

TOP GLOVE Q4 EARNINGS UP 51% TO RM98M, TO RAISE OUTPUT AND EYES M&AS

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Executive chairman Tan Sri Dr Lim Wee Chai expects Top Glove to better in the next quarter with a more stable Ringgit and raw material prices.

KUALA LUMPUR: Top Glove Corporation Bhd reported a 51% increase in its earnings for the fourth quarter ended Aug 31, 2017 at RM98.62mil and announced plans to increase production and explore inorganic expansion via mergers and acquisitions.

The world's biggest glove maker, said on Friday the earnings rose by 51% from the RM65.32mil a year ago while revenue increased by 24.9% to RM902.42mil from RM722.11mil.

Earnings per share were 7.87 sen compared with 5.21 sen. It rewarded shareholders with a final dividend of 8.5 sen similar to the previous quarter.

For FY ended Aug 31, 2017, its earnings fell 7.7% to RM332.70mil from RM360.73mil in FY16 during which Top Glove benefited from positive external factors of currency impact and lower raw material prices.

Revenue, however, increased by 18% to RM3.41bil from RM2.88bil a year ago due to the 7% increase in sales volume.

Commenting on the Q4 FY17 results, it said sales volume or quantity sold was exceptionally high, attaining growth of 13% versus 4QFY16.

“For the first time ever, double-digit quarter-on-quarter growth of 14% in an exceptionally strong comparison versus 3QFY17.

“The spike in sales volume followed increased sales in all regions, as well as a replenishment exercise by customers, after having put orders on hold in 3QFY17, owing to higher raw material prices. Sales Volume also rose with additional capacity coming on-stream,” it said.

On the FY17 results, Top Glove said the higher sales revenue was underpinned by an increase in average selling prices (ASP) arising from a surge in raw material prices, as well as a strengthening of the US dollar over the course of FY2017.

“Additionally, more sales of nitrile gloves, which command a higher ASP, coupled with new capacity, also helped move sales revenue figures higher.

“Internally, Top Glove’s good performance was credited to ongoing improvements in the manufacturing process, which enabled the group to manage costs more efficiently, reduce wastage and upgrade glove quality,” it said.

These include initiatives to increase automation, reduce downtime and conserve heat energy, electricity and water. The robust numbers achieved were also attributed to new capacity coming onstream and strong demand growth.

For FY2017, the average natural rubber latex price was RM5.76 per kg, 46.4% higher than FY16, while the average nitrile latex price was US\$1.1 a kg, up 11.9% compared with FY16.

However, raw material prices were on the downtrend compared with 3QFY17, with average natural rubber latex and nitrile latex prices falling 21.3% and 26.4% respectively.

Top Glove executive chairman Tan Sri Lim Wee Chai said the group managed to deliver good results despite a difficult business landscape.

“We attribute our robust performance to internal improvements centred on R&D, product quality, technology and reengineering initiatives; and believe that continuing to pursue these intensively is the way forward,” he said.

“Top Glove will continue to expand strategically. Its organic expansion plans include the construction of two new manufacturing facilities,” he said.

Lim said Factory 31, which will be operational by March 2018, and Factory 32 operational by December 2018, would boost the group’s total number of production lines by an additional 78 lines and production capacity by 7.8 billion gloves per annum.

“By December 2018, Top Glove is projected to have 31 glove factories, 628 production lines and a production capacity of 59.7 billion gloves per annum.

“Top Glove has also commenced preparations for its condom manufacturing facility, expected to be operational in 2018,” he said.

Top Glove will also continue to explore inorganic expansion via mergers and acquisitions, as well as new set-ups in related industries in order to grow faster and more efficiently.

“While gloves will continue to be its core business, the group will diversify into other revenue sources,” it said.

Meanwhile, Top Glove inked a letter of intent to acquire the entire ordinary shares of Eastern Press Sdn Bhd, a printing and packaging material manufacturer for RM47.25mil.

The proposed transaction is expected to provide the group with synergistic benefits, enabling it to improve its supply chain coordination.

The acquisition would allow for flexible planning and better delivery time in relation to the supply of packaging material for its glove products, as well as better cost and quality control.

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