

ASPION PROFIT BOOST FOR TOP GLOVE

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Top Glove executive chairman Tan Sri Dr Lim Wee Chai (left), Top Glove executive director Eric Hoo Saw Ho (fourth from right), Top Glove independent non-executive director Datuk Lim Han Boon (third from right), Tourism and Culture Ministry China and Chinese Community Affairs advisor Datuk Andy Chuah (second from right), and Mah Sing Group executive director Datuk Steven Ng (right) at the the art installations at the Arts and Lights exhibition at Icon City here in Petaling Jaya on Sunday, Nov 26, 2017. Tourism Malaysia senior director (international promotion division) Datuk Musa Yusuf (third from left) and Mah Sing Group group managing director Tan Sri Leong Hoy Kum (second from left) were also there. - Loh Lay Phoon/The Star

SHAH ALAM: Top Glove Corp Bhd says the plan to buy surgical glove maker Aspion Sdn Bhd for at least RM1.3bil will boost the group's profits by a fifth in the financial year ending Aug 31, 2018 (FY18) and accelerate the group's expansion into the highly lucrative segment of the market.

As it is, Aspion commands a healthy 30% gross profit margin on its business, while Top Glove's own smaller surgical glove unit generates about 20% gross profit from sales.

"We expect to sign the sale and purchase agreement next month and the completion of the acquisition is targeted for February 2018," Top Glove's founder and executive chairman Tan Sri Lim Wee Chai said.

"Aspion is expected to contribute around 20% of profits and revenue to Top Glove," he told StarBiz yesterday.

Aspion is currently the second-largest producer of surgical gloves in the world, with an annual production of 1.4 billion pieces or an 18% market share. Lim said production at Aspion is projected to increase by another 1.6 billion pieces by 2019 due to the ongoing capacity expansion at its Kulim plant in Kedah.

Top Glove has a 12% global market share in this segment, producing 665 million pieces a year. The surgical glove segment, prior to the acquisition, contributed about 5% of Top Glove's revenue.

"The acquisition will make Top Glove the largest exporter of surgical gloves in Malaysia, with a production capacity of 1.8 billion pieces in FY18 and become the world's largest surgical glove manufacturer," Lim said.

Top Glove made a net profit of RM332mil for FY17 ended Aug 31, the company said last month.

The market is projecting the company to make around RM400mil in FY18, based on consensus estimates after the deal was announced last Friday.

Top Glove had earlier said it had entered into a term sheet with Adventa Capital Pte Ltd to buy Aspion in a deal worth between RM1.3bil and RM1.4bil.

Aspion has provided a profit after tax guarantee of RM80mil for the year ending Oct 31, 2018.

Aspion is wholly owned by Adventa Capital Pte Ltd, whose major shareholders are Low Chin Guan and Singapore-based private equity fund Southern Capital Group Pte Ltd.

“Low, the major shareholder of Aspion, will continue to manage Aspion’s surgical glove business segment and we intend to offer him a key position in the group,” said Lim.

Aspion’s Kulim plant houses the company’s most recent technology and research and development centre. It also has manufacturing facilities in Kluang, Johor and Kota Bahru, Kelantan, catering mainly for examination gloves.

Aspion owns cutting-edge technology, namely, its Finessis surgical glove which is known to be the only technology capable of reducing the number of viruses (such as HIV) transferred in cases of percutaneous injury.

The news of the proposed acquisition of Aspion is not surprising, as the market has been anticipating it since Lim mentioned a month ago that the company would be announcing a major acquisition that could possibly cost more than RM1bil.

And he has made it clear that Top Glove has been on the lookout for mergers and acquisitions (M&As) for the last several years.

“We have been exploring non-listed glove players for a long time as part of our M&A expansion plans.

“However, some (companies) are not ready to do it.

“As for Aspion, most of our discussions were arrived at two months ago and it is a profitable company with presence in western Europe, the United States and Japan,” Lim noted, adding that this complemented Top Glove’s business, as it was present mostly in the emerging markets.

Top Glove shares closed up 10 sen or 1.48% to RM6.85 yesterday, with 5.91 million shares being traded. At this price, the company is worth RM8.6bil.

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