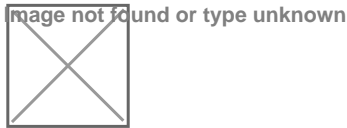


TOP GLOVE'S ACQUISITIONS SEEN TO BOOST CHINA ACCESS

22 May 2017 / 12:05



KUALA LUMPUR (Nikkei Markets): Malaysia's Top Glove Corp plans to acquire two plants for a total 39 million ringgit (\$9.06 million) in a deal that analysts said will give the world's largest rubber glove producer greater access to China.

While the company didn't provide operational details, analysts including UOB Kay Hian's Lester Chin and Kenanga Investment Bank's Raymond Choo said the factories could together crank out up to two billion glove pieces a year. About half of sales from those two factories go to China, Chin and Choo noted.

"The newly announced acquisitions further amplify that Top Glove is committed towards fulfilling its goal to grow not only organically but via acquisition," said Kenanga's Choo. "More importantly, these acquisitions allow Top Glove to have a bigger and direct access to the China market."

Top Glove has been seeking acquisitions on top of organic growth as part of its ambitious target to capture 30% global market share from the current level of about 25%. The company currently operates more than two dozen factories that produce as much as 48 billion pieces of gloves annually.

By December next year, the company could operate 28 factories with 632 production lines with a capacity of up to 60 billion pieces of gloves a year, Top Glove had said in March.

The proposed acquisitions, deemed related-party transactions as the company would be buying the assets from relatives of Top Glove

Chairman Lim Wee Chai, includes glove manufacturing and trading business as well as "customers' particulars and other related information," Top Glove said.

That could "further strengthen its presence and market share in developing countries, particularly China," the company added.

The projected revenue and profit contribution arising from both factories stand at 150 million ringgit and 3 million ringgit respectively, or about 5.2% and 0.8% of Top Glove's revenue and net profit respectively in fiscal 2016, said UOB's Chin.

"We are fairly positive on the proposed acquisition as an effective customer acquisition strategy against the backdrop of industry consolidation and would allow Top Glove to grow its existing capacity and customer base in a quicker manner," he added.

Shares of Top Glove rose 2.2% to 5.52 ringgit on Monday, while the benchmark FTSE Bursa Malaysia KLCI ended 0.4% higher.

---Jason Ng