

COMPANY RESULTS

Riverstone Holdings (RSTON SP)

3Q24: Results In Line; Healthy Outlook Ahead With Capacity Expansion

Riverstone's 3Q24 net profit (flat qoq, +22% yoy) was in line. Higher ASPs and sales volumes were recorded for both cleanroom and healthcare gloves, leading to a 21% qoq top-line growth. 4Q24 volume outlook is healthy, in anticipation of further demand recovery in the electronics sector and greater demand from the US due to the upcoming trade tariffs on China-made gloves. New capacities are expected to contribute from 1Q25. Maintain BUY with an unchanged target price of S\$1.16.

3Q24/9M24 RESULTS

Year to 31 Dec (RMm)	3Q24	qoq% chg	yoy % chg	9M24	yoy % chg
Revenue	298.4	+20.9	+33.9	794.8	+16.0
Gross profit	103.6	+4.4	+33.2	300.3	+46.8
Gross profit margin (%)	34.7	(5.5ppt)	(0.2ppt)	37.8	+7.9ppt
Profit before tax	90.4	(1.7)	+23.0	274.1	+40.7
Net profit	72.2	(0.4)	+21.8	216.9	+41.9
Net profit margin (%)	24.2	(5.2ppt)	(2.4ppt)	27.3	+5ppt

Source: Riverstone Holdings, Bloomberg, UOB Kay Hian

RESULTS

- 3Q24 results in line.** Riverstone Holdings (Riverstone) reported a net profit of RM72m for 3Q24 (flat qoq, +22% yoy), in line with expectations. 9M24 net profit formed 75%/73% of our/consensus full-year forecasts respectively. 3Q24 revenue rose 21% qoq to RM298m, due to increased sales volume and higher ASPs. The cleanroom segment saw a c.10% qoq increase in volume due to higher demand from the electronics and pharmaceutical sectors, while healthcare gloves sales volume rose c.30% qoq as demand from the US rose due to upcoming tariffs on China-made gloves.
- Margins compressed on higher input costs and forex loss.** Raw material costs rose about 6% qoq in 3Q24, leading to a lower blended gross profit margin of 34.7% (-5.5ppt qoq, flat yoy). Operating margin fell 7ppt qoq and 2.7ppt yoy to 30.3%, due to forex losses from a strengthening ringgit against the US dollar.
- Third interim dividend supported by strong cash position.** Riverstone declared a third interim dividend of 4.0 sen, translating into a payout ratio of 82%. Backed by its healthy 9M24 cash balance of RM790m (about 18% of market cap) and strong operating cash flow of RM266m (vs 9M23: RM204m), we expect 2024-26 payout ratio to exceed 100% to reward shareholders (2023: 151%; 2022: 116%).

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	1,260	915	1,086	1,195	1,231
EBITDA	480	340	445	459	473
Operating profit	417	279	381	397	412
Net profit (rep./act.)	314	220	288	300	311
Net profit (adj.)	314	220	288	300	311
EPS (sen)	21.2	14.8	19.4	20.2	21.0
PE (x)	14.1	20.1	15.4	14.8	14.2
P/B (x)	2.4	2.6	2.7	2.8	2.9
EV/EBITDA (x)	7.4	10.5	8.0	7.7	7.5
Dividend yield (%)	11.4	7.5	8.0	8.7	9.4
Net margin (%)	25.0	24.1	26.5	25.1	25.3
Net debt/(cash) to equity (%)	(57.5)	(52.1)	(53.4)	(54.5)	(55.2)
Interest cover (x)	20,865.5	9,994.5	8,908.9	n.a.	9,450.2
ROE (%)	15.0	12.5	17.4	18.7	20.2
Consensus net profit	-	-	295	311	330
UOBKH/Consensus (x)	-	-	0.97	0.97	0.94

Source: Riverstone, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.90
Target Price	S\$1.16
Upside	+28.9%

COMPANY DESCRIPTION

Riverstone Holdings produces, sells and distributes cleanroom products for use in highly-controlled and critical environments. Products include nitrite and natural rubber gloves, cleanroom packaging materials and finger cots, as well as face masks, face pouches, hoods, caps, jumpsuits and swabs.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	RSTON SP
Shares issued (m):	1,482.2
Market cap (S\$m):	1,334.0
Market cap (US\$m):	997.3
3-mth avg daily t'over (US\$m):	1.6

