



Top Glove Corporation Bhd

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PRESS RELEASE

For Immediate Release

TOP GLOVE DELIVERS BETTER 2Q PERFORMANCE AHEAD OF STRONGER FINANCIAL QUARTERS

Group receives double its normal sales orders

Shah Alam, Thursday, 19 March 2020 Top Glove Corporation Bhd (Top Glove) today announced its financial results for the Second Quarter ended 29 February 2020 (2QFY2020), delivering healthy figures amidst a softer quarter, while it looks forward to a very robust 2HFY2020.

For 2QFY2020, Top Glove achieved Sales Revenue of RM1.23 billion, an increase of 6% compared with 2QFY19 and 1.7% versus 1QFY2020. This was attributed to steady Sales Volume (Quantity Sold) growth, with particularly strong growth in the nitrile glove segment, where there was a 14% increase in Sales Volume versus 2QFY19. Sales Volume for natural rubber gloves was softer by 6% against 2QFY19, while margins were impacted by a 19% surge in natural rubber latex concentrate prices which the corresponding increase in average selling prices (ASP) was not sufficient to offset. Meanwhile, quarter-on-quarter Sales Volume for natural rubber gloves improved by 11% as Top Glove recovered market share through aggressive marketing strategies and production utilisation also increased.

Profit Before Tax for 2QFY2020 came in at RM130.4 million, 3.9% higher than 1QFY2020 as well as 2QFY19 and Profit After Tax was RM116 million, increasing by 8.7% year-on-year and 3.8% quarter-on-quarter, as the Group continued to enjoy tax incentives from its ongoing expansion, as well as unutilised tax allowances from some of its subsidiaries.

For 1HFY2020, Top Glove delivered Sales Revenue of RM2.44 billion, an improvement from 1HFY19, as Sales Volume increased marginally from 1HFY19. Meanwhile, Profit After Tax for 1HFY2020 was RM227.8 million, which is higher by 4.4% versus 1HFY19 and amounts to 62% of FY19's Profit After Tax.

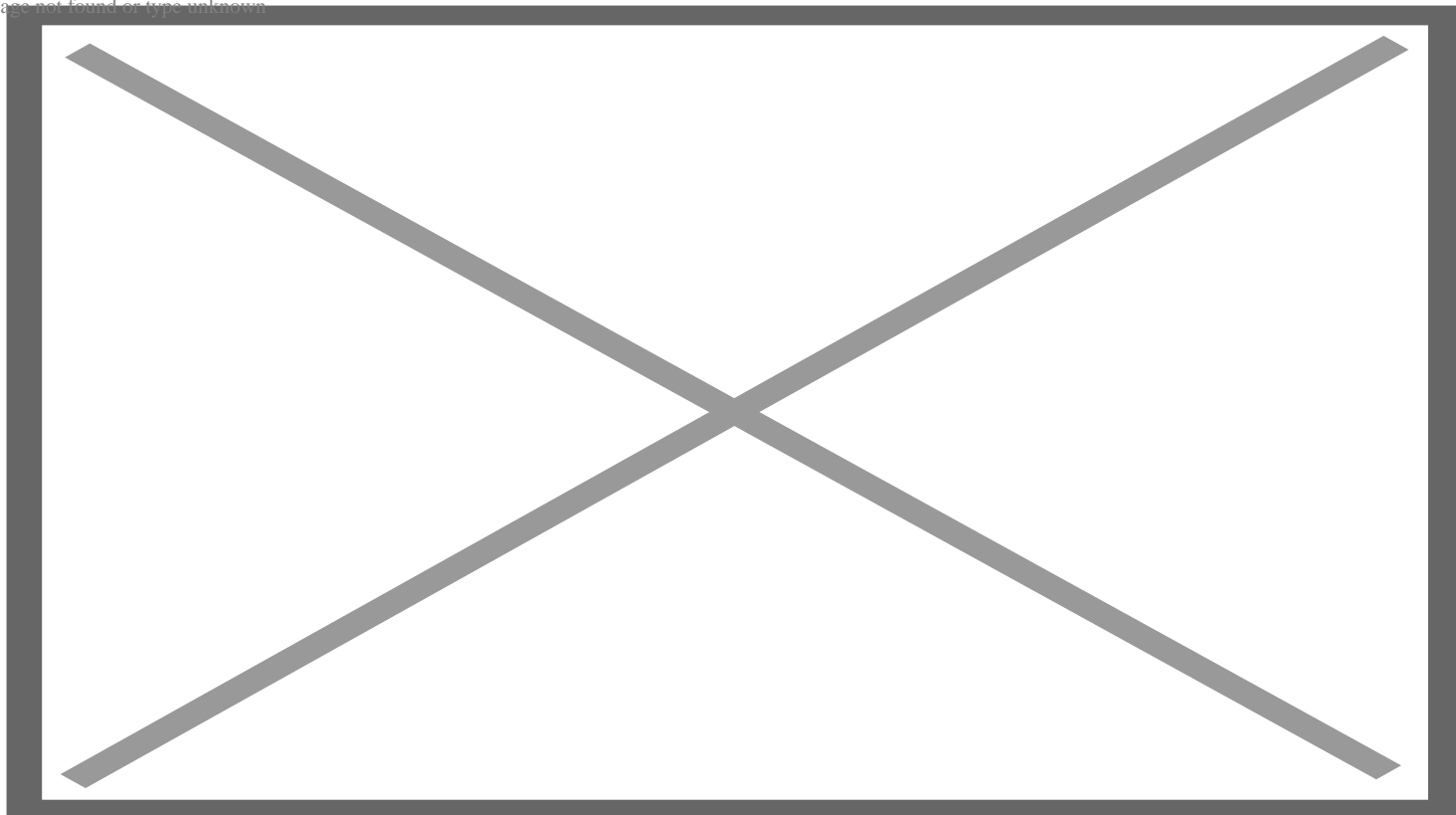
The Group also recorded significant progress in Aspion's performance arising from enhancement initiatives implemented over the past 2 years, as Sales Volume for Aspion's surgical gloves grew substantially by 29% both quarter-on-quarter and year-on-year. Improvement efforts will continue to be intensified across Aspion's operations from Production to Marketing, to ensure the Group realises Aspion's full potential and establishes a big presence in the surgical glove segment.

