

# TOP GLOVE EXPECTS TOP-LINE GROWTH IN FY17

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**KUALA LUMPUR:** Top Glove Corp Bhd is expecting to see higher sales revenue in the financial year ending Aug 31, 2017 (FY17) thanks to the growing global demand for gloves.

“[The] outlook for revenue is definitely much better [this year] because of the average raw material price [being much] higher than 2016,” said its executive chairman Tan Sri Dr Lim Wee Chai in a conference call yesterday.

As of yesterday, latex price was down to RM7.27 per kg from RM8.16 per kg on Feb 2. Hence, Top Glove is with expectations that the raw material prices are on a positive downward trend.

Top Glove shared that it is projecting April 2017 nitrile prices to go lower at US\$1.31 (RM5.80) per kg from US\$1.49 per kg on March 1.

Lim, however, said that he sees Top Glove's earnings in FY17 normalising or slightly lower than in FY16 provided that the exchange rate and raw material prices remain the same for the next two quarters, as the current raw material prices are still much higher compared with last year.

"If the coming two quarters' raw material prices are like in FY16, then we will do better [earnings-wise]. It really depends on the raw material prices. In FY16, the raw material prices were really low," Lim added.

Top Glove's net profit fell 20.6% to RM83.05 million, or 6.63 sen a share, in the second financial quarter ended Feb 28, 2017 (2QFY17) from RM104.61 million or 8.36 sen a share a year earlier due to higher operating costs.

Quarterly revenue, however, was up 22.7% to RM851.54 million from RM693.86 million, mainly due to a 9% increase in sales volume and 8% growth in average selling price (ASP), as well as the strengthening of the US dollar, the group said in its filing with Bursa Malaysia yesterday.

The group noted that the average latex price surged to a five-year high in 2QFY17, up 33% quarter-on-quarter (q-o-q) and 72% year-on-year (y-o-y) to RM5.95 per kg, while the average price for nitrile also increased to US\$1.08 per kg, up 10% q-o-q and 12% y-o-y from 1QFY17.

With the declining raw material prices, its executive director Lim Cheong Guan mentioned that the company would not be raising its ASP as the current ASP will be able to cover up the present raw material prices.

To ensure Top Glove is ready to meet demand both in developed and emerging markets, it is in the midst of expanding its operations with three new factories to increase their production capacity to 60 billion gloves per annum by December 2018.

Furthermore, Lim mentioned that Top Glove is concurrently exploring mergers and acquisitions and joint ventures with good valuations in similar or related industries.

“We are trying to get one [acquisition] by August,” Lim added.

*The Edge Markets*