

Hartalega Holdings Bhd

7th Annual General Meeting

Timeless Fundamentals





Hartalega



Contents

Growing Global

1

Financial Performance

2

Dividends & Share Price Performance

3

Industry Outlook

4

Hartalega NGC

5

Timeless Fundamentals



Financial Performance

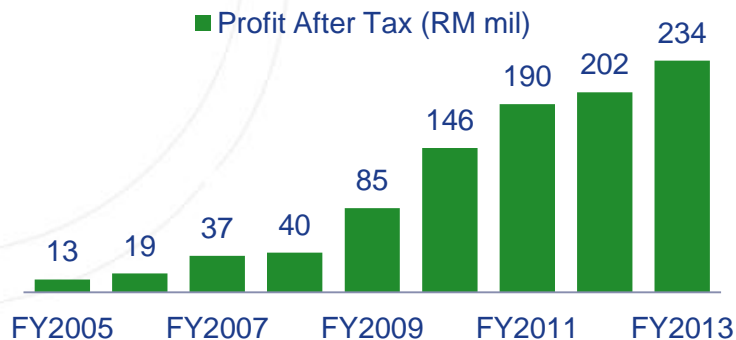
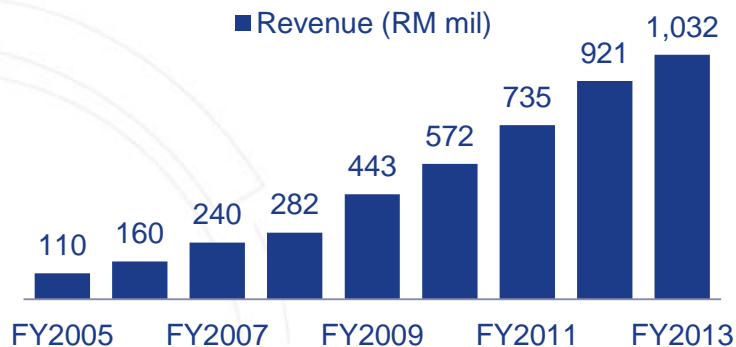
Most profitable gloves company





Revenue and Profit

Growing Global

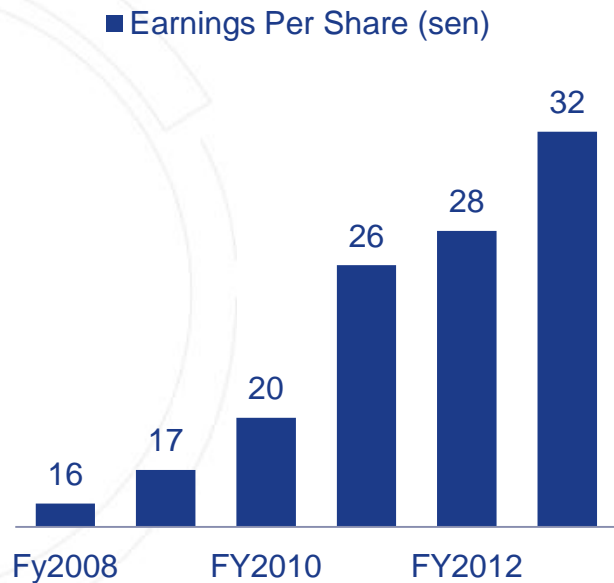


- CAGR for revenue from FY2005 to FY2013 of 32%
- CAGR for PAT from FY2005 to FY2013 of 43%
- Net margin improved from 12% in FY2005 to 22% in FY2013
- Sales and PAT for FY2013 of RM1032 mil and RM234 mil
- FY2013 EPS of 32 sen
- Dividend policy of at least 45% payout ratio
- Dividends are historically 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

