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PRESS RELEASE

Top Glove Corporation Bhd (Company No. 199801018294 [474423-X])

For Immediate Release

NEW HIGHS IN REVENUE AND PROFIT WITH MORE NEW PEAKS TO COME

Shah Alam, Thursday, 17 September 2020 Top Glove Corporation Bhd (Top Glove) today announced its financial results for the Fourth Quarter ended 31 August 2020 (4QFY2020) and full financial year 2020 (FY2020), delivering an unsurpassed performance in a year like no other. With more upside in glove demand expected, the Group also looks forward to fresh highs in FY2021.

For the full financial year 2020, Sales Revenue amounted to a new record of RM7.24 billion, up 51% from that of FY2019, while Profit After Tax also soared to RM1.9 billion, a spike of 417% from the previous financial year. Sales Volume also grew by 17% versus FY2019.

The Group's achievements for 4QFY2020 were equally impressive. Sales Revenue reached an exceptional RM3.11 billion, moving up 162% against the corresponding period in the last financial year and 84% versus 3QFY2020. Profit After Tax came in at RM1.33 billion, which is 18 times of 4QFY19 Profit After Tax and 4 times of 3QFY2020. Meanwhile, Sales Volume jumped 43% from 4QFY2019 and 5% from 3QFY2020.

To reward its 57,000 public shareholders following the Group's remarkable performance, the Board recommended a final dividend of 8.5 sen per share, amounting to a payout of approximately RM691.8 million. This brings the total FY2020 dividend payout to 11.8 sen per share, amounting to a total payout of approximately RM961.2 million. The total dividend of 11.8 sen represents an increase of 9.3 sen or 373% over FY2019, which is a net profit payout ratio of 51%.

The tremendous growth stemmed from a global surge in demand for gloves on the back of the COVID-19 pandemic. 4QFY2020 demand growth was especially strong in Asia, Western Europe and Eastern Europe rising by 110%, 73% and 64% respectively compared with 4QFY19. Most robust was demand for nitrile gloves which grew by 31% year-on-year, while natural rubber examination gloves also saw growth of 7% versus the corresponding period in FY2019. Reflecting market demand, average selling prices (ASPs) were also adjusted upwards.

The Group's improved profit was also attributed to productivity enhancements which it continued to embark on, while the Group's utilisation levels which remained at close to 100% amplified production efficiency and reaped superior economies of scale. High utilisation helped lower overheads significantly, notably the cost of labour and natural gas.

Further contributing to the phenomenal results was Aspion with a Profit Before Tax of RM139.9 million, as the Group started to reap the fruits of its acquisition. The additional capacity provided also helped position Top Glove to meet the upturn in glove demand.

The healthy cash flow generated by the excellent performance enabled the Group to lower borrowings, which led to a 33% savings in terms of interest cost. Over the course of FY2020, the net cash flow generated from operating activities was RM3.17 billion compared with RM0.53 billion in FY2019, an impressive increase of 500%. This has considerably strengthened the Group's financial position, which enabled the Group to fully settle its syndicated loan of RM654 million during the year. In addition, a total of RM710 million or 87.2% of its Exchangeable Bonds were converted into Ordinary shares of the Company. As at 31 August 2020, the Group was in a net cash position of RM2.34 billion, in turn allowing the funding of ongoing organic capital expenditure, dividend payment, future M&As as well as the acquisition of land bank for business expansion.

Commenting on the company's results, Tan Sri Dr Lim Wee Chai, Executive Chairman of Top Glove said, "We are very pleased to be able to deliver such strong results and even more so, to be in a position to help protect and save lives in Malaysia and all over the world with our gloves, during this critical time".

"Our unprecedented performance underlines the effectiveness of our ongoing technology-driven improvement initiatives, which focus on quality and cost efficiency, and which have enabled us to meet the increase in glove demand. We also credit our robust results to our 21,000 employees, who continued to do their best to ensure the uninterrupted production and delivery of gloves, despite many operational challenges during the lockdown/MCO (Movement Control Order)", Tan Sri Dr Lim added.

