Hartalega

Hartalega Holdings Berhad

16th Annual General Meeting

2022



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Financial Performance Review – FY2022

Sustainable growth with strong resilience

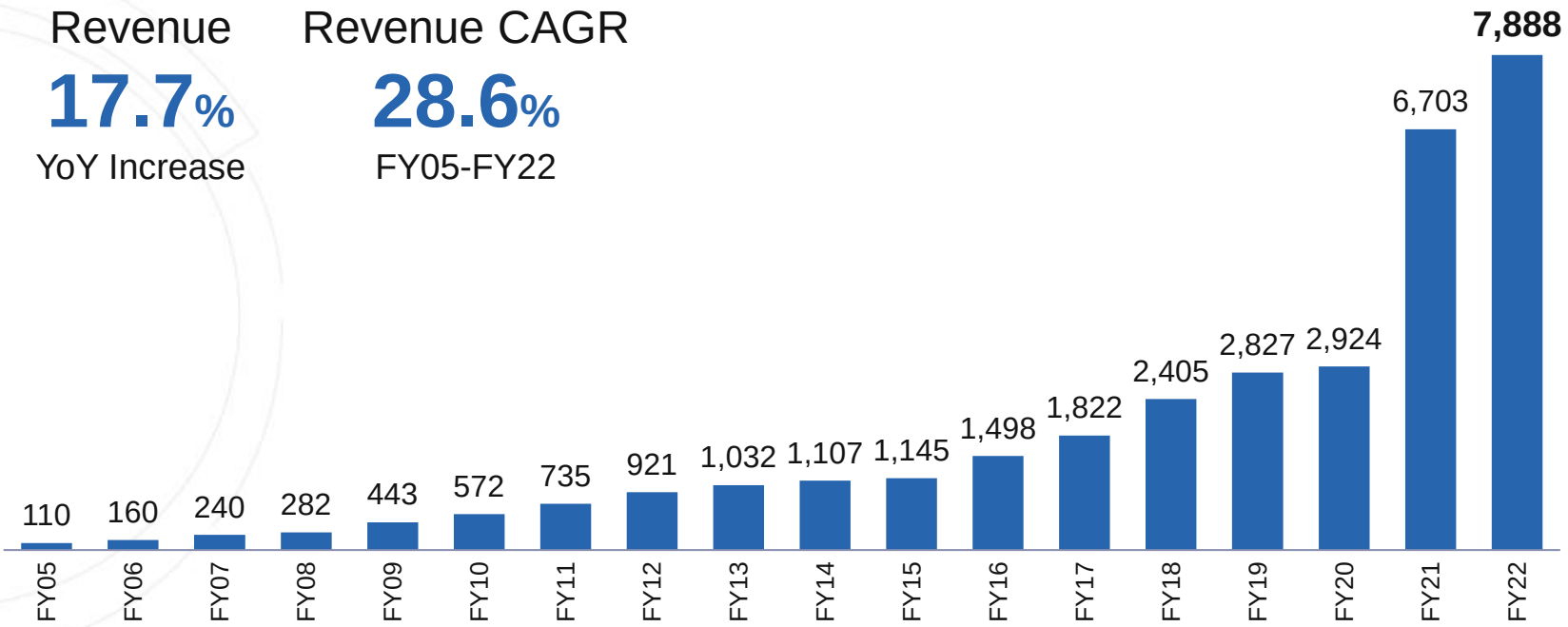


Sales Revenue (RM'million)

