

TOP GLOVE INTRODUCES STOCK BORROW ARRANGEMENT UNDER EXCHANGEABLE BOND ISSUE

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KUALA LUMPUR (March 4): Top Glove Corp Bhd said today it introduced a stock borrow arrangement with major shareholders in connection with the rubber glove manufacturer's guaranteed exchangeable bonds issue.

Top Glove said the stock borrow arrangement will enable the bonds to attract an even larger investor base while ensuring the terms of the bonds will be more attractive and beneficial to the company.

In separate statements to Bursa Malaysia today, Top Glove said the bonds issue involving an aggregate principal amount of up to US\$300 million (about RM1.22 billion) was completed on Friday (March 1, 2019) following the issuance of US\$200 million in principal amount of the bonds. The five-year bonds with a 2% per annum coupon rate would be listed today on Bursa and the Singapore Exchange.

"The stock borrow is a common feature for exchangeable bonds and enables investors to hedge the position when subscribing to the bonds.

However, the stock borrow available to investors only comprises approximately 2% of the total Top Glove shares. During this initial period, there may be some downward impact on the share price, attributed to regulated short selling activity. We expect this impact to be temporary," it said.

Top Glove said the bonds enable diversification of funding sources for the company.

According to Top Glove, it had previously funded its expansion via bank borrowings and internally generated cash.

To diversify its funding sources, Top Glove said the company embarked on the bonds issue, which is a preferred option over normal bank borrowings due to the lower annual funding cost and fixed term.

Top Glove said net proceeds from the issuance of the US\$200 million (around RM814.1 million) exchangeable bonds will be mainly used to repay its existing borrowings. The bonds will result in potential cashflow savings of approximately RM16 million in interest per year.

"The bonds have an exchangeable feature whereby, subject to the terms and conditions of the bonds, the bondholders have the right to exchange their bonds into new shares of the company at any time during the exchange period at an initial exchange price of RM6.2040 per share which is a 20% premium to the closing share price of the company on Feb 20, 2019 of RM5.17. This renders the bonds issue a more favourable alternative compared with fundraising via share placement, for which the company would have to offer a discount below the current market price.

"Moreover, the 20% premium coupled with the lower funding cost mitigates the dilution effect on the company's earnings. Exchange of bonds for new Top Glove shares would only take place upon the share price exceeding RM6.20, which guards against immediate earnings dilution, as new Top Glove shares from the conversion will only be issued at a later stage. By contrast, in share placements, new Top Glove shares

would be issued immediately, resulting in immediate dilution," it said.