

# TOP GLOVE REAPS REVENUE GROWTH AMID CHALLENGING ENVIRONMENT

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**KUCHING:** Top Glove Corporation Bhd (Top Glove) has recorded revenue and volume growth for the fourth quarter and financial year ended August 31, 2014 (FY14) amidst a challenging environment.

In an announcement on its results for FY14 on Bursa Malaysia, Top Glove highlighted that the group achieved revenue of RM580.2 million in the fourth quarter ended August 31, 2014 (4QFY14), an increase of 5.8 per cent against 4QFY13.

"This was driven by a steady rise in demand for rubber gloves, also reflected in sales volume which recorded growth year-on-year, albeit at a more modest three per cent," Top Glove said.

Compared with FY13, the group's volume also rose by three per cent. Nitrile gloves contributed significantly to this with a substantial volume growth of 23.7 per cent from the last year, and now account for 24 per cent of total group sales volume, up from 20 per cent in the previous year.

Meanwhile, demand for natural rubber gloves remained fairly consistent.

However, full year revenue for the group came in at RM2.276 billion in FY14, 1.6 per cent lower compared with FY13.

Profit before tax also eased by 28.9 per cent to RM47.7 million in 4QFY14 and 11.4 per cent to RM214.7 million in FY14, versus the corresponding periods in the preceding financial year.

The group's bottomline was affected by the 19 per cent increase in natural gas prices which took place in May, with the full impact being felt in the recent quarter.

Further aggravating the situation were the knock-on inflationary effects which followed increases in utility costs for electricity at 16 per cent, and to natural gas. Moreover, intensification of competition in the nitrile segment resulted in compressed margins.

Meanwhile, raw material prices continued to trend down compared with FY13, as natural latex fell by 17.3 per cent to an average of RM4.77 per kilogramme (kg) and nitrile latex price contracted by 8.3 per cent to an average of RM3.51 per kg in FY14.

However, the positive impact/benefit from this was minimal in light of the competitive environment which compelled any cost savings gained to be passed on to the customers.

Commenting on the group's performance, chairman Tan Sri Lim Wee Chai said, "It has been a tough year for us. The business environment has been challenging and we also recognise there are further improvements that can be made operationally.

"We are determined to further step up our efforts in quality enhancement and cost saving to deliver a better performance".

Accordingly, the group's focus is steadfast on quality expansion. It recently saw the completion of the second phase expansion of Factory 27 in Lukut, Port Dickson with the addition of six higher performing production lines, while Factory 29 in Klang will be operational by January 2015 and will be fitted with faster, more efficient, better quality and technologically advanced production lines.

Given the present business climate, increased merger and acquisition (M&A) opportunities are also likely to present themselves, thus enabling the group to expand faster via the inorganic route, in addition to the organic expansion being pursued.

The Board of Directors of Top Glove has also proposed a final single tier dividend of nine sen per share, subject to shareholders' approval at the forthcoming Annual General Meeting, which would bring the total payout for the year to 16sen per share, consistent with the previous year.

In line with its commitment to increasing shareholder value, the group has also adopted a Dividend Policy to declare and pay annual dividends of not less than 50 per cent of its profit after tax and minority interest in respect of future financial years.

As at August 31, 2014, the group's net cash remains positive at RM157.6 million, after factoring in acquisitions and capital expenditure of RM226.5 million and interim dividend payment.

It also maintains a healthy balance sheet. Additionally, the group also benefited from a lowered effective tax rate.

In response to an urgent call to stem the spread of Ebola in West Africa, Top Glove supported a recent Government initiative that collected a donation of some 20.9 million gloves from Malaysian glove manufacturers and private companies, to be shipped to nations stricken by the virus.

In addition to contributing gloves, the group also project-managed the shipping of the said rubber gloves, to the affected countries of Liberia, Sierra Leone, Guinea, Nigeria and The Democratic Republic of Congo.

Notwithstanding the softer performance, Lim remained upbeat about the company's as well as the industry's prospects, observing, "The demand for rubber gloves is still strong as evidenced by the sales volume we are seeing. There may be a temporary slowdown, but there is still overall growth.

"With our on-going quality and automation improvement initiatives across our operations, we are optimistic of a better showing in the quarters ahead."