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Hartalega Holdings Berhad

17th Annual General Meeting

2023

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Sales Revenue
(RM million)

Growing Global
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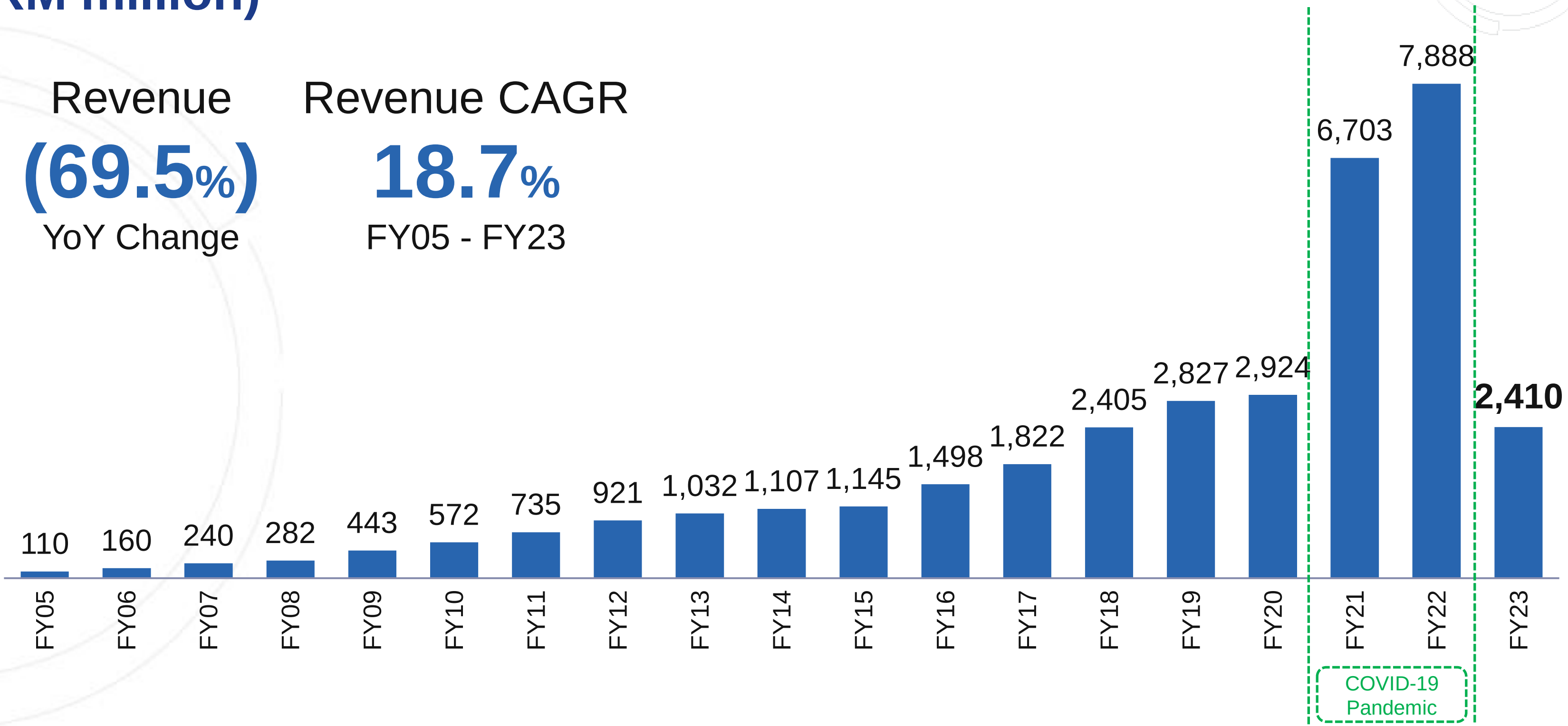
Revenue
(69.5%)
YoY Change

