



# VIP GLOVES **LIMITED**

## Corporate Presentation

31 August 2020

ersonal use only



**VIP GLOVES LIMITED**

ABN 83 057 884 876 (ASX Code : VIP)

Level 26, 360 Collins Street, Melbourne, VIC 3000, **AUSTRALIA.**

**Tel:** +61 3 9867 7199 **Fax:** +61 3 9867 8587

**Email:** [CorplR@vipglove.com.my](mailto:CorplR@vipglove.com.my) **Website:** [www.vipglove.com.my](http://www.vipglove.com.my)



## Disclaimer by VIP Gloves Limited and its subsidiaries (“VIP”)

---

- Information and opinions contained in this document are prepared by VIP. However, they are subject to change without notice, and the recipient shall not be relied upon as authoritative or taken in substitution for the exercise of judgment by the recipient.
- This document is intended solely for the recipient to whom it is addressed and is not intended to nor may it be relied upon by any other party ("Third Party"). VIP does not assume a duty of care to the recipient or any Third Party. By accepting this document, you agree to be bound by the foregoing limitations. This document, related material and analysis remain the property of VIP.
- Any prospective financial information contained in the document is based on assumptions regarding future events, which may or may not occur as assumed and consequently the actual results achieved may materially differ from those presented in this document. While VIP has assembled the data presented, it does not accept responsibility for the accuracy of any of the data included in this document. In no event will VIP or its related partnerships or corporations, or the partners, agents or employees thereof be liable for any direct or consequential loss arising from any use of material contained in this document.
- If a Third Party obtains access to and reads this document, such Third Party accepts and agrees that VIP, its directors, employees and agents neither owe nor accept any duty or responsibility to such Third Party, whether in contract or in tort including without limitation, negligence and breach of statutory duty, and shall not be liable in respect of any loss, damage or expense of whatsoever nature which is caused by any use such Third Party may choose to make of this document, or which is otherwise consequent upon the gaining of access to the document by such Third Party. Further, such Third Party agrees that this document is not to be referred to or quoted, in whole or in part, in any prospectus, registration statement, offering circular, public filing, loan, other agreement or document and not to distribute the document without VIP's prior written consent.



# Corporate Overview

---

- VIP Gloves Ltd (ASX Code : **VIP**) is an ASX listed company involved in the manufacturing of **Disposable Nitrile Gloves** which is a form of synthetic rubber gloves. Prior to manufacturing gloves, VIP, through its wholly-owned subsidiary KLE Products Sdn Bhd (“KLE”) was involved in the manufacturing of machinery components for glove manufacturing giants.
- In mid-2016, VIP ventured into the manufacturing of gloves through the incorporation of a new subsidiary, VIP Glove Sdn Bhd.
- VIPG currently operates **two double-former lines** and **two single-former lines** at its integrated factory at Beranang, outskirt of Kuala Lumpur, producing approx. 52 million pieces of gloves per month.
- Currently, VIP’s product are sold on an Original Equipment Manufacture (“OEM”) basis to wholesalers and distributors (both local and foreign-based) which are in-turn exported to retailers/end consumers in other part of Asia, Europe and the Middle-East.
- In the **near term**, VIP will focus on building up its orderbooks whilst improving its production efficiencies which will in turn ensure sustainable revenue stream and bottom line in the **medium term**.
- In view of the strong demand for nitrile gloves following the pro-longed worldwide COVID-19 pandemic, management is planning to put in additional four new production lines progressively over the next 18 months.



