

Top Glove (TOPG MK)

4QFY26: Accelerating Earnings Growth, But Challenges Persist

Highlights

- 4QFY26 earnings were lifted by margin expansion and much higher ASP due to the Middle East tensions. FY26 results are above expectations (149% and 156% of our and the Street's forecasts).
- Despite stable demand and improving efficiency anticipated in FY27-28, intensifying China competition and higher production costs (from natural gas tariffs and minimum wage hike) remain a threat for mid-term earnings.
- Risk-reward appears neutral following yesterday's share price action (+12%). Maintain HOLD with a higher target price of RM0.85 (from RM0.75).

4QFY26 Results

Year to 31 Aug (RMm)	4QFY26 (RMm)	qoq % chg	yoy % chg	FY26 (RMm)	yoy % chg	Comment
Revenue	1,248.3	14.0	40.3	4,232.1	21.3	Volume (-7% qoq), ASP (+19% qoq)
Operating exp.	(976.6)	11.4	28.9	(3,513.4)	14.3	
EBITDA	271.7	24.1	105.6	718.6	72.9	
EBIT	194.1	37.1	253.6	410.1	274.0	Improved qoq on better margins
Pre-tax profit	133.0	32.2	178.2	317.4	105.5	Higher due to ASP hike (+32% qoq)
Tax	28.9	(243.7)	(336.1)	(4.8)	(81.7)	
Net PATAMI	160.4	98.1	316.0	311.7	185.7	Exceptional item of RM26.5m in 4QFY26
Core PATAMI	187.0	49.0	647.4	372.6	1,442.5	Above expectations.
	%	+/- ppt	+/- ppt	%	+/- ppt	
EBITDA margin	20.0	9.0	9.6	15.0	4.1	Steep ASP hike lifted margins
EBIT margin	12.9	9.6	11.9	7.2	5.1	
PBT margin	9.2	5.4	5.4	6.2	2.1	
Eff. tax rate	(20.0)	(1.1)	(30.3)	(18.3)	(4.9)	
Core margin	11.5	8.7	11.7	6.2	6.3	

Source: Top Glove, UOB Kay Hian

Analysis

- Above expectations.** Top Glove (TOPG) reported 4QFY26 core net profit of RM187m (+49% qoq) and higher revenue of RM889.6m (+7% qoq). For FY26, core net profit of RM373m was above our expectation, making up 149% and 156% of our and consensus full-year forecasts respectively. TOPG declared a 1.5 sen dividend for FY26 (FY25: 0.48 sen), which implies a modest 1.7% yield.

Key Financials

Year to 31 Aug (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	3,489.4	4,232.1	4,552.7	4,867.0	5,028.2
EBITDA	394.9	714.8	777.4	832.0	859.7
Operating profit	89.0	406.3	461.2	508.1	526.6
Net profit (rep./act.)	109.1	309.7	278.9	314.5	328.6
Net profit (adj.)	109.1	309.7	278.9	314.5	328.6
EPS	1.4	3.8	3.4	3.9	4.1
PE (x)	64.8	22.8	25.4	22.5	21.5
P/B (x)	1.5	1.4	1.4	1.4	1.3
EV/EBITDA (x)	2.8	1.4	1.3	1.2	1.1
Dividend yield (%)	0.6	1.7	1.9	2.2	2.3
Net margin (%)	3.1	7.3	6.1	6.5	6.5
Net debt/(cash) to equity (%)	11.1	9.4	8.6	8.2	7.8
Interest cover (x)	n.a	26.2	27.0	28.9	29.8
ROE (%)	2.1	5.9	5.2	5.8	6.0
Consensus net profit	n.a	n.a	236.1	276.0	64.6
UOBKH/Consensus (x)	n.a	n.a	1.2	1.1	5.1

Source: Top Glove, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	RM0.875
Target Price	RM0.85
Upside	-2.9%
Previous TP	RM0.75

Stock Data

Sector	Health Care
Bloomberg ticker	TOPG MK
Shares issued (m)	8,018.1
Market cap (RMm)	7,015.9
Market cap (US\$m)	1,717.5
3-mth avg daily t'over (US\$m)	4.9

Price Performance (%)

52-week high/low	RM0.9/RM0.6
1mth	37.8
3mth	28.7
6mth	11.5
1yr	52.2
YTD	35.7

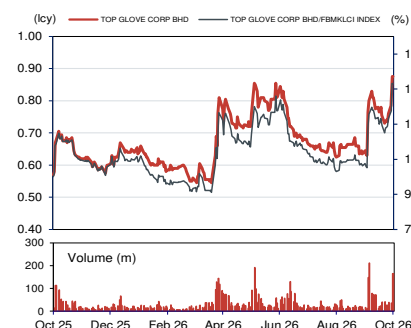
Major Shareholders (%)

Tan Sri Lim Wee Chai	29.13
Central Depository Pte Ltd	15.25
Firstway United Corp	6.92
Employees Provident Fund Board	6.53

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.6
FY26 Net Debt/Share (RM)	0.0

Price Chart



Source: Bloomberg

Company Description

Latex glove manufacturer.

