

MERCATOR

GLOBAL DISPOSABLE GLOVES MARKET

The global disposable gloves market size was estimated at USD 6.71 billion in 2019 and was expected to expand at CAGR of 11.2% from 2020 to 2027 without COVID-19 impact.

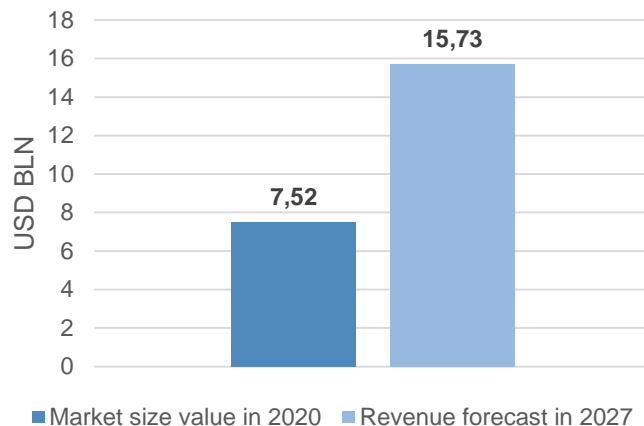
Nowadays market prices are strong above 2019.

Growing product demand in medical & healthcare, pharmaceutical, automotive finishing, chemical, and oil & gas industries has been a major factor driving market growth.¹

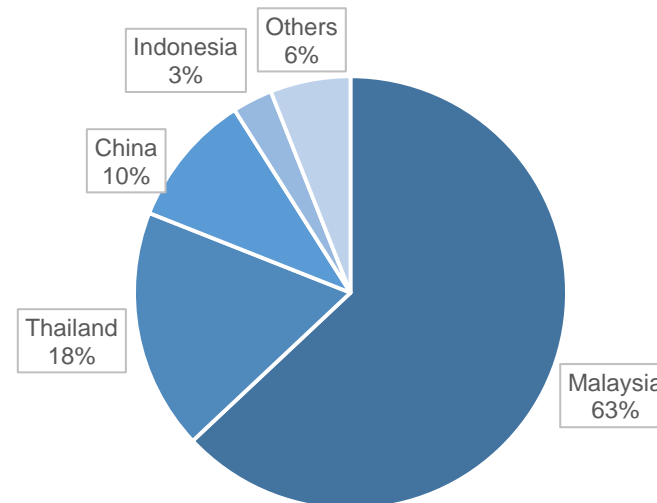
Growth factors:

- **consistent market growth supported by the lack of direct substitutes for disposable medical gloves**
- **expected further growth driven by an increase in the number of medical treatments, increased social awareness, tighter regulations and the global COVID-19 pandemic**
- **consequences of the growing problem of infectious diseases:**
 - increase in the number of cases of hepatitis B and C, HIV and other infectious diseases
 - increase in the number of infectious diseases and infections in hospitals
 - the trend of 'double gloving'
- **growth of the medical industry:**
 - health system reforms, the aging society and the development of advanced technologies
 - increasing health care standards and tightening regulations
 - expected increase in health care expenditure due to the convergence of emerging markets to developed countries and the growing demand for health care

Projected market size value without COVID-19 impact¹



Manufacturers²



¹ 'Grand View Research Disposable Gloves Market Size, Share & Trends Analysis Report By Material (Natural Rubber, Nitrile, Neoprene, Polyethylene), By Product (Powdered, Powder Free), By End Use (Medical, Non-medical), And Segment Forecasts, 2020 – 2027', <https://www.grandviewresearch.com/industry-analysis/disposable-gloves-market>

² 'MARGMA Industry Brief 2019 on the Rubber Glove Industry' Prospectus

ESTIMATED GLOBAL DEMAND

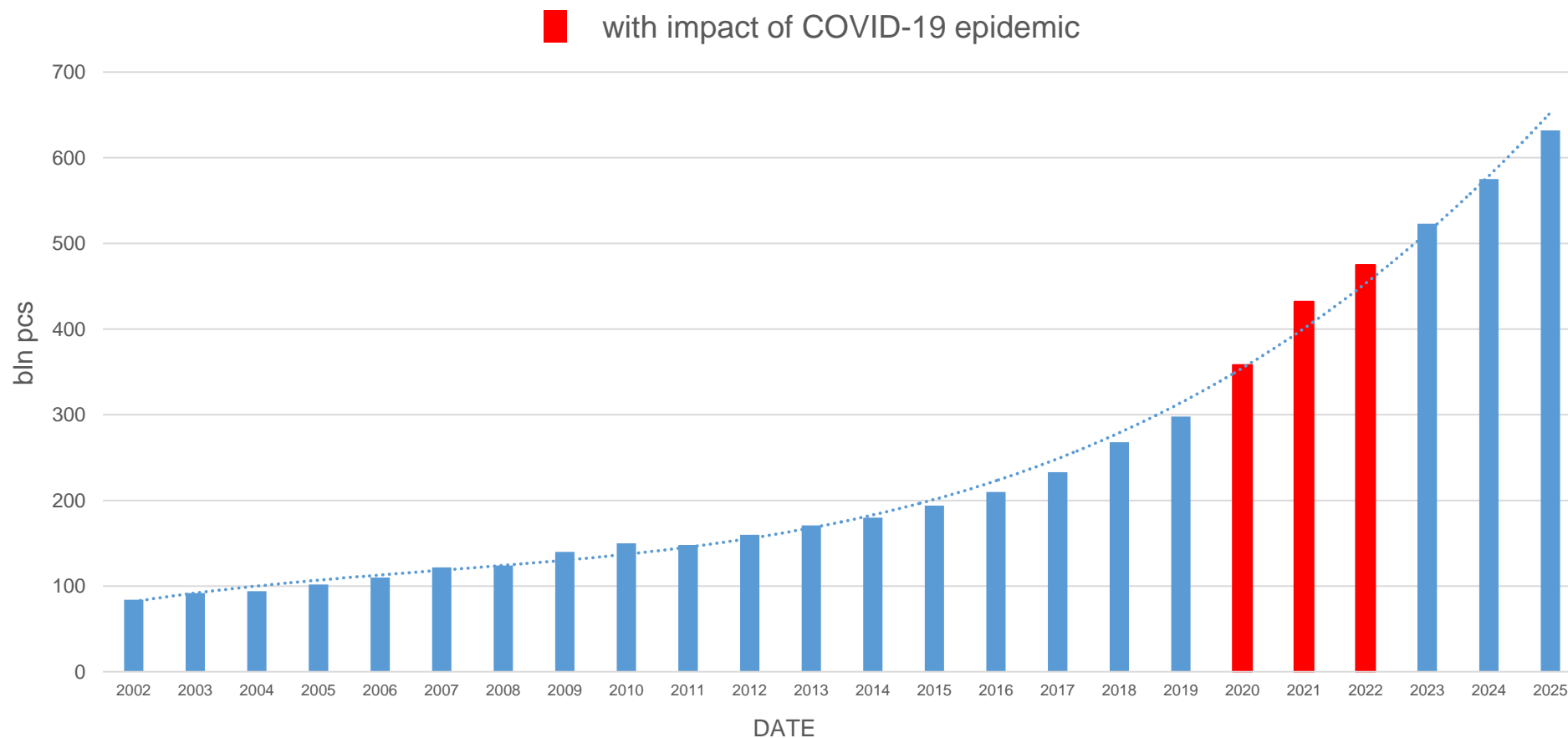
2020

Estimated
global demand:

360,000,000,000
(360 bln gloves)

Expected annual
growth:

