

**Chelsea Chew**

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**Recommendation:** **HOLD**

**Current Price:** **RM 3.59**

**Previous Target Price:** **RM 2.11**

**Target Price:** **RM 3.72** ↑

**Upside/Downside:** **3.6%**

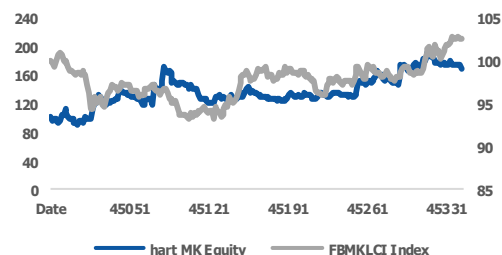
**Stock information**

Board	MAIN
Sector	Healthcare
Bursa / Bloomberg Code	5168 / HART MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	3,413.3
Market Cap (RM' m)	12,253.6
52-Week Price Range (RM)	3.83-1.88
Beta (x)	1.0
Free float (%)	40.8
3M Average Volume (m)	6.2
3M Average Value (RM' m)	19.2

**Top 3 Shareholders (%)**

Hartalega Industries Sdn Bhd	34.4
BUDI TENGGARA SDN BHD	8.6
Kumpulan Wang Persaraan Diperbadan	3.2

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	36.5	33.0	40.8
Relative (%)	31.2	26.7	23.2

## Hartalega Holdings Berhad

### Resurgence of healthcare demand

#### Summary







- **4QFY24 core net profit surged 105.0% yoy to RM15.1m, bringing 12MFY24 to profitability at RM12.7m, driven by higher sales volume and a rise in ASP.**
- **Expect a gradual improvement in demand as HARTA is dedicated to its 5 years strategy plans.**
- **Upgrade our recommendation to HOLD on HARTA with a higher target price of RM3.72 based on 2.6x to FY26F BV.**

#### Results Review

- **Results review.** 4QFY24 core net profit surged 105.0% yoy but fell -32.5% qoq, reaching RM15.1m, maintaining bottom line profitability. This was propelled by a 24% increase in sales volume and a c.2% (RM) rise in ASP this quarter. Revenue for this quarter rose marginally by 2.7% yoy to RM529.8m, credited to favourable foreign currency exchange movements that boosted ASP.
- **Results below expectations.** 12MFY24 core net profit returned to positive territory at RM12.7m, but missed both our expectations of a core net profit of RM22.3m, as well as the consensus forecasted net profit of RM49.0m. This variance is mainly due to higher operating costs, fueled by rising raw material prices and production ramp-up expenses.
- **Operations Highlights.** During 4QFY24, HARTA's utilisation rate improved from 42.6% to 73% due to ramp-up in NGC 1.5 plant to meet improved market demand. Anticipating further growth, HARTA's utilisation rate is expected to rise along with the commissioning of NGC 1.5 plants 8&9, aligning with improved market dynamics.
- **Industry Highlights.** We foresee a slight uptick in raw material prices due to higher feedstock costs, while natural gas prices stabilise amid lower demand. Demand for gloves is gradually rebounding as sales orders recover and excess pandemic stockpiles dwindle. Capacity rationalisation and exits of smaller players have eased oversupply. Despite near-term hurdles, long-term prospects are bright, propelled by the resurgence of healthcare demand, especially in emerging markets with growing hygiene awareness.
- **Outlook.** Expect a sequential and gradual recovery in the upcoming quarters as ASP normalisation stabilizes c.USD22/1,000pcs. HARTA remains committed to its 5-years Strategic Plan, which involves decommissioning the Bestari Jaya facility and consolidating operations at the more efficient NGC in Sepang. With all production lines successfully decommissioned at Bestari Jaya since early 2024, HARTA expects operational and cost efficiencies, positioning itself well for market recovery.

