UGHEALTHCARE CORPORATION

(Incorporated in Singapore with Unique Entity No.: 201424579Z)
website: www.ughealthcarecorporation.com
SGX stock code: 8K7

UG Healthcare posts S$36.8 million net profit for FY22

- **OBM business model moderated volatility magnitude as disequilibrium in the demand and supply of disposable gloves led to rapid decline in ASP across all product segments and undermined gross margins and earnings**
- **Board proposes a final dividend of 0.32 Singapore cents per share and a special dividend of 0.32 Singapore cents per share, which brings total dividend for FY22 to 0.64 Singapore cents per share**
- **Group to harness strengths through integrated OBM foundation to break new grounds, expanding product portfolio beyond disposable gloves**

Key Financial Highlights:

FYE 30 Jun (S$'000)	2H FY22	2H FY21	YoY Change	FY22	FY21	YoY Change
Revenue	115,320	178,984	- 35.6%	232,598	338,401	- 31.3%
Gross profit	39,836	96,932	- 58.9%	84,386	196,160	- 57.0%
Gross margin	34.5%	54.2%	- 19.7 pp	36.3%	58.0%	- 21.7 pp
Profit before tax	22,850	77,354	- 70.5%	48,761	159,403	- 69.4%
Net profit after tax	19,742	58,816	- 66.4%	39,798	119,944	- 66.8%
Net profit (1)	15,549	63,826	- 75.6%	36,795	118,765	- 69.0%
Net margin	13.5%	35.7%	- 22.2 pp	15.8%	35.1%	- 19.3 pp
EPS (2) (cents)	2.48	10.37	- 76.1%	5.93	19.42	- 69.5%

Notes:

* 2H denotes six months ended 30 June and FY denotes 12 months ended 30 June.

(1) Net profit attributable to owners of the Company.

(2) Earnings per share ("**EPS**") is based on the average weighted number of shares of 623.8 million for 2H FY22, 616.3 million for 2H FY21, 620.2 million for FY22 and 611.5 million for FY21.

Singapore, 25 August 2022 – UG Healthcare Corporation Limited 优格医疗集团 ("**UG Healthcare**" and together with its subsidiaries, the "**Group**"), an own brand manufacturer that markets and sells proprietary **UNI**GLOVES® branded products through its own established global downstream distribution network, delivered lower revenue and net profit of S$232.6 million and S$36.8 million, respectively, for the financial year ended 30 June 2022 ("**FY22**"). While demand remains strong for hand protection for safety and hygiene purposes, the rapid downward adjustments in average selling price ("**ASP**") of disposable examination gloves to pre-Covid levels arose from the increase in global supply, resulting in customers' preference to hold lower inventory. This underscored the Group's weaker financial performance for FY22 as more countries progress from the pandemic phase to the endemic phase.

Mr. Lee Jun Yih, Executive Director and Finance Director of UG Healthcare said, "**The volatility in ASP and the disequilibrium in the demand and supply of disposable gloves reflects a reversal of how things were when the pandemic started more than two years ago. We are thankful that our own brand manufacturing ("OBM") business model moderated the magnitude of the volatility in these trying times. As we adapt to normality, we have to recalibrate our upstream manufacturing and downstream distribution businesses to overcome a new set of market dynamics and challenges in the near future.**"

The commencement of the additional production capacity of 1.2 billion pieces of gloves per annum, which was originally scheduled for May 2022 was delayed by the shortage of manpower. While the Group has recently obtained the relevant approval to recruit foreign workers, the new employees are expected to arrive progressively from October 2022. Hence, the new manufacturing facility for disposable gloves that is expected to bring the total installed production capacity to 4.6 billion pieces of gloves per annum is likely to be commissioned from October 2022 onwards.

"**While we are confident that our base of downstream distribution customers can absorb our planned production capacity of 4.6 billion pieces of gloves per annum, which will be produced primarily under our proprietary UNIGLOVES® brand, we are mindful of further capacity expansion in the production of disposable gloves in the near future as it is likely to take some time for the global markets to achieve the new equilibrium in the demand-supply of disposable gloves. This is despite greater awareness of the need for hand protection for safety and hygiene purposes.**

We will instead harness our strengths through our integrated OBM foundation to break new grounds, expanding our product portfolio beyond disposable gloves. The diversification into non-glove healthcare related products requires opportunities and time to cultivate demand and build customer base. We will build on our downstream distribution capabilities in our pursuit to expand our product portfolio and correspondingly, broaden our earnings base, which we believe will give us an edge to achieving sustainable growth in the long term," adds Mr. Lee.

