

TOP GLOVE CONFIDENT OF ACQUISITION THIS FINANCIAL YEAR

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SHAH ALAM: Glove manufacturer Top Glove Corp Bhd is confident of acquiring at least one company this financial year ending Aug 31, 2016 (FY16), having shortlisted three local glove-related companies.

"I think we can get one (company) this year. It's our KPI (key performance indicator). Our priority is glove companies but we are also looking at our suppliers like printing, chemicals or packaging materials," chairman Tan Sri Dr Lim Wee Chai told reporters at a briefing on its first quarter results yesterday.

Top Glove, which has been actively looking for an acquisition or merger target for about a year now, is also eyeing companies involved in latex related or medical related products.

Lim said it has allocated between RM100 million and RM1 billion for its merger and acquisition (M&A) plans. As of Nov 30, 2015, its borrowings stood at RM499.1 million and net cash at RM366.1 million.

"We can gear up as much as RM1 billion ... we have more than RM1 billion standby to acquire a suitable company.

"We've got a lot of money to invest, expand and acquire companies...we have enough cash. Or else we will borrow from banks. We may also look at issuing of shares. Our share value is good now," he said.

Commenting on its share price, Lim said there is still room for growth.

"We are not really that high compared with the sector, we are average and still got room for improvement. Our share price increased because our profit increased a lot. So, of course share price high is good but we are under pressure to perform. So we have to continue to perform and deliver or else the price will come down," he said.

Moving forward, Lim said the company will grow via organic growth and M&A or joint ventures. Its capital expenditure (capex) for organic growth is RM200 million for FY16. As of the first quarter ended Nov 30, 2015 (Q1), it has spent RM46.9 million capex.

In Q1, the group achieved its highest quarterly profit after tax of RM128.9 million, reflecting a 163.1% growth from RM49 million a year ago. Total sales for the quarter grew 41% to RM800.3 million from RM567.6 million a year ago.

"Our full-year sales target is guided in terms of volume growth. Our target for volume growth is around 10-15%. In Q1 itself there was 15% growth," said executive director Lim Cheong Guan.

Its sales volume in Q1 was driven by nitrile gloves which grew 54% while latex powder free and vinyl gloves grew 15% each. Sales of latex powdered and surgical gloves fell 2% and 42% respectively.

Meanwhile, managing director Lee Kim Meow said its margins may be higher in FY16 due to internal improvements.

"Chances are very good for higher margins. In the past we always had 8-9% guidance. Moving forward, there's a lot of efficiency driven, machine maximisation utilisation and cutting of wastages. Best way to find savings is to look at wastages; cutting mistakes, minimising wastages and optimising utilisation," he said.

Lee said these measures combined with improvements in automation will drive better margins than the 8-9% guidance.