



SUPERMAX CORPORATION BERHAD

**ANALYST BRIEFING SLIDES
4Q'2020 RESULTS**

“Turning Glove from GOLD to DIAMOND”



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	4 th Qtr FY'20 ended 30.6.2020 (RM '000)	4 th Quarter FY'19 ended 30.6.2019 (RM '000)	3 rd Qtr FY'20 ended 31.3.2020 (RM '000)	2 nd Qtr FY'20 ended 31.12.2019 (RM '000)	1 st Qtr FY'20 ended 30.9.2019 (RM '000)	Financial Year Ended	
						30/6/2020	30/6/2019
Revenue	929,124	375,964	447,247	385,497	369,941	2,131,809	1,538,157
Operating Expenses	(418,362)	(355,614)	(353,018)	(338,766)	(334,118)	(1,444,264)	(1,351,572)
EBITDA	561,381	33,728	111,892	59,292	49,173	781,738	237,193
Depreciation	(37,597)	(11,621)	(13,088)	(12,838)	(12,541)	(76,064)	(45,078)
EBIT	523,784	22,107	98,804	46,454	36,632	705,674	192,115
Profit before tax (PBT)	519,007	16,198	95,277	41,829	32,443	688,556	172,407
Taxation	(110,737)	(2,194)	(22,928)	(11,807)	(7,483)	(152,955)	(49,304)
Profit after tax (PAT)	408,270	14,004	72,349	30,022	24,960	535,801	123,103
EBITDA margin (%)	60.4%	9.0%	25.0%	15.4%	13.3%	36.7%	15.4%
EBIT margin (%)	56.4%	5.9%	22.1%	12.1%	9.9%	33.1%	12.5%
PBT margin (%)	55.9%	4.3%	21.3%	10.9%	8.8%	32.3%	11.2%
PAT margin	43.9%	3.7%	16.2%	7.8%	6.7%	25.1%	8.0%

	4 th Quarter ended 30.6.2020 (RM '000)	4 th Quarter ended 30.6.2019 (RM '000)	Increase/(Decrease)	
			RM '000	%
Revenue	929,124	375,964	+553,160	+147.1
EBITDA	561,381	33,728	+527,653	+1,564.4
EBITDA margin (%)	60.4%	9.0%	+51.4	+706.7
Profit before tax (PBT)	519,007	16,198	+502,809	+3,104.1
PBT margin (%)	55.9%	4.3%	+51.6	+1,200.0
Profit after tax (PAT)	408,270	14,004	+394,266	+2,815.4
PAT margin	43.9%	3.7%	+40.2	+1,086.5

Note:

- Q4'2020 is not the best quarter
- The best quarter would be in the next few quarters with additional production capacity and increase in average selling prices from both Manufacturing and Distribution

	4 th Quarter ended 30.6.2020 (RM '000)	3 rd Quarter ended 31.3.2020 (RM '000)	Increase/(Decrease)	
			RM '000	%
Revenue	929,124	447,247	+481,877	+107.7
EBITDA	561,381	111,892	+449,489	+401.7
EBITDA margin (%)	60.4%	25.0%	+35.4	+141.6
Profit before tax (PBT)	519,007	95,277	+423,730	+444.7
PBT margin (%)	55.9%	21.3%	+34.6	+162.4
Profit after tax (PAT)	408,270	72,349	+335,921	+464.3
PAT margin	43.9%	16.2%	+27.7	+171.0

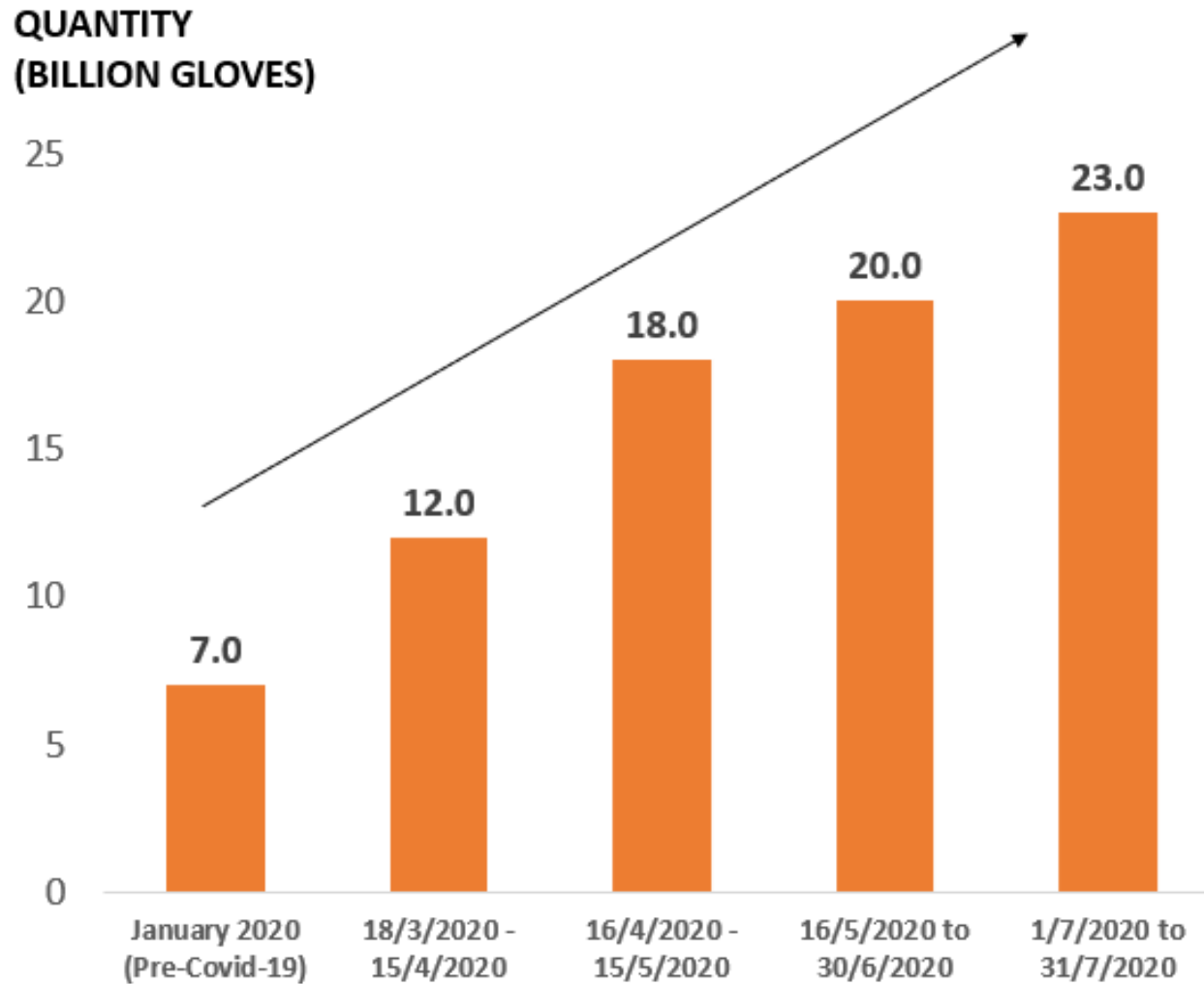
Note:

- Q4'2020 is not the best quarter
- The best quarter would be in the next few quarters with additional production capacity and increase in average selling prices from both Manufacturing and Distribution

- The demand for medical gloves continues to remain robust and will continue for the next 1.5 to 2 years
- Production capacity are in oversold position
- There is a structural change in terms of the supply chain
- We have seen the emergence of new customers and new consumption that we have not seen before prior to Covid-19
- Supermax's business model yields the highest returns than the traditional OEM model
- Supermax's Own Brand Manufacturing ("OBM") cum distribution model allows the Company to have 2 streams of income in the entire supply chain and distribution channel
- Increase in demand in Manufacturing and the exponential growth in demand in Distribution from end users have resulted in Supermax Group capturing the highest returns in terms of topline and bottomline

