

Flash Note: UG Healthcare Corporation Limited

Date: 14 August 2020

Results Note

UG Healthcare Corporation Limited (“**UGHC**”, the “**Company**”, and together with its subsidiaries, the “**Group**”), which produces latex and nitrile gloves and accessories for medical and other uses, achieved record revenue and net profit for financial year ended June 2020. The stellar performance stemmed from a surge in demand worldwide for protective gloves driven by the pandemic crisis.

Financial Review

The global outbreak of COVID-19 has raised the awareness of hygiene across the globe and has inevitably increased the supposed usage of medical supplies. This has led to a sudden surge in the demand for gloves globally and benefited UGHC financially, particularly in Q4FY20.

Revenue: For FY20, UGHC recorded a 57.2% or S\$52.5 million increase in revenue from S\$91.7 million in FY19 to S\$144.2 million in FY20. The increase was mainly attributed to the rise in volume of gloves produced and sold, as well as the increase in the average selling prices (“**ASP**”) of gloves as a result of a significant increase in the demand of gloves due to the outbreak of COVID-19. The spike in revenue came in 2HFY20, which saw revenue increase by 80.9% to S\$91.7 million. According to the result announcement, the bulk of this was booked in Q4 (Apr-Jun 2020). ASP for gloves has risen on a monthly basis since March, and looks likely to last till Sep 2020.

Gross Profit: Gross Profit for FY20 increased approximately 127.3% or S\$23.8 million to S\$42.5 million. Bulk of the gross profit increase was recorded in 2HFY20, which saw gross profit increase to S\$32.8 million for the period and made up 77.2% of the full year gross profit.

Gross Profit Margin: As a result of the increase in gross profit, UGHC’s gross profit margin rose by 910 basis point from 20.4% in FY19 to 29.5% in FY20. Comparatively, the Group’s gross profit margin surged by 1600 basis point from 20.0% in 2HFY19 to 36.0% in 2HFY20. The improvement was mainly due to better production efficiency and increase in ASP for gloves while cost of raw materials remained relatively stable.

Net Profit Attributable to Owners: Overall, net profit attributable to owners of the company leaped by approximately 5.3 times from S\$2.5 million in FY19 to S\$13.4 million in FY20. For 2HFY20 alone, net profit attributable to owners of the company increased by approximately 10.6 times to S\$12.6 million as compared to S\$1.2 million recorded from a year ago.

Dividend: UGHC proposes a first and final (tax-exempted) dividend of 0.714 Singapore cents per ordinary share for FY20, which is an increase from 0.259 Singapore cents in FY19. Shareholders will have the option of receiving the dividend in scrip or cash.

(S\$'000)	2H FY20	2H FY19	Y-o-Y Change	FY20	FY19	Y-o-Y Change
Revenue	91,031	50,317	+80.9%	144,209	91,712	+57.2%
Gross Profit	32,756	10,051	>100%	42,519	18,716	>100%
Gross Margin	36.0%	20.0%	+16.0 pp	29.5%	20.4%	+9.1 pp
Net Profit ⁽¹⁾	12,556	1,188	>100%	13,402	2,507	>100%
EPS ⁽²⁾ (cents)	6.40	0.61	>100%	6.83	1.30	>100%

⁽¹⁾ Net profit attributable to owners of the Company

⁽²⁾ EPS is based on the average weighted number of shares of 196.1 million as at 30 June 2020 and 193.3 million as at 30 June 2019.

Source: Company Data, SAC Capital

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Expansion Plan

UGHC had completed its major modification and upgrading of some of its existing production lines in early May 2020 and has been operating at its optimum efficiency of 2.9 billion pieces of gloves per annum.

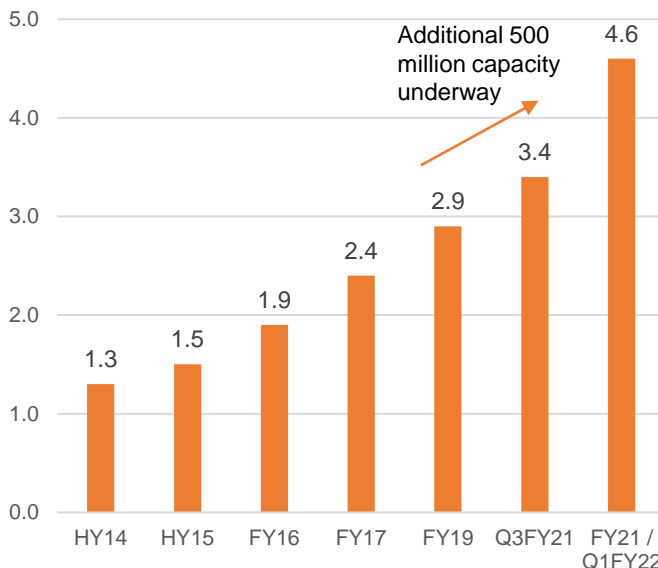
The Group is intending to bring forward its production capacity expansion plans to cope with the increase in demand. The earlier planned additional capacity of 300 million pieces of gloves per annum by end June 2021, will be brought forward to March 2021 and the intended additional capacity will be raised by 200 million pieces per annum to 500 million pieces of gloves per annum with advancements in the design and technology of the production lines. This will increase UGHC's production capacity by 17.2% to 3.4 billion pieces of gloves per annum by March 2021 or Q3FY21.

In addition, the Group is also planning to expedite a further expansion in its production capacity by another 1.2 billion pieces per annum (or 35.3%) by end June 2021 or beginning of first quarter in FY22. This will bring UGHC's installed production capacity to a total of 4.6 billion pieces of gloves per annum.

About UG Healthcare Corporation Limited

UGHC is an established natural latex and nitrile examination gloves manufacturer with its own extensive distribution network. The Group is also involved in the distribution of ancillary products such as surgical, vinyl and cleanroom gloves, face masks and other medical disposables. Currently, the Group has two manufacturing facilities located in Seremban, Malaysia. To complement this manufacturing, it has established an extensive distribution network globally through its own distribution companies based in the USA, UK, Germany, the PRC, and Nigeria, as well as through third party distributors.

Production Capacity



Source: Company Data, SAC Capital

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