

Riverstone Holdings (RSTON SP)

AI, Forex And Pricing Tailwinds Emerging; 7% Yield Is Attractive

Highlights

- A stronger US dollar against the ringgit and improving pricing power from recent ASP hikes by Chinese glovemakers should provide an earnings tailwind.
- The cleanroom glove segment, which contributes around 70% of earnings should remain robust, helped by ongoing orders from AI-related data centre and memory storage customers.
- Maintain BUY with an unchanged target price of S\$1.21. Riverstone currently trades at around 15% discount to peers and offers an attractive 7% 2026 yield.

Analysis

- Stronger US dollar provides near-term earnings tailwind.** The recent strengthening of the US dollar against the Malaysian ringgit should be positive for Riverstone Holdings (Riverstone), reversing some of the forex headwinds seen earlier in the year. USD/MYR has moved to around 4.08 in early-Oct 26, compared with the stronger ringgit environment that weighed on Riverstone's 1H26 earnings. With a significant portion of sales denominated in US dollars while a large part of its core base is in ringgit, a stronger US dollar should support revenue translations and margins in the near term.
- Chinese glovemakers' ASP hikes improve pricing environment.** Recent price increases by Chinese glove manufacturers are positive for the broader glove pricing environment. Chinese generic nitrile glove ASPs have risen, narrowing their discount to Malaysian producers to around US\$0.50/1,000 pieces from US\$1.50-2.00 previously. This gives Malaysian glovemakers greater room to raise ASPs without materially widening the price differential and should support Riverstone's healthcare glove pricing and margins. However, we expect Riverstone to remain selective in competing for generic volumes, given its focus on higher-value customised products.
- Cleanroom remains the key growth engine with demand boost from AI.** Cleanroom glove demand has been rising since 2Q26, helped by ongoing orders from AI-related data centre and memory storage customers. We see the cleanroom segment as Riverstone's main earnings driver going forward. Riverstone is also renewing older production lines and moving away from low margin generic output towards higher value cleanroom and customised healthcare products. This should improve product mix and margins over time.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,073	995	997	1,082	1,147
EBITDA	424	336	345	359	373
Operating profit	359	264	277	293	308
Net profit (rep./act.)	287	208	218	230	242
Net profit (adj.)	287	208	218	230	242
EPS (sen)	19.3	14.0	14.7	15.5	16.3
PE (x)	13.5	18.7	17.8	16.9	16.0
P/B (x)	2.5	2.6	2.7	2.8	2.8
EV/EBITDA (x)	7.2	9.1	8.9	8.6	8.2
Dividend yield (%)	9.2	6.5	6.7	7.1	7.5
Net margin (%)	26.7	20.9	21.9	21.3	21.1
Net debt/(cash) to equity (%)	(45.3)	(42.7)	(41.3)	(39.2)	(37.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	17.6	13.6	14.9	16.2	17.4
Consensus net profit (RMm)	-	-	213	246	264
UOBKH/Consensus (x)	-	-	1.02	0.94	0.92

Source: Riverstone Holdings, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S\$0.775
Target Price	S\$1.21
Upside	+56.1%

Stock Data

Sector	Health Care
Bloomberg ticker	RSTON SP
Shares issued (m)	1,482.2
Market cap (S\$m)	1,148.7
Market cap (US\$m)	896.2
3-mth avg daily t'over (US\$m)	1.5

Price Performance (%)

52-week high/low S\$0.985/S\$0.665

1mth	3mth	6mth	1yr	YTD
(3.1)	(5.5)	6.9	(6.1)	(10.9)

Major Shareholders (%)

Wong Teek Son	51.44
Lee Wai Keong	8.82

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.97
FY26 Net Debt/Share (RM)	0.40

Price Chart



Source: Bloomberg

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.

- **Robust balance sheet supports dividends.** Riverstone continues to hold a sizeable net cash position of around RM576m, which gives it room to keep paying attractive dividends while it upgrades its production lines.
- **Healthier demand supports volumes.** Global glove demand is growing at about 10% yoy and is expected to exceed 400b pieces in 2026. Supply and demand are more balanced than in recent years as customers rebuild their stocks. Malaysian producers have reported stronger orderbooks for October and November even after the recent price increases. This should help keep utilisation up on Riverstone's healthcare glove lines.

