

TOP GLOVE CORPORATION BERHAD



Main Market | Health Care

World’s largest glove manufacturer with 26% market share for rubber glove. Top Glove was listed on the Main Market of Bursa Malaysia in 2001 and subsequently had its secondary listing on the Mainboard of the Singapore Exchange in 2016. Its American Depository Receipt (ADR) are also available in the OTC Exchange in the United States of America (US).

Stock Code	7113
Market Cap (RM m)	17,973.0
Share Outstanding (m)	8,207.02
Current Price (RM)	2.19
52-week range (H)	7.00
52-week range (L)	1.98

[Company profile](#)

1. Give us a brief background and history of your company and key milestones.

Established in 1991, we started as a local business enterprise with one factory and single glove production line. Today, we are the world’s largest rubber glove maker with manufacturing operations and marketing offices in Malaysia, Thailand, Vietnam and China. We also have our marketing arms in the US, Germany and Brazil. We have a strong customer base of approximately 2,000 customers in 195 countries worldwide.

Our products are not limited to gloves only but also non-glove products comprising condoms, face masks, dental dams, exercise bands and household products to fulfil demand of both the healthcare and non-healthcare segment.

For the past 20 years, Top Glove has demonstrated steady growth with a compound annual growth rate (CAGR) of 27% for revenue and 36% for profit after tax (PAT). Currently we are a component stock of the MSCI Global Standard Index, FTSE Bursa Malaysia KLCI Index, FBM Top 100 Index, FBM Emas Index, FBM Hijrah Syariah Index, FBM Emas Syariah Index and the Dow Jones Sustainability Index (DJSI) for Emerging Markets. In the year 2021, Top Glove was also included the Forbes Global 2000 and is the only Malaysian glove company on the prestigious list.

Our outstanding achievements and global recognition are credited largely to our founder Tan Sri Dr Lim Wee Chai, the visionary and driving force, who within a short span of time, has built the company into a resounding global success. With a strong workforce of 22,000 employees, Top Glove continues to produce high quality gloves at an efficient low cost in line with its time-tested Business Direction.

2. What are your competitive strength?

- **Experienced glove maker and one stop solution provider** - we have grown leaps and bounds in the past three decades to become world’s largest glove manufacturer. Our wide range of gloves include nitrile latex gloves, natural rubber latex gloves, CPE/TPE gloves, vinyl gloves and surgical gloves. These products are offered to different markets and customers and able to meet local requirements and demand. Also, we have broadened our product portfolio to other non-glove products such as disposable three-ply face masks, condoms, dental care products (including latex and non-latex dental dams), latex tourniquet, exercise bands, latex sheets, and anti-bacterial dishwashing and floor cleaning liquid. Our balanced product mix, complemented by our wide marketing network around the globe, have enabled us to tap on a wider range of customers globally across medical and non-medical sectors.

- **Manufacturing capabilities and quality assurance of products** - our current production capacity of 48 factories is almost doubled of the capacity during financial year 2015. The capacity expansion enables us to meet the rising glove demand while providing substantial economies of scale. Our products also undergo a robust quality assurance programmes covering the entire production process. With current total installed production capacity of 100 billion pieces per annum, we plan to continue to expand our capacity to meet global demand.
- **R&D capabilities** - we continue to develop the next generation materials that are environmentally sustainable, superior quality with lower material and production costs. Currently we have ten R&D Centres across Asia with 1,382 researchers, 39 PhD holders and 138 Master's Degree holders with experience in product and material development, sustainable technologies, engineering and automation.
- **Customer base and regional presence** - We have approximately 2,000 customers worldwide and export to over 195 countries, and no single customer contributes over 5% of our revenue. We nurture customer loyalty by consistently offering top quality products and services at competitive prices that are timely and responsive to market trends.

3. Describe your recent financial performance.

For the first quarter of financial year 2022 ended 30 November 2021 (1QFY21), we reported RM1.6 billion in revenue and RM202 million in profit after tax (PAT), representing PAT margin of close to 13% for the said quarter.

During the quarter, raw material prices were also higher compared to 1QFY21. Natural latex concentrate prices inched up by 1% year-on-year to RM5.09/kg while nitrile latex prices climbed by 10% year-on-year to USD1.79 per kilogram. Nonetheless, we expect nitrile latex prices to trend downward looking ahead.

Going forward, we expect the demand for gloves to grow at a rate of 10% to 15% per year due to heightened glove usage and hygiene. We also expect to regain exports gradually from Malaysia to the United States, thus improving our sales volume in the coming quarters. The company will be prudent in its growth strategy by tracking market and supply demand trends closely.

[Announcement on consolidated result for the first quarter ended 30 November 2021](#)

4. Do you have a dividend policy?

Our dividend policy currently provides for an expected dividend payout ratio of not less than 50% of our profit net of tax and after accounting for certain minority interests.

For FY2022, we have announced the first interim dividend of 1.2 sen per share for.

