



COMPANY PRESENTATION

Mercator Medical: Highly experienced and competent Management Board



Dr Wiesław Żyżnowski
Founder & Chairman of the Board



- Founded Mercator Medical in 1996
- Since 2010 Chairman of the Management Board
- The Company's main shareholder
- A graduate of the Faculty of Management at the Cracow Economic Academy (currently Cracow University of Economics) and the Faculty of Philosophy at the Jagiellonian University in Cracow, where he received his PhD in philosophy

Witold Kruszewski
Member of the Management Board



- Associated with Mercator Medical from 2013.
- From 11.2015 Member of the Management Board - CFO.
- Before joining Mercator Medical, he worked, among others, in PHZ Baltona S.A. as a Member of the Management Board responsible for financials and in Mix Electronics S.A., as a Member of the Management Board responsible for financials .
- He is a certified auditor

Monika Żyżnowska
Member of the Management Board



- Associated with Mercator Medical since 2010.
- From 08.2017. Member of the Management Board and CEO of Mercator Medical (Thailand).
- Previously (2013-2016) she held formal positions in the Management Boards of Mercator Medical (Thailand) Ltd and its subsidiary Brestia Sp. z o.o. In the years 2010-2013 she worked for the international sales and finance departments of the Company.

Dariusz Krezymon
Member of the Management Board



- Associated with Mercator Medical since 2016.
- Since 11.2019. Member of the Management Board of the Company.
- Before joining Mercator Medical he worked, among others, as the General Director in Organika RUS (Russia), as the Director of Trefl SA Factory and as Plant Director in IP Decora East (Belarus).



- **Mercator Medical is a leading manufacturer and distributor of high quality disposable medical and protective gloves in Poland, with the status of one of the leaders on the European market, founded in 1996.**
- **The unique business model** is based on:
 - **production** of disposable gloves in its own production facilities,
 - **distribution** of a wide range of medical and protective gloves, bandages and non-woven products both for the medical market (hospitals, other medical entities, medical wholesalers) and the open market (retail chains and end customers).
- **Strong competitive advantage in the form of company- owned own glove factories** located in Thailand **with a total production capacity of over 3 billion gloves per year.** The company-owned factories secure the supply of gloves in the event of supply shortages from other manufacturers, while the location of the plants in Thailand allows to maintain relatively low levels of costs related to access to raw material and labour costs.
- **The global nature of the business**, supported by an extensive distribution network built up over the years - the Company **is present in over 70 countries** around the world.
- Participation in **mWIG40** and international index **MSCI Poland Small Cap**. Opportunity to **join WIG20 in the annual revision (March 2021)**



1 of 2
entities in Europe and one of the few conglomerates in the world producing and distributing gloves in Asia globally



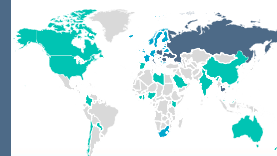
>1 200
workers



2
glove factories located in Thailand



>3 billion units
annual glove production



Presence in over **70**
countries

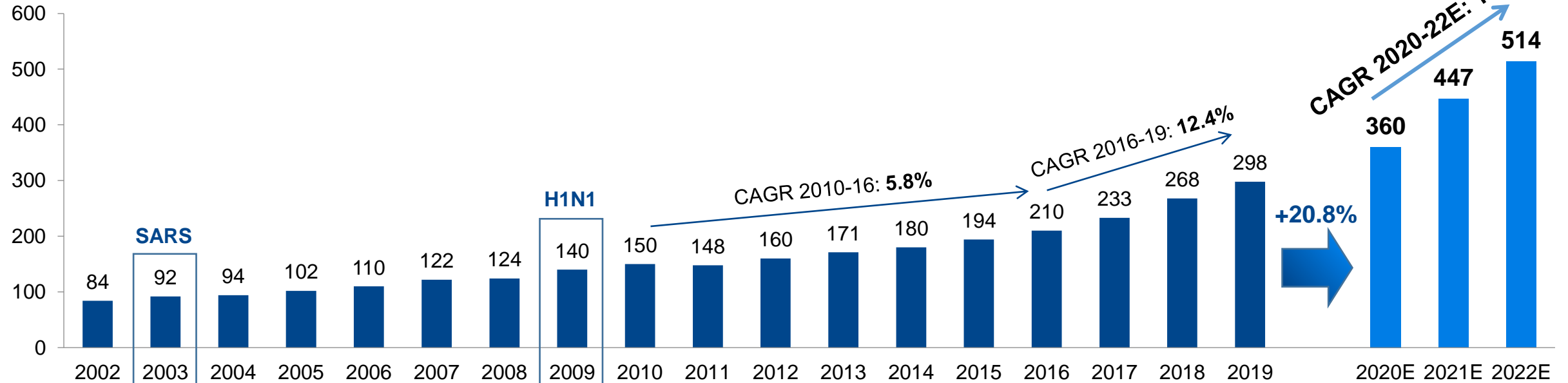
PRESENTATION PLAN

- 1. MARKET OVERVIEW**
- 2. BUSINESS DESCRIPTION**
- 3. FINANCIAL RESULTS**
- 4. STRATEGY AND PERSPECTIVES**
- 5. APPENDICES**

MARKET OVERVIEW

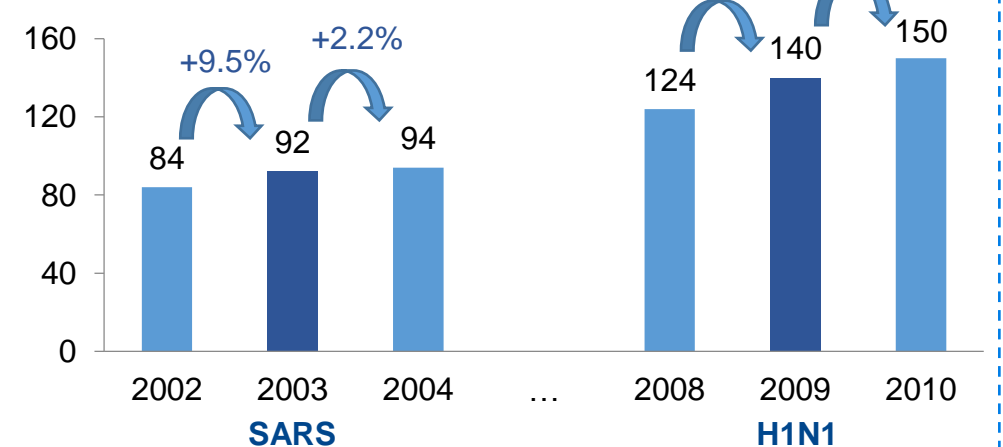
Dynamic sales growth accelerated by COVID-19