Valuation/Recommendation

- **Maintain BUY with an unchanged PE-based target price of S\$1.21,** pegged to 24x 2027F PE (+0.5SD to historical mean). The premium is justified by Riverstone's cleanroom moat, net cash balance sheet and consistent dividend track record of above 100% payout ratio.
- Riverstone currently trades at 17x 2027F PE or around 15% discount to Malaysian glove peers' average of 20x. In addition, it also offers a dividend yield of above 7% for 2026 and 2027.

Earnings Revision/Risk

- We make no changes to our earnings estimates.

Share Price Catalyst

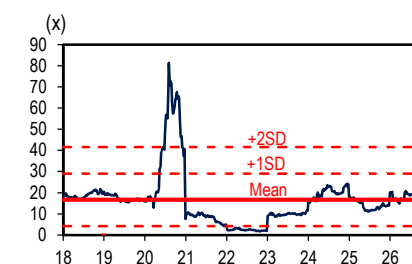
- Ringgit depreciation against the US dollar, which would provide immediate margin expansion.
- Stronger-than-expected demand for cleanroom and healthcare gloves.
- Faster ASP stabilisation in healthcare gloves.
- Margin rebound from lower raw material costs.

USD/MYR Rebounds As US Dollar Strengthens



Source: Trading Economics, UOB Kay Hian

Historical PE Band



Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	995.3	996.7	1,082.0	1,147.2
EBITDA	336.0	344.7	359.0	372.9
Deprec. & amort.	71.5	67.3	65.8	64.5
EBIT	264.5	277.4	293.2	308.4
Total other non-operating income	0.0	0.0	0.0	0.0
Pre-tax profit	264.5	277.4	293.2	308.4
Tax	(56.7)	(59.5)	(62.9)	(66.1)
Minorities	0.0	0.0	0.0	0.0
Net profit	207.8	217.9	230.4	242.3
Net profit (adj.)	207.8	217.9	230.4	242.3

Cash flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	304.5	267.9	270.9	287.8
Pre-tax profit	264.5	277.4	293.2	308.4
Tax	(56.7)	(59.5)	(62.9)	(66.1)
Deprec. & amort.	71.5	67.3	65.8	64.5
Associates	0.0	0.0	0.0	0.0
Working capital changes	30.6	(3.6)	(14.1)	(10.8)
Non-cash items	(1.7)	0.0	0.0	0.0
Other operating cashflows	(3.7)	(13.8)	(11.3)	(8.3)
Investing	(81.2)	(50.0)	(50.0)	(50.0)
Capex (growth)	(83.8)	(50.0)	(50.0)	(50.0)
Proceeds from sale of assets	2.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(296.9)	(253.4)	(262.5)	(277.4)
Dividend payments	(296.4)	(252.4)	(261.5)	(276.4)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(0.5)	(1.0)	(1.0)	(1.0)
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(73.6)	(35.5)	(41.7)	(39.7)
Beginning cash & cash equivalent	715.1	630.4	594.8	553.1
Changes due to forex impact	(11.1)	0.0	0.0	0.0
Ending cash & cash equivalent	630.4	594.8	553.1	513.5

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	750.6	733.3	717.5	703.0
Other LT assets	0.7	0.7	0.7	0.7
Cash/ST investment	630.4	594.8	553.1	513.5
Other current assets	258.0	259.6	281.5	297.7
Total assets	1,639.6	1,588.4	1,552.8	1,514.9
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	96.3	94.3	102.1	107.6
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	67.6	52.9	40.6	31.4
Shareholders' equity	1,475.7	1,441.2	1,410.0	1,375.9
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	1,639.6	1,588.4	1,552.8	1,514.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.8	34.6	33.2	32.5
Pre-tax margin	26.6	27.8	27.1	26.9
Net margin	20.9	21.9	21.3	21.1
ROA	12.2	13.5	14.7	15.8
ROE	13.6	14.9	16.2	17.4
Growth				
Turnover	(7.2)	0.1	8.6	6.0
EBITDA	(20.7)	2.6	4.2	3.9
Pre-tax profit	(26.3)	4.9	5.7	5.2
Net profit	(27.6)	4.9	5.7	5.2
Net profit (adj.)	(27.6)	4.9	5.7	5.2
EPS	(27.6)	4.9	5.7	5.2
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(42.7)	(41.3)	(39.2)	(37.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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