Growing Global

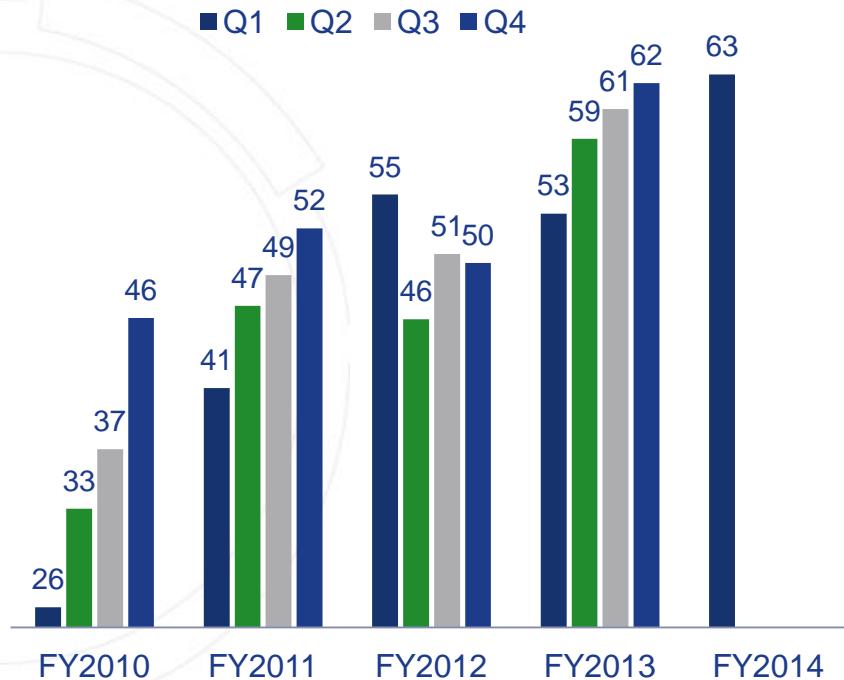


- CAGR of 15% for EPS growth from FY2008 to FY2013 (since listing)
- Net Earnings grew from RM40m (2008) to RM234m (2013) or 5 times in 5 years
- Number of shares grew from 243m shares (2008) to 734m shares (2013) as a result of bonus issue of 1 for 2 in 2010 and bonus issue of 1 for 1 in 2012 did not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



Quarterly Profit & Corporate Exercise

Growing Global



- 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 29th May 2015
- Proceeds from exercise of free warrants will be used to fund future capital expenditure investments



Dividend & Share Price Performance

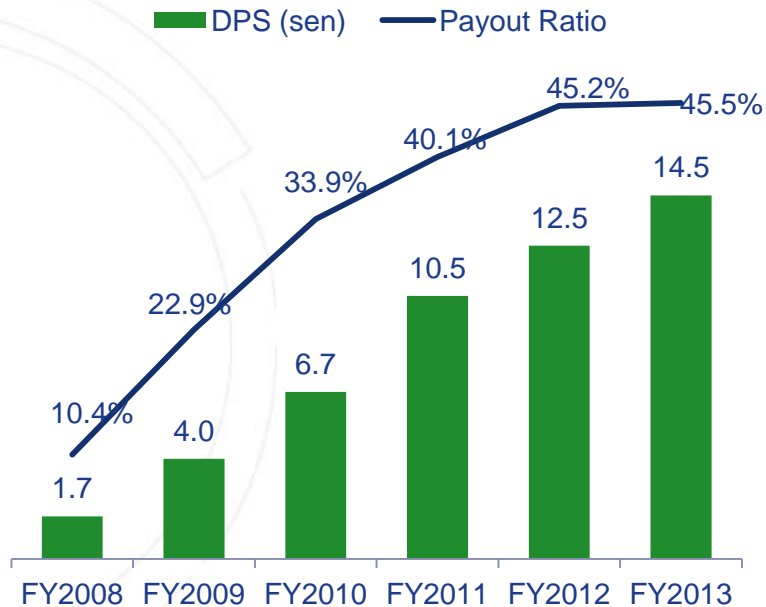
High yield with capital appreciation





Hartalega Dividend Growth

Growing Global



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





Industry Outlook & Strategy

Nitrile wave continues



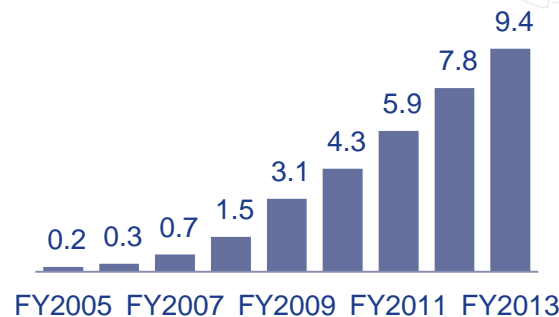


Hartalega's Nitrile Sales Growth

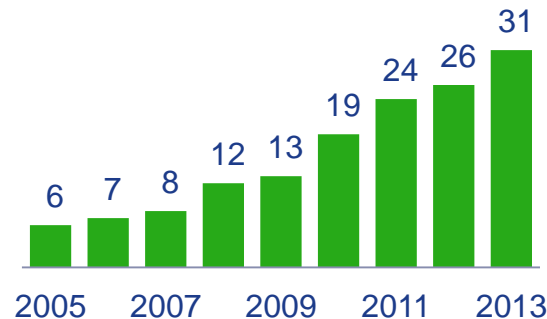
Growing Global

- 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)



