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Gloves Sector

Neutral (↔)

Navigating Tariffs and Sluggish Demand: A Post-Tariff Analysis

Executive Summary

- Following Trump's sweeping tariff, Malaysian exports to the US which is facing a 24% reciprocal tariff aimed at trade imbalances, are now paused for 90 days but subject to a 10% floor tariff for non-Chinese imports.
- Initially, we expect demand to recover by June CY25. However, the rapid changes in US tariffs have caused a slowdown in US orders, as buyers are waiting for market stability before purchases normalise. Consequently, we now anticipate demand will only begin to pick up by late June CY25.
- Maintain a Neutral rating on the gloves sector, given that the glove market remains highly volatile, even though Malaysia has a competitive advantage compared to its peers. Top pick: HARTA (HOLD; TP: RM2.19).

24% US Tariffs on Malaysian Gloves. On 3 Apr 2025, Trump announced a 24% reciprocal tariff on Malaysian imports, including gloves, as part of a broader initiative to address trade imbalances and safeguard US industries, though this is paused for 90 days with a 10% floor tariff for non-Chinese imports.

Will this Trade War worsen? A full-blown trade war is highly probable, especially with the additional 41% tariff on Chinese imports, bringing the total to 145%. In response, China announced a retaliatory tariff of 125% (raise from 34%) on US goods on 12 Apr 2025.

Given these potential impacts, we conducted channel checks with HARTA's and TOPG's key managements on latest updates.

Outlook (4QFY25): HARTA's sales volume is projected to decline by 15-20% qoq due to reduced reordering following US frontloading. However, a significant recovery in orders is anticipated by late Jun 2025. Blended ASPs are expected to remain on downward trend (US\$ 19/1k pcs for the US market, US\$ 17/1k pcs for non-US markets), representing a decrease of c.14% since Dec 2024 due to ongoing pricing pressure. Similarly, TOPG's sales volume is also forecast to decrease by 9-10% qoq for the same reason as HARTA's.

Raw Materials & Currency: Raw material costs (nitrile down ~6% in Mar 2025, latex stable) and the USD/MYR exchange rate (~4.40) have shown stability and are expected to remain at current levels. The stability should provide some cushion to over the near-term on both HARTA's and TOPG's costs and profitability.

Intense competition in non-US market: Chinese manufacturers are increasingly capturing non-US market share, particularly in Europe, by offering lower prices (around US\$ 14-15/1k pcs). Their US market share experienced a sharp decline (from 32% to 7-8% by Jan 2025) after the initial tariffs were imposed. China's lower coal prices provide them with the flexibility for aggressive global pricing strategies.

TOPG competes effectively outside the US, especially in Europe, leveraging its global reach and diverse product portfolio. However, the cheaper prices offered by Chinese glovemakers are eroding TOPG's advantage in these regions as the latter is pricing at US\$16-17/ 1k pcs in these markets, creating a US\$2-3 difference. In contrast, HARTA's US sales contribution has risen significantly to 63% in 3QFY25 (from 48% in FY24), leading to their confidence that losses in non-US market share will be offset by gains in the US market. (refer Fig 3)

US Reciprocal Tariffs: The 24% US tariff on Malaysian imports could raise the glove ASPs to US\$ 21-25/1k. Meanwhile, the recent 145% tariff announced on 11 Apr 2025 would push Chinese glove prices to US\$34-37/1k, affecting market competitiveness, potentially squeezing profit margins and leading to a decline in US demand.

Scenarios Analysis

Base Case. The impending 24% tariff allows Malaysian glove manufacturers to sell at ~US\$21-25/1k pcs (post-tariff). HARTA aims for a blended ASP of ~US\$ 20/1k pcs, while TOPG targets ~US\$ 17-19/1k pcs (post-tariff), with tariffs passed to consumers (Table 1). Our FY25 forecast suggests Malaysian glovemakers are barely profitable at current or ~10% lower demand (Fig 1), due to relatively flat/downward raw material costs driven by lower Brent Crude prices amid global growth and tariff concerns dampening oil demand.

