

## US-China war is our win

- Strong net profit growth of 36.2% CAGR in 2024E-26E on rising margins, higher sales volume, and capacity expansions
- A key beneficiary on US tariff hikes on imported medical and surgical gloves from China
- Initiated with a Buy and a TP of THB14 based on 20x 2025E P/E

### From a rebound to a re-boosting growth

STGT is poised to see stronger net profit growth in 2025E-26E, supported by higher selling prices on the cost passed-through and the higher demands in US market due to the tariff hikes on China's imported medical gloves. We project a 36.2% CAGR net profit growth in 2024E-26E, catalyzed by higher margins, rising capacity and utilization rates.

### A key beneficiary of US tariff hikes on imported Chinese gloves

STGT is one of global key producers of gloves and the world's largest producer of natural rubber (NR) gloves thanks to Thailand as the world's largest NR exporter and producer. Unlike its arch-rivals Malaysian glove producers who focus on Nitrile Butadiene Rubber (NBR) gloves, STGT competes mostly to Thai glove producers rather than the much larger-scale and competitive Chinese glove producers.

### Stronger quarterly net profit growth momentum

We expect STGT's quarterly net profits to accelerate in 4Q24 into 2025E-26E, propelled by the higher gross margins on rising selling prices to reflect the higher NBR and NR costs in 9M24. More upsides could come from the higher demands for medical and surgical gloves made from both NR and NBR to timely take the market shares from Chinese NBR glove producers as they face higher import tariffs in US.

### US tariff hikes to brighten STGT's exports

In June 2024, US government raised its tariffs on the imported medical and surgical gloves from China, citing the unfair competition. We believe STGT stands as one of the most beneficiaries on the demand shifts away from Chinese producers to Thai and Malaysian producers, given the tariff hikes of 40% are significantly high to wipe out the cost competitiveness of Chinese competitors.

### A BUY with a TP of THB14

We initiated coverage on STGT with a BUY and a TP of THB14, based on 24x 2025E P/E. We think the visibly improving margins and sales volumes and the well-established position as the sole leader in NR glove segment should justify our 24x P/E, which is still a discount to its Malaysian peers which trade at 25x-30x.

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ESG Rating : AAA

CG Rating : ▲▲▲▲▲

## BUY

Target Price 12M (THB)	14.00
VS. BB Consensus TP (%)	+4.0%
Share Price (THB)	10.20
Upside/Downside	+43.6%

### Share Data

Market Cap (THB m)	27,935.50
Par (THB)	0.50
Free Float (%)	34.53
Issued shares (m shares)	2,865

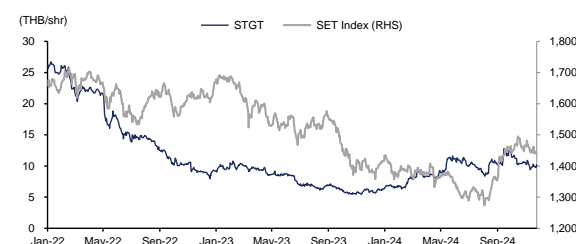
### Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	19,665	37,415	43,644	53,416
Net profit	153	858	1,666	1,728
Core net profit	153	858	1,666	1,728
vs Consensus (%)	-	18.2	7.4	(13.0)
Net profit growth (%)	(90.8)	461.9	94.1	3.8
Core net profit growth (%)	(90.8)	461.9	94.1	3.8
EPS (THB)	0.05	0.30	0.58	0.60
Core EPS (THB)	0.05	0.30	0.58	0.60
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	0.50	0.15	0.29	0.30
P/E (x)	125.72	34.06	17.55	16.91
P/BV (x)	0.52	0.80	0.78	0.76
ROE (%)	7.46	1.47	2.85	2.96
Dividend yield (%)	0.41	2.35	4.51	4.54

Source: Financial Statement and Globlex securities

### Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(1.92)	(2.86)	(8.11)	52.24
Market	(0.21)	(7.82)	(12.82)	49.87
12M High/Low (THB)				13.30 / 5.95



### Major Shareholders (%) as of 19 April 2024

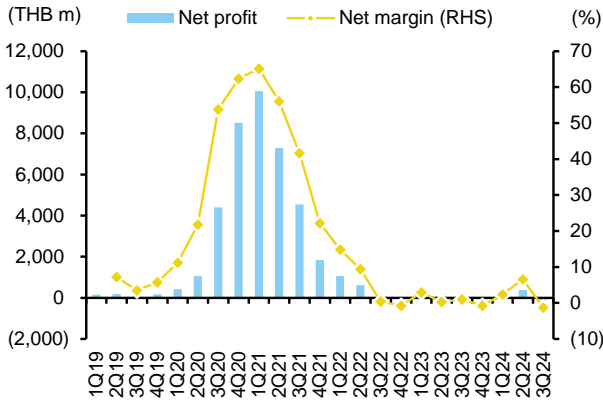
Srirang Agro-Industry Public Company Limited	50.61
Rubber Land Products Company Limited	5.42
Mr. Viyavood Sincharoenkul	4.32

