

COMPANY RESULTS

Riverstone Holdings (RSTON SP)

2021: Strong Earnings Beat, Juicy Dividend Declared.

Riverstone reported record high revenue and net profit as ASPs surged, in line with our estimates. Healthcare glove ASPs continue to normalise as demand softens while cleanroom glove ASPs remains steady from strong secular demand. Riverstone's planned S\$1.5b phase 7 expansion has been delayed by a year, reaching 12b in total capacity by end-22. Maintain HOLD with a higher target price of S\$0.82.

2021 RESULTS

Year to 31 Dec (RMm)	2021	2020	yoy% chg	2H2021	2H2020	yoy% chg	hoh% chg
Revenue	3,082.4	1,829.9	68.5	1,063.0	1,203.2	(11.7)	(47.4)
Gross Profit	1,906.8	897.6	112.4	511.6	700.0	(26.9)	(63.3)
Profit Before Tax	1,858.6	841.4	120.9	499.2	666.1	(25.1)	(63.3)
Net Profit to Equity Holders	1,417.9	647.3	119.1	377.2	509.7	(26.0)	(63.8)

Source: Riverstone Holdings, Bloomberg, UOB Kay Hian

RESULTS

- Robust yoy results in line with expectations.** Riverstone Holdings (Riverstone) reported record-high revenue and net profit as 2021 ASPs surged due to overwhelming nitrile gloves demand. 2021 revenue (+68.5% yoy) and net profit (+119.1% yoy) skyrocketed, forming 96.3% and 100.0% of our 2021 forecasts. Gross profit rose by 112.4% yoy as ASPs rose sharply in 2021. Pending approval, Riverstone declared a special interim dividend of 10.0 sen, along with a final dividend of 28.0 sen, taking 2021 total dividend to 48.0 sen (vs 26.0 sen in 2020).
- Healthcare glove ASPs continuing downtrend in 2H21.** Despite strong full-year results, Riverstone suffered double digit declines for both its 2H21 revenue (-11.7% yoy, -47.4% hoh) and net profit (-26.0% yoy, -63.8% hoh). The sharp declines were largely due to healthcare glove ASPs normalising nearer to pre-COVID-19 levels and lower utilisation rates in 4Q21 as the majority of Riverstone's customers were clearing their unused inventory during that quarter. Management has noted that healthcare glove ASPs are currently US\$30-35/1000 pcs and they are expected to normalise further to US\$25-30/1000 pcs in 1Q22, just slightly above pre-COVID-19 levels. However, management mentioned that 1Q22 has seen a recovery in both demand and utilisation rates as Riverstone's customers restock their inventory for 2022 amid ongoing Omicron outbreaks.

KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024
Net turnover	1,830	3,082	1,823	1,932	2,121
EBITDA	894	1,915	623	653	685
Operating profit	842	1,859	560	587	616
Net profit (rep./act.)	647	1,418	431	452	474
Net profit (adj.)	647	1,418	431	452	474
EPS (sen)	43.7	95.7	29.1	30.5	32.0
PE (x)	5.9	2.7	8.8	8.4	8.0
P/B (x)	2.8	1.6	1.7	1.6	1.4
EV/EBITDA (x)	2.6	1.2	3.8	3.6	3.4
Dividend yield (%)	8.6	14.8	5.8	6.2	7.4
Net margin (%)	35.4	46.0	23.7	23.4	22.4
Net debt/(cash) to equity (%)	(47.2)	(69.1)	(66.6)	(67.6)	(68.6)
Interest cover (x)	2,519.1	12,763.5	n.a.	6,528.6	6,851.4
ROE (%)	60.3	76.8	19.0	19.5	18.6
Consensus net profit	-	-	413	398	226
UOBKH/Consensus (x)	-	-	1.04	1.14	2.10

Source: Riverstone, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.825
Target Price	S\$0.82
Upside	-0.6%
(Previous TP)	S\$0.68)

COMPANY DESCRIPTION

Riverstone Holdings produces, sells and distributes cleanroom products for use in highly-controlled and critical environments. Products include nitrile 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):	1,222.8
Market cap (US\$m):	909.6
3-mth avg daily t'over (US\$m):	4.1