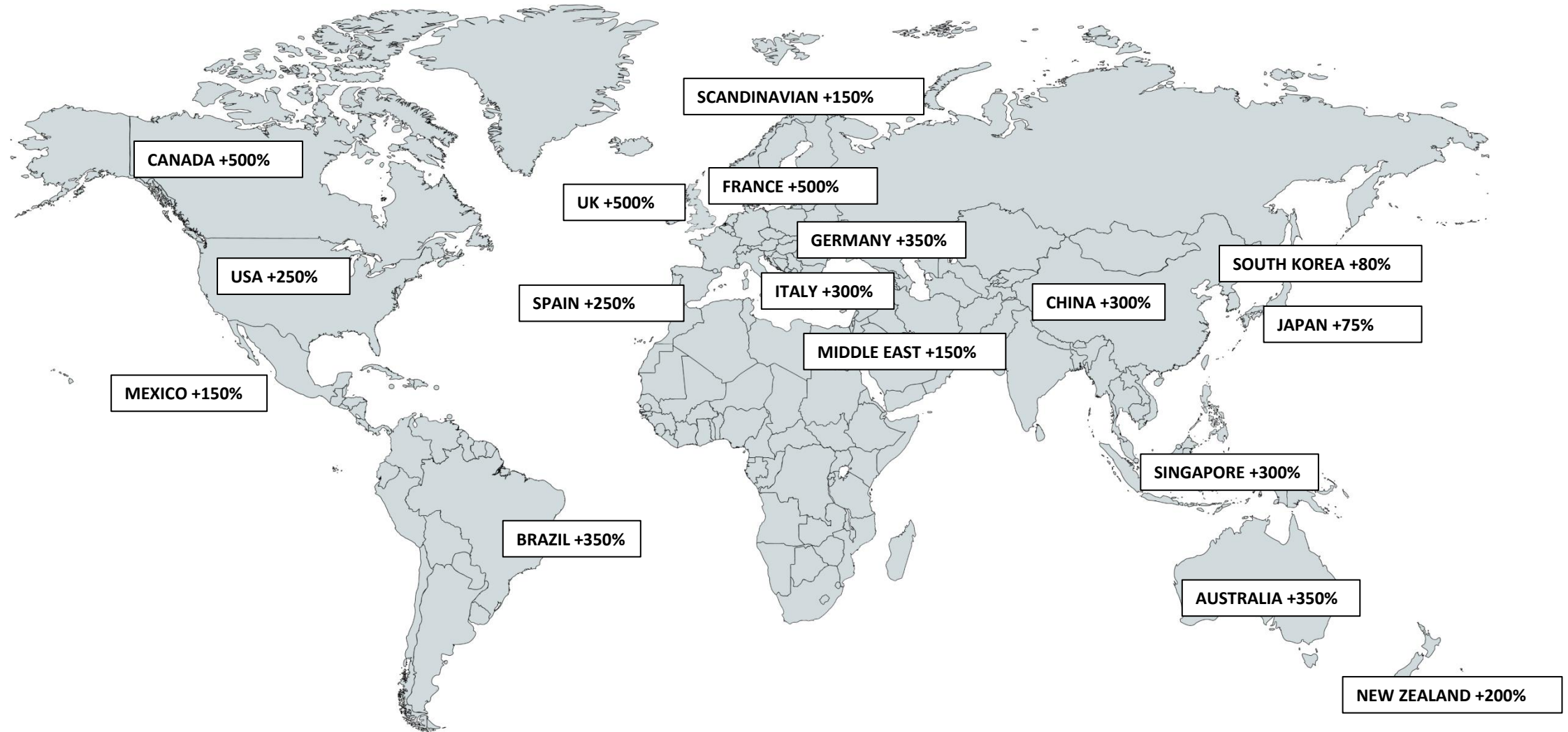
- Higher manufacturing profits for Supermax mainly contributed from:
 - a) Supermax's Glove Manufacturing Division chose not to lock-in capacity in March 2020 for shipments until 12/2020 and chose not to lock in the glove prices with the Big 5 giant distributors from the USA supplying to the US government agencies after the US Administration invoked the Defence Production Act
 - b) Supermax opted not to participate in long term contracts with pricing mechanism with the big 5 distributors from USA and Germany
- Higher profits of Supermax Group mainly due to the following reasons:
 - a) Block A lines at Plant #12 are fully commissioned and contributed in 4Q 2020
 - b) Large % of capacity are being sold to end users via own distribution centres and via independent distributors in over 165 countries
 - c) Increase in sales from Supermax's own distribution centres in 7 countries

- **Governments around the world increase healthcare spending substantially following Covid-19 outbreaks**
- **We are seeing repeat orders from government agencies in many countries**
- **Strong demand continues to yield higher average selling prices**
- **Income contribution:**
 - a) **Manufacturing – 70%**
 - b) **Distribution – 30%**
- **Buyers are paying 30%, 40% and 50% deposits in advance just to secure glove supply**
- **Supermax's distribution centres are currently operating under 'Just-in-Time' (JIT) inventory and delivery instead of with the normal working inventory of 4 months**

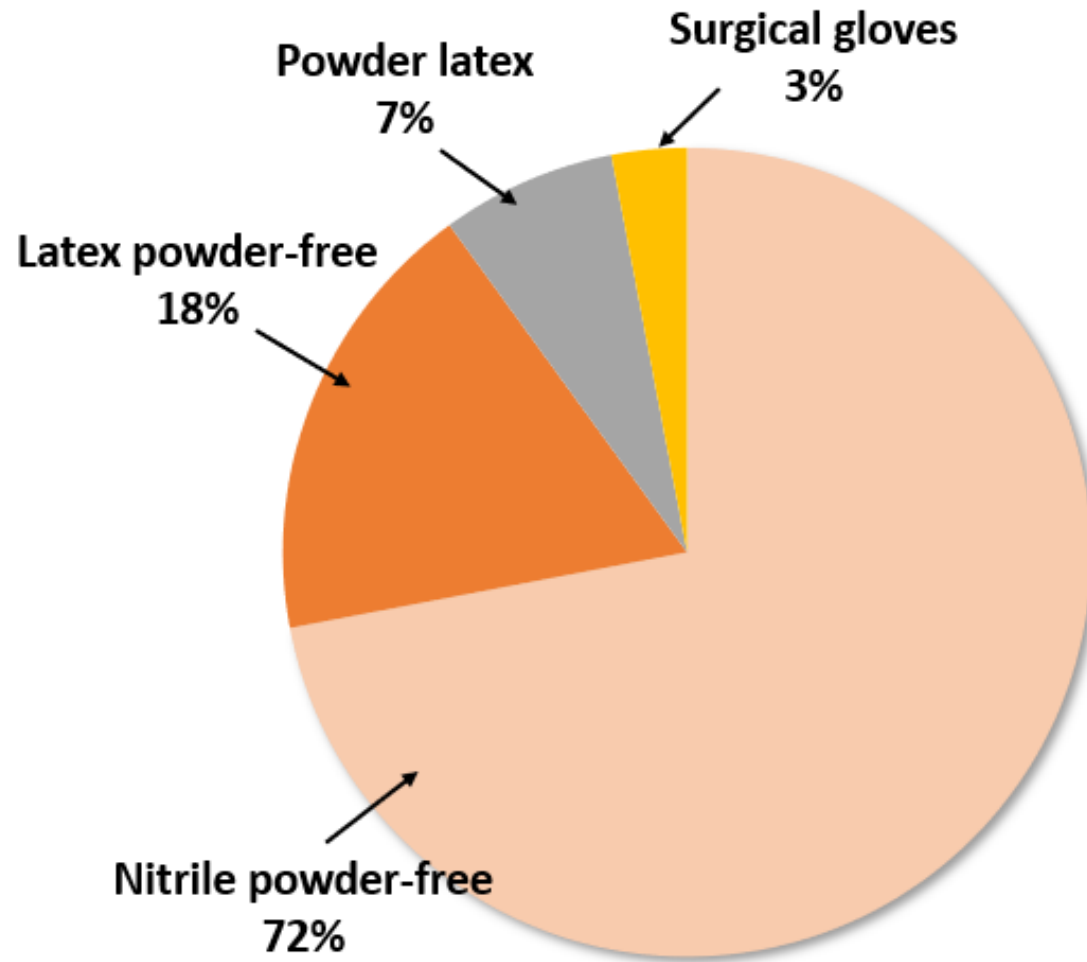


- Order book increased by 300% to 550% within a short period of time
- Extended long delivery lead time, rising from 45 to 60 days pre-Covid-19 to 10 to 12 months currently
- Buyers are paying 30%, 40% and 50% deposits in advance to secure glove supply and delivery on time
- Federal governments of a few countries are paying to us via local distributors, and to our own distribution centres 100% in advance before shipment of goods. This is in addition to deposits paid in advance upon ordering.