Global disposable glove sales (billion pcs)



- Before the outbreak of the COVID-19 pandemic, a global growth of disposable glove sales **had accelerated from avg. 5.8% in 2010-16 to avg. 12.4% in 2016-19.**
- It is forecasted the pandemic may accelerate global growth of glove sales **to nearly avg. 20% in 2020-22E.**
- During earlier key epidemics in 21st century, glove sales in the following years **had never dropped below previously observed levels, and experienced further increase after epidemic periods.**

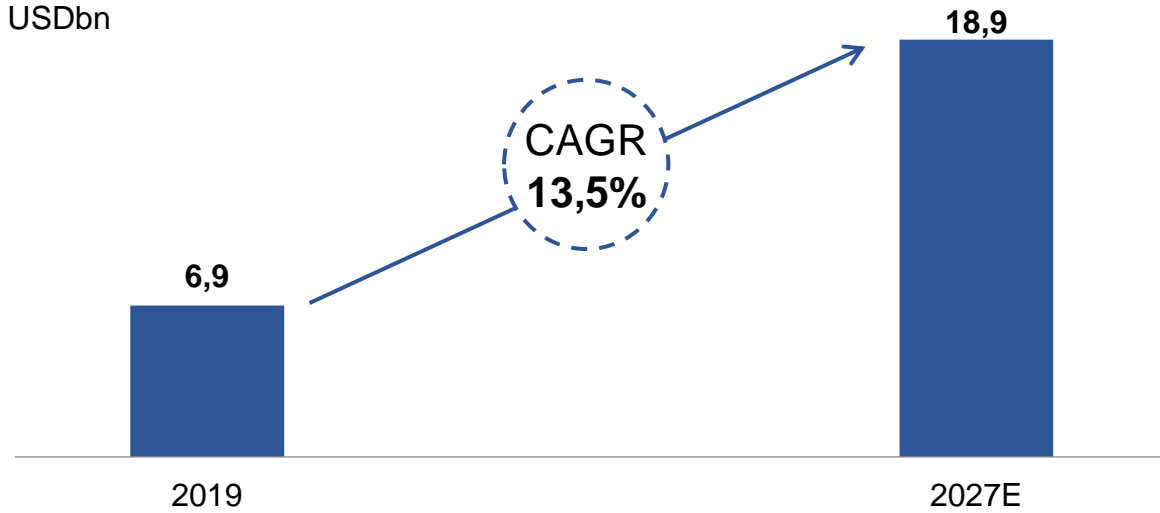
Global glove sales during historic epidemics (billion pcs)



Increasing role of healthcare around the world as a driver for further market growth

Over 2,5x forecasted market size growth until 2027*

USDbn

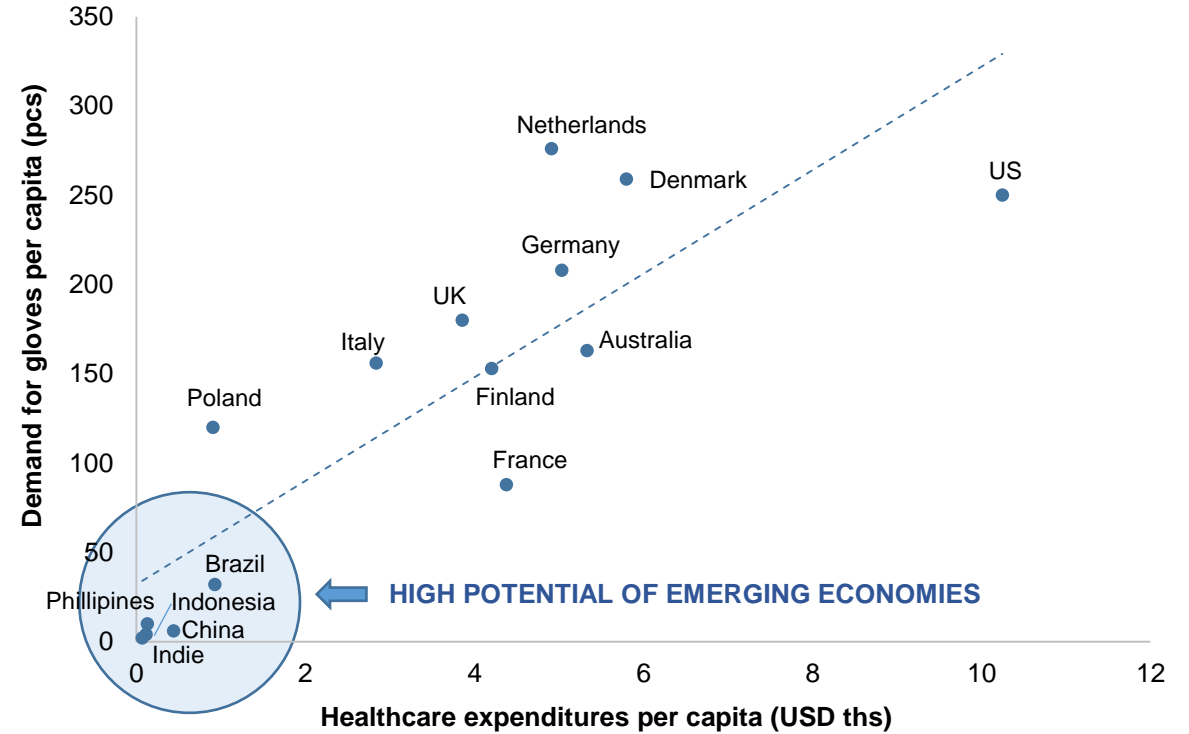


Source: Allied Market Research - Disposable Gloves Market [...]: Global Opportunity Analysis and Industry Forecast, 2020-2027
*Forecast includes an influence of the COVID-19 pandemic on a disposable gloves market.

