

Hartalega Holdings Bhd

7<sup>th</sup> Annual General Meeting

Timeless Fundamentals





Hartalega



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Timeless Fundamentals



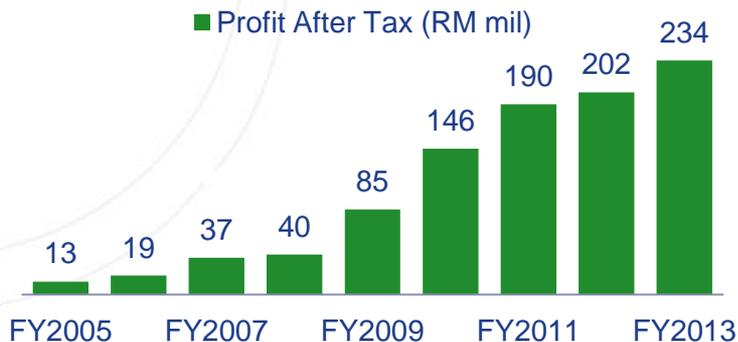
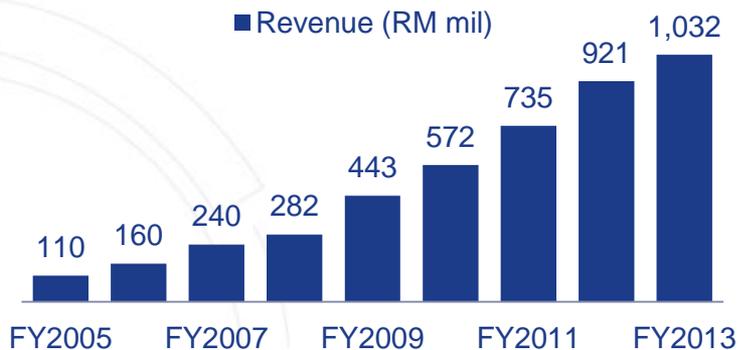
# Financial Performance

Most profitable gloves company





# Revenue and Profit

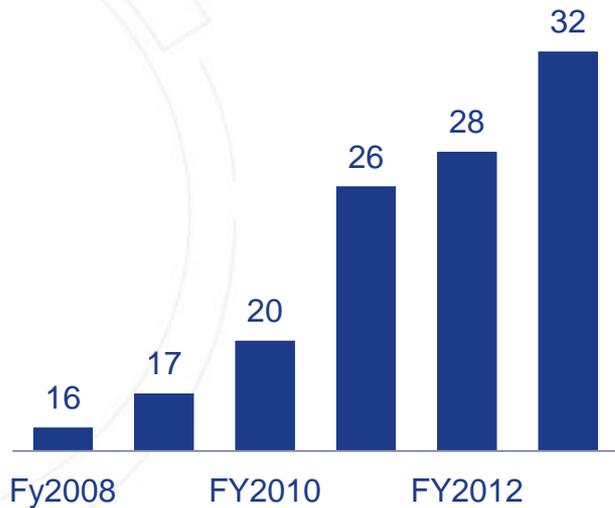


- CAGR for revenue from FY2005 to FY2013 of 32%
- CAGR for PAT from FY2005 to FY2013 of 43%
- Net margin improved from 12% in FY2005 to 22% in FY2013
- Sales and PAT for FY2013 of RM1032 mil and RM234 mil
- FY2013 EPS of 32 sen
- Dividend policy of at least 45% payout ratio
- Dividends are historically paid in 4 tranches per year
- Highest profit margin in the industry
- Highest profit in the industry
- One of the Highest dividend yield among Malaysia's rubber glove producers



# EPS Growth

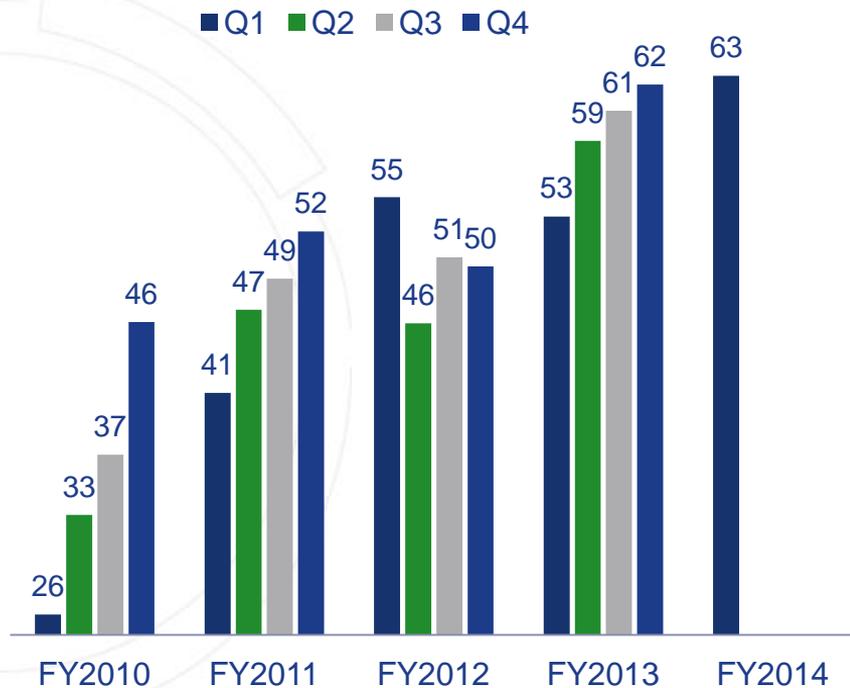
■ Earnings Per Share (sen)



