

TOP GLOVE STILL IN EXPANSION MODE

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PETALING JAYA: Amid the headwinds and recent selldown of rubber glove stocks, Top Glove Corp Bhd is unfazed and says it is well on track with its expansion strategy for 2019.

The setback in its acquisition of surgical glove specialist Aspion Sdn Bhd according to executive chairman Tan Sri Lim Wee Chai will not put a dent on Top Glove's future acquisitions.

He told StarBiz the company's expansion plans remained intact and its experience with Aspion would not deter Top Glove from making additional acquisitions to further its growth agenda.

"We have learnt from the past to exercise even more caution, when looking at acquisitions in the future. However, we are not in a hurry to conclude any merger and acquisition deals.

“Our priority is still to identify synergistic targets with good valuations, which are related to our business and able to contribute positively immediately,” he said.

In July last year, the world’s largest glove maker said it was a victim of fraudulent misrepresentation and may have overpaid by RM640.47mil for Aspion which it acquired in April in the same year. This had resulted in the stock plummeting by 30% and erasing almost RM3.8bil off its market value the following trading day.

Lim stressed that the company was a growing one and still on expansion mode, looking to grow its business steadily via a combination of organic and non-organic routes.

He added it would continue to look at the possibility of establishing operations in other countries, particularly those which are geographically closer to Malaysia for ease of monitoring.

Top Glove, he said would be setting up a factory in Vietnam scheduled to be operational by the third quarter of next year.

As for its plans to expand into Turkey, Lim said it was still in the process of weighing it in view of the various factors that had to be considered.

As Turkey imports 70% of the company’s gloves and is amongst the top five countries, it makes it a suitable location for Top Glove to have operations there, he said.

On the overcapacity in the industry and its impact on Top Glove shares of late, he said the impact on the share price was temporary.

“We encourage our investors to adopt a longer-term perspective and to focus on the fundamentals of our company which we believe to be strong, rather than short-term gain.

“In fact, this may be an opportunity to invest in the company at a lower entry point. After all, Top Glove has a good track record of delivering

shareholder value, with total shareholders return of 8,616% over 17 years since listing in 2001,” he added.

Top Glove’s shares closed up by 13 sen (2.75%) to RM4.86 last Friday, representing a market capitalisation of RM12.42bil.

Year-to-date, it has fallen by some 12%.

Lim remain confident of the industry’s prospects as gloves he said, were an essential item to the healthcare industry. This makes their demand relatively resilient to economic or political uncertainty, he noted. As a disposable item , he said glove demand was recurring and set to grow at 8% to 10% every year.

Some analysts are still bullish of the rubber glove sector in spite of the headwinds and recent sell-down of rubber glove stocks.

CIMB Research is maintaining its “overweight” stance on the sector while AmlInvestment Bank has upgraded its call on the sector to overweight from neutral.

On concerns of oversupply of rubber gloves in the market, CIMB Research said the expansion by producers in China and Thailand would unlikely pose a major threat to Malaysian glove makers. This is because those producers are involved in replacing less efficient and older production capabilities whereas Malaysian glove makers are ahead in terms of technological advances.

The research house noted that Malaysia’s global market share is set to grow beyond the current level of 63%, owing to the domestic glove makers’ higher efficiencies and better economies of scale. This should allow Malaysian glove makers to capture a bigger piece of our estimated global glove demand growth of 8.5% to 268 billion gloves in 2019,” it said.

The upgrade stance by AmlInvestment Bank was premised on a robust growth in demand expectations in line with the expanding global healthcare sector and the increased awareness on the importance of

hygienic practices throughout the industry, especially in emerging markets such as India and China.

It noted the recent selldown of rubber glove stocks are unfounded as the sector's fundamentals and growth prospects remain.

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