Covid-19 Outbreak (March-July 2020) vs Pre-Covid-19 (January 2020)

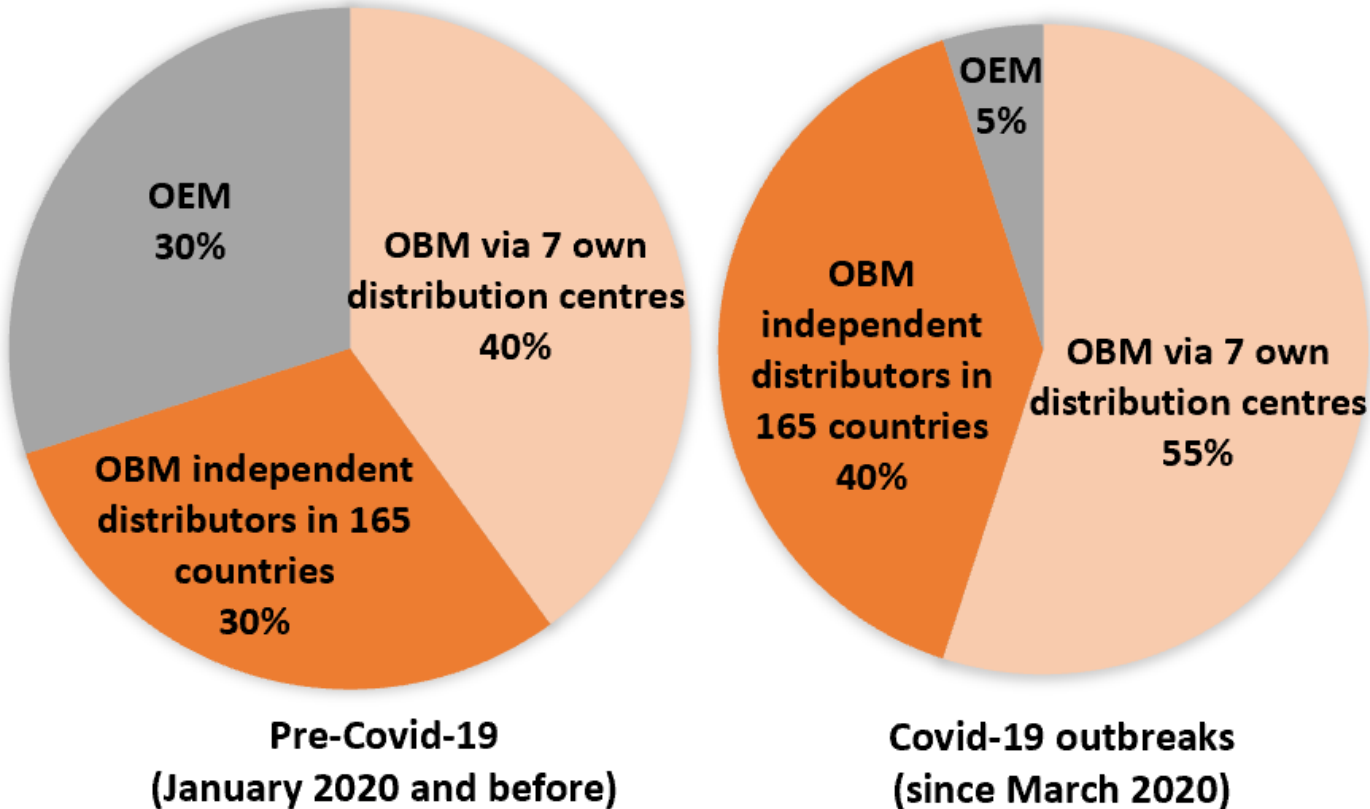


Product Mix by Revenue for FYE 06/2020



- All newer production lines are with 100% capacity producing Nitrile PF medical gloves
- Converted Latex PF capacity to produce Nitrile PF medical gloves started March 2020
- ASPs from Nitrile PF gloves are higher than Latex PF gloves
- All new factories under construction are earmarked to produce Nitrile PF gloves

Where did the glove supply go to?



Pre-Covid-19 (January 2020 and before)

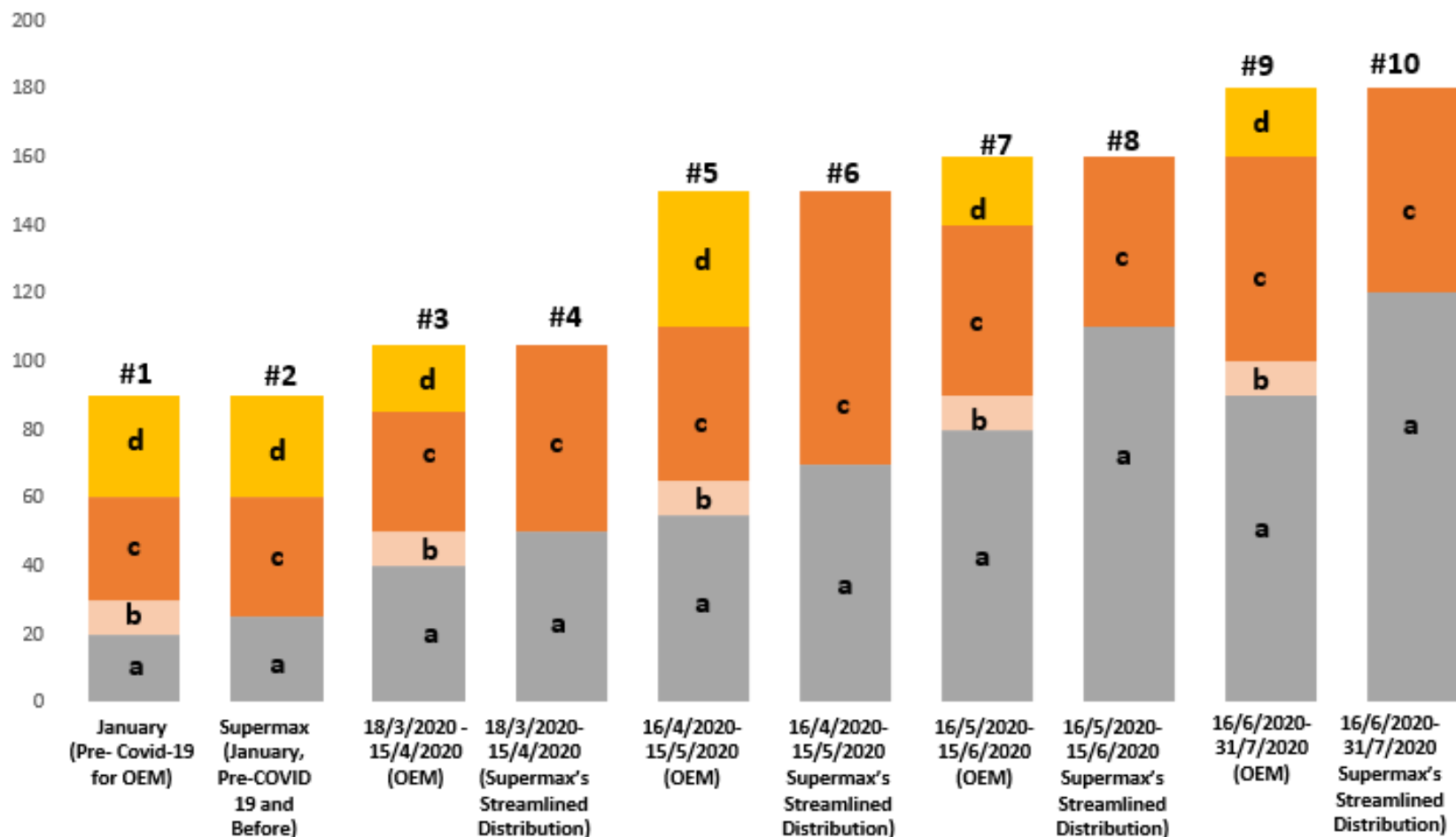
- 40% goes to own distribution centres under OBM
- 30% goes to independent distributors in over 165 countries under OBM
- 30% goes to OEM customers