- CAGR of 15% for EPS growth from FY2008 to FY2013 (since listing)
- Net Earnings grew from RM40m (2008) to RM234m (2013) or 5 times in 5 years
- Number of shares grew from 243m shares (2008) to 734m shares (2013) as a result of bonus issue of 1 for 2 in 2010 and bonus issue of 1 for 1 in 2012 did not hinder EPS from growing



# Quarterly Profit & Corporate Exercise



- Growth of 14% over the previous year's corresponding quarter (comparing FY2013,q1 to FY2012, q1)
- Quarter on quarter PAT grew to RM63m due additional sales volume
- Hartalega's free warrant is entitled for subscription of 1 new share at the exercise price of RM4.14, exercisable since 5th June 2013 to expiry date on 29<sup>th</sup> May 2015
- Proceeds from exercise of free warrants will be used to fund future capital expenditure investments



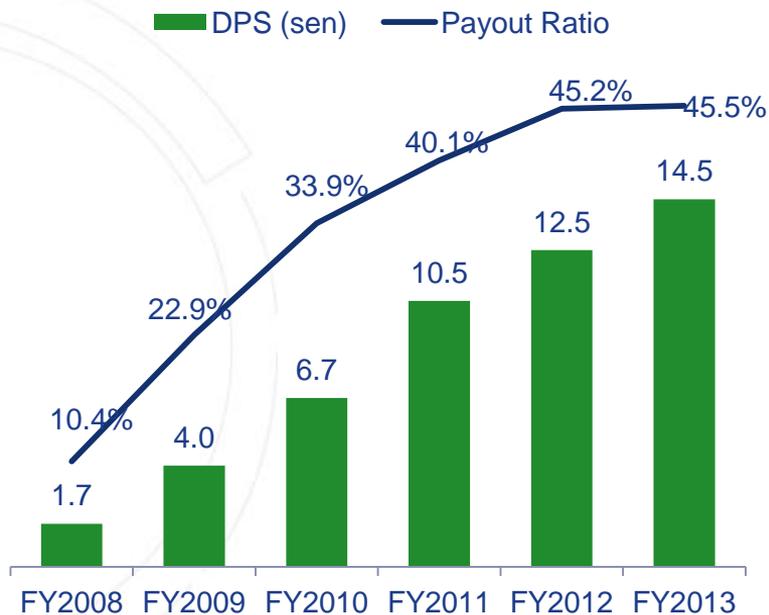
# Dividend & Share Price Performance

High yield with capital appreciation





# Hartalega Dividend Growth



Dividend per share is stated post-bonus issue\*

- Pay-out ratio has increased since listing from 10.4% to 45.5%
- Although number of shares have grown, DPS has also grown from 1.7 sen to 14.5 sen\*
- 4 payouts in a year



# Share Price Performance

Growing Global



+31%





# Industry Outlook & Strategy

Nitrile wave continues



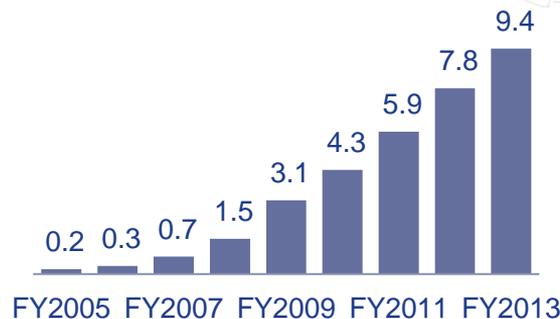


# Hartalega's Nitrile Sales Growth

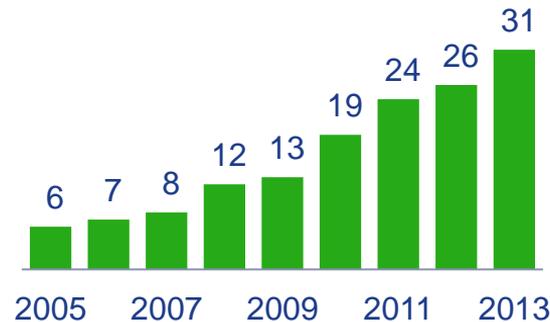
Growing Global

- Hartalega's sales of nitrile gloves grew exponentially, similar to the growth trend of US import of synthetic gloves
- Growth of nitrile gloves usage was triggered by Hartalega's first in the world light weight nitrile glove
- Total quantity of nitrile gloves sold in FY2013 is 46 times more than more than FY2005
- FY2005 is the year that Hartalega launched the world's first light weight nitrile gloves
- Current share of the US nitrile glove market is 18%
- World's largest nitrile glove manufacturer

