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Recommendation:	BUY
Current Price:	RM 2.65
Previous Target Price:	RM 3.72
Target Price:	↓ RM 2.92
Upside/Downside:	10.2%

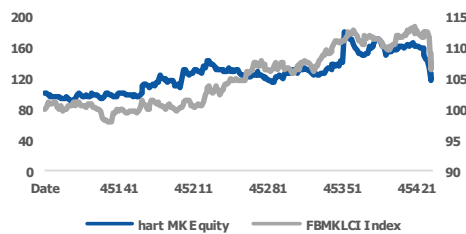
Stock information

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)	9,045.1
52-Week Price Range (RM)	3.83-1.92
Beta (x)	0.9
Free float (%)	41.0
3M Average Volume (m)	8.6
3M Average Value (RM' m)	28.6

Top 3 Shareholders

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

Share Price Performance



	1M	3M	12M
Absolute (%)	-22.1	-8.6	22.1
Relative (%)	-20.2	-6.8	12.1

Hartalega Holdings Berhad

Initial signs of gloves revival

Summary

- **1QFY25 core net profit stood at RM31.9m vs core net loss of -RM52.5m recorded in the previous corresponding quarter, driven by higher sales volume and a rise in ASP.**
- **Expect a gradual improvement in demand as key consumption regions engage in restocking activities.**
- **Upgrade our recommendation to BUY on HARTA with a lower target price of RM2.92 based on 2.0x to FY26F BV.**

Results Review







- **Results review.** 1QFY25 core net stood at RM31.9m vs core net loss of -RM52.5m recorded in the previous corresponding quarter. This was propelled by a 37% yoy increase in sales volume and a c.4% rise in ASP for the quarter. Revenue for the quarter rose 33% yoy to RM583.8m, credited to robust sales volume and a marginal increase in ASP.
- **Results within expectations.** The reported results make up to 20.0% our expectations of a core net profit of RM162.8m, as well as 17.4% of consensus forecasted net profit of RM183.7m. The variance was mainly due to higher utilisation rate and production efficiency, which offset higher input costs. We deem the figures to be in line as we expect improving quarters ahead to play catch up with our forecast.
- **Operations Highlights.** During 1QFY25, HARTA's utilisation rate improved from 73% to 78% post-consolidation of all production lines at the more advanced and efficient NGC plants, which enhanced production efficiency. Looking ahead, HARTA's utilisation rate is expected to improve with the anticipated start-up of NGC 1.5 plant 8 in September CY25, aligning with improved market dynamics. Meanwhile, the 600m pcs of delayed goods from June were carried over and shipped out in the early July.
- **Industry Highlights.** We foresee prices of raw material will be elevated amid rising material shipping costs, while natural gas prices and feedstocks stabilise amid lower demand. Demand for gloves gradually improves as sales orders recover, despite glove market in general still in oversupply condition. Nevertheless, capacity streamlining and the departure of new market entrants have eased some of the oversupply issues. Despite near-term obstacles, long-term prospects are bright, driven by the rising hygiene awareness and projected increase in glove consumption in emerging markets are expected to support this growth trend.

- **Outlook.** We expect a sequential and gradual recovery in the upcoming quarters as key consumption regions engage in restocking activities, which is likely to support demand. In addition, the ASP is expected to stabilise around c.USD22/1,000pcs (vs Chinese players: USD1.5-2.5 gap differences). HARTA aims to increase current capacity to c.37bn pcs gloves per annum by end of the FY25, through the NGC 1.5 expansion project. Moving forward, HARTA will not be aggressively use the cost pass-through mechanism, despite raw material still on trending upward as HARTA

would like to secure firmer demand. We foresee HARTA intends to transfer WIP to assets and generate more sales to offset operational costs, well positioned for market recovery.

- Valuation.** Following the recent share price correction, we upgraded our recommendation on HARTA to **BUY**, with a lower target price of RM2.92, based on 2.0x FY26F of BVPS (from 2.6x), reflecting a slight premium against industry forecast of 1.8x. The premium is justified by revaluation of its assets related to NGC 1.5 expansion and maintaining a healthy financial performance, which would lead to stronger retained earnings. We are keeping our earnings forecast at RM162.8m for FY25F and RM181.7m for FY26F. Outlook is supported by stock replenishment in key consumption regions and the tariffs imposed on China manufacturers, which may prompt consumers alternative suppliers, such as those in Malaysia.
- Risk.** Volatility in feedstock cost and swifter-than-expected recovery in ASP, along with exposure to foreign exchange risk and volatile purchasing patterns.