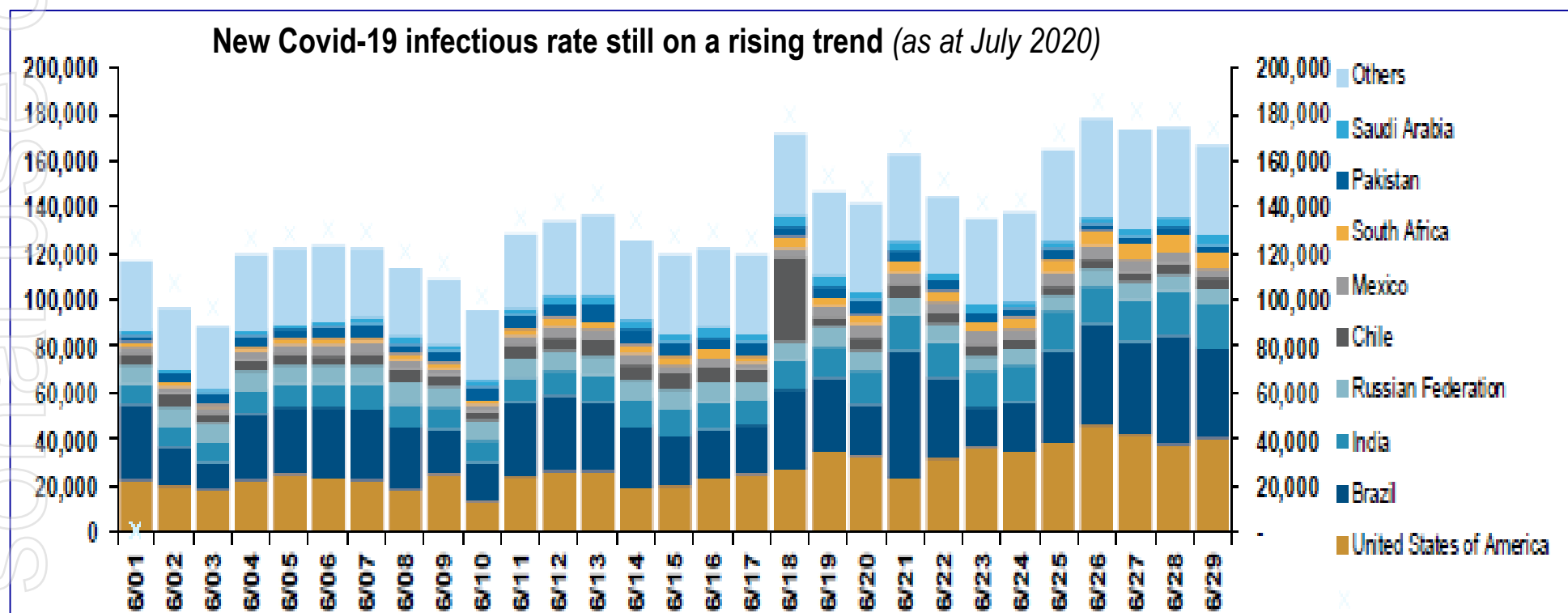
# Glove Sector overview





# Global Gloves Demand

- ❖ Global demand for rubber and nitrile gloves will remain buoyant during the Covid-19 pandemic, and is expected to be sustained over the next few years amid the risk of subsequent waves of infections.
- ❖ This robust growth is underpinned by strong demand from developed economies such as US & EU which records high Covid-19 infection rates.
- ❖ Strategic stockpiling of PPE (including gloves) is expected to remain prevalent during the course of Covid-19.



Source :WHO, John Hopkins, Macquarie Research, July 2020



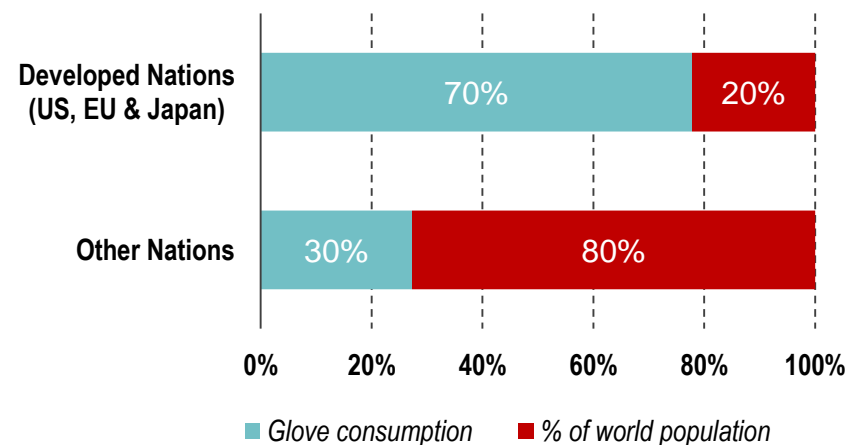
# Demand Scenario post-Covid

❖ Post vaccine commercialisation, demand is expected to remain robust as structural step-up in industrial and household usages will be common amid heightened safety and hygiene awareness – the world is adapting to this ***new normal***.