■ Hartalega's Nitrile Gloves Sales (Bil pcs)



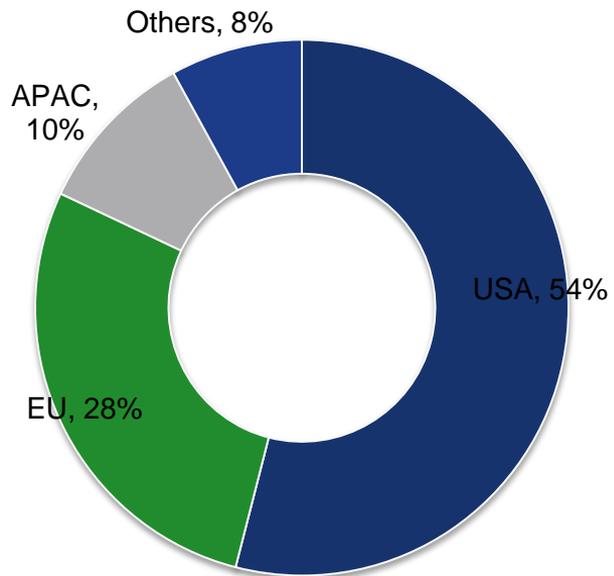
■ US Import of Synthetic Gloves (Bil pcs)





# Markets

- Products sold to quality demanding markets like US, Japan, Germany



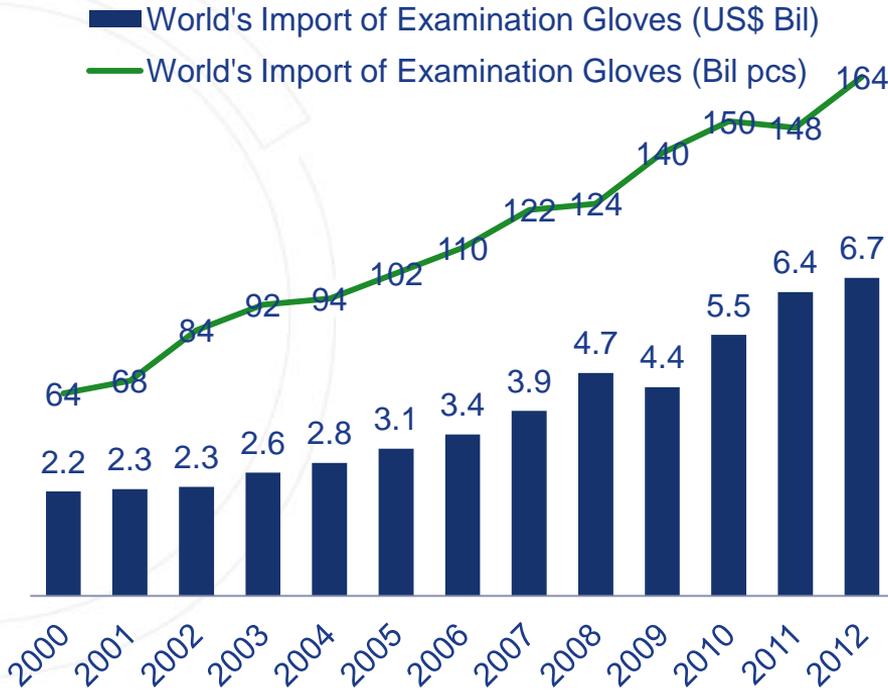


Will Nitrile Wave Continues?





# Global Glove Market

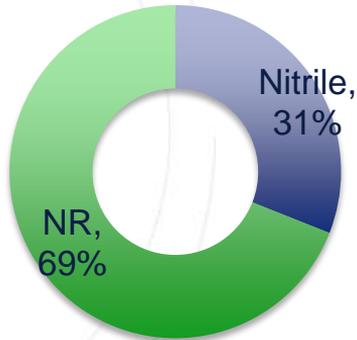


- World demand for rubber gloves grows at about average of 8% per annum
- Malaysia is the largest supplier of rubber gloves for the world
- Malaysia commands about 63% of the global market
- Demand for glove is inelastic
- Nitrile is the preferred choice for developed markets

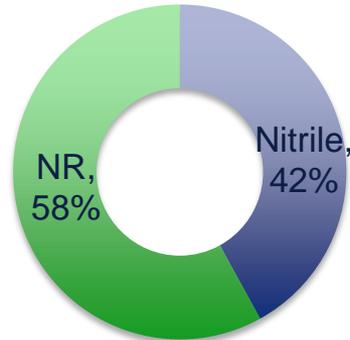


# Malaysia's Export of Rubber Gloves - World

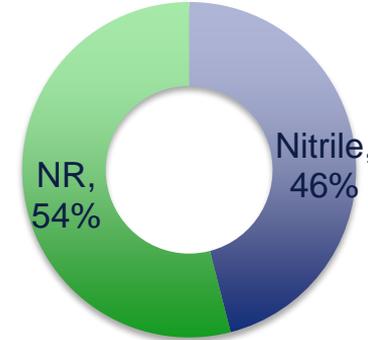
- Share of nitrile gloves of Malaysia's total glove export increased from 31% to 46% in 3 years



