

TOP GLOVE 4Q NET PROFIT UP 51%, PROPOSES 8.5 SEN DIVIDEND

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KUALA LUMPUR (Oct 13): Top Glove Corp Bhd, the world's largest rubber glove maker, saw its fourth quarter net profit jump 51% year-on-year (y-o-y) on higher sales volume, which increased by 13% y-o-y.

Net profit rose to RM98.62 million in the three months ended Aug 31, 2017 (4QFY17) from RM65.32 million a year ago, while earnings per share grew to 7.87 sen from 5.21 sen in 4QFY16.

Quarterly revenue also rose 25% to RM902.42 million from RM722.11 million in 4QFY16.

The group also proposed a final dividend of 8.5 sen per share amounting to RM106.6 million for the financial year ended Aug 31, 2017 (FY17), subject to shareholders' approval at the forthcoming annual general meeting.

In a filing with Bursa Malaysia today, Top Glove attributed the higher sales volume in 4QFY17 to increased sales in all regions, as well as a replenishment exercise by customers after having put orders on hold in

3QFY17 owing to higher raw material prices.

"Sales volume also rose with additional capacity coming onstream," it added.

For full year FY17, however, Top Glove posted a 7.8% decline in net profit to RM332.7 million from RM360.73 million the previous year.

This was despite revenue rising 18% to RM3.41 billion from RM2.89 billion, thanks to an upturn of 7% yo-y in sales volume.

"The uptrend in sales revenue also came on the back of an increase in average selling prices (ASP) arising from a surge in raw material prices, as well as a strengthening of the US dollar over the course of FY17. Additionally, more sales of nitrile gloves, which command higher ASP, coupled with new capacity, also helped move sales revenue figures higher," said Top Glove.

For FY17, the average natural rubber latex price was RM5.76 per kg, up 46.4% from FY16, while the average nitrile latex price was US\$1.1 per kg, up 11.9% y-o-y.

As at Aug 31, 2017, the group has a positive net cash position of RM70.6 million despite its capital expenditure of RM447.1 million.

"We attribute our robust performance to internal improvements centred on research and development, product quality, technology and reengineering initiatives; and believe that continuing to pursue these intensively is the way forward," said Top Glove executive chairman Tan Sri Dr Lim Wee Chai in a separate statement.

"We have higher goals ahead of us which include growing our market share to 30% by 2020 and becoming a Fortune Global 500 company by 2040. We will keep working harder, faster and smarter, to ensure we deliver on these and continue to perform well in the coming quarters," he added.

On prospects, Top Glove said it will continue to expand strategically. Its organic expansion plans include the construction of two new manufacturing facilities, which upon completion by December next year will boost the group's total number of production lines by an additional 78 lines and production capacity by 7.8 billion gloves per year.

"By December 2018, Top Glove is projected to have 31 glove factories, 628 production lines and a production capacity of 59.7 billion gloves per year," the group said.

It noted that it has commenced preparations for its condom manufacturing facility, slated to be operational in 2018.

"In tandem, Top Glove will also continue to explore inorganic expansion via mergers and acquisitions, as well as new set-ups in related industries in order to grow faster and more efficiently. While gloves will continue to be its core business, the group will diversify into other revenue sources," added Top Glove.

Meanwhile, the group has signed a letter of intent to acquire the entire stake of printing and packaging material manufacturer Eastern Press Sdn Bhd from Y.S. Hoong Sdn Bhd for RM47.25 million.

The proposed acquisition — backed with RM4.5 million net profit guarantee for its financial year ending Oct 31, 2018 — is expected to allow the group to better control the cost, quality, and delivery time of its products packaging materials.

At 3.53pm, Top Glove shares were up 8 sen or 1.35% at RM6.01, with 6.4 million shares done, bringing a market capitalisation of RM7.48 billion.