Global market growth drivers

- Increasing number of doctors
- Growing number of chronic diseases and increasing number of patients
- Increasing hygienic awareness
- Constant increase in hygiene standards of medical facilities
- Increase in the number of medical procedures **requiring the use of gloves**
- Growing percentage of people in **emerging countries** using both public and private medical facilities
- Increase in healthcare expenditures
- Aging of societies

Demand for gloves per capita (pcs, 2018) vs. healthcare expenditures per capita (USD ths, 2017)



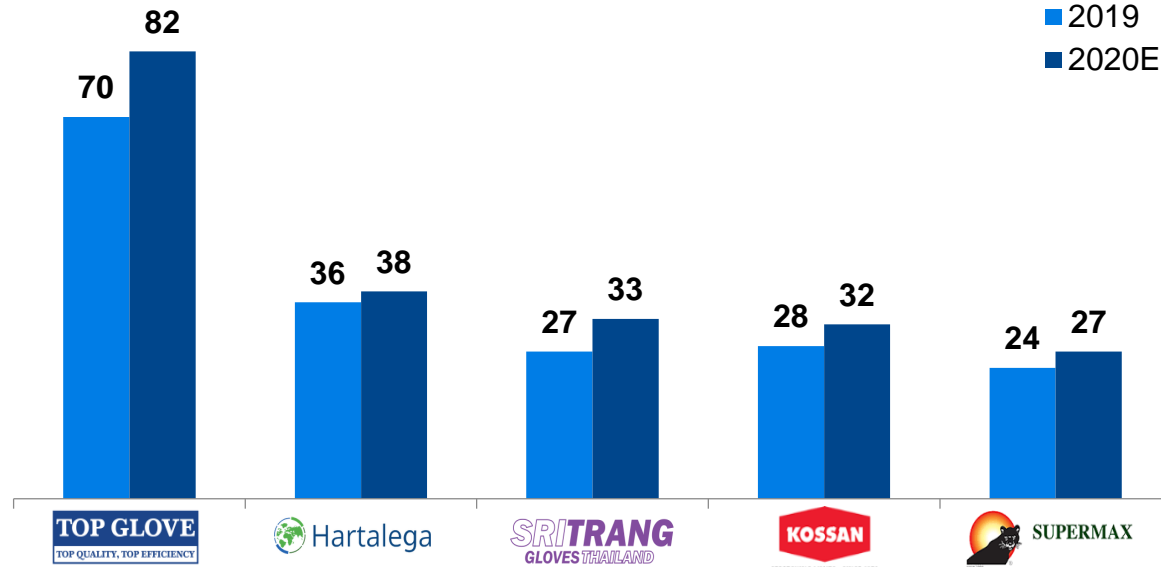
Source: Hartalega Holdings Berhad - 12th Annual General Meeting (2018), WHO, Top Glove Investor Presentation 23.10.2020

- The most attractive market growth prospects seem to rise in **developing countries**, whose healthcare sectors have been insufficiently equipped so far (incl. **China** and **India**).
- Additional demand for medical gloves related to **COVID-19 vaccines** may amount to **10-14 billion gloves in 2021-22**.

Crucial surplus of demand over supply as a factor of increasing market prices

Limited production growth as driver of increase in prices

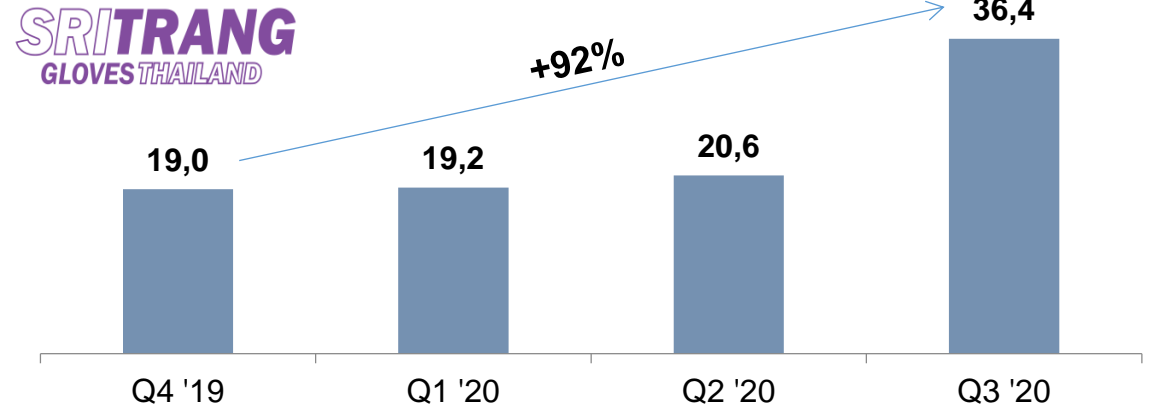
Production of the 5 largest gloves manufacturers (billion pcs)



Source: Companies' data, KS Research

ASP* growth on the example of Sri Trang Gloves

USD** per thousand gloves



In case of Mercator, in this period, a higher increase in prices was experienced, resulting from faster price increases, lower exposure to fixed price contracts and lower share of natural latex gloves.

Source: Sri Trang Gloves - 3Q20 Analyst Presentation | *Average Selling Price | **Calculation of THB prices based on average quarterly USD/THB exchange rates.

- Due to the specificity of the industry, the potential periodic increase in the production capacity of companies producing rubber gloves is relatively small due to the **limited supply possibilities of raw materials and the time needed to build the capacity**.
- Faced with the inflow of huge demand in the context of the COVID-19 pandemic, glove market has experienced **significant surplus of demand**, which resulted in **higher prices** and a **significant extension of the waiting period for disposable gloves**.
- In the case of Top Glove, which is the largest manufacturer of gloves in the world, the waiting period for gloves has been **extended to nearly two years (approx. 660 days)**.

Source: Top Glove Investor Presentation 23.10.2020



TOP QUALITY, TOP EFFICIENCY

No. 1 global glove producer

- Currently, the time for the delivery of gloves is **around 660 days**, while before the pandemic this period was usually **30-40 days**.
- It will take up **to two years** for potential competitors to enter the market due to **supply constraints and scale of operations**.
- Following the end of the COVID-19 pandemic, glove use is expected to **increase compared to the pre-pandemic period** due to an **increase in the health sector and hygiene awareness**.
- **Growth in global glove demand in the coming years will exceed the expected additional supply** from major glove producers in Malaysia, Thailand and China.
- **Further projected increase in the average selling price (ASP) of gloves** due to **increased demand, rising raw material costs and increase in operating costs** - ASP is expected to increase by **30% QoQ in Q4**.
- Nitrile latex prices are expected to increase due to raw material supply constraints.

