

TOP GLOVE SEES SOLID QUARTERS AHEAD AFTER POSTING STRONGER 2Q

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We will continue to work safely and do our duty to ensure we produce quality gloves to help contain the outbreak, while protecting and saving lives, says Lim. The Edge file photo

KUALA LUMPUR: Top Glove Corp Bhd's net profit for the second quarter ended Feb 29, 2020 (2QFY20) rose 9.35% to RM115.68 million from RM105.79 million in the year-ago quarter, thanks to tax incentives from the ongoing expansion and higher revenue.

Quarterly earnings per share (EPS) climbed to 4.52 sen, from 4.14 sen in 2QFY19.

Revenue for the quarter rose 6.02% to RM1.23 billion, from RM1.16 billion in 2QFY19, due largely to its nitrile glove segment, which saw a 14% year-on-year (y-o-y) increase in sales volume.

"Sales volume for natural rubber gloves was softer by 6% against 2QFY19, while margins were impacted by a 19% surge in natural rubber

latex concentrate prices which the corresponding increase in average selling prices was not sufficient to offset,” it said in a bourse filing.

Raw material prices for 2QFY20 remained mixed. The average price for natural rubber latex concentrate was RM4.37/kg, up by 5.8% quarter-on-quarter (q-o-q) and 19% y-o-y.

Meanwhile, the average price for nitrile latex was US\$1 (RM4.41)/kg, declining by 5.3% q-o-q and 8.3% y-o-y, it said.

For the first half of FY20 (1HFY20), Top Glove’s net profit was up 5.22% to RM227.11 million, from RM215.85 million in the year-ago period, as the tax incentives helped offset lower pre-tax profit arising from lower operating margins.

Half-year revenue grew 0.7% to RM2.44 billion, from RM2.42 billion in 1HFY19.

Top Glove pointed out that its profit after tax in 1HFY20 amounted to 62% of the profit after tax for FY19.

“The group recorded significant progress in Aspion’s performance arising from enhancement initiatives implemented over the past two years, as sales volume for Aspion’s surgical gloves grew substantially by 29% both quarter-on-quarter and year-on-year.

“Improvement efforts will continue to be intensified across Aspion’s operations from production to marketing, to ensure the group realises Aspion’s full potential and establishes a bigger presence in the surgical glove segment,” it said.

Very solid quarters’ amid Covid-19

On the Covid-19 outbreak, Top Glove said it has seen its sales order book double, on strong orders from the West on top of the initial growth in sales order from Asia.

The group also anticipates that the declaration of the Covid-19 outbreak as a pandemic by the World Health Organization last Thursday, will eventually result in the healthcare and other sectors requiring more medical supplies such as gloves and other essential items.

The group currently operates 711 lines producing 73.4 billion pieces of gloves per year.

At over 90% capacity, Top Glove said it can ramp up production to 100%, added with new capacity coming onstream.

It expects to have added annual capacity of 70 lines producing 8.2 billion pieces of gloves in 2020, and another 9.5 billion pieces of gloves in 2021, to have a grand total of 861 lines producing 91.1 billion pieces of gloves per annum by the end of next year.

All in all, the group envisions “very solid quarters ahead”.

Moreover, the interplay of several other factors, which include the recent plunge in oil prices, augur well for Top Glove’s performance for 2HFY20.

Top Glove executive chairman Tan Sri Dr Lim Wee-Chai said: “Top Glove is fortunate to be in the healthcare industry which is relatively resilient to economic and political uncertainty.

“While our sales have surged during this outbreak, we are saddened to see so much sickness and suffering. We will continue to work safely and do our duty to ensure we produce quality gloves to help contain the outbreak, while protecting and saving lives,” Lim said.

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