

TOP GLOVE CORPORATION BHD FY2020 and 4QFY20 Results Briefing

17th September 2020

**NEW HIGHS IN A NEW NORMAL
WITH NEW PEAKS AHEAD**



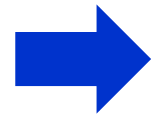
**The World's Largest Manufacturer of
Nitrile Gloves, *Natural Rubber Gloves and Surgical Gloves***



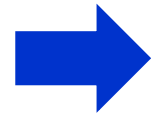
Ready, 1 2 3



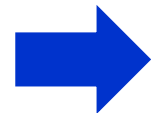
TOP GLOVE



TOP HONESTY



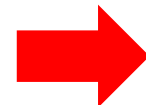
TOP INTEGRITY



TOP TRANSPARENCY



Claps, 2x 3x 2x

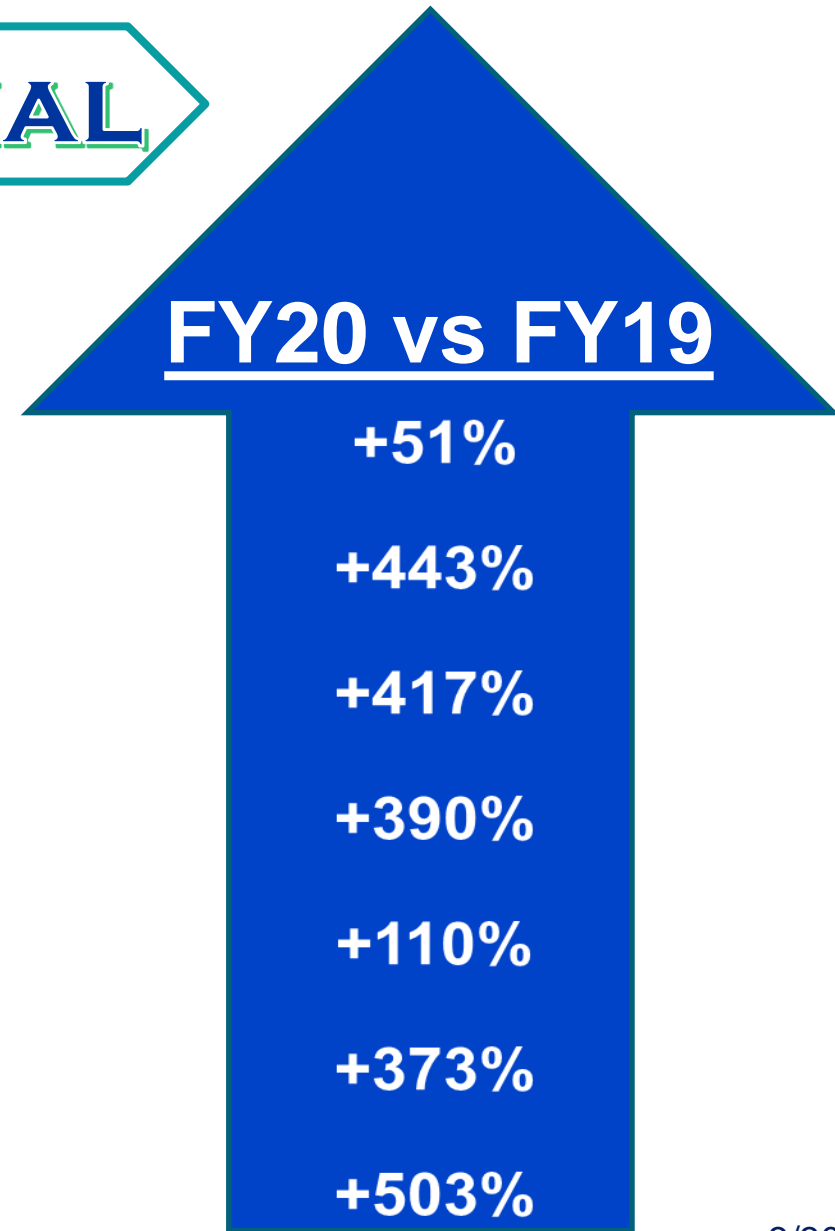


YES ! YES ! YES!

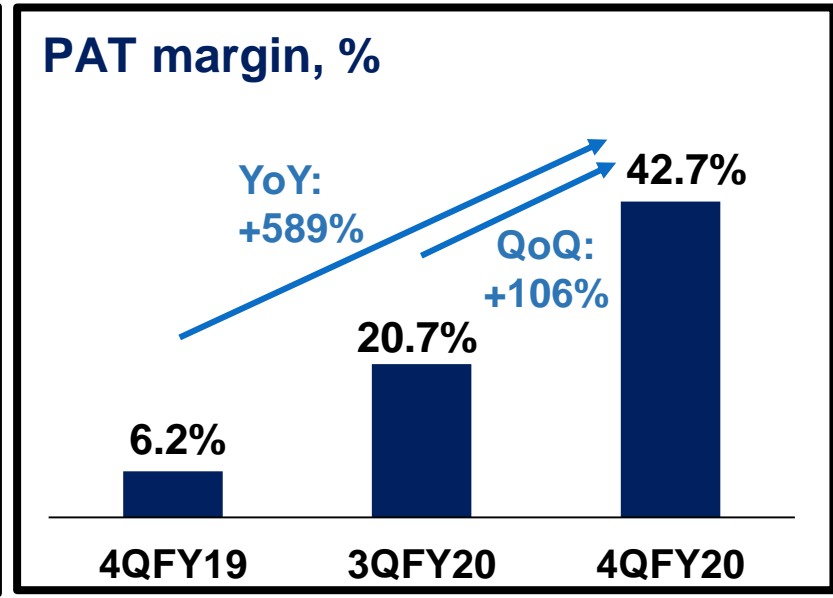
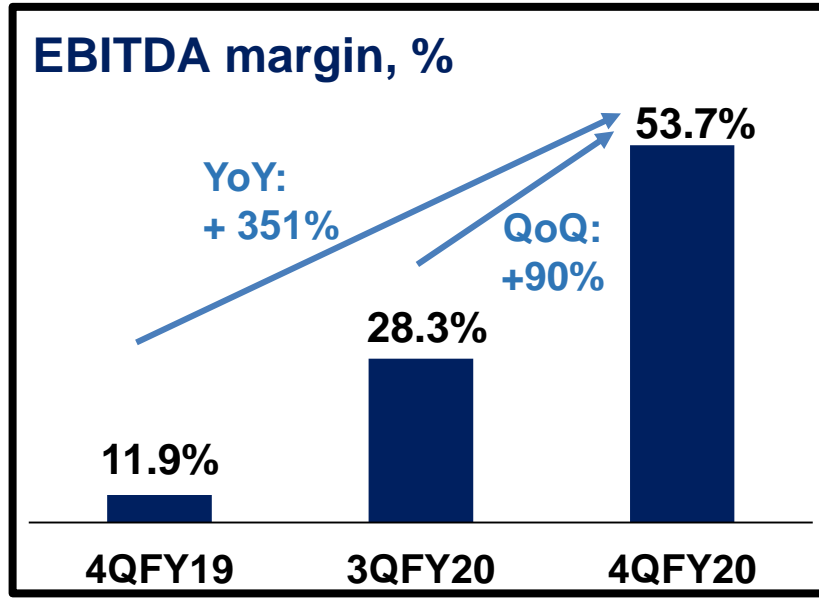
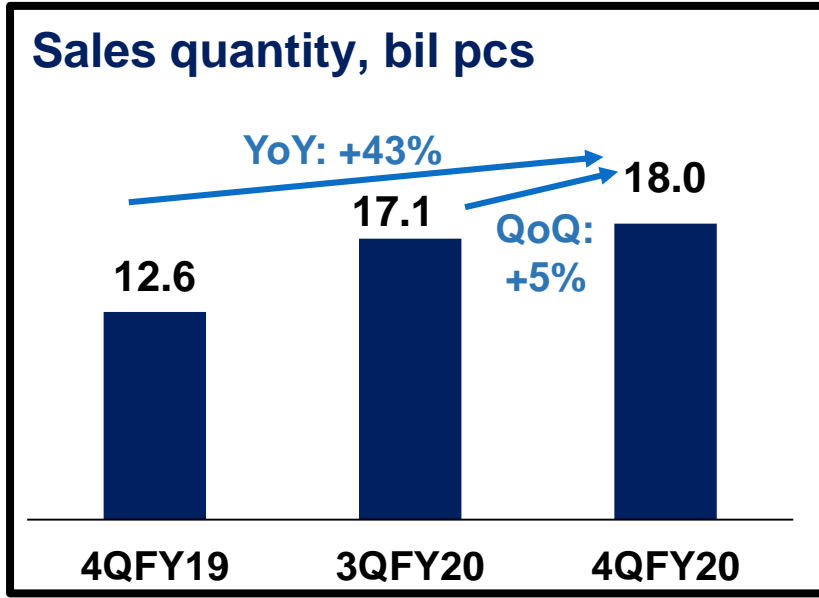
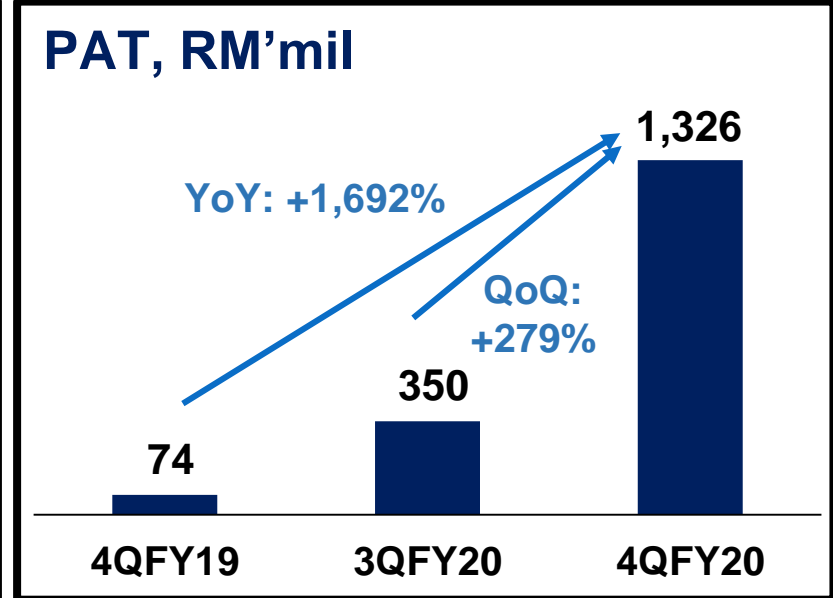
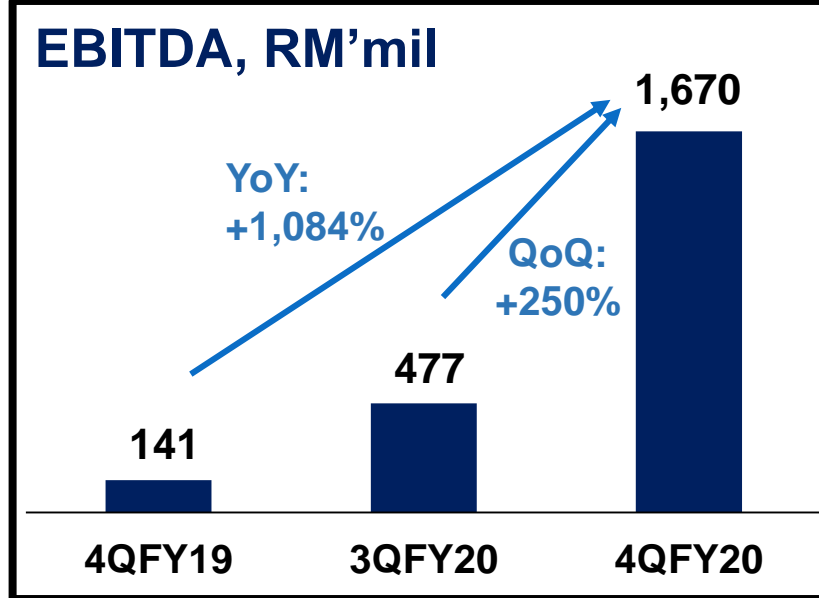
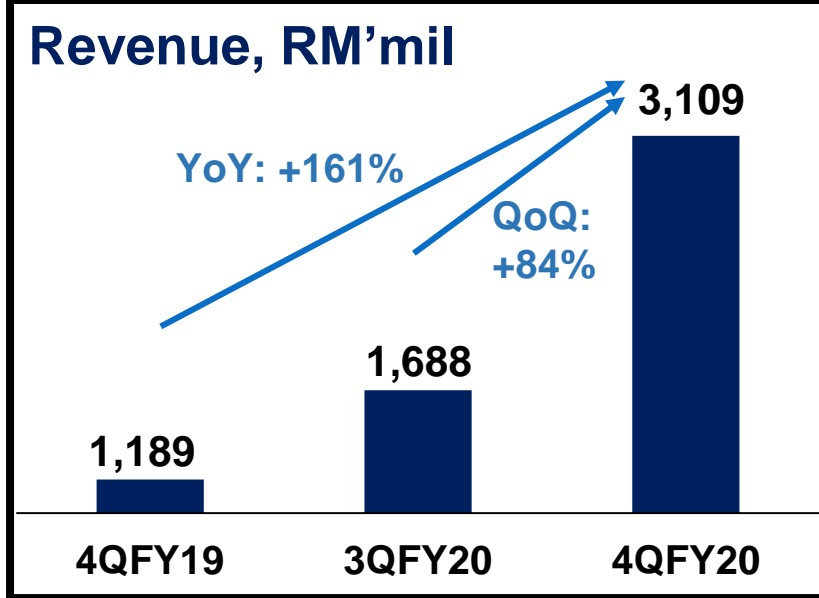