Covid-19 outbreaks (since March 2020)

- 55% goes to own distribution centres under our own brand of gloves
- 40% goes to independent distributors in over 165 countries under OBM
- 5% goes to OEM customers, especially to the big US distributors

SUPERMAX'S STREAMLINED DISTRIBUTION IMPACT

Glove Price in USD



- Eliminate all middlemen such as agents, brokers, traders, dealers.
- Selling direct to end users, hospitals, governments of various countries via independent distributors, and via own distribution centres.
- Continue to work with our independent distributors for supply to end users.
- Bar #1 and #2 show that we have eliminated the agents, and distribution has benefited.
- Bar #3 and #4 show that we have eliminated the agents AND the dealers, and both manufacturing and distribution has benefited.
- Bar #5-#10 is similar to chart #4, that we have eliminated agents/dealers and both distribution and manufacturing has benefited ENTIRELY; throughout the period (columns 1-10).

a

Manufacturer's selling price (Supermax factory)

b

GPO/Traders/Brokers/Agents & Middlemen fees

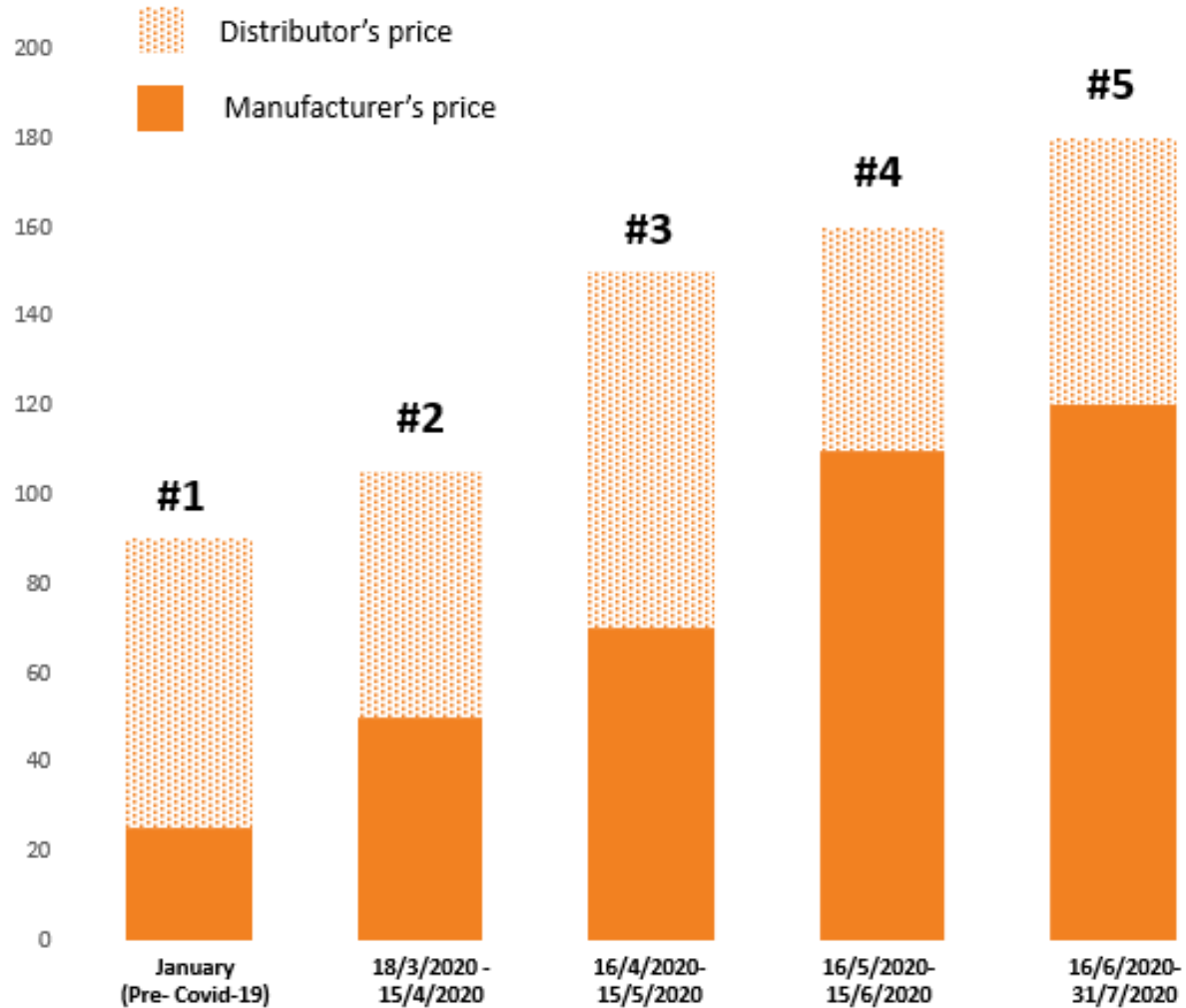
c

Importer/Wholesaler/Distributor (Supermax distribution centre)

d

Dealer

NITRILE GLOVE ASP TREND IN USD



January 2020 (pre-Covid-19)

- Chart #1 - Buyer's market
- Manufacturers are working with between 9% and 13% manufacturing margins
- Constant pricing pressure from big distributors, especially the OEM manufacturers

Since March 2020 (Covid-19 outbreak)

- Chart #2 to #5 - Market turns to seller's market
- Exponential growth in demand
- For most of distribution warehouses in Europe, North America, etc., working inventories are swiftly sold within 4 to 6 weeks
- Sellers dictate prices and capacity to offer to buyers
- Buyers are willing to pay high prices as long as manufacturers are able to offer capacity allocation
- Margin expansion for both manufacturers and distributors

Distribution Centres operating under Tax-Friendly Environment

<u>Hong Kong:</u>	16.5%
<u>Singapore:</u>	17.0%
<u>UK:</u>	19.0%
<u>Ireland:</u>	12.5%
<u>Canada:</u>	26.5%
<u>USA:</u>	21.0%
<u>Brazil:</u>	34.0%
<u>Japan:</u>	30.62%

Note: For UK, all PPE products including medical gloves are exempt from both Purchase/Import VAT and all Sales VAT, both of which are at 20%; effective from 1/5/2020 to 31/7/2020 and has since extended to 31/10/2020.

