

TOP GLOVE CORPORATION BHD

Results Briefing

**4th Quarter & Financial Year 2022
ended 31st August 2022**

Date : 20th September 2022, Tuesday
Time : 3:30pm to 4:30pm



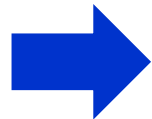
**STAYING SUSTAINABLE
IN TRANSITION TO NORMALITY**



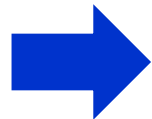
Thumbs Up, Ready, 1 2 3



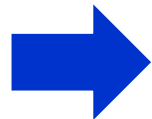
TOP GLOVE



TOP HONESTY



TOP INTEGRITY



TOP TRANSPARENCY



Claps, 2x 3x 2x



QUALITY ! QUALITY ! QUALITY !





Thumbs Up, Ready, 1 2 3

➔ **TOP GLOVE** 

➔ **CLEAN WELL** 

➔ **EAT WELL** 

➔ **WORK WELL** 

➔ **EXERCISE WELL** 

➔ **SLEEP WELL** 



Claps, 2x 3x 2x

➔ **HEALTHY! HEALTHY! HEALTHY!** 

Key Highlights for FY2022

A Softer Financial Performance as the Industry Weathers an Adjustment Period

1

Temporary **market oversupply** and **softer demand** has **distorted** the glove industry's **demand and supply mechanism**

2

Escalation in cost structure due to global supply chain disruptions and inflationary effect. **Unable to pass cost through amidst oversupply**

3

4QFY22 performance **does not reflect the true potential** of our business or the glove industry

4

4QFY22 achieved **positive EBITDA** and **cash inflow from operations**

5

Loss position in 4QFY22 is a **temporary setback** and we are confident the industry will recover eventually

Glove consumption continues to rise on the back of elevated awareness and usage, despite easing glove demand

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Financial Highlights

**A Decline in Performance Following Demand Normalisation
BUT Global Glove Consumption Continues to Grow**

RM 'mil	FY22	FY21	YoY	4QFY22	3QFY22	QoQ
Revenue	5,573	16,361	(66%)	990	1,493	(34%)
EBITDA	694	10,285	(93%)	42	124	(66%)
Profit / (Loss) Before Tax	365	10,034	(96%)	(44)	38	(216%)
Profit / (Loss) Net of Tax	292	7,824	(96%)	(42)	29	(245%)

Highlights of FY2022 & 4QFY22



Demand



ASPs

1. Comparing the FY2022 vs FY2021, **sales volume down 25%** and **ASPs down 59%**; 4QFY22 vs 3QFY22, **sales volume down 35% QoQ** and **ASPs down 5.4% QoQ**, at far lower pace than previous quarters
2. Factors affecting demand and ASPs are as follow:
 - a. **Oversupply in the industry due to the aggressive expansion from existing players** in the past 2 to 3 years and new entrance
 - b. Softer demand due to **excess stockpiling** by customers and customers adopts **'Wait and See'** approach in anticipation of further decline in ASPs
 - c. Customers have **no urgency to place bigger orders** due to manufacturers' having lower utilisation
3. Following the decline in ASPs, the Group has **written down its inventory value to net realisable value** by RM229 million in FY2022 and by RM56 million for 4QFY22



Costs

1. **Escalating production costs** due to global supply chain disruptions and inflationary effect
 - a. **Higher natural gas tariff** increased approximately **60% over the course of FY2022** and **approximately 10% QoQ**
 - b. Full impact of **higher minimum wage** of RM1,500 in 4QFY22
 - c. **Inflationary impact** on packaging materials and chemicals
 - d. **Lower utilisation rate** resulted in higher unit cost



Margins

1. **Unable to pass cost through** amidst the ongoing oversupply situation
2. **Margins compressed** due to **lower selling price** and **higher production costs**

Challenging Market Environment Affecting Sales Performance

1. Nitrile Gloves

4QFY22 vs 3QFY22

Sales
Volume

 **-26%**

ASPs

 **-10%**

Key Highlights:

1. Lower sales volume and ASPs is mainly driven by
 - a. Ongoing normalisation trend and mismatch of glove demand and supply
 - b. Slower customer orders due to stockpile at customers' warehouse
 - c. Customers have no urgency to place bigger orders, expecting further decline in ASPs and short delivery time due to lower utilisation among manufacturers
2. Aggressive price competition from Chinese glovemakers
3. Exceptionally low pricing from some glovemakers who are exiting market has disrupted pricing structure

2. Natural Rubber Gloves

4QFY22 vs 3QFY22

Sales
Volume

 **-44%**

ASPs

 **-6%**

Key Highlights:

1. Lower sales volume and ASPs, mainly driven by ongoing normalisation trend and mismatch of glove demand and supply, as well as slower customer orders due to stockpile at customers' warehouse
2. Price competition from Thai glovemakers
3. Some customers switching to nitrile gloves as pricing is lower