NEW HIGHS IN A NEW NORMAL

Outstanding growth like never before



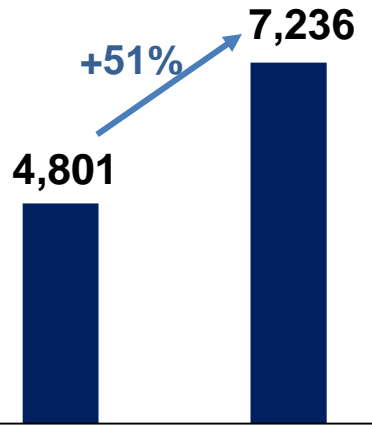
Revenue	RM 7,236 mil
Profit before tax	RM 2,301 mil
Profit after tax	RM 1,904 mil
Earnings per share	23.31 sen
Return on equity	30.2%
Total Dividend per share	11.8 sen
Operating Cash Flow	RM 3,171 mil



Financial Highlights: Impressive growth for the year

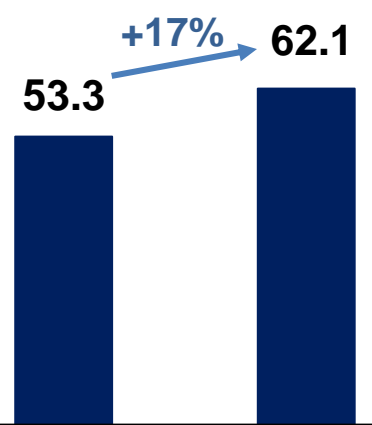
Full Year FY20 vs FY19 Comparison

Revenue, RM'mil



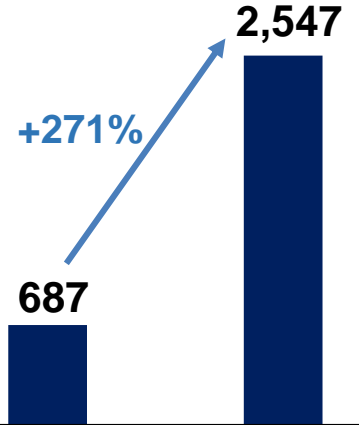
FY19 FY20

Sales quantity, bil pcs



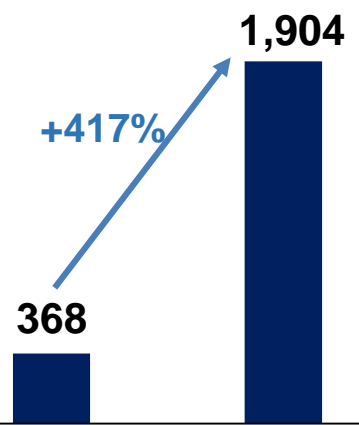
FY19 FY20

EBITDA, RM'mil



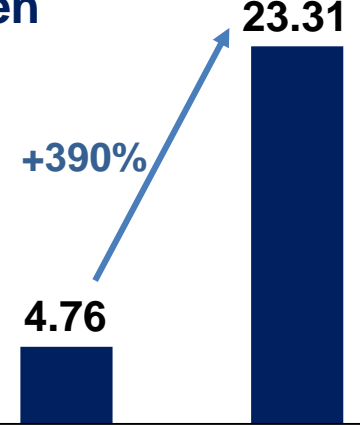
FY19 FY20

PAT, RM'mil



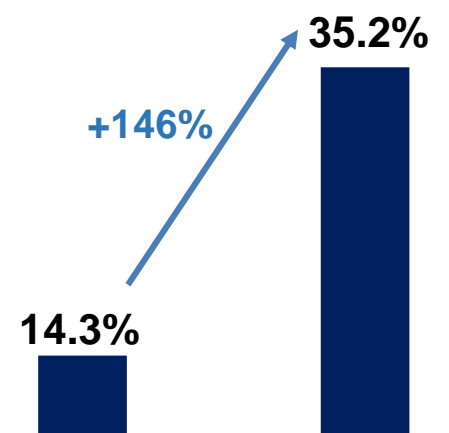
FY19 FY20

Earnings per share, sen



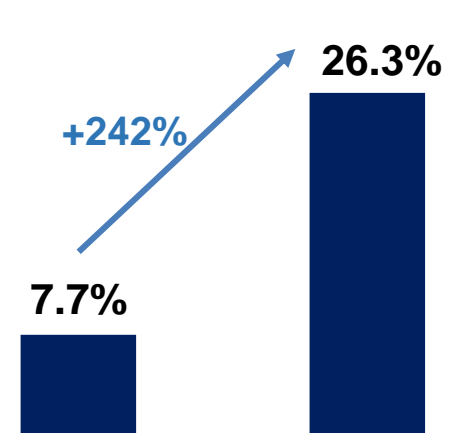
FY19 FY20

EBITDA margin, %



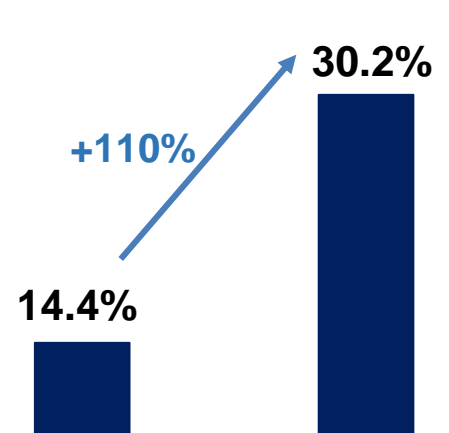
FY19 FY20

PAT margin, %



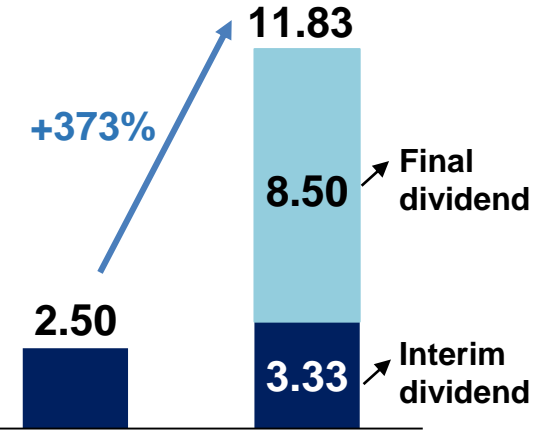
FY19 FY20

Return on equity, %



FY19 FY20

Dividend per share, sen



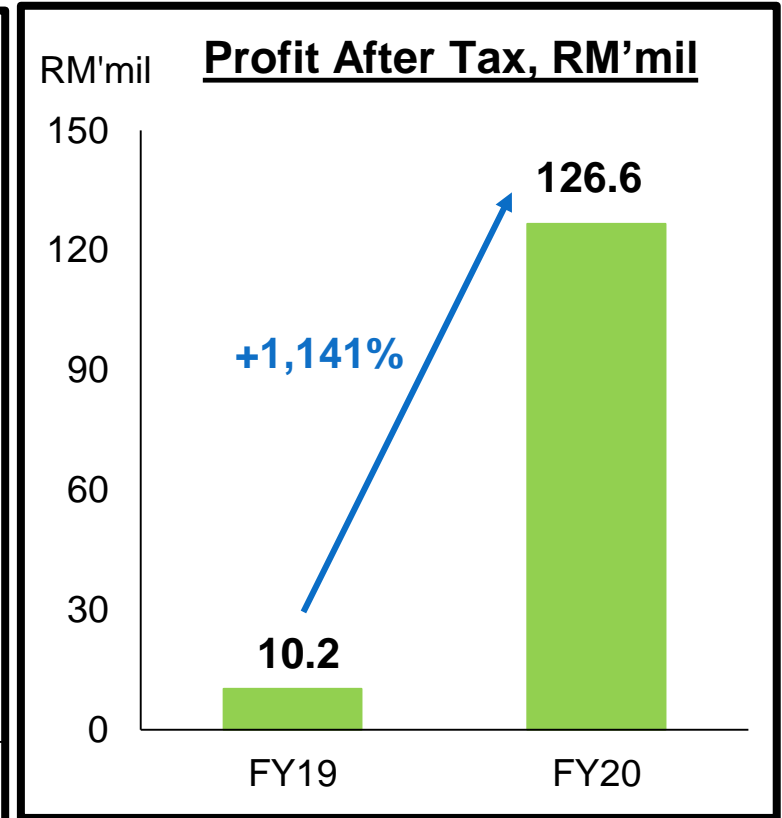
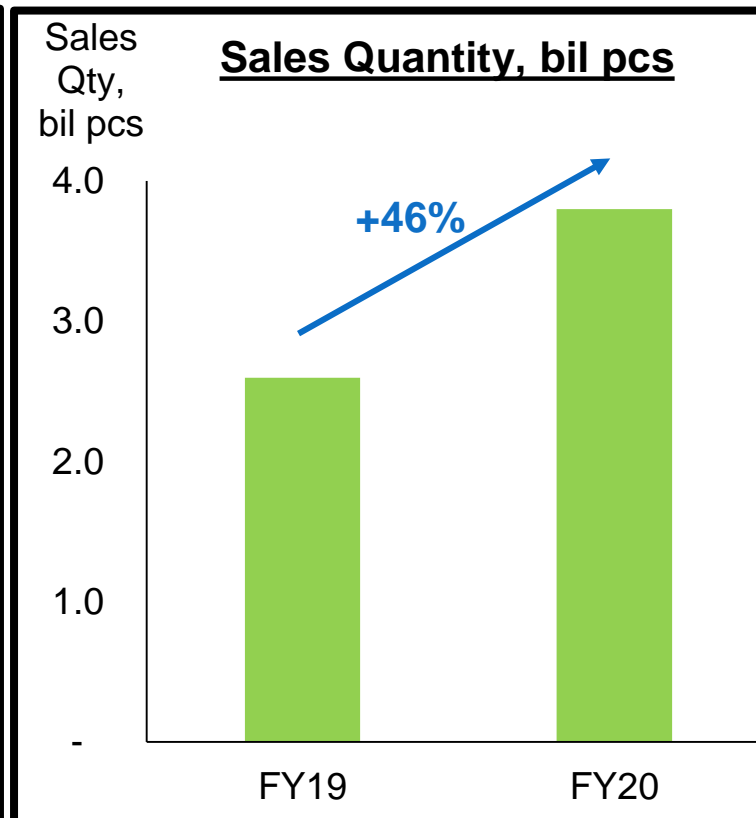
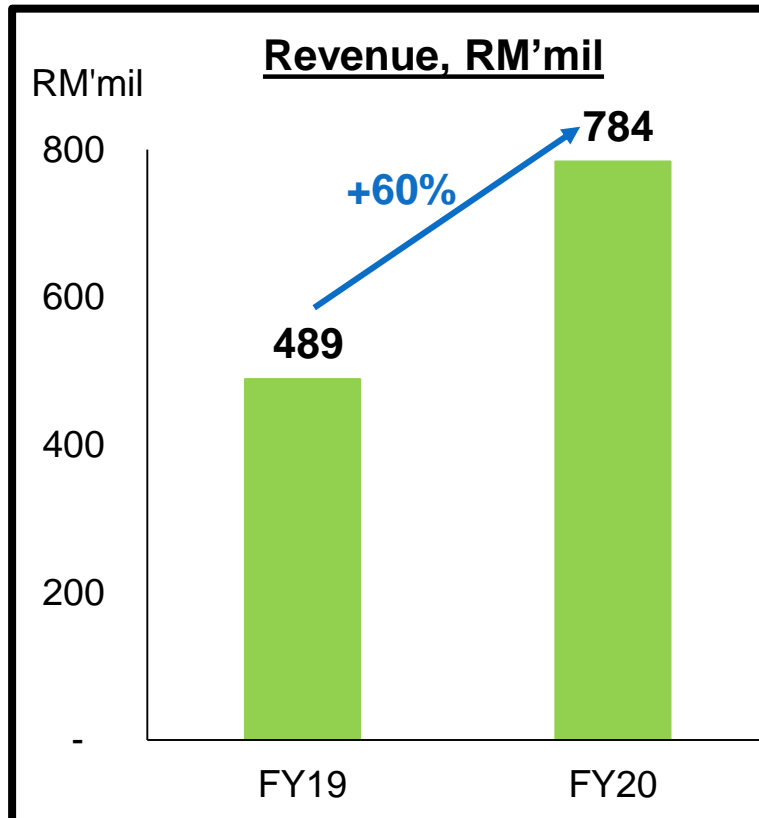
FY19 FY20

Extraordinary strong performance is mainly due to:

