TOP GLOVE 3Q EARNINGS UP 24.4% ON ONGOING COST MANAGEMENT

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TOP Glove Corp Bhd posted a net profit of RM77.71 million for the third-quarter ended May 31, 2017 (3Q17), a 24.4% increase from RM62.46 million posted a year earlier due to more efficient cost management.

The glove manufacturer's 3Q17 revenue rose 29.4% to RM869.64 million from RM672.27 million the year before.

The company declared an interim dividend of six sen per share for the financial year ending Aug 31, 2017 (FY17), payable on July 17.

Sales volume for the quarter under review was marginally lower by 1% against 3Q16 and by 5% compared to 2Q17 following an increase in average selling price, resulting from the upsurge in raw material prices which caused orders to be deferred, it said in a statement.

Despite the spike in natural rubber latex and nitrile latex prices, Top Glove remained optimistic of better sales volume growth for the last quarter of FY17 as raw material prices started to trend downward.

Revenue for the nine months ended May 31, 2017 (9M17), rose 15.7% to RM2.51 billion from RM2.17 billion previously, although net profit declined 20.8% to RM234.08 million from RM295.41 million a year prior.

The glove maker said the softer earnings for 9M17 were due to relatively stronger numbers during the first-half of FY16 (1H16), owing to a stronger US dollar and lower raw material prices then.

Sales volume for 9M17 registered a 5% increase on a year-on-year (YoY) basis.

“The growth in profit YoY, despite sharp increases in manufacturing costs and reduced sales volume, is attributable to our consistent focus on internal improvements that have enabled us to manage our costs well,” Top Glove executive chairman Tan Sri Dr Lim Wee Chai (picture) said.

The group said its performance in unfavourable conditions was driven by ongoing improvements throughout its manufacturing process, as well as good relationships with customers that allowed the sharing of cost increases.

It expects the business environment to continue to be challenging as currency remained volatile. However, the decline of raw material prices since May 2017 should lead to stronger volume growth in the coming quarter.

“We are confident that as we continue to enhance quality and cost-down initiatives, we will conclude our financial year on a stronger note,” Lim said.

In 3Q17, natural rubber latex prices shot up 79.2% YoY to RM7.06 per kg and 18.6% compared to 2Q17, while nitrile latex prices also rose 41.1%

YoY to US$1.34 (RM5.76) per kg and 24.1% versus 2Q17.

As at June 16, 2017, natural rubber latex prices had slid to RM5.56 per kg, the group noted.

The group's expansion plans to leverage on growing global demand for rubber gloves include constructing three new manufacturing facilities in Klang, the first to be operational by July this year, another by January 2018 and the third by December 2018.

Upon completion, these factories will add 10.6 billion gloves per annum to the group's total production capacity.

The company is also in the process of buying two factories in Nilai, Negeri Sembilan, and Muar in Johor with a combined production capacity of 1.1 billion gloves per annum, with the acquisition targeted for completion by August 2017 and to pave the way for greater access to the China market.

By December 2018, the group is expected to have 31 glove factories and a production capacity of 59.7 billion gloves per annum.

The group will also continue to explore potential mergers and acquisitions and joint ventures, as well as new set-ups including a nitrile latex factory, condom factory and packaging materials, the statement said.

Top Glove's shares were down 18 sen to RM5.62 as at 3.25pm last Friday, with 1.49 million shares traded.