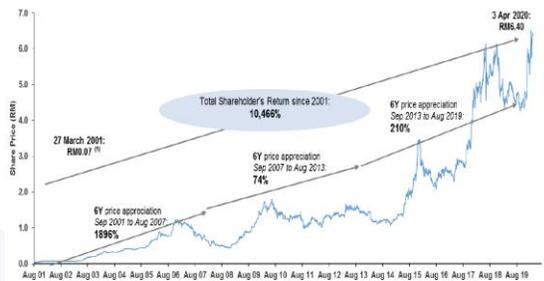


# BURSA INSTI SECTORIAL SERIES

## TOP GLOVE CORPORATION

The COVID-19 pandemic has adversely affected businesses across all sectors as the country is in a partial lockdown and businesses are unable to function normally. Nonetheless, certain industries, such as the glove industry, has benefitted from this pandemic. Bursa Malaysia, together with Maybank, has invited Top Glove Corporation Berhad (“Top Glove”), the world’s largest supplier of rubber gloves to give some insights on the company. Key takeaways below.

- Top Glove is the world’s largest manufacturer of gloves with a total capacity of 73.8 billion gloves per annum. It serves over 2,000 customers across 195 countries, hiring more than 18,000 workers. The company started as a local business enterprise in 1991 and listed on Bursa Malaysia in 2001. Since its listing, total shareholder returns have grown by 10,466%.
- Global demand for rubber gloves has seen steady growth with a 6.6% CAGR growth from 2005-2019, from 103 billion pieces of gloves to 253 billion pieces of gloves in 2019. It is expected to grow by a CAGR of 10% from 2019-2021.
- Increase in demand is driven by strong market fundamentals across geographies as a protective barrier for medical staff, increasing hygiene standards, growing ageing population, progressively stringent health regulations and the emergence of new health threats. Gloves are an indispensable item in the healthcare sector with increasing customer awareness in developing markets.
- High barriers of entry have enabled Top Glove to maintain their market-leading position. The company expects to see further growth potential from the emerging markets which have 80% of the world population but consumes only 30% of the global gloves (vs 70% of global glove consumption from developed countries).
- Top Glove saw a stronger sales order book from COVID-19 outbreak. The average weekly order increased by 145% for the Feb-March period, and it has increased by 245% in the past two weeks from regular weekly sales.
- Given the high demand, its current utilization rate for examination gloves now stands at 95% from 85% before COVID-19, driven by increasing demand from Europe, the United States, China and Singapore.
- This has led to a longer lead time of 150 days (vs 40 days before COVID-19).
- Top Glove will see new capacity (of 17.7 billion pieces of gloves per annum) coming in, with a total capacity of 91.5 billion pieces of gloves per annum by 2021.
- The natural rubber latex and nitrile latex price form 44% and 46% of total cost respectively. The raw material prices are expected to trend downwards with softer demand from a global recession and the drop in crude oil prices. The company expects margins to improve due to higher sales volume and lower cost.
- Top Glove has grown steadily since listing in 2001 with a revenue CAGR growth of 21.7% and profit after tax (PAT) CAGR growth of 19% over 19 years, with an average PAT margin of 9.4%. They have also consistently paid out at least 50% of PAT in the last seven years.



Steady growth in global demand for rubber gloves  
In billion pieces