The Group launched a new range of proprietary branded reusable gloves for users in heavy industries in October 2021. This range of reusable gloves offers comprehensive hand protection against major workplace hazards in heavy industries including chemicals, railway and energy. As a new entrant to the heavy industries, the Group will dedicate resources to establish its brand and market presence, as well as cultivate demand for its proprietary branded reusable gloves with the new set of customers.

FINANCIAL REVIEW

The Group recorded lower revenue and gross profit in FY22 on the back of rapid decline in the ASP across all product segments as a result of the increase in market supply of disposable examination gloves, and customers' preference to hold lower inventory in view of the downtrend in the ASP.

Revenue analysis by product segments

FYE 30 Jun (S$'000)	Revenue			Gross Profit			Gross Margin	
	FY22	FY21	YoY Change	FY22	FY21	YoY Change	FY22	FY21
Latex examination gloves	110,496	147,293	- 25.0%	39,924	92,932	- 57.0%	36.1%	63.1%
Nitrile examination gloves	115,451	176,427	- 34.6%	43,828	99,922	- 56.1%	38.0%	56.6%
Other ancillary products	6,651	14,681	- 54.7%	634	3,306	- 80.8%	9.5%	22.5%
Total	**232,598**	**338,401**	**- 31.3%**	**84,386**	**196,160**	**- 57.0%**	**36.3%**	**58.0%**

In the financial year under review, production volume of disposable examination gloves produced at the Group's upstream manufacturing increased gradually after its manufacturing facilities and workforce capacity fully resumed. However, sales revenue in key markets were affected as the Group continued to face delays in shipment of products and slower sales as customers preferred to hold lower inventory.

Revenue analysis by key markets

FYE 30 June (S$'000)	FY22	FY21	YoY Change
Europe	116,010	162,745	- 28.7%
North America	24,005	26,452	- 9.3%
South America	35,707	75,639	- 52.8%
Africa	11,998	18,207	- 34.1%
Asia	40,751	46,473	- 12.3%
Others	4,127	8,885	- 53.6%
Total	**232,598**	**338,401**	**- 31.3%**

Note: As a result of the integrated supply chain, the Group recognises sales only after the products have been sold by the distribution companies. The goods in transit and in the warehouses of its distribution companies are recorded as inventory, and can only be recognised as revenue when they are sold to end consumers.

Gross profit decreased by 57.0% year-on-year from S$196.2 million in FY21 to S$84.4 million in FY22. This was in tandem with lower revenue arising from lower ASP across all product segments, which was partially offset by lower raw material prices despite an increase in production volume. Correspondingly, gross profit margin declined from 58.0% in FY21 to 36.3% in FY22.

Other income decreased by 42.8% year-on-year from S$1.3 million in FY21 to S$0.7 million in FY22 as a foreign exchange loss was recognised in FY22. Other expenses increased from S$0.6 million in FY21 to S$2.4 million in FY22 mainly due to foreign exchange loss arising from the volatility of the functional currencies of the Group's distribution subsidiaries, namely the Brazilian Real, the Renminbi and the British Pound against the US Dollar.

Total operating expenses comprising marketing and distribution expenses and administrative expenses decreased by 17.7% year-on-year from S$40.4 million in FY21 to S$33.2 million in FY22. The reduction stemmed from the decrease in administrative expenses as (i) groupwide staff bonuses and commission were reduced in tandem with the decline in revenue and profit, and (ii) additional costs and service charges relating to the implementation of strict precautionary measures against Covid-19 infection had declined.

Finance costs increased by 33.3% year-on-year from S$0.6 million in FY21 to S$0.8 million in FY22, due to the increase in long-term borrowings for the construction of the new factory and production lines for the additional capacity of 1.2 billion pieces of gloves per annum, as well as an increase in interest rate.

