Riverstone Holdings (RSTON SP)

ASP Normalisation And Shareholder Returns Remain Key Focus

Highlights

- We hosted Riverstone recently, where management highlighted its industry development and the company's outlook to our institutional clients.
- Normalisation of ASPs after the Iran war and an above-100% payout ratio should support earnings and shareholder returns.
- Maintain BUY with an unchanged target price of S$1.10, pegged to 25x 2027F PE. Riverstone currently trades at 19x 2027F PE vs peers' average of 22x.

Analysis

- **Key takeaways from SG Small & Mid Cap Corporate Day.** We hosted Riverstone Holdings (Riverstone) recently at our SG Small & Mid Cap Corporate Day, where management met with our institutional clients and provided updates on the group's demand outlook, ASP normalisation, raw material cost trends and capital allocation plans. Discussions also covered customer stickiness, competitive dynamics across the cleanroom and healthcare glove segments, and the group's dividend policy. A summary of the key questions raised is presented on the following page.
- **ASP hikes in cleanroom gloves and a focus on customisation for healthcare gloves to support earnings recovery.** Management expects better ASPs across both product segments, which should underpin earnings growth over the coming quarters. Cleanroom gloves are expected to enjoy stronger pricing power, supported by resilient demand from AI infrastructure, data centres and memory/storage applications, as well as tight industry supply. Meanwhile, healthcare glove ASPs continue to remain competitive due to ample supply of generic gloves. However, we expect Riverstone to continue enjoying healthy margins given its focus on highly customised products.
- **Committed to maintaining payout above 100%.** Management has reiterated its commitment to maintaining an above-100% dividend payout ratio, supported by its sizeable net cash position, debt-free balance sheet and healthy operating cash flow generation. This provides sufficient financial flexibility to sustain attractive shareholder returns despite near-term earnings and forex volatility, while continuing to fund its operational and expansion requirements.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,073	995	977	1,066	1,141
EBITDA	424	336	298	320	345
Operating profit	359	264	231	255	281
Net profit (rep./act.)	287	208	181	200	221
Net profit (adj.)	287	208	181	200	221
EPS (sen)	19.3	14.0	12.2	13.5	14.9
PE (x)	13.5	18.6	21.3	19.3	17.5
P/B (x)	2.4	2.6	2.7	2.7	2.7
EV/EBITDA (x)	8.2	10.4	11.7	10.9	10.1
Dividend yield (%)	9.2	6.5	4.7	5.2	5.7
Net margin (%)	26.7	20.9	18.6	18.8	19.3
Net debt/(cash) to equity (%)	(45.3)	(42.7)	(40.0)	(40.0)	(40.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	17.6	13.6	12.6	14.1	15.4
Consensus net profit (RMm)	-	-	195	231	254
UOBKH/Consensus (x)	-	-	0.93	0.87	0.87

Source: Riverstone, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	S$0.86
Target Price	S$1.10
Upside	+27.9%

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Stock Data

GICS Sector	Consumer Staples
Bloomberg ticker	RSTON SP
Shares issued (m)	1,482.2
Market cap (S$m)	1,274.7
Market cap (US$m)	988.3
3-mth avg daily t'over (US$m)	2.6

Price Performance (%)

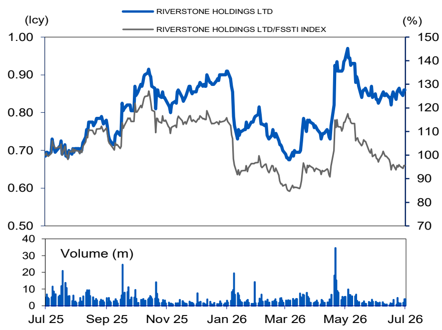
52-week high/low				S$1.01/S$0.635
1mth	3mth	6mth	1yr	YTD
2.4	13.2	(4.4)	22.9	(1.1)

Major Shareholders	%
Wong Teek Son	51.4
Lee Wai Keong	8.8

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.95
FY26 Net Cash/Share (RM)	0.38

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.

- **Raw material costs expected to ease in 3Q26.** Following sharp increases in butadiene and acrylonitrile prices earlier this year, management expects raw material costs to moderate in 3Q26. Riverstone does not hedge raw material prices, but instead manages cost fluctuations through regular pricing discussions with customers, with selling prices typically negotiated around two months in advance. The anticipated easing in input costs, together with higher ASPs, should be supportive of margin expansion.
- **Demand outlook remains constructive with stronger volumes expected.** Management expects a meaningful sequential increase in volume in 2Q26, as well as going forward, driven by continued strength in cleanroom gloves and improving demand across both business segments. The cleanroom business remains the key growth engine, supported by structural demand from semiconductor, AI and data centre-related applications. Customer relationships remain highly sticky, with many customers having partnered with Riverstone for over 20 years, while the customer base is well diversified, with the largest customer accounting for only 5-6% of revenue.
- **SG Small & Mid Cap Corporate Day Q&A summary.** Investors' questions centred on ASP recovery, demand outlook, customer stickiness, raw material costs, competition and capital allocation.
  - **Customer relationships remain sticky.** Many customers have partnered with Riverstone for over 20 years, with high switching costs due to stringent qualification requirements. The largest customer contributes only 5-6% of revenue.
  - **Raw material costs managed through pricing.** Riverstone does not hedge raw material prices, but instead adjusts selling prices through customer negotiations. Management expects input costs to ease in 3Q26.
  - **Demand remains healthy.** Management expects a meaningful volume pickup in 2Q26, supported by resilient cleanroom demand and a diversified customer base.
  - **Healthcare competition remains intense.** While competition is expected to persist, pricing conditions are gradually improving.
  - **Strong cash supports dividends.** Management remains committed to an attractive payout, while geopolitical tensions continue to support industry pricing through tighter supply.

