

# TOP GLOVE: BONDS WILL RESULT IN RM80MIL SAVINGS

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*KLANG, 10 Dis -- Pekerja asing yang menjadi pekerja di kilang memproses sarung tangan Top Glove di Meru Klang hari ini. Menteri Sumber Manusia M Kulasegaran membuat lawatan terhadap kilang itu selepas berita berkaitan laporan penindasan pekerja warga asing itu yang dilaporkan oleh media antarabangsa pada Jumaat lalu. -- fotoBERNAMA (2018) HAK CIPTA TERPELIHARA*

**PETALING JAYA:** Top Glove Corp Bhd, which has issued US\$200mil (about RM814.10mil) exchangeable bonds, expects to see up to RM80mil in savings over five years.

In a statement, the world's largest glove-maker said the bonds would result in potential cash-flow savings of approximately RM16mil in interest per year.

“This would result in substantial potential cash-flow savings of approximately RM16mil per annum for the group, which would help to improve the group’s cash-flow position.”

Top Glove added that the bonds would enable diversification of funding sources.

“The company’s expansion was previously funded by bank borrowings and internally generated cash.

“To diversify its funding sources, the company has embarked on the bond issuance, which is a preferred option over normal bank borrowings due to the lower funding cost and fixed term.

“The bonds have an exchangeable feature, whereby subject to the terms and conditions of the bonds, the bondholders have the right to exchange their bonds into new shares of the company at anytime during the exchange period, at an initial exchange price of RM6.2040 per share, which is a 20% premium to the closing share price of the company on Feb 20, 2019 of RM5.17.”

Top Glove noted that this renders the bond issuance a more favourable alternative compared with fundraising via share placement, for which the company would have to offer a discount below the current market price.

“Moreover, the 20% premium coupled with the lower funding cost mitigates the dilution effect on the earnings of the company. Exchange of bonds to Top Glove shares would only take place upon the share price exceeding RM6.20.

“This guards against immediate earnings dilution, as new Top Glove shares from the conversion will only be issued at a later stage. By contrast, in share placements, new Top Glove shares will be issued immediately, resulting in immediate dilution.”

To recap, Top Glove had successfully priced the bonds on Feb 20 and they were completed last Friday. The bonds were listed on Bursa Malaysia and Singapore Exchange on March 4.

The glove maker also said a stock borrow arrangement with Top Glove’s major shareholders was also introduced in connection with the bond issuance.

“This would enable the bonds to attract an even larger investor base, while also ensuring the terms of the bonds would be more attractive and beneficial to the company.

“The stock borrow is a common feature for exchangeable bonds and enables investors to hedge the position when subscribing to bonds.

“However, the stock borrow available to investors only comprises approximately 2% of the total Top Glove shares. During this initial period, there may be some downward impact on the share price, attributed to regulated short-selling activity. The impact is expected to be temporary,” said Top Glove.

*The Star*