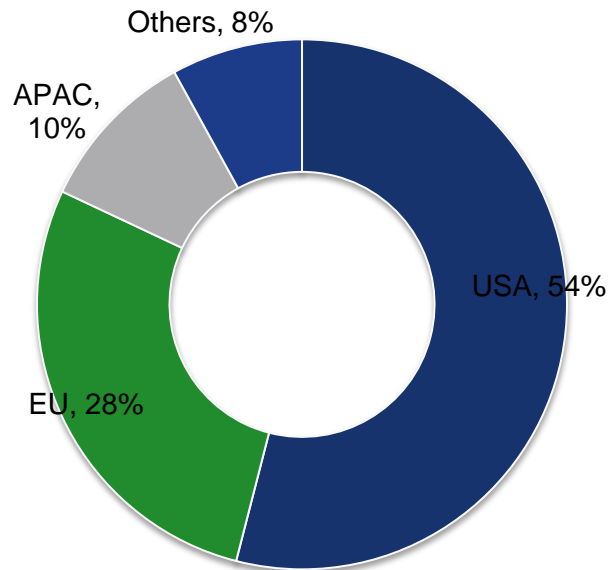
■ US Import of Synthetic Gloves (Bil pcs)





Markets

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





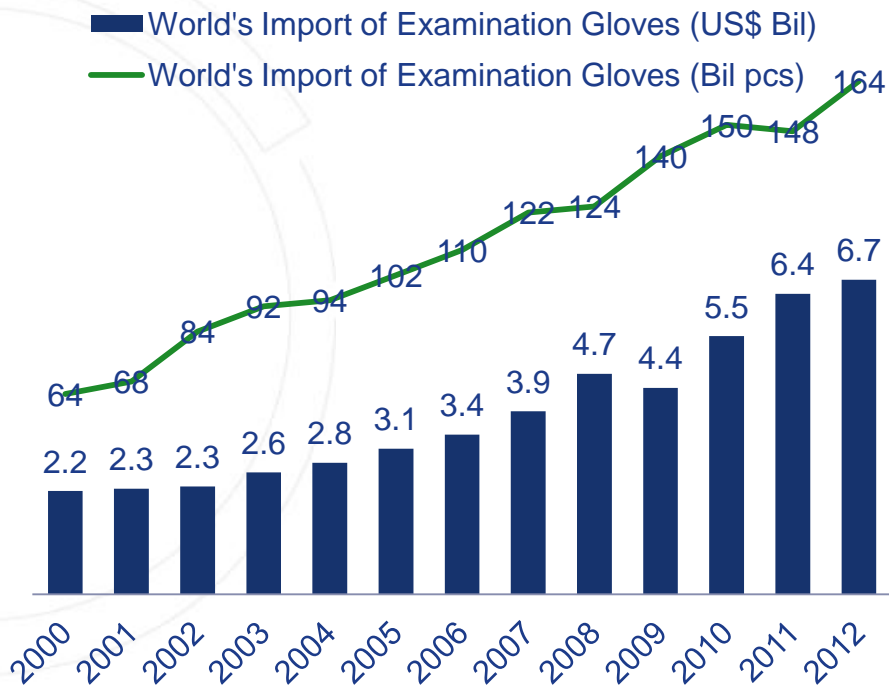
Will Nitrile Wave Continues?





Global Glove Market

Growing Global



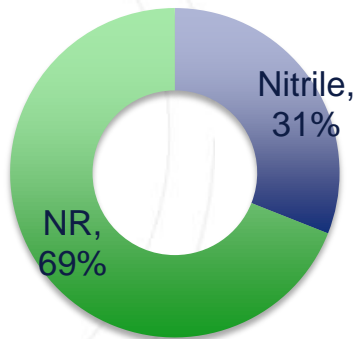
- World demand for rubber gloves grows at about average of 8% per annum
- Malaysia is the largest supplier of rubber gloves for the world
- Malaysia commands about 63% of the global market
- Demand for glove is inelastic
- Nitrile is the preferred choice for developed markets



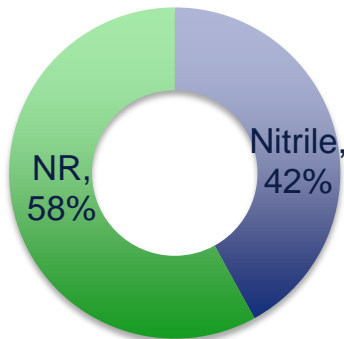
Malaysia's Export of Rubber Gloves - World

Growing Global

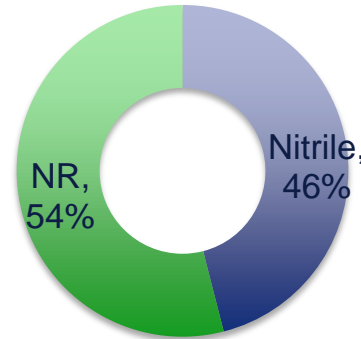
- Share of nitrile gloves of Malaysia's total glove export increased from 31% to 46% in 3 years