Key concerns and mitigants related to market outlook



Maintaining sales volumes after the pandemic



- The **growing role of the healthcare sector** around the world
- Potential demand from underfunded and ill-equipped health sectors in **emerging countries** (including **China** and **India**)
- **Increased hygiene awareness and sanitary requirements**



Decline in market prices for gloves



- The forecasted price of gloves after the end of the COVID-19 pandemic at a level **clearly above the market prices before the pandemic (approx. + 50%)**
- The process of vaccinating the entire population over time will guarantee **increased demand also in the coming years**
- Additional demand for medical gloves related to COVID-19 vaccines will be **10-14 billion gloves in 2021-22.**



Temporary factory closures as a result of a COVID-19 outbreak among workers



- The invention of the vaccine and the commencement of the vaccination process of societies should contribute to **reducing the incidence of COVID-19** and thus **reducing the risk of the need to periodically close factories**
- Closure of factories by competitors may **deepen the advantage of demand over supply** and **prolong the trend of positive changes** in market conditions from the point of view of producers



New competitors entering the market



- **Numerous entry barriers** for new players on the market
- **Long preparation time** required to start a production
- **Limited supply of raw materials**
- **The expected demand exceeds the potential supply** from the major producers

BUSINESS DESCRIPTION

Mercator Medical has been operating on the market of disposable medical and protective products for over 20 years. The Company's business model is based on 2 main operating segments:

- 1 Production of disposable medical gloves, and
- 2 Distribution of disposable medical and protective materials.

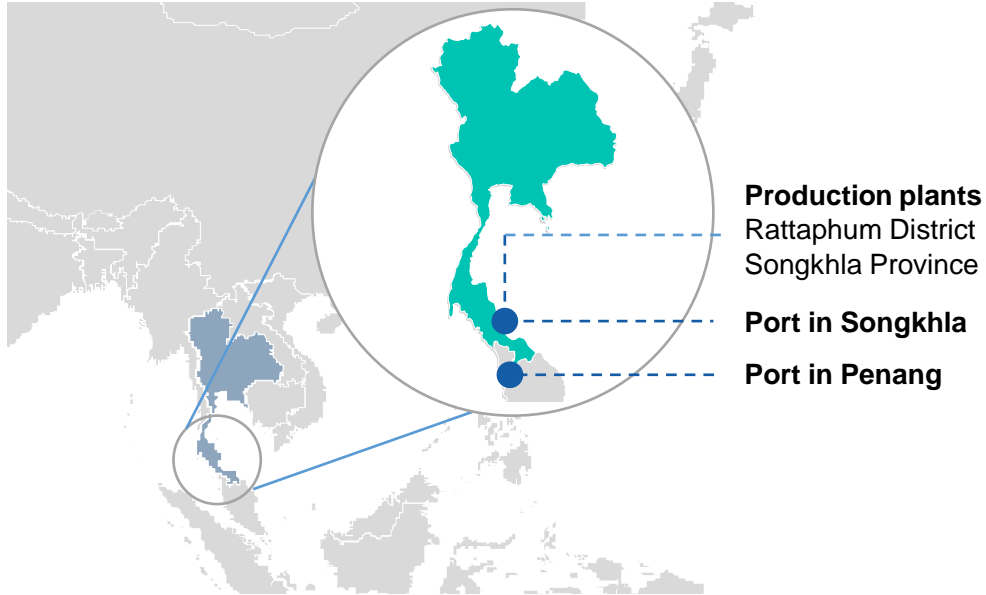
	1 Production	2 Distribution
Description of segments	<ul style="list-style-type: none"> Within the production segment, the Company produces disposable gloves and then sells them in container units to customers around the world. 	<ul style="list-style-type: none"> Within the distribution segment, the Company sells to the medical and open markets medical goods purchased from recognized external suppliers (including Mercator Medical Thailand).
Products	<ul style="list-style-type: none"> Synthetic latex disposable medical gloves - the fastest growing glove segment on the market 	<ul style="list-style-type: none"> Medical and protective gloves, dressing materials, surgical field covers
Production capacity / volumes	<ul style="list-style-type: none"> Over 3 bn gloves are produced annually in 2 production plants 	<ul style="list-style-type: none"> ca. 3 bn gloves per year*
Share in revenues 1-3Q 2020	<ul style="list-style-type: none"> 52% (vs. 45% in 1-3Q 2019) 	<ul style="list-style-type: none"> 48% (vs. 55% in 1-3Q 2019)

**estimated data at the end of 2020*

Vertical integration of the business allows the Company to implement the strategy of maximizing its share in the global market by offering a broad product portfolio consisting of ca. 120 own and recognized international manufacturers products, meeting the expectations of customers

Own production plants in Thailand ensuring flexibility and providing the potential to respond to global changes in demand

Factories located near a developed port infrastructure



- Mercator Medical has **2 production plants** in Thailand (17 production lines in total), manufacturing disposable medical gloves made of industrially sourced synthetic latex with a **total production capacity of about 270 million gloves per month (over 3 bn gloves per year)**.
- The plants are located in a convenient location, **close to the well-developed port infrastructure** in the Songkhla (Thailand) and Penang (Malaysia).
- The factory employs **more than 1 000 workers**, about 50% of whom work at the production lines.
- Products manufactured at the Thai production facilities are **sold to ca. 70 countries around the world**, most of which are exported to the United States, Australia and the United Kingdom.

Key advantages of own production plants

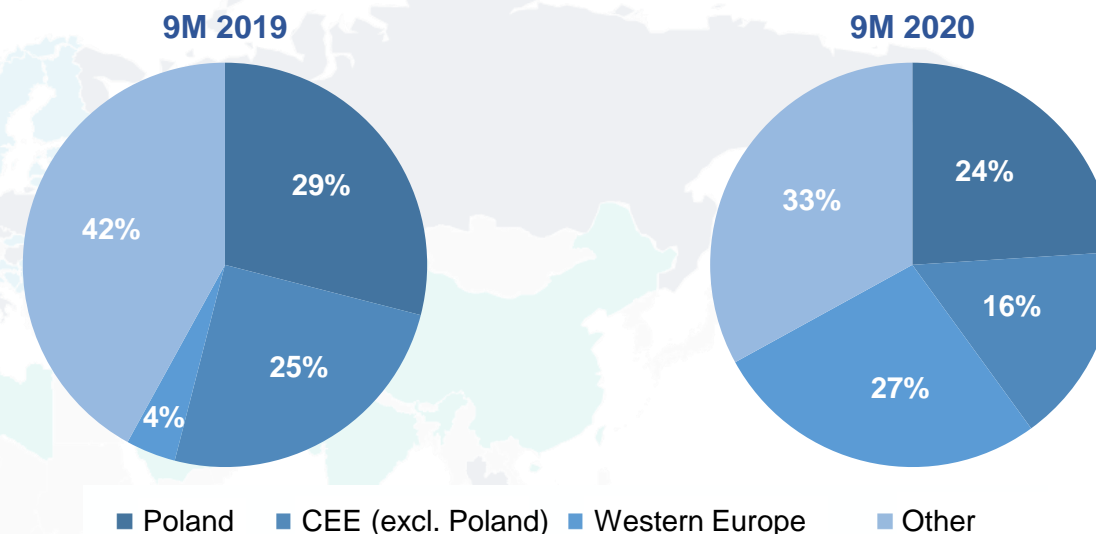
- **Production flexibility** ensuring the ability to adapt the offer to global trends
- **Secured supplies of gloves** in case of supply shortages from other manufacturers
- **Production of disposable nitrile gloves** - the fastest growing segment of the disposable gloves market
- **Geographic rent**, thanks to the convenient location of the plants near the developed port infrastructure

