

VIP Gloves Ltd

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VIP Gloves sees gradual earnings increase in next two years from additional capacity, with full impact expected in FY24

VIP Gloves Ltd (ASX:VIP), which is undertaking an aggressive expansion drive with the construction of a second factory, expects to see its earnings increase gradually in financial years 2022 and 2023 from the additional capacity.

It is then expecting to reap the full earnings impact from the second factory in financial year 2024.

VIP Gloves plans to install eight double former lines at the new factory, to be built on adjacent land owned by VIP, under a A\$30 million two-year plan.

Each line will be commissioned and operational individually, with partial contribution expected to kick in in the second half of financial year 2022.

All eight lines are expected to be fully installed and commissioned by the end of 2022.

Second factory update

Price: 0.051

Market Cap: \$40.08 m

1 Year Share Price Graph



Share Information

Code: VIP

Listing: ASX

52 week High Low
0.22 0.031

Sector: Pharma & Biotech

Website: www.vipglove.com.my

Company Synopsis:

VIP Gloves Ltd (ASX:VIP) produces and supplies gloves on an original equipment manufacturer (OEM) basis. The company's Malaysian subsidiary manufactures nitrile disposable gloves, used in the medical, health, dental and numerous other industrial and commercial sectors, from a plant in Selangor, Malaysia.

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LINES	Type	pcs/line p.m. ¹	pcs p.m. ¹	pcs p.a. ¹
Existing : Line 1 - 2 (2 lines)	DF	18m	36m	432m
Line 3 - 6 (4 lines)	SF	7m	28m	336m
Existing Capacity			64m	768m
In-progress ² : Line 7 - 8 (2 lines)	SF	7m	14m	168m
Factory-1 capacity by Sept 2021			78m	936m
Factory-2 ³ : Line 1-8 (8 lines)	DF	18m	144m	1,728m
Total capacity by end-2022 (est.)			222m	2,664m

VIP has completed soil test, structural design and factory architecture work for the second factory.

It has submitted detailed plans to the local municipal council and the fire department and approvals are expected in June or July this year.

The factory building is expected to take six months with completion estimated in early 2022.

Sales

VIP has committed sales through to the end of 2021.

It has received inquiries and expressions of interest in sales for financial year 2022 and beyond, on existing as well as new capacities.

The Malaysian Rubber Glove Manufacturers Association has projected a global deficit of 80 billion pieces of gloves in 2021, with longer-term demand growth of 12- 15% per annum versus 8-10% recorded during pre-pandemic.

New capacities coming on stream will be well absorbed by market demand, hence keeping average selling prices high.

Its long-term plan is to introduce house brand to end-customers directly that will widen profit margins, it added.

Profit margin

Operational efficiency has improved with the rise in capacity and output.

As VIP Gloves has passed the threshold for critical mass, profit margin is poised to remain high in the next few years.

With the continued rise in its revenue stream and well-controlled cost of goods sold, EBITDA remained healthy in the third quarter of 2021.

This has resulted in strong cashflow for VIP to fund its aggressive capex initiatives and ensuring dividend payout in the future.

North American market expansion plans

VIP is targeting to expand its footprint into the lucrative North American market in the latter part of 2021.

It has lodged an application with the US Food and Drug Administration (FDA) but the process is "somewhat slower than usual" due to the pandemic.

The company expects FDA approval to be received by mid-2021.

In the meantime, it has already started obtaining other mandatory compliances to ensure the company conforms to the US importers' regulations and requirements.

EU market plans

Having obtained the CE Mark Examination certificate in early 2021, it is gearing up to expand its network into the EU market.

VIP is targeting distribution to European distributors and wholesalers, and later to sell directly to end-buyers in the region.

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