- **Operating parameters improved in 4QFY26.** 4QFY26 volume sales weakened 7% qoq, reflecting moderating sales as customers' restocking cycle for latex and surgical gloves slowed down. Nevertheless, ASP increased meaningfully (+19% qoq) to around US\$23.70/'000 pcs. Coupled with higher MYR/USD rates (+2.7% qoq) and softening input costs as key raw material prices declined from the Iran war peak, earnings surged 49% qoq. Utilisation rate for the quarter was around 71% based on the current effective capacity of approximately 72b pieces annually (3QFY26: 81%).
- **ASP hike in 1QFY27 to pass through higher costs.** Following the natural gas tariff hike of 30-35% beginning October, TOPG and other Malaysian glovemakers raised their nitrile glove ASPs to US\$22-23/'000 pcs. Nevertheless, these ASP revisions are mainly cost-push initiatives to pass through cost pressures (higher fuel and raw material prices) that are exerting margins. While we expect a gradual cost pass through, we opine that 1HFY27 earnings will likely moderate from 4QFY26's high base.
- **Volume sales to sustain at high levels in FY27, allowing 8-10% yoy growth and exceeding pre-COVID-19 levels...** Management estimates that FY27 volume sales may improve to 4.5b-4.6b pieces per month. This will allow FY27 volume sales to reach 54b-56b pieces, an 8-10% yoy growth and exceeding FY19's (pre-COVID-19) 52b pieces. Utilisation rate will also see a meaningful improvement from FY25's 60-65% to above 80% in FY27, based on a running capacity of 72b pieces by end-26.
- **...but profitability margin takes time to recover.** Despite strengthening volume sales, we estimate that profitability margin may take a longer time to recover back to FY19's level. This is mainly due to aggressive competition from China glovemakers and a weakening MYR/USD rate.
- **Competition remains intense within European markets.** Outside of the US, we expect continuously aggressive ASP competition from China manufacturers in other regions. With the loss of US sales, we reckon intense competition from China manufacturers will cap ASP upside in non-US markets for Malaysian producers. That said, we estimate China glove manufacturers' breakeven ASP at US\$16/'000 pieces, and they are unlikely to excessively dump their inventories at lower ASPs. The potential decline in Europe sales will likely be mitigated by increasing US orders.
- **Positive trend from cash flow and balance sheet items.** We understand that TOPG's current breakeven cost for generic nitrile gloves is US\$14-15/'000 pieces (assuming normalised raw material prices), comparable with its China competitors. Although earnings have not recovered fully back to pre-pandemic levels, we opine that TOPG's improving efficiency and cost base promise a gradual recovery in operating matrices. With the earlier redemption of perpetual sukuk and borrowings reduction, TOPG has turned net cash, with the gearing ratio decreasing to -0.03x (FY19: 0.85x). We expect to see stronger operating cash flow and balance sheet in the coming quarters.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of RM0.85 (from RM0.75),** which is pegged to 24x 2027F PE (normalised five-year mean).
- Despite an improving outlook from management in the post-results briefing, we remain cautious on fluid industry dynamics as intensifying competition from China glove manufacturers poses medium- to long-term challenges in terms of ASP and margin.

Earnings Revision/Risk

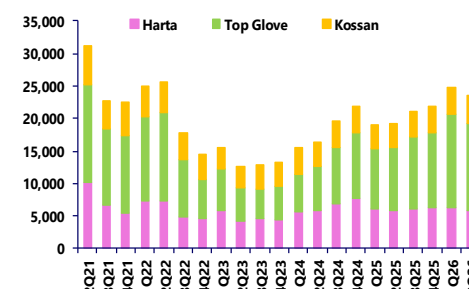
- We have raised our FY27-28 earnings forecasts upward by 17-21% to reflect the improving ASP and operating efficiency, which lifts EBITDA margin.