3. Surgical Gloves

4QFY22 vs 3QFY22

Sales
Volume

 **-20%**

ASPs

 **+4%**

Key Highlights:

1. Demand remains stable and continues to grow following the resumption of elective surgeries post pandemic
2. Top Glove's sterilization plant which commenced operations in Mar 22 has eased the bottleneck arising from reliance on 3rd parties sterilization services

4. Vinyl Gloves

4QFY22 vs 3QFY22

Sales
Volume

 **-16%**

ASPs

 **-5%**

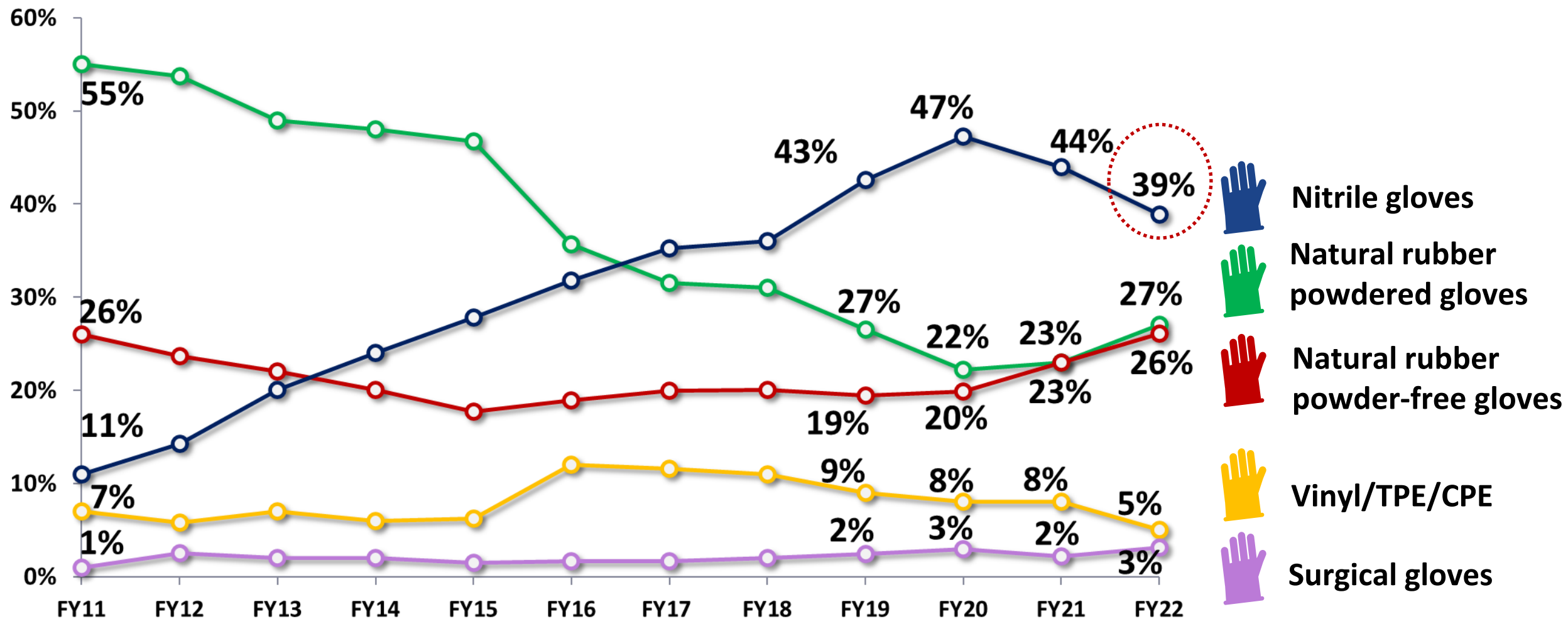
Key Highlights:

1. Overcapacity continues to prevail in market, driving down the ASPs
2. Lower sales volume due to production cut amidst intense market competition and oversupply