- 1) Strong demand for gloves arising from the Covid 19 pandemic, which TG large capacity capitalised on it**
- 2) Production utilisation of above 95% improved the production cost efficiency with lower cost of direct labour, energy and production overheads**
- 3) Improvement in operational efficiency from ongoing upgrading and productivity enhancement**
- 4) Higher ASPs inline with strong market demand**
- 5) Rationalization of product mix to maximise the profit**
- 6) Stable natural rubber and nitrile raw material prices for the past 1 year**
- 7) Significant reduction in interest cost:**
 - a) Fully settled the RM654 mil syndicated loan**
 - b) Conversion of RM710 mil convertible bonds; 98.7% converted currently**

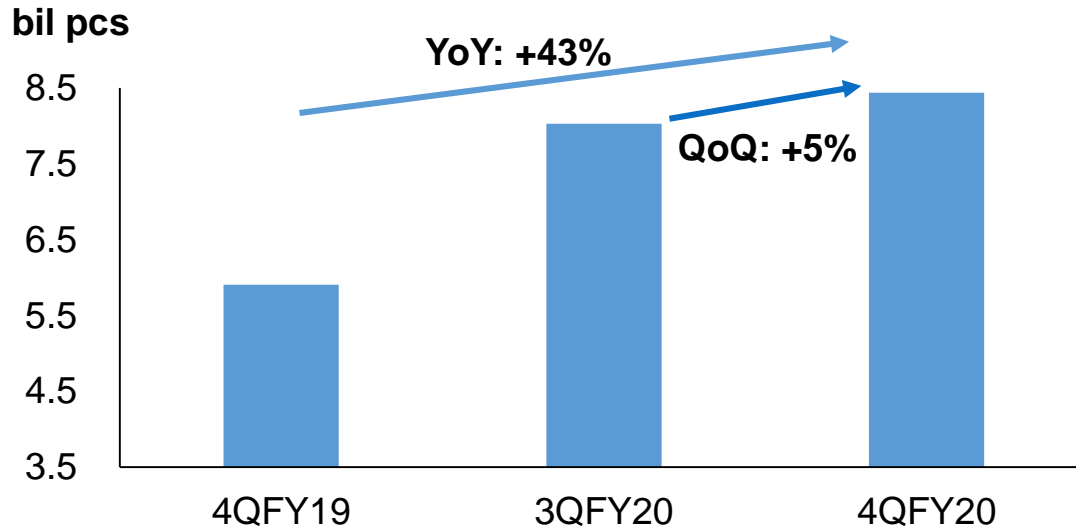
Strong turnaround after 2 years of transformative improvements:

- a) Delivering good results under the astute guidance of the new management team
- b) Improvement in production efficiency from investments in automation and upgrading
- c) Rationalisation of product mix between surgical gloves and exam gloves to maximize profit
- d) Higher utilisation of 80% from 60% in FY19

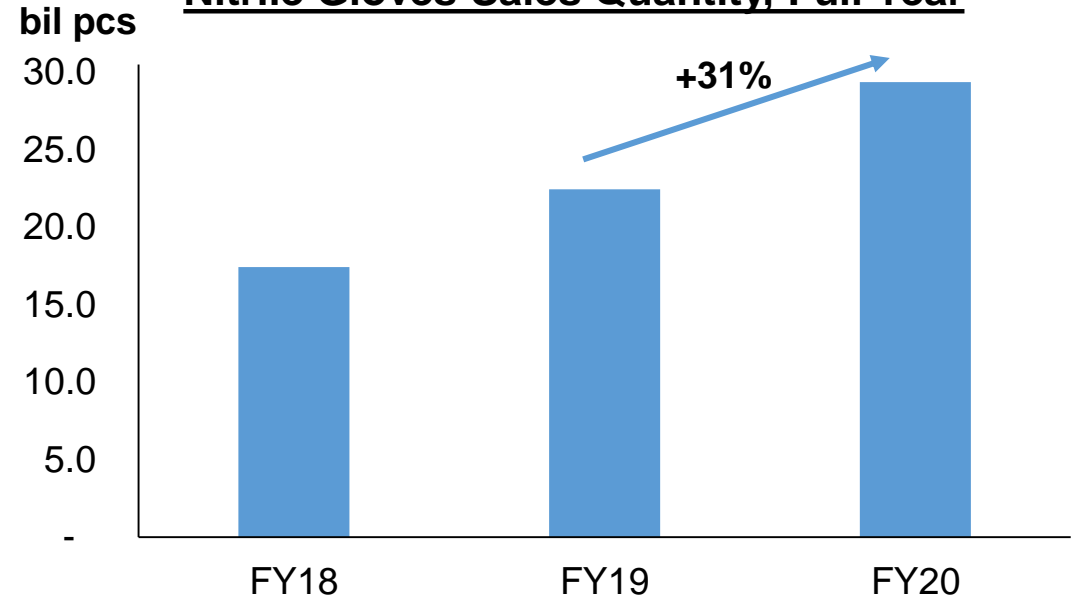


Nitrile Gloves: Jewel in the Crown

Nitrile Gloves Sales Quantity, Quarterly



Nitrile Gloves Sales Quantity, Full Year



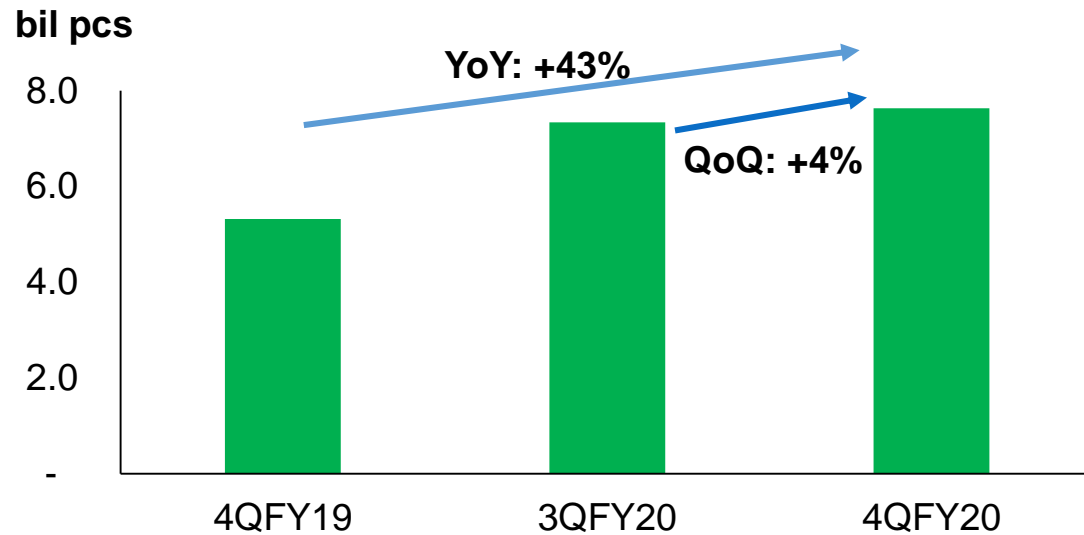
1) Strong performance due to:

- a) Higher utilisation with lower cost per carton.
- b) Improvement in operational efficiency from ongoing machine upgrade and higher production utilisation.
- c) Increase in sales quantity and higher ASP.

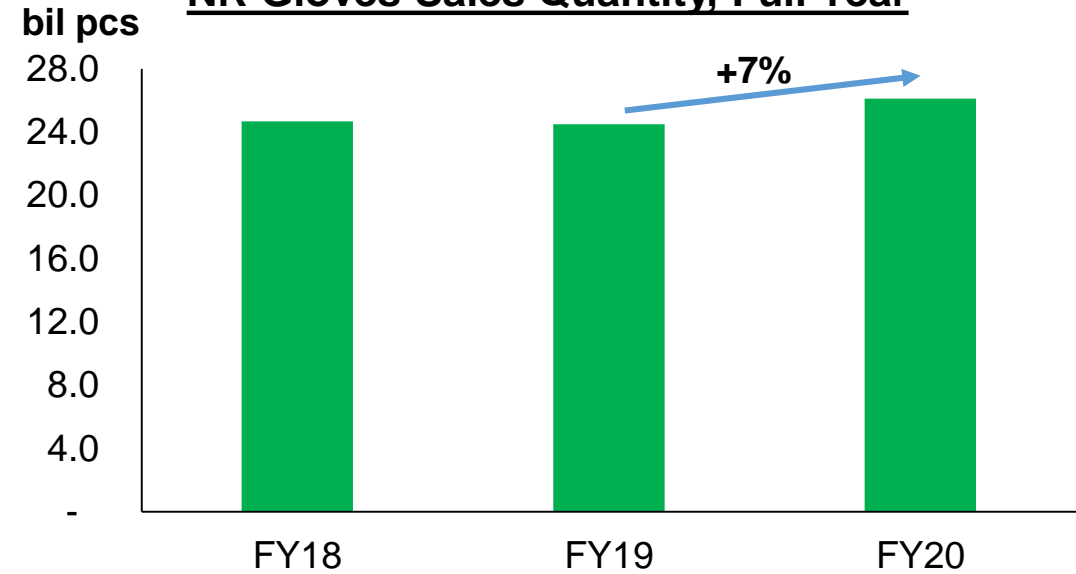
	4QFY20		FY20
	<u>vs 3QFY20</u>	<u>vs 4QFY19</u>	<u>vs FY19</u>
Sales quantity	+5%	+43%	+31%
ASP	+103%	+114%	+31%
NBR Latex price	+4%	-16%	-13%

2) Strong demand with significantly long order lead time to May'22 (20 months).

NR Gloves Sales Quantity, Quarterly



NR Gloves Sales Quantity, Full Year



1) Strong performance due to:

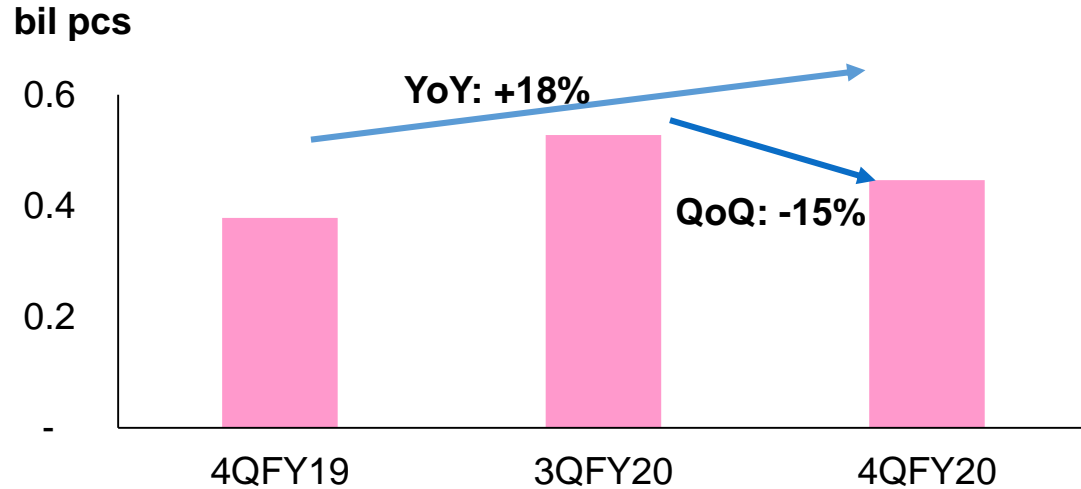
- a) Higher utilisation with lower cost per carton
- b) Improvement in operational efficiency from ongoing improvement
- c) Increase in sales quantity and higher ASP

	4QFY20		FY20
	<u>vs 3QFY20</u>	<u>vs 4QFY19</u>	<u>vs FY19</u>
Sales quantity	+4%	+43%	+7%
ASP	+77%	+81%	+30%
NR Latex price	+4%	-8%	+3%

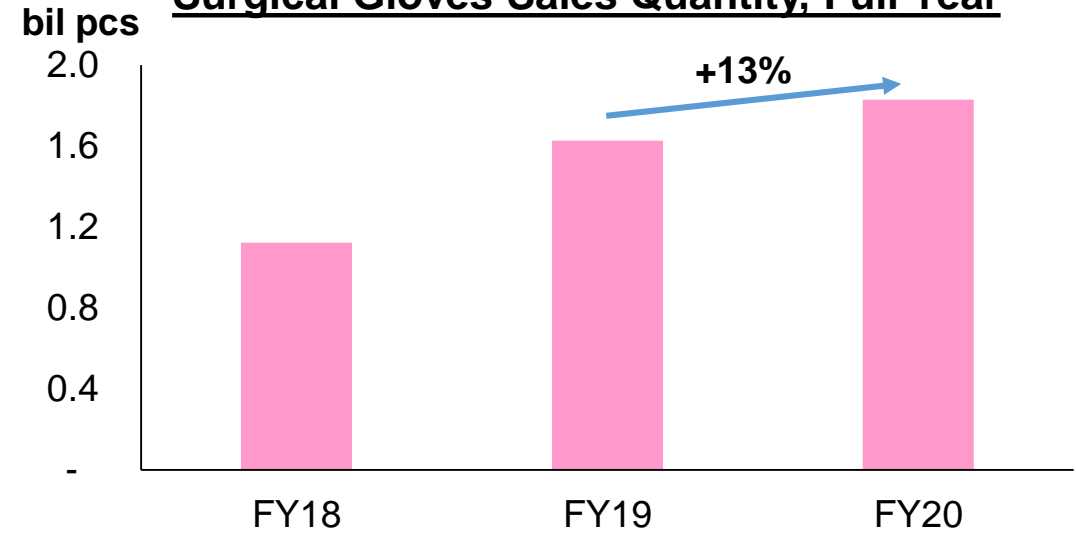
2) Strong demand with exceptional long order lead time to Oct'21 (13 months).

