



Hartalega Holdings Berhad
17th Annual General Meeting
2023



Shaping the Future



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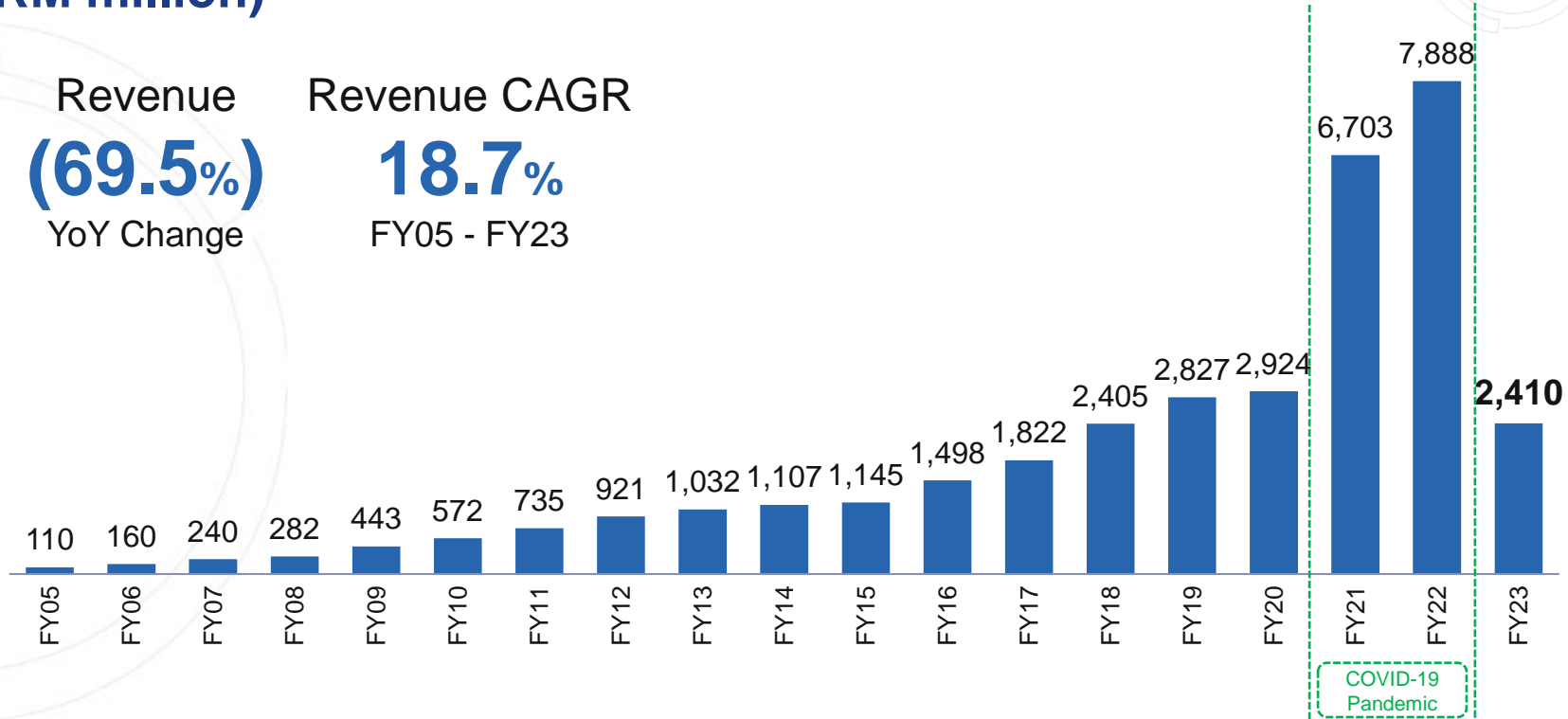
- 1) **Financial Performance Review (FY2023)**
 - *Challenging pathway to recovery*
- 2) Glove Market Outlook
- 3) Key Strategy & Initiatives
 - *Navigating out of this difficult period*
- 4) Growth & Expansion – *Preparing for future*
- 5) Sustainability Commitment at Hartalega

Sales Revenue (RM million)