Diverse Range of Products to Align with Rapidly Changing Markets

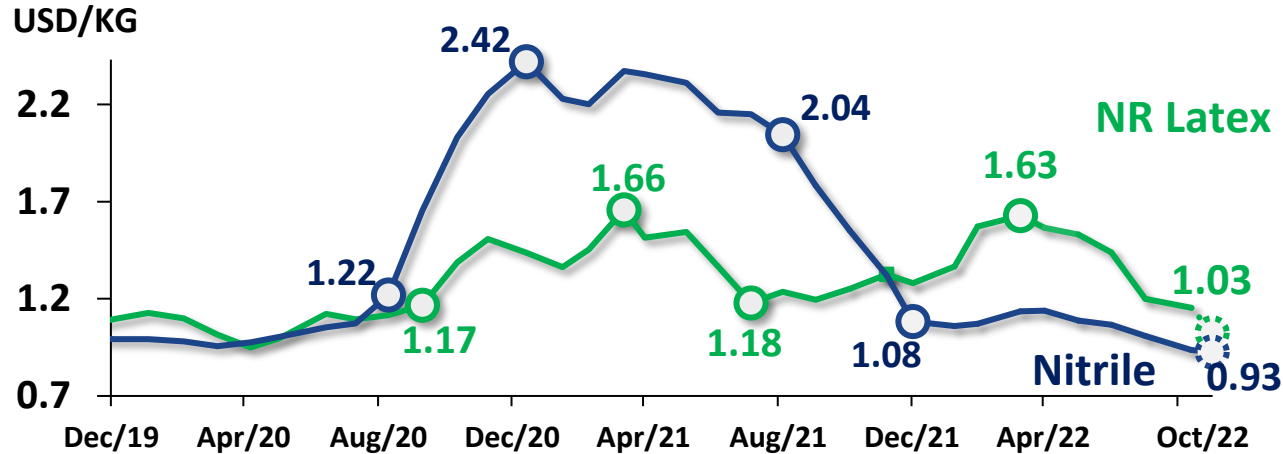
Nitrile Gloves will be on the Uptrend Once Market Demand Returns to Normal