Best Case. Should a 10% tariff (Trump's floor) applied to Malaysia imports to US, Malaysian gloves could price at ~US\$ 19-22/1k pcs, offering a ~5-10% discount compared to Chinese gloves (~US\$ 21-23/1k pcs) (Table 2). This further reinforces Malaysia's position as a top US alternative supplier due to its large capacity, high quality, and favourable trade. Additionally, every US\$0.1 strengthening of the USD will improve HARTA's and TOPG's operating profits (Fig 2).

Worst Case. A 50% tariff could push Malaysian glove prices to ~US\$ 26-30/1k pcs, while Chinese gloves (facing a potential 145% tariff) might be priced at ~US\$ 33-35/1k pcs even with some absorption (Table 3). We believe Malaysian manufacturers can still compete due to the intensity of the US-China trade war, noting that ~US\$ 14-15/1k pcs is considered cut-throat production even for Chinese players. Furthermore, US customers are likely to prefer higher quality, lower-risk Malaysian suppliers.

Global Glove Market Outlook. Global glove market continues to face an oversupply situation. Following the tariff announcement in Sep 2024, US customers have accelerated their glove purchases, resulting in stagnant demand. Despite a price difference of ~US\$ 6-7/1k pcs between Malaysian and Chinese gloves, our channel checks indicate limited interest from US customers. They remain cautious following the tariff announcement and are currently in a "wait-and-see" period. Consequently, we anticipate a subdued outlook for the glove market until July-Aug 2025, when we expect frontloaded glove inventories to be depleted and US customers to resume their typical purchasing patterns.

Earning Revision for HARTA. Amid the challenging operating conditions, including (i) an expected 15-20% qoq decline in sales volume for 4QFY25, (ii) weak order replenishment into 1QFY26 (Apr-May 2025) and (iii) coupled with ~14% decrease in ASPs for Jan-Mar 2025 orders, we now expect HARTA to return to the red in 4QFY25. As a result of these weaker operating metrics, we are revising down our FY25F-FY27F earnings estimates by an average of ~20%. Meanwhile, TOPG's earnings remained unchanged, as we have already factored in some of the negative impacts in the **last quarter's result report**.

Our view. The scenario of serious oversupply from China flooding Europe is a tangible risk that could negatively impact gloves selling prices and profitability in the region. However, Malaysia's US market advantage from rising China tariffs allows them to offset other losses by meeting increasing US demand post-tariff as US market inventories deplete. Navigating the inventory management will be crucial for Malaysian players to navigate these shifting global market dynamics.

Keeping neutral stance. Correspondingly, we lowered our TP for **HARTA** by 38% to **RM2.19** (from RM3.56 previously) and downgraded our recommendation to **HOLD** (from BUY). This adjustment, based on a P/B multiple of 1.5x (down from 2.2x) which is near -2 standard deviations of the 1-year historical average (Fig 6), follows the recent price correction and uncertainties in the market outlook. While we maintain our earnings forecasts and TP for **TOPG (FV: RM0.92)**, we re-iterate our **HOLD** recommendation. In conclusion, we maintain our **NEUTRAL** stance on the gloves sector due to the rapid changes and uncertainties arising from the US's policy. A potential re-rating is not out of the woods should there be more concrete improvements in volumes and margins.

Peers Comparison

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) ^	TP (RM)	Potential Upside	P/E (x)		P/B (x)		EPS Growth (%)		ROE (%)		Div Yield (%)		ESG Rating
							CY25	CY26	CY25	CY26	CY25	CY26	CY25	CY26	CY25	CY26	
Hartalega Holdings Berhad	Mar	7,885	HOLD	2.31	2.19	-5.2%	56.8	46.4	1.4	1.4	71.0	21.2	2.3%	2.7%	1.45	2.1	★★★
Top Glove Corporation Bhd	Aug	7,256	HOLD	0.91	0.92	1.7%	417.6	233.4	1.2	81.0	NIL	NIL	0.3%	0.5%	0.0	0.0	★★★
Kossan Rubber Industries Berhad	Dec	4,832	N/A	1.90	2.32	21.9%	32.8	23.2	1.3	1.2	23.4	41.4	4.3	5.6	1.6	2.0	N/A
Supermax Corporation Bhd	Dec	4,832	N/A	1.90	0.85	-55.3%	NIL	73.5	0.5	0.5	88.7	387.5	-0.6	0.7	0.2	0.6	N/A