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Revenue
(69.5%)
YoY Change

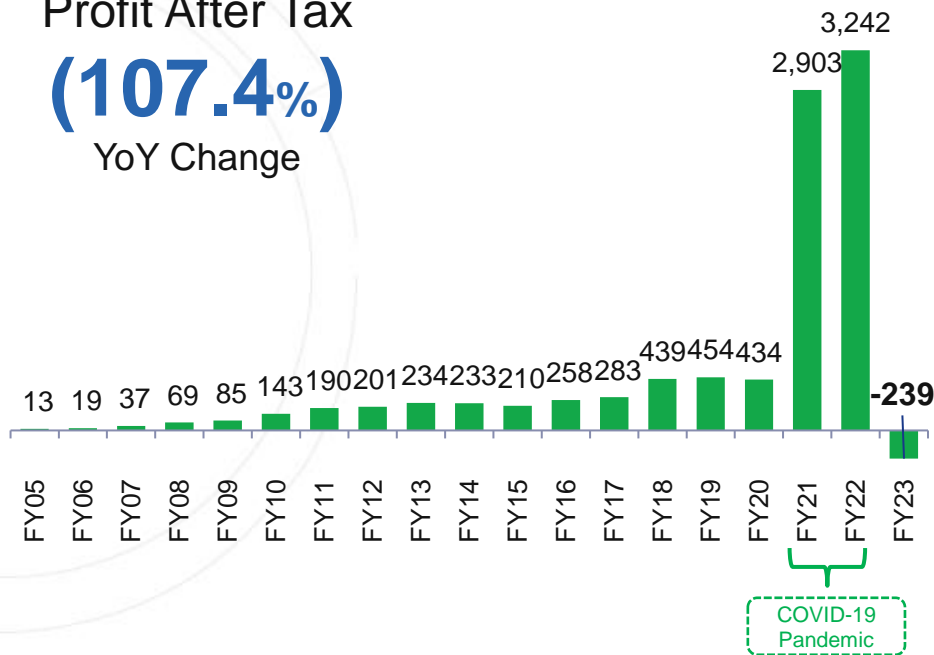
Revenue CAGR
18.7%
FY05 - FY23



Profit After Tax (PAT) (RM million)

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Profit After Tax
(107.4%)
YoY Change



- () Post-pandemic market challenges have adversely impacted on profitability, thus the Group did not declare a dividend for FY2023
- () Throughout FY2021 and FY2022, the Group made cumulative dividend payout amounting to appx. **RM3.7 billion** to shareholders (payout ratio of 60.2% for both financial years)
- () The Group is committed to maintain **dividend payout policy** of minimum 60% of PAT

FY2023 Financial Results Overview

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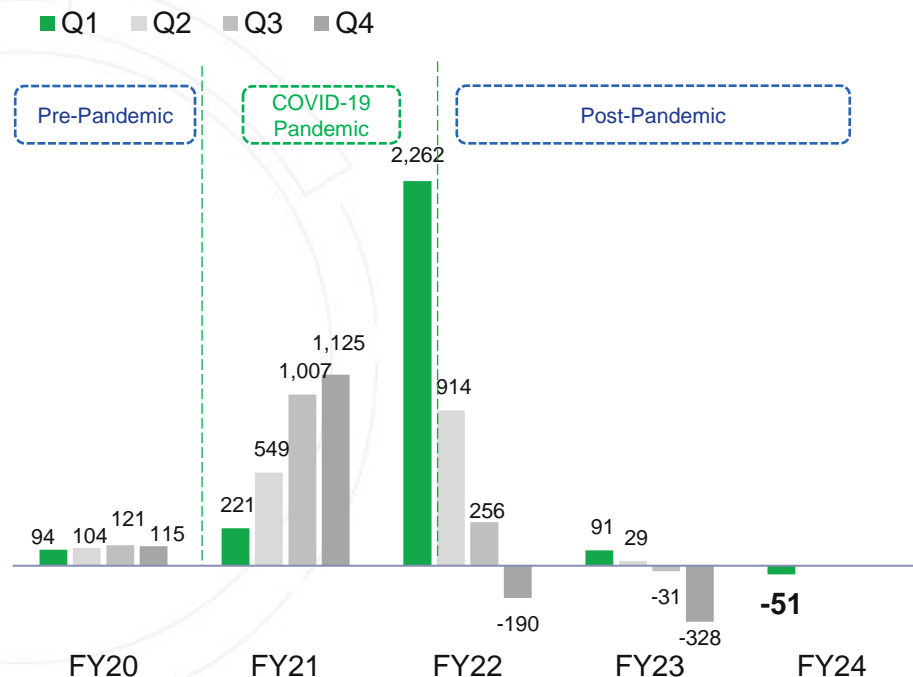
Key financial highlights

- () Operating performance in 1H'FY23 offset by weaker 2H'FY23, primarily attributed to: -
 - i. **ASP declined sharply** in 2H'FY23
 - ii. **Higher operating costs** compressed margins
 - Higher energy costs (i.e. natural gas & electricity)
 - Increase in labour cost (new minimum wage standard in Malaysia effective 1 May 2022)
- () **Lower sales volume** recorded for the year (FY23: 22.5 bil pcs. v. FY22: 29.5 bil pcs.)
- () **Operationally profitable** on normalised basis, excluding one-off impairment recognised in FY2023
- () Maintained healthy balance sheet with **net cash position** of **RM1.6 billion** as at end-FY2023