Year 2010



Year 2011

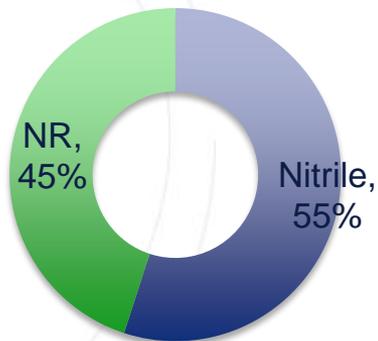


Year 2012

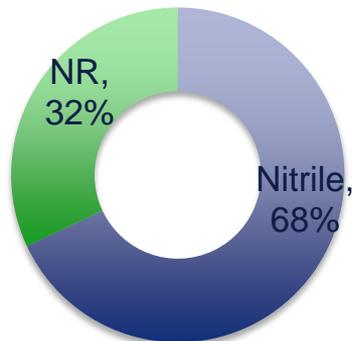


# Malaysia's Export of Rubber Gloves - US

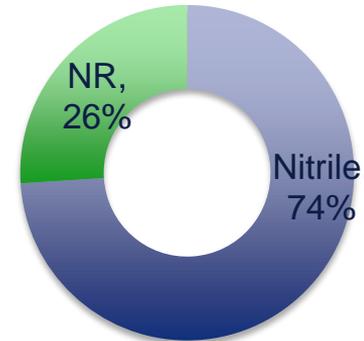
- Nitrile has overtaken NR in the share of Malaysia's glove export to US since year 2010 and is currently commanding more than 74% of that market. Most hospitals in US are NR free.



Year 2010



Year 2011

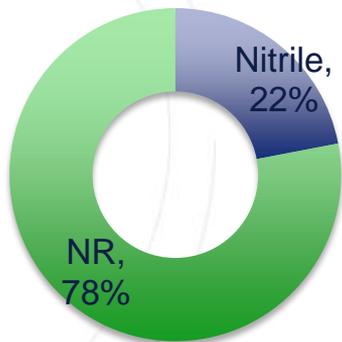


Year 2012

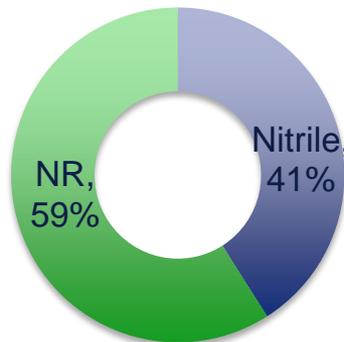


# Malaysia's Export of Rubber Gloves - EU

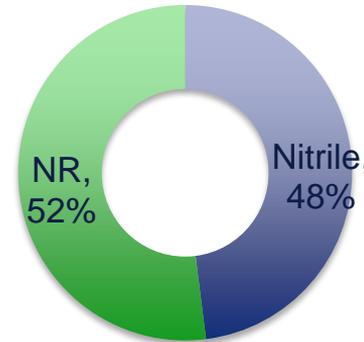
- Export of nitrile gloves to EU accelerated after revision of regulatory standards that allowed import of thin nitrile gloves in year 2011. However nitrile glove share is still below 50%.



