

TOP GLOVE'S 3Q NET PROFIT JUMPS 51.3% ON RECORD SALES

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KUALA LUMPUR (Nikkei Markets) - Malaysia's Top Glove Corp., the world's largest rubber glove producer by capacity, said Tuesday its net profit grew 51.3% in the fiscal third quarter from a year earlier amid record high sales.

Net profit for the three months ended May 31 totalled 117.57 million ringgit (\$29.41 million) compared with 77.71 million ringgit over the same period last year, Top Glove said in an exchange filing. Quarterly revenue rose 26.6% year-on-year to an all-time high of 1.10 billion ringgit from 869.64 million ringgit.

The company will likely end the financial year with net profit of about 400 million ringgit on the back of 4 billion ringgit in revenue, said Top Glove's Executive Chairman Lim Wee Chai. "I am confident we will be able to conclude our financial year on a healthy and positive note."

For its first nine months, Top Glove's net profit grew 41.8% to 332.03 million ringgit compared with 234.08 million ringgit over the same period a year ago, while revenue gained 19.6% to 3 billion ringgit from 2.51 billion ringgit a year earlier.

The company forecasts stronger demand growth from Asia, Eastern Europe, Middle East and Latin America. However, Top Glove flagged challenges to its vinyl gloves operation in China due to rising supply that threatens to erode profit margin.

"Supply will increase over coming quarters," Lim said in an earnings call with reporters and analysts. Top Glove is also under pressure to cut its average selling price even as production cost is expected to increase in China due to higher wages and prices of natural gas, Lim said.

However, intense competition in China could be cushioned by strong demand from latex and nitrile gloves, he said. Sales volume for the latex powdered and latex powder-free gloves grew 57% and 30% respectively in the third quarter, while nitrile gloves gained 32% for the quarter.

Top Glove currently manufactures about 57.5 billion pieces annually from 31 factories and the

company is expanding as well as acquiring other players in an ambitious bid to capture 30% of the global market share. By 2019, the company aims produce more than 64 billion pieces of gloves annually.

In the fiscal third quarter, prices of natural rubber latex dropped 38% year-on-year, while that of nitrile latex declined 14%. Natural gas cost however rose 24% from a year earlier while the U.S. dollar weakened 11% against the Malaysian ringgit.

"While the USD shows signs of strengthening, the operating environment is still expected to be challenging," Top Glove said. "Nonetheless, the group remains upbeat in terms of outlook."

Shares in Top Glove closed 0.7% down at 11.32 ringgit apiece, while the FTSE Bursa Malaysia ended 1.6% lower.