Year 2010



Year 2011



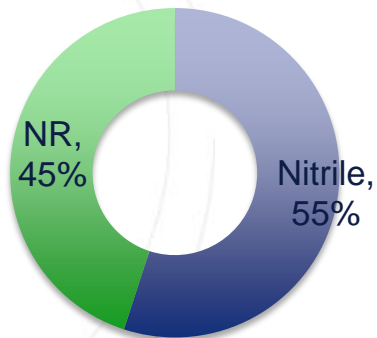
Year 2012



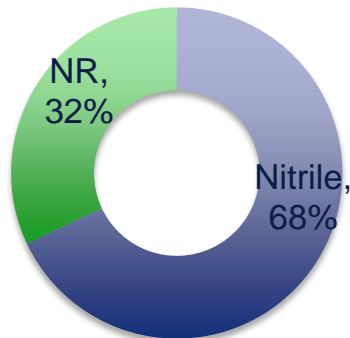
Malaysia's Export of Rubber Gloves - US

Growing Global

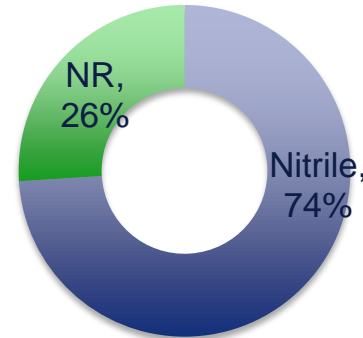
- Nitrile has overtaken NR in the share of Malaysia's glove export to US since year 2010 and is currently commanding more than 74% of that market. Most hospitals in US are NR free.



Year 2010



Year 2011



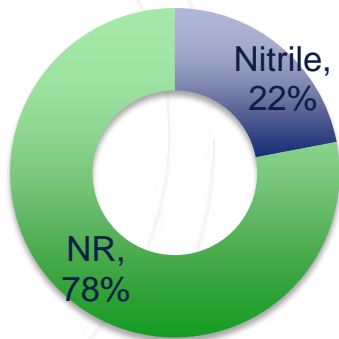
Year 2012



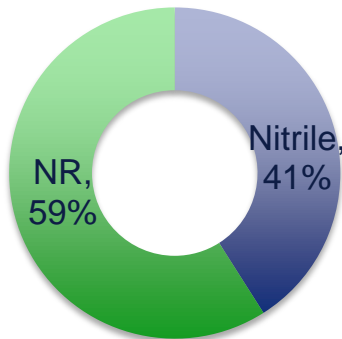
Malaysia's Export of Rubber Gloves - EU

Growing Global

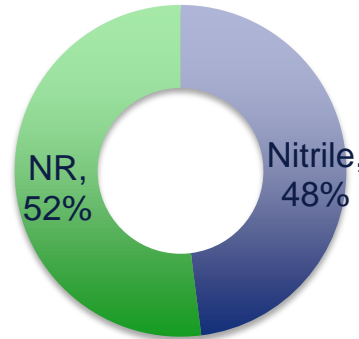
- Export of nitrile gloves to EU accelerated after revision of regulatory standards that allowed import of thin nitrile gloves in year 2011. However nitrile glove share is still below 50%.