Surgical Gloves

Surgical Gloves Sales Quantity, Quarterly



Surgical Gloves Sales Quantity, Full Year



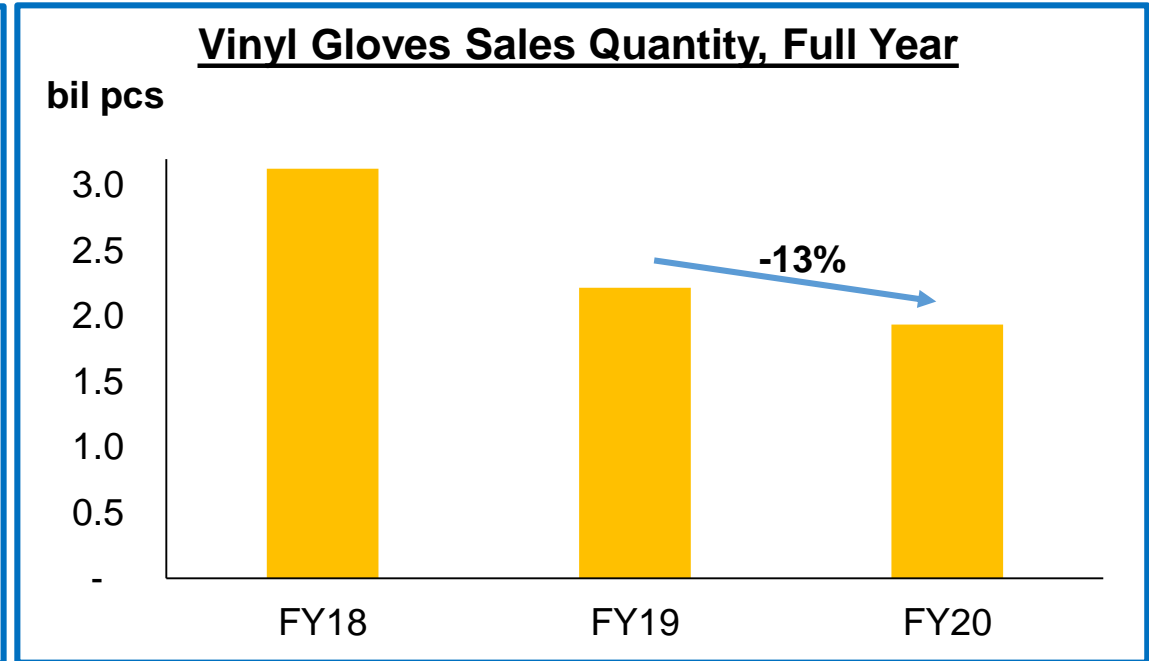
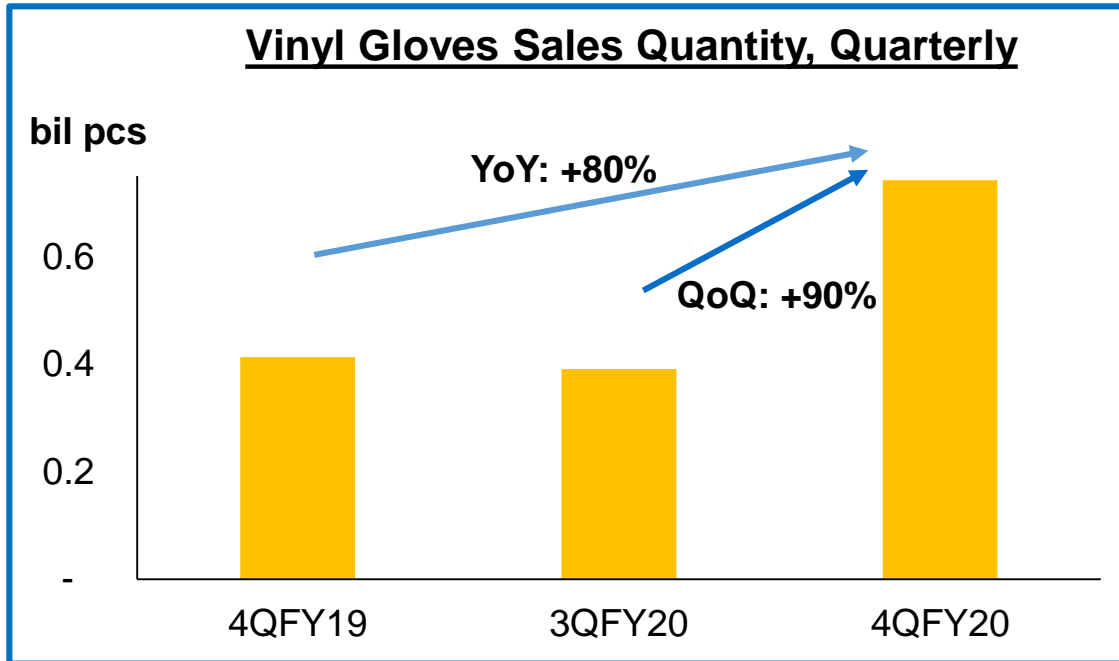
1) Strong performance due to:

- a) Higher utilisation with lower cost per carton
- b) Improvement in operational efficiency from ongoing improvement and higher utilisation
- c) Increase in sales quantity and higher ASP
- d) Lower sales quantity in 4QFY20 due to conversion of some surgical lines to produce exam gloves

	4QFY20		FY20
	<u>vs 3QFY20</u>	<u>vs 4QFY19</u>	<u>vs FY19</u>
Sales quantity	-15%	+18%	+13%
ASP	+33%	+30%	+12%
NR Latex price	+4%	-8%	+3%

2) Strong demand with longer order lead time to Dec'20 (3 months).

Vinyl Gloves: A strong turnaround to profit position



a) Strong recovery due to increase in sales quantity QoQ and higher ASP QoQ and YoY.

	4QFY20		FY20
	<u>vs 3QFY20</u>	<u>vs 4QFY19</u>	<u>vs FY19</u>
Sales quantity	+90%	+80%	-13%
ASP	+64%	+110%	+50%
PVC resin price	-0.6%	+21%	+14%

b) Improved from a loss position in 4QFY19 to profit position with 26% PBT margin as at 4QFY20.

c) Strong demand with longer order lead time to May'21 (8 months).

Sales quantity comparison by region
FY20 vs FY19 comparison & 4Q20 vs 4Q19 comparison (YoY)

FY20 vs FY19

Sales quantity up 16.6% :
a) Developed market up 7.7%
b) Developing market up 25.9%

4Q20 vs 4Q19

Sales quantity up 42.5% :
a) Developed market up 21.8%
b) Developing market up 65.8%

Western Europe
FY20 vs FY19 : **↑ 22.5%**
4Q20 vs 4Q19 : **↑ 73.0%**

Eastern Europe
FY20 vs FY19 : **↑ 29.5%**
4Q20 vs 4Q19 : **↑ 63.7%**

Asia ex Japan
FY20 vs FY19 : **↑ 53.8%**
4Q20 vs 4Q19 : **↑ 110.3%**

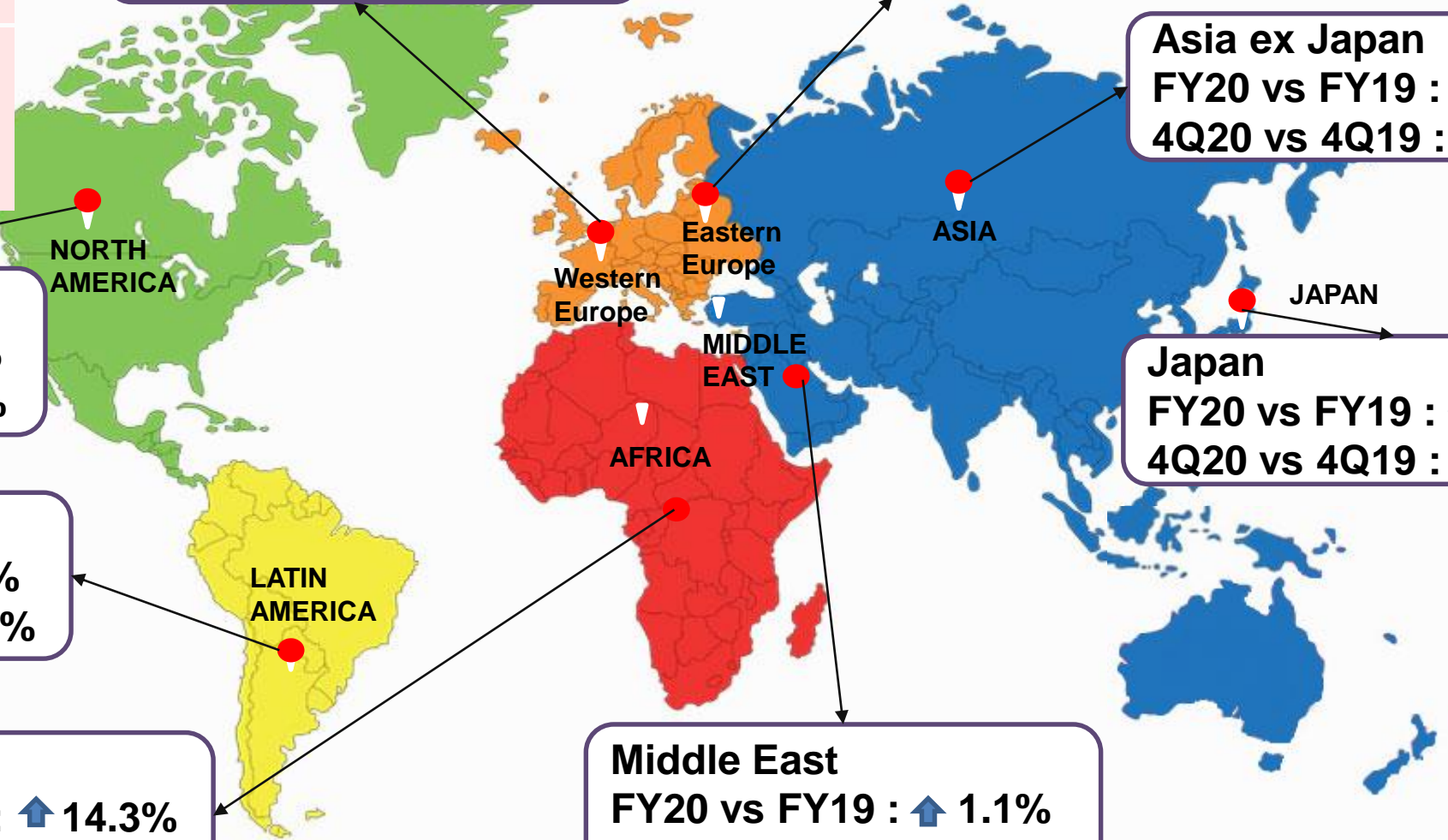
Japan
FY20 vs FY19 : **↑ 29.1%**
4Q20 vs 4Q19 : **↑ 23.4%**

North America
FY20 vs FY19 : **↓ 5.2%**
4Q20 vs 4Q19 : **↓ 6.5%**

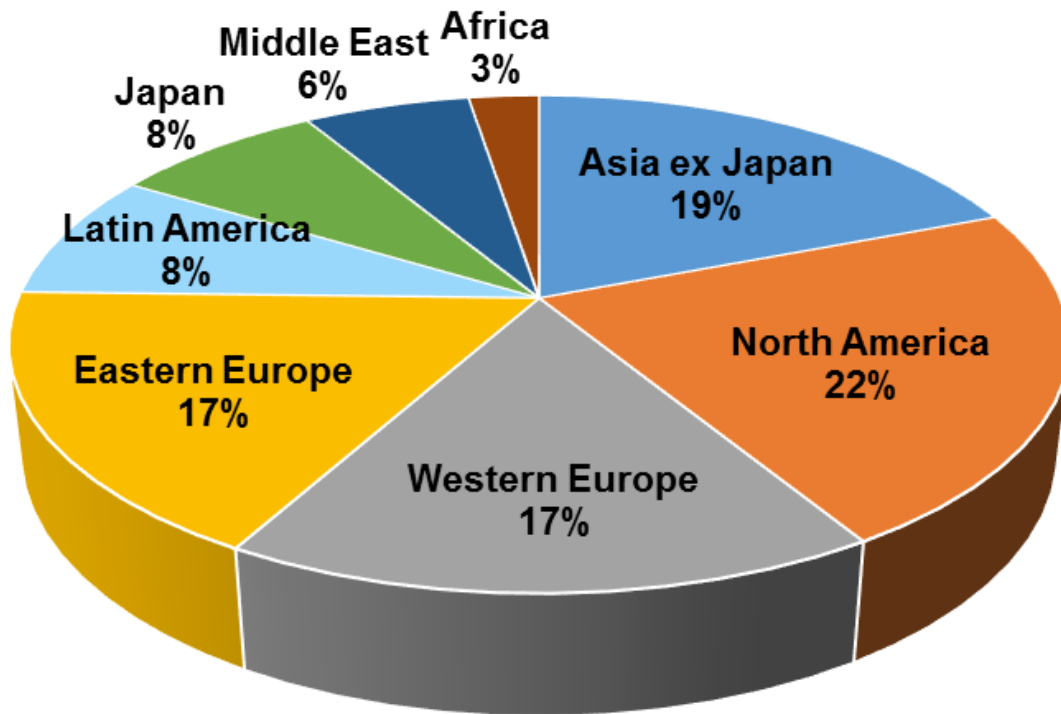
Latin America
FY20 vs FY19 : **↓ 0.6%**
4Q20 vs 4Q19 : **↑ 21.9%**

