

# MULTIPLE PROPOSALS TOP GLOVE CORPORATION BHD BONDS ISSUE

## TOP GLOVE CORPORATION BHD

|             |  |
|-------------|--|
| Type        | Announcement                             |
| Subject     | MULTIPLE PROPOSALS                       |
| Description | TOP GLOVE CORPORATION BHD<br>BONDS ISSUE |

### TOP GLOVE CORPORATION BHD (“TOP GLOVE” OR THE “COMPANY”)

### ISSUANCE OF GUARANTEED EXCHANGEABLE BONDS WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO UNITED STATES DOLLARS 300 MILLION (“BONDS ISSUE”)

We refer to the announcements dated 20 April 2018, 23 April 2018, 24 April 2018, 8 June 2018, 20 July 2018, 5 September 2018, 21 February 2019 and 4 March 2019 in relation to the Bonds Issue (“**Announcements**”). Unless otherwise defined, the terms used herein shall have the same meaning as those defined in the Announcements.

The Board of Directors of Top Glove wishes to provide additional information in relation to the Bonds Issue as set out in the attachment below.

**This announcement is dated 4 March 2019.**

Please refer attachment below.

#### Attachments

[Bonds Issue\\_Additional Information\\_04032019.pdf](#)  
121.5 kB

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#### Announcement Info

|                  |                              |
|------------------|------------------------------|
| Company Name     | TOP GLOVE CORPORATION BHD    |
| Stock Name       | TOPGLOV                      |
| Date Announced   | 04 Mar 2019                  |
| Category         | General Announcement for PLC |
| Reference Number | GA1-25022019-00030           |

## TOP GLOVE CORPORATION BHD (“TOP GLOVE” OR THE “COMPANY”)

### ISSUANCE OF GUARANTEED EXCHANGEABLE BONDS WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO UNITED STATES DOLLARS 300 MILLION (“BONDS ISSUE”)

The Company had successfully priced its maiden exchangeable bonds (“Bonds”) in the principal amount of USD200 million on 20 February 2019. Following the issuance of USD200 million in principal amount of the Bonds, the Bonds Issue was completed on 1 March 2019. The Bonds were listed on Bursa Securities (under the exempt regime) and on Singapore Exchange Securities Trading Limited on 4 March 2019.

The additional information of the Bonds Issue are set out as follows:

#### **The purpose of issuing exchangeable bonds is to save the interests by retiring existing borrowings**

The net proceeds from the issuance of the USD200 million (estimated around RM814.1 million) exchangeable bonds received, will be used mainly for the purpose of repaying its existing borrowings as follows:

|  | <u>Amount (RM'million)</u> | <u>814.1</u>        |
|--|----------------------------|---------------------|
| <b>Total gross proceeds</b>  |                            |                     |
| <b>Purpose</b>   |                            |                     |
| Repayment of bank borrowings   |                            |                     |
| • Repayment of syndicated loans used to fund the acquisition of Aspion Sdn Bhd | 630.9                      |                     |
| • Repayment of other borrowings used to fund our Group's working capital       | 169.4                      |                     |
|  | <u>800.3</u>               |                     |
| Estimated fees, commissions and expenses                                       | 13.8                       |                     |
| <b>Total</b>   |                            | <u><u>814.1</u></u> |

*\*Based on exchange rate of USD1.00 : RM4.0703*

The issuance of the Bonds is not expected to result in increase in the Group's borrowings and gearing ratio.

#### **The Bonds will result in potential cashflow savings of approximately RM16 million in interest per year**

The Bonds were priced at 2% per annum coupon for a fixed 5 years period. The 2% coupon is approximately 50% lower than the existing interest cost of the loans the Group intends to repay, the rate for which is currently approximately 4% per annum. This will result in substantial potential cashflow savings of approximately RM16 million per annum for the Group, which will help to improve the Group's cashflow position. Potential cashflow savings arising from lower interest of the loan is estimated as follows:

|   | <i>Per annum<br/>RM'million</i> | <i>Cumulative 5 years*<br/>RM'million</i> |
|---|---------------------------------|---|
| Estimated 4% interest cost per year on existing bank loan | 32                              | 160                                       |
| New interest cost fixed 2% per annum coupon of the Bonds  | 16                              | 80  |
| Potential cashflow savings on interest expenses           | 16                              | 80  |

*\*Assuming*

- a) no change in the interest rates of loans to be repaid*
- b) all the Bonds assumed to be exchanged into new shares of the Company at maturity date*
- c) no early redemption of the Bonds*

The 2% per annum coupon is fixed for 5 years, thereby preventing exposure to fluctuating interest rates which existing borrowings are subject to, such as LIBOR which has increased over the past one year.

