

TOP GLOVE POSTS Q2 EARNINGS OF RM83M, SEES CHALLENGING TIMES

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Top Glove Corporation

RM mil	Q2 Feb '16	Q2 Feb '17	H1 Feb '16	H1 Feb '17
Revenue	693.8	851.5	1,494	1,637
Profit before tax	105.2	83.2	234.1	156.8
Earnings	104.6	83	232.9	156.3
EPS (sen)	8.36	6.6	18.69	12.48

Source: Bursa Malaysia

KUALA LUMPUR: Top Glove Corporation Bhd posted earnings of RM83.05mil in the second quarter ended Feb 28, 2017, which was lower than a year ago but an improvement from the Q1 and foresees an increasingly challenging business environment.

It said on Thursday its earnings fell 20.6% to RM83.05mil in Q2FY17 from RM104.61mil a year ago due to sharp increases in raw material prices. Its revenue was however, higher by 22.7% at RM851.54mil from RM693.85mil. Earnings per share were 6.63 sen compared with 8.36 sen.

For the first half, its earnings were down 32.8% at RM156.37mil from RM232.95mil in the previous corresponding period due to higher raw material prices. Its revenue was up 9.5% to RM1.637bil from RM1.494bil.

Top Glove's Q2FY17 results, when compared with the Q1 FY17, showed an improvement in sales revenue and profit amidst an increasingly challenging business environment.

“The group achieved Q2FY17 sales revenue of RM851.5mil, an increase of 8% compared with 1QFY17.

Profit before tax and profit after tax were also on the rise, coming in at RM102.7mil and RM83.2mil, respectively representing an increase of 14% and 13% against 1QFY17.

“Sales volume (quantity sold) eased 1% quarter-on-quarter, owing to shorter work months during the quarter in review, but was up 9% compared with Q2FY16,” it said.

Top Glove said its strong performance despite less favourable conditions was due to improvements across the manufacturing process, which enabled the group to maintain good quality while managing its costs efficiently.

“Upward price revisions implemented, the effects of which were felt in Q2FY17, were also instrumental in normalising sales Revenue figures vis-à-vis the previous quarter,” it said.

Top Glove pointed out that in Q2FY17, the average latex price surged to a five-year high, rising 33% to RM5.95 a kg compared with 1QFY17 and 72% compared with 2QFY16.

The average price for nitrile also increased to US\$1.08 a kg, going up 10% compared with 1QFY17 and 12% compared with 2QFY16. The sharp rise in raw material prices have steadily driven average selling prices (ASPs) up.

Its executive chairman Tan Sri Lim Wee Chai said the group delivered a healthy set of numbers for 2QFY17, despite a challenging business environment with sharp increases in manufacturing cost.

“This shows that our approach of focusing on internal factors within our control, such as quality and cost efficiency, and not external factors, is the correct way forward for our business,” he said.

Lim also pointed out that as an essential item in the medical sector, the global demand for gloves is expected to continue growing by 6% to 8% every year.

He said Top Glove was steadily expanding its operations. Construction of a new facility, Factory 30 (Klang) is almost completed and is expected to start production by May 2017 with a production capacity of 4.4 billion gloves per annum.

Additional new plants in Klang, Factory 31 and Factory 32 will respectively start operations by November 2017 and December 2018, with a production capacity of 2.8 billion and 4.8 billion gloves per annum.

“By December 2018, the group is projected to have 632 production lines and a production capacity of 60 billion gloves per annum,” he said.

He also said as at Feb 28, 2017, the group maintained a positive net cash position of RM38.6mil and a healthy balance sheet.

“Looking ahead, the group expects the business environment to be increasingly challenging, with competition intensifying on a larger scale.

Given the high raw material price position, the group will also have to rely on its good relationships with customers to share out the cost increases. However, in line with industry practice, cost savings when raw material prices decrease, will also be passed on customers.

“Top Glove is of the view that raw materials prices will stabilise at current levels or possibly be on the downtrend, going forward,” he said.