Year 2010



Year 2011

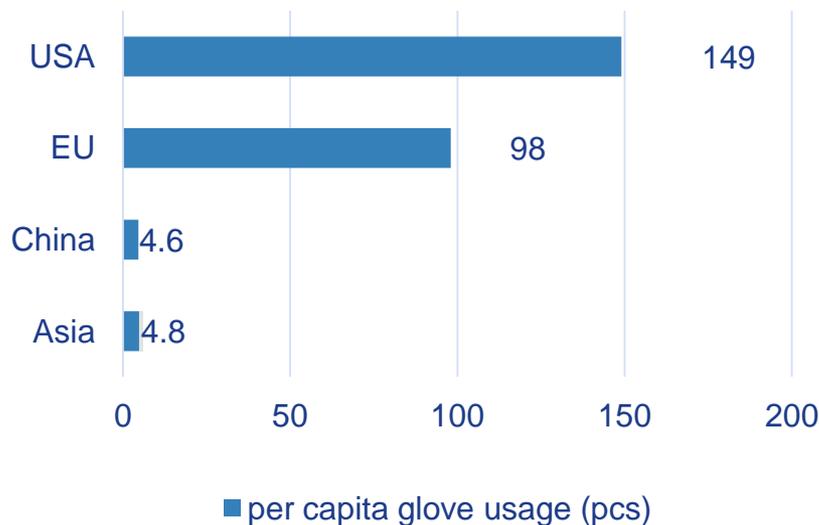


Year 2012



# Gloves Usage Per Capita

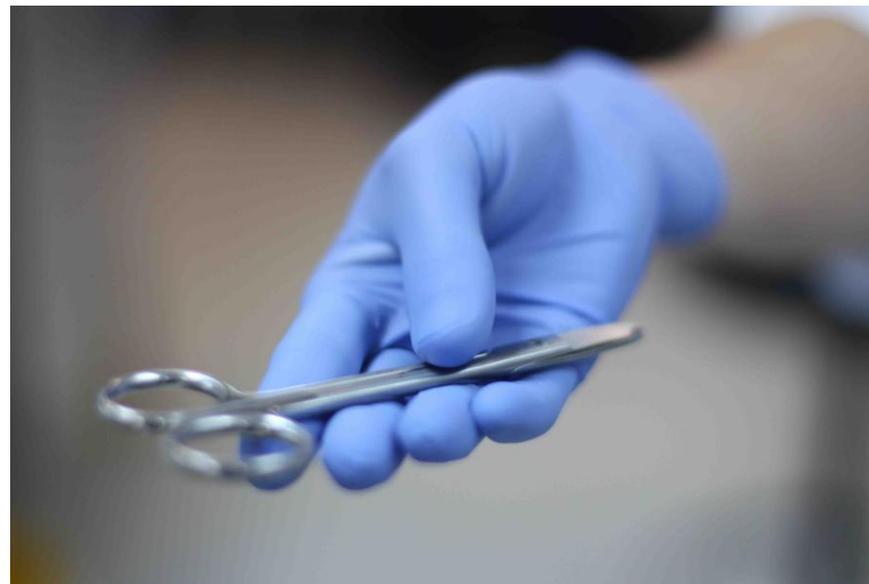
- Asia including China has the lowest per capita glove consumption in the world compared to USA and EU
- China's glove consumption growth will accelerate with the ongoing healthcare reform efforts
- Good opportunities in China market, a deduced potential market size of 132 billion pcs per annum if per capita glove usage equals that of EU nations
- Nitrile glove penetration in Asia is very low, representing good potential for nitrile gloves





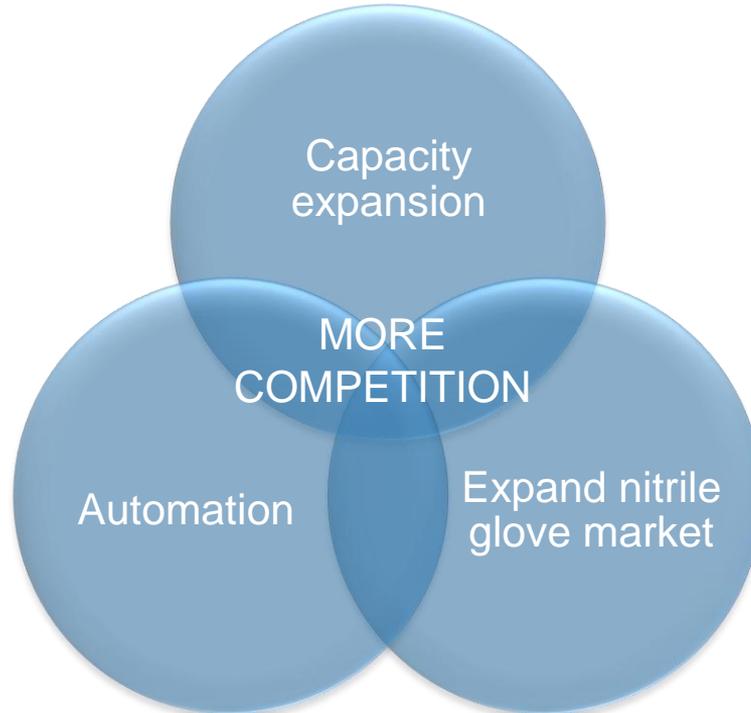
# Nitrile Growth to Continue

- Share of nitrile glove for Malaysia export to EU expected to reach above 70% in the next 3 - 5 years
- Expect emerging markets in Asia such as China and India to contribute to the growth owing to low per capita usage and low penetration of nitrile gloves
- NR and nitrile glove is now about the same price
- Hartalega will continue to add new nitrile glove capacity
- Lines are interchangeable – able to produce nitrile and NR glove