* Based on Bloomberg consensus

^ As at 13 Apr 25

Source: Apex Securities Berhad

Fig 1: Sensitivity Analysis HARTA's Operating Profit Heatmap

Glove price/Sales Volume (m pcs)

	302.55	18,000	19,000	20,000	21,000	22,000	23,000	24,000	25,000	26,000
15	- 701.83	- 635.83	- 569.83	- 503.83	- 437.83	- 371.83	- 305.83	- 239.8258	- 173.826	
16	- 622.63	- 552.23	- 481.83	- 411.43	- 341.03	- 270.63	- 200.23	- 129.8258	- 59.4258	
17	- 543.43	- 468.63	- 393.83	- 319.03	- 244.23	- 169.43	- 94.63	- 19.82581	54.97419	
18	- 464.23	- 385.03	- 305.83	- 226.63	- 147.43	- 68.23	10.97	90.17419	169.3742	
19	- 385.03	- 301.43	- 217.83	- 134.23	- 50.63	32.97	116.57	200.1742	283.7742	
20	- 305.83	- 217.83	- 129.83	- 41.83	46.17	134.17	222.17	310.1742	398.1742	
21	- 226.63	- 134.23	- 41.83	50.57	142.97	235.37	327.77	420.1742	512.5742	
22	- 147.43	- 50.63	46.17	142.97	239.77	336.57	433.37	530.1742	626.9742	
23	- 68.23	32.97	134.17	235.37	336.57	437.77	538.97	640.1742	741.3742	
24	10.97	116.57	222.17	327.77	433.37	538.97	644.57	750.1742	855.7742	

*Based on our FY25E operating profit forecast

HARTA's sales volume forecast: 24,913m pcs

Source: Apex Securities Berhad

TOPG's Operating Profit Heatmap

Glove price/Sales Volume (m pcs)

	434.18	22,000	34,000	44,000	54,000	64,000	74,000	84,000	94,000
15	- 1,453.64	- 661.64	- 1.64	658.36	1,318.36	1,978.36	2,638.36	3,298.36	
16	- 1,356.84	- 512.04	191.96	895.96	1,599.96	2,303.96	3,007.96	3,711.96	
17	- 1,260.04	- 362.44	385.56	1,133.56	1,881.56	2,629.56	3,377.56	4,125.56	
18	- 1,163.24	- 212.84	579.16	1,371.16	2,163.16	2,955.16	3,747.16	4,539.16	
19	- 1,066.44	- 63.24	772.76	1,608.76	2,444.76	3,280.76	4,116.76	4,952.76	
20	- 969.64	86.36	966.36	1,846.36	2,726.36	3,606.36	4,486.36	5,366.36	
21	- 872.84	235.96	1,159.96	2,083.96	3,007.96	3,931.96	4,855.96	5,779.96	
22	- 776.04	385.56	1,353.56	2,321.56	3,289.56	4,257.56	5,225.56	6,193.56	
23	- 679.24	535.16	1,547.16	2,559.16	3,571.16	4,583.16	5,595.16	6,607.16	
24	- 582.44	684.76	1,740.76	2,796.76	3,852.76	4,908.76	5,964.76	7,020.76	

*Based on our FY25E operating profit forecast

TOPG's sales volume forecast: 44,650m pcs

Source: Apex Securities Berhad

Fig 2: Dollar sensitivity HARTA's Heatmap

Glove price/ USDMYR							
302.55	4	4.1	4.2	4.3	4.4	4.5	4.6
15	- 395.03	- 357.66	- 320.29	- 282.92	- 245.55	- 208.18	- 170.81
16	- 295.37	- 255.51	- 215.65	- 175.79	- 135.93	- 96.07	- 56.20
17	- 195.72	- 153.37	- 111.01	- 68.66	- 26.31	16.04	58.40
18	- 96.07	- 51.22	- 6.38	38.47	83.31	128.15	173.00
19	3.59	50.92	98.26	145.59	192.93	240.26	287.60
20	103.24	153.07	202.89	252.72	302.55	352.37	402.20
21	202.89	255.21	307.53	359.85	412.17	464.48	516.80
22	302.55	357.36	412.17	466.98	521.78	576.59	631.40
23	402.20	459.50	516.80	574.10	631.40	688.70	746.00
24	501.85	561.65	621.44	681.23	741.02	800.81	860.61

