-18.1ppt
Net profit margin (%)	-4.5	2.0	-0.3	-2.3ppt	4.2ppt	-9.3	0.1	9.5ppt

Source: Company

Company profile

Top Glove is the largest glove manufacturer in the world with 47 factories and 95 billion pieces p.a. installed capacity. The company produces primarily nitrile (60%), Natural Rubber (18%), Natural Rubber Powder-free (15%), Vinyl (6%) and surgical gloves (1%). The company also produces formers, chemicals and chemical compounds, rubber dental dams, exercise bands and rubber related products. The group's top 3 markets are Europe (37%), North America (26%) and Asia (21%) as of May 2025. Top Glove was founded in 1991 and is headquartered in Shah Alam, Malaysia.

Investment thesis and catalysts

We have a SELL recommendation on the stock as structural gloves oversupply situation will limit gloves players' pricing power, notwithstanding Chinese gloves manufacturers' expansion outside of China which will exacerbate the current oversupply situation. Apart from that, rising operating costs on the back of additional EPF contribution for foreign workers will further affect the company's profitability.

Valuation methodology

The stock is valued based on CY26F PE of 16x, the pre-pandemic average for FY15-FY19. We reckon the fair valuation multiple should not be derived based on the period from 2020 onwards as it was distorted by pandemic-led earnings volatility.

Risk factors

Upside risks to our estimates include higher than expected glove demand, Chinese players begin scaling back their production, the imposition of tariffs is based on country of incorporation instead of country of origin.

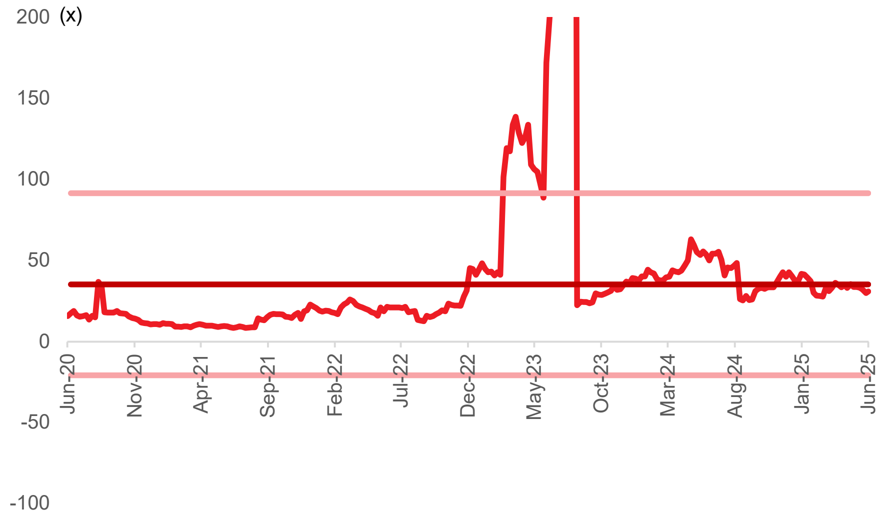
EXHIBIT 2: CHANGE IN EARNINGS

		FY25			FY26			FY27	
RMmil	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	4,370.1	4,177.2	-4%	6,048.5	5,847.4	-4%	6,684.2	6,517.6	-2%
Earnings	63.7	8.6	-87%	357.0	206.1	-42%	389.2	307.3	-21%
Volume ('bil)	44.7	43.3	-3%	56.0	55.4	-1%	60.0	59.3	-1%
ASP (USD/carton)	21.8	21.5	-1%	24.5	23.8	-3%	25.3	24.9	-1%

EXHIBIT 3: VALUATIONS

Target PE (x)	16
CY26 EPS	0.03
ESG premium	0%
12-month target price	0.50

EXHIBIT 4: PE BAND CHART



Source: Bloomberg

EXHIBIT 5: ESG RATING

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Carbon emissions reduction	45% CO2 reduction by 2030	15%	*	*	*			Carbon emissions reduced by 11.6% compared to FY23
2	Scope 1 GHG Emissions	tCo2e reduction	15%	*	*	*			27.9% increase from FY23
3	Scope 2 GHG Emissions	tCo2e reduction	15%	*	*	*			5.4% increase YoY
4	Scope 3 GHG Emissions	tCo2e reduction	15%	*	*				572k tonnes, 94x increase from 2023
5	Water usage	megalitres	20%	*	*	*			Reduced municipal water consumption intensity by 29% to 0.164 m3 /1,000 pcs gloves
6	Waste generation	Minimise waste generation	20%	*	*	*			Reduced paper usage by 83.3%
	Weighted score for evironmental assessment		**100%**	*	*	*			
	Social assessment								
1	Health, safety & well-being	Achieve ISO 45001 Occupational Health & Safety Management System certification	25%	*	*				Maintained certification for 7 out of 26 factories (27%)
2	Women in workforce	% of total workforce	25%	*	*				27% in workforce & 55% in leadership position
3	Investment in employee training	Total hours	25%	*	*	*			371,260 hours of training with RM2mil budget provided to employee
4	CSR programmes	No. of programmes organized	25%	*	*	*			Donated & contributed RM484,885 to support over 2,430 beneficiaries
	Weighted score for social assessment		**100%**	*	*	*			
	Governance assessment								
1	Board age diversity	% under 50 years old	20%	*	*				11%
2	Board women representation	% of total board directors	20%	*	*	*			33% representation
3	Remuneration to directors	RM	20%	*	*	*			RM5.7mil, 13.6% of staff cost in FY24
4	Independent board directors	% of total board directors	20%	*	*	*			55.6% - independent non-exec
5	Corruption investigations	Confirmed incidents	20%	*	*	*	*		0 incidents in FY24
	Weighted score for governance assessment		**100%**	*	*	*			
	Environmental score		35%	*	*	*			
	Social score		35%	*	*	*			
	Governance score		30%	*	*	*			
	Overall ESG Score		**100%**	*	*	*			