# Competitive Threats





# Plant 6

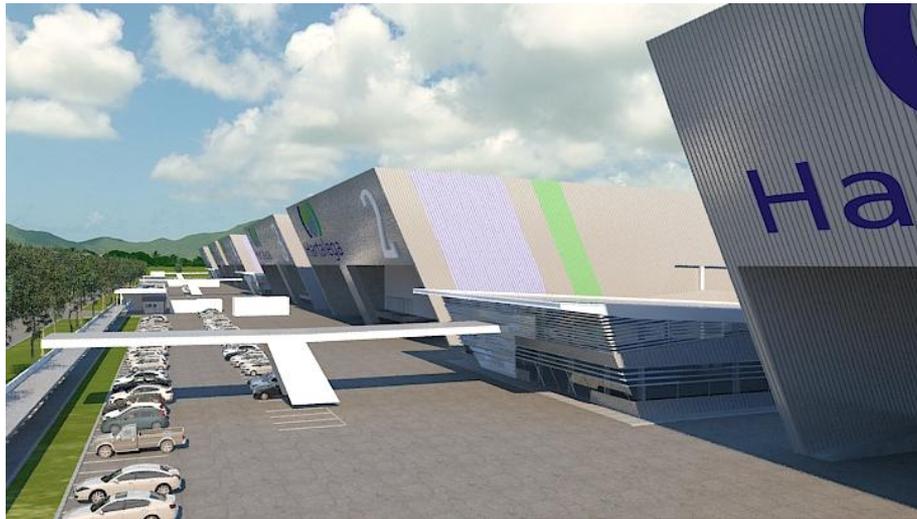
Growing Global





# Hartalega NGC

Next generation integrated manufacturing complex





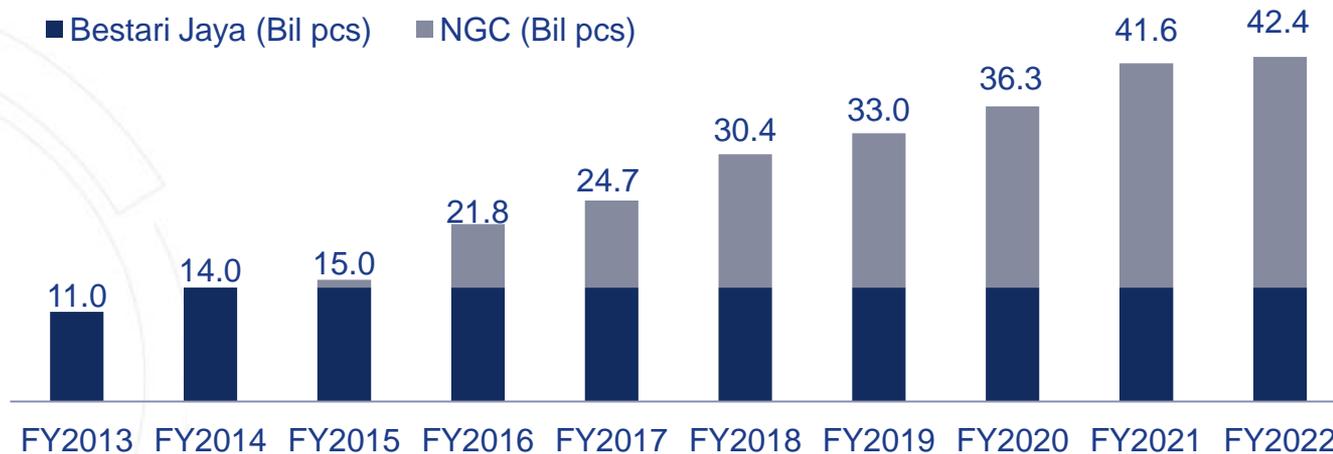
# Hartalega NGC



- RM1.9 billion investment
- 112 acres – 95 acres industrial land, 17 acres water body
- Integrated manufacturing complex
- Six state of the art manufacturing facilities
- 72 high technology production line
- Administration office
- Center of excellence
- Learning centre
- Sports complex
- Employees' accommodation



# Hartalega NGC – 3x Capacity

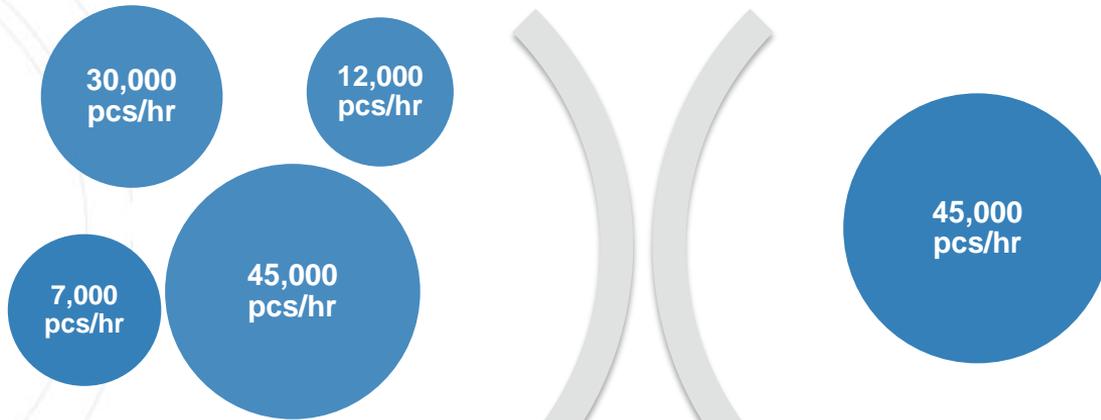


- Installed capacity of Bestari Jaya manufacturing plants and NGC are 14.0 bil and 28.5 bil pcs per annum respectively
- NGC will contribute to capacity growth at a compounded average rate of 15% for the next 8 years



# Hartalega NGC – Latest Technology

- NGC leverages on latest technology to drive up organisation wide productivity level

