Riverstone Holdings (RSTON SP)

3Q26: Increased Capacity And Consumables To Drive Future Growth

Highlights

- Riverstone's 9M26 earnings rose 15% yoy to RM177m, accounting for 81% of our full-year forecasts, ahead of expectations.
- We expect the cleanroom segment to continue benefitting from expansion of cleanroom consumable products, sustained demand from data centre and memory storage sectors.
- Maintain BUY with an 11% lower target price of S$1.08, pegged to 19x 2027F PE. Riverstone currently trades at around 40% discount to peers and offers an attractive yield of above 8.5% for 2026.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	3Q25	yoy%	2Q26	qoq%
Revenue	**315.1**	**247.5**	**27.3**	**266.7**	**18.2**
Gross profit	**101.6**	**76.6**	**32.7**	**96.0**	**5.8**
Gross profit margin (%)	32.2	30.9	1.3ppt	36.0	(3.8ppt)
PATMI	**70.1**	**52.0**	**34.7**	**65.8**	**6.5**
PATMI margin (%)	22.2	21.0	1.2ppt	24.7	(2.5ppt)

Source: Riverstone Holdings, UOB Kay Hian

Analysis

- **3Q26 earnings significantly ahead of expectations.** Riverstone reported 3Q26 PATMI of RM70.1m (+34.7% yoy, +6.5% qoq), supported by stronger sales volumes across both cleanroom and healthcare segments. Revenue rose 27.3% yoy and 18.2% qoq to RM315.1m, its highest quarterly revenue in over three years. This brought 9M26 revenue to RM796.1m (+6.9% yoy) and PATMI to RM176.9m (+15.0% yoy), representing 79.9% and 81.2% of our 2026 full-year forecasts respectively, ahead of expectations.
- **Cleanroom: AI-related demand drives sequential recovery. Sales volume of c**leanroom gloves increased by approximately 40% yoy in 3Q26, supported by stronger demand from existing and new customers across AI-related infrastructure, data centres and memory storage applications. The cleanroom segment accounted for approximately 40% of group revenue, with gross margin remaining healthy at around 51%. ASPs remained broadly stable at US$90-92 per carton, with management expecting sustained demand from now till 1Q27. Expanded cleanroom washing and packaging capacity should also ease production constraints and support higher volumes.

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	375	397	419
Operating profit	359	264	308	331	354
Net profit (rep./act.)	287	208	242	260	278
Net profit (adj.)	287	208	242	260	278
EPS (sen)	19.3	14.0	16.3	17.5	18.7
PE (x)	11.8	16.3	14.0	13.0	12.2
P/B (x)	2.2	2.3	2.3	2.4	2.4
EV/EBITDA (x)	6.5	8.2	7.4	7.0	6.6
Dividend yield (%)	10.5	7.4	8.6	9.2	9.8
Net margin (%)	26.7	20.9	24.3	24.0	24.3
Net debt/(cash) to equity (%)	(45.3)	(42.7)	(42.2)	(40.3)	(38.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	17.6	13.6	16.5	17.9	19.6
Consensus net profit (RMm)	-	-	213	246	264
UOBKH/Consensus (x)	-	-	1.14	1.06	1.05

Source: Riverstone Holdings, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$0.715
Target Price	S$1.080
Upside	+51.0%
Previous TP	S$1.210

Stock Data

GICS sector	Health Care
Bloomberg ticker:	RSTON SP
Shares issued (m):	1,482.2
Market Cap (S$m):	1,059.8
Market cap (US$m):	821.6
3-mth avg t'over (US$m):	1.1

Price Performance (%)

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

1mth	3mth	6mth	1yr	YTD
(2.7)	(13.3)	(21.4)	(16.4)	(17.8)

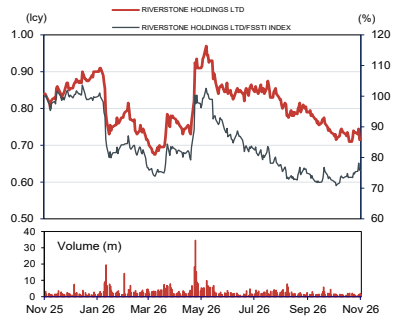
Major Shareholders (%)

Wong Teek Son	51.44
Lee Wai Keong	8.82

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.99
FY26 Net Debt/Share (RM)	0.42

Price Chart



Source: Bloomberg

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.

