Riverstone Holdings (RSTON SP)

2Q26: Strong Earnings Beat; Expect Continued Strength

Highlights

- Riverstone reported a strong set of earnings for 2Q26 that was 40% above our expectations, where earnings of RM66m grew 45% yoy and 60% qoq.
- We expect the cleanroom segment to continue benefitting from AI-driven demand from the data centre and memory storage sectors.
- Maintain BUY with a 9% higher target price of S$1.21, pegged to 24x 2027F PE. Riverstone currently trades at around 30% discount to peers.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	2Q25	yoy%	1Q25	qoq%
Revenue	266.7	244.8	8.9	252.3	24.5
Gross profit	96.0	65.7	46.1	82.2	54.8
Gross profit margin (%)	36.0	26.8	9.2ppt	32.6	7.0ppt
PATMI	65.8	45.4	45.0	56.4	60.2
PATMI margin (%)	24.7	18.5	6.1ppt	22.4	5.5ppt

Source: Riverstone Holdings, UOB Kay Hian

Analysis

- **2Q26 earnings significantly ahead of expectations.** Riverstone Holdings (Riverstone) reported a strong 2Q26, with PATMI of RM65.8m (+45.0% yoy, +60.2% qoq) coming in around 40% above our expectation. Revenue rose 8.9% yoy and 24.5% qoq to RM266.7m, driven by stronger cleanroom demand, while improved healthcare pricing supported margin recovery. This brought 1H26 revenue to RM480.9m (-3.2% yoy) and PATMI to RM106.9m (+5.0% yoy), representing 49% and 59% of our previous 2026 forecasts respectively.
- **Cleanroom: AI-related demand drove sequential recovery.** 2Q26 revenue rose to RM266.7m (+24.5% qoq), driven by stronger cleanroom glove demand. Management highlighted continued demand from AI-related data centre and memory-storage applications, reinforcing cleanroom's position as Riverstone's key earnings driver. The group is also renewing ageing production lines and shifting away from low margin generic output towards higher-value cleanroom and customised healthcare products, which should support 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)	8.1	10.2	9.9	9.5	9.2
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)	-	-	195	231	254
UOBKH/Consensus (x)	-	-	1.12	1.00	0.96

Source: Riverstone Holdings, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$0.85
Target Price	S$1.21
Upside	+42.4%
Previous TP	S$1.10

Stock Data

Sector	Health Care
Bloomberg ticker	RSTON SP
Shares issued (m)	1,482.2
Market cap (S$m)	1,259.8
Market cap (US$m)	984.2
3-mth avg daily t'over (US$m)	2.0

Price Performance (%)

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

1mth	3mth	6mth	1yr	YTD
(0.6)	(8.1)	11.8	24.1	(2.3)

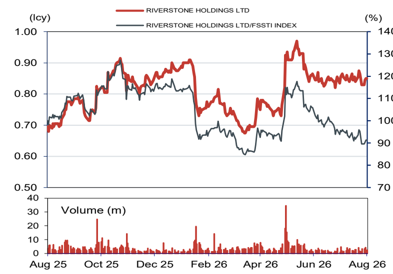
Major Shareholders (%)

Wong Teek Son	51.44
Lee Wai Keong	8.82

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.95
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 nitrite and natural rubber gloves, cleanroom packaging materials and finger cots, as well as face masks, face pouches, hoods, caps, jumpsuits and swabs.

- **Cash position remained robust; 5 sen interim dividend declared.** Riverstone ended 1H26 with RM576.0m in cash and cash equivalents, down from RM630.4m at end-25 mainly due to dividend payments. The group still generated RM102.4m in operating cash flow during 1H26, while capex remained modest at RM12.0m. An interim dividend of 5.0 sen per share was declared, translating to a 69.3% payout ratio.

Valuation/Recommendation

- **Maintain BUY with a 9% higher 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 16x 2027F PE or close to 30% discount to Malaysian glove peers average of 22x. In addition, it also offers a dividend yield of above 6% for 2026 and 2027.

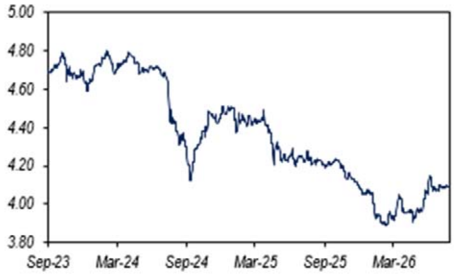
Earnings Revision/Risk

- We raised our 2026/27/28 earnings estimates by 20%/15%/10% respectively after raising our revenue estimates by 2%/2%/1% and gross margin estimates by 4.3ppt/3.3ppt/2.3ppt to 31.7%/31.3%/31.4% to factor in the higher ASP and margin surprise in the 1H26 results.

Share Price Catalyst

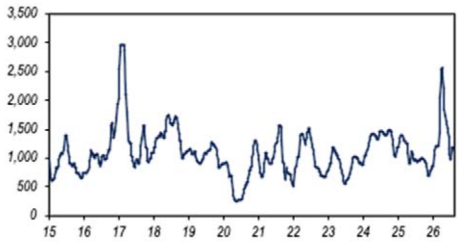
- Ringgit depreciation against the US dollar, which would provide immediate margin expansion.
- Stronger-than-expected demand for cleanroom and healthcare gloves.
- Faster ASP stabilisation in healthcare gloves.
- Margin rebound from lower raw material costs.

USD/MYR Falls As MYR Strengthens



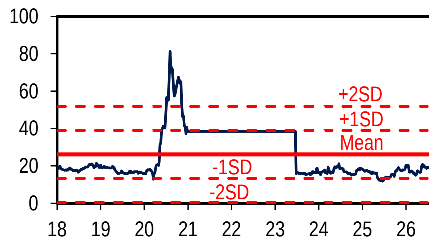
Source: UOB Kay Hian

Historical Butadiene Prices



Source: 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

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

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

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.