*Based on our FY25E operating profit forecast

HARTA's FY25E forecast: ASP:USD20 ; USD/MYR:4.4

Source: Apex Securities Berhad

TOPG's Heatmap

Glove price/USDMYR

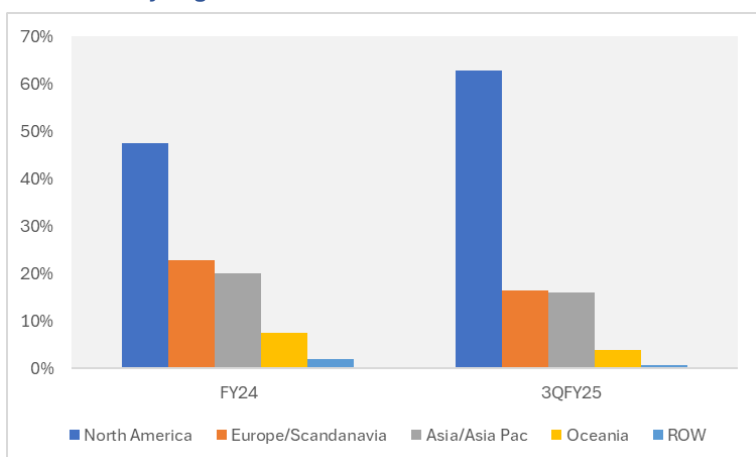
	4	4.1	4.2	4.3	4.4	4.5	4.6
15	-	226.64	-	159.67	-	92.69	-
16	-	48.04	23.40	94.84	166.28	237.72	309.16
17	-	130.56	206.46	282.37	358.27	434.18	510.08
18	-	309.16	389.53	469.90	550.27	630.64	711.01
19	-	487.76	572.59	657.43	742.26	827.10	911.93
20	-	666.36	755.66	844.96	934.26	1,023.56	1,112.86
21	-	844.96	938.72	1,032.49	1,126.25	1,220.02	1,313.78
22	-	1,023.56	1,121.79	1,220.02	1,318.25	1,416.48	1,514.71
23	-	1,202.16	1,304.85	1,407.55	1,510.24	1,612.94	1,715.63
24	-	1,380.76	1,487.92	1,595.08	1,702.24	1,809.40	1,916.56
							2,023.72