Valuation/Recommendation

- **Maintain BUY with an unchanged PE-based target price of S$1.10,** pegged to 25x 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.
- Riverstone currently trades at 19x 2027F PE or a 12% discount to Malaysian glove peers' average of 22x.

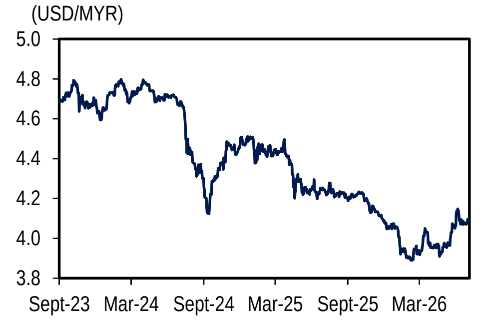
Earnings Revision/Risk

- No changes to our earnings forecasts.

Share Price Catalyst

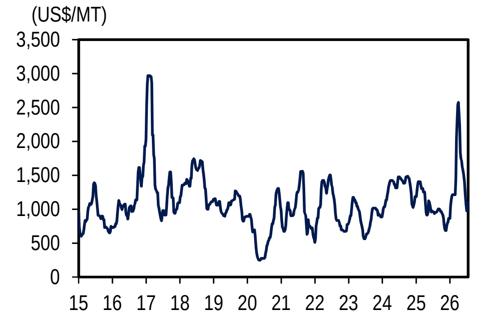
- Ringgit depreciation against the US dollar, which would provide immediate margin expansion.
- Stronger-than-expected demand for cleanroom and healthcare gloves.
- Faster ASP stabilisation in healthcare gloves.
- Margin rebound from lower raw material costs.

USD/MYR Falls as MYR Strengthens



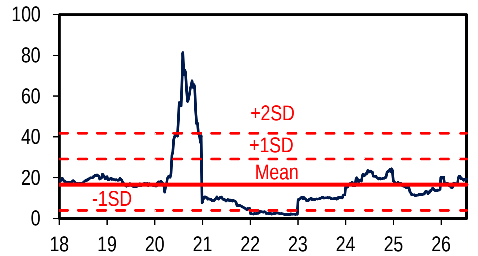
Source: Bloomberg

Historical Butadiene Prices



Source: Bloomberg

Historical PE Band



Source: Bloomberg

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	995.3	977.2	1,065.8	1,141.4
EBITDA	336.0	298.1	320.4	345.4
Deprec. & amort.	71.5	67.3	65.8	64.5
EBIT	264.5	230.8	254.6	280.9
Total other non-operating income	0.0	(0.0)	(0.0)	0.0
Pre-tax profit	264.5	230.8	254.6	280.9
Tax	(56.7)	(49.5)	(54.6)	(60.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	207.8	181.3	200.0	220.7
Net profit (adj.)	207.8	181.3	200.0	220.7

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	561.4	569.0	582.5
Other current assets	258.0	259.9	281.8	299.5
Total assets	1,639.6	1,555.3	1,568.9	1,585.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	96.3	97.8	105.0	110.3
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	1,404.6	1,423.3	1,443.9
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	1,639.6	1,555.3	1,568.9	1,585.6

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	304.5	234.5	240.0	264.4
Pre-tax profit	264.5	230.8	254.6	280.9
Tax	(56.7)	(49.5)	(54.6)	(60.2)
Deprec. & amort.	71.5	67.3	65.8	64.5
Associates	0.0	0.0	0.0	0.0
Working capital changes	30.6	(0.4)	(14.6)	(12.5)
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)	(182.3)	(201.0)
Dividend payments	(296.4)	(252.4)	(181.3)	(200.0)
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)	(69.0)	7.6	13.4
Beginning cash & cash equivalent	715.1	630.4	561.4	569.0
Changes due to forex impact	(11.1)	0.0	0.0	0.0
Ending cash & cash equivalent	630.4	561.4	569.0	582.5

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.8	30.5	30.1	30.3
Pre-tax margin	26.6	23.6	23.9	24.6
Net margin	20.9	18.6	18.8	19.3
ROA	12.2	11.4	12.8	14.0
ROE	13.6	12.6	14.1	15.4
Growth				
Turnover	(7.2)	(1.8)	9.1	7.1
EBITDA	(20.7)	(11.3)	7.5	7.8
Pre-tax profit	(26.3)	(12.7)	10.3	10.3
Net profit	(27.6)	(12.7)	10.3	10.3
Net profit (adj.)	(27.6)	(12.7)	10.3	10.3
EPS	(27.6)	(12.7)	10.3	10.3
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)	(40.0)	(40.0)	(40.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.