Year 2010



Year 2011



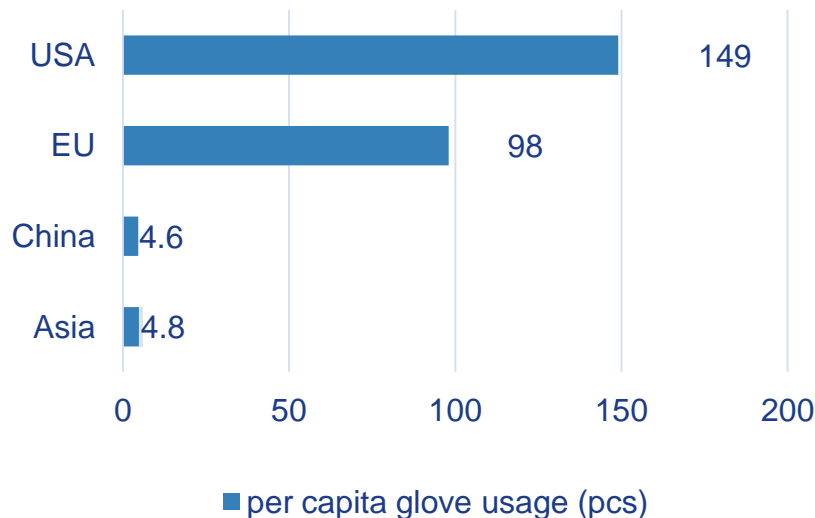
Year 2012



Gloves Usage Per Capita

Growing Global

- 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

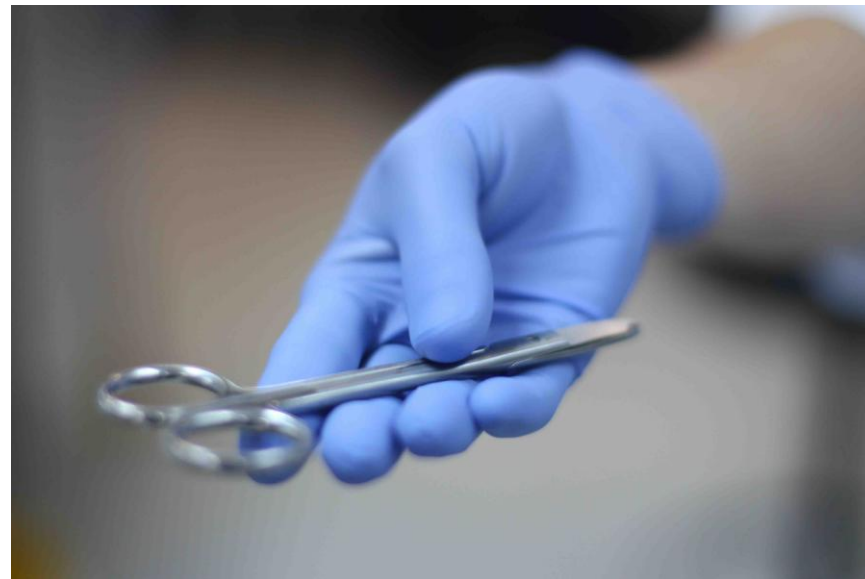




Nitrile Growth to Continue

Growing Global

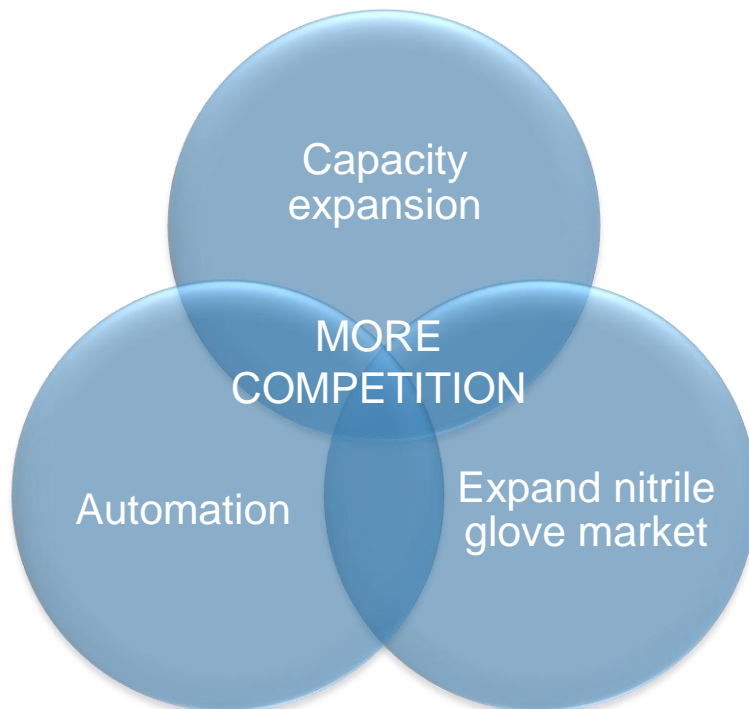
- Share of nitrile glove for Malaysia export to EU expected to reach above 70% in the next 3 - 5 years
- Expect emerging markets in Asia such as China and India to contribute to the growth owing to low per capita usage and low penetration of nitrile gloves
- NR and nitrile glove is now about the same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





