

TOP GLOVE'S AMBITIOUS FORTUNE GLOBAL 500 GOAL

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Top producer: Top Glove is the world's largest manufacturer of rubber gloves with 42 factories, 682 production lines and 18,000 employees, producing 64 billion pieces of gloves per year and exporting to over 195 countries.

THE world's largest manufacturer of rubber gloves Top Glove Corp Bhd has set itself a lofty goal – to become a Fortune Global 500 company by 2040.

So says its founder, major owner and executive chairman Tan Sri Lim Wee Chai.

While that may seem like a tall order, Top Glove does show signs that this is possible, more so as it keeps getting driven by the strong work ethic of Lim.

Over the past two decades, the company has outperformed the market and achieved most of its financial metrics.

Since its listing in March 2001, its revenue has grown at a compounded annual growth rate of 22% while its net profit has grown at a 19% rate.

Share price wise, Top Glove has grown by a phenomenal 8,050% since its IPO.

This stellar performance has also consistently put Lim on the Forbes Rich list. As of 2019, Lim was ranked the 14th richest man in Malaysia with a net wealth of US\$1.2bil.

Top Glove is today the world's largest manufacturer of rubber gloves with 42 factories, 682 production lines, 18,000 employees, producing 64 billion pieces of gloves per year and exporting to more than 195 countries.

It currently commands 26% of the world market share for rubber gloves and is looking to extend this to 30% by the end of 2020.

Lim believes the company's entrenched business ethics of honesty, integrity and transparency are huge reasons for its growth.

So revenue-wise, what does it take to achieve Fortune 500 status?

The top spot in 2019 went to Walmart, with the American retailer achieving a revenue of US\$514.4bil in that year. Walmart has held this position for the seventh year running.

The only Malaysian company on the list is Petroliam Nasional Bhd (Petronas) which was ranked as the 158th largest company in the world in 2019.

In 2019, the 500th spot on the list went to apparel company Air Liquide which enjoyed a revenue of US\$24.9bil. (RM101bil).

Air Liquide's revenues could be a hint of how much Top Glove would need to generate in order to make the Fortune 500 cut.

Fortune itself has calculated that the threshold for it to their list had risen by an average of 4.3% over the decades when adjusted for inflation.

Using Air Liquide as an example, this would roughly mean that in 20 years' time, it would need a revenue of US\$61.21bil (RM249bil) to sit on the 500th spot.

At Top Glove's 2018 revenue of RM4.8bil, this means its revenue would need to grow some 55 times to take 500th spot.

Lim is very much aware of this, and it doesn't faze him the least bit.

"That is our goal. We are not scared of growth or more work. We are scared of not having work to do. I will be 82 then, and will still be working in the company, " says a very energetic Lim when StarBizWeek met him in Top Glove's headquarters recently.

"Gloves will still be our main product, but we are always on the lookout to diversify our business to other healthcare-related products. A company of our size will need to diversify in order to grow faster and more efficiently, " says Lim.

Top Glove has already expanded its product range to include condoms, dental dams and exercise bands.

Real challenge

“The real challenge is staying at number one. That’s why it is important to continue learning and improving in order to add value to yourself, your company, your family and even your country, ” says Lim.

“There is power in tiny gains. If we improve just 1% every day, we would have improved nearly 38-fold within a year. If we improve 2% every day, we would have improved nearly 1,380-fold. There is power in making incremental gains, ” says Lim.

Lim is 62 this year, and will be 82 by 2040.

In order to achieve the Fortune 500 goal, Lim will need to be healthy and very much alive.

Lim has already factored this in, and has a personal goal of living to 120 years.

“My personal motto is ‘Work is my hobby, exercise is my duty, and health is my wealth’. With good health, we are able to progress and lead a happy life.

Lim believes that the formula for a long, healthy and successful life can be found in what he calls the 5 Quality Wells: Clean well, Eat well, Work well, Exercise well, and Sleep well.

“If you follow these simple practices closely, I believe you will be able to live healthily and keep contributing positively until you are 120 years old or more!” enthuses Lim.

Lim acknowledges that the road ahead might be challenging, but it is also in times of crisis that opportunities will arise.

For its first quarter to Nov 30,2019, Top Glove saw its net profit for the period rise 1.25% year-on-year (y-o-y) to RM111.43mil, mainly owing to the strong performance of its nitrile gloves segment as well as its rubber glove segment.

Revenue came in at RM1.21bil, 4.2% lower than in the corresponding quarter last year.

For its financial year ended Aug 31,2019, the company recorded a 15.17% drop in net profit to RM367.5mil. This was on the back of a 13.74% jump in revenue to RM4.22bil.

Lim says the company is expected to achieve a product mix of 55:45 between nitrile and latex by year-end, compared with the existing composition of 50:50.

This move has been largely seen as positive by analysts as latex-centric Top Glove has been plagued with competitive pressures from latex gloves that tend to command relatively lower margins compared with nitrile gloves.Lim is optimistic on the prospects of the company for the financial year ending Aug 31,2020.

“The outlook is good for this year. The medical glove industry is still growing at about 10% each year, and we are looking to leverage on opportunities.”

Lim says Top Glove aims to introduce at least six new products every year.

“This are innovative products not yet in the market or different versions of our current products. For example, in June 2019, we launched our flagship green product, biodegradable nitrile gloves which are proven to be biodegradable at least 10 times faster than conventional nitrile gloves.

“We will continue to invest in these very important areas, ” says Lim.

Lim believes that no research and no innovation, will lead to 'no future'.

Digital era

Therefore in line with the digital era, Top Glove will be looking at implementing more automation and robotics within our factories and offices.

"For Top Glove, we are moving towards people-less factories and less dependency on foreign workers. This follows examples of manufacturing in developed countries like Germany and Japan," explains Lim.

As parting words, Lim says to run with the times to ensure we stay competitive and relevant.

"In the past, big fish (big companies) eat small fish (small companies) but now, fast moving fish (companies) eat slow moving fish (companies). Thus, stay healthy physically and mentally in order to compete," says Lim.

Meanwhile, Malaysian Rating Corp Bhd (MARC) has assigned a rating of AA-IS to Top Glove's proposed RM3bil perpetual sukuk wakalah programme with a stable outlook.

"The group has 687 production lines in 33 glove factories with a combined capacity of 70.5 billion pieces which grew from 51.9 billion pieces in financial year 2017, reflecting the group's ability to maintain its lead position and capture growing global demand.

The group's growth strategy over the near term is to expand its overall capacity to 91.4 billion pieces by end-2021, funded by internally-generated funds and borrowings," says MARC.

MARC said that the stable rating outlook reflects its expectation that Top Glove will continue to generate strong and stable cash flow from operations to support its growth plans as well as to meet its financial obligations.

It was also ascribed a strong corporate credit rating of AA2/Stable/P1 by RAM Rating Services Behd.

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