% of Product Mix By Volume from FY11 to FY22

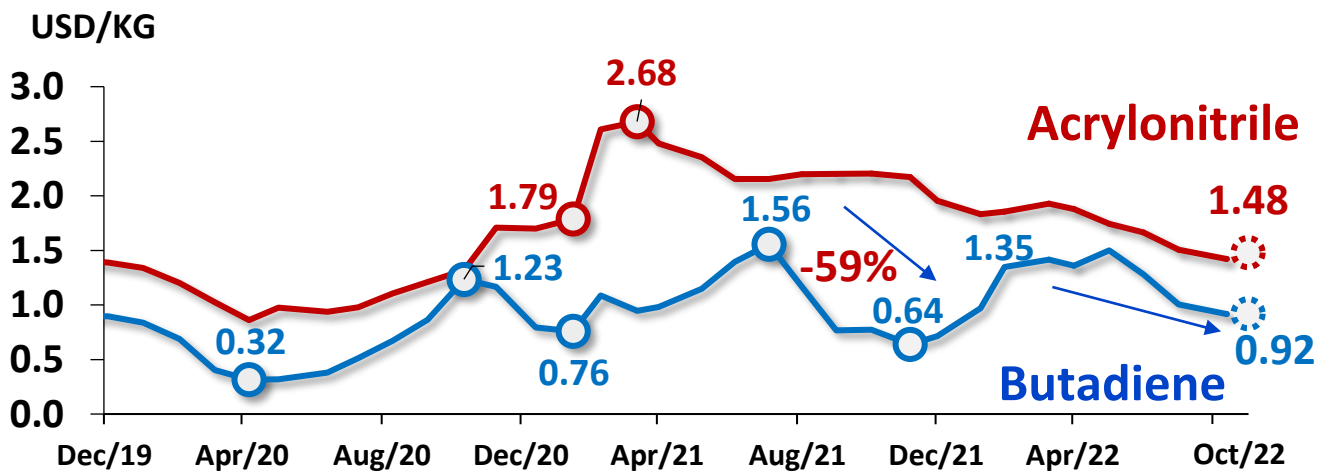


Raw Material Prices on Declining Trend

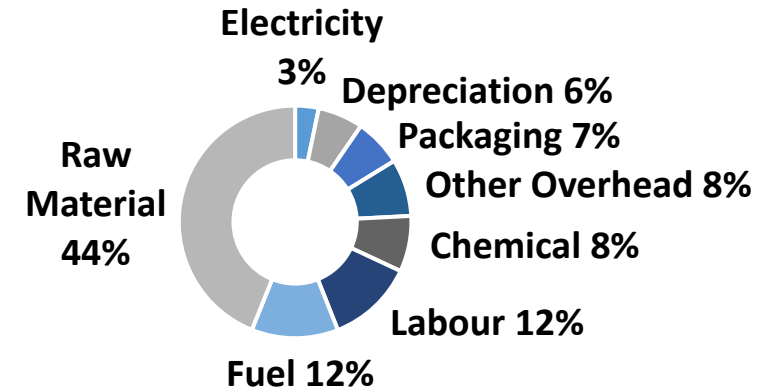
Nitrile & NR Latex Concentrate Prices



Butadiene & Acrylonitrile Prices



FY22 Production Cost Structure



1. Raw material prices outlook:

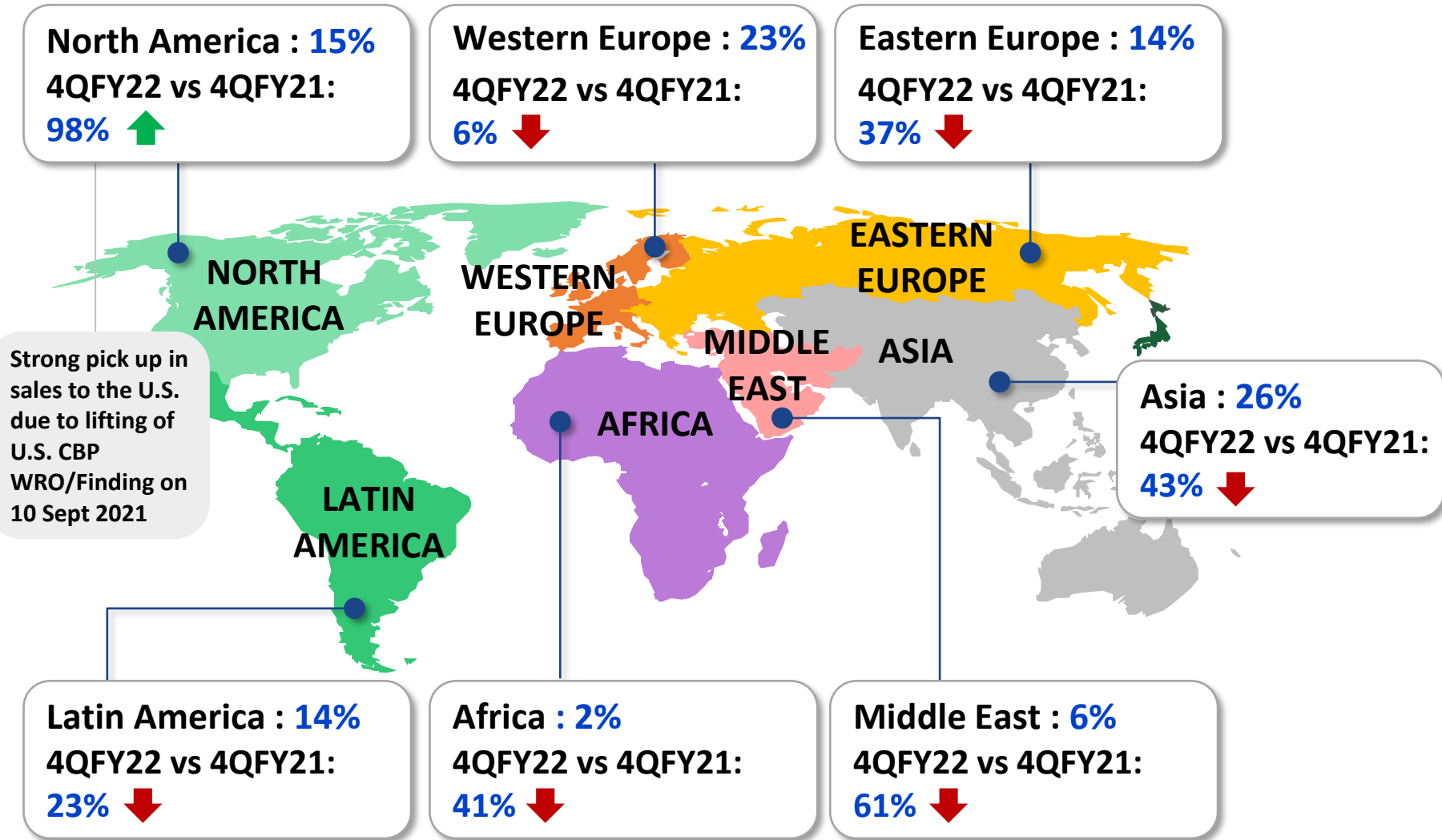
- **Nitrile:** Deferred capacity expansion and lower production by glovemakers will ease prices. Expected to **decline by 8%** from August 2022 to an estimated USD0.93/kg for October 2022
- **Latex:** Yield increasing but demand lower due to supply chain disruption and lower consumption for glove production. Will normalize after wintering season. Expected to **decline by 14%** from August 2022 to an estimated USD1.03/kg for October 2022

2. Natural gas tariff expected to increase by approximately 29% effective 1 October 2022

3. Upward revision of minimum wage to RM1,500 effective 1 May 2022

Sales Volume Comparison by Region

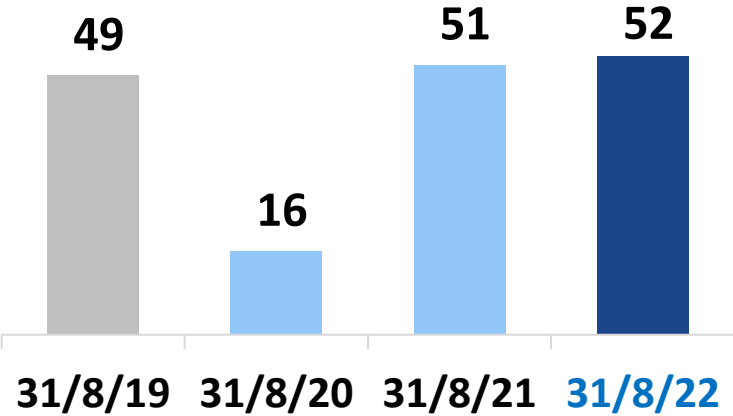
Market Demand Normalise Across All Regions but Increase in Selected Major Countries