Mercator Medical factory in Thailand



Distribution activity ensuring an extensive and diversified product portfolio covering both medical and non-medical areas

Mercator Medical revenues by geographical breakdown



- Within the **distribution segment**, Mercator sells **ca. 3 bn gloves annually***.
- **Products manufactured in the Company's own production plants** account for **ca. 6%*** of the volumes sold within the distribution segment.
- Within the distribution segment, Mercator purchases a wide range of medical and protective products from **recognizable and international producers**.
- **The Company conducts direct distribution through commercial companies** in Russia, Romania, Ukraine, Hungary, the Czech Republic, Italy and Germany, **where it employs a total of ca. 150 employees** (mainly factory managers, sales and warehouse employees).
- An efficient model with a distribution part allows the Company to offer an **extensive portfolio of gloves for various applications, not only in the medical area**.

Distribution in numbers

8 commercial companies

150 employees

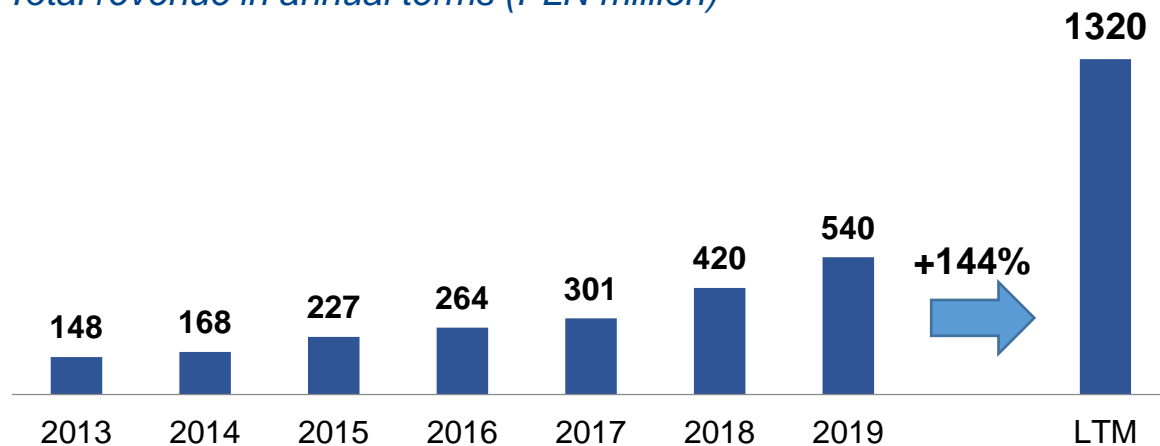
~3 bn gloves annual sales volume

FINANCIAL RESULTS

Dynamic revenue growth in both business segments

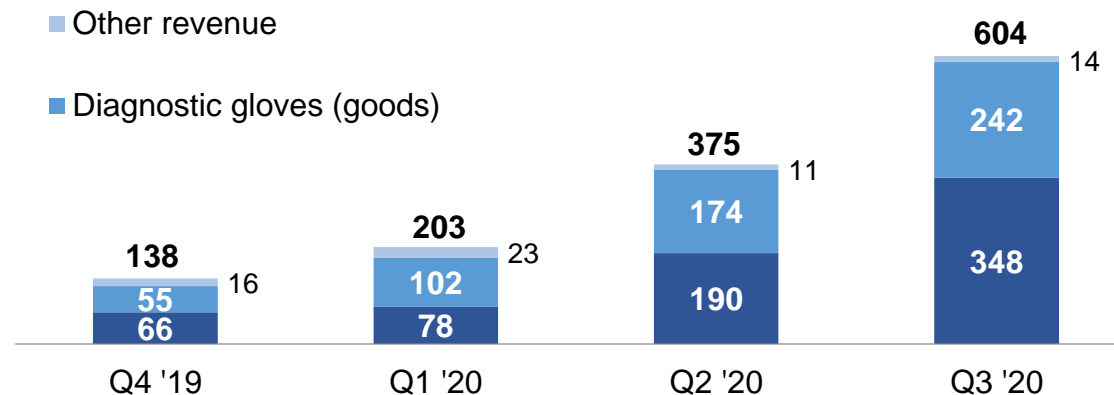
Nearly 2.5-fold increase of LTM revenues vs. FY 2019

Total revenue in annual terms (PLN million)



Over 60% q/q revenue growth in Q3 2020

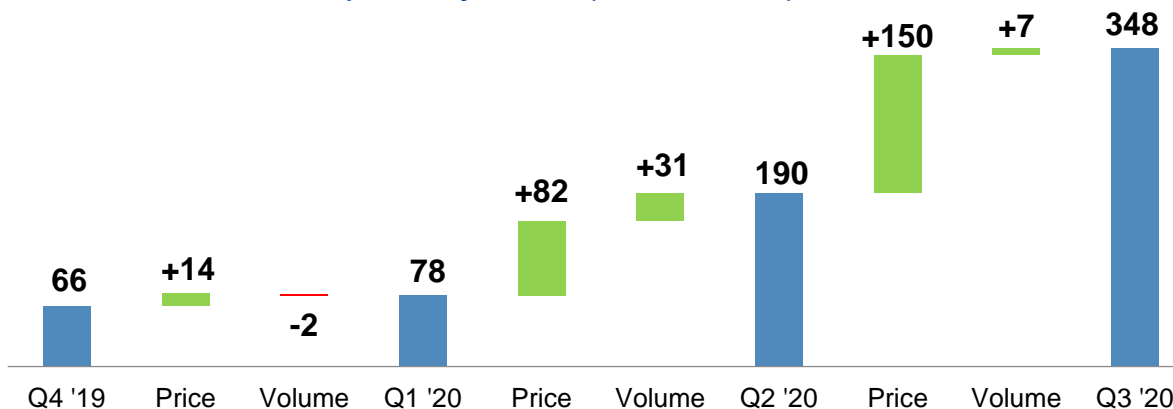
Decomposition of revenue in quarterly terms (PLN million)