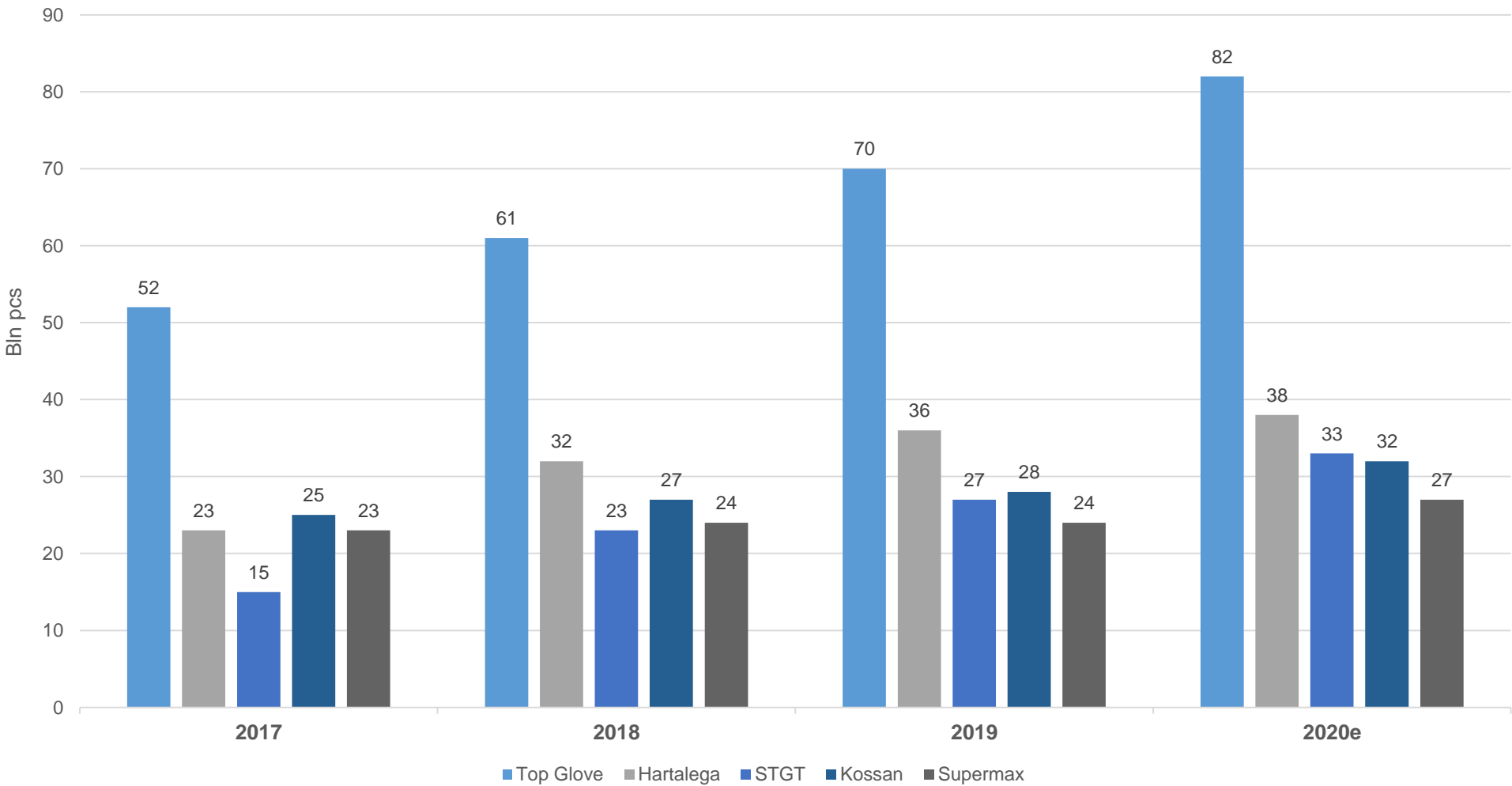
20% yoy



LARGELY INELASTIC GLOBAL SUPPLY OF GLOVES



Rubber glove capacity forecasts for 2020 of the top 5 producers



source: Company data, KS Research

MESSAGE FROM THE MANUFACTURER #1: „The best is yet to come – new peaks ahead”

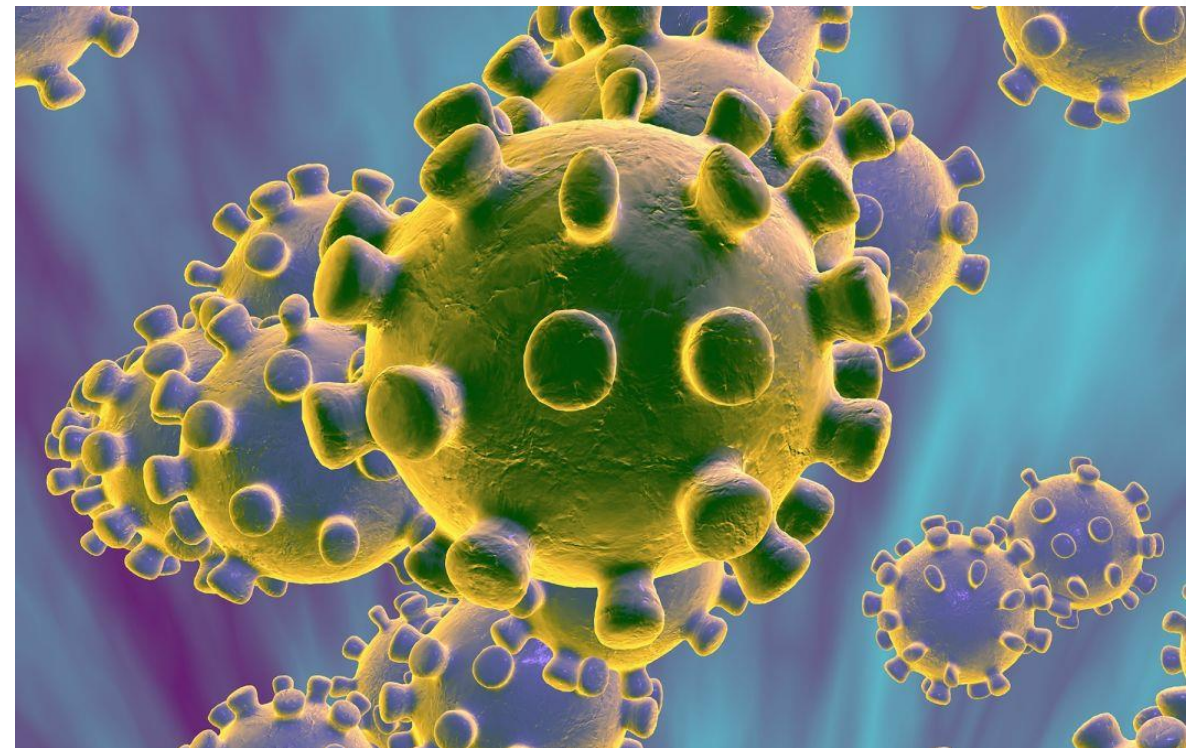
Top Glove Corporation presented on 17th Sept. 2020:

1) Surge in global demand will continue for at least next 2 years:

- Estimated strong global demand - starting 282 bn pcs in 2019, +55 bn pcs, +20% in 2020, +85 bn pcs, +25% in 2021, +63 bn pcs, +15% in 2022)
- Surge in global demand of 200 bn pcs from 2020 to 2022 will outstrip the estimated new supply from major manufacturers in Malaysia, Thailand and China
- New entrants will take up to 2 years to start production and not competitive due to small scale and unable to access raw material
- Vaccine will take years to be available for everyone globally
- Post pandemic growth will be higher than pre-pandemic due to heightened awareness in medical and non-medical sectors