Revenue CAGR
18.7%
FY05 - FY23



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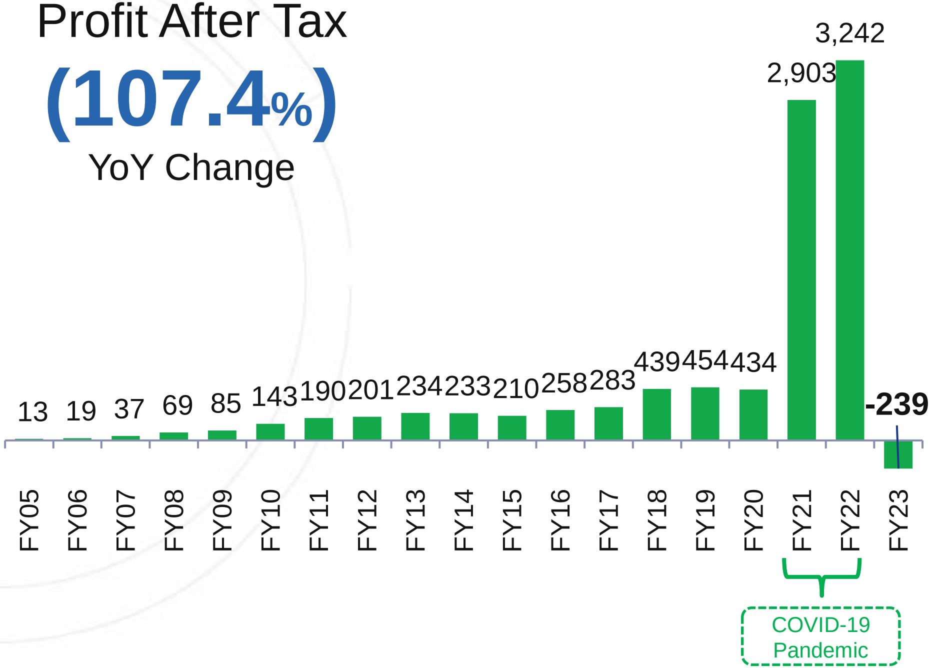
Profit After Tax (PAT)
(RM million)

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)	
* *Exclude:* Impairment relating to plant decommissioning exercise of RM347 million	
EBITDA*	***303***
PBT*	***133***
PAT*	***108***

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Recent Quarterly PAT (RM million)

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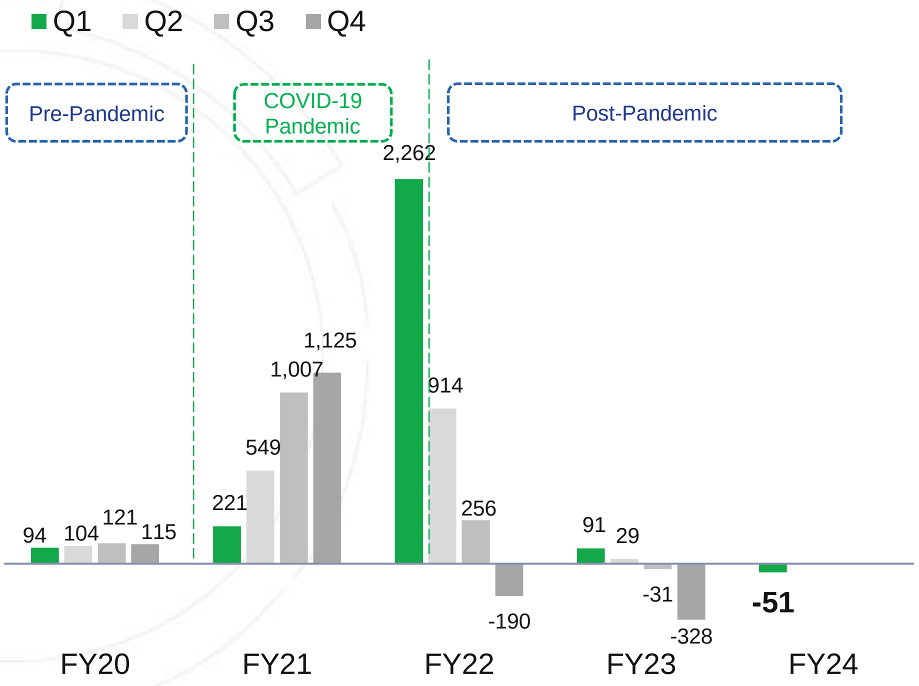