Competitive Threats

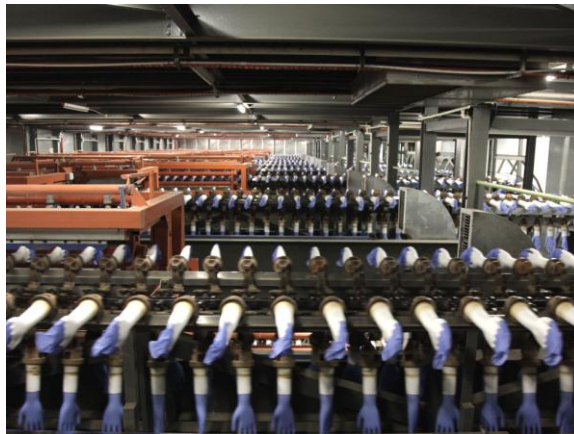
Growing Global





Plant 6

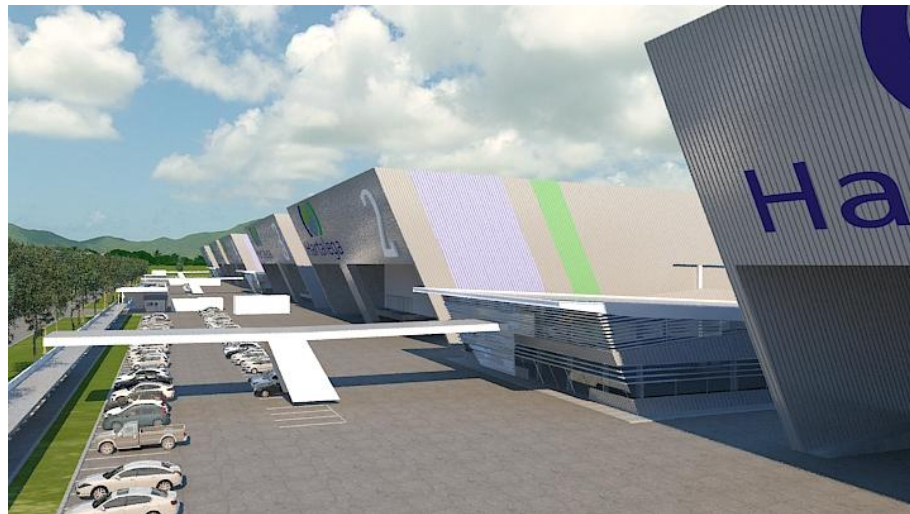
Growing Global





Hartalega NGC

Next generation integrated
manufacturing complex





Hartalega NGC

Growing Global

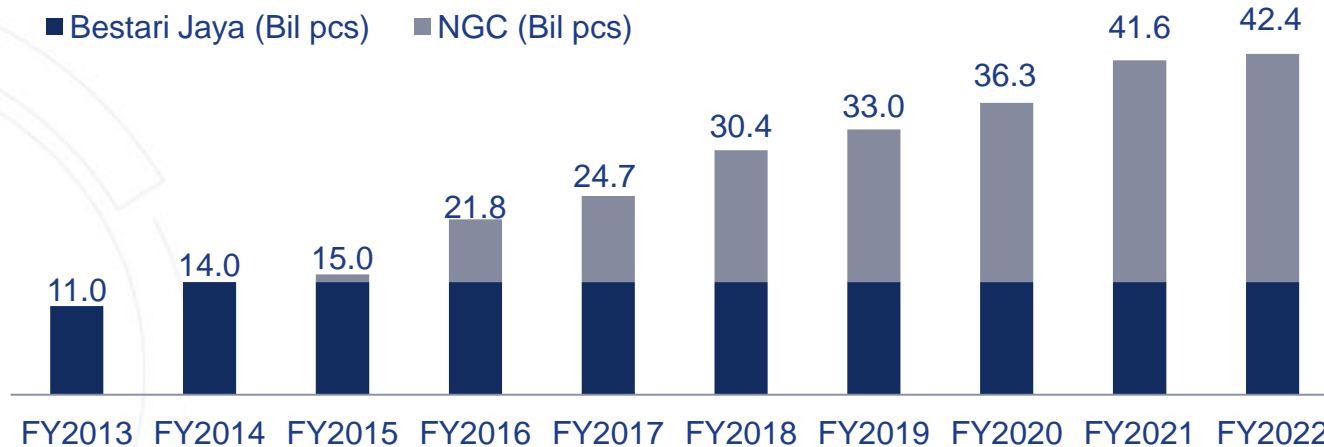


- RM1.9 billion investment
- 112 acres – 95 acres industrial land, 17 acres water body
- Integrated manufacturing complex
- Six state of the art manufacturing facilities
- 72 high technology production line
- Administration office
- Center of excellence
- Learning centre
- Sports complex
- Employees'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



Hartalega NGC – 3x Capacity

Growing Global



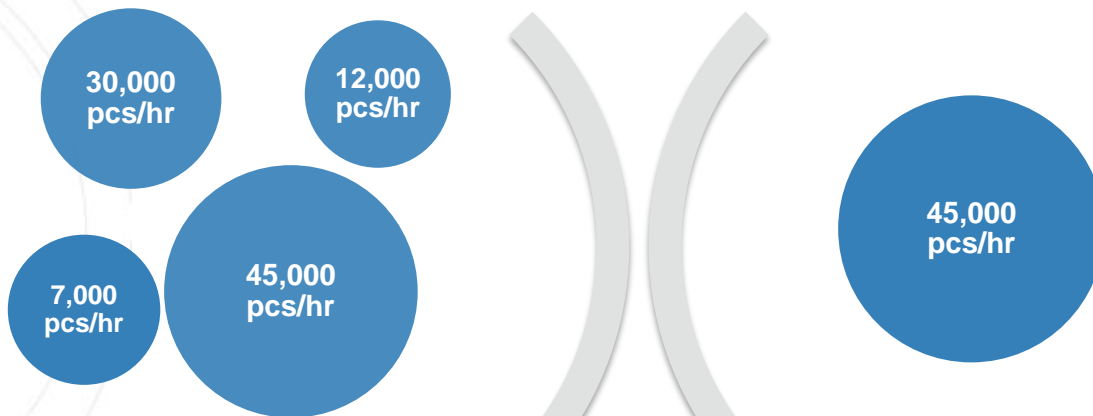
- Installed capacity of Bestari Jaya manufacturing plants and NGC are 14.0 bil and 28.5 bil pcs per annum respectively
- NGC will contribute to capacity growth at a compounded average rate of 15% for the next 8 years