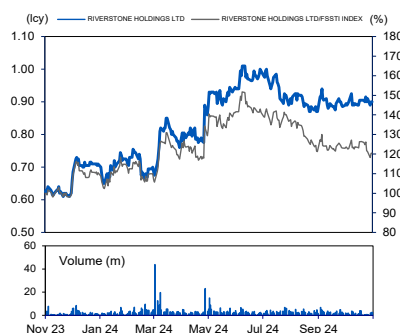
Price Performance (%)

52-week high/low	S\$1.03/S\$0.595			
1mth	3mth	6mth	1yr	YTD
1.7	1.1	1.1	40.6	27.7

Major Shareholders

	%
Wong Teek Son	51.3
Lee Wai Keong	8.8
FY24 NAV/Share (RM)	1.10
FY24 Net Cash/Share (RM)	0.59

PRICE CHART



Source: Bloomberg

ANALYST(S)

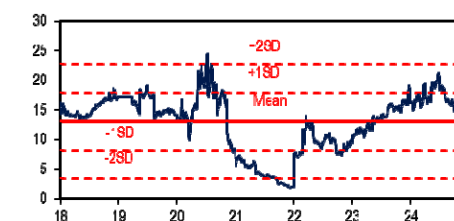
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STOCK IMPACT

- On track to scale up production capacity.** Riverstone remains on track to increase its cleanroom processing capacity with six new production lines by end-24 to meet the broad-based demand recovery in the global semiconductor manufacturing sector. The healthcare gloves segment will also have added capacity of three healthcare lines by end-24, and another three lines by 1Q25. Overall, total capacity is expected to be boosted by c.20%.
- Impact of foreign currency translation.** Riverstone's selling prices are mainly in US dollars, while 60-65% of its costs are in local currencies. Hence, a stronger US dollar will be beneficial for Riverstone. In 3Q24, the ringgit was on a stronger footing against the US dollar (c.5%), leading to the lower margin. Moving into 4Q, we expect gross margin to improve as RM/US\$ has recovered from the 4.12 levels at end-Sep 24 to 4.43 today (+8%).
- Healthy 4Q24 outlook.** We expect Riverstone's cleanroom segment to continue seeing sales volume growth in 4Q24, with the electronics and pharmaceuticals sectors being growth drivers. The blended ASP was also healthy at c.US\$94/carton in 3Q24. For the healthcare segment, sales volume is expected to further increase due to greater demand from US customers, while ASP should increase slightly to c.US\$28.50/carton. During 3Q24, we note that the US has increased its contributions from c.40% of healthcare gloves revenue to c.70% because of the upcoming US tariffs on China-made gloves.
- Riverstone offers the most attractive valuation in the glove industry with a >200% discount in terms of PE multiple and 5x higher dividend yield vs peers.** Riverstone's 2025F PE of 15x is at a >100% discount vs peers' average of 50x and it offers a significantly more attractive dividend yield of 8.0% vs peers' average of 1.5%. We think Riverstone is a good proxy for the recovery in the healthcare gloves industry while offering downside protection given its dominant position in the cleanroom gloves sector.

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

EARNINGS REVISION/RISK

- We lift 2025/26 revenue forecasts by 7%/7% respectively,** as we anticipate higher contributions from the added capacities from 1Q25. We also lower 2025 and 2026 gross profit margin estimates by around 2ppt as we expect raw material costs to be stable.

VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged PE-based target price of S\$1.16,** pegged to 20x 2025F PE, or 1.5SD above the long-term historical mean. Riverstone is trading at a deep >200% discount to its Malaysian peers' trading multiple of 50x 2025F PE despite the group's higher margins and attractive 8% dividend yield vs peers.

SHARE PRICE CATALYST

- Higher-than-expected demand for cleanroom and healthcare gloves.
- Higher dividend payouts.