### Company Profile

Manufacturing and distribution of medical examination latex gloves and other industrial latex gloves. Main products include natural latex powdered gloves, natural latex powder-free gloves and nitrile gloves.

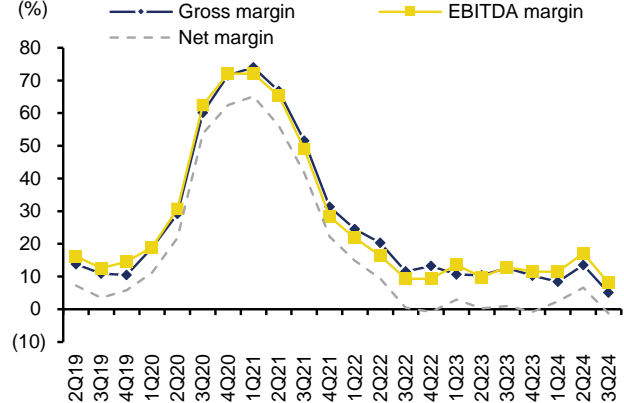
Source: SETSMART, SET

**Exhibit 1: STGT's net profit vs net margin**



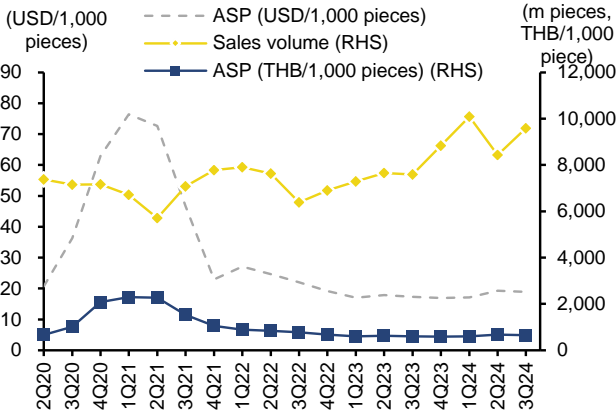
Sources: STGT, Globlex Research

**Exhibit 2: STGT's gross margin vs EBITDA margin vs net margin**



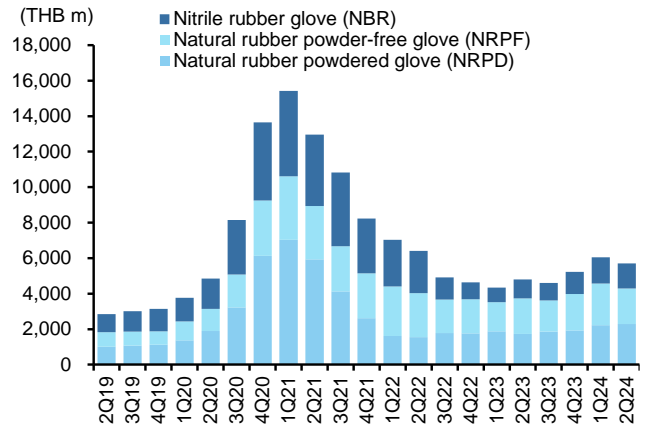
Sources: STGT, Globlex Research

**Exhibit 3: STGT's ASP vs sales volume**



Sources: STGT, Globlex Research

**Exhibit 4: STGT's revenue breakdown by product**



Sources: STGT, Globlex Research

**Exhibit 5: Key assumptions**

THB m	2024E	2025E	2026E
Revenue	37,521	44,041	54,433
Gross profit	4,400	6,324	7,795
Operating profit	1,149	2,670	3,584
Net profit	956	2,003	2,592
EPS (THB/share)	0.33	0.70	0.90
<b>Key assumptions</b>			
Average utilization rate (%)	80.1	78.6	87.8
Sales volume (m pieces)	64,823	73,150	88,296
ASP - powdered (USD/1,000 pieces)	16.7	17.4	17.7
ASP - powdered free (USD/1,000 pieces)	19.9	20.7	21.1
ASP - nitrile (USD/1,000 pieces)	20.5	21.3	21.7
ASP - blended (USD/1,000 pieces)	18.9	19.6	20.0
Concentrated latex price (THB/kg)	42.2	42.0	44.0
Synthetic latex price (THB/kg)	40.0	42.0	44.0
Exchange rate (THB/USD)	34.0	34.0	34.0