1Q'24 v. 1Q'23	1Q'24 v. 4Q'23
(156)%	**84%**
YoY Change	QoQ Change

- 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

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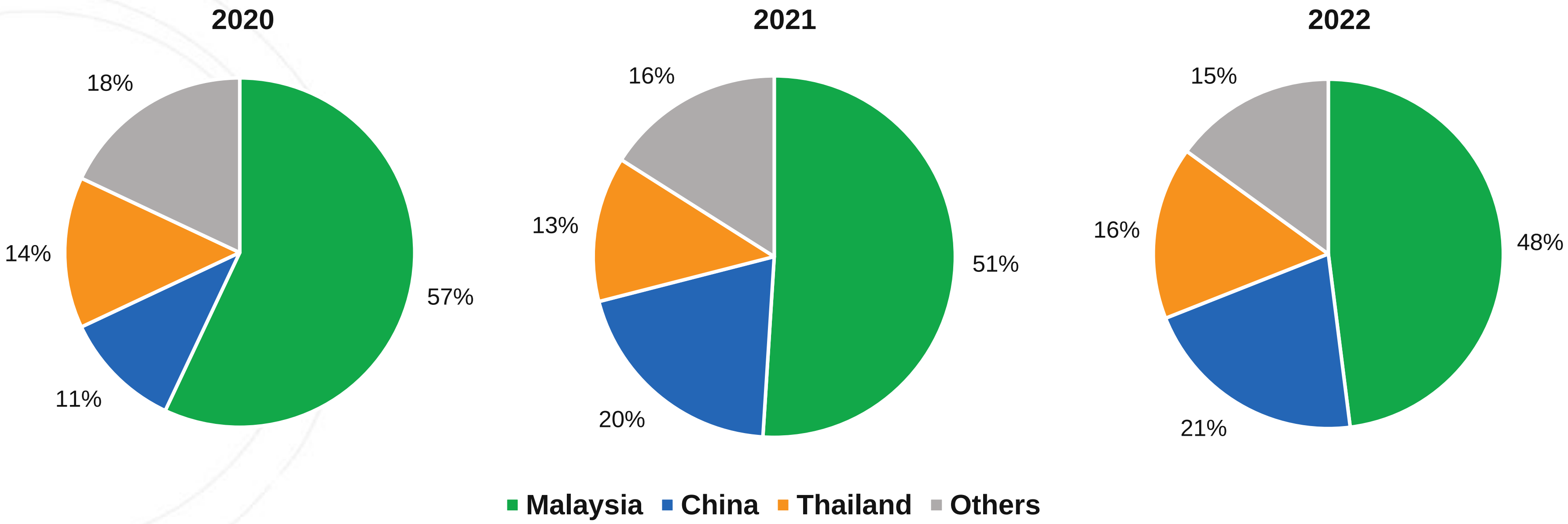
Global market share of key exporters for rubber gloves



Source: International Trade Center, company estimates

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Post-pandemic global demand

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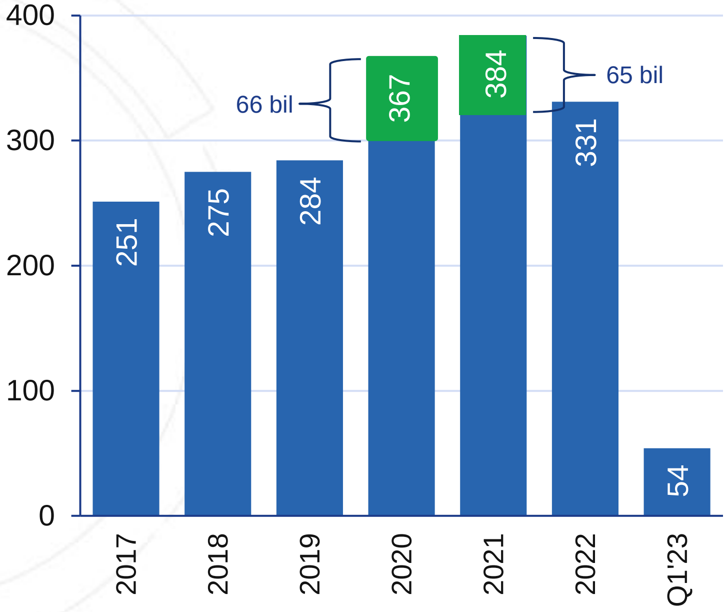
Global Demand for Gloves (Billion pcs)