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Revenue
17.7%
YoY Increase

Revenue CAGR
28.6%
FY05-FY22



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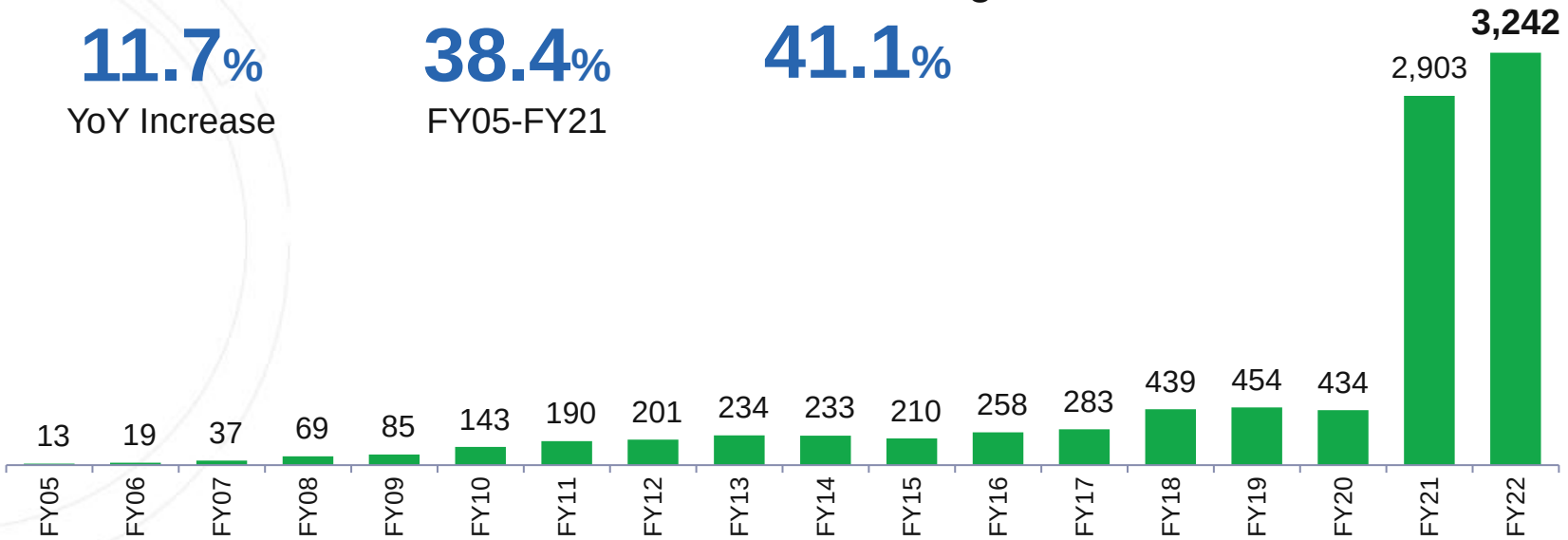
Profit After Tax (RM'million)

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Profit After Tax
11.7%
YoY Increase