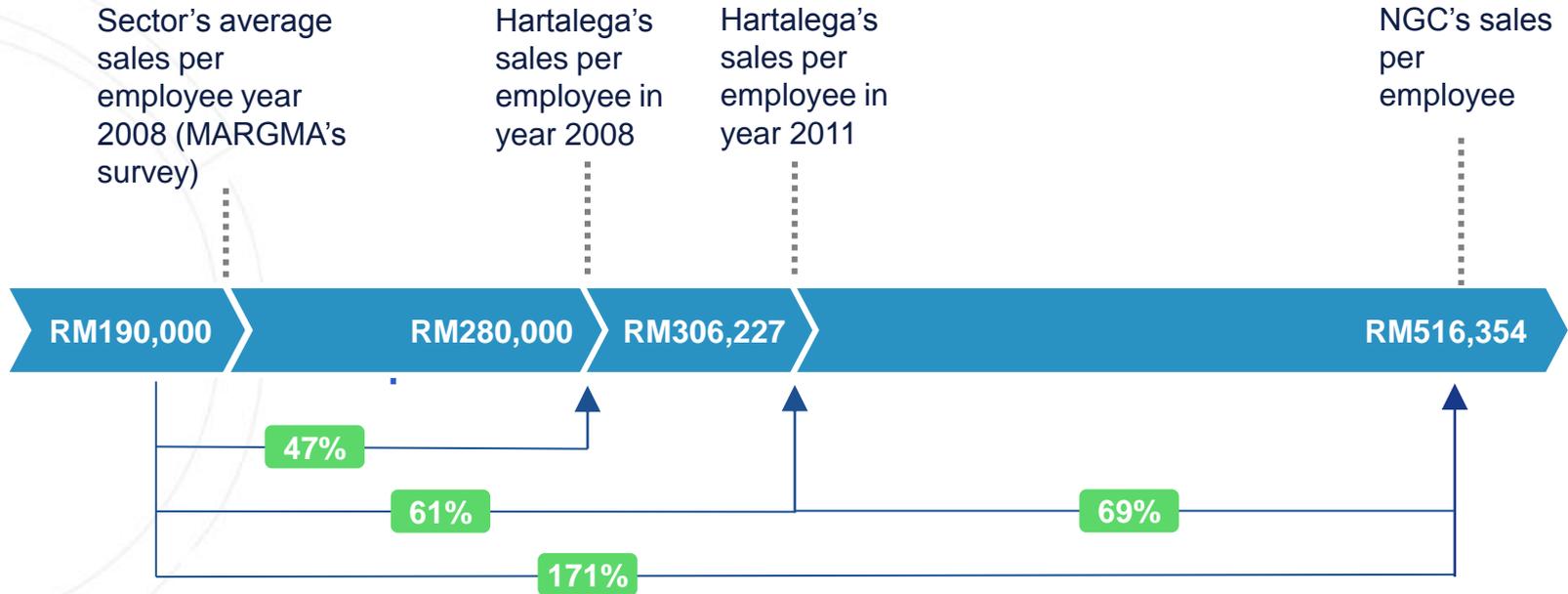


Bestari Jaya – total 55 production lines; average output per line is 25,000 pcs/hr

