

TOP GLOVE 2Q NET PROFIT UP 35% ON YEAR, REVENUE HIGHER AT RM572M

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KUALA LUMPUR (Mar 18): Top Glove Corp Bhd's second quarter net profit rose 35% from a year earlier as higher sales volume and a weaker ringgit versus the US dollar supported revenue growth.

In a filing with Bursa Malaysia today, Top Glove (fundamental: 2.5; valuation: 0.9), the world's largest rubber glove producer in terms of output, said net profit rose to RM56.07 million for the second quarter ended Feb 28, 2015 (2QFY15) from RM41.55 million. Revenue was higher at RM572.25 million versus RM548.27 million.

"Contributing to stronger revenue figures was growth in sales quantity of 5.3% from 2QFY14 and 4.5% against 1HFY14, attributable to higher sales volume stemming from more natural rubber and nitrile glove sales.

"A stronger USD also positively impacted revenue and performance, and coupled with lower raw material prices, helped offset last year's tariff increases, part of which Top Glove was unable to pass on to customers," Top Glove said.

According to the group, prices of major raw materials comprising natural and synthetic rubber latex fell from a year earlier.

Top Glove said natural latex prices dropped 24.8% to an average of RM3.63 a kg, and synthetic rubber of nitrile latex prices fell 5.3% to US\$1.03 (RM3.82) a kg.

For 1HFY15, Top Glove registered a higher net profit at RM104.75 million compared to RM91.83 million a year earlier.

Revenue expanded to RM1.14 billion from RM1.12 billion.

Looking ahead, Top Glove said it was eyeing merger and acquisition (M&A) opportunities both in similar and related industries to further expand the its business scope.

The M&A plans come at a challenging business landscape for Top Glove. The firm said it foresaw a challenging business environment in view of competition in the nitrile glove segment and impact of the goods and services tax (GST).

Malaysia will implement the GST starting April 1 this year.

At 12:30pm today, Top Glove shares were traded unchanged at RM5.13 for a market capitalisation of RM3.17 billion. According to the company's website, the glove manufacturer has an annual output capacity of 42.6 billion pieces.