Sources: STGT, Globlex Research

Balance sheet (THB m)						Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E	Year ending Dec	2022	2023	2024E	2025E	2026E
<b>Current assets</b>						<b>Revenue</b>	<b>23,305</b>	<b>19,665</b>	<b>37,415</b>	<b>43,644</b>	<b>53,416</b>
Cash & ST investment	14,351	4,230	2,811	7,648	10,743	Cost of goods sold	(17,619)	(15,842)	(33,120)	(37,717)	(46,638)
Account receivable	2,086	2,390	2,968	3,643	4,468	<b>Gross profit</b>	<b>5,685</b>	<b>3,823</b>	<b>4,295</b>	<b>5,927</b>	<b>6,778</b>
Inventories	3,364	3,840	8,028	9,143	11,305	Operating expenses	(2,401)	(2,217)	(1,497)	(1,746)	(2,137)
Others	542	5,574	10,606	12,372	15,142	<b>Operating profit</b>	<b>3,284</b>	<b>1,606</b>	<b>2,799</b>	<b>4,182</b>	<b>4,642</b>
<b>Non-current assets</b>						<b>EBIT</b>	<b>3,284</b>	<b>1,606</b>	<b>2,799</b>	<b>4,182</b>	<b>4,642</b>
Net fixed assets	26,131	24,972	26,221	27,329	28,295	Depreciation	(1,429)	(1,674)	(1,751)	(1,892)	(2,034)
Others	2,054	5,576	5,576	5,576	5,576	<b>EBITDA</b>	<b>1,856</b>	<b>(68)</b>	<b>1,048</b>	<b>2,289</b>	<b>2,608</b>
<b>Total Assets</b>	<b>48,529</b>	<b>46,582</b>	<b>56,210</b>	<b>65,709</b>	<b>75,529</b>	<b>Non-operating income</b>	<b>215</b>	<b>545</b>	<b>195</b>	<b>195</b>	<b>195</b>
<b>Current liabilities</b>						Other incomes	(48)	195	195	195	195
Account payable	2,403	2,416	5,050	5,751	7,111	Other non-op income	263	350	0	0	0
ST borrowing	1,942	1,991	1,991	1,991	1,991	<b>Non-operating expense</b>	<b>(187)</b>	<b>(306)</b>	<b>(355)</b>	<b>(603)</b>	<b>(850)</b>
Others	62	11	22	25	31	Interest expense	(187)	(306)	(355)	(603)	(850)
<b>Long-term liabilities</b>						Other non-op expense	0	0	0	0	0
Long-term debts	6,944	5,026	12,526	20,026	27,526	<b>Equity income/(loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Others	367	301	301	301	301	<b>Pre-tax Profit</b>	<b>1,884</b>	<b>171</b>	<b>888</b>	<b>1,882</b>	<b>1,953</b>
<b>Total liabilities</b>	<b>11,718</b>	<b>9,745</b>	<b>19,890</b>	<b>28,094</b>	<b>36,960</b>	Extraordinary items					
Paid-up capital	1,433	1,433	1,433	1,433	1,433	Current taxation	(231)	(18)	(30)	(216)	(224)
Retained earnings	20,354	19,825	19,250	20,487	21,382	Minorities	0	0	0	0	0
Others	15,024	15,580	15,638	15,696	15,754	<b>Net Profit</b>	<b>1,652</b>	<b>153</b>	<b>858</b>	<b>1,666</b>	<b>1,728</b>
Minority interest	0	0	0	0	0	<b>Core net profit</b>	<b>1,652</b>	<b>153</b>	<b>858</b>	<b>1,666</b>	<b>1,728</b>
<b>Shareholders' equity</b>	<b>36,811</b>	<b>36,837</b>	<b>36,320</b>	<b>37,615</b>	<b>38,569</b>	<b>EPS (THB)</b>	<b>0.58</b>	<b>0.05</b>	<b>0.30</b>	<b>0.58</b>	<b>0.60</b>
						<b>Core EPS (THB)</b>	<b>0.58</b>	<b>0.05</b>	<b>0.30</b>	<b>0.58</b>	<b>0.60</b>
<b>Key ratios</b>						<b>Cash flow (THB m)</b>					
Year ending Dec	2022	2023	2024E	2025E	2026E	Year ending Dec	2022	2023	2024E	2025E	2026E
<b>Growth (y-y%)</b>						<b>Operating cash flow</b>	<b>3,566</b>	<b>(4,049)</b>	<b>(4,645)</b>	<b>371</b>	<b>(1,024)</b>
