

THE STAR-TOP GLOVE TO SAVE RM16M IN INTEREST A YEAR FROM NEW BONDS

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Top Glove, the world's largest glove maker, has a strong potential to be included in the upcoming November 2018 semi annual review

KUALA LUMPUR: Top Glove Corporation Bhd, which issued US\$200mil (about RM814.10mil) in exchangeable bonds, expects to save RM16mil in interest per year.

The world's largest glove maker said on Monday the bonds were priced at 2% per annum coupon for a fixed five-year period. The 2% coupon was half the existing interest cost of about 4% per annum of the loans it intended to repay.

The net proceeds from the bonds will be used mainly for the purpose of repaying its existing debts.

“This will result in substantial potential cashflow savings of approximately RM16mil per annum for the group, which will help to improve the group’s cashflow position,” it said. This would translate to RM80mil in savings

over five years.

To recap, Top Glove had successfully priced the bonds on Feb 20 and they were completed last Friday. The bonds were listed on Bursa Malaysia and Singapore Exchange on March 4.

“The 2% per annum coupon is fixed for five years, thereby preventing exposure to fluctuating interest rates which existing borrowings are subject to, such as LIBOR (London Interbank Offered Rate), which has increased over the past one year,” it said.

Top Glove said in the past, its expansion was funded via bank borrowings and internally generated cash.

To diversify its funding sources, it decided on the bonds issuance, which was a preferred option over normal bank borrowings due to the lower funding cost and fixed term.

Bondholders have the right to exchange their bonds into new shares of the company at anytime 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.

It said the bonds issuance was 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 earnings of the company.

“Exchange of bonds to Top Glove shares would only take place upon the share price exceeding RM6.20.

“This 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 will be issued immediately, resulting in immediate dilution,” it explained.