PAT CAGR
38.4%
FY05-FY21

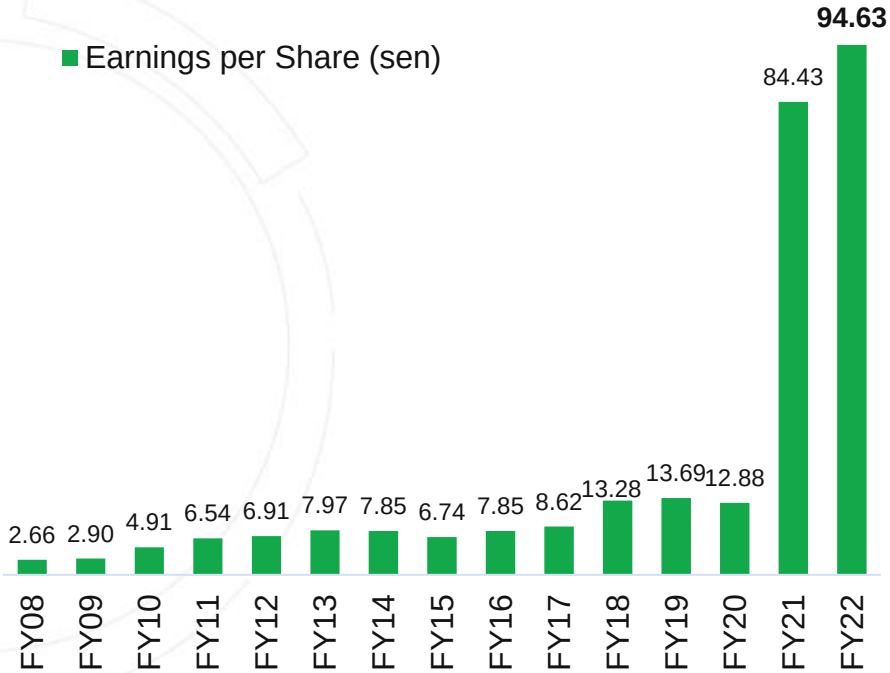
Net Profit Margin
41.1%



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EPS Growth

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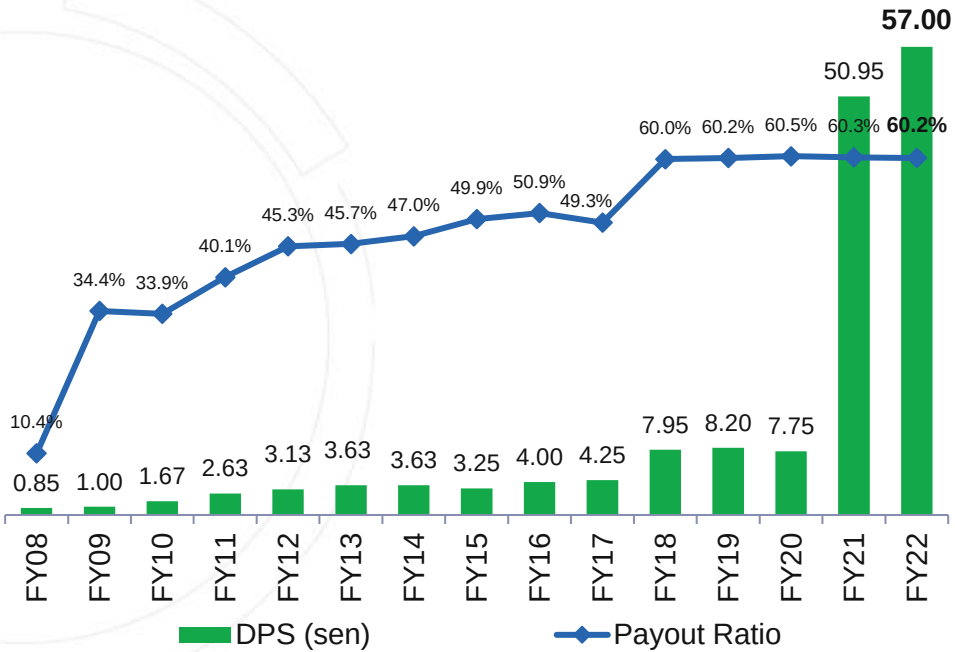
EPS	EPS CAGR
12.1%	**29.1%**
YoY Increase	FY08-FY21

- Number of shares grew from 217 million shares (2008) to 3,427 million shares (2021) as a result of bonus issues:
  - 1 for 2 in 2010
  - 1 for 1 in 2012, 2015 & March 2018
- Focus on delivering sustainable and healthy normalized EPS via further efficiency improvement and expansion

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Dividend Growth

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*Dividend per share is stated post-bonus issue**

