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## Rubber Products

Neutral (↔)

### 1QCY25 Earnings Review: Cloudy Outlook Despite Upbeat Results

- Overall results exceeded our expectations. **HARTA** and **KAREX** outperformed, while **TOPG** reported results that came in below expectations.
- We anticipate flattish qoq earnings in the upcoming quarter, reflecting ongoing global uncertainties and sluggish US market demand.
- On 12 May 2025, US announced a temporary reduction in reciprocal tariffs on Chinese goods (from 145% to 30%). The easing move is expected to erode pricing advantage held by Malaysia glove makers, potentially leading to market share loss in the US.
- Maintain a **NEUTRAL** stance on the Rubber Products sector, with **HOLD** ratings for **HARTA** (TP: RM1.93), **TOPG** (TP: RM0.92), and **KAREX** (TP: RM0.73).

**Review.** Rubber products sector has shown encouraging results for 1QCY25. **HARTA** and **KAREX** exceeded our earnings forecasts, meanwhile **TOPG** reported earnings came below expectations. **HARTA** and **KAREX** exceeded expectations due to better-than-expected sales volume and ASP for **HARTA** and unexpected tender market recovery for **KAREX**. Meanwhile, **TOPG**'s missed expectations was due to weaker than expected sales volume recovery.

In 1QCY25, overall core net profit (CNP) surged more than 40-fold qoq. Both **TOPG** and **KAREX** returned to profitability. **TOPG** reported a CNP of RM23.3m, reversing from core net loss (CNL) of RM21.5m in the preceding quarter, driven by higher natural rubber glove sales volume and improved margins in the nitrile glove segment. Meanwhile, **Karex** recovery was primarily supported by stronger-than-expected sales demand for condoms and lubricants, particularly in the tender markets. Meanwhile, the 54.9% qoq plunge in CNP of **HARTA** was impacted by a 20% drop in sales volume amid muted US demand.

On a yoy basis, the sector recorded a turnaround from CNL to a CNP. The recovery was mainly attributed to improved earnings in **HARTA** and **TOPG**, underpinned by better ASP and sales volume following the end of the destocking cycle and gradual easing of industry oversupply.

**Outlook.** We believe the near-term outlook remains challenging for companies with significant exposure to the US markets, due to ongoing Trump's tariff uncertainties. While the global rubber glove market is gradually recovering, with growth anticipated through 2025, both **HARTA** and **TOPG** continue to face headwinds from soft US demand (due to late-2024 front-loading), continued oversupply in non-US markets, and rising domestic operating costs.

Glove ASPs are expected to soften, with sales volumes may also decline in the near term due to the pre-emptive build-up of inventories ahead of tariff implementation. Compounding to the pressure, the US government announced on 12 May 2025 on a temporary reduction in tariffs from 145% to 30% for a 90-day period for Chinese goods. Including the previously announced Biden-era tariffs, this translates to an effective tariff of 80% in 2025 and 130% in 2026. The easing is expected to erode pricing advantage held by Malaysian glove makers, potentially leading to market share loss in the US. Amid these uncertainties, most US clients are adopting a cautious "wait-and-see" approach. As such, we project a flattish qoq performance from both **HARTA** and **TOPG** in the upcoming quarter.

Similarly, we anticipate flattish qoq earnings for **KAREX** order flows disrupted by US tariff uncertainties. While Trump's 90-day tariff truce prompted some stocking activities, we believe tariff reinstatement risks may weigh on **KAREX**'s US sales volume in coming quarters.

**Valuation & Recommendation.** Under the 1QCY25 the earnings season, we upgraded our recommendation on **KAREX** from Sell to **HOLD** with a higher TP of **RM0.73** (from RM0.42). Meanwhile, we reiterate our **HOLD** recommendations with downward TP revision on **HARTA** to **RM1.93** (from RM2.19), **TOPG** to **RM0.92** (from RM1.25). We retain our **NEUTRAL** stance on the sector, reflecting ongoing global economic uncertainties and subdued demand dynamics.