Reported Financial Performance (RM'mil)	FY 2023
Revenue	2,410
EBITDA	(44)
Profit before tax (PBT)	(214)
Profit after tax (PAT)	(239)
Normalised Financial Performance (RM'mil)	
* <i>Exclude:</i> Impairment relating to plant decommissioning exercise of RM347 million	
EBITDA*	303
PBT*	133
PAT*	108

Recent Quarterly PAT (RM million)

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1Q'24 v. 1Q'23

(156)%

YoY Change

1Q'24 v. 4Q'23

84%

QoQ Change

- () YoY profit decline due to both **lower ASP** and **sales volume** amid global oversupply and supply chain inventory adjustment
- () Profitability improved QoQ mainly due to one-off impairment loss (appx. RM347 mil) recorded in preceding quarter following the decommissioning exercise for Bestari Jaya facility
- () Also, provision for severance payment relating to plant decommissioning (appx. RM47 mil) was made in Q1'24



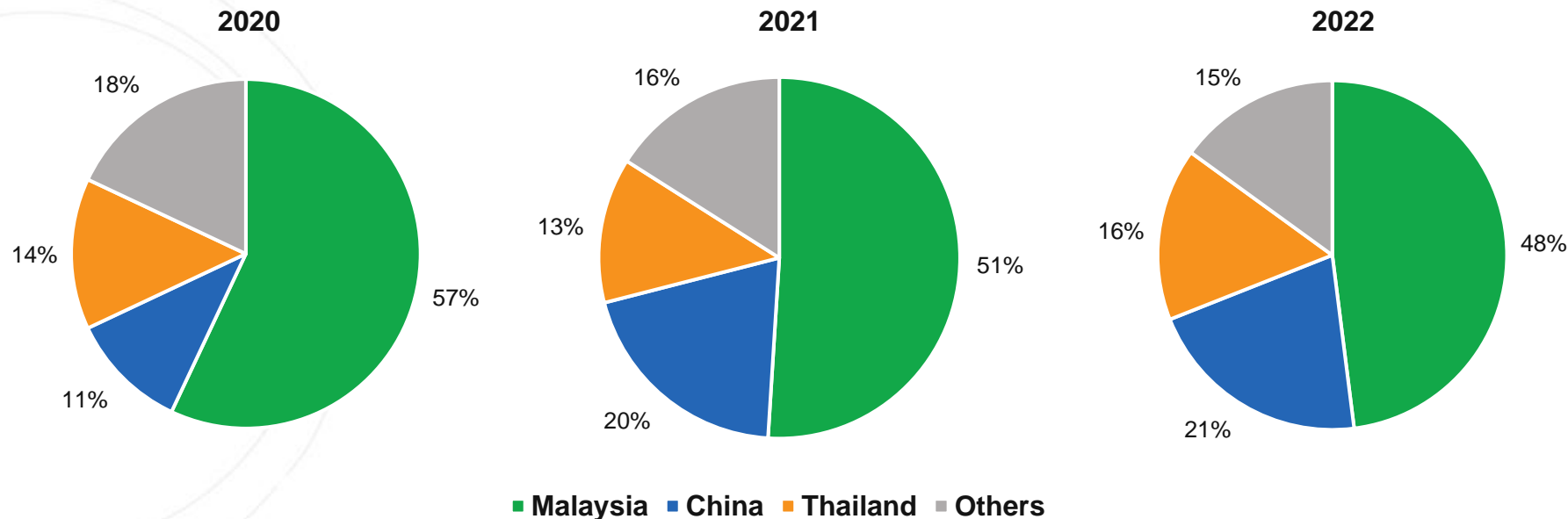
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Market share: Key global exporters

