

TOP GLOVE SAYS FUNDAMENTALS REMAIN INTACT AFTER POSTING 4Q NET LOSS OF RM52.59MIL

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KUALA LUMPUR: [Top Glove Corp Bhd](#), which ended its 2022 financial year on a final-quarter loss, is confident the storm will pass as the fundamentals in the glove business remain intact while the challenges are only temporary.

"Once the demand/supply mechanism rebalances, we will see glove demand resuming its 10% growth per annum as projected by the Malaysian Rubber Glove Manufacturers Association (Margma), in line with actual consumption which is underpinned by rising usage and hygiene awareness," said Top Glove managing director Lim Cheong Guan in a statement.

"The group's 4QFY22 performance is not reflective of our business or the sector's true potential, both of which remain very promising in the longer term.

"We have delivered exceptionally strong profits over the last two years and are now going through a period of normalisation as glove demand/supply stabilises," he added.

Beset by oversupply and excess customer stockpiles, the world's largest glove maker posted a net loss of RM52.59mil in the quarter ended Aug 31, 2022, on the back of revenue of RM990.1mil.

The company incurred a loss of 0.66 sen per share, down from a profit per share of 5.59 sen in the same quarter in 2021.

For the entire financial year, the company reported a net profit of RM235.97mil, which was a far

cry from the net profit of RM7.71bil recorded in the previous year, as revenue contracted to about a third at RM5.57bil

According to Top Glove, customers have adopted a "wait and see" approach in anticipation of further declines in the average selling price (ASP) of gloves.

The group said it wrote down its inventory value to net realisable value by RM56mil in the recent quarter and RM229mil in FY22.

Additionally, the group contended with a natural gas tariff of about 60% over the course of the financial year as well as a 25% increase in the Malaysian minimum wage to RM1,500 since May 2022.

While acknowledging the recovery timeline post-pandemic is "more protracted than usual", Lim however remains confident that once customers' stockpiles are depleted and glove restocking activity resumes, the market will stabilise and be better positioned to absorb the additional supply from new capacity.

He said as the glove industry is estimated to be running at below 50% utilisation, glove supply is expected to reduce accordingly.

Industry consolidation will follow, he added, further reducing glove supply and paving the way for recovery.

As for mitigation measures, Lim said the company would defer all capital expenditure for new capacity in 2023 in view of the lower utilisation levels.

The company has also embarked on streamlining facilities to enhance those producing its in-house supply of materials, and continues to collaborate with suppliers on cost-effective procurement.

In the US, the company will attempt to recapture sales via more cost-efficient and value-added products, and enhancing its green product line.

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