Top Glove also noted that the pandemic had adversely impacted several businesses in the country, causing a rise in unemployment. However, the strong global glove demand has bolstered the Malaysian economy during this difficult period, with Top Glove intensifying its hiring and providing business to supporting industries. In the past year, the Group has employed a total of 4,000 local employees, comprising 1,500 local staff and 2,500 local workers to enable it to meet the growing glove demand.

Meanwhile, raw material prices in 4QFY2020 were on the uptrend compared with 3QFY2020, as natural latex concentrate increased 3.9% to an average of RM4.56/kg and nitrile latex rose 3.3% to an average of USD0.94/kg.

Top Glove will continue to expand its capacity to ensure it is well-positioned to fulfil global glove demand, which is expected to grow from a pre-COVID level of about 10% per annum, to about 15% per annum post-COVID, on the back of increased usage in both the medical and non-medical sectors, as well as heightened hygiene awareness. Notably, Factory F41 which is the Group's first factory in Vietnam, is expected to come onstream in October 2020, the initial production capacity for which is approximately 2.4 billion pieces of gloves from its 10 production lines. The Group has earmarked RM8 billion for CAPEX over the next 6 years from FY2021 to 2026, which will provide us with additional capacity of 100 billion pieces of gloves. The RM8 billion CAPEX will be invested in new capacity, enhancement of existing manufacturing facilities, a gamma sterilisation plant, land bank for future expansion, Industry 4.0 digitalisation and improvements to our workers' facilities.

The Group's blueprints for expansion up to CY2022 are illustrated in the table below.

Factories	To commence production by (Calendar Quarter)	Country	Glove type	Number of production lines	Capacity (pcs per annum)
				1 Double Former (DF) Line = 2 Equivalent Single Former (SF) Lines	
Current: 35 glove factories				724 Equivalent Single Former Lines	85.5 bn
F37 Block A Lines Refurbishment	3rd qtr 2020	Kluang, Malaysia	Latex	1 DF lines	0.2 bn
F36 Lines Refurbishment	4th qtr 2020	Kota Bharu, Malaysia	Nitrile	2 DF lines + 3 SF lines	1.0 bn
F41 1 st Phase Block 1 NEW FACTORY	4th qtr 2020	Binh Duong, Vietnam	PVC	10 DF lines	2.4 bn
Total new capacity in CY2020				13 DF lines + 3 SF lines	3.6 bn (+4.2%)
Grand total by December 2020 : 36 glove factories				753 Equivalent Single Former Lines	89.1 bn
F40 2 nd Phase	1st qtr 2021	Klang, Malaysia	Nitrile	8 DF lines	2.3 bn
F8A 1 st Phase NEW FACTORY	1st qtr 2021	Sadao, Thailand	Nitrile	14 DF lines	4.0 bn
F35 Block A NEW FACTORY	1st qtr 2021	Klang, Malaysia	Surgical/Nitrile	6 DF lines	1.7 bn
F38 Block A2 1 st Phase NEW FACTORY	2nd qtr 2021	Kulim, Malaysia	Nitrile	8 DF lines	2.3 bn
F31 Block C New Lines	2nd qtr 2021	Klang, Malaysia	Nitrile	7 DF lines	1.9 bn
F37 Block D New Lines	2nd qtr 2021	Kluang, Malaysia	Nitrile	3 DF lines	0.8 bn
F41 1 st Phase Block 2	3rd qtr 2021	Binh Duong, Vietnam	PVC	10 DF lines	2.4 bn
Total new capacity in CY2021				56 DF lines	15.4 bn(+17.3%)
Grand total by December 2021 : 39 glove factories				865 Equivalent Single Former Lines	104.5 bn
F38 Block A2 2 nd Phase	1st qtr 2022	Kulim, Malaysia	Nitrile	4 DF lines	1.1 bn
F42 1 st Phase Block 1 NEW FACTORY	1st qtr 2022	Banting, Malaysia	Nitrile	12 DF lines	3.4 bn
F45 1 st Phase NEW FACTORY	1st qtr 2022	Ipoh, Malaysia	Nitrile	16 DF lines	4.5 bn
F37 Block A New Lines	2nd qtr 2022	Kluang, Malaysia	Nitrile	4 DF lines	1.1 bn
F46 NEW FACTORY	2nd qtr 2022	Klang, Malaysia	Nitrile	13 DF lines	3.6 bn
F41 2 nd Phase Block 3	3rd qtr 2022	Binh Duong, Vietnam	PVC	10 DF lines	2.4 bn
Total new capacity in CY2022				59 DF lines	16.1 bn(+15.4%)
Grand total by December 2022 : 42 glove factories				983 Equivalent Single Former Lines	120.6 bn