Hartalega NGC – Latest Technology

Growing Global

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



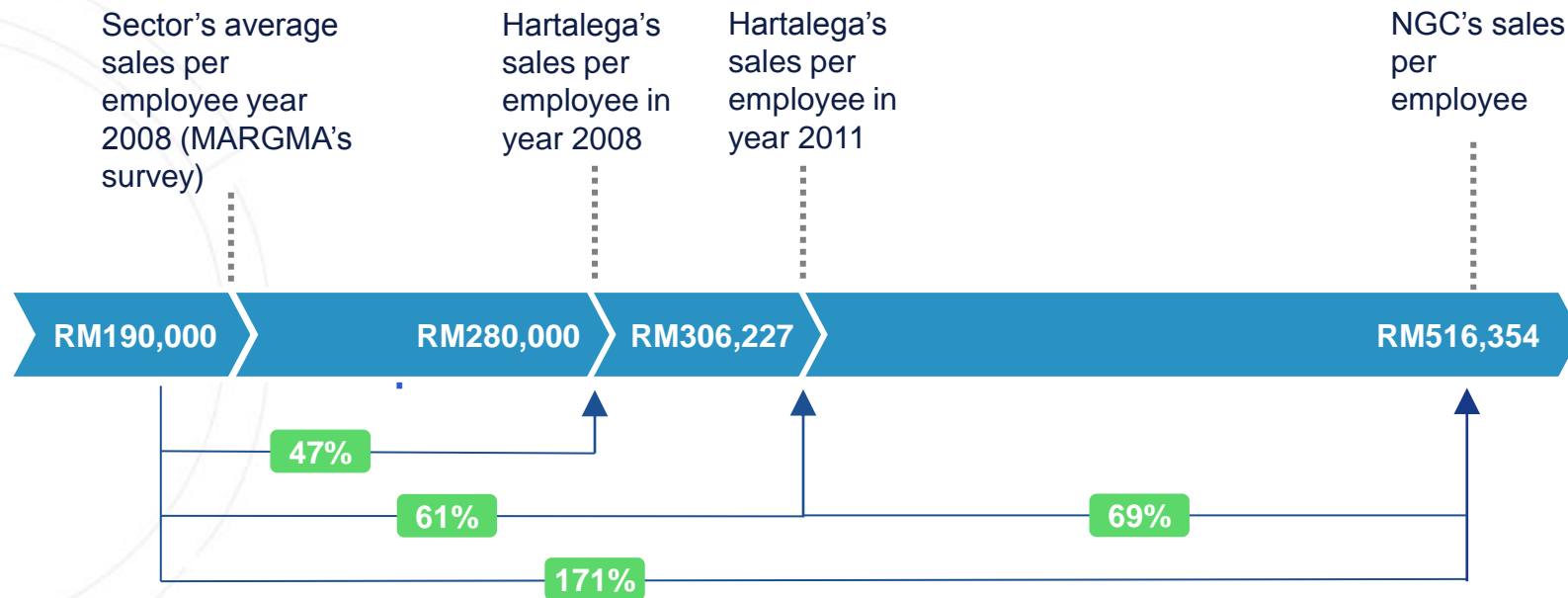
Bestari Jaya – total 55 production lines; average output per line is 25,000 pcs/hr

