

TOP GLOVE INKS DEAL TO BUY SURGICAL GLOVE MAKER ASPION FOR RM1.37B

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Employees attach latex gloves to an air compressor as other gloves are inflated in the air-leak test room at a Top Glove Corp. factory in Setia Alam, Selangor. PHOTO: BLOOMBERG

SINGAPORE - Top Glove Corporation will pay RM1.37 billion (S\$458 million) for investment holding company Aspion, after entering into a conditional share purchase agreement on Friday for all of its shares.

Some RM1.23 billion will be paid in cash, funded entirely from a combination of conventional term loan and Islamic term financing.

The balance of RM137 million will be satisfied by the issuance of around 20.5 million new shares at RM6.6813 apiece.

Top Glove will also make incentive payments for the profit after tax derived from the sale of surgical gloves made with Aspion's in-house technology in a process dubbed "Finessis".

The acquisition comes with an implied price-to-earnings multiple of 16.93 times, based on Aspion's target core profit after tax of RM80.9 million for the full year to Oct 31.

Vendor Adventa has meanwhile made a two-year profit guarantee of up to RM100 million.

This means that it will reimburse Top Glove for any shortfall up to that sum, should Aspion's profit after tax come in under forecast for financial years 2018 and 2019.

Rubber glove maker Top Glove, which is listed both here and across the Causeway, said the proposed acquisition will expand its product range. Aspion's subsidiaries principally deal in the disposable sterile surgical gloves and medical examination and protection gloves.

By riding on Aspion's experience and resources, Top Glove will be able to overcome manufacturing, regulatory and customer barriers to entry in the lucrative surgical glove market, it said.

Top Glove also cited access to Aspion's innovations in surgical glove manufacturing process know-how and proprietary materials.

Top Glove's product mix is expected to shift towards a greater share of the higher-margin surgical gloves if the proposed acquisition succeeds.

The company also aims to grow in developed regions such as North America, western Europe and Japan, where it does not have yet a substantial presence but where Aspion is already well established.

Top Glove said: "With the inclusion of the sales of surgical gloves by the Aspion Group, the contribution of surgical gloves to the enlarged group's annual revenue is expected to increase from about 5 per cent to about 13 per cent. This in turn is expected to contribute positively to the profitability of the enlarged group."

The final price tag comes after the news in November 2017 that Top Glove was in talks with Adventa Capital Pte Ltd to buy Aspion for as much as RM1.44 billion.

Adventa managing director Low Chin Guan will be managing director of Aspion should the deal goes through, with a focus on growing market share in the surgical glove segment.

The decision will have to be put to a vote for shareholder approval, when an extraordinary general meeting is convened.

Top Glove was up by S\$0.08, or 2.71 per cent, to S\$3.03, as at 1.50pm on Thursday, after the news.

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