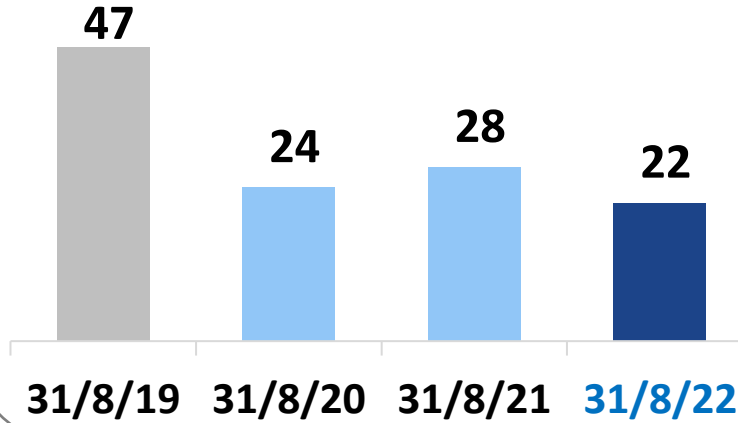
Countries	4QFY22 vs 4QFY21 % Growth
1. <u>North America</u>	
U.S.	118% ↑
2. <u>Asia</u>	
China	114% ↑
3. <u>Western Europe</u>	
a. U.K.	96% ↑
b. Germany	61% ↑
4. <u>Latin America</u>	
Brazil	14% ↑
5. <u>Eastern Europe</u>	
Russia	13% ↑