Dividend Per Share

57.00sen

For FY2022

Dividend Payout Ratio

60.0%

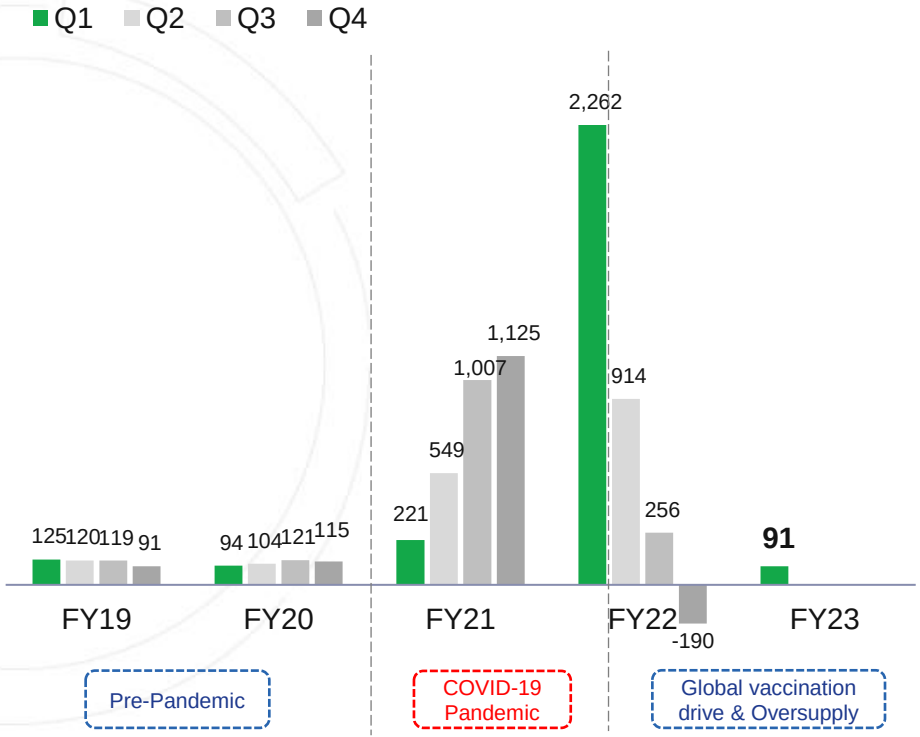
From FY2018 onwards

- Committed to **dividend pay-out policy** of minimum 60% of PAT implemented since FY2018
- Total dividend payout for the year amounts to **RM1.9 billion** *(FY21:RM1.7 billion)*, translating to a payout ratio of **60.2%**

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Recent Quarterly PAT (RM'million)

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1Q'23 v. 1Q'22

(96)%

YoY Increase

1Q'23 v. 4Q'22

148%

QoQ Increase

- Lower profit YoY as ASP began to **drop sharply** from Q2'22 following global vaccination drive as well as surge of new capacities from existing and new players
- Higher profit QoQ mainly due to absence of one-off provision of additional tax expense (appx. RM350 mil) for **Prosperity Tax** (Cukai Makmur) in Q4'22

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Market Outlook

- Current headwinds for the glove sector
- Market share: Key global exporters
- COVID-19 impact to global demand
- Adjustment period post pandemic surge
- Long-term outlook

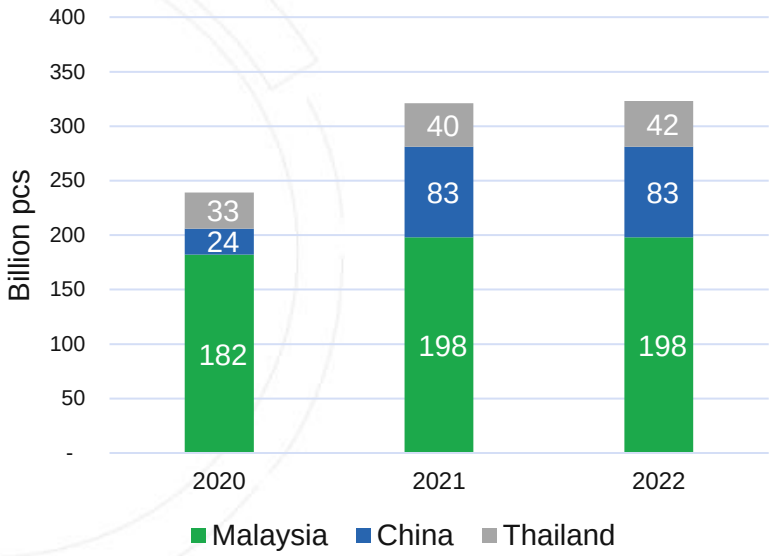


Strong headwinds for the sector

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Market competition continues amid rising costs