Diagnostic gloves

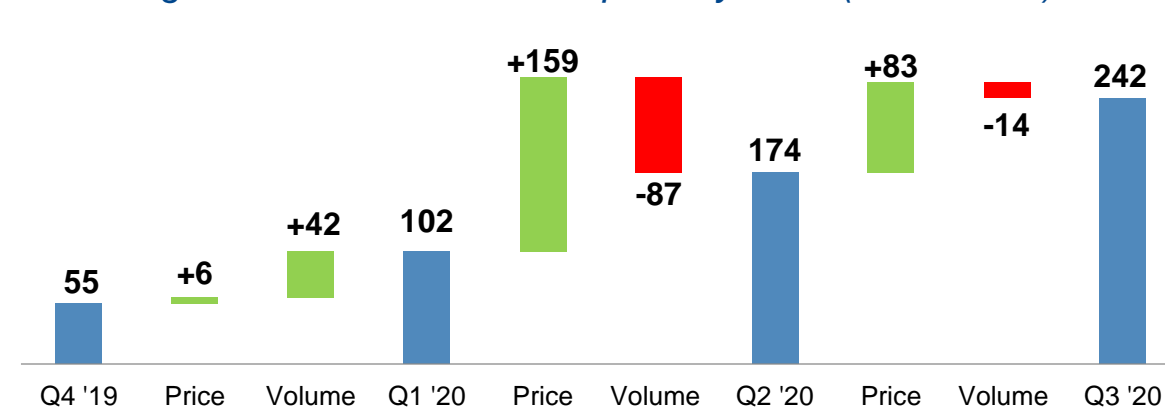
Products: Rising prices are driving revenue growth*

Product sales on a quarterly basis (PLN million)



Goods: Volume decrease neutralized by price increases*

Sales of goods and materials on a quarterly basis (PLN million)

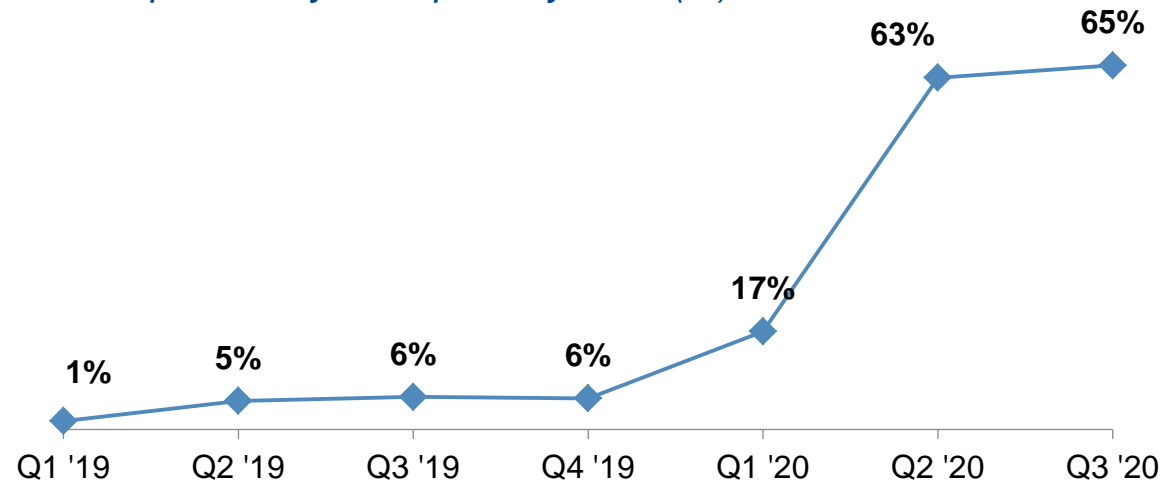


Source: the Company | *The analysis includes only diagnostic gloves, which constitute 97.7% of total sales revenue in Q3 2020.

Increase in profitability in recent quarters

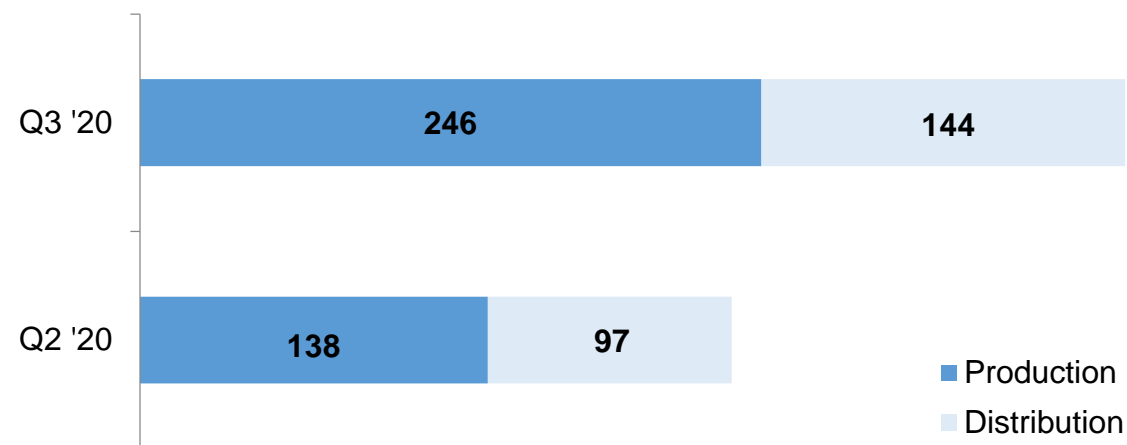
EBITDA profitability more than 10 times higher y/y

EBITDA profitability on a quarterly basis (%)



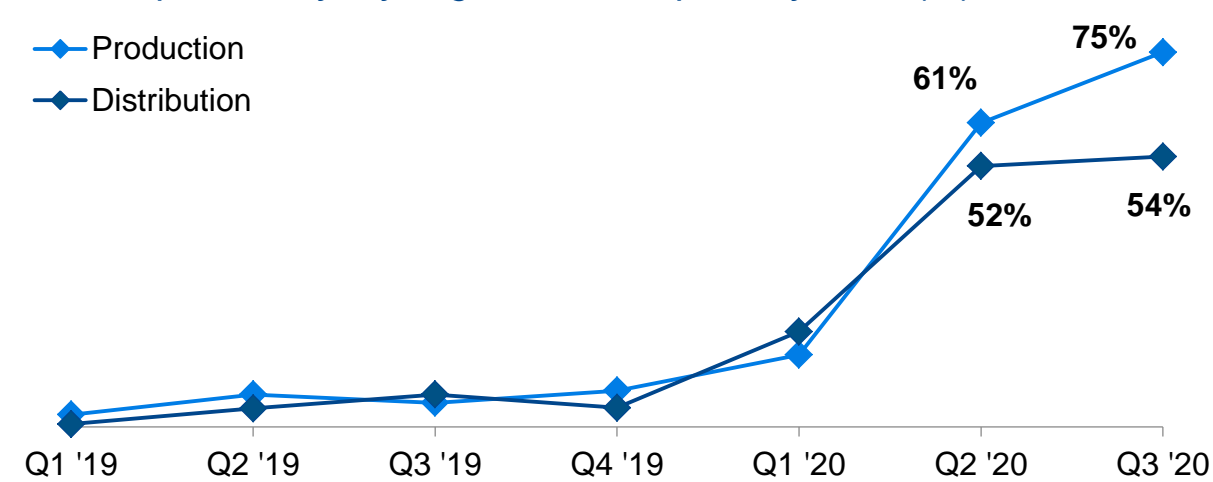
Simultaneous increase of profits from production and distribution