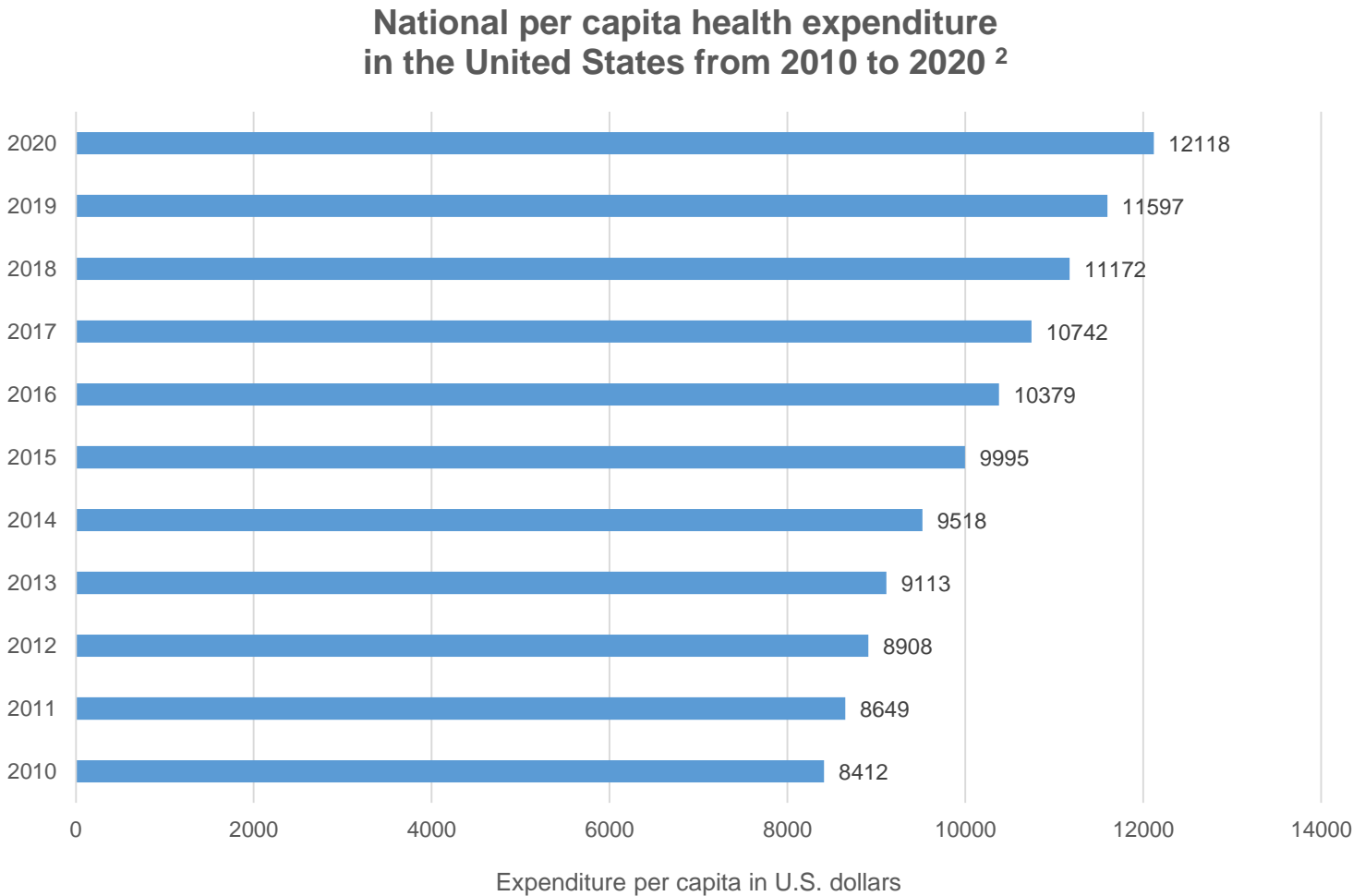
2) ASP (avg. sales price) will continue to rise:

- Lead time is increasing every month – Top Glove sales order book for nitrile gloves: pre-pandemic period – from 30 to 40 days, June 2020 – 540 days, July 2020 590 days, September 2020 – 620 days
- Nitrile raw material supply is constraint
- Top Glove said about ASP growth in Q4 2020 at +30%



North America is anticipated to register a CAGR of 11.4% over the forecast period (2020-2027). Factors including rising healthcare expenditure coupled with increasing elderly population and growing awareness pertaining to healthcare-acquired infections among healthcare workers are anticipated to have a positive impact on market growth. ¹

Data without COVID-19 impact

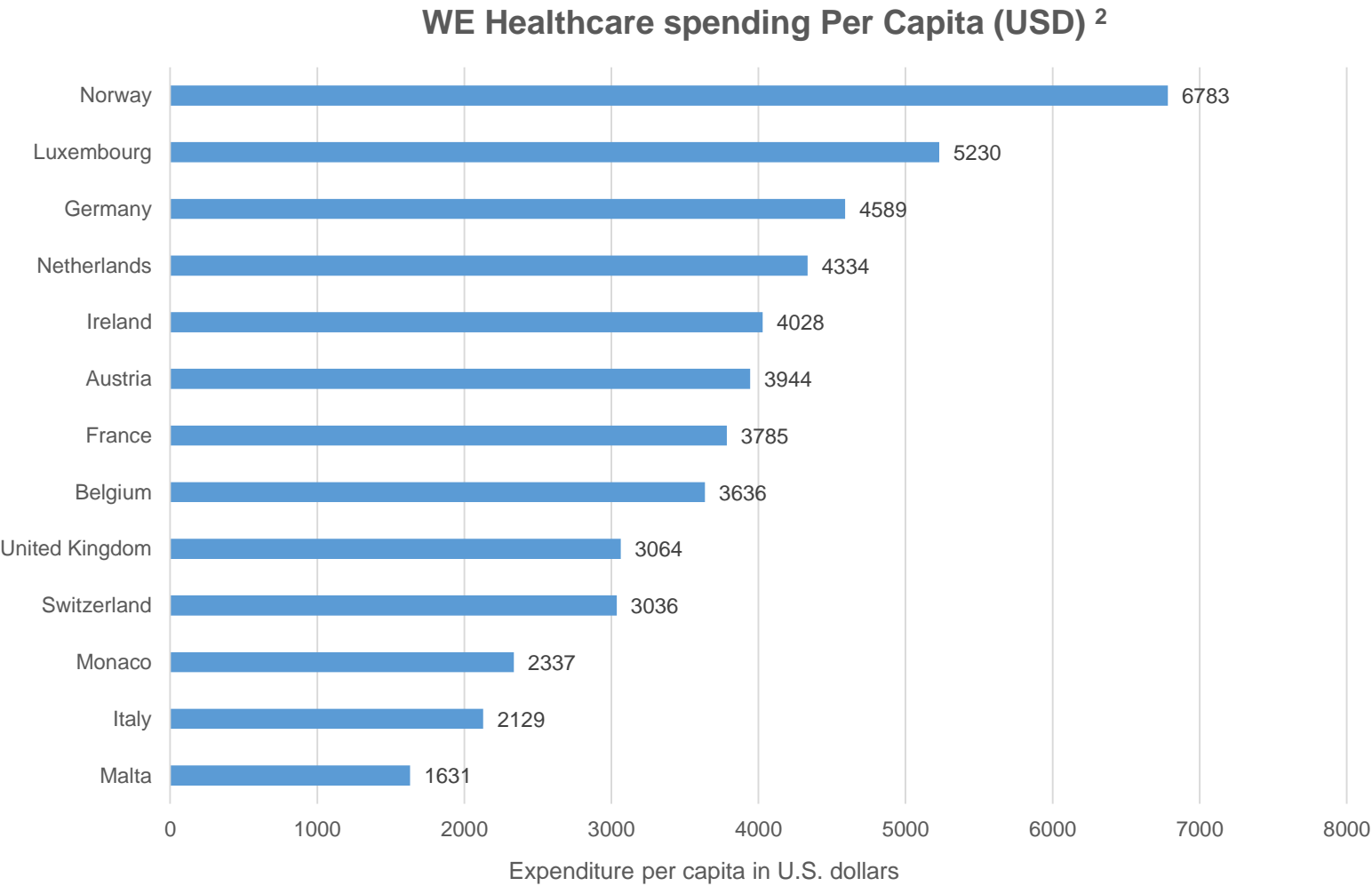


¹ 'Grand View Research Disposable Gloves Market Size, Share & Trends Analysis Report By Material (Natural Rubber, Nitrile, Neoprene, Polyethylene), By Product (Powdered, Powder Free), By End Use (Medical, Non-medical), And Segment Forecasts, 2020 – 2027', <https://www.grandviewresearch.com/industry-analysis/disposable-gloves-market>