*Based on our FY25E operating profit forecast

TOPG's FY25E forecast: ASP:USD17; USD/MYR:4.4

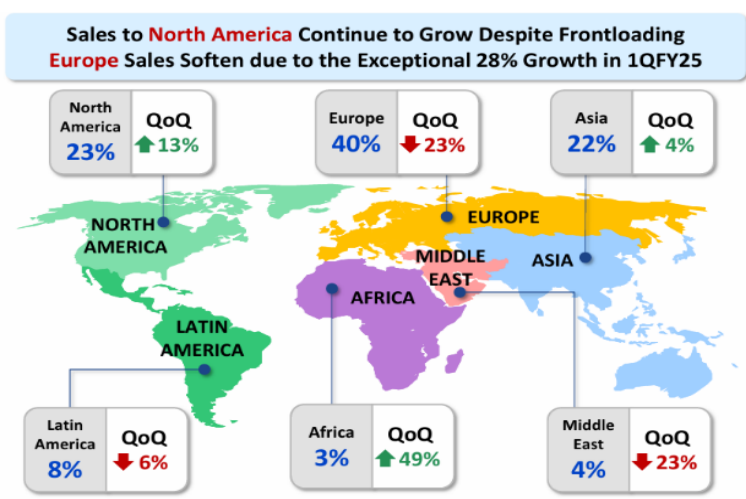
Source: Apex Securities Berhad

Fig 3: HARTA's Revenue Breakdown by Region



Source: Apex Securities Berhad

Fig 4: TOPG's Revenue Breakdown by Region in Q2FY25



Source: TOPG's Q2's Analyst briefing slide,
Apex Securities Berhad

Table 1

Scenario 1: Tariff 104% to China

China ASP (w/o tariff)	\$14	\$15
Post-tariff	\$29	\$31

Source: Apex Securities Berhad

Scenario 1: Tariff 24% to Malaysia

Malaysia ASP (w/o tariff)	\$17	\$20
Post-tariff	\$21	\$25

Table 2

Scenario 2: Tariff 54% to China

China ASP (w/o tariff)	\$14	\$15
Post-tariff	\$22	\$23

Source: Apex Securities Berhad

Scenario 2: Tariff 10% to Malaysia

Malaysia ASP (w/o tariff)	\$17	\$20
Post-tariff	\$19	\$22

Table 3

Scenario 3: Tariff 145% to China

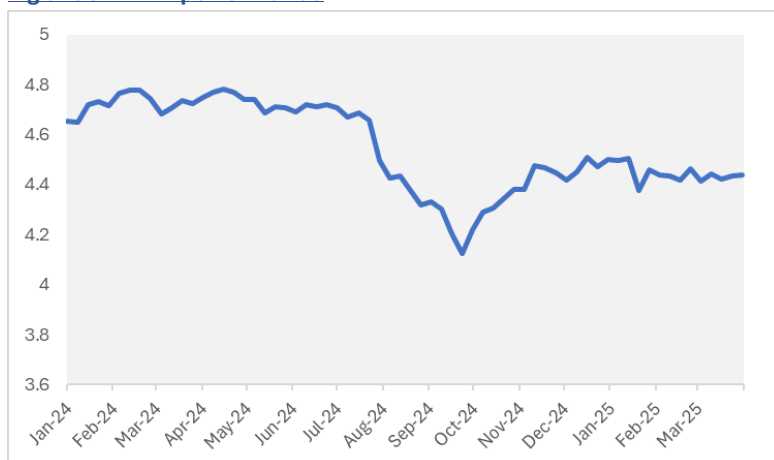
China ASP (w/o tariff)	\$14	\$15
Post-tariff	\$34	\$37

Source: Apex Securities Berhad

Scenario 3: Tariff 50% to Malaysia

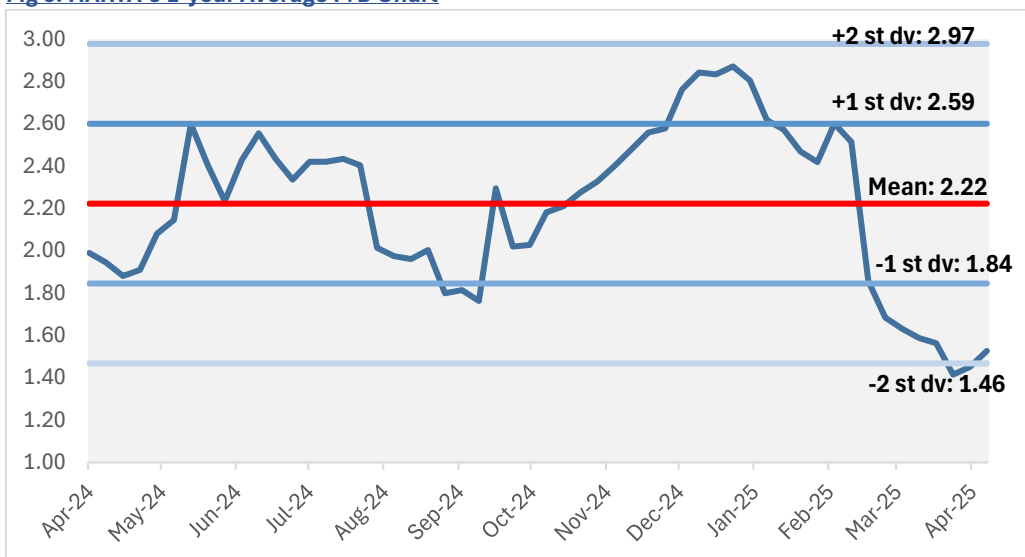
Malaysia ASP (w/o tariff)	\$17	\$20
Post-tariff	\$26	\$30