Raw material prices for 2QFY2020 remained mixed. The average price for natural rubber latex concentrate was RM4.37/kg, up by 5.8% and 19% versus 1QFY2020 and 2QFY19 respectively. Meanwhile, the average price for nitrile latex was USD1/kg, declining by 5.3% quarter-on-quarter and 8.3% year-on-year.

Tan Sri Dr Lim Wee Chai, Top Glove Corporation Bhd's Executive Chairman said, "We are pleased to have delivered good results, despite a challenging and competitive operating environment. Our good performance is testament to the effectiveness of our ongoing automation, digitalisation, quality and cost efficiency enhancement programs."

Top Glove will continue to expand its operations in line with the growing glove demand globally to ensure it is well-positioned to help protect and save lives, particularly in view of the ongoing outbreak of COVID-19. At the initial stage of the outbreak, sales orders came mainly from China, Hong Kong, Singapore and South Korea. However, the Group has in recent weeks also received strong sales orders from Europe, US and other countries as well, following its rapid spread to other continents across the globe, which has seen the Group's sales order book double. The Group also anticipates that the declaration of the COVID-19 outbreak as a pandemic by the World Health Organisation (WHO) on 12 March 2020, will eventually result in the healthcare and other sectors requiring more medical supplies such as gloves and other essential items.

With current utilisation levels above 90%, Top Glove is able to further ramp up production close to 100%, to meet the surge in demand. Moreover, it has new capacity coming onstream with F2B and F5A having commenced operations, which will add a total of 24 lines and a capacity 3.2 billion pieces of gloves per annum, when fully operational. In tandem, the company is also embarking on more capacity expansion plans, details of which are as follows:



These will boost the Group's total number of production lines by an additional 150 lines and production capacity by 17.7 billion gloves per annum. By December 2021, Top Glove is projected to have a total of 861 production lines and a production capacity of 91.1 billion gloves per annum.

On 23 January 2020, Top Glove was assigned a corporate credit rating of AA by the AA by the Malaysia Rating Corporation Berhad (MARC), the highest rating to be accorded to a Malaysian manufacturing company. This indicates Top Glove's demonstrated strong revenue growth and net profit, positive cash flow generation, with stable working capital management, backed by strong and sustainable glove demand globally. On 27 February 2020, Top Glove also issued RM1.3 billion perpetual Sukuk, which will be utilised to refinance existing borrowings as well as for CAPEX purposes. With the restructuring of debts following the Sukuk issuance, coupled with Bank Negara Malaysia (BNM)'s and the US Federal Reserve's action to reduce interest rates in order to support the economy, the Group expects its interest costs in the coming quarters to reduce significantly. As at 29 February 2020, the net gearing had reduced to 0.24 times, as the perpetual Sukuk is taken up as equity.

In another development, Top Glove

on 2 March 2020 entered into a settlement agreement with Adventa Capital Pte Ltd in relation to all disputes concerning the purchase of Aspion Sdn. Bhd. by its subsidiary TopCare. As part of the agreement, Top Care received a total of RM245 million as full and final settlement of the disputes and all parties are to withdraw their respective legal claims, with no liberty to file fresh proceedings. The settlement will not have any effect on the issued and paid-up share capital of Top Glove and is expected to improve cashflow. Cash proceeds from the settlement will be netted off against the cost of investment and the related goodwill will be reduced accordingly. Top Glove believes that settling their dispute amicably is in their best interests as well as that of their stakeholders, enabling them to focus exclusively on growing their respective businesses.

Going forward, the Group envisions very solid quarters ahead, having already secured exceptionally large sales orders for the next few months on the back of the COVID-19 outbreak, which saw a surge in sales orders for gloves, an essential item in the medical sector. Moreover, the interplay of several other factors, which include the recent plunge in oil prices, augur well for Top Glove's performance for 2HFY2020. Demand for gloves is also expected to continue to grow by at least 10% every year, as awareness and usage increases, all the more so with the COVID-19 pandemic. New users who have started using gloves during this period are expected to continue usage even after the outbreak recedes, having gained an appreciation of their importance in protecting lives, as was the case with past outbreaks such as H1N1.

Tan Sri Dr Lim commented, "Top Glove is fortunate to be in the healthcare industry which is relatively resilient to economic and political uncertainty. While our sales have surged during this outbreak, we are saddened to see so much sickness and suffering. We will continue to work safely and do our duty to ensure we produce quality gloves to help contain the outbreak, while protecting and saving lives".

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About Top Glove Corporation Bhd

Top Glove Corporation Bhd is listed on the Bursa Malaysia Stock Exchange Main Board and Singapore Exchange Mainboard. It is also one of the component stocks of the MSCI Global Standard Index, FTSE Bursa Malaysia KLCI Index, FBM Top 100 Index, FBM Emas Index, FBM Emas Syariah Index, and FTSE4Good Bursa Malaysia Index. Top Glove is currently the world's largest manufacturer of gloves with an established corporate culture and good business direction of producing consistently high quality, cost efficient gloves. Top Glove has over 2,000 customers worldwide and exports to more than 195 countries.

Summary of key information:

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