² <https://www.statista.com/statistics/184955/us-national-health-expenditures-per-capita-since-1960/>

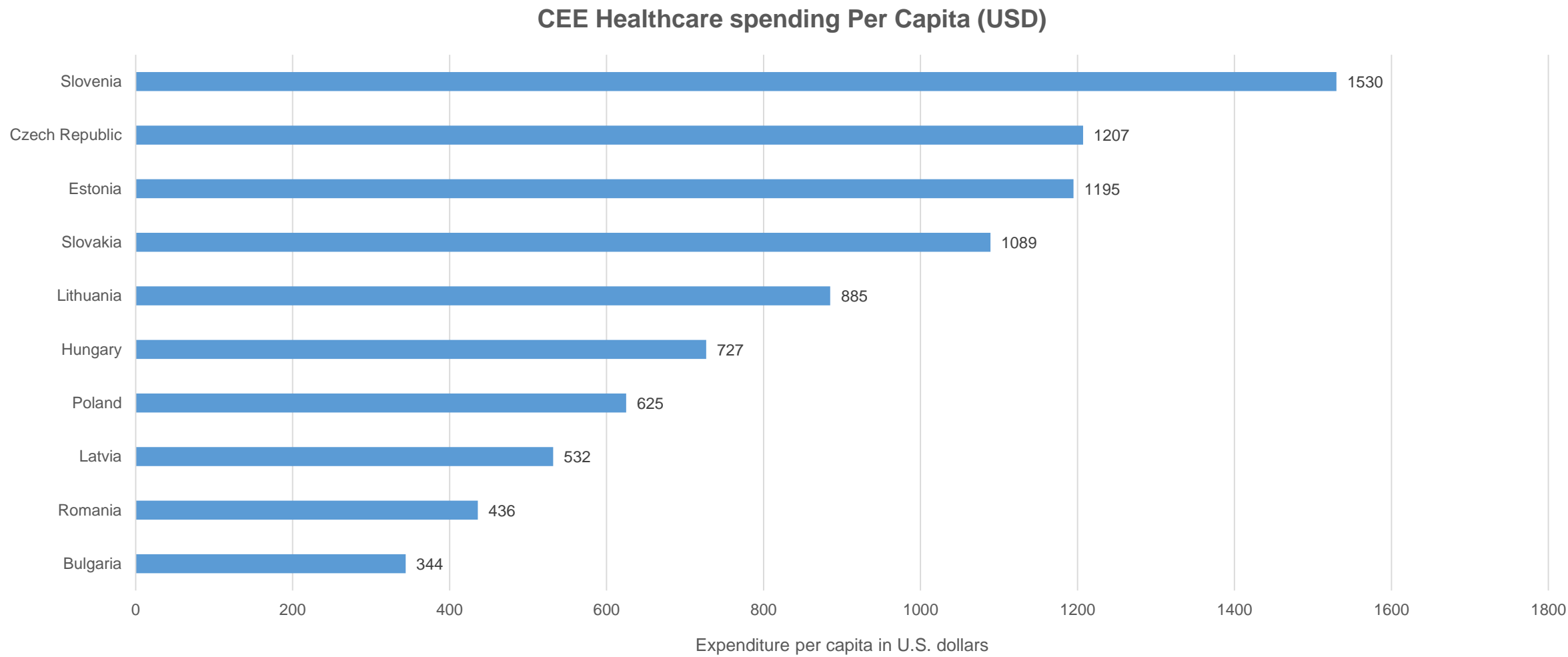
Europe was the largest regional segment, accounting for over 28.8% of the total market revenue in 2019 and is expected to witness moderate growth over the forecast period (2020-2027). An increasing number of occupational injuries coupled with growing requirements for highly effective protective gloves in majority of core industries such as food and beverage, oil and gas, automotive, and chemical is expected to augment the regional product demand.¹

Data without COVID-19 impact



¹ 'Grand View Research Disposable Gloves Market Size, Share & Trends Analysis Report By Material (Natural Rubber, Nitrile, Neoprene, Polyethylene), By Product (Powdered, Powder Free), By End Use (Medical, Non-medical), And Segment Forecasts, 2020 – 2027', <https://www.grandviewresearch.com/industry-analysis/disposable-gloves-market>

² <https://countryeconomy.com/government/expenditure/health>



source: countryeconomy.com/government/expenditure/health

REGIONAL INSIGHTS – OTHERS

Latin America

accounted for around 9.3% in terms of revenue. The market offers tremendous potential and opportunities in the field of disposable gloves. Improving healthcare infrastructure coupled with the expanding healthcare industry is expected to benefit the regional growth over the forecast period (2020-2027).

E-commerce role

E-commerce acts as a key factor driving the sale of disposable gloves and entering new markets, and expanding service offerings. Suppliers have been focusing on customer needs such as technical support and services. With the evolution of e-commerce, suppliers are able to source and supply products with reduced lead-time and faster delivery.

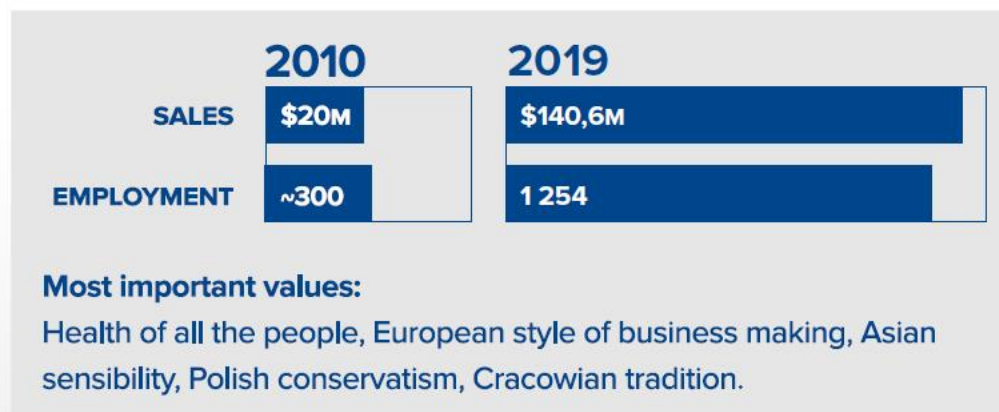
Asia Pacific

is expected to increase owing to expanding healthcare infrastructure including hospitals and clinics coupled with an increasing number of people opting for home care facilities and rising medical tourism in the region. In addition, the rapid spread of coronavirus across various countries including India, Japan, and Indonesia is further anticipated to augment the regional demand.

COMPANY OVERVIEW



is successful on the global market of medical gloves dominated by Asian companies.



