

TOP GLOVE IN RM1BIL EXPANSION MODE

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PETALING JAYA: Top Glove Corp Bhd, which is currently in a net cash position of RM142.8mil, is on the lookout for merger and acquisition (M&A) opportunities to further expand its business scope.

Chairman Tan Sri Lim Wee Chai said the group was in search for companies in similar and related industries in line with its annual key performance index (KPI).

“We are interested in acquiring quite a number of glove factories and those involved in packaging material or glove machinery.

“As we have a strong balance sheet in hand, the amount is not a concern for this acquisition to take place and it would range from RM10mil to RM1bil,” Lim said during a conference call when presenting Top Glove’s second quarter results yesterday.

He said the group would prefer to acquire Malaysian-based companies to manage easily.

Top Glove’s net profit came in 35% higher at RM56.1mil on the back of a 4.4% increase in revenue to RM572.2mil for the second quarter financial year ended Feb 28.

This translated to basic earnings per share that climbed 9.09 sen from 6.07 sen. No dividend was declared for the current quarter under review.

Lim attributed the stronger earnings to growth in sales quantity of 5.3% from the second quarter FY 2014 and 4.5% against the first half of FY

2014.

“The higher sales volume was from nitrile and natural rubber gloves, of which the current ratio stands at 80:20.

“The demand for natural rubber gloves from emerging markets, where Top Glove has a stronghold, with exports to 200 countries worldwide, in particular continued to grow steadily,” Lim said, adding that the group currently has close to 30% of world market share for nitrile gloves, while natural rubber gloves’ segment stood at less than 20%.

The group’s better performance was also due to the downtrend in raw material prices, its on-going internal improvement in quality, efficiency and cost control measures, better margins from newer and more efficient machineries and factories, apart from the stronger greenback as well as the post-consolidation turnaround of its China operations, which showed RM1.5mil profit in the current quarter compared to RM5.4mil loss, a year ago.

It intends to maintain the dividend payout of 16 sen per annum for 2015.

Going forward, Lim said the group would be involved in more trade shows and bridging closer ties with the medical industry to beef up the sales of nitrile gloves.

He confirmed that the company was all out to penetrate customers, who were making the switch to nitrile gloves from natural rubber gloves.

“At present, many traditional customers are making the switch to nitrile gloves,” he said, adding that it had the capacity to meet their requirements, demand and pricing. As per Top Glove’s statistics, nitrile glove segment has grown by 514% for the past five years.

The group noted an 18% increase in the Asian market compared to 14%, a year ago, due to an increase in demand from its Japanese counterpart.

“Apart from focusing on the current key markets like Australia, United States, Germany, Spain, United Kingdom and Japan, we would be paying more attention to China, India and other emerging markets, which have seen tremendous improvements,” he said, adding that four trade shows would be held in China this year.

The group's expansion on Factory 27 in Lukut, Port Dickson, Factory 6 in Thailand and construction of Factory 30 would bring the number of production lines and capacity to 538 and 52.2 billion gloves per annum by September 2016. Top Glove's share price closed up 7 sen or 1.36% at RM5.20 yesterday, giving it a market capitalisation of RM3.2bil.