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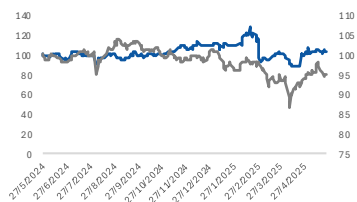
Recommendation:	HOLD
Current Price:	RM 0.79
Previous Target Price:	RM 0.42
Target Price:	↑ RM 0.73
Capital Upside/Downside:	-7.6%
Dividend Yield (%):	1.4%
Total Upside/Downside	-6.2%

Stock information

Board	MAIN
Sector	Consumer
Bursa / Bloomberg Code	5247 / KAREXMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	1,053.5
Market Cap (RM' m)	832.2
52-Week Price Range (RM)	1.09-0.705
Beta (x)	1.1
Free float (%)	27.6
3M Average Volume (m)	0.7
3M Average Value (RM' m)	0.6

Top 3 Shareholders

	(%)
Karex One Ltd	17.5
Bnp Paribas	16.9
Maryen Holdings Limited	11.5

Share Price Performance

	1M	3M	12M
Absolute (%)	1.9	-18.6	-7.1
Relative (%)	0.3	-15.8	-2.0

Earnings Summary

FYE Jun (RM m)	FY24	FY25F	FY26F
Revenue	507.8	488.5	560.4
PATAM I	23.4	14.6	29.2
CNP	32.5	14.6	29.2
Core EPS (sen)	3.1	1.4	2.8
PE (x)	25.6	57.0	28.5

Source: Company, Apex Securities

Karex Berhad

Tender Market Recovery Boosts Earnings

- Karex reported a 3QFY25 core net profit (CNP) of RM6.4m (-26.5% yoy), bringing 9MFY25 total to RM11.9m (-43.4% yoy). The results exceeded our expectations but missed consensus estimates, accounting for 148% of our full-year forecast and 63% of consensus predictions. The earnings beat on our end was due to stronger-than-expected sales demand for condoms and lubricants in the tender markets.
- The Group declared an interim dividend of 0.5 sen, matching 3QFY24.
- 3QFY25's CNP fell by 26.5% to RM6.4m, primarily due to increased operating expenses from the minimum wage hike in Thailand and Malaysia, and heightened logistics costs.
- We expect upcoming earnings to remain relatively flat qoq, premised to the disrupted order flow caused by ongoing US tariff uncertainties.
- We have raised FY25/FY26/FY27 earnings forecasts (by 82.5%/71.5%/40.8%, respectively), to reflect recovery in sexual wellness tender market and higher GP margins from softer raw material prices.
- Upgrade to HOLD with a revised TP of RM0.73 (from RM0.42), pegged to 26.0x PE multiple on FY26F EPS of 2.8 sen, ascribed with three-star ESG rating.

Exceed expectations. Excluding forex loss (+RM0.5m), provisions in write-offs for inventories (+RM0.8m), Karex reported a 3QFY25 core net profit (CNP) of RM6.4m (-26.5% yoy), bringing the 9MFY25 total to RM11.9m. The results largely exceeded our expectations but missed consensus estimates, accounting for 148% of our full-year forecast and 63% of consensus projections. The earnings beat on our end was due to stronger-than-expected sales demand for condoms and lubricants in the tender markets.

Dividend declared. The Group declared a single interim dividend of 0.5 sen for the quarter, matching 3QFY24.

YoY. 3QFY25's CNP fell by 26.5% to RM6.4m, primarily due to increased operating expenses from the minimum wage hike in Thailand and Malaysia, and heightened logistic costs. This is witness by 2.2%-pts reduction in operating margin despite a 6.8% yoy increase in revenue driven by strong condom and personal lubricant sales, particularly in the tender market. Notably, Sexual Wellness segment registered a 19.6% yoy drop in GP, while the Medical segment posted a turnaround to gross profit of RM0.4m from a gross loss of RM1.5m, supported by 21.4% yoy surge in segmental revenue.

YTD. 9MFY25's CNP declined sharply by (43.4% yoy) due to a 1.6% yoy drop in revenue from lower international Tender market orders and elevated production costs. The GP margin fell by 2.6%-pts yoy to 30.7%, reflecting higher cost of sales.

QoQ. Karex posted a turnaround in 3QFY25, rebounding from a core loss of RM1.9m to a CNP of RM6.4m, as revenue rose 26.9% qoq, driven by increased condom and lubricant sales to the Commercial and Tender markets. The revenue growth more than offset the impact of minimum wage hike in Thailand and Malaysia.

