TOP GLOVE UPBEAT ON FUTURE PROSPECTS DESPITE 13% PROFIT FALL

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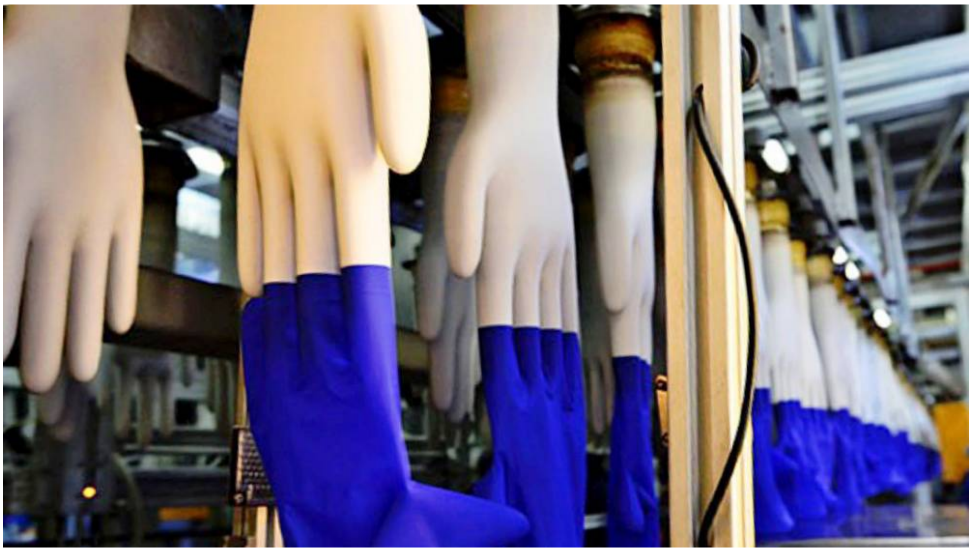

KUALA LUMPUR (Nikkei Markets): Malaysia's Top Glove Corporation, the world's largest glove-maker by volume, said Thursday its performance will improve through the next 12 months helped by strengthening demand after its net profit fell 13% in the fiscal fourth quarter due to higher expenses and lower sales.

The latest earnings lagged street expectations, sending its shares down by as much as 2.5% in a relatively flat market.

Analysts said customers have refrained from making usual purchases due to U.S.- China trade tensions though supply and demand will return to normal levels next year.

"Going forward, sales volume should be picking up as everyone is running at full capacity," said TA Securities' Research Analyst Kevin Tan. Supply and demand have been normalised as purchasing momentum gained pace, he said.

Malaysian glove-makers are expected to benefit from trade diversion following U.S.'s decision to impose a 10% duty on imports of Chinese medical gloves from Sep. 1 as part of a broader tariff escalation on $300 billion worth of goods from China. Non-medical gloves have been levied with a 25% import tariff since May. China accounts for 11% of the U.S. total rubber glove import volume.

Net profit for the three months ended Aug. 31 totalled 80.05 million ringgit ($19.09 million) compared with 92.33 million ringgit over the same period last year, Top Glove said in an exchange filing. Quarterly revenue fell 2.5% year-on-year to 1.19 billion ringgit from 1.22 billion ringgit.

For the full year, Top Glove's net profit fell 12.7% to 370.56 million ringgit despite revenue growing 13.8% from a year earlier to 4.80 billion ringgit. Pre-tax profit margin dropped to 9% from 12.3% a year ago, while net profit margin slipped to 7.8% from 10.2% a year earlier.

The average price of latex concentrate fell 8.6% to 4.12 ringgit a kilogram during the year, but rose 5.2% in the final quarter from the preceding three months. "However, it is on a downward trend" and may decline from the current 4.38 ringgit a kilogram, Top Glove cautioned.

Top Glove may have to pass through the lower cost to their customers, which will potentially lift sales volume but keep a lid on its margin, said TA Securities' Tan.

On its part, Top Glove said "far from having to contend with oversupply, the group will continue to expand organically in order to meet the increase in global glove demand which is set to grow by 10% yearly."

Next year, the company is planning to increase capacity by 178 lines to produce up to 18.2 billion pieces. By December 2020, Top Glove will have 876 production lines across 38 plants producing as much as 84.1 billion pieces of gloves, the company added.

"Demand for gloves is still strong as demonstrated by the sales and volume growth we are seeing," Top Glove said. "With our on-going quality, automation and process improvement initiatives we have in place, we are optimistic of a better showing in the financial year ahead,".

Shares in Top Glove ended 0.2% lower at 4.72 ringgit apiece, while the benchmark FTSE Bursa Malaysia KLCI closed 0.2% higher.

-- Gho Chee Yuan and Jason Ng