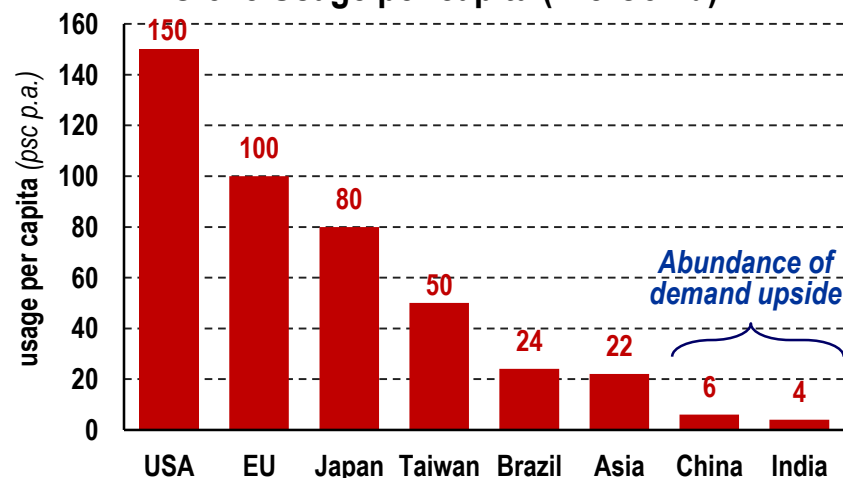
❖ There will be **lag time in vaccination** of the world population for at least 2 to 3 years as accessibility and affordability remains in question. Effect of vaccine (if any) remains unknown.

❖ **Glove usage per capita** is still at its infancy in less developed nations, compared with those in the developed nations. These less developed nations make up 80% of world population but only account for 30% of global glove usage. After experiencing Covid-19, the awareness for healthcare and proper hygiene have become an essential part of their day-to-day lifestyle.

## Glove Usage vs Population Size



## Glove Usage per capita (Pre-Covid)

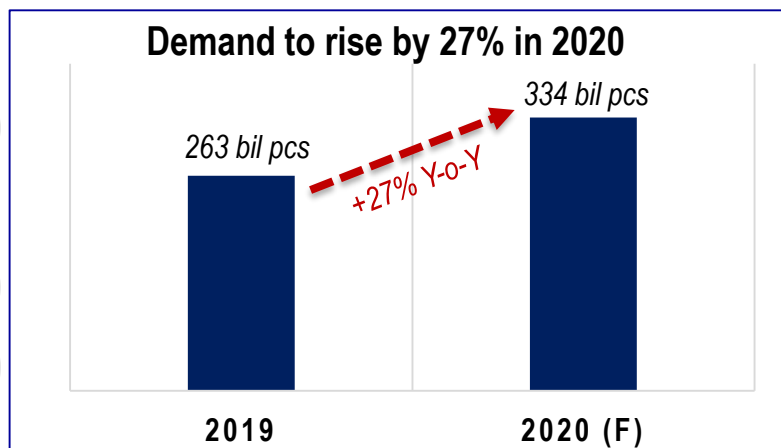


Source : [www.worldometers.info](http://www.worldometers.info), MARGMA, Macquarie Research, July 2020



# Sustainable Demand Drives Up ASP

- ❖ Demand is poised to rise to c. 330 bil pcs p.a. (+27% YoY) this year, and c. 380 bil pcs p.a. (+15% YoY) in 2021, and increase further to 428 bil pcs p.a. (+12% YoY) in 2022 (*source : MARGMA*)
- ❖ Higher Average Selling Price (“ASP”) is expected to remain prevalent in the foreseeable future given the current capacity constraints in the global market.
- ❖ Government agencies and NGOs around the world are bypassing traditional distribution channels to approach glovemakers directly for ‘spot purchases’ at huge premiums in exchange for quick delivery.