Meru, Klang
Lot 6061 (Plant #12)



PLANT #12

Block A - fully operational

- Capacity - 2.2 billion per annum

Block B

- Installation of production lines resumed since 4.5.2020
- Target to start commissioning for 1st 4 double former lines by 3Q CY2020
- Remaining 4 double formers lines by 4Q CY2020
- Capacity – 2.2 billion per annum

PLANT #13 & #14

- Construction started in January 2020
- Resumed construction on 4.5.2020
- Capacity
 - Plant #13 – 3.75 billion gloves per annum
 - Plant #14 – 3.75 billion gloves per annum
- Time line : 15-18 months for both plants

PLANT #15

- Tenant moved out in July 2020
- Capacity
 - 3.75 billion gloves per annum
- Time line : 15-18 months

PLANT #16

- Capacity
 - Block A – 2.75 billion gloves per annum
 - Block B – 2.75 billion gloves per annum
- Timeline : 18-24 months

PLANT #17

- Capacity
 - Block A – 2.75 billion gloves per annum
 - Block B – 2.75 billion gloves per annum
- Timeline : 18-24 months

NEW CAPACITY EXPANSION	Capex (RM million)	Target Completion Date (Calendar Year)
- Plant #12 (Lot 6061) • Block B (production machineries only)	65.0	100% (2020)
- Plant #13 (Lots 6072 & 6073)	230.0	75% (2021) 25% (2022)
- Plant #14 (Lots 6072 & 6073)	230.0	25% (2021) 75% (2022)
- Plant #15 (Lots 6072 & 6073)	250.0	100% (2021)
- Plant #16 & Plant #17 (Lot 6062 & Lot 6060)	520.0	25% (2021) 75% (2022)
TOTAL	<u>1,295.0</u>	

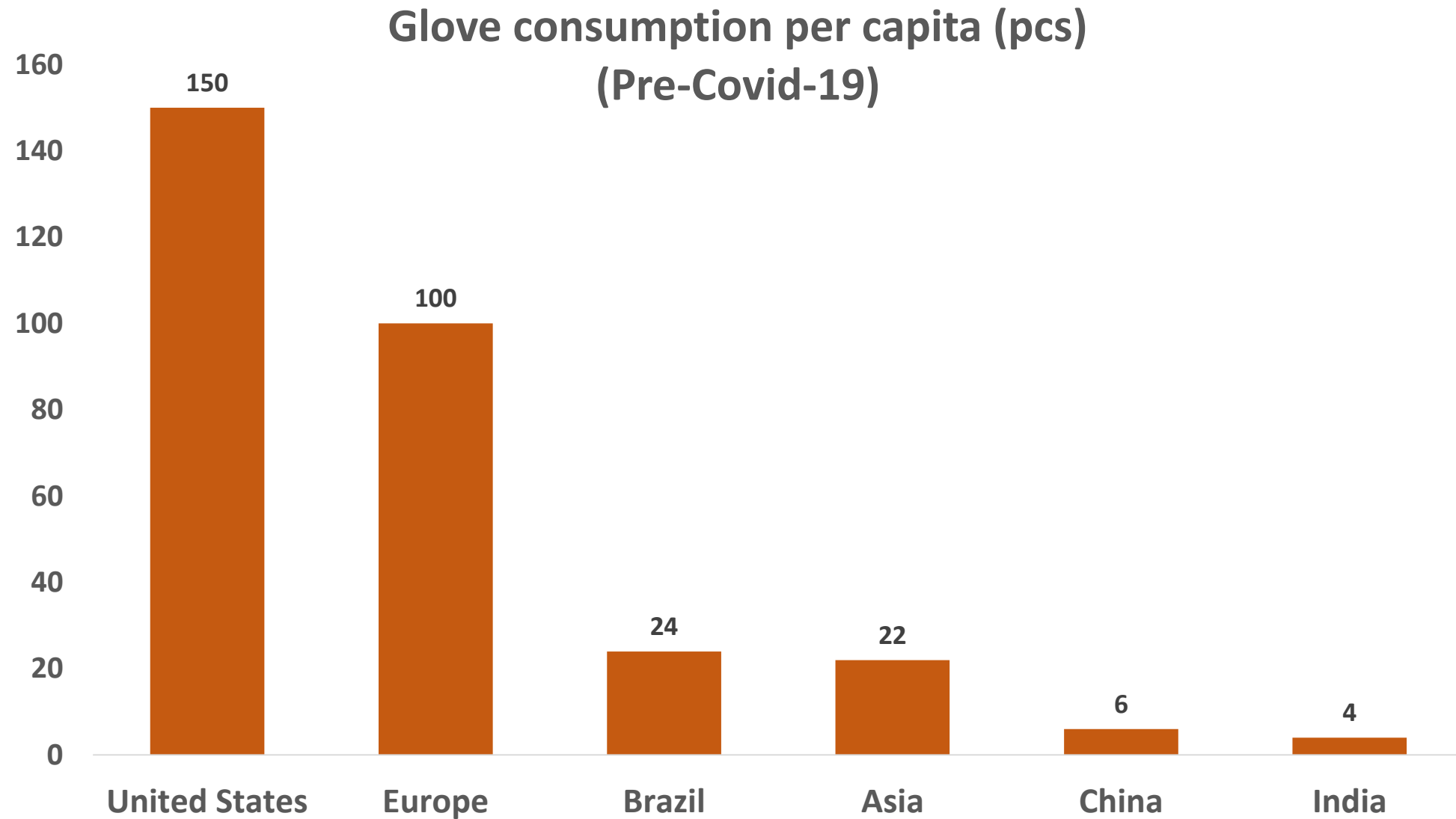
Note: Land costs amounting to total of RM107 million has been paid for Plants #13, #14, #15, #16 & #17

SUMMARY OF EXPANSION PLAN (2020-2022)