PEER COMPARISON

Company	Ticker	Price @ 12 Nov 24 (lcy)	Market Cap (US\$m)	PE			EV/EBITDA 2024 (x)	P/B 2024 (x)	Yield 2024 (%)	ROE 2024 (%)	Net Gearing (%)
				2023 (x)	2024 (x)	2025 (x)					
Hartalega	HART MK	3.32	2,553	n.a.	67.8	41.0	n.a.	2.4	0.8	3.5	(28.7)
Kossan Rubber	KRI MK	2.29	1,316	440.4	45.8	32.3	16.1	1.5	1.0	3.3	(52.7)
Supermax	SUCB MK	0.85	488	n.a.	n.a.	70.8	n.a.	0.5	4.1	(3.9)	(26.9)
Top Glove	TOPG MK	1.1	1,986	n.a.	n.a.	57.9	33.1	1.5	0.0	(1.1)	(9.9)
Average				440.4	56.8	50.5	24.6	1.5	1.5	0.4	(29.6)
Riverstone	RSTON SP	0.9	997	20.1	15.4	14.8	n.a.	2.7	8.0	16.5	(48.2)

Source: Riverstone, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	914.8	1,086.3	1,195.0	1,230.7
EBITDA	339.8	445.4	459.4	472.5
Deprec. & amort.	60.4	64.1	62.1	60.2
EBIT	279.4	381.3	397.3	412.3
Net interest income/(expense)	(0.0)	(0.1)	0.0	(0.1)
Pre-tax profit	279.4	381.3	397.3	412.3
Tax	(59.0)	(93.4)	(97.3)	(101.0)
Minorities	(0.0)	0.0	0.0	0.0
Net profit	220.4	287.9	300.0	311.3
Net profit (adj.)	220.4	287.9	300.0	311.3

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	726.0	701.9	679.8	659.6
Other LT assets	1.1	1.1	1.1	1.1
Cash/ST investment	875.4	874.4	859.9	830.6
Other current assets	222.7	210.7	199.9	188.4
Total assets	1,825.3	1,788.1	1,740.7	1,679.6
ST debt	0.0	1.0	0.0	1.0
Other current liabilities	84.6	92.7	102.7	115.5
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	59.1	59.1	59.1	59.1
Shareholders' equity	1,681.6	1,635.3	1,578.9	1,504.1
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	1,825.3	1,788.1	1,740.7	1,679.6

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	253.3	372.1	382.9	395.8
Pre-tax profit	279.4	381.3	397.3	412.3
Tax	(59.0)	(93.4)	(97.3)	(101.0)
Deprec. & amort.	60.4	64.1	62.1	60.2
Associates	0.0	0.0	0.0	0.0
Working capital changes	(17.4)	20.1	20.8	24.3
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	(10.0)	0.0	0.0	0.0
Investing	(51.5)	(40.0)	(40.0)	(40.0)
Capex (growth)	(51.7)	(40.0)	(40.0)	(40.0)
Proceeds from sale of assets	0.3	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(415.6)	(333.1)	(357.4)	(385.1)
Dividend payments	(415.0)	(334.1)	(356.4)	(386.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	1.0
Loan repayment	(0.6)	1.0	(1.0)	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(213.7)	(1.0)	(14.5)	(29.3)
Beginning cash & cash equivalent	1,066.1	875.4	874.4	859.9
Changes due to forex impact	23.1	0.0	0.0	0.0
Ending cash & cash equivalent	875.4	874.4	859.9	830.6

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	37.1	41.0	38.4	38.4
Pre-tax margin	30.5	35.1	33.2	33.5
Net margin	24.1	26.5	25.1	25.3
ROA	11.5	15.9	17.0	18.2
ROE	12.5	17.4	18.7	20.2
Growth				
Turnover	(27.4)	18.7	10.0	3.0
EBITDA	(29.2)	31.1	3.1	2.9
Pre-tax profit	(33.0)	36.5	4.2	3.8
Net profit	(29.9)	30.6	4.2	3.8
Net profit (adj.)	(29.9)	30.6	4.2	3.8
EPS	(29.9)	30.6	4.2	3.8
Leverage				
Debt to total capital	0.0	0.1	0.0	0.1
Debt to equity	0.0	0.1	0.0	0.1
Net debt/(cash) to equity	(52.1)	(53.4)	(54.5)	(55.2)
Interest cover (x)	9,994.5	8,908.9	n.a.	9,450.2

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