Global market share of key exporters for rubber gloves

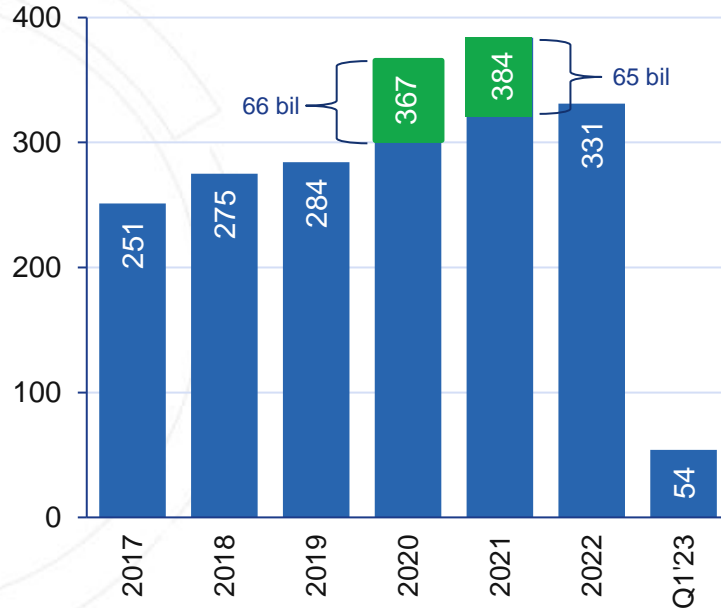
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Source: International Trade Center, company estimates

Post-pandemic global demand

Global Demand for Gloves (Billion pcs)

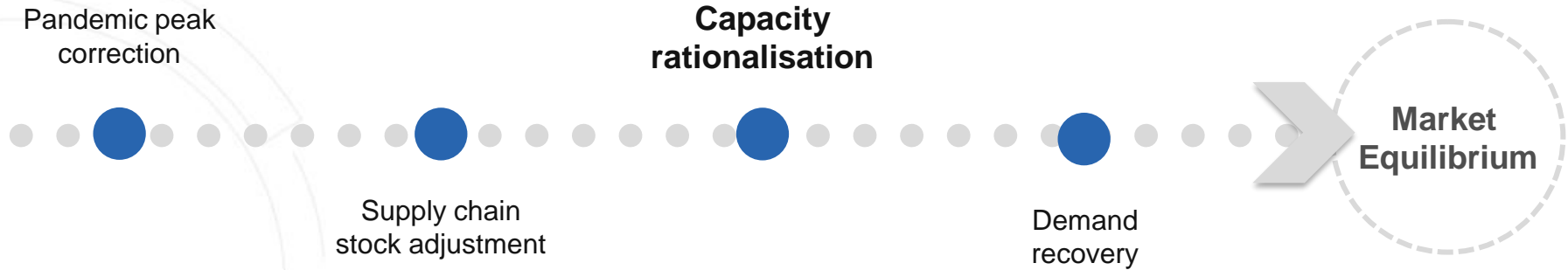


- () **Excess inventories** accumulation and supply chain stock adjustment resulted in **lower global demand** recorded in 2022 (YoY ↓ c.14%)
- () Nonetheless, global consumption in 2022 is still higher than pre-pandemic level in 2019
- () Overall recovery in demand on sustained basis yet to be seen to-date in 2023

Source: International Trade Center (ITC), company estimates

Market adjustment to continue

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How long?

Adjustment phase is dependent on multiple external factors

(e.g. geopolitical climate, peers' expansion discipline, pandemic cycles and etc.)

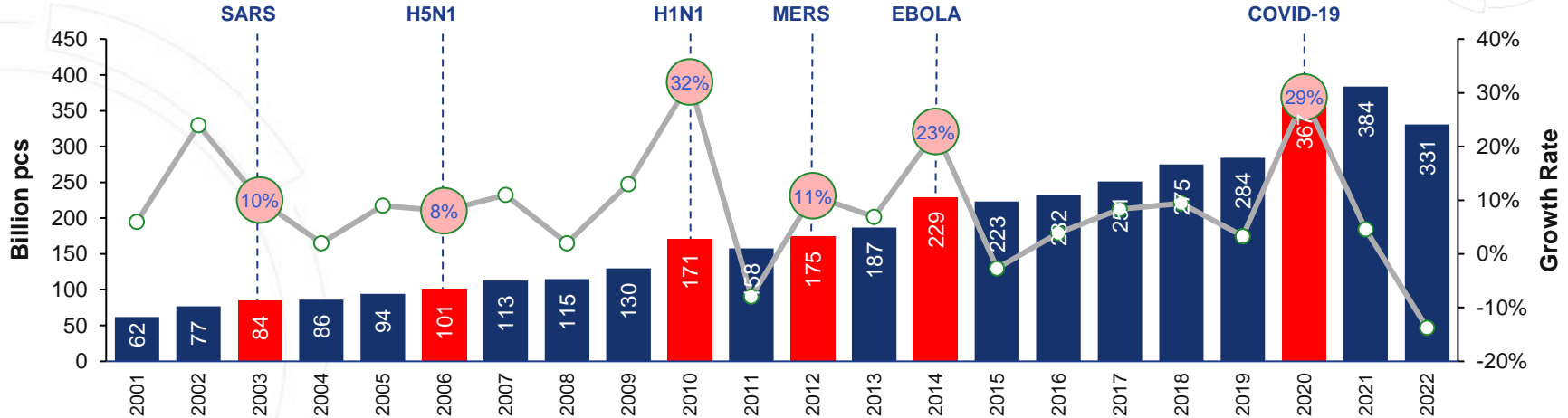
Silver lining

- ✓ **Suspension or cancellation** of announced expansions to-date
- ✓ **Capacity rationalisation** to reduce supply (i.e. plant decommissioning / idling)
- ✓ **Market exit** by some new players