Source: International Trade Center (ITC), company estimates

- **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

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Market adjustment to continue

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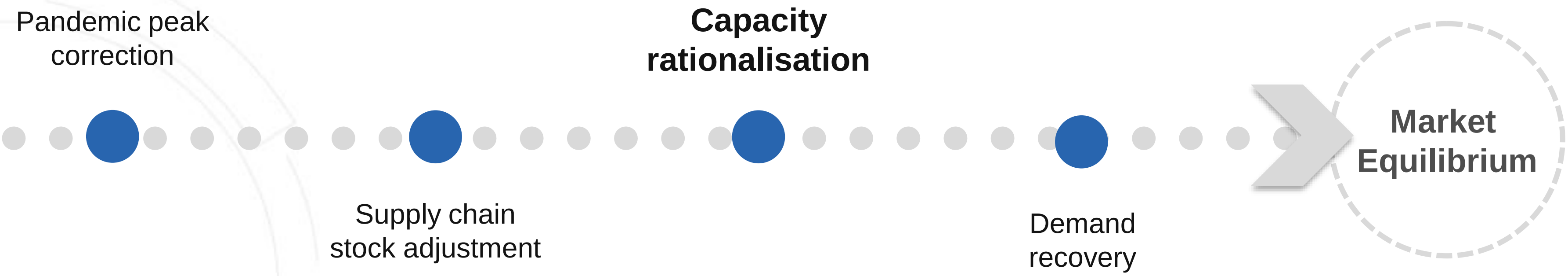

How long?

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

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Positive long-term outlook

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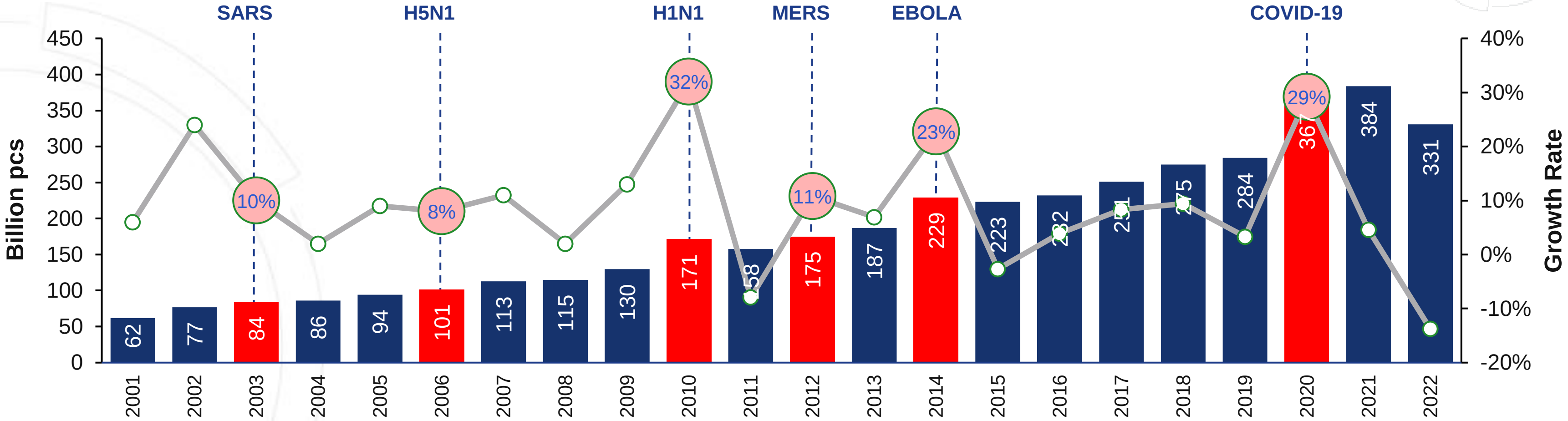
Long-term growth in global gloves demand (2001-2022)