Estimated Industry Supply – Key Players



Source: Company estimates, press releases & announcements

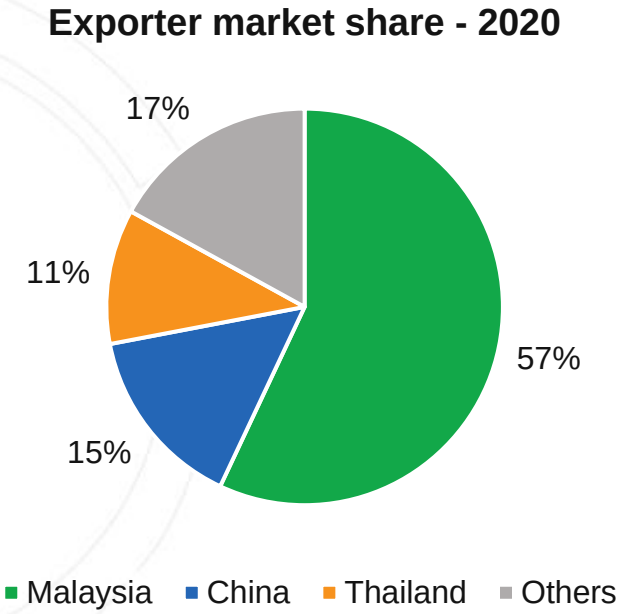
- Continued **strong market competition** and **excess capacities from major players** capped upward trajectory for ASP
- Global inflationary pressure resulted in **higher operating costs** environment
  - Higher energy costs
    (increase in electricity & natural gas tariffs in 2022)
  - Increased labour cost with new minimum wage standard in Malaysia starting 1 May 2022 (RM1,200 → RM1,500)

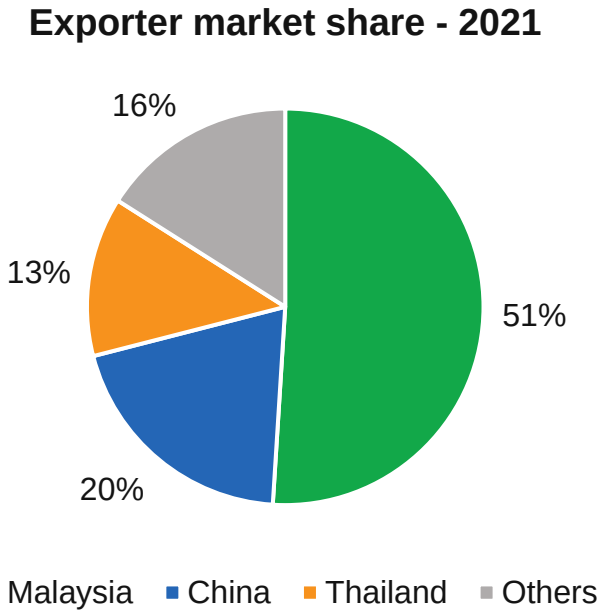
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Market share: Key global exporters

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Source: International Trade Center, company estimates

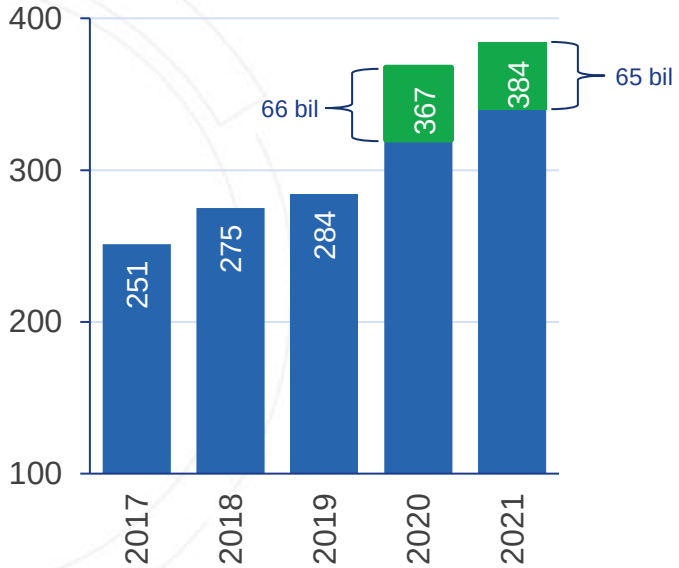
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Impact of COVID-19 to global demand

