

TOP GLOVES POST BETTER Q-O-Q EARNINGS

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KUCHING: Top Glove Corporation Bhd (Top Glove) continues to register better quarter-on quarter (q-o-q) earnings.

The glove manufacturer told Bursa Malaysia yesterday that its net profit increased by 6.1 per cent q-o-q to RM48.68 million in first quarter of financial year 2015 (1QFY15) compared with RM45.9 million in 4QFY14 during the release of the company's (1QFY15) financial results announcement.

As for the financial performance of 4QFY14 compared to 3QFY14, Top Glove earnings also witnessed an improvement of 8.3 per cent to RM45.9 million against RM42.37 million recorded in 3QFY14.

For 3QFY14 against 2QFY14, Top Glove's net profit also showed a slight increase of two per cent to RM42.37 million from RM41.55 million.

Nonetheless, for the financial results of 1QFY15 year-on-year (y-o-y), Top Glove's earnings declined marginally by 3.2 per cent in 1QFY15 to RM48.68 million from RM50.28 million in 1QFY14.

The company observed that its turnover for 1QFY15 dipped slightly by 1.1 per cent to RM567.63 million from RM573.98 million in 1QFY14 due to average lower selling prices.

Meanwhile, Top Glove in a press statement said the group recorded a profit before tax (PBT) of RM59.1 million and profit after tax of RM49 million, representing an upturn of 19.9 per cent and 5.6 per cent respectively compared with the preceding quarter.

The company explained that better financial performance was supported by lower raw material prices and a stronger US dollar, as well as concerted quality enhancement initiatives which the group had earlier embarked on.

However, Top Glove revealed that its profit after tax for 1QFY15 was lower compared to 1QFY14 attributed to the increase in natural gas and electricity prices.

Additionally, the group noted intense competition in the nitrile glove segment also hampered cost pass through effort.

Commenting on the group's results, Top Glove's chairman Tan Sri Lim Wee Chai said, "I am pleased to note we have delivered a better performance in the midst of a business environment that continues to prove challenging.

“Our results have set a positive tone for the financial year ahead,” he said. Interestingly, Top Glove pointed out that its sales volume rose by four per cent y-o-y and one per cent q-o-q attributed to increased sales across all glove segments.

Despite that, Top Glove explained the improved sales was not reflected in revenue which came in at RM567.6 million. a marginal decline of one per cent compared with 1QFY14 and two per cent compared with 4QFY14 due to lower average selling price.

In the meantime, the group observed raw material prices continued to trend down compared with 4QFY14, which helped to cushion the effects of tariff increases for electricity and natural gas.

In 1QFY15, Top Glove noted that the natural latex price fell by 12.1 per cent to an average of RM3.90/kg while the nitrile latex price narrowed by 4.6 per cent to an average of US\$1.04/kg.

Moving forward, Top Glove said it will continue to steadily expand its capacity to tap the opportunities that the industry presents despite the increasingly intense competition.

Top Glove said its latest facility, Factory 29 in Klang, Selangor will be operational by January 2015 and fitted with faster, more efficient, superior quality and technologically-advanced production lines.

In line with the increasing demand, Top Glove noted the group envisions upcoming new factories to be built specifically for nitrile glove production, which will position the company to further increase its multinational customer base in developed markets.

Apart from that, Top Glove revealed that selected existing factories will be dedicated to the production of natural rubber gloves as there is steady demand for the segment which is still rising rapidly in developing markets.

Top Glove explained that the move will enable the company to produce a more balanced product mix in line with market trends.

Furthermore, the group observed that its net cash remains positive at RM186.7 million as at November and has maintains a healthy balance sheet.

In terms of outlook, it expects the business environment to be challenging and competitive over the course of 2015, attributed to cost increases in natural gas and electricity. Goods and Services Tax (GST)-induced inflation once implemented in April 2015 as well as intensification of competition in the nitrile glove segment.

However, the company noted tailwinds also exist in the form of lower raw material prices (based on current trends) and a strong US dollar.

The group said lower oil prices will also bode well for the production of nitrile gloves.

Moreover, with glove usage being on the uptrend in both developed and emerging markets, Top Glove believes the industry's growth prospects are promising and estimated to continue growing at a healthy rate.

At the same time, Lim expressed confidence in Top Glove's ability to weather the challenges ahead.

"Demand (for gloves) is still strong and the industry is estimated to continue growing at six per cent to eight per cent per annum.

"I believe that with an unwavering focus on quality and cost efficiency, we have a winning formula to ensure we overcome and continue to deliver growth in the Quarters ahead," he said.

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