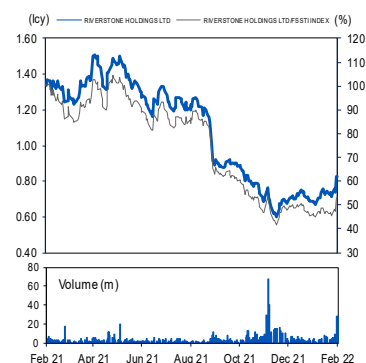
Price Performance (%)

52-week high/low	S\$1.50/S\$0.600			
1mth	3mth	6mth	1yr	YTD
20.4	19.6	(31.8)	(39.7)	17.9

Major Shareholders

	%
Wong Teek Son	50.8
Lee Wai Keong	8.8
FY22 NAV/Share (S\$)	1.48
FY22 Net Cash/Share (S\$)	0.99

PRICE CHART



Source: Bloomberg

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• **Cleanroom glove ASPs stable amid growing demand.** ASPs for Riverstone's higher margin cleanroom gloves remained stable at US\$110-120/1000pcs as of 4Q21, supported by demand from long-term tech (semicons, electronics) customers. Management noted that the cleanroom glove segment remains a top priority for Riverstone and is expected to allocate more lines from upcoming expansions to tackle rising demand. We expect 2022 cleanroom ASPs to remain stable.

STOCK IMPACT

• **Phase 7 expansion delayed.** Due to COVID-19 outbreaks in Malaysia, 1.5b pcs of new capacity from the group's phase 7 expansion has been delayed to end-22, leaving current total capacity at around 11b pcs. However, expansion plans have since resumed and Riverstone is expected to achieve 12b pcs by end-22, with an additional 1.5b pcs by end-23.

EARNINGS REVISION/RISK

• **We cut our earnings by 2022 and 2023 earnings by 14.9% and 11.3% respectively while adding our 2024 earnings forecasts,** after accounting for improving healthcare glove demand-supply dynamics and normalising healthcare glove ASPs. We now forecast 2022-24 revenue at RM1,822.8m (RM2,237.5m previously), RM1,932.0m (RM2,196.3m previously) and RM2,120.7m respectively. We also cut our 2022-24 net profit estimates to RM431.3m (RM506.8m previously), RM451.7m (RM509.3m previously) and RM474.2.0m respectively.

VALUATION/RECOMMENDATION

• **Maintain HOLD with a higher PE-based target price of S\$0.82 (S\$0.68),** pegged to 9.2x 2022F PE (5.6x previously). We base our valuation at -1SD (-2SD previously) of Riverstone's long-term forward PE, on the back of a better future outlook.

• Although Riverstone's supernormal earnings have normalised sharply from the peak in 2021, we think that healthcare glove ASPs are close to the bottom and are expected to stabilise sometime in 1Q22. Coupled with robust earnings from the cleanroom segment, we now reckon that there is limited downside to earnings given that most countries are still undergoing Omicron outbreaks. Potential upside may come from the discovery of a new lethal COVID-19 variant.

SHARE PRICE CATALYST

- Resurgence of COVID-19 infections.
- Better-than-expected demand for cleanroom gloves.
- Discovery of a new lethal COVID-19 variant.

PEER COMPARISON

Company	Ticker	Rec	Price @ 23-Feb-22 (lcy)	Target Price (lcy)	Upside to TP (%)	Market Cap (US\$m)	PE			EV/EBITDA 2022 (x)	P/B 2022 (x)	Yield 2022 (%)	ROE 2022 (%)	Net Gearing (%)
							2021 (x)	2022 (x)	2023 (x)					
Hartalega	HART MK	SELL	4.74	4.60	(3.0)	3,872	4.9	5.2	28.6	2.8	2.5	10.5	54.1	(47.7)
Kossan Rubber	KRI MK	HOLD	1.72	1.90	10.5	1,049	1.5	13.6	13.4	4.0	1.0	2.6	7.8	(56.8)
Supermax	SUCB MK	HOLD	1.02	1.05	3.2	659	0.7	3.7	13.2	(0.2)	0.5	8.5	15.0	(62.4)
Top Glove	TOPG MK	HOLD	2.05	1.75	(14.8)	3,923	2.1	22.3	20.2	10.9	2.7	3.2	12.1	(19.5)
Average							2.3	11.2	18.9	4.4	1.7	6.2	22.2	(46.6)
Riverstone	RSTON SP	HOLD	0.83	0.68	(17.6)	910	2.7	7.5	7.5	2.8	1.6	10.5	20.9	(14.9)

