

MALAYSIA'S TOP GLOVE'S 4Q NET PROFIT RISES ON STRONG SALES

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KUALA LUMPUR (Nikkei Markets): Malaysia's Top Glove, the world's largest rubber glove producer by capacity, said Thursday its net profit grew 7.5% in the fiscal fourth quarter from a year earlier as sales volume growth outweighed higher tax charges.

Net profit for the three months ended Aug. 31 totalled 101.59 million ringgit (\$24.42 million) compared with 94.49 million ringgit over the same period last year, Top Glove said in an exchange filing. Quarterly revenue rose 35% year-on-year to an all-time high of 1.22 billion ringgit.

"Top Glove is mindful of potential challenges ahead, which include cost increases and intensifying competition," the company said. Still, it remains "highly optimistic of prospects moving forward, given the steady global glove demand set to grow at about 10% yearly."

Shares of Top Glove rose 1.9% on Thursday, bucking a broader market decline following the mid-day earnings announcement. The gain also lifted other Malaysian glove-makers including Hartalega Holdings and Supermax Corp.

The stock has climbed more than a third so far this year, compared to the benchmark FTSE Bursa Malaysia KLCI's 4.9% year-to-date loss. Analysts flagged further rally in Top Glove shares due to its potential inclusion into KLCI during November's review.

Top Glove's current valuation is "very, very expensive" at over 30 times 2018's projection earnings but "the company continues to deliver," said Hong Leong Investment Bank's Analyst Sheikh Abdullah. Still, the absence of provisions for the soured acquisition of Aspion was a surprise, he said.

Top Glove started legal proceedings over the recently-completed 1.37 billion-ringgit (\$345.09 million) acquisition of Adventa Capital's medical glove unit Aspion. The company has alleged conspiracy to defraud and fraudulent misrepresentations that led to the January acquisition.

Adventa Capital Director Low Chin Guan has previously said the allegations are "baseless" and "without merit." Low is one of the directors named in Top Glove's lawsuit.

For its full financial year, net profit surged 32% to 433.62 million ringgit from 328.57 million ringgit.

Revenue climbed 23% to 4.21 billion ringgit compared with 3.41 billion ringgit in the previous financial year.

Top Glove reported tax expense of 40.01 million ringgit for the final quarter as compared with 5.07 million ringgit year ago. The company utilized tax incentives in the fourth quarter of 2017 but spread the incentives over four quarters in fiscal year 2018.

Going forward, Top Glove said it will continue to expand its manufacturing capabilities, organically as well as through mergers and acquisitions. The company currently operates 40 factories that churn out up to 60.5 billion pieces of gloves annually.

The company also proposed one-for-one bonus issue involving up to 1.28 billion new shares. A final dividend of 10 Malaysian cent per share was also declared, bringing total dividend for the year to 17 cent per share, up 17% from year-ago period.