Improved Working Capital Management & Operating Cash Inflow

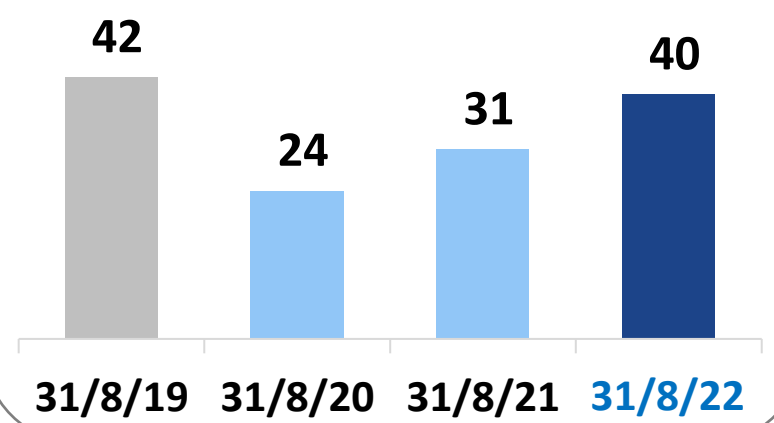
Inventory Turnover, Days



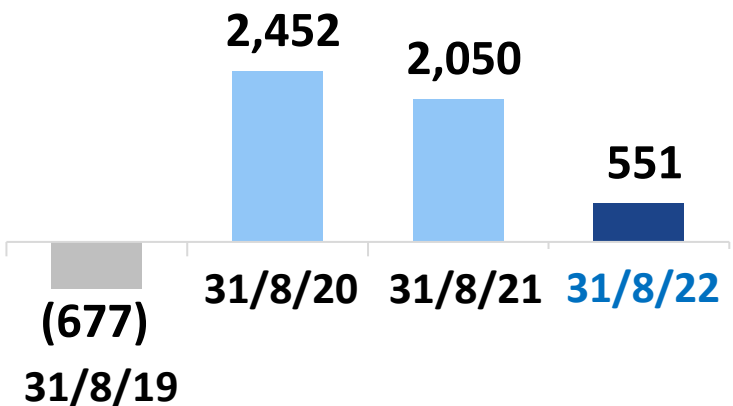
Receivables Turnover, Days



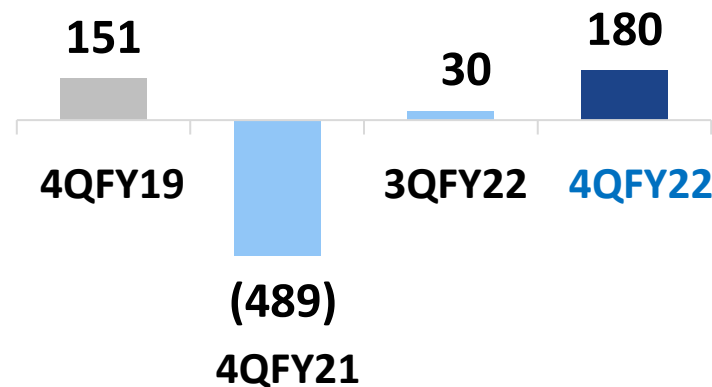
Payables Turnover, Days



Net Cash / (Borrowings), RM 'mil



Quarterly Net Cash Flows from/ (used in) Operating Activities, RM 'mil



- Continuous improvements in working capital management** to ensure better cash flow efficiency
- Focus on preserving cash** through active review of CAPEX plans and cost rationalisation initiatives

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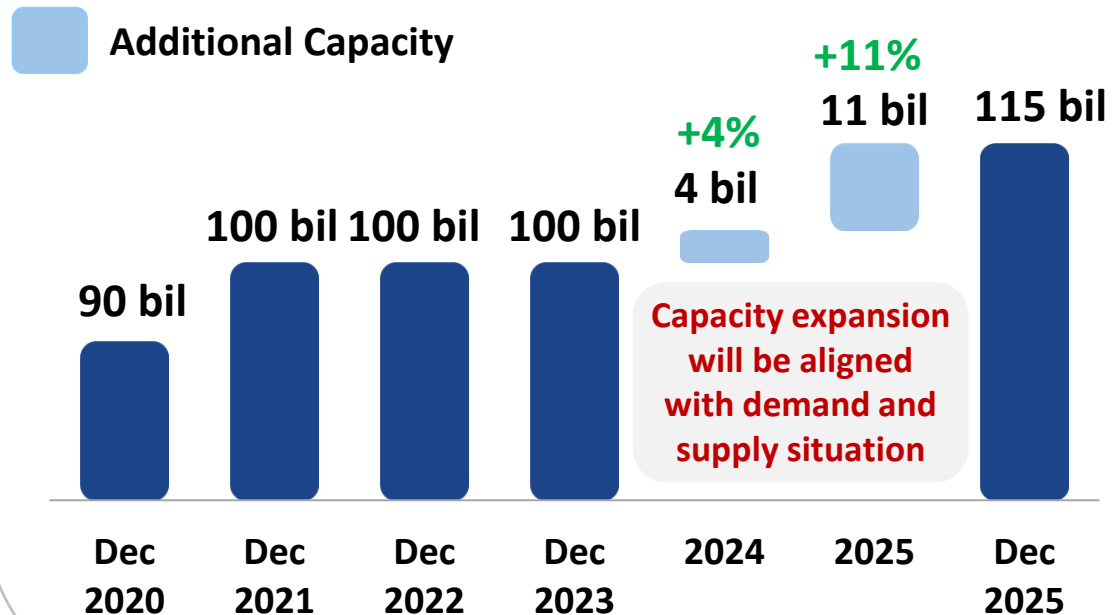
Our Priorities & Strategies

Deferred New Expansion Plans to Align with Glove Demand and Supply

Top Glove's Total Production Capacity In Bil Pcs

New expansion plans deferred

Capacity	Dec 22	Dec 23	Dec 24	Dec 25
Current estimate, bil	100	100	104	115
Deferred in the year, bil	Nil	(10)	(15)	(16)



Top Glove's Manufacturing Capabilities

Total: **50** Factories [**37** Glove + **13** Non Glove]

Current Capacity: **100** bil pcs p.a. with **812** Production Lines



Malaysia

- 32 Glove Factories
- 3 Chemical Factories
- 2 Packaging Factories
- 1 Glove Former Factory
- 1 Dental Dam Factory
- 1 Condom Factory
- 1 Mask Factory
- 1 Gamma Sterilization Plant
- 1 Rapid Test Kit Factory

Production:

1. Nitrile Gloves
2. Natural Rubber Gloves
3. Surgical Gloves
4. Cleanroom Gloves
5. CPE/TPE Gloves
6. Former and Chemical
7. Dental Dam
8. Condom
9. Face Mask
10. Rapid Test Kit



Thailand

- 3 Natural Rubber Glove Factories
- 2 Latex Concentrate Plants

Production:

1. Natural Rubber Gloves
2. Latex Concentrate



China

- 1 Vinyl Glove Factory

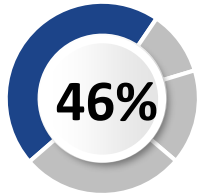


Vietnam

- 1 Vinyl Glove Factory

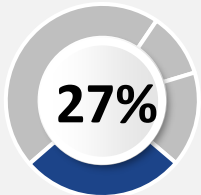
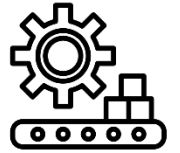
Continued Investments in Facilities for Future Growth

