

TOP GLOVE FY22 EARNINGS DECLINE AS INDUSTRY UNDERGOES NORMALISATION

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KUALA LUMPUR: Top Glove Corp Bhd's net profit fell to RM235.97 million in the full financial year ended August 30, 2022 (FY22) from RM7.71 billion a year ago as the glove industry is experiencing the effects of normalisation.

The company's revenue also fell 65.95 per cent to RM5.57 billion in FY22 from RM16.36 billion last year.

For the fourth quarter ended (Q4) FY22, Top Glove registered a net loss of 52.59 million from a net profit of RM447.40 million, while its revenue decreased to RM990.10 million compared to RM2.07 billion previously.

Concurrently, sales volume for the quarter contracted by 27 per cent year-on-year (YoY).

The company's softer financial performance came as the industry weathers an adjustment period, contending with the twin factors of oversupply and excess stockpiling by customers during the pandemic.

This has led to a slowdown in orders, setting average selling prices (ASPs) on a downward trend, which has been aggravated as customers adopt a "wait and see" approach in anticipation of a further decline in ASPs.

Following the decline in ASPs, Top Glove has also written down its inventory value to net realisable value by RM56 million in Q4 2022 and RM229 million for FY22.

Additionally, the company saw an escalation in cost structure attributed to global supply chain disruptions.

On the domestic front, Top Glove was impacted by approximately a 60 per cent hike in natural gas tariffs over the course of FY22, as well as a 25 per cent increase in the minimum wage from RM1,200 to RM1,500, which took effect in May 2022.

The escalating costs, which the company is unable to pass on to customers amidst the ongoing oversupply situation, have impacted its bottom line.

Managing director Lim Cheong Guan said the glove industry has been facing strong headwinds over the last year.

He said the temporary oversupply situation and weaker demand had distorted the demand and supply mechanism, and the company's Q4 2022 performance is not reflective of its business or the sector's true potential, both of which remain very promising in the long term.

"In the near term, the business environment is expected to remain challenging into 2023, as customers continue to deplete pipeline inventories and glove demand and supply gradually equilibrate," he said.

However, Lim said the company believes that recovery is on the horizon.

Based on its industry experience, Lim said a period of adjustment is to be expected after each pandemic.

"Owing to the 'perfect storm' of normalising demand and ASPs, alongside increased production capacity, the recovery timeline is more protracted than usual.

"Once the demand and supply mechanism rebalance, we will see glove demand resuming its 10 per cent 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," he added.

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