



## MARCH 2021 - QUARTERLY REPORT

**ASX: VIP**

30 April 2021

### HIGHLIGHTS:

- **31% increase (Q-o-Q)** in Revenue
- **19% increase (Q-o-Q)** in Average Selling Prices ("ASP")
- **Sales orderbook** filled to December 2021
- Awarded **CE EU Certificate** in January 2021
- **Commissioning of two (2) new production lines** (Line 5 & 6) during the March quarter
- **Line 7 & 8 target for commissioning** in August/September 2021
- **Paid dividend of 0.18 cents per share** on 31 March 2021

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VIP Gloves Limited ('VIP' or the 'Company') presents its operational and activities update along with the attached Appendix 4C cash flow statement for the quarter ended 31 March 2021.

### Production output during the March quarter ("Q3 2021")

Line 5 and Line 6 were successfully commissioned during Q3 2021, with full scale production commenced in April 2021. With a total of six production lines, VIP's nitrile glove production capacity is now 64 million pieces per month, 28% higher than Q2 2020 (December 2020).

Total production output during Q3 2021 was 163 million pieces, an 18% Q-o-Q increase compared to the previous quarter. The plant operated at 96% of rated capacity during the quarter to meet the increased demand for product.

### Sales during Q3 2021

VIP achieved total sales revenue of RM47.7 million (approx. A\$16 million), an increase of 31% Q-o-Q. The commendable performance was due to the combination of higher production output, due to the expanded capacity, and higher average selling prices (ASP).

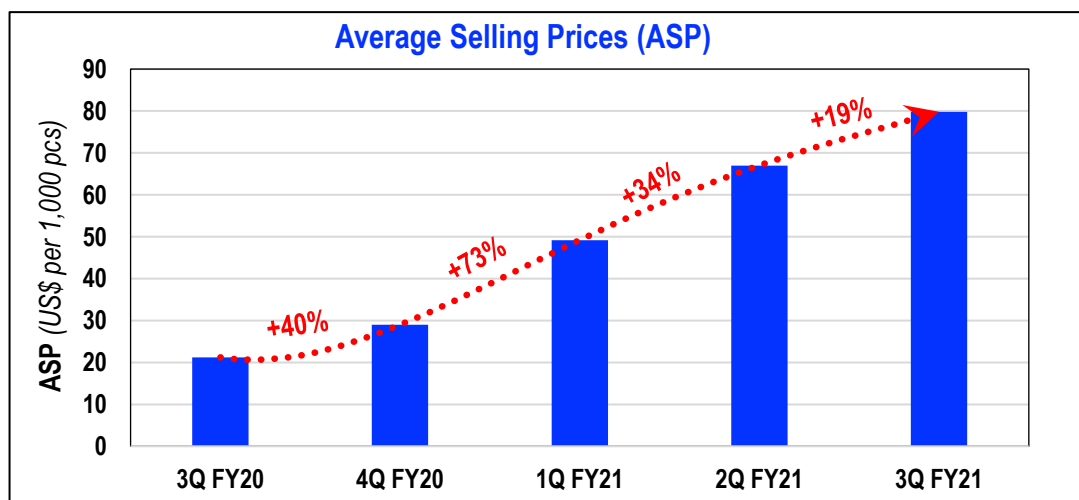
For the first nine months of FY2021 (July 2020 to March 2021), VIP's total revenue is RM110.8 million (approx. A\$37 million), a 353% Y-o-Y increase compared to RM24.5m recorded during the corresponding period in FY2020.

VIP has committed sales to December 2021 with requests and expression of interests to supply gloves in 2022 that will utilise additional production capacity.



## Average Selling Prices (ASP)

During Q3 2021, Average Selling Prices (ASP) reached US\$80 per 1,000 pcs, representing a 19% Q-o-Q increase from the Q2 2021 ASP of US\$67 per 1,000 pcs. ASP during Q2 2021 had previously risen by 34% from Q1 2021 (July-Sept 2020). The consistent rise in ASP is attributable to strong demand for nitrile gloves due to the global pandemic and a change in habits and stronger health awareness which lead to a broader usage of gloves generally.