- **Healthcare: Strong near-term demand amid margin pressures. Sales volume of h**ealthcare gloves increased approximately 7% yoy in 3Q26, supported by customer restocking and order front-loading ahead of potential US tariffs. The segment contributed approximately 60% of group revenue, with gross margin at around 19%. Management expects demand to moderate in 1Q27 following strong orders in October and November. Rising raw material, gas and labour costs may weigh on margins, as Riverstone has limited ability to fully pass through cost increases amid intense industry competition.
- **Multiple growth drivers from new capacity for cleanroom gloves and expansion of cleanroom consumable products.** Cleanroom gloves are expected to remain Riverstone's primary growth driver, supported by an approximately 10% increase in production capacity to meet strong demand. The new capacity is expected to come on-stream in 1Q27. In addition, Riverstone will also commission new capacity for its cleanroom consumables in 1Q27 to cater to rising demand from its existing customers. This segment currently contributes around 7% to the group's total revenue and is expected to grow to 15% of group's revenue in three years.
- **Succession planning for new CEO; executive chairman to focus on growing cleanroom consumables business.** Mr Wong Teek Son will retain his position as the executive chairman while relinquishing his role as CEO to Ms. Chong Chu Mee, who has been actively involved in Riverstone's R&D and overseeing the operations and production activities for the past 30 years. This move would allow Mr Wong to focus on expanding the fast-growing the cleanroom consumable business.
- **Cash position remains robust; generous dividend payout to continue.** Riverstone ended 3Q26 with RM650m in cash and cash equivalents, up from RM630m at end-25. This strong net cash position reinforces Riverstone's ability to support continued strategic execution, navigate through changing market conditions and reward shareholders with generous dividend payouts.

Valuation/Recommendation

- **Maintain BUY with an 11% lower PE-based target price of S$1.08,** pegged to 19x 2027F PE based on historical mean. This is reduced from 24x (+0.5SD) previously to reflect the general small-mid cap sector de-rating. We believe there is room for Riverstone's multiple to re-rate given its cleanroom moat, net cash balance sheet and track record of maintaining a dividend payout ratio above 100%.
- Riverstone currently trades at 15x 2027F PE, around 40% discount to Malaysian glove peers' average of 22x. In addition, it also offers dividend yields of above 8.5% for 2026 and 2027.

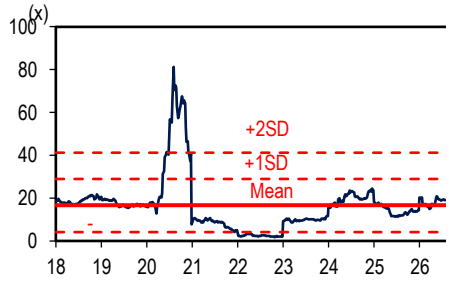
Earnings Revision/Risk

- We raise our 2026/27/28 earnings forecasts by 11.1%/12.8%/14.9% to RM242.0m/RM260.0m/RM278.3m respectively, mainly to reflect stronger-than-expected sales volumes and improving cleanroom glove margins, supported by sustained demand from AI infrastructure, data centres and memory storage industries. We expect earnings growth to remain supported by higher-value cleanroom products and ongoing production efficiency improvements.

Share Price Catalyst

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

Historical PE Band



Source: UOB Kay Hian

Peer Comparison

Company	Market Cap (US$m)	PE 2026 (x)	PE 2027 (x)	Yield 2026 (%)
Hartalega	868	21.4	20.2	2.8
Kossan Rubber	740	17.5	17.5	2.5
Supermax	297	n.a.	n.a.	0.0
Top Glove	1,810	24.2	22.1	1.6
Average		**21.1**	**20.7**	**1.7**
Riverstone	**822**	**14.0**	**13.0**	**8.6**

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	375.3	396.7	418.8
Deprec. & amort.	71.5	67.3	65.8	64.5
EBIT	264.5	308.0	330.9	354.3
Total other non-operating income	0.0	0.0	0.0	0.0
Pre-tax profit	**264.5**	**308.0**	**330.9**	**354.3**
Tax	(56.7)	(66.0)	(70.9)	(76.0)
Minorities	0.0	0.0	0.0	0.0
Net profit	**207.8**	**242.0**	**260.0**	**278.3**
Net profit (adj.)	207.8	242.0	260.0	278.3

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	618.9	578.0	538.8
Other current assets	258.0	255.8	276.8	291.9
Total assets	**1,639.6**	**1,608.7**	**1,572.9**	**1,534.4**
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	96.3	90.5	97.4	101.9
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	1,465.3	1,434.8	1,401.2
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**1,639.6**	**1,608.7**	**1,572.9**	**1,534.4**

Cash flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**304.5**	**292.0**	**300.5**	**323.8**
Pre-tax profit	264.5	308.0	330.9	354.3
Tax	(56.7)	(66.0)	(70.9)	(76.0)
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)**	**(291.4)**	**(313.0)**
Dividend payments	(296.4)	(252.4)	(290.4)	(312.0)
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)**	**(11.5)**	**(40.9)**	**(39.2)**
Beginning cash & cash equivalent	**715.1**	**630.4**	**618.9**	**578.0**
Changes due to forex impact	(11.1)	0.0	0.0	0.0
Ending cash & cash equivalent	**630.4**	**618.9**	**578.0**	**538.8**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.8	37.7	36.7	36.5
Pre-tax margin	26.6	30.9	30.6	30.9
Net margin	20.9	24.3	24.0	24.3
ROA	12.2	14.9	16.3	17.9
ROE	13.6	16.5	17.9	19.6
Growth				
Turnover	(7.2)	0.1	8.6	6.0
EBITDA	(20.7)	11.7	5.7	5.5
Pre-tax profit	(26.3)	16.5	7.4	7.1
Net profit	(27.6)	16.5	7.4	7.1
Net profit (adj.)	(27.6)	16.5	7.4	7.1
EPS	(27.6)	16.5	7.4	7.1
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)	(42.2)	(40.3)	(38.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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