Assumptions

	FY26F	FY27F	FY28F
Revenue (RMm)	4232	4553	4867
ASP Growth yoy (%)	21%	8%	7%
EBITDA Margin (%)	15.3%	15.6%	15.7%
PAT (RMm)	371	279	315
Growth yoy (%)	763%	-25%	13%
Margin (%)	8.8%	6.1%	6.5%

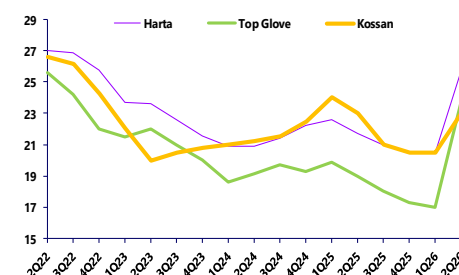
Source: UOB Kay Hian

Malaysian Glove Players' Quarterly Sales Volume (m' pcs)



Source: Respective companies, UOB Kay Hian

Malaysian Glove Players' Quarterly ASP Chart (US\$ '1,000 pieces)



Source: Respective companies, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- **Water management.** To reduce municipal water consumption intensity by 34% to 0.151m3/1,000 pcs gloves with the use of in-house water recycling facilities.
- **Energy management.** To reduce electricity and natural gas consumption intensity by 26% and 25% respectively.

Social

- **Human rights and labour management.** Verified by independent third-party consultant that TOPG is free of all 11 International Labour Organisation (ILO) forced labour indicators.

Governance

- **Gender diversity.** 42% of its board of directors are female.

Profit & Loss

Year to 31 Aug (RMm)	2026	2027F	2028F	2029F
Net turnover	4,232	4,553	4,867	5,028
EBITDA	715	777	832	860
Deprec. & amort.	309	316	324	333
EBIT	406	461	508	527
Total other non-operating income	(69)	(69)	(69)	(69)
Associate contributions	4	4	4	4
Net interest income/(expense)	(27)	(29)	(29)	(29)
Pre-tax profit	314	367	414	432
Tax	(4)	(88)	(99)	(104)
Minorities	0	0	0	0
Net profit	310	279	315	329
Net profit (adj.)	310	279	315	329

Cash Flow

Year to 31 Aug (RMm)	2026	2027F	2028F	2029F
Operating	421	585	638	674
Pre-tax profit	314	367	414	432
Tax	(73)	(88)	(99)	(104)
Deprec. & amort.	309	316	324	333
Associates	(4)	(4)	(4)	(4)
Working capital changes	(152)	(35)	(25)	(13)
Non-cash items	0	0	0	0
Other operating cashflows	27	29	29	29
Investing	(407)	(150)	(200)	(220)
Capex (growth)	(118)	(150)	(200)	(220)
Proceeds from sale of assets	0	0	0	0
Others	(289)	0	0	0
Financing	(32)	(368)	(386)	(393)
Dividend payments	(39)	(139)	(157)	(164)
Proceeds from borrowings	0	0	0	0
Loan repayment	0	(200)	(200)	(200)
Others/interest paid	7	(29)	(29)	(29)
Net cash inflow (outflow)	(18)	67	52	61
Beginning cash & cash equivalent	298	268	335	388
Changes due to forex impact	(12)	0	0	0
Ending cash & cash equivalent	268	335	388	449

Balance Sheet

Year to 31 Aug (RMm)	2026	2027F	2028F	2029F
Fixed assets	3,032	3,190	3,266	3,353
Other LT assets	1,480	1,480	1,480	1,480
Cash/ST investment	375	401	408	418
Other current assets	1,800	1,475	1,528	1,556
Total assets	6,635	6,572	6,754	6,929
ST debt	39	39	39	39
Other current liabilities	696	498	525	540
LT debt	799	799	799	800
Other LT liabilities	156	156	156	156
Shareholders' equity	4,921	5,061	5,218	5,382
Minority interest	24	20	16	12
Total liabilities & equity	6,635	6,572	6,754	6,929

Key Metric

Year to 31 Aug (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	16.9	17.1	17.1	17.1
Pre-tax margin	7.4	8.1	8.5	8.6
Net margin	7.3	6.1	6.5	6.5
ROA	4.2	3.8	4.3	4.4
ROE	5.9	5.2	5.8	6.0
Growth				
Turnover	(24.0)	(18.3)	(12.7)	(9.8)
EBITDA	18.8	29.2	38.2	42.9
Pre-tax profit	(14.2)	0.4	13.2	18.3
Net profit	31.2	18.2	33.3	39.2
Net profit (adj.)	184.0	(10.0)	12.8	4.5
EPS	31.2	18.2	33.3	39.2
Leverage				
Debt to total capital	16.9	16.5	16.0	15.6
Debt to equity	17.0	16.6	16.1	15.6
Net debt/(cash) to equity	9.4	8.6	8.2	7.8
Interest cover	26.2	27.0	28.9	29.8

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