### **The Bonds enable diversification of funding sources**

The Company's expansion has previously been funded via bank borrowings and internally generated cash. To diversify its funding sources, the Company has embarked on the Bonds Issue, which is a preferred option over normal bank borrowings due to the lower annual funding cost and fixed term.

The Bonds have an exchangeable feature whereby, subject to the terms and conditions of the Bonds, the Bondholders have the right to exchange their Bonds into new shares of the Company at anytime during the Exchange period at an initial exchange price of RM6.2040 per share which is a 20% premium to the closing share price of the Company on 20 February 2019 of RM5.17. This renders the Bonds Issue a more favourable alternative compared with fundraising via share placement, for which the Company would have to offer a discount below the current market price.

Moreover, the 20% premium coupled with the lower funding cost mitigates the dilution effect on the Company's earnings. Exchange of Bonds for new Top Glove shares would only take place upon the share price exceeding RM6.20, which guards against immediate earnings dilution, as new Top Glove shares from the conversion will only be issued at a later stage. By contrast, in share placements, new Top Glove shares would be issued immediately, resulting in immediate dilution.

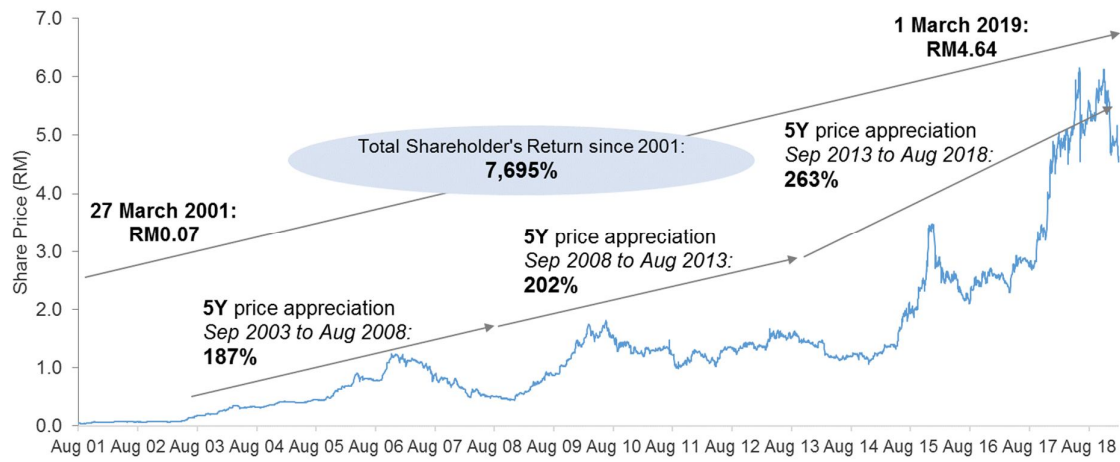
### **Availability of stock borrow arrangement**

A stock borrow arrangement with Top Glove's major shareholders was also introduced in connection with the Bonds Issue. This would enable the Bonds to attract an even larger investor base, while also ensuring the terms of the Bonds would be more attractive and beneficial to the Company.

The stock borrow is a common feature for exchangeable bonds and enables investors to hedge the position when subscribing to the Bonds. However, the stock borrow available to investors only comprises approximately 2% of the total Top Glove shares. During this initial period, there may be some downward impact on the share price, attributed to regulated short selling activity. We expect this impact to be temporary.

### **Total shareholders' return of about 7,500% or 75 times has been delivered since listing in 2001**

Since the Company's listing in 2001, Top Glove shares have appreciated significantly in line with the Group's strong growth and performance, delivering a shareholders' return of about 7,500% or 75 times, as shown in the graph below:



Top Glove marks yet another significant milestone in its 28 years history with this inaugural bond offering in the international capital markets. Being the first exchangeable conventional bonds priced out of Malaysia after almost a decade, the Bonds were well-received by investors across Asia and Europe.