Fig 5: USD/MYR performance



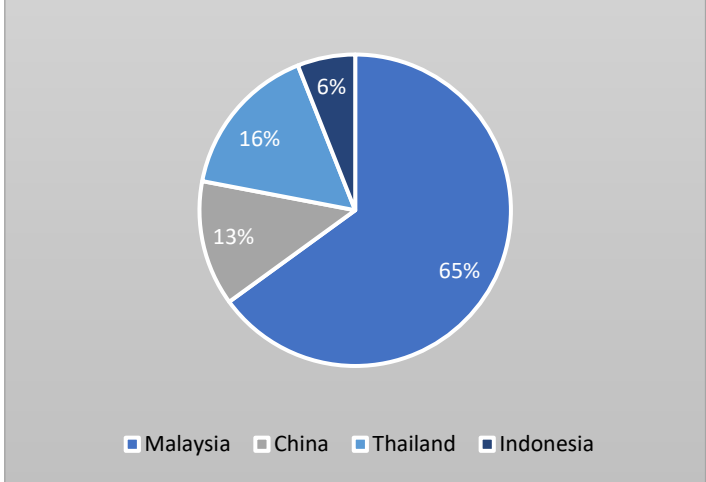
Source: Apex Securities Berhad

Fig 6: HARTA's 1-year Average P/B Chart



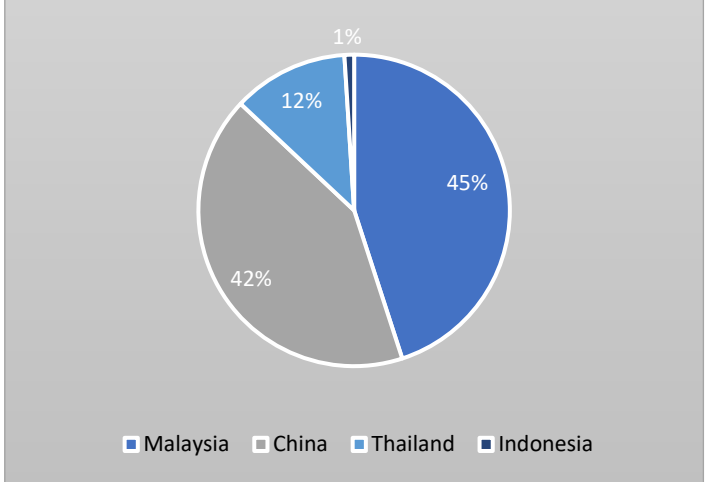
Source: Bloomberg, Apex Securities Berhad

Fig 7: Pre-pandemic key regional players market share in US



Source: Apex Securities Berhad

Fig 8: Post-pandemic key regional players market share in US (As of Dec 2024)



Source: Apex Securities Berhad

Fig 9: HARTA's revised Financial Highlight

Financial Highlights

Income Statement

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2409.6	1838.1	2192.4	2290.7	2525.5
Gross Profit	318.9	155.7	302.5	389.4	429.3
EBITDA	-43.8	178.2	227.6	332.2	372.0
Depreciation & Amortisation	-163.0	-132.1	-144.3	-153.5	-162.4
EBIT	-206.8	46.1	83.3	178.7	209.6
Net Finance Income/ (Cost)	-7.6	-7.6	-7.7	-7.8	-8.0
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	-214.4	38.5	75.6	170.8	201.7
Tax	-24.4	-18.7	-18.1	-41.0	-48.4
Profit After Tax	-238.8	19.8	57.4	129.8	153.3
Minority Interest	-3.7	7.3	-0.4	1.0	1.2
Net Profit	-235.1	12.5	57.8	128.8	152.1
Exceptionals	347.0	19.1	-28.8	0.0	0.0
Core Net Profit	-582.1	-6.6	86.7	128.8	152.1