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Global Demand for Gloves (billion pcs)



- In 2020 and 2021, the world imported appx. 131 bil pcs more than normal consumption – ***panic buying due to COVID-19 pandemic***
- The **over-purchases** will need to be depleted over time, resulting in current lower buyers' demand

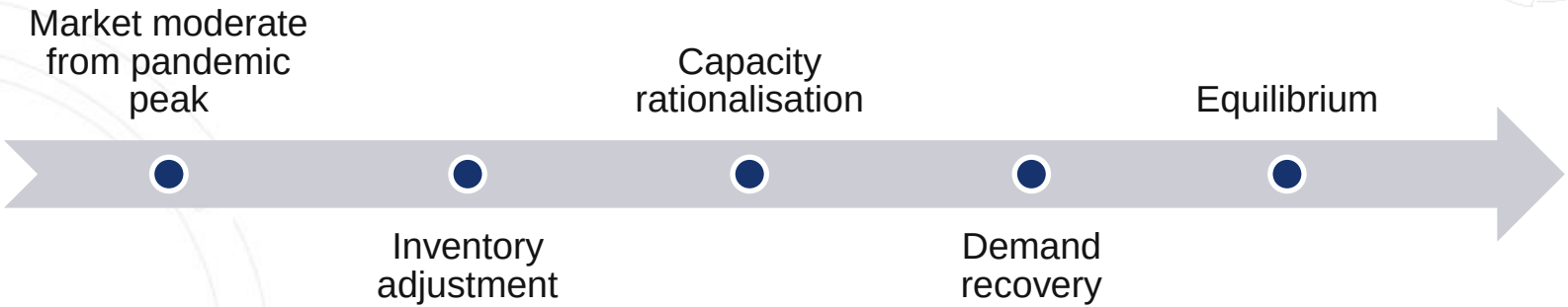
Source: International Trade Center (ITC), company estimates

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Adjustment period post-pandemic surge

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How long?

The adjustment period is also influenced by various External factors e.g. geopolitical climate, industry peers expansion discipline, pandemic cycles etc.

Silver lining

All key players have publicly announced various forms of suspension or cancellation to their original expansion plans

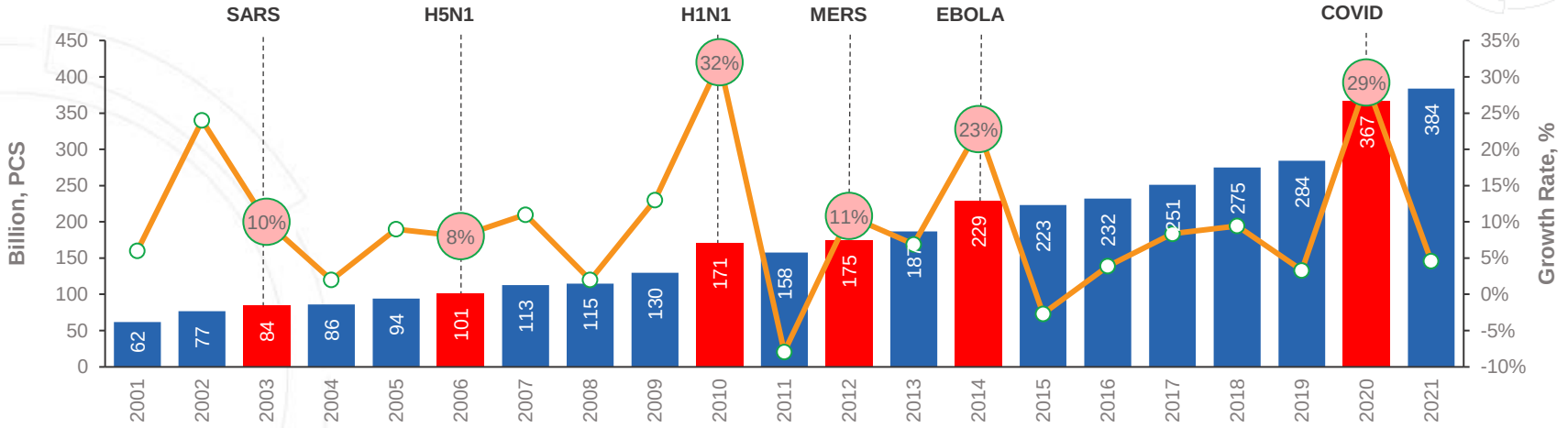
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Positive long-term outlook remains

