

TOP GLOVE POSTS RM120 MILLION LOSS AFTER TAX FOR 3QFY23 ON RISING SELLING PRICE, COST OPTIMIZING MEASURES

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Top Glove Corporation Bhd or “Top Glove” today announced its financial results for the Third Quarter ended 31 May 2023 (3QFY2023), registering an improved set of results with a decline in sequential operational losses, driven by increased average selling prices (ASPs) as well as ongoing quality and cost optimisation measures.

For 3QFY2023, the Group registered Sales Revenue of RM531 million, while Loss After Tax was RM120 million, which has improved from its Loss After Tax of RM155 million in 2QFY2023.

Amidst a challenging business landscape, the Group’s overall operating performance improved as Loss After Tax reduced by 23%

from the previous financial quarter, attributed to an increase in glove ASPs of 6%, coupled with quality and cost optimisation initiatives to streamline operations.

The measures employed include decommissioning obsolete production lines and temporarily stopping production at 17 out of its 49 factories, in light of the softer global glove demand which the glove industry continues to contend with.

The decommissioning of production lines eases the Group's production capacity by 5 billion pieces of gloves, bringing its total production capacity to 95 billion pieces of gloves. In addition, the Group implemented a manpower restructuring exercise.

Raw material prices for 3QFY2023 were on an uptrend quarter on quarter, with the average natural latex concentrate price up by 2% to RM4.78/kg while the average nitrile latex price also increased by 7% to USD0.92/kg. Meanwhile, natural gas price was on the decline, decreasing 14% from RM67.16/MMBtu to RM57.74/MMBtu.

The Group is mindful that being at the forefront of a glove price increase will have an impact on its Sales Volume. However, as glove manufacturers are unable to fully absorb rising costs indefinitely, this is a necessary step for the long term sustainability of the glove industry, which industry players have followed suit.

Charting its path to recovery, the Group has in place a 6 point comeback strategy, the Top Glove Turnaround Plan (T6). Aimed at:

- 1) boosting sales volume
- 2) enhancing quality
- 3) consolidating facilities
- 4) enhancing people productivity
- 5) strengthening cash flow position
- 6) optimising supply chain

Top Glove Managing Director Lim Cheong Guan said, “While we may be in a loss position, it is encouraging that the quantum of operational losses has reduced from the previous quarter, arising from ASP increases and our quality and cost rationalisation initiatives. Guided by our 6 point turnaround strategy, we will continue to navigate the challenging business environment by improving our sales revenue, enhancing quality, eliminating wastage, optimising resource allocation, trimming expenditures and streamlining our processes, towards greater financial efficiency and sustainability.”

“Although a difficult decision, the recent workforce rationalisation exercise undertaken following the temporary stopping of production at some factories to reduce the glove oversupply situation, was an important step towards the Group’s continual endurance and competitiveness in the long term. We remain deeply appreciative of the contributions of all our people,” he said.

The Group is steadfast in its commitment to upholding the United Nations Guiding Principles on Business and Human Rights (BHR), which are integral to responsible and sustainable business practices. With guidance from the Board and the support of Board Committees

who have oversight of the various BHR initiatives, it continues to foster a BHR conscious culture.

The Group has also embarked on BHR and Traceability training for vendors, ensuring the robustness of its supply chain.

While the business environment is expected to remain challenging and competitive throughout the 2nd half of calendar year 2023, the Group is optimistic on long term prospects as gloves continue to be an essential item for single usage in the healthcare and food industries.

“While there has been oversupply and customer stockpiling over the past 2 years, it is important to note that glove consumption itself has not decreased. On the contrary, glove consumption has gone up post pandemic, on the back of elevated hygiene and health awareness,” Lim added.

“As customers’ and manufacturers’ glove inventory is close to depletion, replenishment activity is expected to commence in the second half of calendar year 2023, spurring an uptick in glove demand. With this, alongside our T6 turnaround initiatives and measured increases in ASPs, we are hopeful of seeing a steady improvement and better days ahead,” he said.

Business Today

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