

TOP GLOVE GUIDES FOR STRONGER SALES AFTER QUARTERLY PROFIT JUMPS 24PERCENT

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KUALA LUMPUR (Nikkei Markets): Malaysia's Top Glove Corporation, the world's largest natural rubber glove maker by capacity, Friday guided for higher sales in the final three months of its fiscal year despite challenging business conditions after third quarter net profit surged 24% as higher product prices offset lower volume.

Net profit for the three months ended May 31 totalled 77.71 million ringgit (\$18.16 million) compared with 62.46 million ringgit over the same quarter last year, Top Glove said in an exchange filing. Quarterly revenue rose 31% year-on-year to 869.64 million ringgit from 672.27 million ringgit.

"Top Glove expects the business environment to continue to be challenging as currency continues to be volatile," the company said. "However, the group is optimistic of better sales growth in 4Q as raw material prices start to trend downward."

Top Glove has been building new factories to raise production capacity and has sought to acquire smaller rivals in an ambitious bid to capture

30% global market share from the current level of about 25%. The company currently cranks out as many as 48 billion pieces of gloves annually from 30 factories.

By December 2018, Top Glove aims to operate 31 factories manufacturing up to 59.7 billion pieces of gloves a year. In May, Top Glove announced the acquisition of two plants for a total 39 million ringgit in a deal analysts said will give the company greater access to China.

"We expect Top Glove's fourth quarter net profit to grow 30% year-on-year" due to cheaper raw material and higher sales volume, said Affin Hwang Investment Bank's analyst Aaron Kee. "Every 10% decline in raw material price may benefit Top Glove by about 2% to 3% in profit."

For the full year, Top Glove could post 330.90 million ringgit net profit on revenue of 3.31 billion ringgit, according to Kee's estimate.

In the nearer term, Top Glove said its business environment will remain challenging due to volatile currencies. However, raw material prices have been declining since May, while volume growth could be stronger in the coming quarter, the company said.

"We have achieved growth amidst a difficult quarter and are confident that as we continue to enhance our quality and cost-down initiatives, we will conclude our financial year on a stronger note," said Chairman Lim Wee Chai.

For its first nine months, net profit fell nearly 21% to 234.08 million ringgit from 295.41 million ringgit in the same period last year, largely due to a stronger ringgit that eroded value of sales in U.S. dollar terms and higher raw material cost. Year-to-date revenue rose 16% to 2.51 billion ringgit from 2.17 billion ringgit.

Shares of Top Glove closed 3.3% lower at 5.61 ringgit while the benchmark FTSE Bursa Malaysia KLCI ended 0.1% higher.