5. How has the COVID-19 impacted your business?

The COVID 19 pandemic have caused a spike in global glove demand which contributed to the record high performance in the FY2021. Entering FY2022, we are seeing normalising ASP for rubber gloves following the mass vaccination programs. Additional supply from both new and existing players have also put pressure on ASP.

That said, we believe that the pandemic has also resulted in a long-term structural change as healthcare awareness increases, thus leading to more glove usage globally especially in the developing countries with high population but low glove usage per capita. With the increased awareness of the importance of glove usage, we expect the global demand to grow at about 10% to 15% per annum.

6. Tell us more about your efforts in the area of sustainability.

In 2019, we formally established the Board Sustainability Committee, charged with the responsibility of steering our sustainability efforts forward as a responsible global company. We have also formed a Sustainability Steering Group, which consist of various department representatives to implement the Company's environmental, social and governance (ESG) initiatives. Underscoring the commitment of demonstrating best ESG practices and contribute to the United Nations Sustainable Development Goals (UN SDGs), we have declared 2021 as our Year of ESG. We have put in various efforts to improve our ESG performance. Key initiatives include:

- Engaged external consultant and all stakeholders to conduct materiality analysis to identify the Company's material ESG issues
- Set medium term (FY2025) ESG targets
- Improved and enhanced our policies and procedures, especially in social compliance area
- Various ESG initiatives across the organisations. (<https://www.topglove.com/ESG-initiatives>)

Environmental

Our Environmental Policy articulates our commitment to environmental sustainability and measures taken for the preservation of the environment, as depicted below:



Environmental Management System

- 11 factories are **ISO14001 certified** to ensure a robust environment management system is implemented
- Target to achieve **100% certification** for all factories by FY2025



Energy Efficiency

- Some factories are **powered by biomass and heat exchangers** are employed to reuse heat energy consumption
- **Smaty Energy Monitoring System (SEMS)** to monitor energy usage and identify wastage



Water Efficiency

- All factories have rain harvesting tanks which **target 100% collection and reuse**
- Continue to **upgrade wastewater treatment facility** through the introduction of latest technologies to minimise final waste and sludge discharge to the environment



Waste Segregation and Recycling

- **Solid waste is segregated by material** for recycling, reuse, or proper disposal. We appoint licensed contractors in scheduled waste disposal.



Green Energy

- Introduction of solar power system to our factory in Banting, Malaysia with a capacity of 1.14MW in September 2019
- As at FY2021, **7 factories in Selangor have implemented solar power system with capacity of 5.34MWp**. This has successfully offset more than 1,000 tonnes of CO₂



Environmentally Friendly Product Range

- **Innovate and produce more green and biodegradable products** through R&D, aiming to diversify product range and create more environmentally friendly product range
- **A significant proportion of our production are natural rubber latex gloves**, which its main component is renewable, naturally biodegradable and from environmentally-friendly source

Social

Top Glove is committed to demonstrate international social compliance best practices, Business Social Compliance Initiative (BSCI) and Sedex Members Ethical Trade Audit (SMETA) standards. We engaged independent third-party consultant to audit our social compliance. It has been verified by the consultant that we are **free from 11 ILO (International Labour Organisation) forced labour indicators**. Our key efforts in improving our social pillars:

- Fully remediate our workers in April 2021 and improved recruitment policies and procedures.
- Invested RM220 million to improve accommodation for 13,000 workers, in compliance to ACT 446 - Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990.
- Established independent grievance helplines in which the helplines are managed by independent third-party auditor and available in various worker's native languages.

- Engagement with worker representatives to listen to workers' concerns:
 - Quarterly meeting between worker representatives and the Independent Directors
 - Monthly meeting between worker representatives and HR representative
- In-house healthcare team which consists of 46 wellness team members.
- Zero Harm and Safety Health Emergency Preparedness Program, Zero Harm on Mental Health Programme and Workers' Health Protection Program to protect employees' physical and mental health.
- Improved family friendly benefits & policies to ensure a balance between working and family responsibility.

Governance

Adherence to the highest standards of corporate integrity and corporate governance forms the foundation of our business, ensuring the Company is managed in the best interests of our stakeholders.

- 40% of executive remuneration/ management incentive is linked to ESG metrics
- We adopt a 9-year tenure limit towards maintaining independent deliberation, review, and decision making of the Board.
- We have a balanced Board gender diversity which consists of 5 female directors, accounting for 42% of the total of 12 directors.
- The Board engaged independent professionals to conduct an evaluation on board effectiveness.
- Top Glove was ranked 11th out of 100 Malaysian public listed companies for Transparency in Corporate Reporting in 2020 by the Malaysia Institute of Corporate Governance (MICG)
- Placed 14th in MSWG-ASEAN Corporate Governance's ranking of the top 100 companies for overall Corporate Governance Disclosure in 2020.
- We adopt a zero tolerance stand towards corruption and bribery as articulated in our Code of Conduct, Anti-Bribery and Anti-Corruption (ABAC) Policy, No Gift Policy, and other governing documents that are applicable across all business units, as well as our suppliers and customers.
- Top Glove is the first manufacturing company in Malaysia to be certified with ISO 37001: 2016 Anti Bribery Management System (ABMS).
- Whistleblowing channel which is managed by an independent third party as case receiver is made available for employees and public.