Sales	(51.0)	(15.6)	90.3	16.6	22.4	Net profit	1,652	153	858	1,666	1,728
Operating profit	(88.0)	(51.1)	74.3	49.4	11.0	Depre.& amortization	1,429	1,674	1,751	1,892	2,034
EBITDA	(92.9)	(103.7)	1,634.0	118.5	13.9	Change in working capital	730	(5,850)	(7,153)	(2,850)	(4,392)
Net profit	(93.0)	(90.8)	461.9	94.1	3.8	Others	(245)	(25)	(101)	(337)	(394)
Core net profit	(93.0)	(90.8)	461.9	94.1	3.8	<b>Investment cash flow</b>	<b>(10,499)</b>	<b>(3,289)</b>	<b>(3,284)</b>	<b>(3,482)</b>	<b>(3,680)</b>
EPS	(93.0)	(90.8)	461.9	94.1	3.8	Net CAPEX	(7,190)	(515)	(3,000)	(3,000)	(3,000)
Core EPS	(93.0)	(90.8)	461.9	94.1	3.8	Change in LT investment	(616)	(3,587)	0	0	0
<b>Profitability (%)</b>						Change in other assets	(2,694)	813	(284)	(482)	(680)
Gross margin	24.4	19.4	11.5	13.6	12.7	<b>Free cash flow</b>	<b>(6,933)</b>	<b>(7,337)</b>	<b>(7,929)</b>	<b>(3,111)</b>	<b>(4,704)</b>
Operation margin	14.1	8.2	7.5	9.6	8.7	<b>Financing cash flow</b>	<b>7,515</b>	<b>7,080</b>	<b>8,527</b>	<b>3,918</b>	<b>5,661</b>
EBITDA margin	8.0	(0.3)	2.8	5.2	4.9	Change in share capital	24	(0)	58	58	58
Net margin	7.1	0.8	2.3	3.8	3.2	Net change in debt	277	544	0	0	0
ROE	4.4	0.4	2.3	4.5	4.5	Dividend paid	(573)	(1,433)	(1,433)	(429)	(833)
ROA	3.3	0.3	1.7	2.7	2.4	Others	7,787	7,968	9,901	4,289	6,435
<b>Stability</b>						<b>Net cash flow</b>	<b>582</b>	<b>(258)</b>	<b>597</b>	<b>807</b>	<b>956</b>
Interest bearing debt/equity (x)	0.2	0.2	0.4	0.6	0.8	<b>Per share (THB)</b>					
Net debt/equity (x)	n.a.	0.1	0.3	0.4	0.5	EPS	0.58	0.05	0.30	0.58	0.60
Interest coverage (x)	17.6	5.2	7.9	6.9	5.5	Core EPS	0.58	0.05	0.30	0.58	0.60
Interest & ST debt coverage (x)	1.5	0.7	1.2	1.6	1.6	CFPS	1.08	0.64	0.91	1.24	1.31
Cash flow interest coverage (x)	0.3	(0.4)	(0.2)	0.0	(0.0)	BVPS	12.85	12.86	12.68	13.13	13.46
Current ratio (x)	4.6	3.6	3.5	4.2	4.6	Sales/share	8.13	6.86	13.06	15.23	18.64
Quick ratio (x)	3.7	1.5	0.8	1.5	1.7	EBITDA/share	0.65	(0.02)	0.37	0.80	0.91
Net debt (THB m)	(5,465)	2,787	11,706	14,369	18,773	DPS	0.30	0.50	0.15	0.29	0.30
<b>Activity</b>						<b>Valuation</b>					
Asset turnover (X)	0.5	0.4	0.7	0.7	0.8	P/E (x)	17.34	125.72	34.06	17.55	16.91
Days receivables	38.4	41.5	26.1	27.6	27.7	P/BV (x)	0.78	0.52	0.80	0.78	0.76
Days inventory	84.3	83.0	65.4	83.1	80.0	Dividend yield (%)	3.00	7.46	1.47	2.85	2.96
Days payable	62.4	55.5	41.1	52.3	50.3	Dividend payout ratio (%)	52	938	50	50	50
Cash cycle days	60.3	69.0	50.4	58.5	57.4						

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### Analyst Certification

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

- BUY:** Expected return of 10% or more over the next 12 months.  
**HOLD:** Expected return between -10% and 10% over the next 12 months.  
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.  
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.  
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.