NGC – total 72 production lines; average output per line is 45,000 pcs/hr



# Hartalega NGC – Most Efficient

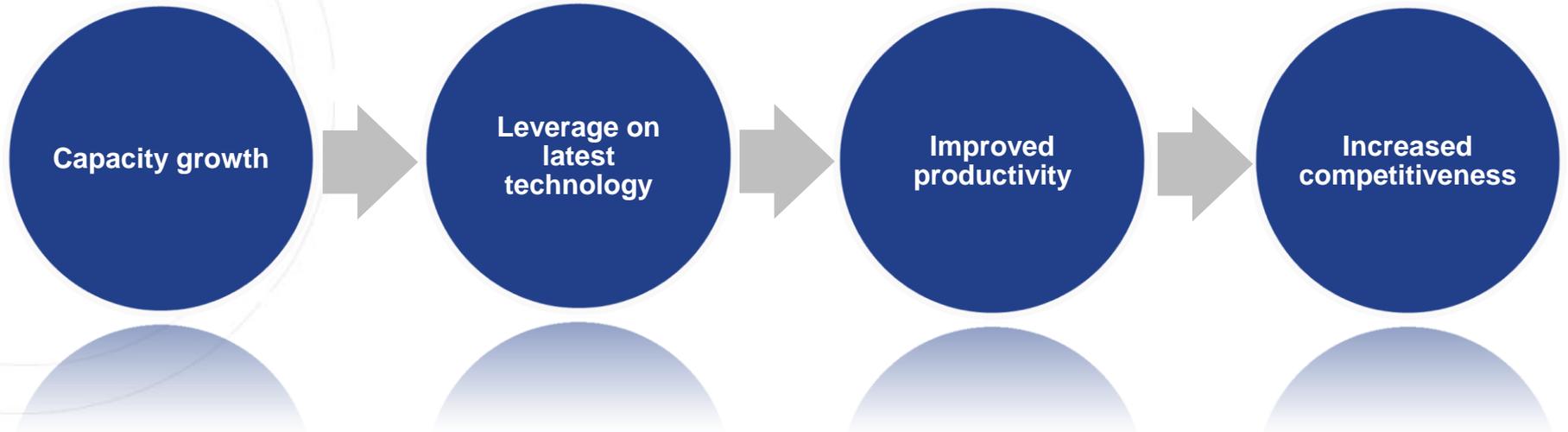




# Hartalega NGC – Increased Competitiveness

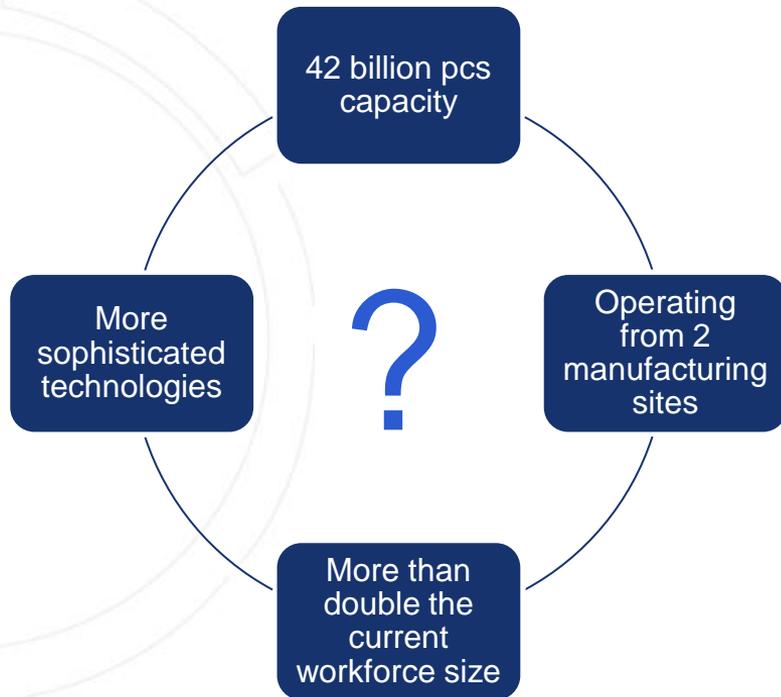


- NGC will ensure continued earnings growth while providing an avenue to increase Hartalega's competitiveness





# Hartalega NGC – Concerns?



- How to avoid systemic problems?
- How do we ensure we maintain our existing quality excellence whilst tripling our capacity?
- Where do we find the right talents at a time when we continue to pursue technological advancement?
- How do we ensure integration of both manufacturing sites in all aspects such as supply chain, culture, operation excellence, knowledge, etc.?
- How do we sell 3 times more than current quantity?



# Timeless Fundamentals

Building capabilities





# Building Capabilities

## Innovations

2 new production technologies  
-Packing  
-Quality inspection  
Inculcating bottoms up approach to innovation

## Own Brand

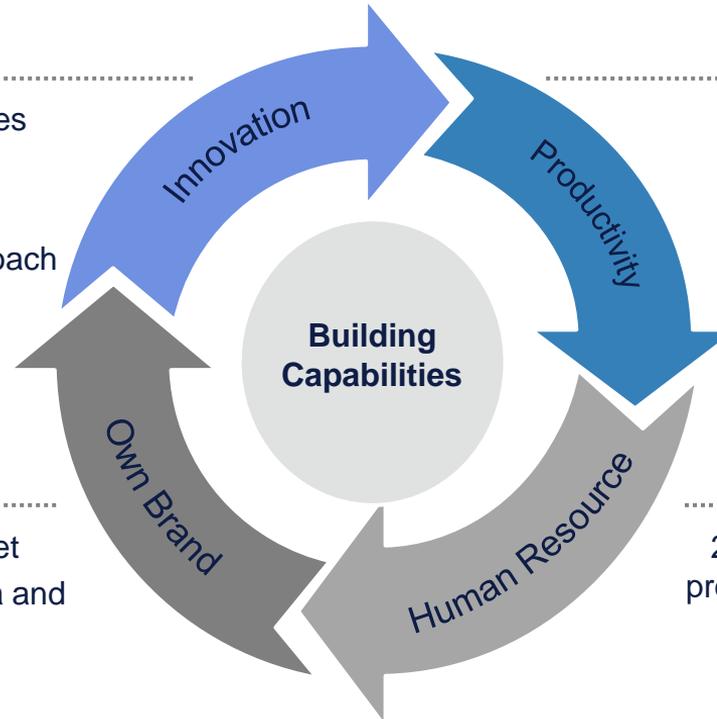
Developing own brand market  
Emerging markets like China and India as target markets

## Productivity

Capacity expansion – NGC  
Lean manufacturing  
Engaging Avanade to revamp IT systems

## Human Resource

2<sup>nd</sup> phase of HR transformation program commencing June 2013 that focusses on knowledge management and succession planning

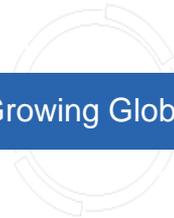




# Timeless Fundamentals



Our focus is to build or further enhance our capabilities to reinforce our fundamentals to provide sustainable growth for the future



Thank You