Decomposition of EBITDA* for production and distribution (PLN million)



Significant increase in profitability in both segments

EBITDA profitability* by segments on a quarterly basis (%)

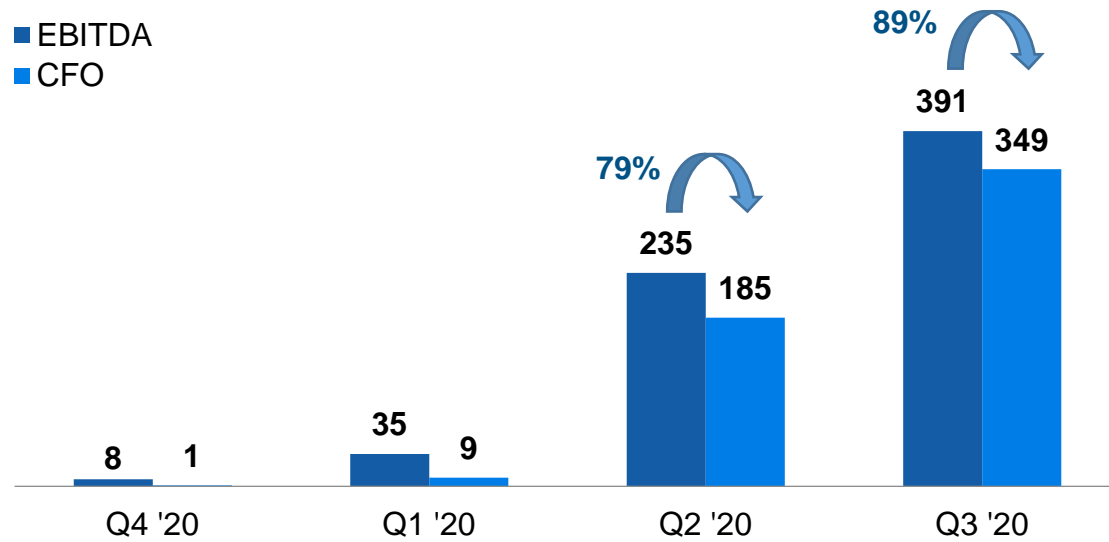


- In recent quarters the Company has experienced a **simultaneous increase in profitability in both business segments**.
- In the case of manufacturing operations, the margin increased to **75%**, while in the distribution segment, profitability was **about 54%**.
- According to the Management Board's estimates, **the target profitability (taking into account developments under the new strategy) in the period after the COVID-19 pandemic (i.e. after 2022)** in the production segment is expected to be **about 25%**, while profitability in the production segment may be about **15%**.

Strong cash position will allow for further development and payment of high dividends

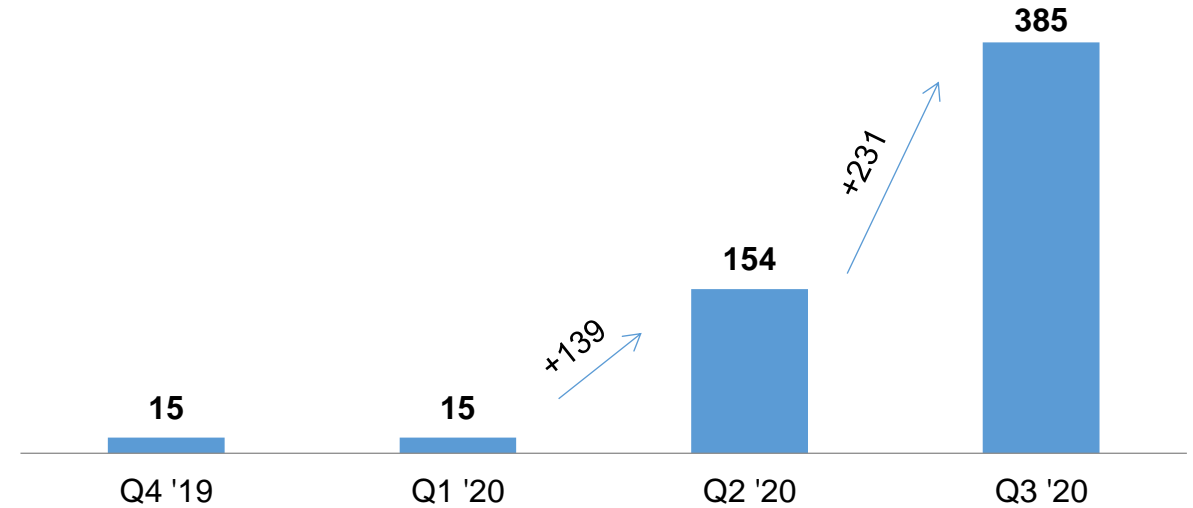
High level of EBITDA to cash conversion (PLN million)

■ EBITDA
■ CFO



Dynamic growth of cash resources

Cash and cash equivalents in recent quarters (PLN million)



DIVIDEND PLANS



In June 2020, the Company paid **0.50 PLN in dividends per share for 2019 - a total 5.3 million PLN.**



Because of good financial results in 2020, Mercator initiated a **share buy-back program**, under which it plans to allocate **PLN 30.7 million** for share purchase and redemption.



In 2021 and 2022, the Company plans to allocate approximately 35% of the Company's consolidated net profit generated in 2020 and 2021 respectively to the dividend and/or share buy-back program.

