

TOP GLOVE SAYS M&A COULD BRING DOUBLE-DIGIT GROWTH

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KUALA LUMPUR (Jan 23): Top Glove Corp Bhd said its financial health is not compromised as it hunts for more mergers and acquisitions (M&A), given that a combination of organic and inorganic growth could boost its top and bottom lines by a double-digit growth.

"Of course organic growth requires us less investment and gives better profit, whereas M&A costs more money, still, there is a value," Tan Sri Lim Wee Chai, chairman of the world's largest rubber glove manufacturer, told a crowd at the group's corporate presentation on the sidelines of Invest Malaysia 2018 held here today.

He added that the group intends to construct two factories, besides acquiring two to three companies every year, which will pave way for a double-digit growth in Top Glove's top and bottom lines.

"As our base becomes bigger — now that we have 34 factories — the growth would be very small if we build one or two factories [per year]. If we don't acquire, our growth rate may only be 3% to 5%," Lim added.

As at its first quarter ended Nov 30, 2017 (1QFY18), the group has net cash and short-term investment totalling RM80 million.

Top Glove recently inked a conditional share purchase agreement with Adventa Capital Pte Ltd to acquire the surgical glove maker Aspion Sdn Bhd for RM1.37 billion, to be

funded through borrowings and issuance of new Top Glove shares.

Post-acquisition, Top Glove will see a jump in net gearing to 0.6 times, from its net cash position previously, but Lim said putting lazy cash to work in investments such as acquisitions will bring forth a more attractive return on equity.

Lim also added that after the acquisition of Aspion — expected to complete by April this year — the group is looking to acquire two other companies, and another three to four in 2019.

The group also intends to grow its market presence in its new business of condom manufacturing through M&A. Its first plant will commence operations in mid-2018.

Speaking on future expansion, its executive director Lim Cheong Guan hinted that the group would consider enlarging its share capital, in line with the growth in profit base.

Overall, Top Glove has a production capacity of 51.9 billion gloves per annum.

As at 2.10pm today, Top Glove rose 6.12% or 56 sen to RM9.71 with 3.53 million shares done.