

TOP GLOVE TO BUY MAJOR PRINTING AND PACKAGING SUPPLIER, Q4 NET PROFIT UP 51%

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PETALING JAYA: Top Glove Corp Bhd, which posted a 51% jump in net profit for the fourth quarter ended Aug 31, 2017 (Q4 2017), has signed a letter of intent with YS Hoong Sdn Bhd to buy over a major supplier of printing and packaging material to the group, Eastern Press Sdn Bhd, for RM47.25 million.

In July this year, the group announced plans to invest RM75 million to start condom production in an effort to diversify its business.

Top Glove said the proposed transaction is expected to provide the group with synergistic benefits, enabling it to improve its supply chain coordination, allowing for flexible planning and better delivery time in relation to the supply of packaging material for its glove products, as well as better cost and quality control.

The group's net profit in Q4 FY17, jumped 51% to RM98.62 million, from RM65.32 million in the previous corresponding quarter attributed by higher sales volume.

In a statement today, the group said the spike in sales volume followed the increased sales in all regions, as well as a replenishment exercise by customers, after having put orders on hold in Q3 FY17, owing to higher raw material prices. It added that sales volume also rose with additional capacity coming onstream.

Revenue surged 25% to RM902.4 million, compared with RM722.1 million in the same quarter last year.

For the full year, the group's net profit decreased 7.8% to RM332.7 million, against RM360.7 million a year ago, while revenue increased 18% to RM3.4 billion, compared with RM2.9 billion previously.

The group said the uptrend in its full-year 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 during the period.

"We attribute our robust performance to internal improvements centred on R&D, product quality, technology and reengineering initiatives; and believe that continuing to pursue these intensively is the way forward," its executive chairman Tan Sri Dr Lim Wee Chai said.

Notwithstanding the challenging business environment, Top Glove said the group will continue to expand strategically, adding that it is also leveraging emerging technologies like Industry 4.0 and moving towards digitalisation and the implementation of "smart factories".

As at Aug 31, 2017, the group's net cash position stood at RM70.6 million, despite its capital expenditure of RM447.1 million.

The group has proposed a final dividend of 8.5 sen, subject to shareholders' approval at the upcoming AGM in January 2018, which would bring the total FY17 dividend payout to 14.5 sen, representing a payout ratio of 54.6%.

News of the acquisition and its earnings performance pushed its shares up seven sen to RM6.00 with 6.4 million shares traded.