

Team Coverage

(603) 7890 8888 (ext 2070)

research.dept@apexsecurities.com.my

Recommendation	HOLD
Current Price:	RM 1.19
Previous Target Price:	RM 1.93
Target Price:	RM 1.17
Capital Upside/ Downside:	-1.7%
Dividend Yield (%)	0.8%
Total Upside/ Downside	-0.9%

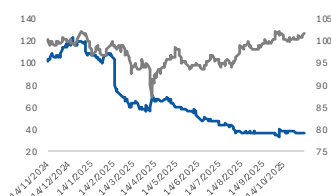
Stock information

Board	MAIN
Sector	Healthcare
Bursa / Bloomberg Code	5168 / HARTMK
Syariah Compliant	Yes
ESG Rating	***
Shares issued (m)	3,413.3
Market Cap (RM' m)	4,061.8
52-Week Price Range (RM)	4-1.09
Beta (x)	0.8
Free float (%)	44.1
3M Average Volume (m)	7.1
3M Average Value (RM' m)	8.7

Top 3 Shareholders

	(%)
Hartalega Industries Sdn Bhd	34.4
Budi Tenggara Sdn Bhd	8.6
Kumpulan Wang Persaraan	6.2

Share Price Performance



	1M	3M	12M
Absolute (%)	-4.0	-4.0	-61.9
Relative (%)	-4.8	-8.0	-62.5

Earnings Summary

FYE Mar (RM m)	FY25	FY26F	FY27F
Revenue	2586	2466	2572
PATAM I	74.5	68.8	80.5
CNP	80.5	68.8	80.5
Core EPS (sen)	2.2	2.0	2.4
PE (x)	54.5	59.1	50.5

Source: Company, Apex Securities

Hartalega Holdings Berhad

Earnings Miss Amid Currency Headwinds

- 2QFY26 CNP of RM17.9m (+41% QoQ, -63% YoY) brought 6MFY26 CNP to RM30.6m (-67.3% YoY), missing expectations at 24% of our full-year forecasts and 33% of consensus estimates. The shortfall was mainly due to lower-than-expected sales from the weakening of USD against MYR and soft ASPs driven by supply glut.
- We expect HARTA's performance to remain broadly flat despite forex headwinds, supported by mild ASP recovery and ongoing cost-optimisation efforts.
- Following the change in covering analyst, we have revamped our financial model and revised our forecasts for FY26/27/28F to RM68.8/80.5/102.2m, respectively, representing adjustments of -46.6%/-44.9%/-41.6%, respectively, from previous projections.
- Maintain HOLD recommendation with a lower target price of RM1.17/share (previously RM1.93) based on a revised 0.9x P/B on FY27F BVPS of RM1.29.

Missed expectations. After adjusting for one-off items (-RM0.4m), HARTA's 2QFY26 core net profit (CNP) came in at RM17.9m (+41% QoQ, -63% YoY). This brought 6MFY26 CNP to RM30.6m (-67.3% YoY). The results were below expectations, representing only 24% of our full-year forecast and 33% of consensus estimates. The shortfall was mainly due to lower-than-expected sales from the weakening of USD against MYR and soft ASPs driven by supply glut.

Dividend. No dividend declared

QoQ. CNP surged 41% despite a 2.4% decline in revenue, driven by a stronger operating profit of RM13.7m (+78.2%) as ongoing cost optimisation and automation initiatives continued to enhance production efficiency. Notably, labour cost fell 14.3% QoQ, reflecting the Group's sustained workforce rationalisation efforts. The softer revenue performance was mainly due to the appreciation of the MYR against the USD, which led to a 3.6% decline in blended ASPs in MYR terms, even though USD-denominated ASPs remained largely stable (-0.3% QoQ to c.USD21/1k pcs). Consequently, the Group achieved an operating margin expansion of 0.9 ppts QoQ to 2.5%.

