

TOP GLOVE TO BUY 2 MORE COMPANIES THIS YEAR; TARGETS 4 MORE IN 2019

12 January 2018 / 12:01



SETIA ALAM (Jan 12): Top Glove Bhd, the world's largest rubber glove manufacturer, is now on a lookout to acquire six more companies by 2019.

"This year, we hope to acquire another two smaller companies after we acquired one big company (Aspion Sdn Bhd). Next year we target to acquire four companies. We are always looking at acquisitions to grow," Top Glove chairman Tan Sri Dr Lim Wee Chai told reporters after a briefing on the group's first financial quarter results today.

The group also inked a conditional share purchase agreement with Adventa Capital Pte Ltd today to acquire the surgical glove maker Aspion for RM1.37 billion.

Top Glove's net profit for the first quarter ended Nov 30, 2017 rose 44% year-on-year (y-o-y) to RM105.45 million from RM73.32 million a year earlier, driven by strong demand growth. Quarterly revenue grew 19% to RM938.1 million from RM785.58 million.

"Both (the two targeted companies this year) could be from the rubber glove or condom industry... a health related or a chemical plant company. If it's good for the group, we will acquire and expand the business," Lim said, but declined to reveal the price range of the targeted acquisitions.

Nevertheless, Lim said Top Glove can still support the acquisitions as long as the group's gearing is below one.

"If our gearing is above that, then we might consider raising funds through convertible bonds or private placement or other methods. Being a listed company, we have many options, so we must select the best option," he said.

According to note dated Dec 20, 2017 by Kenanga Investment Bank Bhd (Kenanga Research), Top Glove's estimated net gearing is now at 0.6 times.

Of the RM1.37 billion it is forking out for Aspion, RM1.23 billion will be funded from a combination of conventional term loan and Islamic term financing. The remainder RM137 million will be satisfied via the issuance of some 20.51 million new Top Glove shares at RM6.68 apiece.

"After this (Aspion) acquisition, we will be financially stronger and expand even faster because we have more money to expand. Aspion is not big enough, that's why their expansion has been a bit slow. So, with our support and by working together, the expansion would be even faster," Lim shared.

Lim expects the acquisition to be completed by April this year.

With Aspion among its subsidiaries, Top Glove will become the global leader in surgical glove manufacturing.

Currently, Top Glove's market share in the surgical gloves segment is about 12%, but surgical glove sales only make up about 2% of its total sales.

Aspion, which has an annual production of 1.4 billion pieces, commands an 18% share of the global surgical glove market.

Top Glove shares closed three sen or 3.45% higher at RM9, bringing it a market capitalisation of RM11.27 billion.