Source : MARGMA, Citi Research August 2020

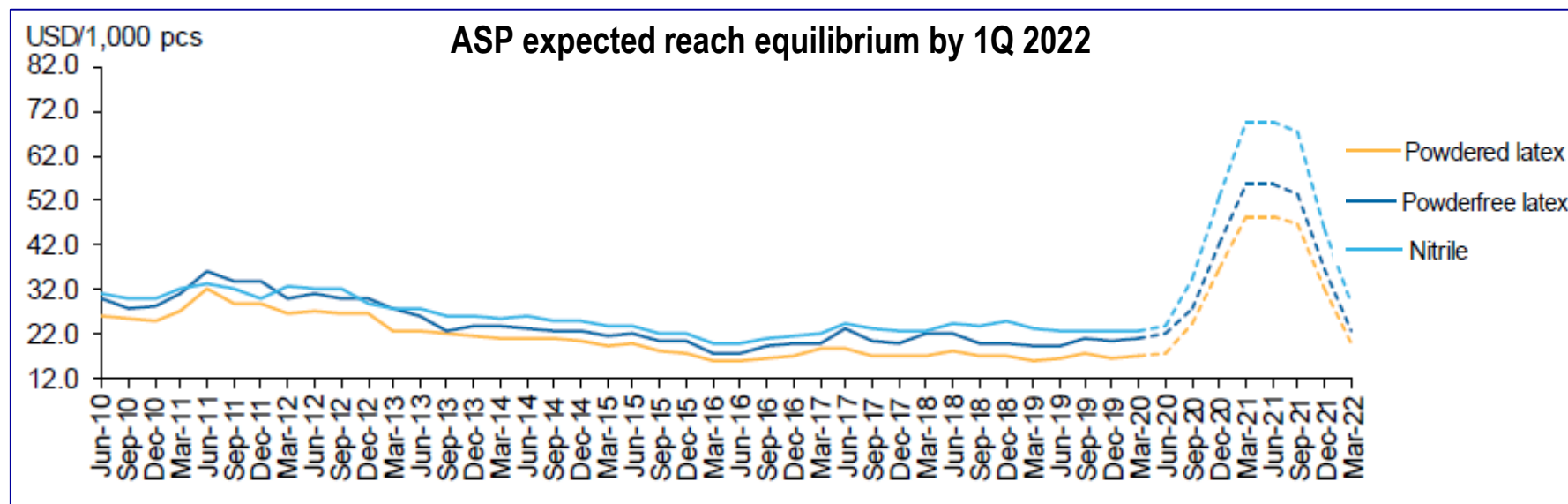
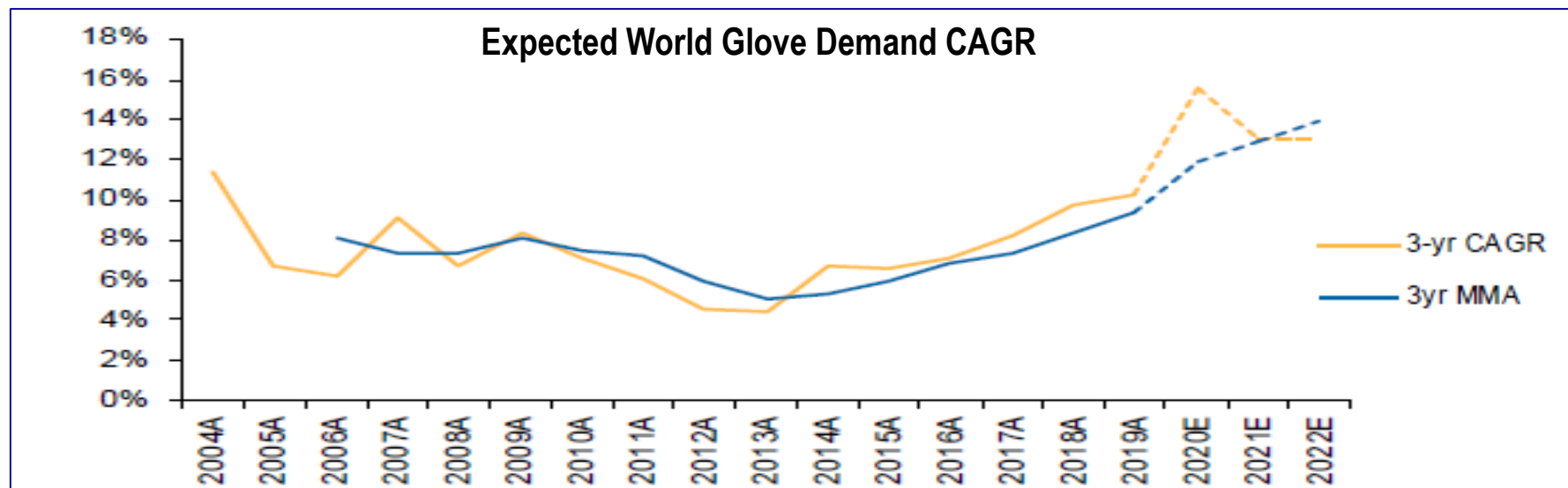
(billion pcs p.a.)	2018	2019	2020(F)	2021(F)	2022(F)
<b><u>SUPPLY</u></b>					
World Prod. Capacity	240	270	310	375	428
Additional Supply	+90	+30	+40	+65	+53
Supply Growth (Y-o-Y)	+62%	+12%	15%	21%	14%
<b><u>DEMAND</u></b>					
Global Demand	256	263	334	384	428
Additional demand	+28	+7	+71	+50	+44
Demand growth (Y-o-Y)	+12%	+3%	+27%	+15%	+12%
Surplus/(Deficit)	(16)	7	(24)	(9)	Equilibrium