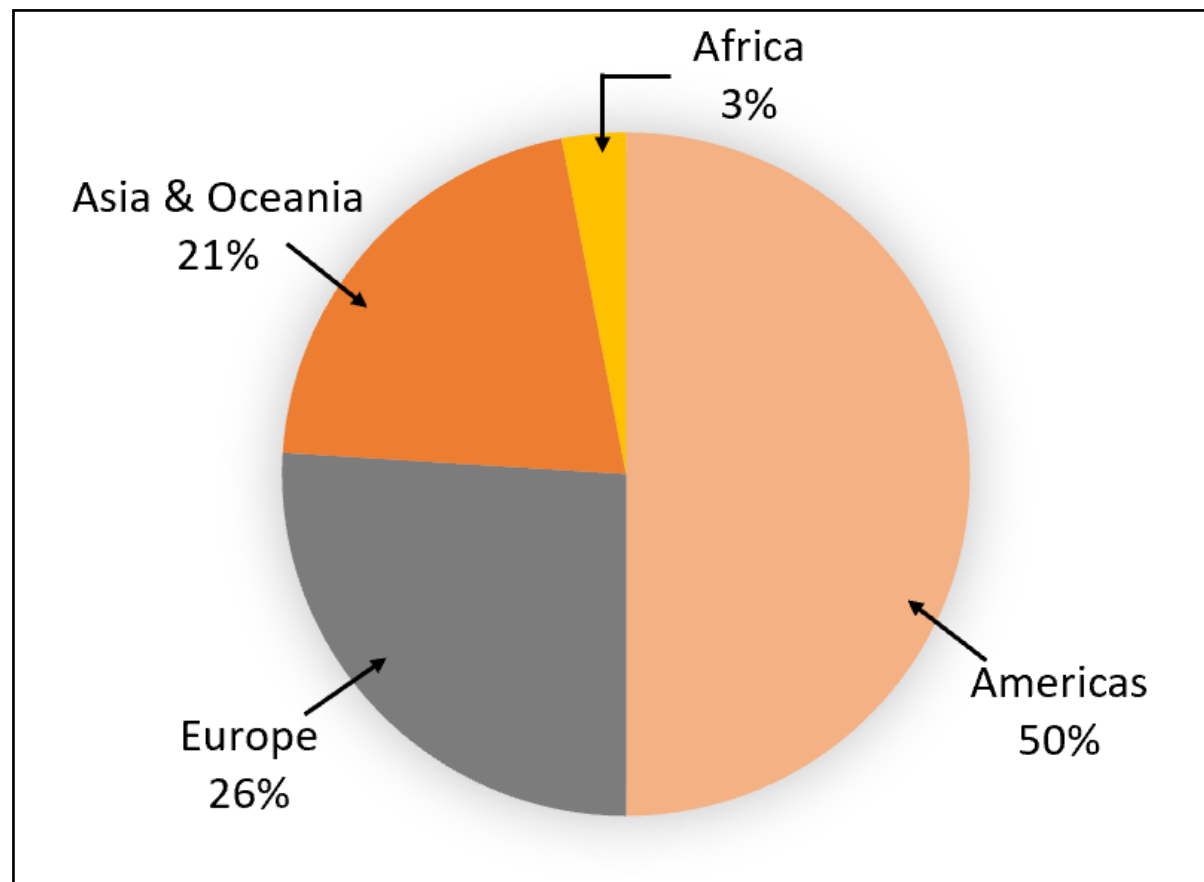
19

	Annual capacity as at 31.12.2018 (Million pcs/line)	New expansion (Million pcs/line)	Annual capacity as at 31.12.2020 (Million pcs/line)	New expansion (Million pcs/line)	Annual capacity as at 31.12.2021 (Million pcs/line)	New expansion (Million pcs/line)	Annual capacity as at 31.12.2022 (Million pcs/line)
<u>SUPERMAX GROUP</u>	21,751 (174)*		26,175 (206)		36,425 (286)		48,425 (376)
Added capacity from:							
- New lines from Plant #12 (Lot 6061)		+4,424 (32)					
- New lines from Plant #13 (Lots 6072 & 6073)				+2,750 (22)		+1,000 (8)	
- New lines from Plant #14 (Lots 6072 & 6073)				+1,000 (8)		+2,750 (22)	
- New lines from Plant #15 (Lots 6072 & 6073)				+3,750 (30)			
- New lines from Plant #16 (Lot 6062)				+1,375 (10)		+4,125 (30)	
- New lines from Plant #17 (Lot 6060)				+1,375 (10)		+4,125 (30)	
TOTAL	21,751 (174)	+4,424 (32)	26,175 (206)	+10,250 (80)	36,425 (286)	+12,000 (90)	48,425 (376)

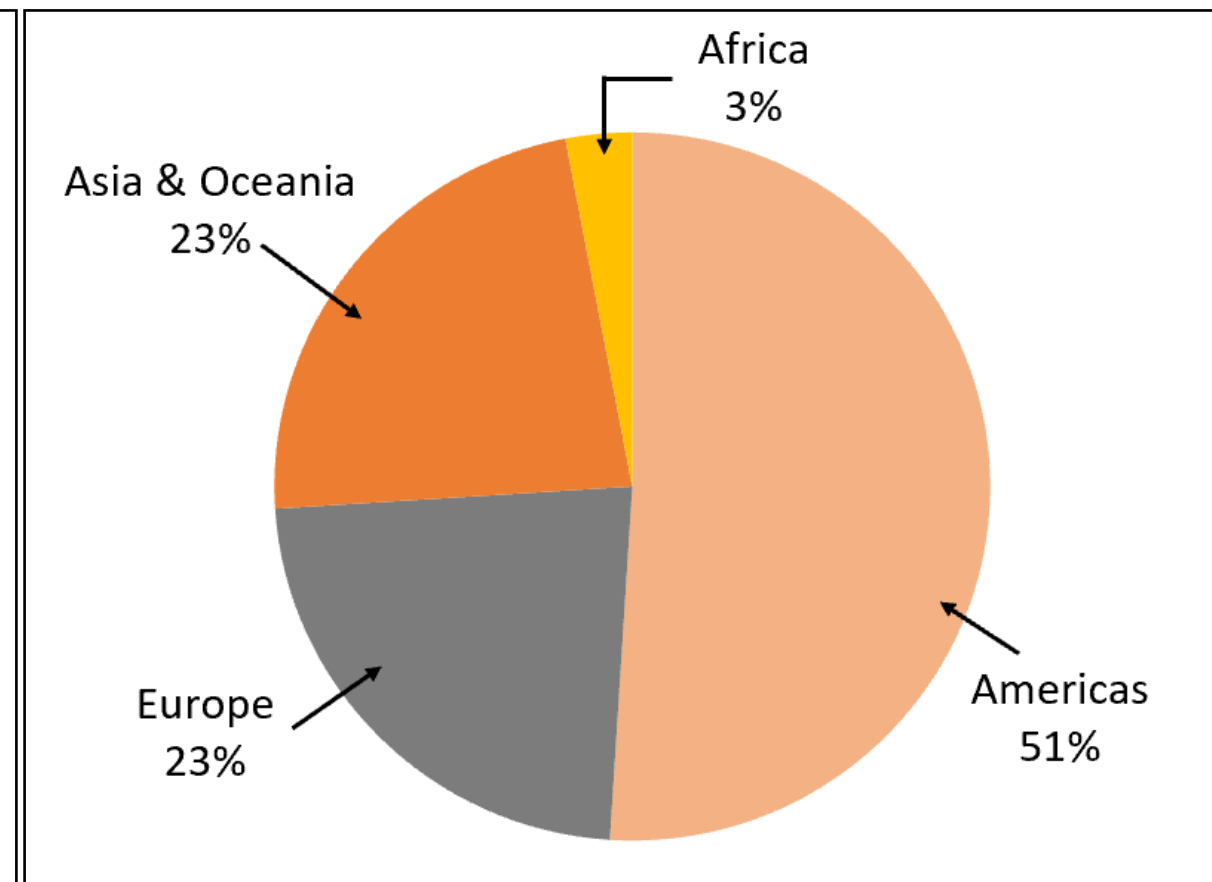
* Excludes installed capacity of 1.973 billion pcs from 25 lines from Lahat Plant which was decommissioned in 2018



Group's Sales by Geographical Area FYE 06/2019



Group's Sales by Geographical Area FYE 06/2020





1. Business model differentiation with successful Original Brand Manufacturer (“OBM”) model

2. Attractive stock valuation, robust balance sheet

3. Solid capacity growth, proving potential uplift to margins

4. Healthy demand growth, recession-proof

5. Broad global footprint with geographical expansion in the pipeline



Business model differentiation with successful Original Brand Manufacturer (“OBM”) model

- Original Brand Manufacturing (OBM) accounts for 70% (pre-Covid-19) and 95% (Covid-19 outbreak) of the glove volumes with worldwide trusted homegrown glove brands such as Supermax, Aurelia, Maxter, Medic-dent and Supergloves
- Aveo is Malaysia’s first homegrown manufactured contact lens with a strong global and regional branding
- Focusing on OBM model allows Supermax to gain customer loyalty and also derives a 2nd stream of income (distribution income)



Robust growth

- Return of over 250x since Initial Public Offering. Listed on Bursa Malaysia in 2000 with an initial market capitalisation of MYR80mn, today, the market capitalisation stands at well over MYR20.0bn
- Healthy balance sheet with a net gearing of 0.2x



Broad global footprint with geographical expansion in the pipeline

- Supermax's export footprint spans across over 165 countries globally
- The Group collaborates with over 1,200 distributors globally, in addition to eight of the company's own distribution centres based in the United States, Brazil, Canada, Ireland, United Kingdom, Hong Kong, Singapore and Japan
- For its contact lens business, the Group has obtained licenses from the United States' Food and Drug Administration (FDA) to export lenses
- It is also the first Malaysian firm to obtain licence from one of the most stringent clinical evaluations in the world, Pharmaceutical and Medical Device Authority (PMDA) of Japan