# Earnings Wrap

Thursday, 05 Jun, 2025

## Earnings Summary

| CY (RM m)                    | 1Q CY25 | 1Q CY24 | yoy (%) | 4Q CY24 | qoq (%) | 3M CY25 | 3M CY24 | yoy (%) |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Revenue</b>               | 1,495.2 | 1,080.7 | 38.4    | 1,624.1 | (7.9)   | 1,495.2 | 1,080.7 | 38.4    |
| Harta                        | 611.5   | 530.3   | 15.3    | 738.2   | (17.2)  | 611.5   | 530.3   | 15.3    |
| Top Glove*                   | 883.7   | 550.3   | 60.6    | 885.9   | (0.3)   | 883.7   | 550.3   | 60.6    |
| Karex                        | 135.7   | 127.0   | 6.8     | 107.0   | 26.9    | 135.7   | 127.0   | 6.8     |
| <b>Core net profit</b>       | 66.8    | (45.9)  | nm      | 1.6     | 4,065.3 | 66.8    | (45.9)  | nm      |
| Harta                        | 11.4    | 2.1     | 434.0   | 25.0    | (54.6)  | 11.4    | 2.1     | 434.0   |
| Top Glove*                   | 49.0    | (56.8)  | nm      | (21.5)  | nm      | 49.0    | (56.8)  | nm      |
| Karex                        | 6.4     | 8.8     | (26.5)  | (1.9)   | nm      | 6.4     | 8.8     | (26.5)  |
| <b>Core PATMI margin (%)</b> | 4.5     | (4.2)   |         | 0.1     |         | 4.5     | (4.2)   |         |
| Harta                        | 1.9     | 0.4     |         | 3.4     |         | 1.9     | 0.4     |         |
| Top Glove*                   | 5.5     | (10.3)  |         | (2.4)   |         | 5.5     | (10.3)  |         |
| Karex                        | 4.7     | 6.9     |         | (1.8)   |         | 4.7     | 6.9     |         |

Source: Company, Apex Securities

\*Top Glove's earnings are reflecting the period of Dec 2024-Feb 2025.

## Performance Summary

| Company          | 1QCY25       |             |              |              |             |              |
|------------------|--------------|-------------|--------------|--------------|-------------|--------------|
|                  | APEX         |             |              | CONSENSUS    |             |              |
|                  | Above        | Within      | Below        | Above        | Within      | Below        |
| Harta            | ✓            |             |              | ✓            |             |              |
| Top Glove*       |              |             | ✓            |              |             | ✓            |
| Karex            | ✓            |             |              |              |             | ✓            |
| <b>Total</b>     | <b>2</b>     | <b>0</b>    | <b>1</b>     | <b>1</b>     | <b>0</b>    | <b>2</b>     |
| <b>Total (%)</b> | <b>66.7%</b> | <b>0.0%</b> | <b>33.3%</b> | <b>33.3%</b> | <b>0.0%</b> | <b>66.7%</b> |

Source: Apex Securities

| Company                       | FYE | Market Cap (RM m) | Rec. | Price (RM) ^ | TP (RM) | Potential Upside | P/E (x) |       | P/BV (x) |      | Div Yield (%) |      | ESG Rating |
|-------------------------------|-----|-------------------|------|--------------|---------|------------------|---------|-------|----------|------|---------------|------|------------|
|                               |     |                   |      |              |         |                  | CY25    | CY26  | CY25     | CY26 | CY25          | CY26 |            |
| Gloves                        |     |                   |      |              |         |                  |         |       |          |      |               |      |            |
| Hartalega Holdings Bhd        | Mar | 6314.5            | Hold | 1.85         | 1.93    | 4.3%             | 49.2    | 44.6  | 1.7      | 1.6  | 1.2           | 1.2  | ★★★        |
| Top Glove Corporation Bhd     | Aug | 6294.0            | Hold | 0.79         | 0.92    | 17.2%            | -99.0   | 277.3 | 1.3      | 1.2  | 0.0           | 0.0  | ★★★        |
| *Kossan Rubber Industries Bhd | Dec | 4170.5            | N/A  | 1.64         | 2       | 26.7%            | 28.3    | 11.1  | 1.1      | 1.1  | 1.9           | 2.3  | N/A        |
| *Supermax Corporation Bhd     | Jun | 2078.9            | N/A  | 0.68         | 1       | 8.8%             | N/A     | N/A   | 0.5      | 0.5  | 1.3           | 2.0  | N/A        |
| Average                       |     |                   |      |              |         |                  | -7.2    | 111.0 | 1.1      | 1.1  | 1.1           | 1.4  |            |
| Condoms                       |     |                   |      |              |         |                  |         |       |          |      |               |      |            |
| Karex Bhd                     | Jun | 863.8             | Hold | 0.82         | 0.73    | -11.0%           | 36.7    | 39.4  | 1.7      | 1.6  | 1.4           | 1.5  | ★★★        |

\* Based on Bloomberg consensus

Source: Apex Securities, Bloomberg

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**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.

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**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.

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