*Supply deficit gap*

Source : MARGMA



# Historical Demand Trend



Source : MARGMA, Macquarie Research, July 2020



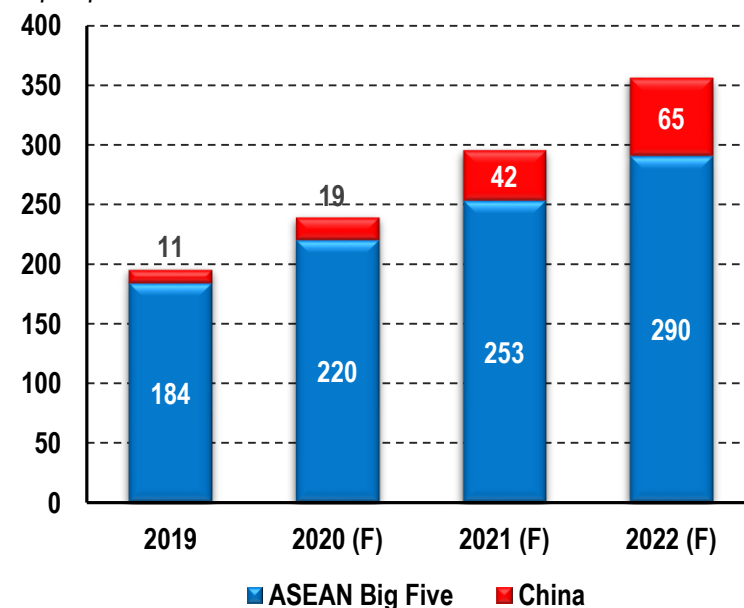


# Global Supply Outlook

- ❖ Given the current upcycle, there is unprecedented capacity roll-outs by global glovemakers as well as non-traditional glovemakers to meet demand spike.
- ❖ Hence, global glovemakers are looking at >12 months lead time for forward orders given the current sales backlog (vs pre-Covid levels of just 1-2 months).
- ❖ Global inventory levels have reduced substantially to less than 10 bil pcs (equivalent to 10 days of stockpile), dropped from 60 days previously.
- ❖ The top 5 glovemakers in the ASEAN region (all Malaysian-based) have each embarked on respective plant expansion, with cumulative CAGR of 16.5% over the next 3 years; while the major China players (eg. Blue Sail Medical & Intco Medical) have also announced aggressive 78% CAGR on their capacity during the same period.
- ❖ Nonetheless, we see minimal risk of over-supply situation as new capacities will only come onstream progressively and should be able to meet rising world demand.