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



Hartalega NGC – Most Efficient

Growing Global

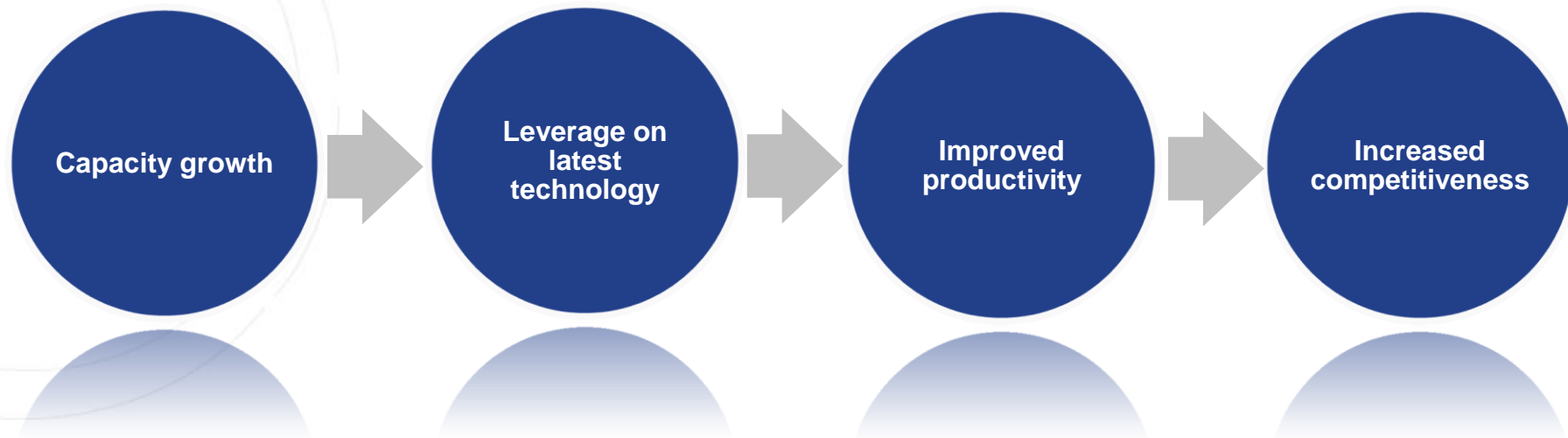




Hartalega NGC – Increased Competitiveness

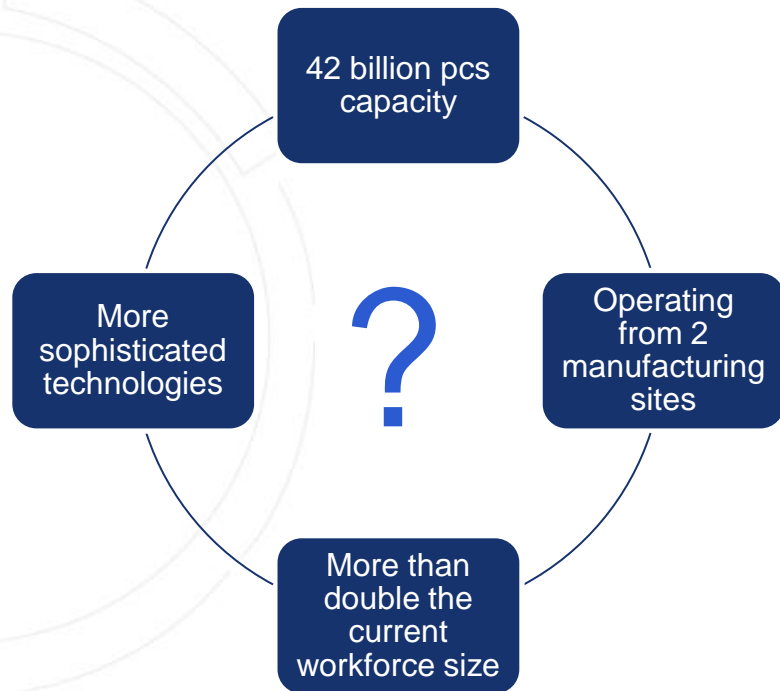
Growing Global

- 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

Growing Global

Innovations

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

Productivity

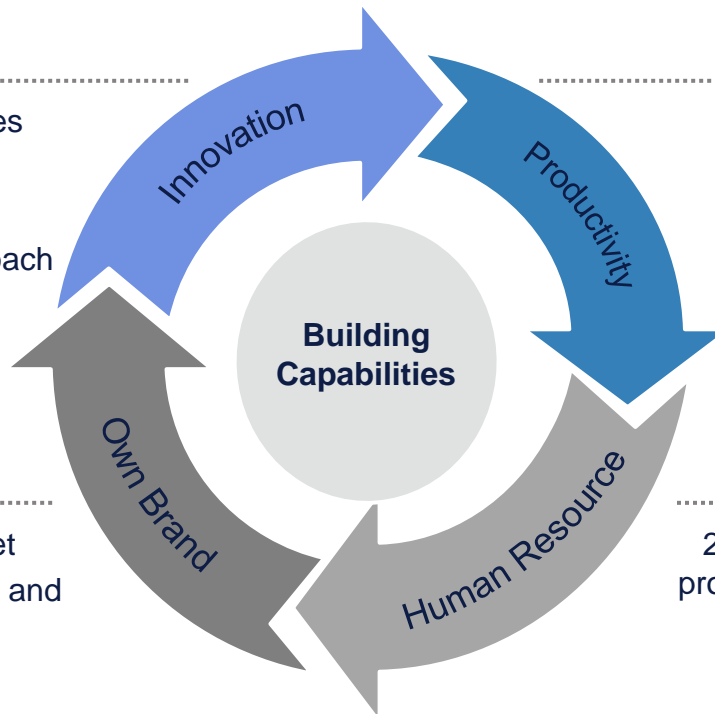
Capacity expansion – NGC
Lean manufacturing
Engaging Avanade to revamp IT systems

Own Brand

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

Human Resource

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





Timeless Fundamentals

Growing Global



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



Thank You