FY2023 Budget CAPEX **RM470 mil**



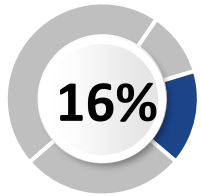
1. Construction in Progress & Refurbishment of Existing Facilities

Ongoing constructions and refurbishment of existing facilities with a view to automate and refine production and packing processes



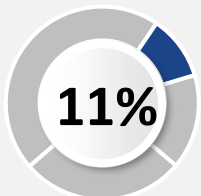
2. Enhancing In House Supply

- a. **Gamma Sterilisation Plant:** Able to provide sterilisation service for 500 mil pcs of surgical gloves per annum upon full completion by Dec 22
- b. **NBR Latex Processing Plant:** Phase 1 targeted to complete by 2QCY23 with capacity of 50,000 tonnes



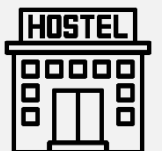
3. Ancillary CAPEX

Warehouses, IT, water, printing, heighten R&D and ESG initiatives, etc



4. Construction of Hostel

The Kenangan Meru Apartment can accommodate around 2,000 workers upon completion in December 2022



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Environmental



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TG Sustainability webpage



Reducing Carbon Emission

- a. Entered a 20 Year Power Purchase Agreement 'PPA' with Shizen for solar power system, estimated saving about 13,000 tonnes of CO2 emissions p.a.
- b. Refined carbon emission calculation to align with **Greenhouse Gas Protocol**
- c. Inclusion of new category, **Employee Commuting** under Scope 3 reporting



Environmental Compliance

- a. **ISO 14001 Environmental Management System**
 - 17 out of 43 factories [40%] certified
- b. **ISO 50001 Energy Management System**
 - 3 out of 12 factories [25%] certified

Resources Conservation and Waste Management

- Achieved a **reduction** of:
- a. **57%** in paper usage through automation and digitalization
 - b. **28%** in solid waste disposal through waste recovery

Social



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TG Sustainability webpage



Independent Social Compliance Audits

A total of **59 Social Compliance Audit were performed** in FY2022 [FY21: 18 audits]

Internal and external audits were conducted based on BSCI and SMETA standards

Independent Grievance Helpline

In FY2022, we continued to **engage with Impactt to manage our Grievance Helpline** which is available in multiple languages. We received a total of 92 calls in FY2022 [FY2021: 1,336 calls], with 91% calls concluded and the remaining 9% is in progress of verification

Completion of Workers' Accommodation

Kenangan Meru Apartment handover is targeted by end of October 2022 and able to accommodate around 2,000 workers upon completion in December 2022



Continuous Training and Awareness

Workers are able to access multilingual videos, articles & assessments via an in house designed **Workers' Learning App**



Governance



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TG Sustainability webpage



Sustainability Policy

- a. **Launched Top Glove Sustainability Policy in June 2022** which serves as **a guide to ethical and responsible sourcing and procurement activity**, setting forth the behaviour expected of Top Glove, our suppliers and business partners
- b. **Launched Grievance Handling Protocol** for effective grievance management, towards monitoring and promoting compliance
- c. **Revised Business Partners' Code of Conduct** to align with Sustainability Policy



Task Force on Climate Related Disclosure, TCFD



Incorporating TCFD in Top Glove Integrated Annual Report FY2022 for more effective climate related disclosures