Surging Capacity By ASEAN Top 5 Glovemakers + China

*bil pcs p.a.*

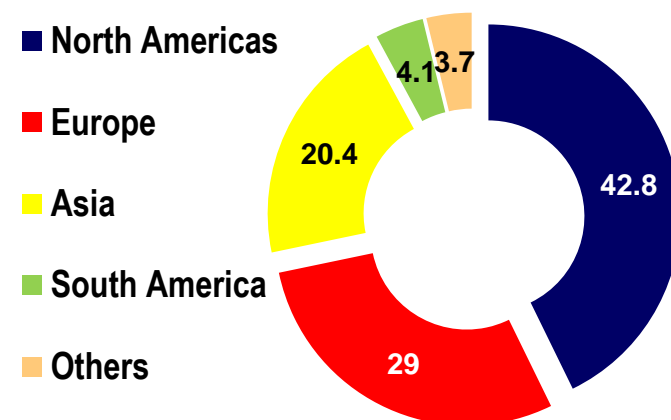




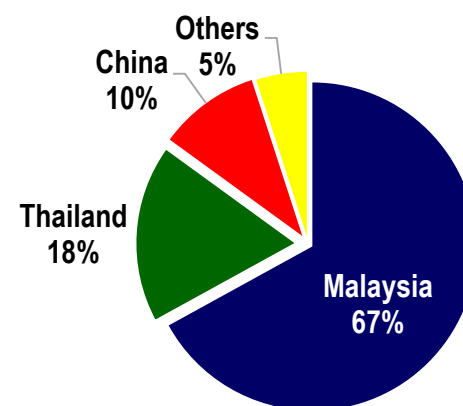
# Nitrile Gloves vs Total Gloves Market

- ❖ The Nitrile gloves market is expecting a CAGR of 14.3% to US\$15.9 bil by 2024 given its superior margins and properties over Rubber Gloves.
- ❖ Malaysia is expected to contribute almost 2/3 of global supplies, followed by Thailand with c. 18% market share.
- ❖ VIPG shall therefore continue to focus on producing 100% Nitrile gloves to capture this rise in demand.

Malaysia's Nitrile Glove Export (%) (as at 3Q19)



Malaysia to take up c. 67% of mkt shr



Source :MARGMA, Citi Research, August 2020

# VIP Gloves Ltd





# Corporate Snapshot

## Capital structure

<b>ASX code</b>	VIP
<b>Ordinary shares in issue</b>	745.66 mil
<b>Current share price (@ 28 Aug 2020)</b>	A\$0.125
<b>Current market capitalisation</b>	A\$93.2m

## Board of Directors

<b>Non-Executive Chairman</b>	Dr Kai Fatt (Joe) WONG *
<b>Executive Director</b>	Chin Kar (Jimmy) YANG *
<b>Executive Director</b>	Wee Min CHEN *
<b>Non-Executive Director</b>	How Weng (Sebastian) CHANG *
<b>Non-Executive Director</b>	Peter Wee Ming NG
<b>Non-Executive Director</b>	Chee Cheong (David) LOW

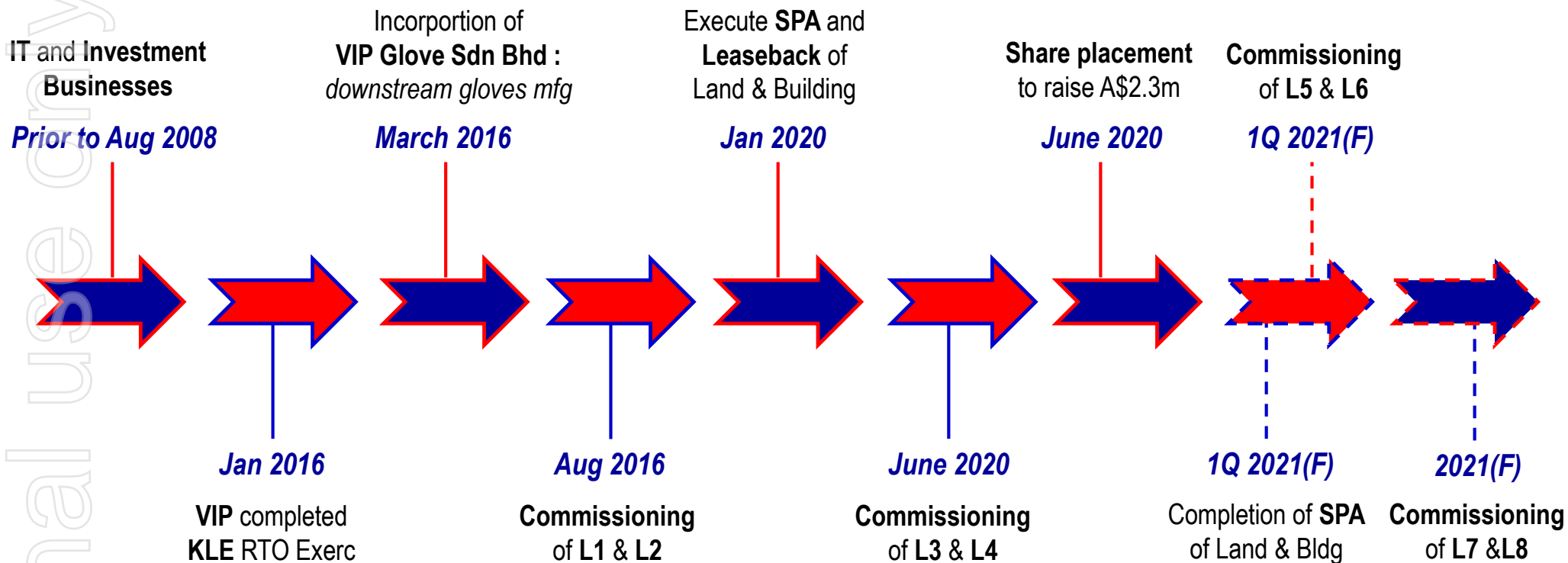
\* Members of Executive Committee (EXCO)