Producer and distributor of non-woven, distributor of medical dressings in the CEE



The Polish parent company is present on the Stock Exchange Market

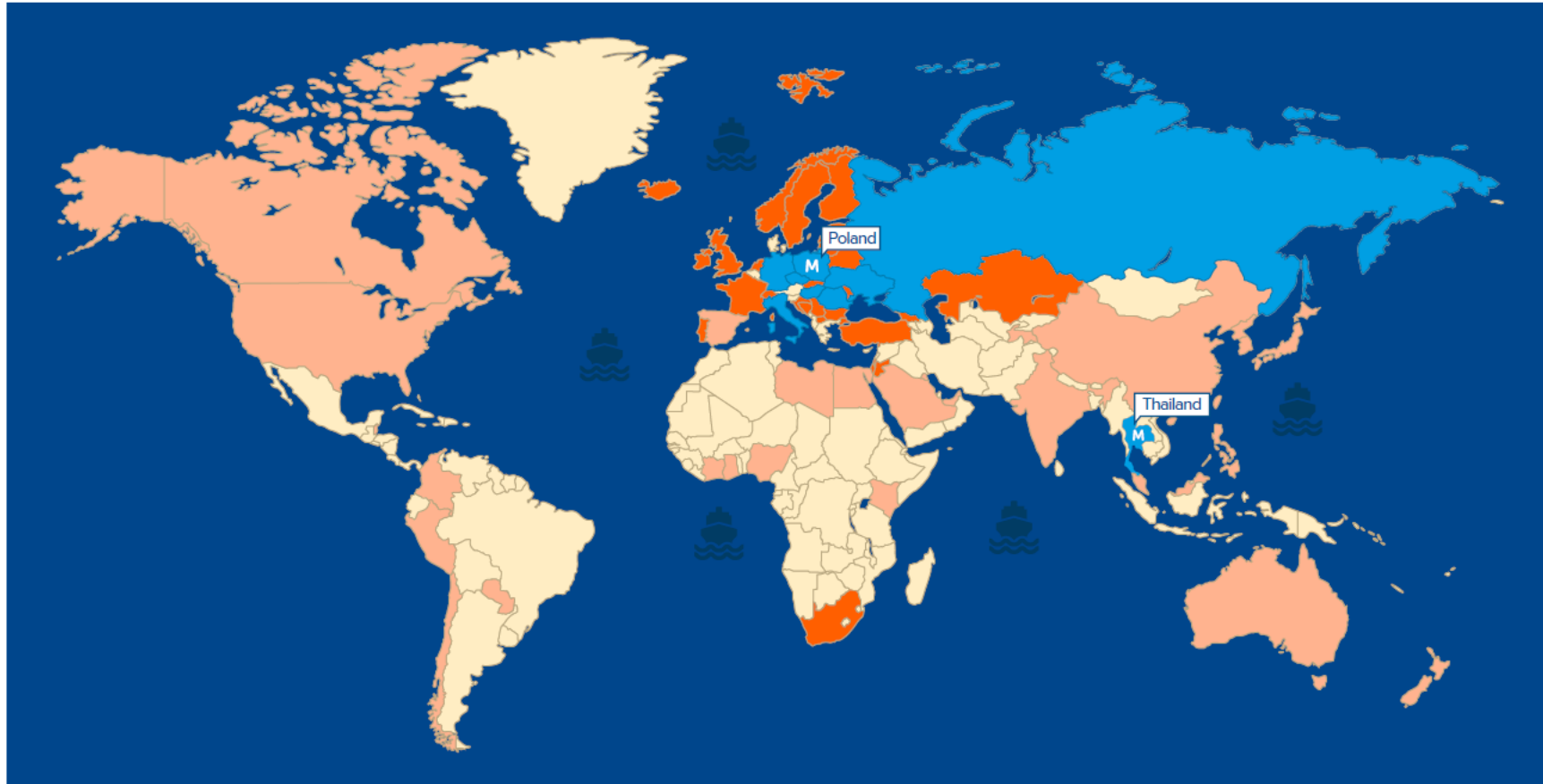
MISSION

Long-lasting, profitable, innovative work aiming to prevent infections and contamination.

VISION

Mercator Medical as a global concern, aiming to prevent infections and contamination.

FIELD OF ACTIVITY



The companies of Mercator Medical Group are present in the following countries

Poland	Thailand	Hungary
Czech	Romania	Italy
Russia	Ukraine	Germany

Sales:

- covered by the distribution of the Group branches
- covered by the factory in Thailand

2

3bln annual production capacity

1063 today's number of employees

2006 established year



main product
examination and industrial nitrile gloves



located in the **prime rubber production area** of the Ratthapum district, Songkhla province in southern Thailand



MEDICAL GLOVES PRODUCER



95% OF PRODUCTION CAPACITY
IS SOLD UNDER OEM

CUSTOMISATION OF CONTAINER FREIGHT SUPPLIES



in the scope of the mix of
products, appearance, packaging
size and quality and the manner
of container loading.



ISO QUALITY MANAGEMENT SYSTEMS IN THE FACTORIES IN THAILAND

International Organization for Standardization
ISO9001 / ISO 13485
CE Certification for examination gloves
Good Manufacturing Practices (GMP)
FDA 510(K) registration
Thai FDA





NEW PRODUCTION LINES

NOW MERCATOR MEDICAL'S
MONTHLY PRODUCTION EXCEEDS

260^M
PIECES



Production of raw material gloves from new ensures security of supply during periods of increased demand (e.g. epidemics)



Extension of the product portfolio to include **nitrile gloves** – the fastest-growing glove segment on the market



The production capacity to **3 billion** pieces a year



Sales to countries which require company registration



Responding to client needs in a flexible manner

SOLAR PANELS

7000 m² of surface area

-25% of energy costs

dedicated computer software managing energy at the establishment



WASTE WATER TREATMENT PLANT

2000 m³
of water suitable for
the production process a day

-74% of water costs

the total cost of treatment of
1 m³ water is 1,3 PLN/m³



SUPPORTING COVID-19 PREVENTION

Donations of **50 thousand** masks and **1,6 million** gloves for medical entities and governmental institutions



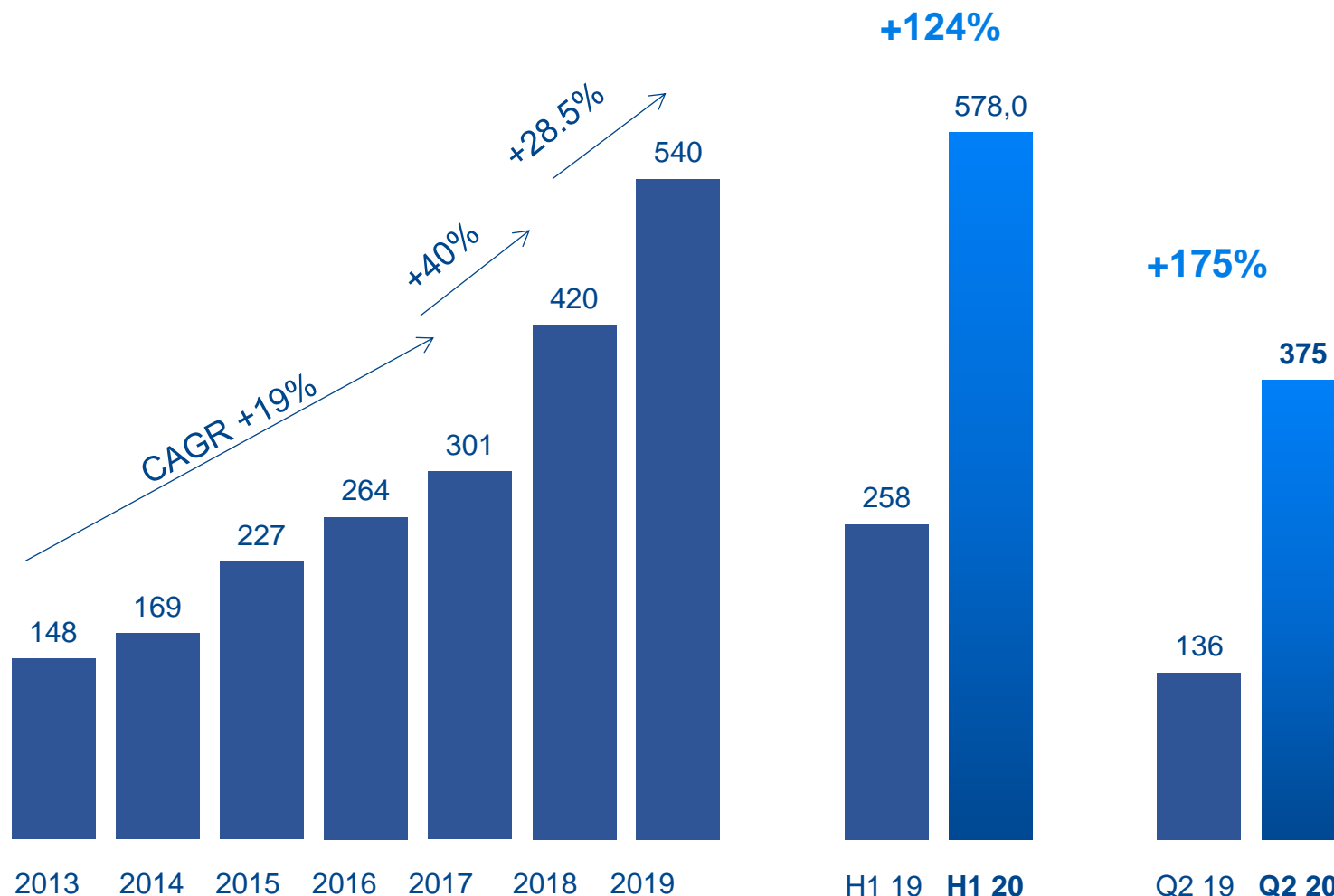
A blue-tinted background image showing several hands of different skin tones reaching upwards, symbolizing unity or growth.