Figure 1: Results Comparison

	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY24	3MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	583.8	440.0	32.7	530.3	10.1	440.0	583.8	32.7		Improvements in both sales volume and ASP
EBITDA	64.1	(25.8)	348.8	38.0	68.6	(25.8)	64.1	348.8		
Pre-tax profit	41.1	(44.7)	192.0	18.6	121.1	(44.7)	41.1	192.0		Higher revenue and production efficiencies
Net profit	31.9	(51.2)	162.3	19.3	65.3	(51.2)	31.9	162.3		
Core net profit	31.9	(52.5)	160.8	14.9	114.3	(52.5)	31.9	160.8		
Core EPS (sen)	0.9	(1.5)	160.8	0.4	114.3	(1.5)	0.9	160.8		
EBITDA margin (%)	11.0	(5.9)		7.2		(5.9)	11.0			
PBT margin (%)	7.0	(10.2)		3.5		(10.2)	7.0			
Core PATMI margin (%)	5.5	(11.9)		2.8		(11.9)	5.5			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	7888.3	2409.6	1837.6	2333.1	2519.7
Gross Profit	4795.1	318.9	459.4	583.3	629.9
EBITDA	4767.9	-38.3	177.7	303.3	340.2
Depreciation & Amortisation	-151.9	-163.0	-132.0	-121.7	-131.0
EBIT	4616.1	-201.3	45.7	181.6	209.2
Net Finance Income/(Cost)	-0.9	5.7	2.9	-6.9	9.3
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	4636.9	-214.4	38.7	190.9	223.3
Tax	-1394.6	-24.4	-18.7	-20.4	-33.5
Profit After Tax	3242.3	-238.8	20.1	170.5	189.8
Minority Interest	7.8	-3.7	7.3	7.7	8.1
Net Profit	3234.5	-235.1	12.7	162.8	181.7
Exceptionals	0.0	347.0	0.0	0.0	0.0
Core Net Profit	3234.5	-582.1	12.7	162.8	181.7

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%	8.2%	8.9%
PAT margin	41.1%	-9.9%	1.1%	7.3%	7.5%
NP margin	41.0%	-9.8%	0.7%	7.0%	7.2%
Core NP margin	41.0%	-9.8%	0.7%	7.0%	7.2%
ROE	62.9%	-5.0%	0.3%	3.4%	3.6%
ROA	102.7%	-8.0%	0.4%	5.3%	5.6%
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	19022.8	23566.7
Blended ASP (RM/000 pcs)	192.6	266.9	107.1	96.6	99.0

Valuations

	FY26F
Book Value/share (RM)	1.46
Multiple (x)	2.0
Fair Value (RM)	2.92

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	2378.1	1724.5	1427.4	1891.9	1934.5
Receivables	338.7	200.4	289.9	223.7	241.6
Inventories	396.9	232.4	385.6	239.7	284.8
Other current assets	83.5	203.1	177.4	116.7	126.0
Total Current Assets	3197.3	2360.4	2280.3	2471.9	2586.9
Fixed Assets	2367.0	1943.1	1901.0	1777.9	1702.3
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
Total Non-current assets	3150.1	2944.5	2977.4	3085.5	3261.2
Short-term Debt	103.9	90.1	64.6	-39.6	-104.5
Payables	117.9	88.6	64.2	95.9	103.6
Other Current Liabilities	595.0	175.4	256.4	192.5	207.9
Total Current Liabilities	816.8	354.1	385.1	248.7	206.9
Long-term Debt	139.8	64.3	6.8	-21.5	-56.6
Other non-current liabilities	245.8	228.2	221.5	523.5	709.7
Total Non-current Liabilities	385.7	292.4	228.3	502.0	653.2
Shareholder's equity	5121.3	4640.1	4647.7	4810.6	4992.3
Minority interest	23.6	18.3	-3.5	-3.9	-4.2
Equity	5144.9	4658.4	4644.2	4806.7	4988.0

Cash Flow

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	4636.9	-214.4	38.7	190.9	223.3
Depreciation & amortisation	151.9	163.0	132.0	121.7	131.0
Changes in working capital	182.7	108.3	-9.1	93.5	-48.8
Others	-1883.3	3659.5	-223.6	-219.3	111.1
Operating cash flow	3088.2	3716.4	-61.9	186.8	416.6
Net capex	-846.2	-306.0	-131.6	-160.6	-187.2
Others	36.2	11.0	1.1	10.0	10.2
Investing cash flow	-810.0	-295.0	-130.5	-150.6	-177.0
Dividends paid	-2997.2	-239.2	0.0	0.0	0.0
Others	2612.5	-2971.1	-351.5	-92.5	-99.8
Financing cash flow	-384.7	-3210.3	-351.5	-92.5	-99.8
Net cash flow	1893.5	211.1	-544.0	-56.3	139.9
Forex	-1.9	-3.5	-3.5	-3.5	-3.5
Others	-2182.2	-861.3	306.5	224.7	-93.7
Beginning cash	2668.7	2378.1	1668.4	1727.0	1891.9
Ending cash	2378.1	1724.5	1427.4	1891.9	1934.5

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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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