## Top 4 Shareholders (as at 28 Aug 2020)

<b>Leading &amp; Junction Sdn Bhd</b>	17.2%
<b>RHB Securities Singapore Pte Ltd</b>	6.4%
<b>Mr Wee Min CHEN (Exec Dir)</b>	6.2%
<b>Endless Earnings Sdn Bhd</b>	6.1%
<b>TOTAL</b>	<b>35.9%</b>



# Corporate Timeline







# VIP's Products

## NITRILE GLOVES – characteristics

- ✓ **Allergy free** unlike Latex
- ✓ **Fit & Puncture resistant**
- ✓ **Suitable in medical & high-risk tasks**
- ✓ **Food handling, manufacturing, Examinations, Dental, Clinics & Laboratories**



## PRODUCT SPECIFICATIONS

<b>Type</b>	Powder Free & Non-sterile
<b>Material</b>	100% Synthetic Nitrile
<b>Colour</b>	Multiple
<b>Design feature</b>	Ambidextrous, beaded cuff with finger or palm micro-texture finishing
<b>Finish</b>	Chlorinated / Polymer
<b>Storage</b>	The gloves shall maintain their properties when stored in a dry condition at temperature not higher than 40 °C; Direct sunlight should be avoided.
<b>Shelf Life</b>	5 years from date of manufacturing
<b>Packaging</b>	Fully packed, Bulk packed, Vacuum packed

## PHYSICAL DIMENSIONS

<b>Length :</b>	Min 240mm
<b>Width :</b>	
<b>XS</b>	≤ 80mm
<b>S</b>	85mm (±5)
<b>M</b>	95mm (±5)
<b>L</b>	105mm (±5)
<b>XL</b>	≥ 110mm

## PHYSICAL PROPERTIES

<b>Description</b>	<b>Before Aging</b>	<b>After Aging</b>
<b>Force at break (N)</b>	Min 6	Min 6
<b>Elongation at break (%)</b>	Min 500	Min 400
<b>Tensile strength (Mpa)</b>	Min 14	Min 14



# Why Nitrile ?

## Nitrile Glove

- ✓ Allergy free unlike Latex
- ✓ Fit & Puncture resistant
- ✓ Suitable in medical & high-risk tasks
- ✓ Food handling, Manufacturing, Examination, Dental Clinics, & Laboratories



## Natural Rubber (latex) Glove

- Can cause or trigger latex allergies
- Fit & more elasticity
- Suitable in medical & high-risk tasks
- Surgical, Household, Cleanroom & Examination



## Polyvinyl Chloride Glove

- Poor for most organic solvents
- Looser fit and less elasticity
- Suitable for short-term & low-risk tasks
- Food handling & Household cleaning



