

TOP GLOVE AIMS TO MAKE ASPION HIGHLY PROFITABLE

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Top Glove Corp Bhd expects its RM1.37 billion Aspion Sdn Bhd acquisition to post higher earnings and achieve greater operational efficiencies in the next four to seven years.

The surgical glove unit of the world's largest rubber glove maker is categorised as underperforming despite the company posting a positive cashflow.

Chairman Tan Sri Dr Lim Wee Chai (picture) said Aspion is still profitable, "but it is less than half of our expectations".

"We are capable of improving this, but it will take some time. We estimate it will take around four to seven years for Aspion to reach the level that we expect," he said at Top Glove's financial results briefing in Shah Alam yesterday.

He said the improvements could possibly come faster and at higher levels, aided by new technologies and the group's expertise.

Lim said the glove maker has experience in improving and turning around factories.

"We have started sending our team to the factories and we've started to improve things already.

"With better technology, our experience and our capabilities, we can turn around or increase the performance, profits and technology of the factories.

"We have acquired 13 factories and built 27 others, and we have the experience to improve from bad to good and good to better," Lim said.

Top Glove bought Aspion from Adventa Capital Pte Ltd for RM1.37 billion in April this year. The acquisition, however, turned ugly after an independent probe initiated by Top Glove found overstatement of assets and overvaluation totalling RM640.5 million from the purchase price.

The glove manufacturer has filed legal proceedings against Adventa Capital with a RM714.86 million court claim consisting of the overvaluation of the purchase agreement and the overstatement of assets.

According to an earlier note by Kenanga Investment Bank Bhd, the Aspion deal had a profit guarantee of RM80.9 million and RM108.3 million for Top Glove's financial years ended Aug 31, 2018 (FY18), and FY19 respectively.

Maybank Investment Bank Bhd in an Oct 12 report said Aspion's profit came in at RM4 million for the fourth quarter ended Aug 31, 2018 (4Q18), and RM7 million for the two months in 3Q18 post-acquisition.

For comparison, Top Glove netted earnings of RM101.59 million in 4Q18, against RM94.49 million a year ago. Also, 4Q18 revenue at RM1.22

billion was 34.9% higher than the RM902.42 million registered last year.

Lim said Top Glove is confident of turning Aspion around.

“Take it positively...it’s a good lesson. We will continue to look at acquisitions, but we have to be more careful.”

Going forward, the group will continue to expand its production capacity and research and development (R&D) team.

Its latest factory, F8A in Thailand, is scheduled to start by early 2020. It can produce 3.2 billion pieces per annum.

Together with the expansion of existing facilities to be completed in 2019, these facilities will boost the group’s production lines by an additional 98 lines and production capacity by 9.8 billion gloves annually.

By 2020, the glove producer is projected to have 746 production lines and a production capacity of 69.1 billion gloves annually. It is also looking to expand its operations to Vietnam and has entered into an agreement to acquire a land plot and a factory is expected to commence operations within the next two years.

Top Glove’s share price closed 10 sen or 0.86% lower at RM11.50 yesterday, valuing the company at RM14.7 billion.