Solid capacity growth, proving potential uplift to margins

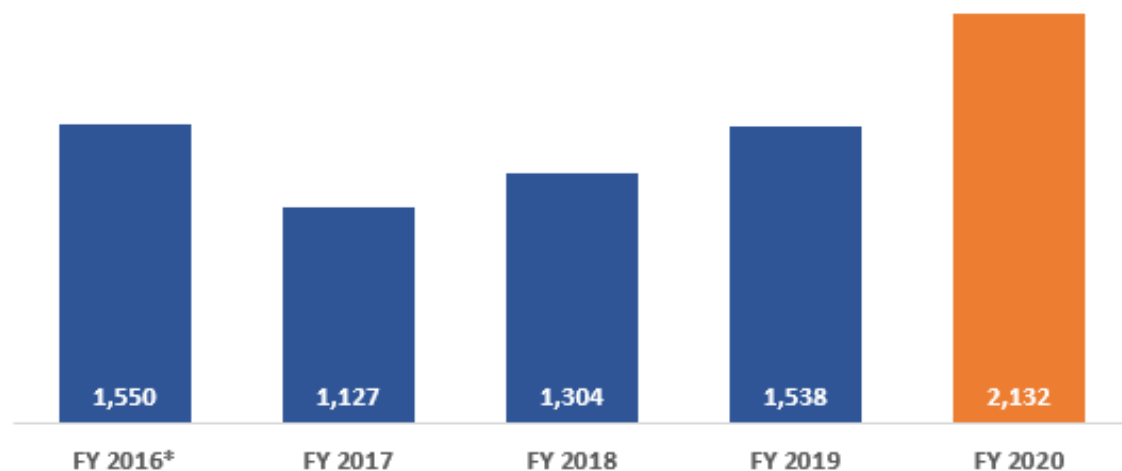
- Newer plants are highly efficient and can achieve EBITDA margins of over 20%
- Target to achieve a total of 48.4 billion pieces by calendar year 2022
- Vacant landbank, totalling 130.4 acres, located in Bukit Kapar and Serendah for the next phase of expansion



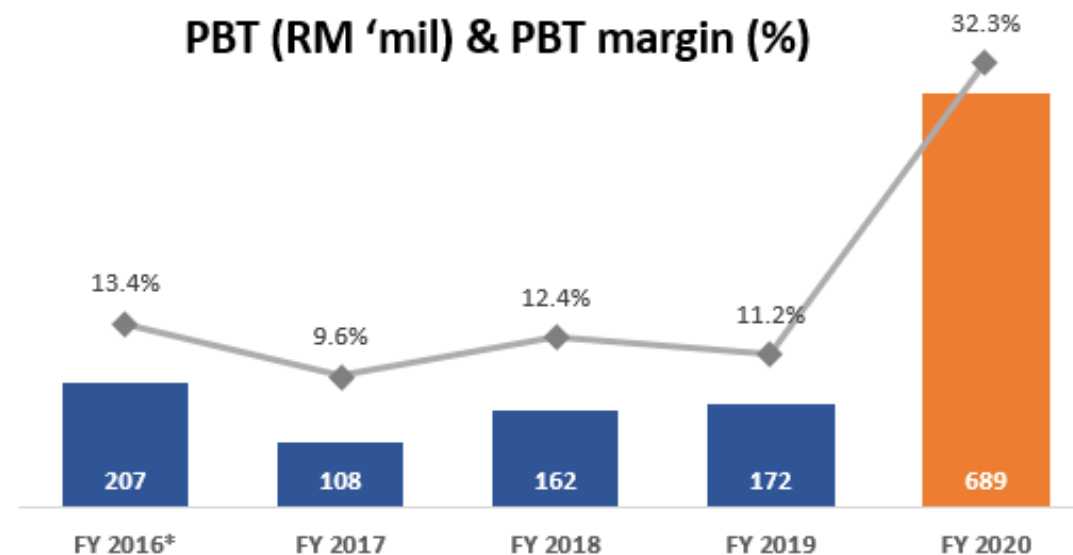
Healthy demand growth, recession-proof

- Rubber gloves are inelastic goods, making the glove industry recession-proof
- Demand for rubber gloves will continue to grow, fuelled by global trends in healthcare spending and hygiene awareness, resulting in the unique nature of the glove industry of able to weather downturns during recession periods

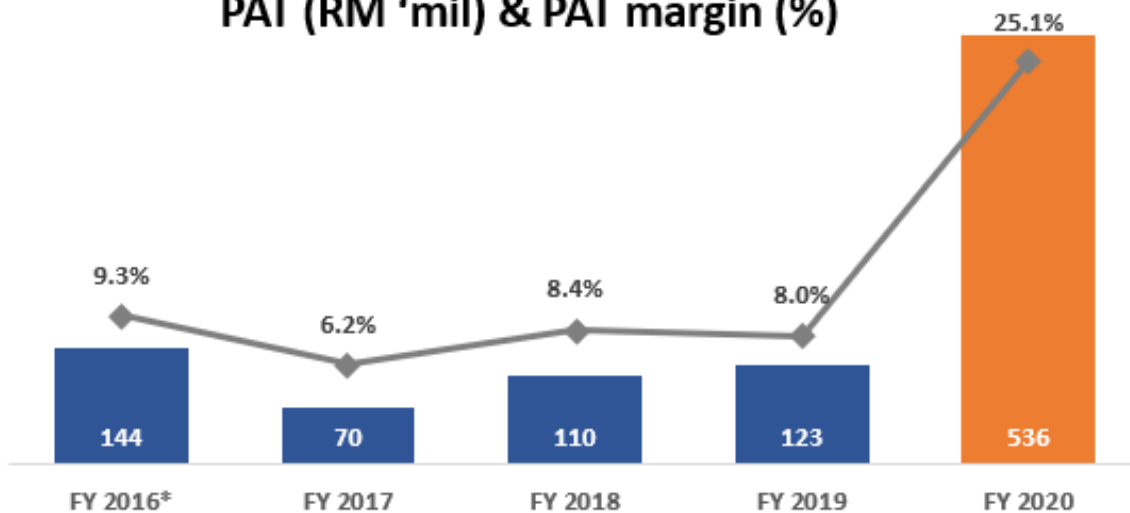
Revenue (RM 'mil)



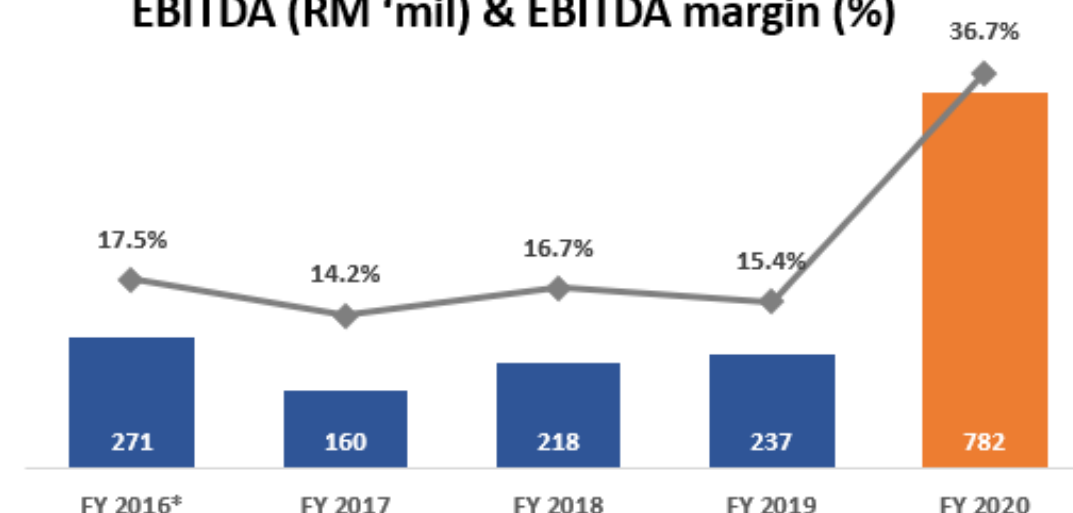
PBT (RM 'mil) & PBT margin (%)



PAT (RM 'mil) & PAT margin (%)



EBITDA (RM 'mil) & EBITDA margin (%)