Africa
FY20 vs FY19 : **↑ 14.3%**
4Q20 vs 4Q19 : **↑ 40.1%**

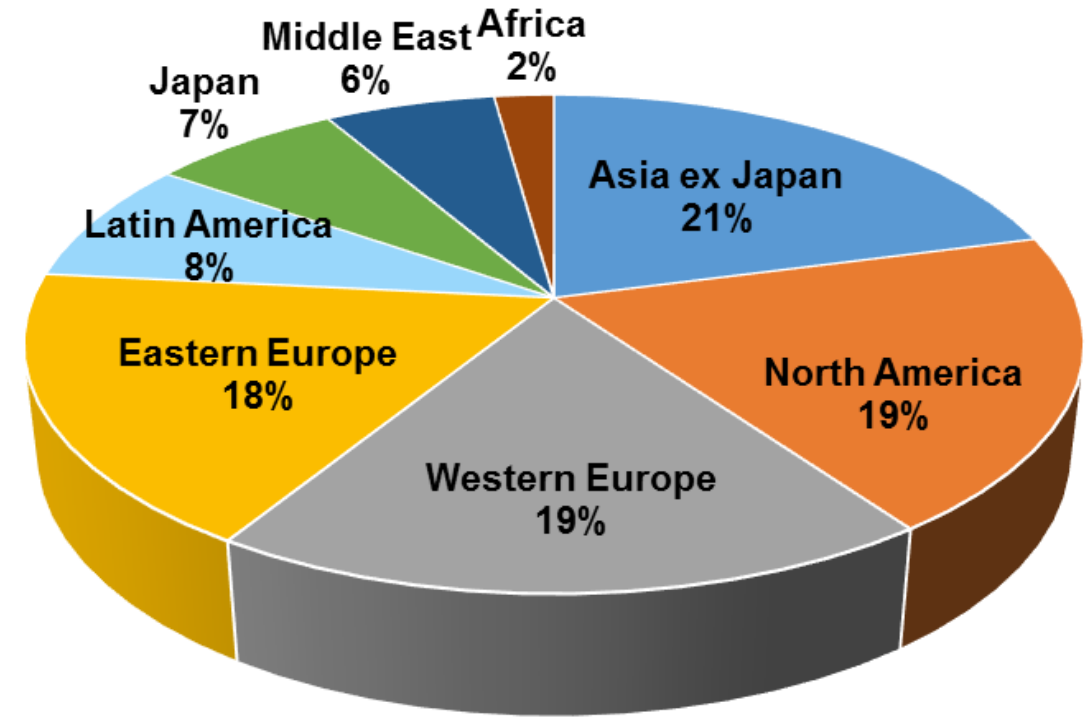
Middle East
FY20 vs FY19 : **↑ 1.1%**
4Q20 vs 4Q19 : **↑ 47.3%**



FY2020 : from 1 Sep'19 to 31 Aug'20



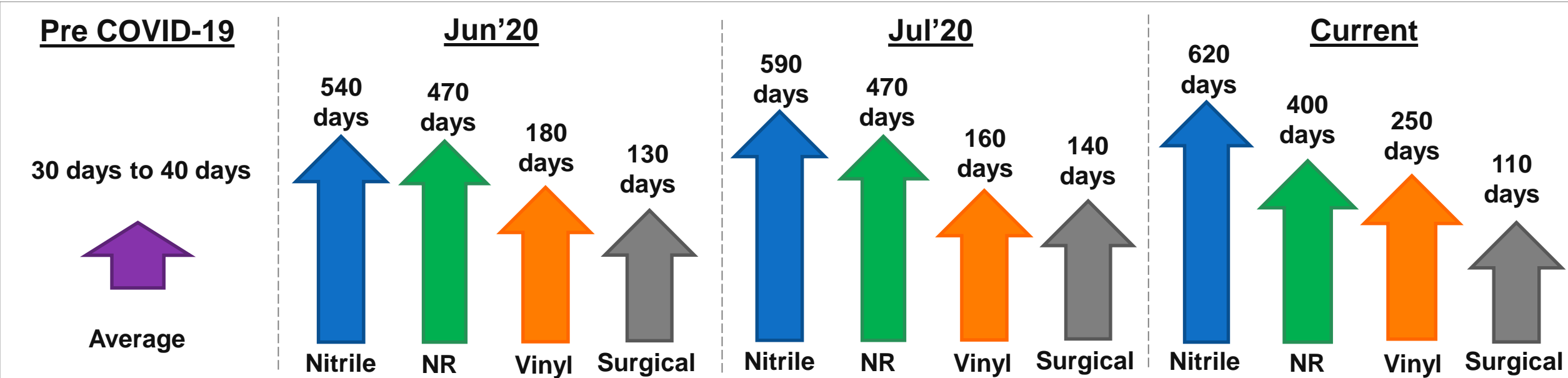
4QFY20 : from 1 Jun'20 to 31 Aug'20



Strong sales order book arising from COVID-19 pandemic

- 1) Gloves demand continue to be robust.
- 2) Monthly increasing trend for ASP following strong demand, as well as higher raw material and operating costs.
- 3) 30% of production capacity allocated for spot orders.
- 4) Post Covid19 with vaccine available, we expect gloves usage to be stronger than pre Covid19 era due to increase in healthcare and hygiene awareness.

Lead Time



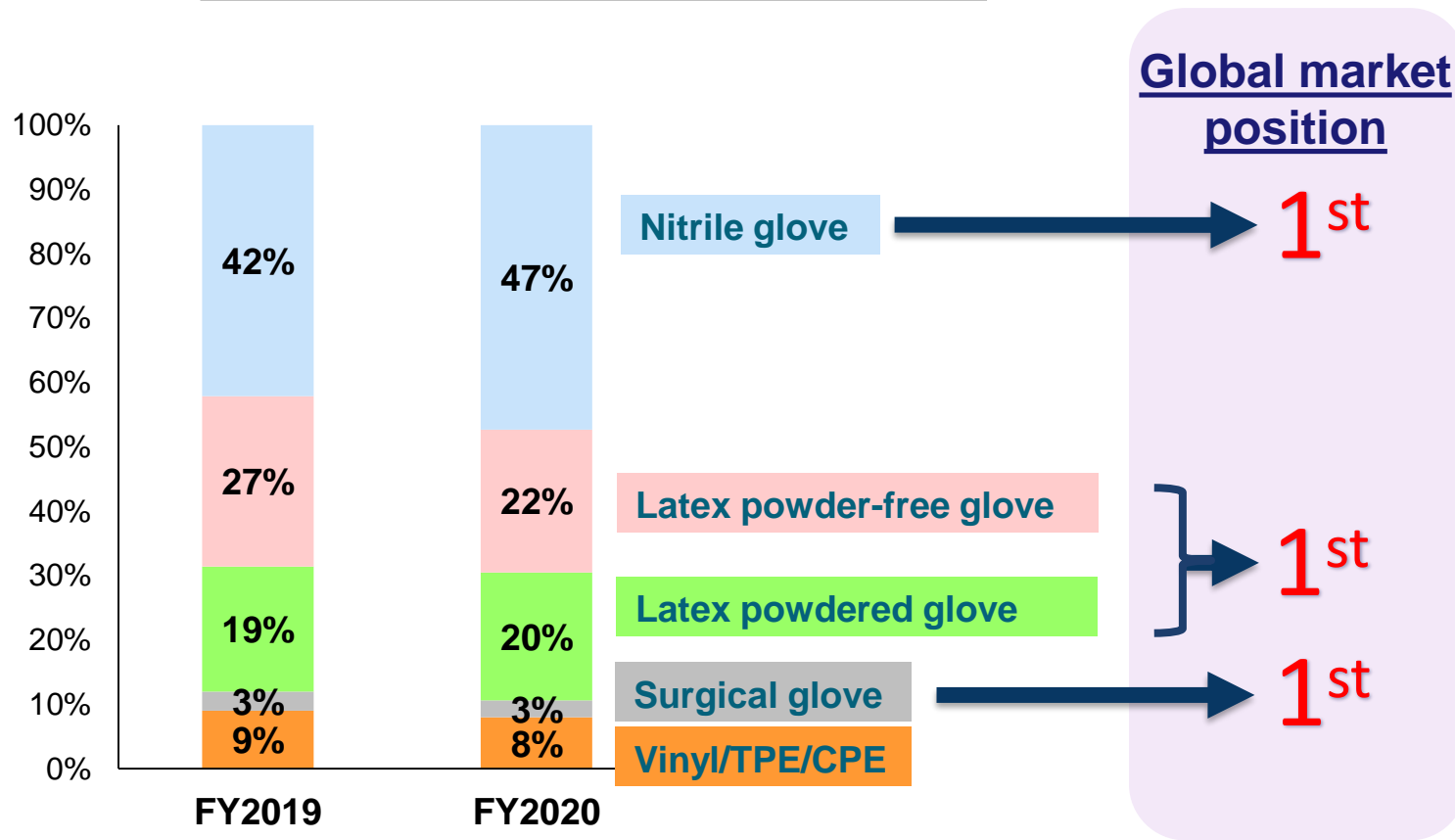
Lead time increase significantly



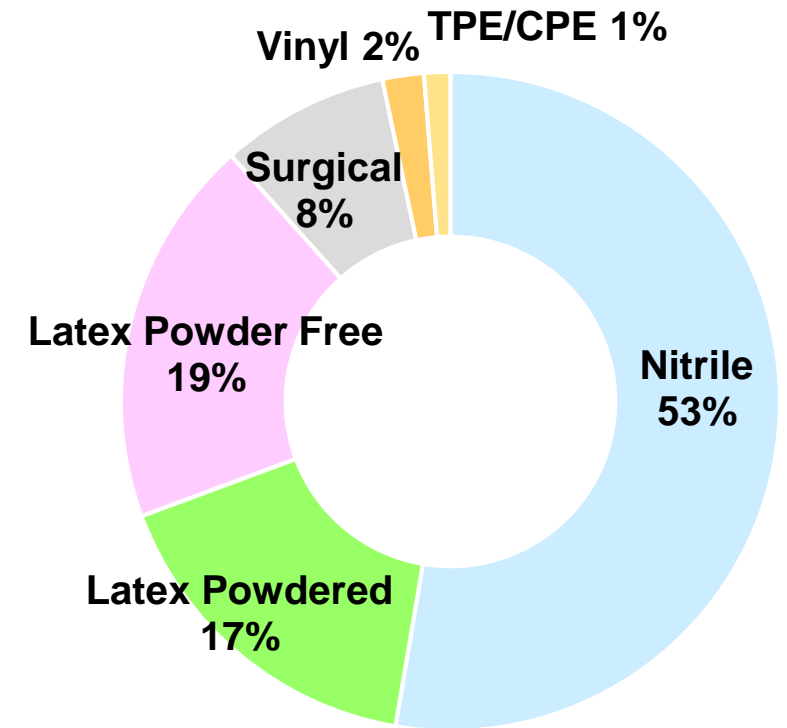
- a) Top Glove has been actively engaging with the U.S. CBP towards resolving the Withhold Release Order expeditiously.
- b) The total remediation payment estimates at RM53 million, subject to finalisation with the U.S. CBP.
- c) We have made 2 remediation payment, each at RM4.4million on 10/8/2020 and 10/9/2020.
- d) Independent audit conducted, which entailed virtual interviews of about 1,100 workers.
- e) Independent audit report submitted to U.S. CBP on 4/9/2020.

There is no impact on the Group Revenue and Profit due to the strong demand and long lead time from other countries.