## Business activities during the March quarter ("Q3 2021")

A\$ million	Q3 2021	Q2 2021	Q-o-Q
<b>Operating Activities</b>			
Receipts from Customers	17.1	11.5	+49%
Less Payment to:			
Manufacturing & Operating Costs	-9.1	-10.3	-12%
Other Costs <sup>1</sup>	-2.2	-0.8	+175%
<b>Net Cash</b>	<b>5.8</b>	<b>0.4</b>	<b>+1,350%</b>
<b>Investing Activities</b>			
Acquisition of Plant & Machinery	-1.2	-1.0	+20%
Disposal of Land & Bldg	-	0.1	n/m
Other (refund of Land& Bldg disposal)	-1.0	-	n/m
<b>Net Cash</b>	<b>-2.2</b>	<b>-0.9</b>	<b>+144%</b>
<b>Financing Activities</b>			
Repayment of Borrowings	-	-0.2	n/m
Dividends paid	-1.2	-	n/m
<b>Net Cash</b>	<b>-1.2</b>	<b>-0.2</b>	<b>+500%</b>
<b>Cash &amp; Cash Equivalent</b>	<b>2.4</b>	<b>-0.7</b>	<b>-443%</b>

Note : <sup>1</sup> Other Costs comprises A&P, leased assets, staff, administration and corporate costs, interest & finance charges.  
The figures above are derived from Unaudited Management Accounts.

- **Receipts from Customers** increased by 48.7% to A\$17.1 million in Q3 2021 as VIP improved its revenue collection processes to reduce outstanding receivables. The improvement in receipts was also due to rising sales volumes and higher ASP.

- **Net Cash from Operations** increased to A\$5.8 million from A\$0.4 million previously. Despite rising nitrile latex (“NBR”) cost during the quarter, the increase in ASP during the period kept profit margins high. The stronger operational net cashflow was also attributable to a reduction in natural gas cost which decreased by 51% in Q3 2021 from RM33.65/mmbtu in Q2 to RM22.14/mmbtu, coupled with a 19% Q-o-Q decrease in Administrative and Corporate costs during the same period as the impact of management’s cost-conscious efforts generated ongoing financial benefits.
- **Net Cash from Investing position** was A\$1.2 million in capital expenditure as part of the capacity expansion initiative. It also made a refund of A\$0.95 million for the revocation of the sale & leaseback of Land and Building.
- **Net Cash used in Financing position** related predominately to the A\$1.2 million interim dividend payment to shareholders in March 2021.
- **Payments to related parties and their associates** comprise payment for directors’ salaries and fees amounting to A\$0.2 million (RM0.5 million) during Q3 2021.

## Material developments

### a) Capacity Expansion

Glove production line 7 and 8 are currently at the final stages of installation and will be commissioned in August and September this year respectively. These two lines will increase nitrile gloves production capacity to 78 million pieces per month a 22% increase over current production levels, or 936 million pieces p.a. This capex initiative commenced mid 2020 at a budget of A\$6.2 million. Production lines 5 to 8 are financed through existing cash reserves and operational cashflow.

Separately, VIP has embarked on an aggressive expansion drive, with the construction of a second factory on adjacent land owned by VIP to house a further eight (8) double former production lines under a A\$30 million two-year plan. Once the building structure is completed, estimated by early 2022, new production lines will be installed in stages commencing mid-2022. The entire facility is earmarked for full completion toward the end of 2022, and will generate a combined nitrile glove production capacity of 220 million pieces per month, or 2.6 billion pieces p.a.





#### **b) Pandemic Alert**

The Covid-19 pandemic, whilst impacting society in Malaysia and globally, has not affected VIP's operations as the production of nitrile gloves, together with other personal protective equipment (PPE) items, are deemed essential sector services to combat the pandemic.

Nonetheless, the Company's management has been steadfast in taking appropriate measures to protect the health, safety and welfare of all its workers, employees, customers, suppliers and other stakeholders. All workers and employees adhere to strict Standard Operating Procedures set forth by the company, in line with the Malaysian Ministry of Health's guidelines.