FINANCIAL AND OPERATING RESULTS

DYNAMIC GROWTH OF SALES



Sales revenues (million PLN)



Long term growing scale of operations regardless of the business environment, taking advantage of the opportunities in 2020 (pandemic)

Revenues in Q1 2020 +67% yoy, +175% yoy in Q2 2020 mainly due to rising prices of gloves, distribution business growth and optimalization of production activities. (final change from NR to NBR and changes in product portfolio)

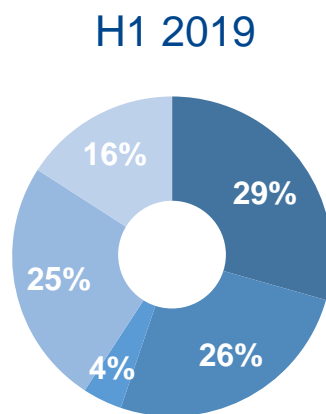
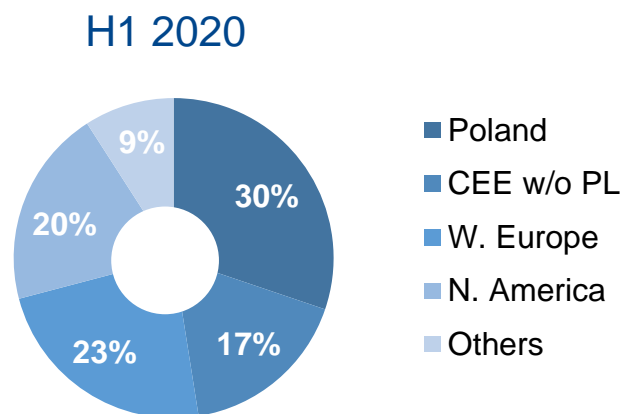
Revenues in H1 2020 higher than in entire year 2019

H1 2020: distribution segment +110% yoy (PLN 312,9m), production segment +163% yoy (PLN 302,5m).

Gloves accounted for 96.4% of the revenues, non-woven products segment – 3.2%, medical dressings segment – 0.4%.

GEOGRAPHICAL STRUCTURE OF REVENUES

- Poland as #1, domestic market in very good condition;
- The pandemic dramatically increases sales opportunities in the UK, Germany, Spain and Italy – faster implementation of the expansion strategy in Western Europe (revenues in H1 x13, + PLN 125m);
- The largest increases in sales by value in Poland and the UK (in total + PLN 191m), in the USA + PLN 51m;
- The increase in demand in Ukraine due to the better political and economic situation, Ukraine clearly overtook Russia;
- In Q2 2020 Western Europe accounted for 33% of sales (+27 pp), Poland for 25% (-3 pp), North America for 16% (-9 pp);
- Decline in CEE's share excluding Poland (from 25-27% in Q1-Q2 2019 to 20% in Q1 2020 and 16% in Q2 2020) due to i.a. temporary closure of borders for personal protective equipment (countries without seaports).

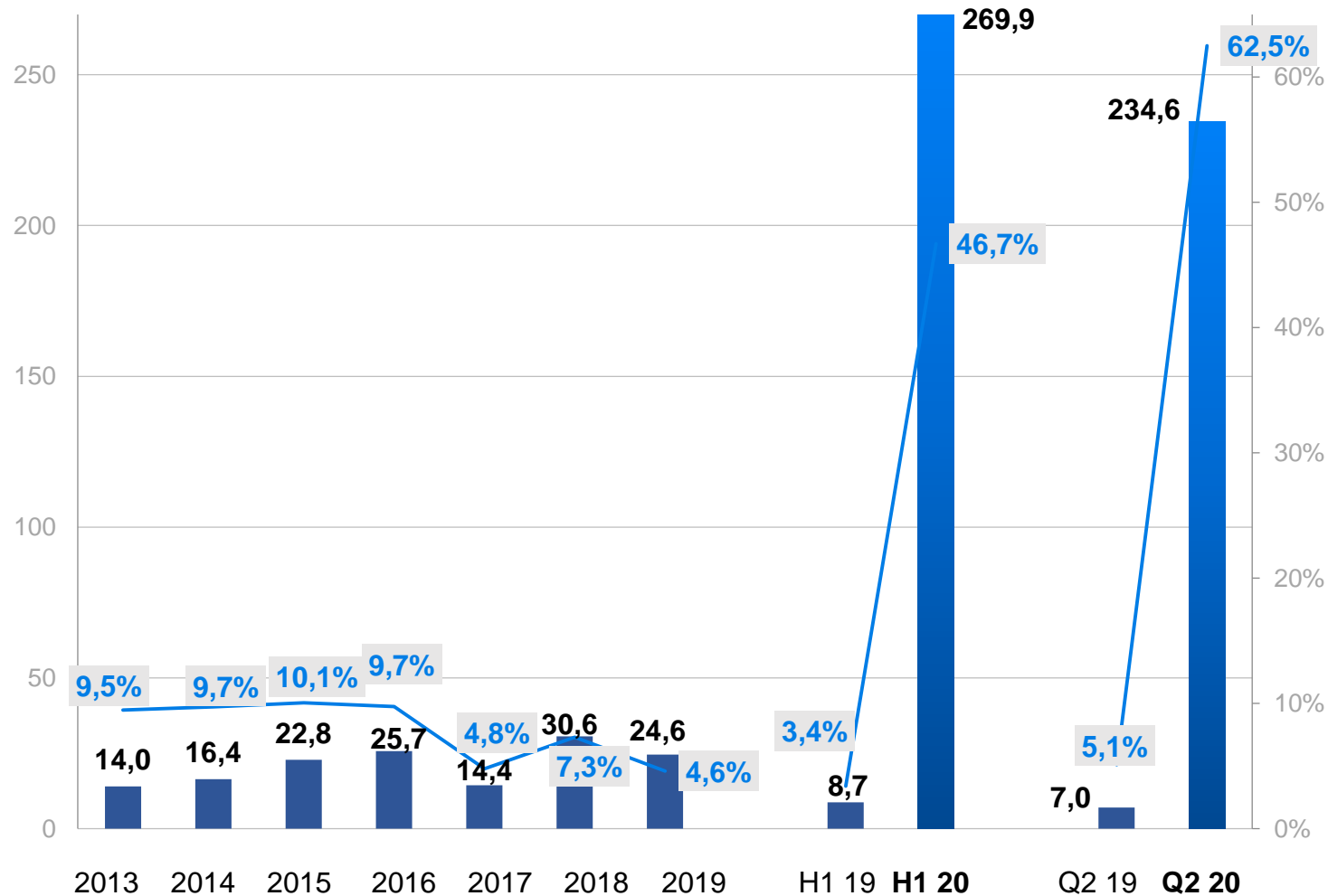


Country	H1 2020 (m PLN)	H1 2019 (m PLN)	Change yoy
Poland	174,4	75,6	+131%
USA	114,7	63,6	+80%
UK	94,3	1,8	x 53
Ukraine	30,8	15,8	+94%
Spain	24,4	3,6	x 7
Russia	21,3	17,4	+23%
Germany	17,7	1,7	x 11
Romania	14,9	11,4	+31%
Italy	10,1	5,3	+91%
Czechia	7,7	5,2	+48%
Hungary	7,0	5,4	+29%
Lithuania	5,2	3,0	+75%
Others	55,3	47,6	+16%