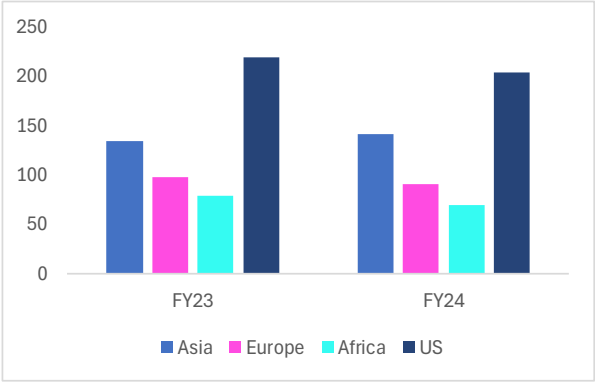
Outlook. We expect upcoming quarter earnings to remain relatively flat qoq, given the disrupted order flow caused by ongoing US tariff uncertainties. This situation is likely to prompt a "wait and see" approach from comer-based clients. While Trump's subsequent 90-days tariff truce (10% for Malaysia and Thailand from 9 Apr to 8 Jul, 2025) has led to some clients stocking up, we believe the tariff may reduce sales volume for Karex in the US market in the coming quarters.

Earnings Revision. Following the reported results, we have raised our earnings forecasts for FY25/FY26/FY27 by 82.5%/71.5%/40.8% respectively to reflect the recovery in sexual wellness tender market and higher GP margins from softer raw material prices.

Valuation. We upgrade our recommendation to **HOLD** (from **SELL**) with a revised target price of **RM0.73/share** (from RM0.42), based on a 26.0x P/E multiple applied to our FY26F EPS of 2.8 sen. This target price reflects a 0% ESG premium/discount, in line with the company's three-star ESG rating. We believe there is room for growth, but not in the near term, particularly given the global economic uncertainties.

Risk. (i) Tender market disruption, (ii) Muted Commercial market segment, (iii) Decline in global government spending on birth control, (iv) Slow uptake of new synthetic rubber condoms, (v) Challenges in raising prices to maintain profit margins.

Figure 1: Karex’s FY23 & FY24 Revenue Breakdown by Geography



Source: Company, Apex Securities

Results Note

Tuesday, 27 May, 2025

Results Comparison

FYE Jun (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	135.7	127.0	6.8	107.0	26.9	377.6	383.9	(1.6)	Sales improved from tender segment recovery
EBITDA	14.7	16.8	(12.3)	10.3	42.5	37.7	51.2	(26.3)	
Pre-tax profit	6.6	8.4	(20.8)	2.2	205.0	13.4	25.7	(47.7)	
Net profit	5.1	6.0	(15.6)	3.2	59.6	9.7	18.6	(48.0)	
Core net profit	6.4	8.8	(26.5)	(1.9)	nm	11.9	20.9	(43.4)	
Core EPS (sen)	0.6	0.8	(26.5)	(0.2)	nm	1.1	2.0	(43.4)	
DPS (sen)	0.5	0.5	-	-	nm	1.0	0.5	100.0	
EBITDA margin (%)	10.8	13.2		9.7		10.0	13.3		
PBT margin (%)	4.9	6.6		2.0		3.6	6.7		
Core PATMI margin (%)	4.7	6.9		(1.8)		3.1	5.5		

Source: Company, Apex Securities

Segmental Breakdown

FYE Jun (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)
Segment Revenue								
Sexual Wellness	123.2	116.5	5.7	95.2	29.3	341.2	350.0	(2.5)
Medical	9.0	7.4	21.4	8.8	2.1	26.6	24.4	8.8
Others	3.5	3.1	13.6	2.9	22.0	9.9	9.5	4.3
Total	135.7	127.0		107.0		377.6	383.9	
Segment Gross Profit/(Loss)								
Sexual Wellness	8.7	10.8	(19.6)	0.5	1,575.2	19.9	31.5	(36.8)
Medical	0.4	(1.5)	nm	(1.3)	nm	3.7	1.7	119.2
Others	0.5	0.4	13.1	0.2	195.9	1.2	1.0	23.6
Total	9.0	7.4	21.4	8.8	2.1	26.6	24.4	8.8
Gross Profit Margin (%)								
Sexual Wellness	7.0%	9.2%		0.5%		5.8%	9.0%	
Medical	4.7%	-19.6%		-14.8%		13.9%	6.9%	
Others	14.1%	14.2%		5.8%		11.9%	10.1%	
Total	26%	4%		-8%		32%	26%	

Source: Company, Apex Securities

Results Note

Tuesday, 27 May, 2025

Financial Highlights

Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	532.1	507.8	488.5	560.4	585.8
Gross Profit	135.9	171.3	149.0	177.6	187.4
EBITDA	49.2	65.0	51.8	74.9	76.5
Depreciation & Amortisation	-26.8	-25.5	-25.9	-31.8	-29.7
EBIT	22.4	39.5	25.9	43.2	46.9
Net Finance Income/ (Cost)	-7.3	-8.5	-7.4	-6.7	-6.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	15.1	31.0	18.5	36.5	40.7
Tax	-4.7	-7.6	-3.9	-7.3	-8.9
Profit After Tax	10.5	23.4	14.6	29.2	31.7
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	10.5	23.4	14.6	29.2	31.7
Exceptionals	-2.5	-9.1	0.0	0.0	0.0
Core Net Profit	13.0	32.5	14.6	29.2	31.7