As the pandemic has not abated, demand for PPE items – which including nitrile gloves - has experienced a significant rise over the past year. Coupled with a shortage in product, ASP has also risen to unprecedented levels. The Malaysian Rubber Glove Manufacturers Association's (MARGMA) virtual briefing on the glove industry's outlook on 15 March 2021 outlined that global demand for rubber and nitrile gloves is projected to reach 500 billion pieces in 2021, while world supply is only at 420 billion (despite the rapid growth in new production operations). The 80 billion shortage will continue to drive ASP higher, as demand continues. MARGMA further commented that, even in the post-pandemic era, demand for rubber and nitrile gloves is expected to experience annual growth of between 12% and 15% per annum in the longer term, compared to only 8%-10% annual growth prior to the pandemic. This is due to a change in habits and stronger health awareness which lead to a broader usage of gloves, particularly in the medical and F&B sectors.

VIP believes its capacity expansion drive is both timely and prudent and will be able to capitalise on the supply shortage situation. Given indications from its existing customers, VIP management is confident to achieve an overall plant utilisation level of over 95% when all new production capacities are in place.

#### **c) Foreign Accreditation**

With the award of the Conformité Européenne (CE) Mark Examination Certificate, VIP is gearing up to expand its distribution network to the lucrative European distributors and wholesalers, as well as to sell its products directly to end buyers in Europe. At the same time, the Company is also finalising the US FDA applications. Once it obtains the necessary accreditation, it will open yet another new market in North America. These new markets offer potential volume sales with much higher ASP and will also provide VIP the platform to launch its own brand name into these markets. This marketing approach bodes well, as it helps build brand equity and reputation in the longer term. This strategy coincides with the capacity expansion plan currently being undertaken as VIP can allocate more products for its house brand.

#### **d) Legal action update**

In relation to the impending legal suit pertaining to the false accusation by the Plaintiff against VIP of a purported share placement arrangement, VIP's solicitors are vigorously defending the matter. A striking out application has been filed, as the Company believes the Plaintiff's claim is without reasonable cause of action, frivolous, vexatious and a blatant abuse of Court process.



#### e) Sale & Leaseback of Land & Building

In February 2021, VIP, together with the purchaser mutually agreed to terminate the Sale and Purchase Agreement (“SPA”) for the disposal by VIP its factory land and building. Both parties have entered a Deed of Revocation of the SPA to mutually rescind, revoke and terminate the SPA.

By terminating the SPA, the Company now retains full control and security over the land and buildings. This augurs well with the Company’s long-term masterplan as it expands its operations to the adjoining land.

The proceeds of sale received by VIP prior to the termination was RM9.1 million (approx. A\$3 million) and VIP has since returned RM3 million (A\$1million) to the purchaser in March, with the balance payable progressively as follows: RM2 million (A\$0.67 million) in June, RM2 million (A\$0.67 million) in July, with the balance RM2.1 million (A\$0.7million) in August 2021. The schedule of payments over a period of six months, which was consented by the purchaser, avoids creating any financial stress to VIP which could disrupt its operations.

#### f) Dividend

VIP declared an unfranked interim dividend of 0.18 cents per share earlier this year, which was paid to shareholders on 31 March 2021, with a total distribution amount of A\$1.2 million. This inaugural dividend payment was announced as VIP released a strong financial result for its first half year and, more importantly, reflected a healthier cash position. This dividend, equivalent to 53% of first half Net Profit after Tax, surpassed the Board’s initial commitment made on 8 December 2020 of declaring a dividend payout ratio of between 20% and 40%.

**This announcement has been approved by the Board of VIP Gloves Limited.**

For further information:

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#### About VIP Gloves Limited

VIP Gloves Ltd (VIP) is an Australian public company whose securities are listed for quotation on the Australian Securities Exchange (ASX code: VIP). VIP’s Malaysian subsidiary companies manufacture nitrile disposable gloves from a plant located in Selangor, Malaysia. The Company’s products are sold predominately on Original Equipment Manufacturer (“OEM”) basis to distributors and wholesales who in-turn sell to retailers and/or other distributors in Malaysia as well as for export markets in other parts of Asia and the Middle East markets. VIP’s products cater to a wide range of industries including medical, pharmaceutical, agriculture, hospitality, food and beverages, and electronics industries.

VIP products:

- comply with International AQL Standards
- conforms to ASTM D6319 and EN455 Standards
- meet ISO 11193 Standards: and
- are an approved CE Mark product.