Positive long-term outlook

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Long-term growth in global gloves demand (2001-2022)



Source: International Trade Center (ITC), company estimates

- () Glove is seen as a **basic necessity** in the healthcare and other sectors that require hygiene & protection
- () Consumption of gloves has recorded **compounded annual growth rate** of around **8%** over the past 21 years
- () Glove consumption to continue increase over longer term, especially from **emerging markets** with low gloves consumption base
 - Per capita consumption of gloves in Asia is less than 10 pcs whereas developed countries are 150 pcs
- () Historically, glove market would undergo an adjustment period after each pandemic-driven demand surge



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Glove sector: *A changed landscape*

Navigating out of this difficult period

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5-Year Strategic Direction

Solidify our position to emerge stronger when market recovers

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1

OEM Growth

- Maintain a healthy “cash cow” and invest in future growth
- Diversify customer base to reduce concentration risks

2

OBM Strategy

- To build a regional multiple medical device distribution company focusing on markets in Asia Pacific

Our *long-term business objectives*

Building upon
4 pillars of growth and **key focus areas** to support business objectives

Hartanian

- Purposeful, innovative with customer-focused mentality
- Can-do spirit
- Constant learning behaviour

Products

- Product innovation
- Product development

Efficiency

- Cost optimisation
- Agility
- Technology excellence
- Diversify manufacturing base

Markets

- Hartalega as preferred brand
- Increase sales & diversify customer base
- End-user market penetration

Decommissioning of Bestari Jaya facility

Operational rationalisation to consolidate production to NGC facility

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Operational Performance



Production lines: **40 (4 plants)**
Installed annual capacity: **12 billion**



Less Efficient

- Production lines **no longer competitive**
- BB line speed ~25K-45K pcs/hr v. NGC >45K pcs/hr



Higher Energy and Labour Costs

- Older technology: Energy cost is **23% higher** than NGC
- Labour cost is **double** of NGC's



Plant Maintenance Cost

- Older plant conditions (10-20 years)
- Future refurbishment & maintenance costs are **expected to be 30% higher** than NGC



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Future Expansion: NGC1.5, Sepang

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Expansion pipeline continues, will adjust to prevailing market supply-demand dynamics

NGC1.5 (Plant 8-9)



- () Located adjacent to existing NGC complex in Sepang
- () Consisting of **two plants** with approximately **11 billion pcs p.a. capacity**
- () State-of-the-art production line technologies
- () Capable of higher production efficiency relative to existing plants
- () Commissioning to **align with the needs of the market** and on **progressive basis**



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Sustainability Commitment @ Hartalega

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Our Sustainability Policy and Framework – 4 Key Pillars



- **Upholding the Highest Standards**

Uphold the highest standards of governance and integrity in our business practices, while expanding our footprint to deliver high quality innovative products in line with ESG leading practice.

- **Safeguarding the Environment**

Manage natural resources responsibly, improve water and energy efficiency and to reduce emissions.

- **Caring for Our Employees**

Fair and equal treatment for all employees, instilling a culture of respect and safety while building a strong talent ecology.

- **Wellbeing of Local Communities**

Contribute and continue to touch the lives of the communities around us.



Upholding ESG Best Practices

Certification & recognition by various *global independent organisations*

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Regulatory and Standard of Certification:



*Business Social
Compliance
Initiative (BSCI)*



*Worldwide
Responsible
Accredited
Production (WRAP)*



*SEDEX Member
Ethical Trade Audit
(SMETA)*

Awards & Recognition:



*The Star - Gold Winner
in the Human Rights
and Labour Standards
category (Large
Companies Tier)*



*The Edge - Gold
for the Healthcare
Sector in Equities
Category*



*LinkedIn - Diversity
Champion*



FTSE4Good

*FTSE4Good
Bursa Malaysia
Index
Constituent*



*Ecovadis Bronze
Medal*



*Low-risk Category,
Sustainalytics*

MSCI
ESG RATINGS



*Rated A by MSCI
Rating*



Thank You



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Q&A Session