- **Valuation.** Upgraded our call for HARTA to **HOLD** with a higher target price of RM3.72, based on 2.6x of BV. Kept our earnings forecast for FY25F at RM157.6m and introduce FY26F earning forecast at RM171.8m, anticipating recovery in healthcare demand and the tariffs imposed on China manufacturers in US in 2026.
- **Risk.** Volatility in feedcost and swifter-than-expected recovery in ASP, along with exposure to foreign exchange risk and volatile purchasing patterns.

**Figure 1: Results Comparison**

	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	12MFY23	12MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	529.8	515.7	2.7	415.6	27.5	2,407.8	1,837.6	(23.7)		Higher sales volume and a marginal ASP increase
EBITDA	38.3	(308.7)	112.4	49.7	(23.0)	(62.8)	117.1	286.7		
Pre-tax profit	18.9	(331.4)	105.7	29.0	(35.0)	(190.7)	38.7	120.3		Maintaining a profitable bottom line
Net profit	19.6	(309.7)	106.3	22.8	(14.0)	(220.5)	20.1	109.1		
Core net profit	15.1	(302.8)	105.0	22.4	(32.5)	(218.0)	12.7	105.8		
Core EPS (sen)	0.4	(8.8)	105.0	0.7	(32.5)	(6.4)	0.4	105.8		
EBITDA margin (%)	7.2	(59.9)		12.0		(2.6)	6.4			
PBT margin (%)	3.6	(64.3)		7.0		(7.9)	2.1			
Core PATMI margin (%)	2.9	(58.7)		5.4		(9.1)	0.7			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>7888.3</b>	<b>2409.6</b>	<b>1837.6</b>	<b>2333.1</b>	<b>2519.7</b>
<b>Gross Profit</b>	<b>4795.1</b>	<b>318.9</b>	<b>459.4</b>	<b>583.3</b>	<b>629.9</b>
<b>EBITDA</b>	<b>4767.9</b>	<b>-38.3</b>	<b>177.7</b>	<b>303.3</b>	<b>340.2</b>
Depreciation & Amortisation	-151.9	-163.0	-132.0	-121.7	-131.0
<b>EBIT</b>	<b>4616.1</b>	<b>-201.3</b>	<b>45.7</b>	<b>181.6</b>	<b>209.2</b>
Net Finance Income/ (Cost)	-0.9	5.7	2.9	-6.9	4.0
Associates & JV	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>4636.9</b>	<b>-214.4</b>	<b>38.7</b>	<b>185.7</b>	<b>211.6</b>
Tax	-1394.6	-24.4	-18.7	-20.4	-31.7
<b>Profit After Tax</b>	<b>3242.3</b>	<b>-238.8</b>	<b>20.1</b>	<b>165.3</b>	<b>179.9</b>
Minority Interest	7.8	-3.7	7.3	7.7	8.1
<b>Net Profit</b>	<b>3234.5</b>	<b>-235.1</b>	<b>12.7</b>	<b>157.6</b>	<b>171.8</b>
Exceptionals	0.0	347.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>2885.5</b>	<b>3234.5</b>	<b>111.9</b>	<b>12.7</b>	<b>157.6</b>

**Key Ratios**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBITDA margin	60.4%	-1.6%	9.7%	13.0%	13.5%
EBIT margin	58.5%	-8.4%	2.5%	7.8%	8.3%
PBT margin	58.8%	-8.9%	2.1%	8.0%	8.4%
PAT margin	41.1%	-9.9%	1.1%	7.1%	7.1%
NP margin	41.0%	-9.8%	0.7%	6.8%	6.8%
Core NP margin	41.0%	-9.8%	0.7%	6.8%	6.8%
ROE	62.9%	-5.0%	0.3%	3.3%	3.5%
ROA	102.7%	-8.0%	0.4%	5.1%	5.2%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

**Key Assumptions**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Production lines	118.0	118.0	120.0	111.0	84.0
Utilisation rate (%)	88.8%	70.4%	53.6%	45.3%	70.0%
Production ('000)	34800.0	29553.0	22509.0	19022.7	23566.7
Blended ASP (RM/'000 pcs)	192.6	266.9	107.1	96.6	99.0