Given the present business climate, increased M&A opportunities are also likely to present themselves, thus enabling the Group to expand faster via the inorganic route, in addition to the organic expansion being pursued.

Top Glove also secured its position as the 2nd largest company on Bursa Malaysia and the 9th largest company on SGX in terms of market capitalisation, with a market capitalisation of RM68.6 billion and SGD22.6 billion as at 15 September 2020. It also remains a member of the MSCI Global Standard Index, FTSE Bursa Malaysia KLCI Index and Dow Jones Sustainability Indices (DJSI) for Emerging Markets.

The company continues to actively engage with the U.S. Customs Border and Protection towards the expeditious upliftment of the Withhold Release Order (WRO), for which it is making good progress.

The outlook for the company and glove industry remains very promising. With COVID-19, Top Glove estimates that glove demand will grow by 20% per annum in 2020, 25% in 2021 and 15% post-COVID. The continuous increase in sales orders from 195 developed and developing countries across the world, coupled with rapid growth in capacity and significant improvements in productivity through technology augurs well for the Group's results going forward. Notwithstanding news of several promising vaccines in the pipeline, glove demand remains at a supernormal level, as gloves will still be required even when a vaccine becomes available.

The Group's monthly order book has seen a significant rise of about 150% from pre-COVID days while lead time (delivery) has gone up from about 40 days to as much as about 400 days presently. The exceptionally strong demand coupled with higher ASPs bodes well for the Group's results in the coming quarters.

Said Tan Sri Dr Lim, "With glove demand still on the uptrend, we believe our best days are still ahead of us. We will continue to work hard to produce more gloves, so we can keep doing well by doing good".

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About Top Glove Corporation Bhd

Top Glove Corporation Bhd is listed on the Bursa Malaysia Stock Exchange Main Board and Singapore Exchange Mainboard. It is also one of the component stocks of the MSCI Global Standard Index, FTSE Bursa Malaysia KLCI Index, FBM Top 100 Index, FBM Emas Index, FBM Hijrah Syariah Index, FBM Emas Syariah Index, FTSE4Good Bursa Malaysia Index and the Dow Jones Sustainability Indices (DJSI) for Emerging Markets. Top Glove is currently the world's largest manufacturer of gloves with an established corporate culture and good business direction of producing consistently high quality, cost efficient gloves. Top Glove has over 2,000 customers worldwide and exports to more than 195 countries.

Summary of key information:

	As at 17 September 2020
Number of Factories	46 factories (41 in Malaysia, 4 in Thailand and 1 in China) comprising: <ul style="list-style-type: none"> • 35 glove factories • 2 latex concentrate plants • 3 chemical factories • 1 glove former factory

	<ul style="list-style-type: none"> • 2 packaging material factories • 1 dental dam factory • 1 condom factory • 1 face mask factory
Number of Marketing Offices	6 (Malaysia, USA, Germany, Brazil, China and Thailand)
Number of Glove Production Lines	724
Glove Production Capacity	85.5 billion pieces per annum
Number of Employees	21,000