Direct participation in tenders in Poland, Romania and Hungary, additionally organized distribution in Russia, Czechia and Slovakia, Ukraine, Germany and Italy, in other countries sales through distributors

EBITDA – record values from 2020

EBITDA (m PLN) & EBITDA MARGIN (%)

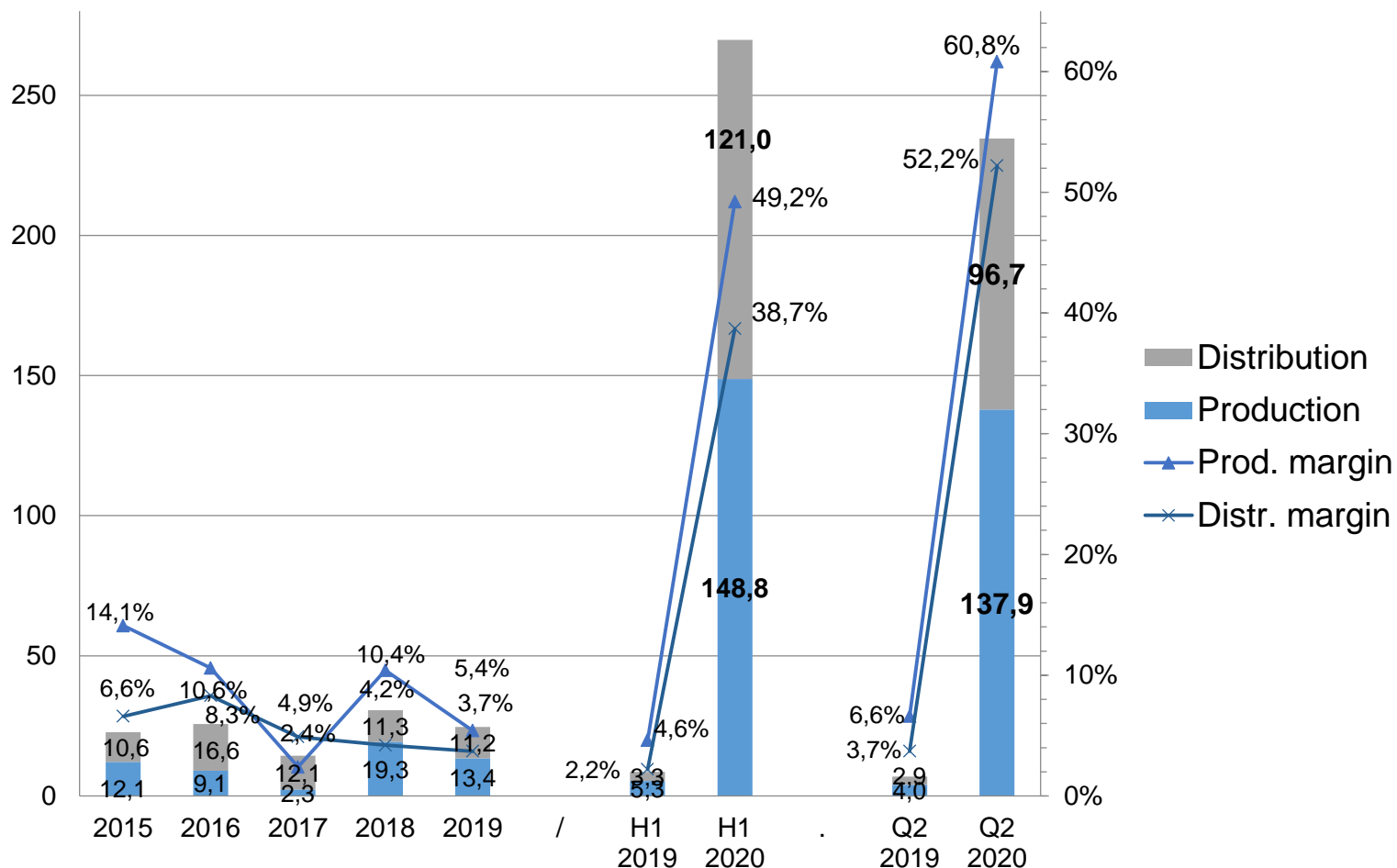


- CAGR for EBITDA for 2013-2016 is 22% and show the ability to dynamic long term growth in any business environment – confirmed in 2018-2019 after cleaning the reported results with temporary and one-offs events
- In H1 2020 record EBITDA margin mainly due to favorable market (pandemic) and cost situation (raw materials); EBITDA in Q2 2020 alone is higher than the total result generated in the previous history of the company

ADDED VALUE DUE TO DIVERSIFICATION

[m PLN]