PERSPECTIVES

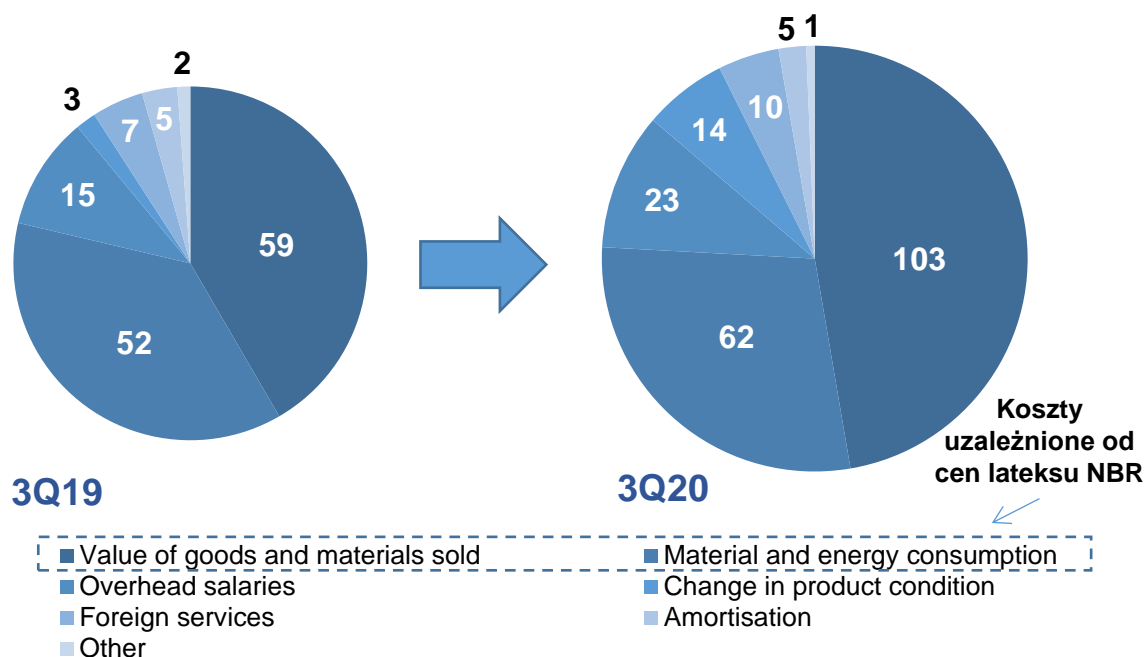
Mercator Medical: Attractive exposure to a globally unique business model and structural growth of the sector

- 1** Market leader on the disposable gloves market in Europe and with a strong position on the global market, based on a unique strategy in the branch in the field of both production and distribution of medical disposables.
- 2** A wide portfolio of products consisting of approx. 120 proprietary products and goods from recognizable and global producers
- 3** Own production facilities in Thailand, ensuring flexibility and the ability to respond to global trends and changes in demand
- 4** An extensive distribution network based on many years of activity in the industry, ensuring global sales of products in over 70 countries
- 5** Significant increase in cash on the balance sheet and potential significant financial flows in the coming quarters ensuring further acceleration of the Company's growth
- 6** Significant weighting in the WIG index, participation in the MSCI Poland Small Cap index and the possibility of moving to the WIG20 index
- 7** Business activity on a prospective market supported by i.a., the global trend of increasing health care spending, growing public awareness of hygiene and increasingly higher hygiene standards

APPENDICES

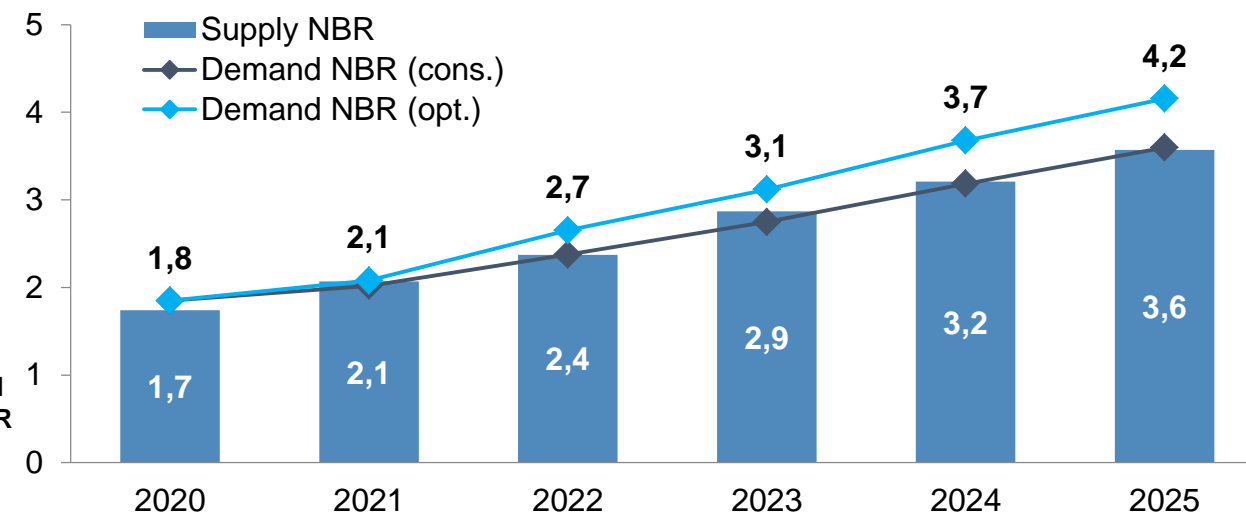
Possible increase in costs triggered by rising nitrile latex prices

Comparison of operating costs (PLN million)



Potential significant excess of demand over NBR supply

The Company's forecasts for demand and supply of NBR latex (million tons)



The company uses 2.7-3.5 thousand tons of nitrile latex on average.

- The biggest factor in the Company's operating costs is the potential **change in the price of nitrile latex (NBR) in the South East Asia region**. In recent months, **an upward trend** in the price of the latex can be observed.
- Apart from the prices of nitrile latex, the most important components of the Company's operating costs are expenses related to **other chemical substances, energy demand** and **salaries** for the Company's employees.
- It is worth noting that both on the income and cost side the Company is **clearly dependent on the changing exchange rates** (among **negative exposure to USD**).

Mercator Medical's entry into the international MSCI Small Cap index and the possibility to move to the WIG20 index

Potential entry of the Company into the WIG20 index as part of the annual revision



- In June 2020, Mercator Medical entered the mWIG40 index as part of the quarterly revision of index portfolios.
- The increase in the Company's market capitalization and the continuing high level of trading of Mercator Medical shares constitute a strong premise for the Company's entry into the WIG20 index in March 2021 as part of the annual revision.
- Taking into account the methodology of calculating ranking points, considering e.g. shares trading for the last 12M and their growth in recent months, each subsequent month should work in favor of the Company.

Mercator Medical in the prestigious MSCI Small Cap index



- Strong financial results and recognition among investors ensured the Company's entry into the international MSCI index for small companies as part of the half-yearly review conducted on 10 November 2020.

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The logo consists of two horizontal white bars, one above and one below the word "MERCATOR".

MERCATOR

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