Please refer to our FY2021 Integrated Annual Report, pages 88 to 139 to find out further details of our ESG progress and initiatives:

https://tgapp.topglove.com/annual_report/2021/annual_report/index.html

7. Do you think investors may have overlooked about your business?

We encourage our shareholders to take a long-term view of investment in our company which has a strong track record of delivering returns to shareholders of over 14,260% (as at 24th December 2021) over the past two decades since our listing on the Main Market of Bursa Malaysia. We will continue to work hard towards improving and delivering the performance expected by our stakeholders.

8. What is the outlook of your raw material prices?

The primary raw materials for our products are nitrile latex and natural rubber latex. In addition, we mainly use paper as our packaging material. The prices of our raw materials generally fluctuate with market conditions. Factors affecting our raw material prices include global supply and demand, weather conditions, seasonality and crude oil prices.

In general, we are able to pass on any increase in raw material cost to customers through increased pricing for our products. Accordingly, we do not typically hedge our raw material costs as we have formed strong relationships with multiple upstream raw material providers. In view of normalising glove demand, we believe that the price for nitrile latex will follow suit, as more supply for Butadiene

comes online, coupled with lower demand from downstream production. On the other hand, the price for natural rubber latex concentrate has normalised after winter season ended.

9. What are your strategies to further strengthen your company?

Not content to rest on its laurels, Top Glove has set its sights on higher aspirations which include becoming a Fortune Global 500 Company by 2030. Accordingly, we continue to focus on creating long-term value for our stakeholders in a responsible and sustainable way. To achieve our objectives and strengthen our position as the world's leading glove manufacturer, we intend to pursue a comprehensive strategy focused on the following aspects:

Enhance production capacity to meet global demand

- **Construct new facilities, enhance existing facilities and acquire new facilities**
- **Improve production capabilities** with faster, more efficient and technologically advanced production lines
- **Regional expansion** focusing on areas that are cost-effective and with favourable and stable regulatory environment while meeting our high environmental, social, health and safety standards.

Expand presence in key strategic markets

- Expand marketing and sales capabilities to large emerging markets such as **China, India, Brazil and other parts of Latin America** that are still vastly underserved with relatively low usage of gloves in medical and non-medical applications

Technological improvement to drive product innovation and production efficiency

- Focus on **product innovation** and turn ideas and concepts into commercially viable products
- **Automation and digitisation** throughout the manufacturing process for greater efficiencies
- **Artificial intelligence and big data analytics** for improved accuracy of production forecasts
- **Machine learning** to identify patterns and build models that help predicting future behaviors and events
- Technologies to identify and isolate defective products during production

Undertake mergers and acquisitions

- Evaluate and pursue opportunities to **acquire or merge with businesses** in current market segment and those in adjacent market segments with synergies with current business
- Explore **strategic partnerships and joint ventures** opportunities across the glove product value chain

Broaden product portfolio to adjacent and other non-glove products

- Leverage on existing manufacturing facilities and broad product portfolio
- Continue to **assess changing market dynamics and shifting consumer demands** post COVID 19, with expeted growing demand for premium glove products, driven by increasing hygiene standards and progressively stringent customer requirements.

We aim to continue expanding our global market share. As at date of publication, we have planned a capacity increase of 11% in 2022, 23% in 2023, 18% in 2024, and 24% increase in 2025. In addition, we will also continue to invest in R&D to improve our production process to remain competitive in the long run.

Aside from that, we are also expanding upstream as we plan to build an NBR latex processing plant with 200,000 tonnes of capacity which is targeted to complete by end of 2024. In addition, we are also planning to build our own surgical gloves gamma sterilization plant which is expected to complete by the third quarter of 2023 and target to provide sterilization service to 1 billion pieces of surgical gloves per annum.

10. Why is the company pursuing the Dual Primary listing on HKEX?

We believe that the HKEX listing will bring long term value to our shareholders, which the rationale are as follows:

- i. The funds raised will be used to fund our ongoing organic expansion and seize opportunities for accretive M&As when they arise.
- ii. The readily available funds will provide us with the financial flexibility and position us on a stronger negotiation footing in these opportunities as opposed to doing so in future when market conditions are not in our favour.
- iii. Additionally, the HKEX listing will expand our global branding awareness and provides business expansion opportunities along with enhancing the visibility of our profile among international investors, customers, suppliers, investment analysts, and media.
- iv. Also, it will elevate higher standards of corporate governance for Top Glove.

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Prepared by Bursa Digital Research

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