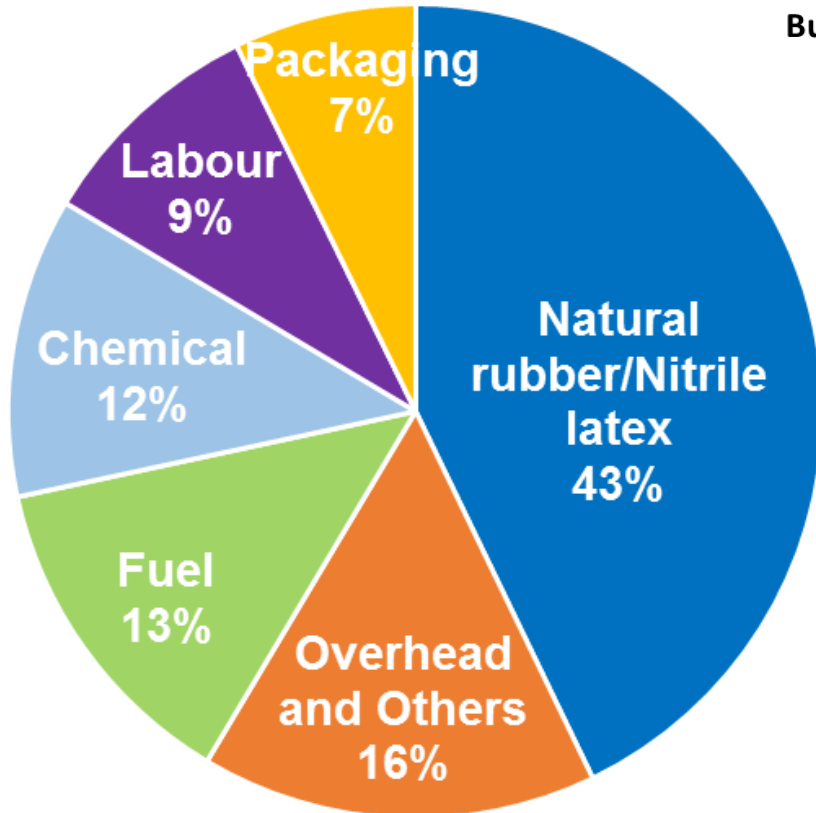
Product mix by volume for FY2019 and FY2020



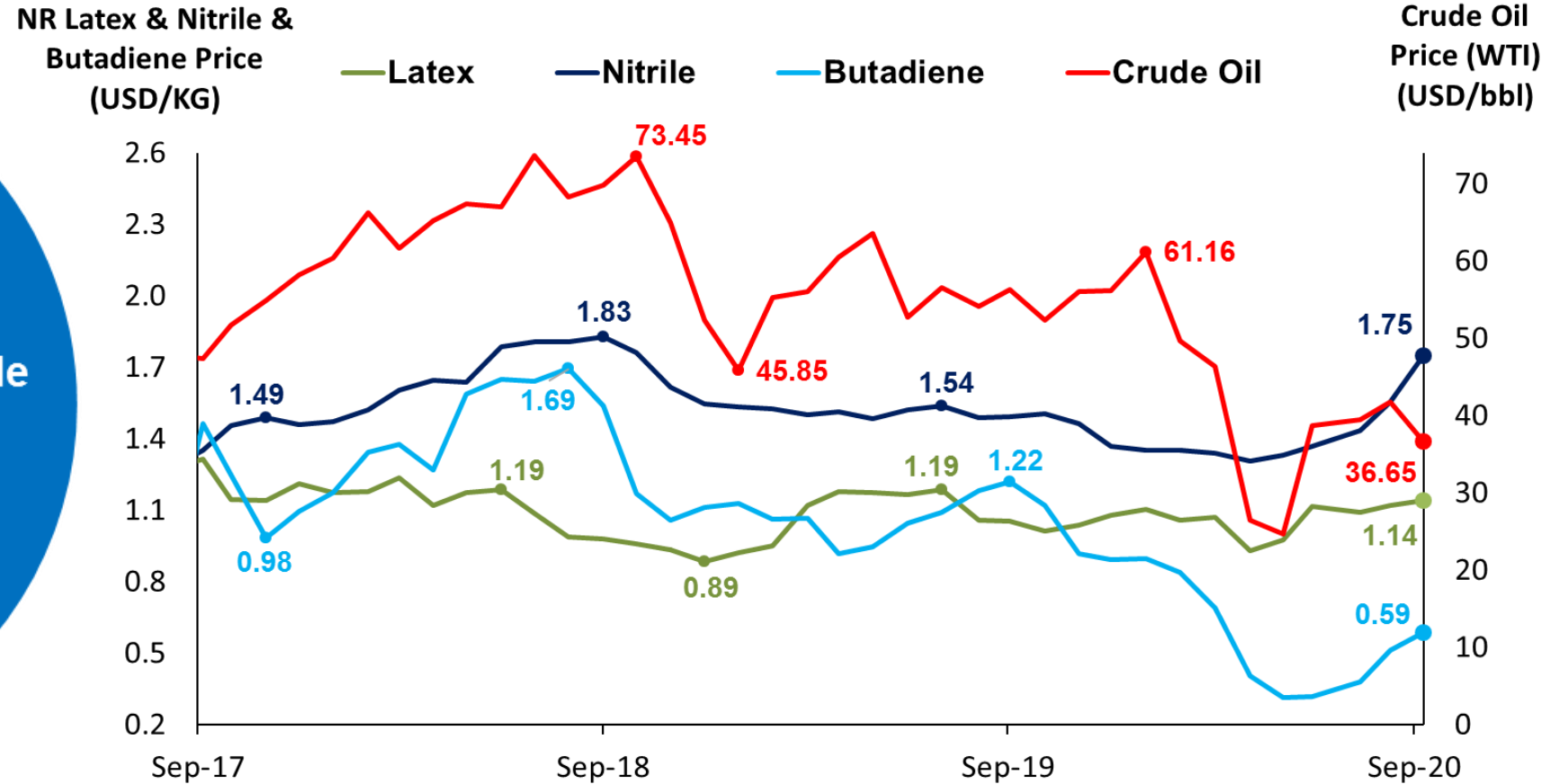
Product mix by revenue for FY2020



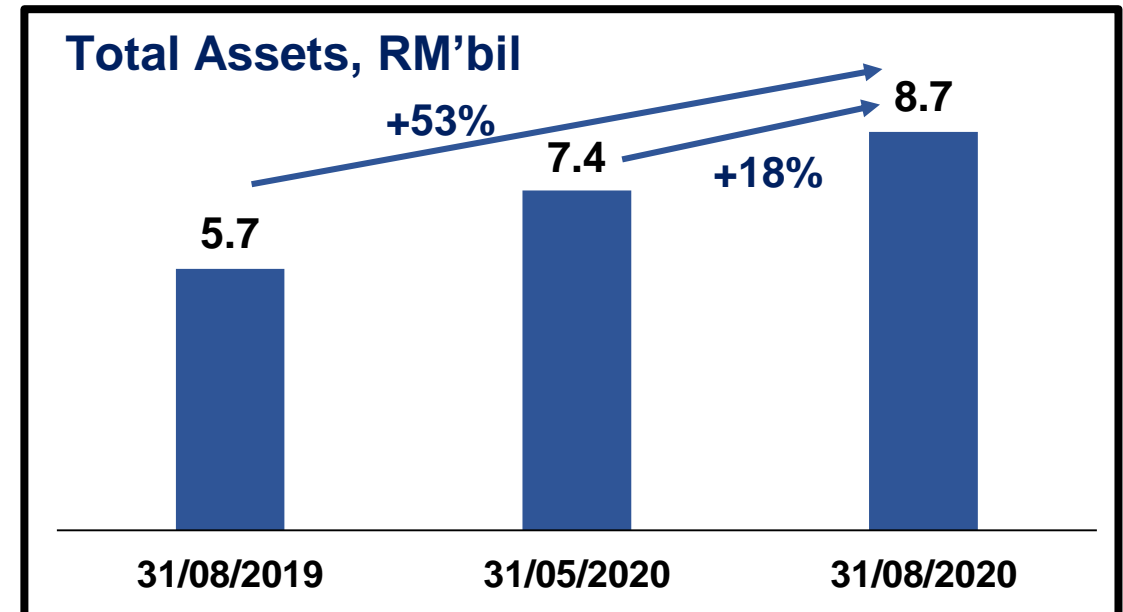
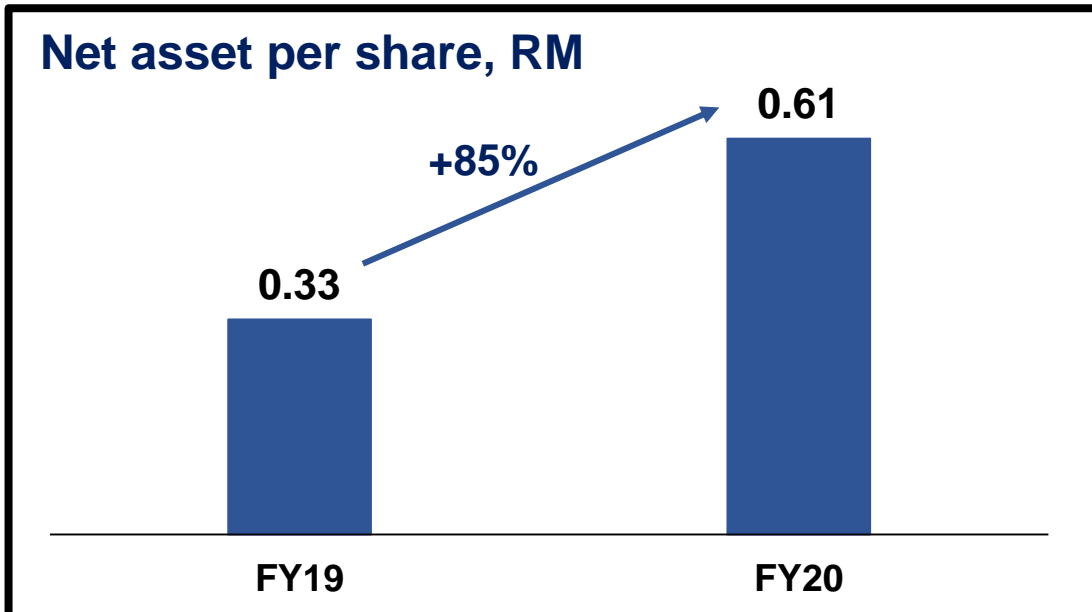
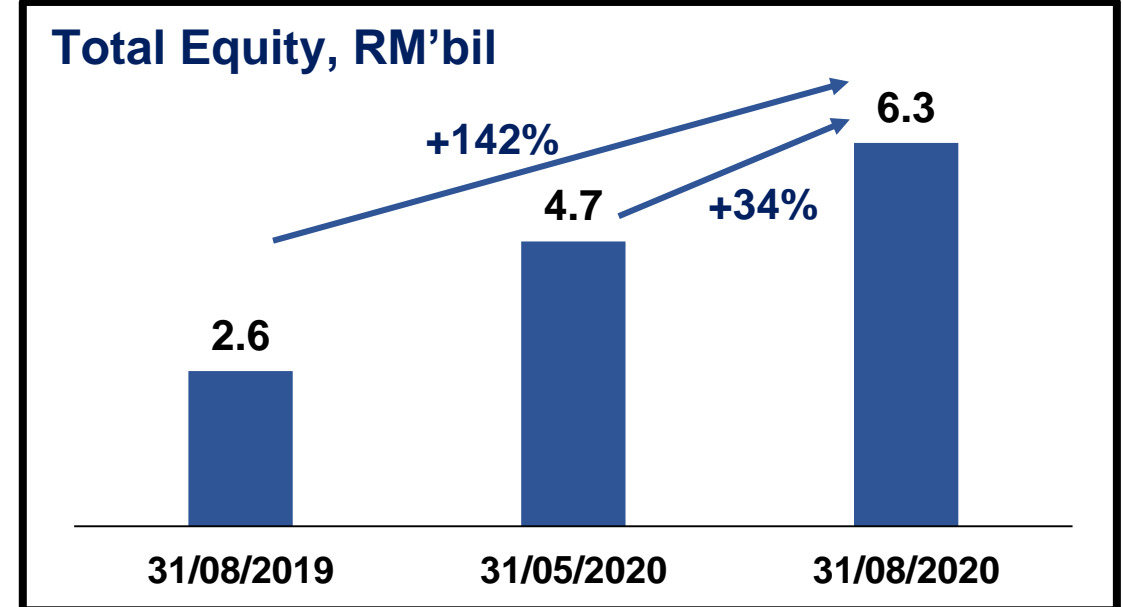
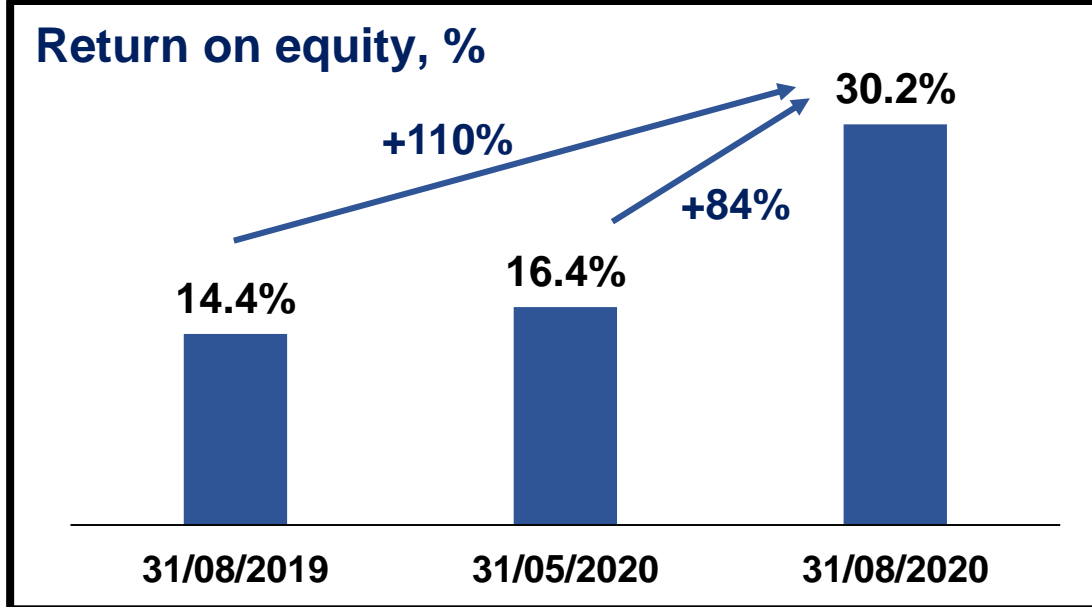
4QFY20 Cost Breakdown