**Valuations**

	FY26F
Book Value/share (RM)	145
Multiple (x)	2.8
<b>Fair Value (RM)</b>	<b>3.72</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	2378.1	1724.5	1427.4	1783.8	1835.4
Receivables	338.7	200.4	289.7	223.7	241.6
Inventories	396.9	232.4	385.7	239.7	284.8
Other current assets	83.5	203.1	177.1	116.7	126.0
<b>Total Current Assets</b>	<b>3197.3</b>	<b>2360.4</b>	<b>2279.9</b>	<b>2363.9</b>	<b>2487.8</b>
Fixed Assets	2367.0	1943.1	1901.0	1791.2	1715.6
Intangibles	30.8	42.6	45.2	45.2	45.2
Other non-current assets	752.2	958.8	1031.2	1262.5	1513.8
<b>Total Non-current assets</b>	<b>3150.1</b>	<b>2944.5</b>	<b>2977.4</b>	<b>3098.9</b>	<b>3274.6</b>
Short-term Debt	103.9	90.1	64.6	80.8	76.2
Payables	117.9	88.6	63.1	95.9	103.6
Other Current Liabilities	595.0	175.4	256.8	192.5	207.9
<b>Total Current Liabilities</b>	<b>816.8</b>	<b>354.1</b>	<b>384.5</b>	<b>369.2</b>	<b>387.6</b>
Long-term Debt	139.8	64.3	6.8	93.0	87.6
Other non-current liabilities	245.8	228.2	221.5	178.7	290.6
<b>Total Non-current Liabilities</b>	<b>385.7</b>	<b>292.4</b>	<b>228.3</b>	<b>271.6</b>	<b>378.2</b>
Shareholder's equity	5121.3	4640.1	4648.0	4805.6	4977.4
Minority interest	23.6	18.3	-3.4	-3.8	-4.2
<b>Equity</b>	<b>5144.9</b>	<b>4658.4</b>	<b>4644.6</b>	<b>4801.8</b>	<b>4973.2</b>

**Cash Flow**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>4636.9</b>	<b>-214.4</b>	<b>38.7</b>	<b>185.7</b>	<b>211.6</b>
Depreciation & amortisation	151.9	163.0	132.0	121.7	131.0
Changes in working capital	182.7	108.3	-9.3	93.6	-48.8
Others	-1883.3	3659.5	-223.4	-214.3	123.0
<b>Operating cash flow</b>	<b>3088.2</b>	<b>3716.4</b>	<b>-61.9</b>	<b>186.6</b>	<b>416.8</b>
Net capex	-846.2	-306.0	-144.4	-160.6	-187.2
Others	36.2	11.0	1.1	9.4	9.7
<b>Investing cash flow</b>	<b>-810.0</b>	<b>-295.0</b>	<b>-143.3</b>	<b>-151.2</b>	<b>-177.5</b>
Dividends paid	-2997.2	-239.2	0.0	0.0	0.0
Others	2612.5	-2971.1	-351.5	-92.5	-95.1
<b>Financing cash flow</b>	<b>-384.7</b>	<b>-3210.3</b>	<b>-351.5</b>	<b>-92.5</b>	<b>-95.1</b>
<b>Net cash flow</b>	<b>1893.5</b>	<b>211.1</b>	<b>-556.7</b>	<b>-57.0</b>	<b>144.2</b>
Forex	-19	-3.5	-3.5	-3.5	-3.5
Others	-2182.2	-861.3	319.3	117.4	-89.1
Beginning cash	2668.7	2378.1	1668.4	1727.0	1783.8
<b>Ending cash</b>	<b>2378.1</b>	<b>1724.5</b>	<b>1427.4</b>	<b>1783.8</b>	<b>1835.4</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
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**RESEARCH RECOMMENDATION FRAMEWORK**

**STOCK RECOMMENDATIONS**

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.  
**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.  
**SELL:** Total returns\* are expected to be below -10% within the next 12 months.  
**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.  
**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.  
 \*Capital gain + dividend yield

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.  
**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.  
**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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