Source: Riverstone, Bloomberg, UOB Kay Hian

HEALTHCARE GLOVE ASP ASSUMPTIONS

	2021	2022	2023
Old ASP - yoy % chg	-56.0	-20.0	-
New ASP - yoy % chg	-62.5	-10.0	0.0
Volume - yoy % chg	17.0	19.5	15.7

Source: UOB Kay Hian

CLEANROOM GLOVE ASP ASSUMPTIONS

	2021	2022	2023
Old ASP - yoy % chg	0.0	0.0	-
New ASP - yoy % chg	0.0	0.0	0.0
Volume - yoy % chg	5.0	4.8	4.5

Source: UOB Kay Hian

Riverstone: Forward 5-year pe band



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Net turnover	3,082.4	1,822.8	1,932.0	2,120.7
EBITDA	1,914.5	623.1	652.9	685.1
Deprec. & amort.	55.8	62.9	66.2	69.2
EBIT	1,858.7	560.2	586.7	615.9
Net interest income/(expense)	(0.2)	0.0	(0.1)	(0.1)
Pre-tax profit	1,858.6	560.2	586.6	615.8
Tax	(440.7)	(128.8)	(134.9)	(141.6)
Minorities	0.0	0.0	0.0	0.0
Net profit	1,417.9	431.3	451.7	474.2
Net profit (adj.)	1,417.9	431.3	451.7	474.2

CASH FLOW

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Operating	1,569.8	517.9	498.5	525.4
Pre-tax profit	1,858.6	560.2	586.6	615.8
Tax	(440.7)	(128.8)	(134.9)	(141.6)
Deprec. & amort.	55.8	62.9	66.2	69.2
Associates	0.0	0.0	0.0	0.0
Working capital changes	28.1	23.7	(19.4)	(18.0)
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	68.2	0.0	0.0	0.0
Investing	(155.9)	(100.0)	(100.0)	(100.0)
Capex (growth)	(156.3)	(100.0)	(100.0)	(100.0)
Proceeds from sale of assets	0.4	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(451.2)	(564.8)	(220.3)	(237.1)
Dividend payments	(444.7)	(563.2)	(222.3)	(237.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(6.5)	(1.6)	2.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	962.7	(146.9)	178.2	188.2
Beginning cash & cash equivalent	648.9	1,612.9	1,466.0	1,644.2
Changes due to forex impact	1.3	0.0	0.0	0.0
Ending cash & cash equivalent	1,612.9	1,466.0	1,644.2	1,832.4

BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Fixed assets	691.2	728.3	762.1	792.9
Other LT assets	0.8	0.8	0.8	0.8
Cash/ST investment	1,612.9	1,466.0	1,644.2	1,832.4
Other current assets	394.7	382.9	396.3	413.5
Total assets	2,699.6	2,578.1	2,803.4	3,039.6
ST debt	1.6	0.0	1.0	1.0
Other current liabilities	310.4	322.4	316.4	315.6
LT debt	0.0	0.0	1.0	1.0
Other LT liabilities	55.1	55.1	55.1	55.1
Shareholders' equity	2,332.5	2,200.6	2,429.9	2,666.9
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	2,699.6	2,578.1	2,803.4	3,039.6

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	62.1	34.2	33.8	32.3
Pre-tax margin	60.3	30.7	30.4	29.0
Net margin	46.0	23.7	23.4	22.4
ROA	64.6	16.3	16.8	16.2
ROE	76.8	19.0	19.5	18.6
Growth				
Turnover	68.5	(40.9)	6.0	9.8
EBITDA	114.1	(67.5)	4.8	4.9
Pre-tax profit	120.9	(69.9)	4.7	5.0
Net profit	119.1	(69.6)	4.7	5.0
Net profit (adj.)	119.1	(69.6)	4.7	5.0
EPS	119.1	(69.6)	4.7	5.0
Leverage				
Debt to total capital	0.1	0.0	0.1	0.1
Debt to equity	0.1	0.0	0.1	0.1
Net debt/(cash) to equity	(69.1)	(66.6)	(67.6)	(68.6)
Interest cover (x)	12,763.5	n.a.	6,528.6	6,851.4

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