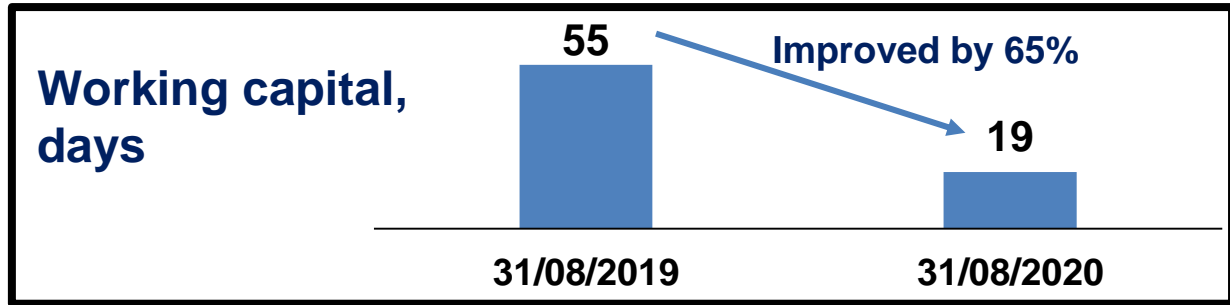
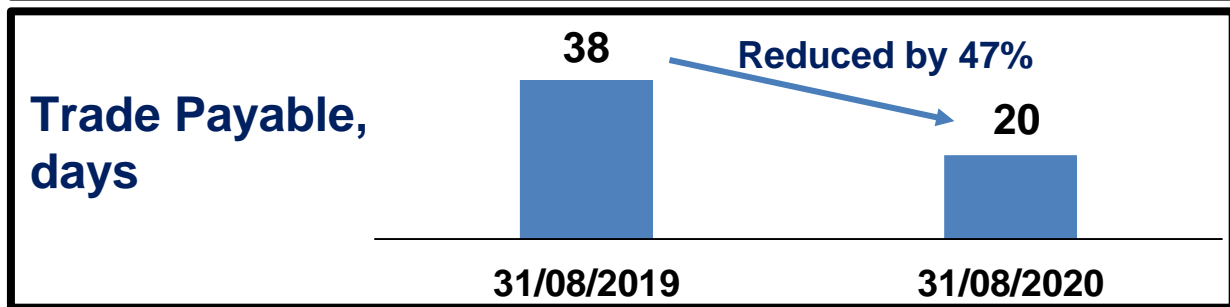
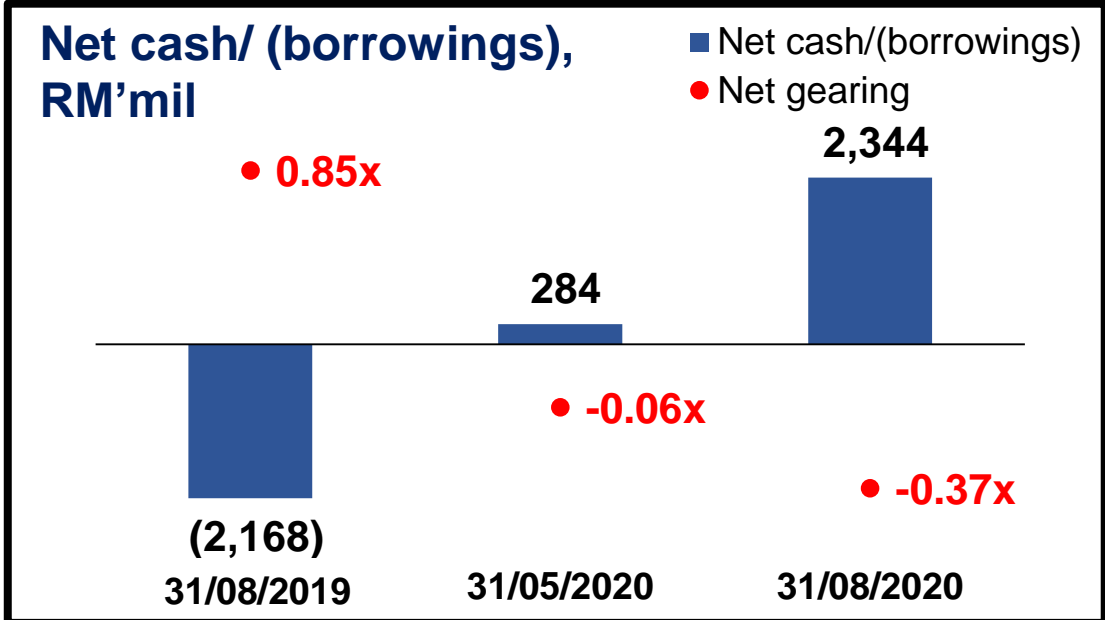
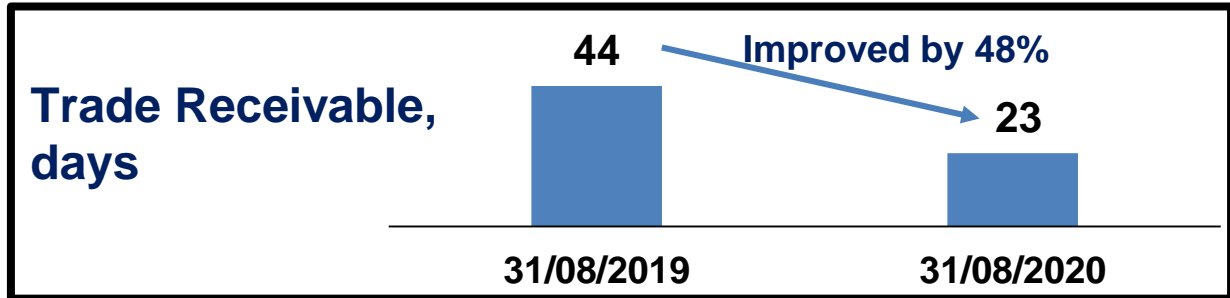
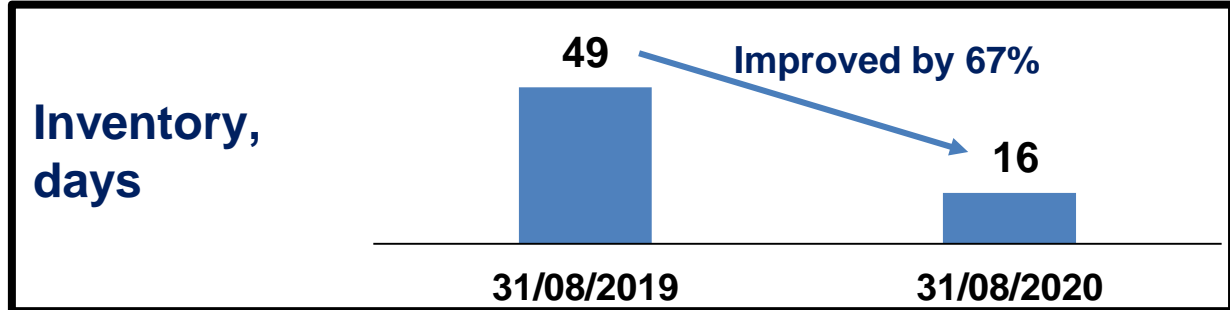
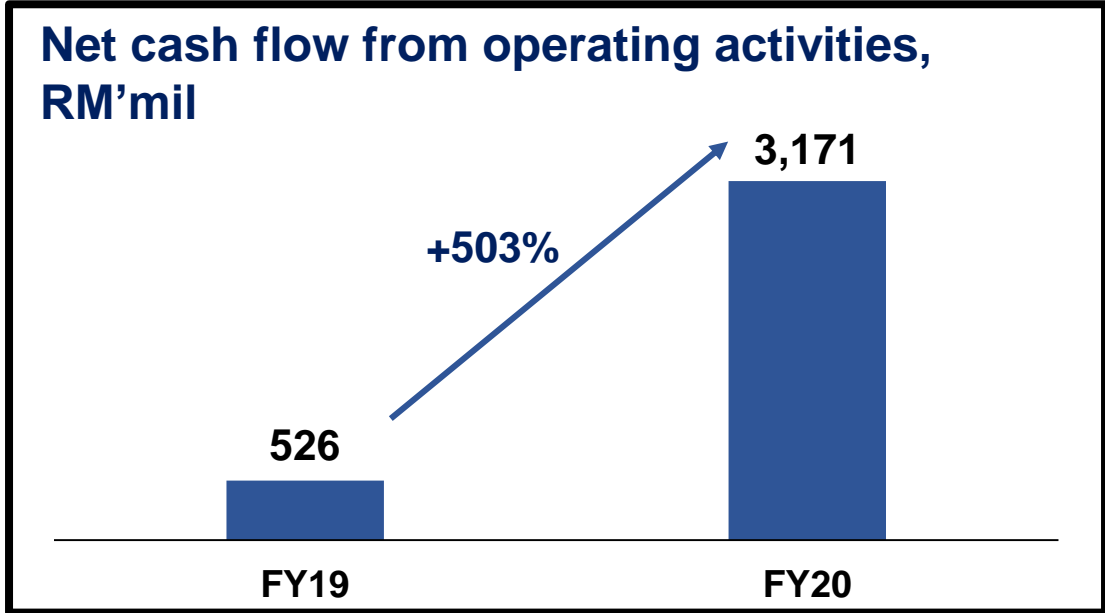
Raw Material Price Trend



- a) Expecting Nitrile latex price increase due to constraint in supply.
- b) Natural Rubber price remain stable.



Strong Cash Position for Capex and Strategic Expansion



Steady Growth Since Listing in 2001

Revenue CAGR

Over 20 years since listing in 2001 :

23.1%

PAT CAGR

Over 20 years since listing in 2001 :

28.6%

Average PAT margin

Over 20 years since listing in 2001 :

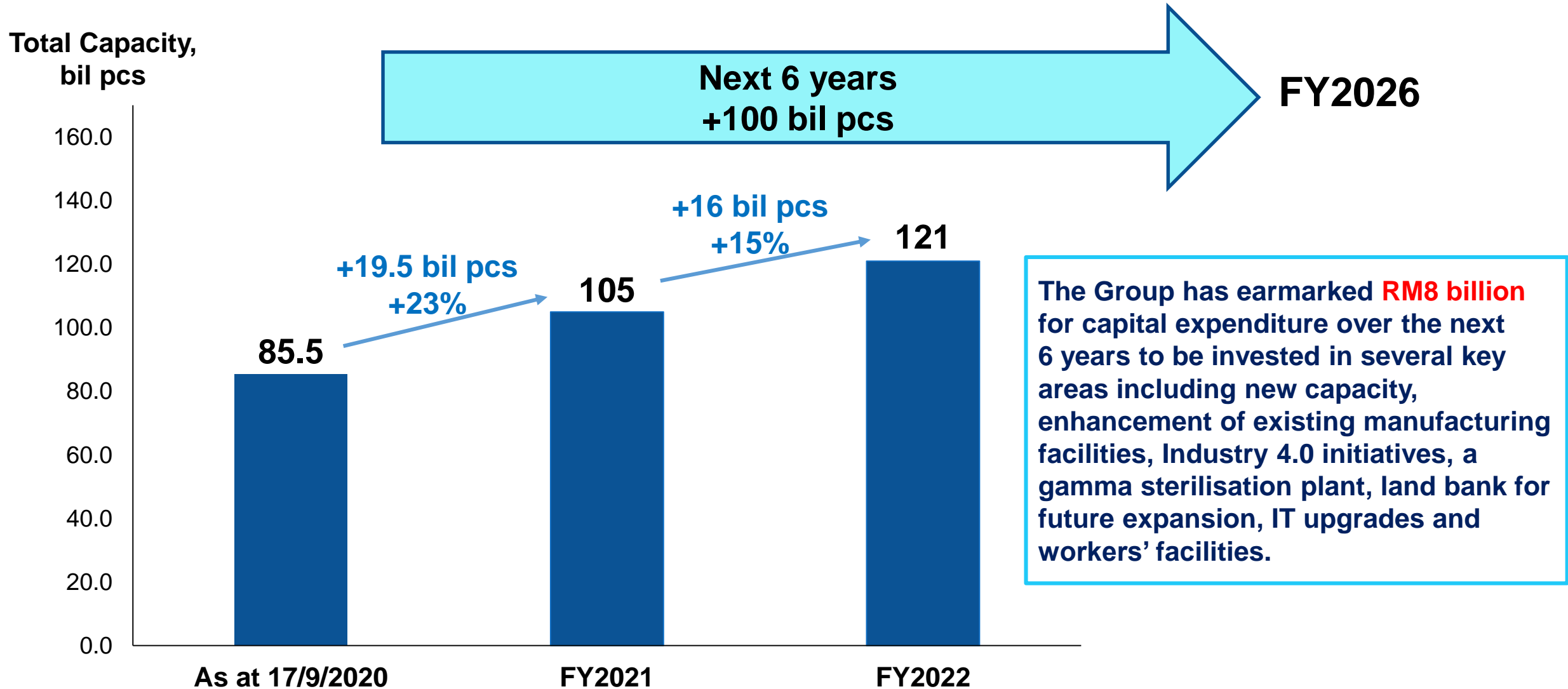
12.2%

For FY ended 31 August

in RM'mil	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	1,529.1	2,079.4	2,053.9	2,314.5	2,313.2	2,275.4	2,510.5	2,888.5	3,409.2	4,220.7	4,801.1	7,236.3
EBITDA	287.5	364.7	196.7	297.7	310.6	301.8	441.7	524.7	489.3	694.0	687.5	2,547.1
EBITDA margin	18.8%	17.5%	9.6%	12.9%	13.4%	13.3%	17.6%	18.2%	14.4%	16.4%	14.3%	35.2%
PBT	222.0	305.0	145.5	240.7	242.2	216.3	363.5	442.2	393.4	522.8	423.6	2,301.4
PBT margin	14.5%	14.7%	7.1%	10.4%	10.5%	9.5%	14.5%	15.3%	11.5%	12.4%	8.8%	31.8%
Taxation	53.9	54.6	30.3	33.4	39.4	32.7	82.3	79.8	54.5	89.6	56.1	397.6
PAT	168.1	250.4	115.1	207.3	202.8	183.6	281.2	362.4	338.9	433.2	367.5	1,903.8
PAT margin	11.0%	12.0%	5.6%	9.0%	8.8%	8.1%	11.2%	12.5%	9.9%	10.3%	7.7%	26.3%
ROE, %	20.5%	22.4 %	10.0%	16.2%	14.9%	13.1%	17.4%	19.9%	16.3%	18.1%	14.4%	30.2%
EPS, RM**	0.07	0.10	0.05	0.09	0.08	0.08	0.12	0.15	0.14	0.17	0.14	0.23