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Global Gloves Demand from 2001-2021



Source: International Trade Center (ITC), company estimates

- For the past 18 years, consumption of gloves grew at an **average of 9%** year on year
- Expect increasing glove consumption especially from **emerging markets** with low gloves consumption base
  - Example: Per capita consumption of gloves in Asia is less than 10 pcs whereas developed countries are 150 pcs
- History has shown that glove market goes through an adjustment period after a pandemic drive demand surge (H1N1, Ebola)

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Growth & Expansion

Our growth journey continues



Expansion pipeline: NGC1.5, Sepang

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Slower pace of ongoing expansion, adjusting to prevailing market supply-demand dynamics

FY2023 plans: NGC1.5 (Plant 8-11)



- Total investment value of RM1.5 Billion
- Installed Capacity: **19 billion pcs p.a.**
- Incorporating a lakeside 800m jogging/cycling path
- Communal space & recreational facilities provided
- **Commissioning to align with the needs of the market**

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Key Strategy & Initiatives

- Strategic Initiatives – *Moving forward*
- Leader in Social Compliance
- Safeguarding the Environment
- Strengthening Sustainability



Strategic Initiatives – *Operational*

Maneuvering and adapting to the challenging environment

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Automation

- ( ) Auto compounding system
- ( ) Auto packing machine
- ( ) Digital manufacturing system

Energy optimization

- ( ) Advanced burner implementation
- ( ) Biomass energy redistribution
- ( ) Main oven temperature optimization

Efficiency enhancement

- ( ) Production consolidation to maximize efficiencies
- ( ) Focus on higher efficiency plants
- ( ) Hiring based on business needs

Innovation

- ( ) Innovation ecology: Idea bank & harvesting

Improving Business Resiliency

- Enhance **operational efficiencies**
- Improve overall **cost savings**
- Continuous **innovation**

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Strategic Initiatives – *Diversification*

Solidify our position to emerge stronger when market recovers

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Healthy balance sheet and **strong war chest** to *support* key **long term business objectives** moving forward

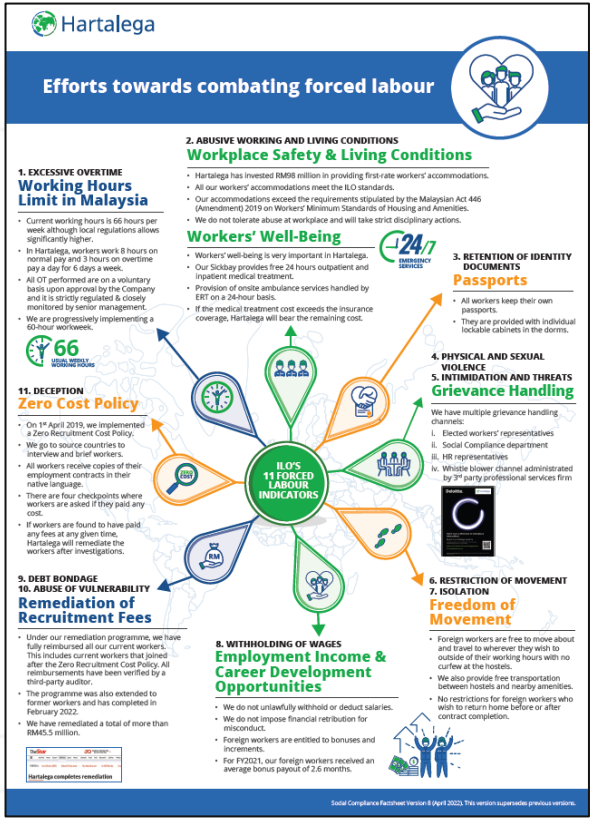
1	2	3
OEM Growth	**OBM Strategy**	**Diversification – M&A**
▪ Maintain a healthy "cash cow" and invest in future growth ▪ Diversify customer base to reduce concentration risks	▪ To build a regional multiple medical device distribution company focusing on markets in Asia Pacific	▪ Explore opportunities to mitigate risks of being just an OEM producer of gloves with plants only in Malaysia