* 18-months period - change in financial year end from December to June



RM 3,252M
Total Assets



RM 1,608M
Total Equity



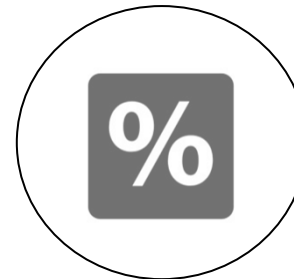
RM 1.18
Net Asset Per Share



RM 328.2M
Total Borrowings



NET CASH
Net Gearing



1.31x
Current Ratio

		Supermax	Top Glove	Hartalega	Kossan
Financial Year End	Supermax Ranking	June	August	March	December
		Q4	Q3	Q1	Q1
Latest Quarter Ended		30/6/2020	31/5/2020	30/06/2020	31/3/2020
<u>PROFIT & LOSS</u>		(RM'mil)	(RM'mil)	(RM'mil)	(RM'mil)
Revenue	#2	929.1	1,688.3	920.1	611.5
Operating Expenses		(418.4)	(1,258.4)	(645.4)	(525.2)
Operating Profit	#1	510.7	429.9	274.7	86.3
Finance Costs	#3	(4.8)	(5.8)	(1.8)	(3.7)
Share of Profit – Associate Companies		13.0	(2.1)	-	-
Profit before Tax	#1	519.0	422.0	272.8	82.5
Tax		(110.7)	(72.0)	(51.8)	(17.3)
Tax rate (%)		21.3%	17%	19%	21%
Profit after Tax	#1	408.3	350.0	221.1	65.3
CORE Profit after Tax	#1	408.3	350.0	221.1	65.3

COMPARISON BETWEEN SUPERMAX & OTHER GLOVE PLAYERS (LATEST QUARTERLY RESULTS)

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		Supermax	Top Glove	Hartalega	Kossan
Financial Year End	Supermax Ranking	June	August	March	December
		Q4	Q3	Q1	Q1
Latest Quarter Ended		30/6/2020	31/5/2020	30/6/2020	31/3/2020
BALANCE SHEET		(RM'mil)	(RM'mil)	(RM'mil)	(RM'mil)
Trade Receivables		247.4	710.5	448.1	432.3
Inventory		252.8	515.4	251.2	311.2
Cash		1,180.8	347.8	717.0	225.2
Current Assets		1,932.2	3,090.8	1,489.2	992.8
Total Assets		3,251.6	7,399.7	3,718.2	2,439.9
Shareholders Funds		1,608.4	4,689.7	2,715.9	1,516.3
Borrowings		328.2	1,520.4	242.5	657.2
Current Liabilities		1,477.5	1,583.6	639.1	662.2
Free Cash Flow	#1	1,104.7	(470.2)	415.4	15.2
Share Price (as at 6.8.2020)		23.78	28.40	19.80	19.18
Market Cap (Mil)	#3	31,076.3	72,708.1	67,077.8	24,530.0
No. of Shares (Mil)		1,306.8	2,560.1	3,387.8	1,278.9
EPS – Qtr (Sen)	#1	30.6	13.7	6.5	5.1

COMPARISON BETWEEN SUPERMAX & OTHER GLOVE PLAYERS (LATEST QUARTERLY RESULTS)

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	Supermax Ranking	Supermax	Top Glove	Hartalega	Kossan
Financial Year End		June	August	March	December
		Q4	Q3	Q1	Q1
Latest Quarter Ended		30/6/2020	31/5/2020	30/6/2020	31/3/2020
FINANCIAL RATIOS					
NTA per share (RM)	#2	1.2	1.8	0.8	1.2
PE		19.0	51.9	75.9	94.0
Operating Profit Margin	#1	55.0%	25.5%	29.9%	14.1%
PBT Margin	#1	55.9%	25.0%	29.7%	13.5%
PAT Margin	#1	43.9%	20.7%	24.0%	10.7%
Core PAT Margin	#1	43.9%	20.7%	24.0%	10.7%
Return on Assets – Quarter	#1	12.6%	4.7%	5.9%	2.7%
Return on Equity – Quarter	#1	25.4%	7.5%	8.1%	4.3%
Receivables cycle (months)	#1	0.8	1.3	1.5	2.1
Inventory cycle (months)	#1	0.8	0.9	0.8	1.5
Current ratio	#4	1.3	2.0	2.3	1.5
Gearing ratio (net)	#1	Net cash	0.25	Net cash	0.28
Interest Coverage Ratio (x)	#2	85.5	60.6	120.2	17.5
Effective tax rate		21%	17%	19%	21%
EBITDA	#1	561.4	487.0	307.5	111.6
EBITDA Margin	#1	60.4%	28.8%	33.4%	18.3%

CHINA

- Donated 3 million of gloves directly to Wuhan
- Co-sponsored a total of 8.9 million of gloves to China in February 2020



MALAYSIA

- Donated and co-sponsored total of 6 million gloves to the local hospitals and frontliners from 23/3/2020 to 18/4/2020





Supermax has commissioned and undergone a Sedex Members Ethical Trade Audit (SMETA) audit by an independent auditor successfully and admitted as a member of SEDEX.

SEDEX is one of the world's leading ethical trade service providers, working to improve working conditions in global supply chains. It provides practical tools, services and a community network to help companies improve their responsible and sustainable business practices, and source responsibly.

SMETA is an ethical audit format which reports on Sedex's four pillars of labour, health, safety and environment in reflecting good business ethics.





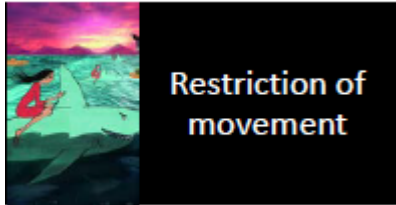
U.S. Customs and Border Protection

- The US CBP had in June 2020 engaged the Malaysian Rubber Glove Industry in dialogue and discussion, expressing their concerns on news reports highlighting instances of FORCED LABOUR in many developing countries such as Democratic Republic of Congo, Malawi, Uzbekistan and also Malaysia.
- The industry, through the Malaysian Rubber Glove Manufacturers Association (MARGMA), has assured that forced labour is a matter taken very seriously by the industry players, and that the necessary measures have been taken wherever possible and continue to be taken and improved upon over time. In fact, the Association had called on all members to join SEDEX and to adopt the SMETA best practices in terms of the 4 pillars of labour, health, safety and environment. This was unanimously agreed to be all the members.
- The Supermax Group is fully committed towards social compliance and strives to ensure that there are no forced labour practices at its factories and have implemented various initiatives towards this end. To validate the efforts put in and the progress made, the company had in 2018 commissioned and successfully undergone a SMETA audit conducted by independent international auditors as mentioned in the preceding slide. Existing policies and procedures are constantly being reviewed for gaps if any and for further improvements. As part of efforts to improve further, the Group is looking into engaging an internationally accredited consulting firm to provide guidance on further best practices.

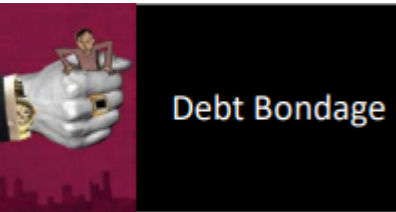


U.S. Customs and Border Protection

Measures taken by Supermax to address forced labour indicators highlighted by the US CBP include:



Workers' passports and other identification documents are no longer held by the company and are kept by the workers themselves. Secure lockers have been installed for the workers to safekeep their important documents.



Debt-Free Recruitment Policy implemented whereby the company engages reputable recruitments agencies with the arrangement that all agent fees and other recruitment-related fees are absorbed by the Company on behalf of the workers.



Malaysian Labour Law cap of not more than 104 hours of overtime a month is strictly observed. Workers have a day off each week and those keen to work overtime are allowed up to 3 hours overtime a day (or 72 hours a month).



THANK YOU!

FOR FURTHER DETAILS ON SUPERMAX, CONTACT US AT:

Distribution Websites:

www.supermax-inc.com

www.supermaxcanada.com

www.supermax-brasil.com

www.supermax.hk

www.supermax.co.uk

www.aureliagloves.com.sg

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