*Annualized **Adjusted for bonus issue

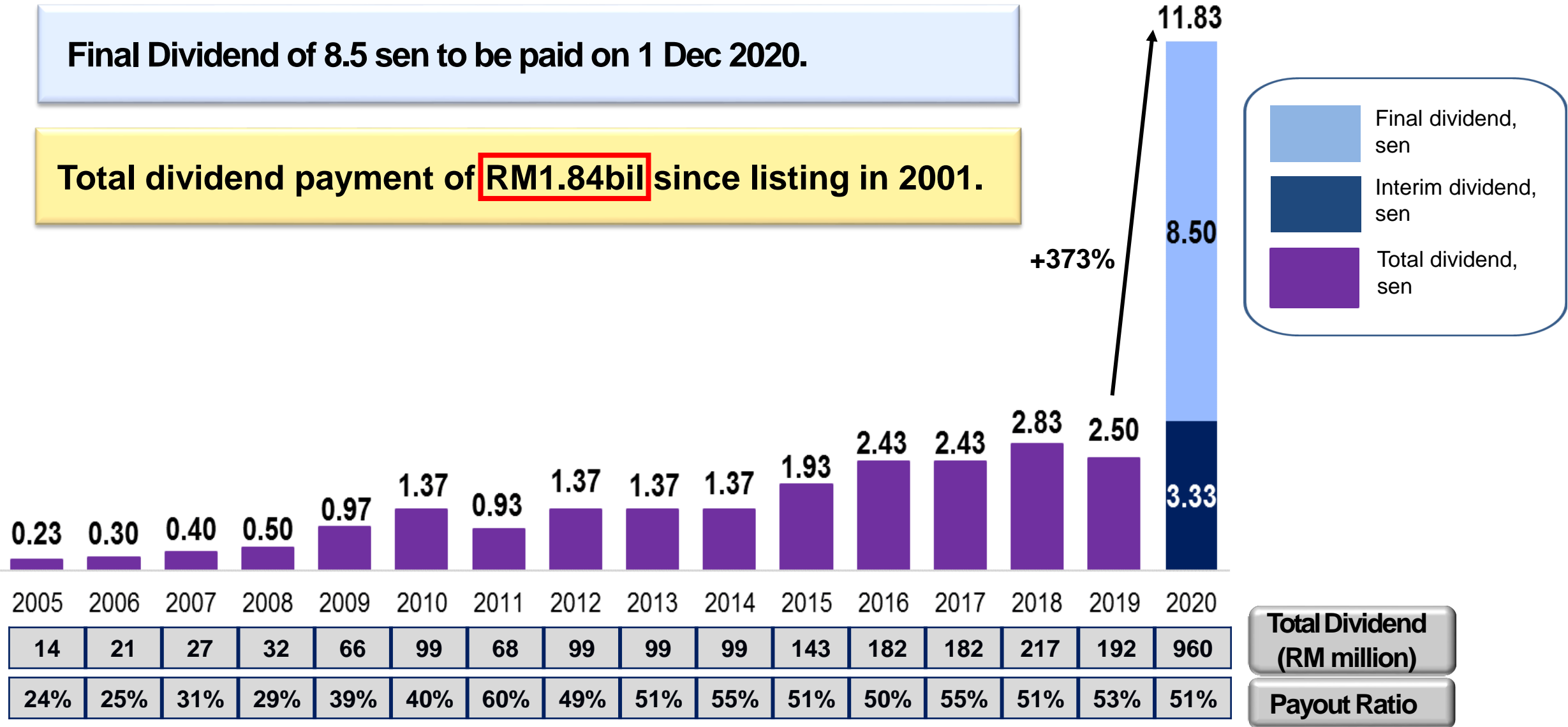
RM 8 billion Capex for the next 6 years



Higher DPS at 11.83 sen and Payout Ratio at 51%

Final Dividend of 8.5 sen to be paid on 1 Dec 2020.

Total dividend payment of **RM1.84bil** since listing in 2001.



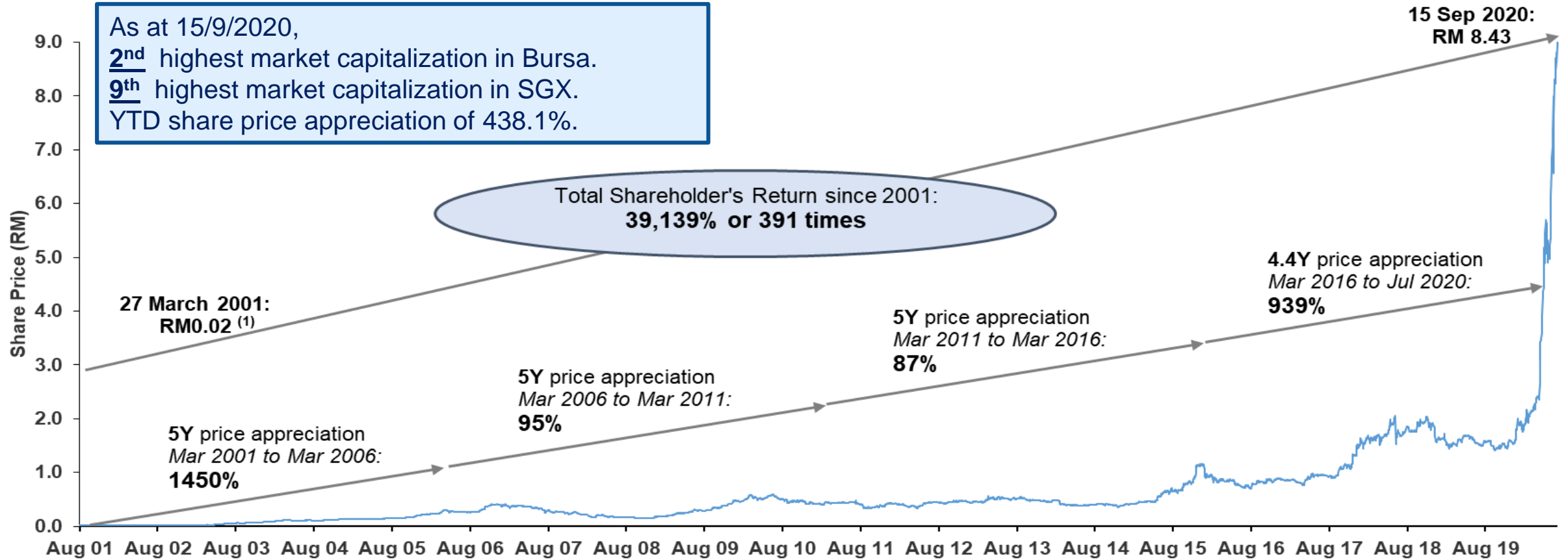
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
14	21	27	32	66	99	68	99	99	99	143	182	182	217	192	960
24%	25%	31%	29%	39%	40%	60%	49%	51%	55%	51%	50%	55%	51%	53%	51%

Total Dividend (RM million)
Payout Ratio

Note: Dividend per share has been adjusted with the bonus issues

Track Record of Delivering Shareholder Value

Total Shareholders Return of 39,139% over 20 years since listing in year 2001



Aug 01 Aug 02 Aug 03 Aug 04 Aug 05 Aug 06 Aug 07 Aug 08 Aug 09 Aug 10 Aug 11 Aug 12 Aug 13 Aug 14 Aug 15 Aug 16 Aug 17 Aug 18 Aug 19

With initial investment of 1,000 shares made based on IPO price of RM2.70 on 27 March 2001, the return would be:

Number of shares held ⁽¹⁾	Market value (as at 15 Sep 2020)	Accumulated Dividends	Investment cost (as at 27 March 2001)	Capital appreciation ⁽²⁾	Total shareholder return
#	RM	RM	RM	RM	%
122,304	1,031,023	28,437	(2,700)	1,056,760	39,139%

Source: Bloomberg as of 15 Sep 2020

Notes:

(1) 1,000 shares at IPO, adjusted for bonus issue and share split since IPO

(2) Calculated based on adding market value and accumulated dividends and subtracting the investment cost

Our social compliance practices are in adherence to BSCI and SMETA standards



Remediation payment to foreign workers who joined prior to the implementation of Zero Cost Recruitment Policy in January 2019



Verified **compliance of working hours & rest day** by external auditors and government authorities



Decent accommodation in compliance with the requirements of Malaysian laws & regulations



Zero Harm & Safety Health Emergency Preparedness Programme & newly launched security Apps, TG ResQ



Workers are **paid in a timely manner** and their **wages are in accordance with Malaysian labour law**



Full custody of passports under Passport Safekeeping Policy



Due diligence conducted on recruitment agents under Top Glove's Recruitment System



Grievance mechanism & Whistleblowing Policy in place with various reporting channels. External case receiver appointed for secure & efficient case management.



Town hall sessions with recruitment agents and other suppliers & achieved 824 **human rights & social compliance training** hours in FY2020

New accommodation



Spacing in compliance with regulatory requirement



Cooking facilities



Bedroom



Worker' personal locker



Washroom



Facilities & Amenities at Worker's Hostels

Recreational facilities



ATM



Mini market



Laundrymat



Hair salon



Canteen

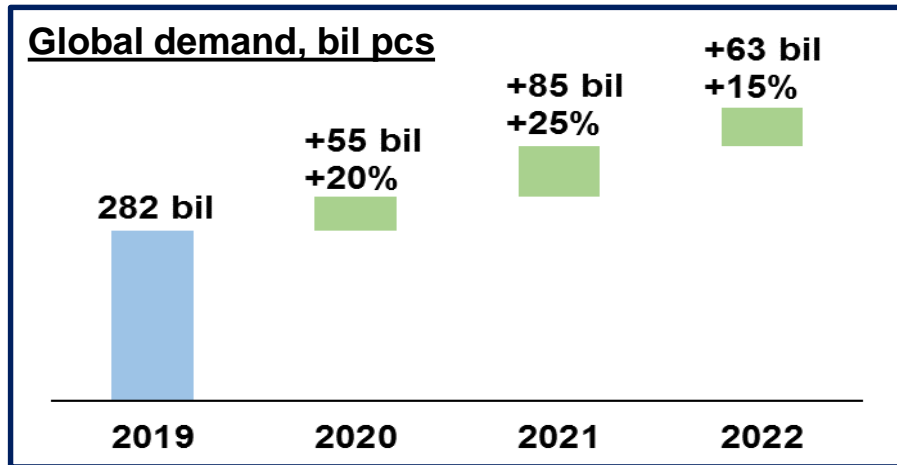


Dining area at canteen



NEW PEAKS AHEAD

- 1) Surge in global demand will continue for next 2 years
- Estimated strong growth in annual global demand.



- Surge in global demand of 200bil pcs from 2020 to 2022 will outstrip the estimated new supply from major manufacturers in Malaysia, Thailand and China.
- New entrants will take up to 2 years to start production, and not competitive due to small scale and unable to access to raw material.
- Vaccine will take years to be available for everyone globally.
- Post pandemic growth will be higher than pre pandemic due to heightened awareness in medical and non medical sector.

- 2) ASP will continue to rise
 - Lead time increasing every month.
 - Nitrile raw material supply constraint.
- 3) Spot order
 - Allocated 30% of capacity.
 - Nitrile glove spot order fully sold for next 3 months.
 - Increasing spot order demand for Natural Rubber Powder Free gloves due to long lead time of Nitrile gloves.
- 4) Minimal interest expense and increase in interest income.



Ready, 1 2 3

➔ TOP GLOVE 

➔ Top Safety 



➔ Top Safety 



➔ Top Safety 



Claps, 2x 3x 2x

➔ IMPROVE! IMPROVE! IMPROVE! 

TOP GLOVE

TOP QUALITY, TOP EFFICIENCY

*Thank you.
Have a good day.*