Source: AmInvestment Bank Bhd

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Aug)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2,257.2	2,514.4	4,177.2	5,798.8	6,517.6
EBITDA	(151.9)	(54.1)	352.3	584.2	725.7
Depreciation/Amortisation	(343.0)	(287.5)	(285.2)	(299.9)	(323.2)
Operating income (EBIT)	(494.9)	(341.6)	67.1	284.3	402.5
Other income & associates	(5.8)	1.7	(0.2)	(1.3)	(2.0)
Net interest	4.6	2.8	(30.2)	(43.3)	(43.2)
Exceptional items	404.4	(305.7)	-	-	-
Pretax profit	**(900.4)**	**(31.3)**	**36.7**	**239.7**	**357.4**
Taxation	14.9	9.9	(4.8)	(31.2)	(46.5)
Minorities/pref dividends	6.9	3.1	(0.4)	(2.4)	(3.6)
Net profit	**(925.2)**	**(64.9)**	**8.6**	**206.1**	**307.3**
Core net profit	(520.8)	(370.5)	8.6	206.1	307.3

Balance Sheet (RMmil, YE 31 Aug)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	3,893.1	3,605.2	3,825.0	3,992.7	4,194.7
Intangible assets	864.5	861.2	861.2	861.2	861.2
Other long-term assets	616.0	907.2	907.2	907.2	907.2
Total non-current assets	**5,373.5**	**5,373.5**	**5,593.3**	**5,761.1**	**5,963.1**
Cash & equivalent	285.4	351.2	(5.5)	145.5	177.1
Stock	301.5	376.3	540.2	756.4	728.1
Trade debtors	182.6	359.0	293.6	361.1	442.0
Other current assets	918.5	744.9	444.9	144.9	144.9
Total current assets	**1,688.0**	**1,831.4**	**1,273.1**	**1,407.9**	**1,492.0**
Trade creditors	265.3	433.0	480.2	597.7	624.2
Short-term borrowings	540.4	398.0	958.4	973.1	1,230.0
Other current liabilities	118.3	118.8	386.8	425.0	443.4
Total current liabilities	**923.9**	**949.8**	**1,825.4**	**1,995.8**	**2,297.6**
Long-term borrowings	14.1	-	239.6	243.3	307.5
Other long-term liabilities	197.4	172.8	172.8	172.8	172.8
Total long-term liabilities	**211.6**	**172.8**	**412.4**	**416.1**	**480.3**
Shareholders' funds	**4,714.5**	**4,630.0**	**4,598.5**	**4,724.5**	**4,724.5**
Minority interests	1,175.7	1,175.7	-	-	-
BV/share (RM)	0.59	0.58	0.57	0.59	0.59

Cash Flow (RMmil, YE 31 Aug)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	(900.4)	(31.3)	36.7	239.7	357.4
Depreciation/Amortisation	343.0	287.5	285.2	299.9	323.2
Net change in working capital	91.1	(37.7)	216.7	(128.0)	(7.8)
Others	587.3	(197.7)	(256.5)	(37.7)	(283.4)
Cash flow from operations	**121.0**	**20.7**	**282.2**	**374.0**	**389.3**
Capital expenditure	(364.2)	(142.5)	(501.3)	(463.9)	(521.4)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(19.1)	390.0	300.0	300.0	-
Cash flow from investing	**(383.3)**	**247.5**	**(201.3)**	**(163.9)**	**(521.4)**
Debt raised/(repaid)	140.0	(133.6)	800.0	18.3	321.2
Equity raised/(repaid)	-	2.7	2.7	2.7	2.7
Dividends paid	-	(2.1)	(40.1)	(80.1)	(160.2)
Others	(45.3)	(48.6)	(1,198.8)	-	-
Cash flow from financing	**94.8**	**(181.7)**	**(436.1)**	**(59.0)**	**163.7**
Net cash flow	**(167.5)**	**86.5**	**(355.2)**	**151.0**	**31.6**
Net cash/(debt) b/f	**433.4**	**280.0**	**349.7**	**(5.5)**	**145.5**
Net cash/(debt) c/f	**280.0**	**349.7**	**(5.5)**	**145.5**	**177.1**

Key Ratios (YE 31 Aug)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	(59.5)	11.4	66.1	38.8	12.4
EBITDA growth (%)	(116.1)	(64.4)	(751.7)	65.8	24.2
Pretax margin (%)	(39.9)	(1.2)	0.9	4.1	5.5
Net profit margin (%)	(41.0)	(2.6)	0.2	3.6	4.7
Interest cover (x)	nm	nm	2.2	6.6	9.3
Effective tax rate (%)	1.7	31.7	13.0	13.0	13.0
Dividend payout (%)	nm	nm	466.0	38.9	52.1
Debtors turnover (days)	30	29	26	23	25
Stock turnover (days)	50	56	55	57	53
Creditors turnover (days)	44	48	49	45	45

Source: Company, AmInvestment Bank Bhd estimates

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