

TOP GLOVE POSTS MODEST RISE IN EARNINGS FOR Q1

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PETALING JAYA: Top Glove Corp Bhd's net profits rose by 1.2% to RM111.43 million for its first quarter ended Nov 30, 2019 against a net profit of RM110.06 million reported in the corresponding quarter of the previous year attributed to increased profitability from automation and digitalisation initiatives.

The group's revenue for the period fell by 4.2% to RM1.21 billion against RM1.26 billion reported previously.

In addition, Top Glove's Thailand operations contributed positively to its good performance, while the group continued to see recovery in its China operations, which improved due to better average selling prices (ASPs) for its vinyl gloves.

Aspion's positive profit position also contributed to the group's bottom line. In regards to its nitrile glove segment, the group highlighted that it performed well in the quarter, registering a sales volume growth of 20% and significantly higher contributions to Top Glove's profit.

It reported that increased nitrile capacity from ongoing organic expansion allowed the group to further grow sales, cater to larger customers and

capture a bigger market share in US, Western Europe and Japan. However, Top Glove noted that the improvements in the segment were offset by weaker contributions from its natural rubber and vinyl glove segments. The natural rubber glove segment saw the impact from the upward revision in ASPs came into effect alongside the downward trend in the price of latex concentrate.

According to the group's statement, the price of natural rubber latex which had increased by nearly 9% compared with 1Q'19 coupled with competition, also affected the segment's performance.

The group noted that the sales volume growth in the natural rubber segment was lower year on year (yoy) following slower demand growth in developing countries compared with 1Q'19. However, it is confident that demand growth in developing countries will pick up going forward, driven by increased healthcare awareness arising from improved standards of living. On the commodity front, Top Glove noted that the raw material prices were mixed for the period as average latex concentrate prices rose 8.7% yoy to RM4.13/kg, while the average nitrile latex price was US\$1.06/kg, down 14.5% yoy. Top Glove's executive chairman Tan Sri Dr Lim Wee Chai commented that the group began FY2020 on a strong footing, which sets a positive tone for the rest of the year.

"Industry prospects remain promising and to ensure we are well[1] positioned to tap the growing glove demand, we will continue to prioritise R&D, innovation and Industry 4.0 initiatives," he said in a press release.

"These will enable us to increase quality, operational efficiency and effectiveness, while keeping our customers satisfied, which ultimately allows us to deliver good results in the quarters to come."

Moving forward, the group revealed that it will continue to pursue organic expansion in order to meet the increase in global glove demand which is set to grow by 10-12% yearly.

By end-2021, the group expects to expand its capacity by an additional 178 production lines to its existing 683 production lines, effectively increasing its capacity to 91.4 billion pieces per annum, an increase of 21.3 billion pieces from its current capacity of 70.1 billion pieces per annum.

“Top Glove will continue to invest in existing line refurbishment and building new technologically advanced glove factories. The group’s newer factories will feature more automation and digitalisation initiatives, such as an Automated Guided Vehicle transport and warehouse management system, production SCADA system, glove auto packing system, artificial intelligence vision camera system for online detection and removal of defective gloves, as well as auto compounding and chemical preparation.

“In addition, the group will continue to explore M&As and JVs, while also diversifying into rubber or healthcare-related businesses,” it said in its statement. Top Glove also noted that plans are in progress to establish a manufacturing and research centre of excellence, a new state-of-the-art hub for R&D and product innovation embracing Industry Revolution 4.0 initiatives, based in Banting.