

TOP GLOVE BUYS ITS PACKAGING MATERIAL SUPPLIER FOR RM46.25MIL

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SHAH ALAM: Top Glove Corp Bhd is buying Eastern Press Sdn Bhd, a major supplier of packaging materials for the group's operations in Malaysia, for RM46.25mil in cash.

"The transaction is expected to enable Top Glove to improve its supply chain coordination, allowing for flexible planning and better lead time, in relation to the supply of packaging material for its glove products, as well as better cost and quality control," it said in a statement on Friday.

Top Glove on Friday signed a sale and purchase agreement with all the existing shareholders of Eastern Press.

The price tag of the printing and packaging material manufacturer is RM1mil lower than the indicative consideration given in the term sheet inked with the largest vendor Y.S. Hoong Sdn Bhd (holding a 97.5% stake) on Oct 13.

Top Glove said the purchase consideration was arrived at on a willing-buyer, willing-seller basis after considering the net profit guarantee of RM4.5mil provided to it for the financial year ending Oct 31, 2018.

"For the purpose of assessing the reasonableness of the purchase consideration, the board has compared the price-to-earnings multiple (PE multiple) implied by the purchase consideration and the net profit guarantee of 10.3 times to the PE multiples of companies listed on the Main Market of Bursa Malaysia Securities Bhd which are generally involved in the production of packaging materials," it said.

The proposed acquisition is expected to be completed in the first quarter of 2018. Commenting on the purchase, Top Glove executive chairman Tan Sri Dr Lim Wee Chai said: "This will enable us to add value to our supply chain, thereby benefiting our operations, in line with our business direction to produce high quality gloves at an efficient low cost."

Top Glove said in the press statement that it would continue to explore merger and acquisition opportunities in related businesses in order to grow faster and remain sustainable.