Key Ratios

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
P/E (x)	64.0	25.6	57.0	28.5	26.2
EPS (sen)	1.2	3.1	1.4	2.8	3.0
P/B (x)	1.7	1.7	1.7	1.6	1.6
EV/EBITDA (x)	19.0	14.1	17.0	12.2	11.3
DPS (sen)	0.5	1.5	0.6	1.1	1.2
Dividend Yield (%)	0.6%	1.8%	0.7%	1.4%	1.5%
EBITDA margin	9.3%	12.8%	10.6%	13.4%	13.1%
EBIT margin	4.2%	7.8%	5.3%	7.7%	8.0%
PBT margin	2.8%	6.1%	3.8%	6.5%	6.9%
PAT margin	2.0%	4.6%	3.0%	5.2%	5.4%
NP margin	2.0%	4.6%	3.0%	5.2%	5.4%
Core NP margin	2.4%	6.4%	3.0%	5.2%	5.4%
ROE	2.2%	4.9%	3.0%	5.7%	6.0%
ROA	1.5%	3.3%	2.1%	4.0%	4.3%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Jun (RM m)	FY25F	FY26F	FY27F
Natural rubber condom			
Utilisation rate	85.0%	91.0%	91.0%
Blended ASP (USD/pcs)	0.02	0.02	0.02
Lines	60.0	60.0	60.0
Synthetic condom			
Utilisation rate	30.0%	35.0%	35.0%
Blended ASP (USD/pcs)	0.06	0.07	0.07
Lines	7.0	13.0	16.0

Valuations	FY26F
Core EPS (RM)	0.03
P/E multiple (x)	26.0
Equity Value (RM)	0.73
ESG premium/discount	0.0%
Fair Value	0.73

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	31.8	39.0	64.7	25.1	66.3
Receivables	128.1	124.2	116.7	153.5	135.3
Inventories	157.7	155.2	142.5	172.1	166.2
Other current assets	2.7	2.5	2.4	2.8	2.9
Total Current Assets	320.3	320.8	326.3	353.5	370.8
Fixed Assets	298.4	285.1	280.4	274.4	271.5
Intangibles	98.8	100.2	100.2	100.2	100.2
Other non-current assets	4.2	2.7	2.7	2.7	2.7
Total Non-current assets	401.4	388.0	383.3	377.3	374.4
Short-term Debt	82.4	77.2	67.8	63.4	58.1
Payables	71.7	62.5	67.9	76.6	79.7
Other Current Liabilities	17.7	21.8	15.5	17.4	18.1
Total Current Liabilities	171.8	161.5	151.2	157.4	156.0
Long-term Debt	53.3	43.1	45.2	42.3	38.8
Other non-current liabilities	20.0	21.3	21.6	21.9	22.3
Total Non-current Liabilities	73.3	64.4	66.8	64.2	61.0
Shareholder's equity	476.6	482.9	491.7	509.2	528.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	476.6	482.9	491.7	509.2	528.2

Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	15.1	31.0	18.5	36.5	40.7
Depreciation & amortisation	26.8	25.5	25.9	31.8	29.7
Changes in working capital	-46.9	2.1	20.4	-56.4	27.7
Others	11.9	12.5	3.5	-0.6	-2.7
Operating cash flow	7.0	71.1	68.3	11.2	95.3
Capex	-18.2	-19.9	-22.0	-25.2	-26.4
Others	0.3	0.6	0.4	0.4	0.5
Investing cash flow	-17.9	-19.3	-21.6	-24.8	-25.9
Dividends paid	0.0	-15.8	-5.8	-11.7	-12.7
Others	17.6	-26.2	-15.1	-14.4	-15.4
Financing cash flow	17.6	-41.96	-21.0	-26.1	-28.1
Net cash flow	6.7	9.8	25.7	-39.6	41.2
Forex	0.5	1.5	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	20.4	27.6	39.0	64.7	25.1
Ending cash	27.6	39.0	64.7	25.1	66.3

Results Note

Tuesday, 27 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	combined Scope 1 and Scope 2 emissions were reduced by 206 tCO2e in comparison to Karex's 2021 baseline.
Waste & Effluent	★★★★	Karex converted 255 metric tonnes of dry rubber waste into high quality crepe rubber sheets.
Energy	★★★★	Reduced 11.0% energy consumption in condom facilities in FY2024.
Water	★★	Increase of 2.1% compared to the previous year due to the higher production of textured and synthetic products during the year.
Compliance	★★	Continued participate on the ISO Technical Committee 157 – Non-systemic Contraceptives and STI Barrier Prophylactics.

Social

Diversity	★★★★	Zero incidences of complaints, reports and whistleblowing for workplace discrimination across all facilities.
Human Rights	★★★	59.8% yoy reduced in participating training on human rights and ethical in FY24.
Occupational Safety and Health	★★★	Maintain ISO 45001 (Occupational Health & Safety Management System) certifications with each site undergoing independent third-party audits and inspections
Labour Practices	★★★★	Uphold suspension on the hiring of migrant labour.

Governance

CSR Strategy	★★★	maintained our status as a constituent of the FTSE4Good Index
Management	★★	37.5% female and 62.5% male in the BoD.
Stakeholders	★★★	1x AGM per annum and 2/4 analyst briefings.

Overall ESG Scoring: ★★★

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 + 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.

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.