Key Ratios

FYE Mar	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	-16.98	-0.19	2.53	3.76	4.44
P/E (x)	N/A	N/A	77.93	52.42	44.41
P/B (x)	1.31	1.45	1.45	1.44	1.42
EV/EBITDA (x)	-73.26	19.36	15.40	10.69	9.67
DPS (sen)	3.50	0.00	0.51	1.93	2.78
Dividend Yield (%)	1.9%	0.0%	0.3%	1.0%	1.5%
EBITDA margin (%)	-1.8%	9.7%	10.4%	14.5%	14.7%
EBIT margin (%)	-8.6%	2.5%	3.8%	7.8%	8.3%
PBT margin (%)	-8.9%	2.1%	3.4%	7.5%	8.0%
PAT margin (%)	-9.9%	1.1%	2.6%	5.7%	6.1%
NP margin (%)	-9.8%	0.7%	2.6%	5.6%	6.0%
Core NP margin (%)	-24.2%	-0.4%	4.0%	5.6%	6.0%
ROE (%)	-10.0%	-0.1%	1.6%	2.4%	2.8%
ROA (%)	-4.4%	0.2%	1.1%	2.4%	2.8%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Mar	FY23	FY24	FY25F	FY26F	FY27F
Production (lines)	120.0	60.0	84.0	120.0	120.0
Utilisation rate (%)	53.6%	90.0%	74.0%	72.0%	72.0%
Production (m pcs)	42000.0	42000.0	33666.7	35350.0	37117.5
Blended ASP (RM/pcs)	266.92	107.05	97.05	88.00	90.00

Valuations

Valuations	FY20F
BVPS (RM)	1.456
P/BV multiple (x)	1.5
Fair Value (RM)	2.19

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	1724.5	1427.4	1417.4	1438.0	1456.8
Receivables	323.5	386.7	394.3	404.7	408.6
Inventories	232.4	385.6	393.3	401.2	409.2
Other current assets	80.1	80.5	80.5	80.5	80.5
Total Current Assets	2360.4	2280.3	2285.6	2324.4	2355.2
Fixed Assets	2942.3	2975.9	3012.6	3065.2	3130.2
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	2.3	1.4	1.4	1.4	1.4
Total Non-current assets	2944.5	2977.4	3014.0	3066.7	3131.6
Short-term Debt	90.1	64.6	37.1	54.3	73.2
Payables	252.7	316.8	333.3	338.9	351.9
Other Current Liabilities	11.3	3.7	3.7	3.7	3.7
Total Current Liabilities	354.1	385.1	374.1	396.9	428.9
Long-term Debt	64.3	6.8	12.4	18.1	24.4
Other non-current liabilities	228.2	221.5	221.5	221.5	221.5
Total Non-current Liabilities	292.4	228.3	233.9	239.6	245.9
Shareholder's equity	4640.1	4647.7	4688.0	4750.7	4808.0
Minority interest	18.3	-3.5	3.7	3.9	4.1
Equity	4658.4	4644.2	4691.7	4754.6	4812.1

Cash Flow

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	-214.4	38.5	75.6	170.8	201.7
Depreciation & amortisation	163.0	132.1	144.3	153.5	162.4
Changes in working capital	118.6	-149.0	1.2	-12.6	1.1
Others	-104.0	-79.5	-69.6	-96.1	-104.3
Operating cash flow	-36.8	-58.0	151.4	215.7	260.7
Net capex	-307.2	-167.0	-175.4	-206.2	-227.3
Others	40.8	33.6	61.3	62.1	62.9
Investing cash flow	-266.4	-133.4	-114.1	-144.1	-164.4
Dividends paid	-239.2	0.0	-17.6	-66.1	-94.8
Others	-112.6	-111.4	-29.7	15.1	17.3
Financing cash flow	-351.8	-111.4	-47.2	-51.0	-77.5
Net cash flow	-655.0	-302.8	-10.0	20.6	18.8
Forex	-3.2	5.5	0.0	0.0	0.0
Others	4.5	0.2	0.0	0.0	0.0
Beginning cash	2378.1	1724.5	1427.4	1417.4	1438.0
Ending cash	1724.5	1427.4	1417.4	1438.0	1456.8

Recommendation Framework:

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

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.