Share of profits from associates saw a significant decline from S$3.6 million in FY21 to S$0.1 million in FY22 due to lower profits reported by its associates in Germany and the USA, as a result of the decrease in the ASP of gloves. After taking into account tax expenses and minority interests, the Group's net profit attributable to shareholders declined from S$118.8 million in FY21 to S$36.8 million in FY22.

FINANCIAL POSITION

FYE 30 Jun (S$'000)	As at 30 June 2022	As at 30 June 2021
Equity attributable to the owners of the Company ("**Net asset value**")	228,900	190,636
Cash and bank balances	100,218	68,441
Long-term bank borrowings	10,273	5,303
Short-term bank borrowings	6,186	9,957
Net asset value per share	S$ 0.3669	S$ 0.3093

Note: Net asset value per share was computed based on the share capital of 616.3 million shares as at 30 June 2021 and 623.8 million shares as at 30 June 2022.

The Group strengthened its balance sheet in FY22 with net asset value increasing from S$190.6 million as at 30 June 2021 to S$228.9 million as at 30 June 2022. Correspondingly, net asset value per share increased from S$0.3093 as at 30 June 2021 to S$0.3669 as at 30 June 2022. The Group also maintains a strong net cash position of approximately S$83.8 million as at 30 June 2022.

Taking into consideration the global economic slowdown and geopolitical uncertainties, the Board is of the view to conserve cash resources for the Group's future expansion. The Board has proposed a special dividend of 0.32 Singapore cents per share and a final dividend of 0.32 Singapore cents per share for FY22 as a token of appreciation to shareholders. The total dividend of 0.640 Singapore cents for FY22 is a slight increase from 0.611 Singapore cents in FY21.

The Company will update shareholders on material developments of the Group, as and when they arise.

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This media release is to be read in conjunction with the Company's results announcement posted on the SGX website on 25 August 2022.

UG HEALTHCARE CORPORATION 优格医疗集团

(Stock Code – SGX: 8K7 | Bloomberg: UGHC SP | Reuters: UGHE.SI)

UG Healthcare Corporation Limited ("**UG Healthcare**" and together with its subsidiaries, the "**Group**") is an own brand manufacturer that markets and sells proprietary **UNI**GLOVES® branded products through its own established global downstream distribution network.

The Group owns and operates an extensive downstream network of distribution companies with a local presence in Europe, United Kingdom, USA, China, Africa and South America, where it markets and sells its proprietary **UNI**GLOVES® brand of disposable gloves. The Group also distributes ancillary products including surgical gloves, vinyl and cleanroom disposable gloves, reusable gloves, face masks and other medical disposables.

These downstream distribution companies are supported and complemented by the Group's own upstream manufacturing division, manufacturing natural latex and nitrile disposable gloves under its **UNI**GLOVES® brand and third-party labels in its upstream manufacturing facilities located in Malaysia.

The Group's upstream manufacturing is certified by British Standards Institution ("**BSI**") for ISO 9001:2015, ISO 13485:2016 and EN ISO 13485:2016 for the scope of manufacture and supply of natural latex and nitrile latex examination gloves.

Its **UNI**GLOVES® brand of disposable gloves offers an extensive product range that includes both specialised products, with a variety of coatings, scents, colours, thickness, antimicrobial properties for more specialised users, as well as generic products. These products are used across a diverse range of industries requiring cross infection protection and hygiene standards, whilst catering to different applications and preferences.

The Group's proprietary brand of products conform to various international standards and requirements, including the ASTM International (formerly known as American Society for Testing and Materials), European standard for medical gloves ("**EN455**"), ISO 11193 standards (International Organization for Standardization for Single-use medical examination gloves), CE and UKCA Type Examination Certificates of Latex and Nitrile Examination Gloves PPE 2016(425) Cat III, Acceptance Quality Level requirements under the Food and Drug Administration ("**USFDA**"), China Food and Drug Administration ("**CFDA**"), Brazilian Health Regulatory Agency ("**Anvisa**") and the National Agency for Food and Drug Business Strategy Administration and Control ("**NAFDAC**").

For more information, please visit the company's website at www.ughealthcarecorporation.com

Issued for and on behalf of **UG Healthcare Corporation Limited** by:

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*This media release has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**").*

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