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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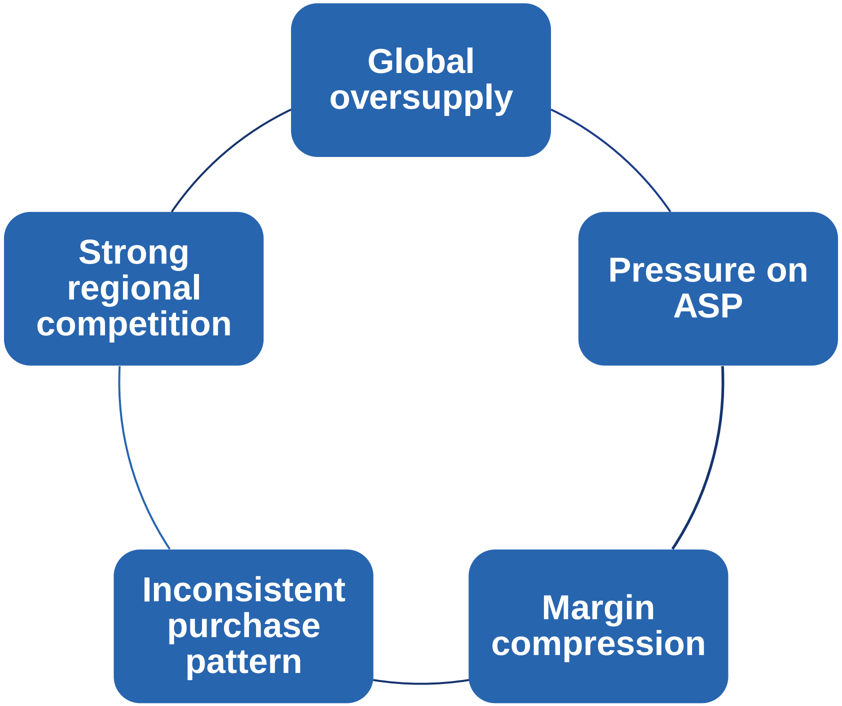

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5-Year Strategic Direction

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Solidify our position to emerge stronger when market recovers

Our ***long-term business objectives***

1	2
OEM Growth ▪ Maintain a healthy “cash cow” and invest in future growth ▪ Diversify customer base to reduce concentration risks	**OBM Strategy** ▪ To build a regional multiple medical device distribution company focusing on markets in Asia Pacific

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

Hartanian	Products	Efficiency	Markets
▪ Purposeful, innovative with customer-focused mentality ▪ Can-do spirit ▪ Constant learning behaviour	▪ Product innovation ▪ Product development	▪ Cost optimisation ▪ Agility ▪ Technology excellence ▪ Diversify manufacturing base	▪ Hartalega as preferred brand ▪ Increase sales & diversify customer base ▪ End-user market penetration

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Decommissioning of Bestari Jaya facility

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Operational rationalisation to consolidate production to NGC facility

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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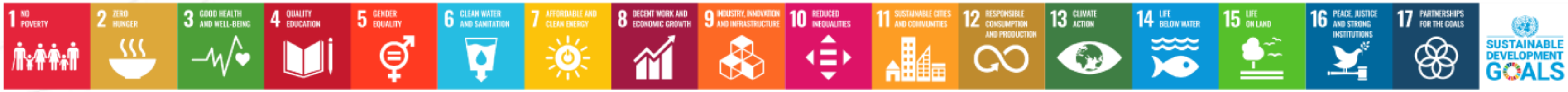
Our Sustainability Policy and Framework – *4 Key Pillars*

- **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.



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Upholding ESG Best Practices

Certification & recognition by various *global independent organisations*

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 Bursa Malaysia Index Constituent

Ecovadis Bronze Medal

Low-risk Category, Sustainalytics

Rated A by MSCI Rating

COATS®

Colloidal Oatmeal System

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Thank You

Currently available on Shopee & Lazada

Q&A Session