

RM1BIL BUY BY TOP GLOVE SOON

19 October 2017 / 12:10



Top glove About to announce its biggest takeover?: Pic shows Lim and Lee (right) at the briefing for the press and analysts.

SHAH ALAM: Top Glove Corporation Bhd, the world's biggest rubber glovemaker, is going on a spending spree to fuel earnings growth and keep its investors happy. Executive chairman Tan Sri Lim Wee Chai said the company is about to announce what potentially can be its biggest takeover to date.

"It is a very interesting acquisition and a good one and we are 99% sure it's in hand. We'll announce it within the month. It can be a more than a billion ringgit acquisition. We will give you more details soon," he said at a press and analyst briefing at the company's headquarters here on Tuesday.

He narrowed down the target firm to a Malaysian-based surgical and examination glove maker.

Eastern Press is major supplier of packaging boxes to Top Glove.

The company's renewed hunger for acquisitions has emerged as the stock nears its alltime high after an 18.3% price surge since the start of the year.

"We are very hungry for M&A, but while we are hungry we must also look for the right food to eat. We want to have double digit growth every year and it must be 10% growth in sales revenue and profit. It is not enough through organic growth.

"When we have ten factories and when we build one factory we'll have 10% growth. But when we have 30 factories and we build one factory it is only 3% growth so we need to acquire additional factories," Lim said.

He said the company would not just be limited to this RM1bil acquisition but would like to spread its wings even further with even more acquisitions down the road.

"Within the next few months you would see more M&A coming in. This is our target given the size of our companies. We have 34 factories now, if we build one or two factories it is only 3%-5% (growth)," Lim said.

"Organically we need to grow 3%-4% while inorganically we will acquire a further 6%- 7%. It depends on the size. If we acquire a big factory it will increase our sales by 15%. Hence, we are very interested to expand the business via acquisition," he added.

Lim noted that the demand for gloves remained strong and the industry currently has a backlog of several months.

Meanwhile, managing director Lee Kim Meow said the company had recently benefited from the disruption in vinyl glove sales in China.

“China’s government had actually closed down some factories due to environmental issues. This helped us in terms of growth in demand for either latex powdered gloves, nitrile gloves or TPE/CPE gloves,” Lee said.

“This is a plus point for Top Glove which has China factories which is away from the region affected by the government ban. We had foreseen this and have started the conversion from coal to something else, for example natural gas. So we need not close our factory. In fact our factory in China is also running more (production) lines,” he added.

Lee said the company will look into expanding further to tap on this growing demand for more capacity from its customers worldwide.

“We believe that this environmental controls by the Chinese government will continue given that as the country prospers, the expectations for better quality of life will always be there. The government there has adopted a new platform to better look after the environment,” he said.