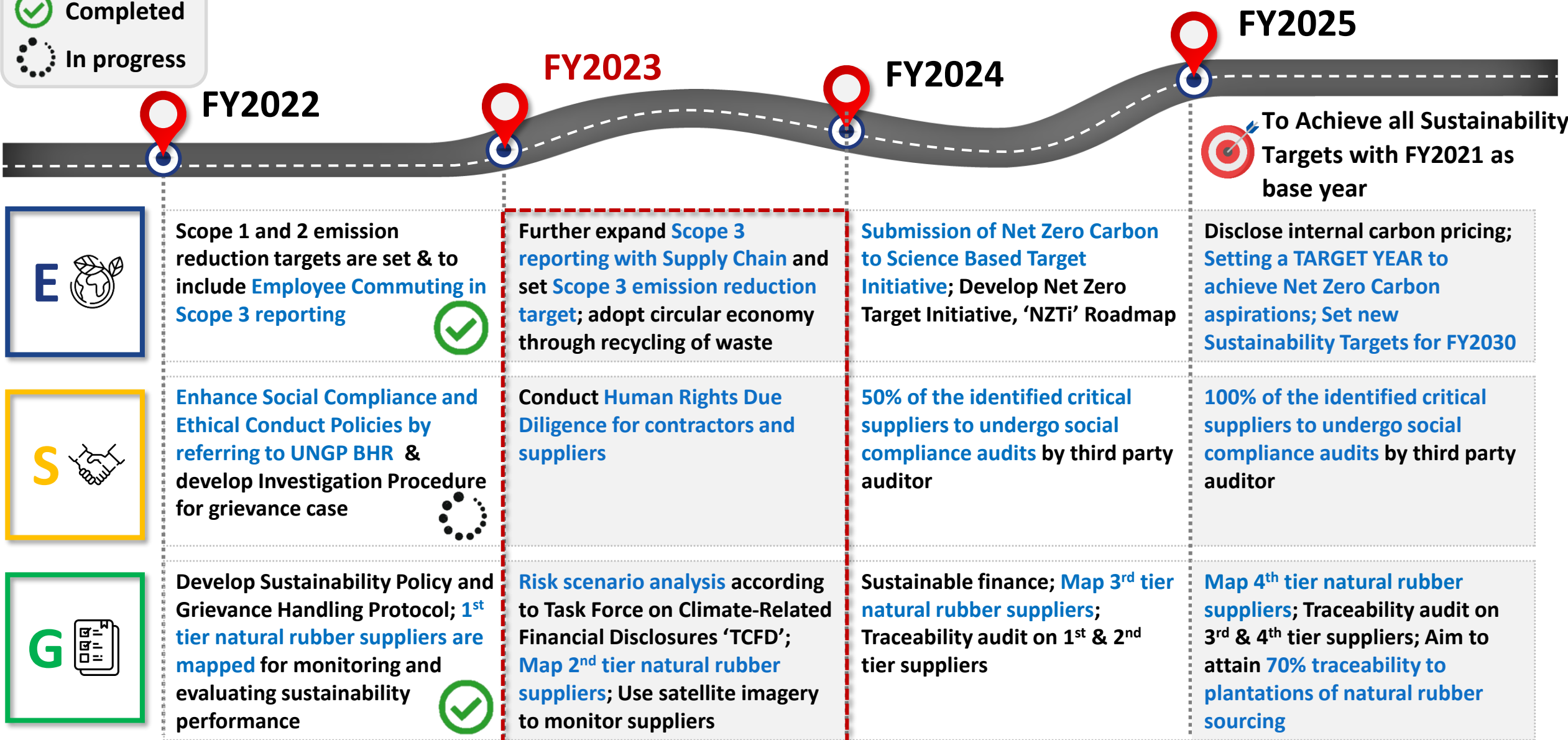
Traceability to Natural Rubber Plantations


- a. **Initiated pilot traceability study** at Top Glove's latex concentration plants in Thailand
- b. **Engaged with latex suppliers** to collaborate on traceability project



Top Glove's Sustainability Roadmap FY2022 to FY2025

 Completed
 In progress



 To Achieve all Sustainability Targets with FY2021 as base year

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Gloves Remain As An Essential Item in the Medical Sector with No Viable Replacement, Glove Consumption Continue to Grow Despite Softer Market Demand



Demand

1. **Market oversupply** inevitably resulted in low utilisation rate
2. **High inventory level at customers' warehouse** will normalise eventually
3. **Order trend will gradually increase** as inventory on hand is cleared and ASPs bottom out



ASPs

1. **ASPs declining at slower rate** and **bottoming**
2. **Activating cost pass through** mechanism
3. **Has increased selling price** by 5% for October 2022



Costs

1. **Rising operational cost** from inflationary effect and **rising natural gas price** will continue to **compress margins**
2. **Stronger USD** will help to **mitigate** some of the **rising operation cost pressure**

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Our Priorities & Strategies

Strengthening Our Fundamentals to Prepare for Industry Recovery

1 Operational Effectiveness

- a. **Refine manufacturing process** for better efficiency and eco-friendliness via innovation and automation
- b. Eliminate unnecessary operational process to **minimise wastages** and **inefficiencies**

2 Cost Rationalisation

- a. Rationalise production facilities to **ensure cost optimisation**
- b. **Reallocate to optimize manpower** and **resources** to minimise idle time

3 Talent Development & Retention

- a. **Invest to upskill** and **reskill** Top Glovers via talent development and training program [hard and soft skills training]

4 Creating Sustainable Stakeholder Value

- a. Promote culture of **building better community, respecting human rights** and **good governance**
- b. Innovate **eco-friendly products** [e.g. biodegradable]
- c. **Refine manufacturing process** [eco-friendly, lower chemical content, utility consumption]



Thumbs Up, Ready, 1 2 3

➔ TOP GLOVE 

➔ Top Quality 

➔ Top Value 

➔ Top Service 



Claps, 2x 3x 2x

➔ IMPROVE! IMPROVE! IMPROVE!



TOP GLOVE[®]

TOP QUALITY, TOP EFFICIENCY

Thank You Have A Nice Day!



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