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Continue to lead in Social Compliance

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Key takeaways:

LEAD BY EXAMPLE

- **First** in the industry to voluntarily implement remediation programme
- **First** to have a purpose-built hostel (2013)
- **First** to implement workers grievance channel managed by 3rd party professional firm
- We issued **bonuses** to foreign workers since 1994

TRANSPARENCY

- **Maintain transparency** in our social compliance practices and processes
- Reached out to various local and regional authorities, regulators, embassies and trade unions
- We will continue engagements with all relevant stakeholders

NO FORCED LABOUR

- We have provided sufficient evidence to trade authorities & regulators to prove that there is **NO FORCED LABOUR** in Hartalega
- To date, there are no pending allegations against Hartalega that have not been addressed
- **Continue to strengthen** our social compliance initiatives to minimize risk of being hit with non-compliance restrictions such as WRO

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Safeguarding the Environment

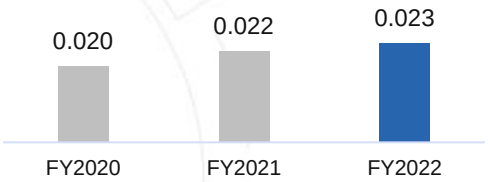
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Managing our carbon footprint

- Target to achieve 22% reduction in GHG emission intensity by 2024 *(baseline:FY2021)*

Energy and Emissions Management

Carbon Emission Intensity (CO_2/1000pcs)



Energy optimization efforts to manage and reduce GHG emissions

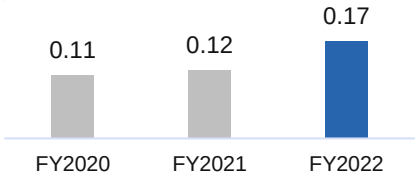
- Biomass
- Solar power
- Cogeneration plants
- Energy recovery systems

Managing water consumption

- Invested RM90 million for advanced wastewater treatment plants

Water and Effluent Management

Water Consumption Intensity (m^3/1000pcs)



Effluent management

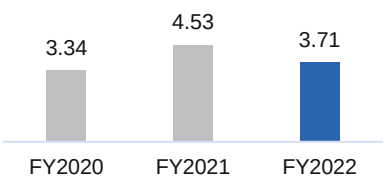
- Retained the highest standard for effluent discharges, surpassing regulator's benchmark

Waste management

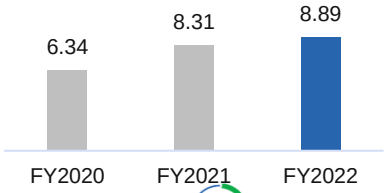
- Focused on minimising waste disposal through 3R initiatives

Waste Management

Total Landfill Disposal ('000 MT)



Total Waste Recycled ('000 MT)



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Strengthening Sustainability

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Recognition by various *global independent organization & indices*

MSCI ESG RATINGS AA
CCC | B | BB | BBB | A | AA | AAA

Received an MSCI ESG rating of AA *(as of 2022)*

amfori BSCI
Trade with purpose

A Rating by BSCI for both facilities

FTSE4Good

FTSE4Good Bursa Malaysia Index

Responsible Glove Alliance (RGA)
Founding Member

Responsible Labor Initiative (RLI)
Member

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Q&A Session



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Thank You



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