Sources: Berkeley Office of Environment, Health and Safety



# FY2020 Performance Review

- ❖ **Revenue** +17.1% to A\$13.7m (RM38.3m). ASP not fully reflective of prevailing price trend as clearing old orders at lower locked-in prices.
- ❖ Turnaround in profitability with **GP** of A\$2.2m (RM6.6m), or GP margins of 16.1%. FY2019 GP was affected by A\$2.6m one-off impairments on KLE's inventory, receivables and PPE.
- ❖ **FY2020 EBITDA** A\$0.3m versus FY2019 losses of A\$4.1m previously.
- ❖ **FY2020 PAT** of A\$0.1m, from a FY2019 loss of A\$4.8m previous financial year.

A\$ mil	2020	2019	Y-o-Y
<b>Revenue</b>	13.70	11.69	+17.1%
<b>COGS</b>	(11.49)	(11.96)	+3.9%
<b>GP</b>	2.21	(0.27)	n/a
<b>EBITDA</b>	0.32	(4.10)	n/a
<b>PBT</b>	(0.28)	(4.80)	n/a
<b>PAT</b>	0.12	(4.80)	n/a
<b>EPS (cts)<sup>1</sup></b>	0.02	(1.04)	n/a
<b>EPS (cts)<sup>2</sup></b>	0.02	(0.64)	n/a

<sup>1</sup> based on weighted avg ord shrs  
<sup>2</sup> based on existing 745.66 mil ord shrs



# Revenue & Earnings Trend Going Forward

## VIP will enjoy strong revenue and earnings growth in the next two financial years

❖ **Sustainable top and bottom line growth** L3 & L4 were completed in late June and commissioned fully in July 2020. Additional production lines will come on-stream in stages over next 18 months, thus ensuring continuous growth trend in in FY2021 and FY2022.

❖ **New capacities will be well absorbed** by the strong and sustainable demand for nitrile gloves.

❖ VIP has cleared all “old orders”, and **FY2021 will reflect higher ASP.**

❖ Proceeds from disposal of land & building will be received in part in August to retire all loans, which gives rise to about RM1.0m in annual **interest savings.**

## Meanwhile, there are also cost pressures :

❖ **Rising nitrile latex cost** due to strong demand from amongst the glovemakers. Nitrile latex accounts for about 45% of total COGS.

❖ Once the land & building disposal completes by early 2021, VIP will incur RM120,000 in monthly **rental obligation** to new owner.

❖ **Depreciation charge** will also increase, due to capex to be incurred on new production lines.



# SWOT Analysis

## strength

- Well positioned to meet **demand uptrend** in nitrile gloves.
- Cost advantage over regional peers as Malaysia enjoys **cheap** and **reliable energy source** (electricity & natural gas)
- **Strong balance sheet** post-disposal of land & building to fund expansion capex

## weaknesses

- Relatively **Small capacity** compared to bigger glovemakers
- Succumbed to **raw materials price fluctuation** due to lack of storage space
- Margins **not as lucrative** as 100% products are OEM driven.

## opportunities

- **Surging demand trend** outpaces supplies
- Heighted **hygiene awareness** and **standards** will ensure sustainable demand for PPE products

## threats

- Rolling out of **Covid-19 vaccine** may gradually soften demand and ASP.
- **Oversupply risk** as existing glovemakers and new players are both rapidly expanding their capacities.
- Further **tightening of import regulations** on gloves and PPE by US & EU countries.

Costing  
hedge

Strong  
income  
stream





# Investment Highlights

*WHY  
VIP ?*

1

Capacity expansion to meet growth in demand

2

Spike in ASP boosts margins and sustainable income stream

3

Under-invested stock – an *unpolished gem* ?

4

Clear earnings visibility going forward

5

Transparent Board and experienced Management Team

# Thank You



## VIP GLOVES LIMITED

ABN 83 057 884 876 (ASX Code : VIP)

Level 26, 360 Collins Street, Melbourne, VIC 3000, **AUSTRALIA.**

**Tel:** +61 3 9867 7199 **Fax:** +61 3 9867 8587

**Email:** [CorplR@vipglove.com.my](mailto:CorplR@vipglove.com.my) **Website:** [www.vipglove.com.my](http://www.vipglove.com.my)