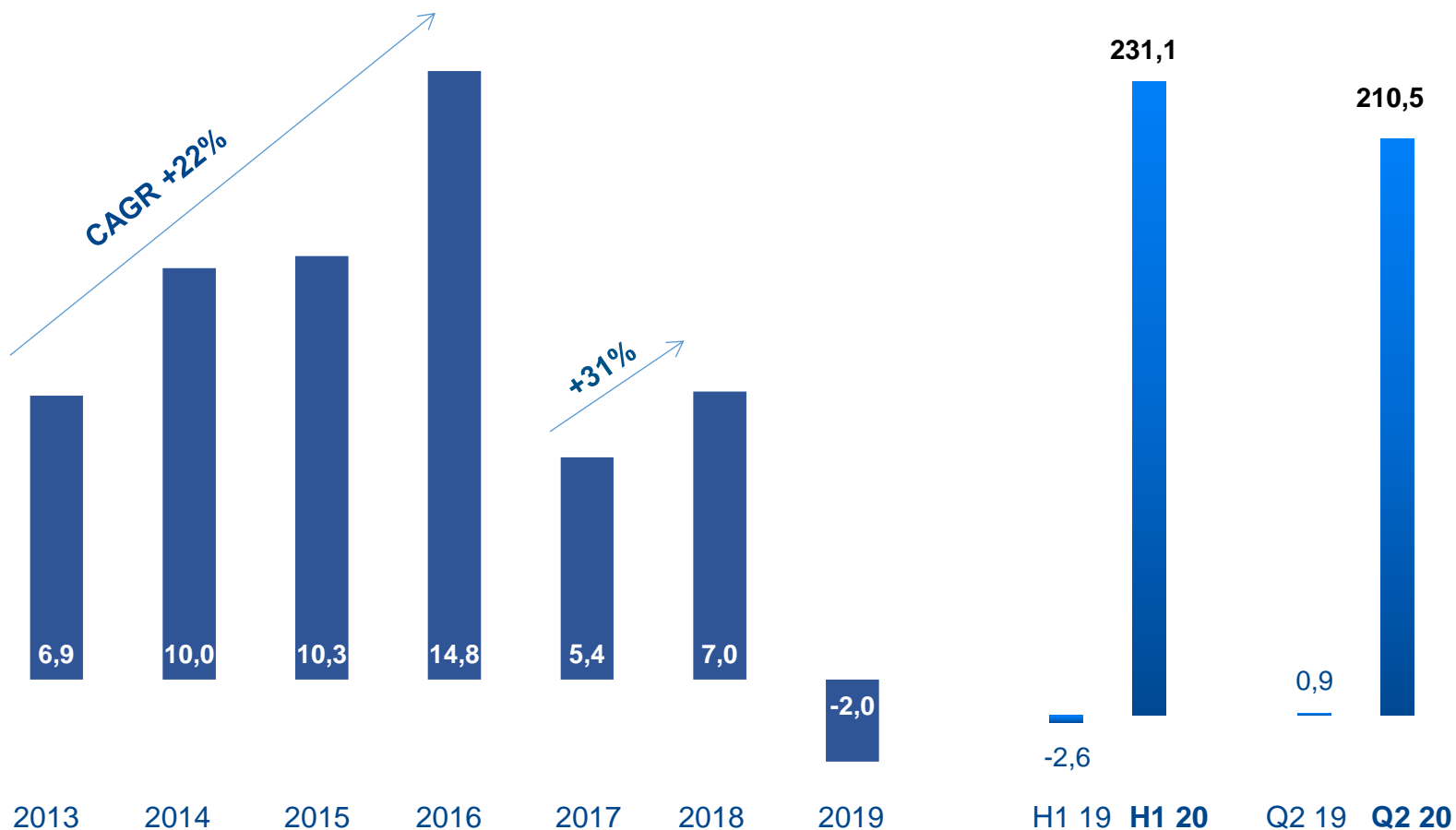
Decomposition of EBITDA



- The variability of margins in individual years is relatively high, which is typical for the industry; favorable strategic decision based on both distribution and production;
- The company conducted adjustments in 2019, including the implementation of an optimization plan at the factory in Thailand, which brings tangible results in 2020
- **H1 2020 strongly influenced by the market situation (pandemic), record margins in both operating segments. Increase in margins qoq - in Q2 2020 EBITDA margins of the production segment 61% and the distribution segment 52% compared to 14% and 19% in Q1 2020**

NET RESULT – record values from 2020

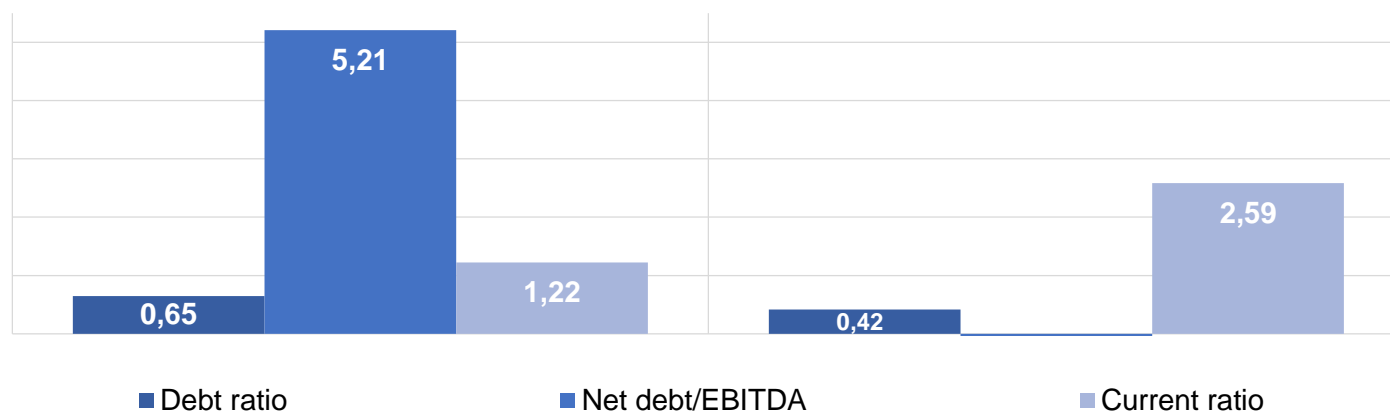
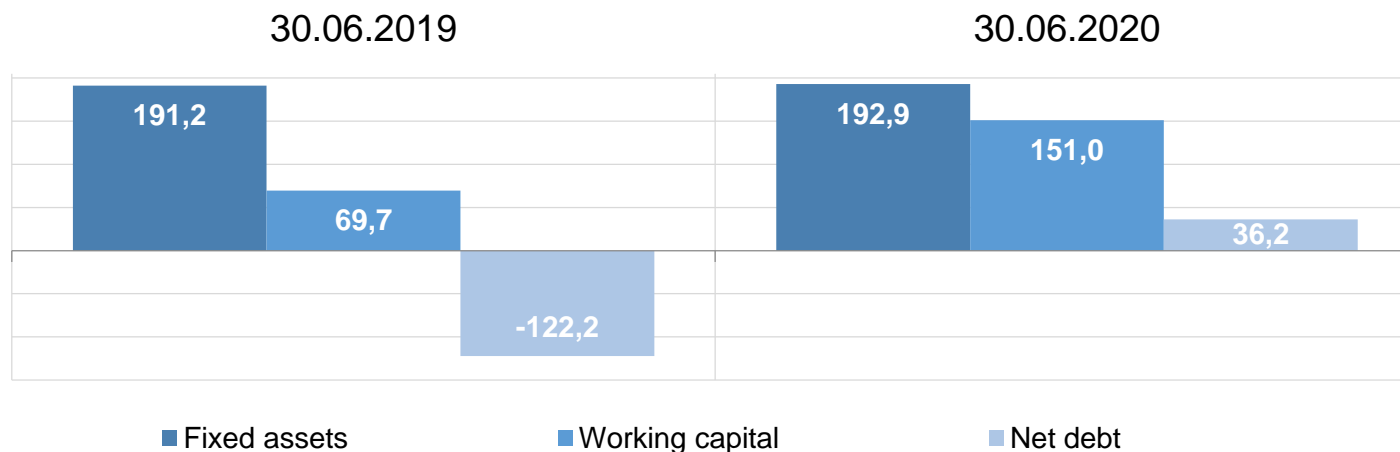
Net profit (m PLN)



- The decline in 2017 was mainly due to the environmental turmoil and the adjusted results would show a continuation of the upward trend; continuation of the positive trends in 2018, adjusting the results for temporary or one-off effects
- 2019 result burdened by internal and external factors which contributed to the reduction of EBITDA and an increase in financial costs related to the investment in the nitrile gloves production plant
- **In Q2 2020 a quarterly result 3.5 times higher than for the previous 10 calendar years. As a result, also the net result for entire H1 at a record level, following favorable trends in the market environment (mainly pandemic).**

HEALTHY BALANCE SHEET WITH NET CASH

[m PLN]



- Following the record H1 2020 profits, **the record-breaking operating cash flow of PLN 194.6m**, which generated PLN 139m of total cash inflows. Cash at the end of Q2 is PLN 153.8m. As a result, negative net debt (cash exceeds financial debt)
- Increase in current assets related to the increase in the scale of operations and cash resources, stable level of fixed assets after the completion of investment in the nitrile gloves factory
- Favorable, very strong **decrease in the net debt / EBITDA LTM ratio from 5.21 at the end of June 2019 to -0.13** at the end of June 2020, following the surge in EBITDA in H1 2020; safe overall debt ratios and high liquidity ratios

What next?

- Oct 2020 – possible publication of preliminary, estimated financial results for Q3 2020
- 28th Oct 2020 – GM in order to raise the buy-back price
- 16th Nov 2020 – publication of the Q3 2020 financial report
- Q4 2020 / Q1 2021 – publication of the 2021+ strategy (principles: dividend and smart investments); **high profits, good prospects and a healthy balance sheet with no investment debt (repaid loans in Q3 2020) are a favorable basis for developing a strategy of increasing value for shareholders in the coming years**
- Jan 2021 – possible publication of preliminary, estimated financial results for Q4 2020



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