YoY/YTD. CNP plunged 63% YoY and 67.3% YTD, mainly attributed to a 17.2% YoY and 11.6% YTD decline in revenue. The weaker topline was driven by lower sales volume and the appreciation of the MYR against the USD, which reduced MYR-translated export sales. On a YoY basis, sales volume contracted by 13% amid heightened pricing competition and softer demand from non-US markets, while MYR-denominated ASPs slipped 5% due to currency headwinds. These factors outweighed the benefits of ongoing cost-optimisation efforts, resulting in weaker profitability. Nevertheless, including forex gains/losses, operating profit improved significantly, turning from a loss to a profit YoY and rising 171% YTD, as 2QFY25 was previously affected by substantial foreign-exchange losses on USD-denominated assets following a sharp appreciation of the MYR against the USD in the quarter.

Outlook. Global glove demand is gradually recovering, with demand in 2H2025 expected to grow about 4% YoY as inventory destocking concludes and healthcare usage normalises. However, persistent industry oversupply continues to weigh on pricing. Chinese producers are expanding into Southeast Asia under a "China + 1" strategy to mitigate tariff exposure, although these moves appear reactive rather than reflective of genuine demand recovery. Management guided that the blended ASP in 3QFY26 is likely to remain flattish, with a risk of marginally lower pricing despite slight adjustments for a weaker USD in the next quotation cycle. The ability to pass through forex headwinds remains limited under current market conditions. Overall, we expect HARTA's near-term performance to stay broadly flat QoQ, supported by mild ASP recovery and ongoing cost-optimisation efforts, while a sector re-rating is unlikely until industry capacity normalises and pricing power improves.

Earnings Revision. Following the change in covering analyst, we have revamped our financial model and revised our forecasts for FY26/27/28F to RM68.8/80.5/102.2m, representing

downward adjustments of -46.6%/-44.9%/-41.6%, respectively, from previous projections. The downward revision primarily reflects a slower-than-expected recovery in sales, driven by the weaker USD against the MYR and soft ASPs amid persistent supply glut. In tandem, we have adjusted our USD/MYR assumptions for FY26/27/28F from 4.35/4.25/4.25 to 4.20/4.15/4.15 to align with our in-house macro projections.

Valuation. We maintain our **HOLD** recommendation, albeit with a lower target price of **RM1.17/share** (from RM1.93), based on a revised 0.9x P/B multiple (from 1.5x) after rolling forward our valuation base year to FY27F. Our assigned P/B multiple is 1SD below its 5-year forward mean, which we believe is justified given the challenging sector outlook. Chinese glove manufacturers continue to expand capacity into Southeast Asia to mitigate US tariff exposure, exacerbating the existing supply glut, while foreign-exchange headwinds further cloud the earnings outlook.

Risk. Increase in raw material prices, weakening of USD against MYR, policy changes such as US tariffs.

Results Note

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Results Comparison

FYE Mar (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	YTD (%)	Comments
Revenue	539.7	652.1	(17.2)	553.1	(2.4)	1,092.8	1,235.9	(11.6)	strengthening of the MYR against the USD
Operating expense	(525.9)	(678.7)	(22.5)	(545.4)	(3.6)	(1,071.3)	(1,228.0)	(12.8)	
Operating profit/ (loss)	13.7	(26.7)	nm	7.7	78.2	21.4	7.9	171.3	
Other income/expenses	9.8	(20.2)	nm	6.7	46.3	16.5	(12.6)	nm	
EBITDA	64.3	(11.1)	nm	54.9	17.1	119.2	65.3	82.7	
Depreciation	(40.8)	(35.8)	13.9	(40.5)	0.6	(81.3)	(69.9)	16.2	
EBIT	23.6	(46.8)	nm	14.4	63.4	38.0	(4.7)	nm	
Net Finance Costs	(0.1)	(0.6)	(87.6)	(0.1)	(10.6)	(0.2)	(1.6)	(90.2)	
Pre-tax profit	23.5	(47.5)	nm	14.3	63.8	37.8	(6.3)	nm	ongoing cost optimisation and automation efforts that enhanced efficiency
Taxation	(5.6)	56.1	nm	(2.0)	180.8	(7.6)	46.8	nm	
Profit-after tax	17.9	8.6	108.0	12.3	45.0	30.2	40.5	(25.4)	
(-) Minority interest	(0.4)	(0.0)	1,536.0	(0.3)	52.0	(0.7)	(0.0)	1,342.6	
PAT-MI	18.3	8.6	112.1	12.6	45.1	30.9	40.6	(23.8)	
Core net profit	17.9	48.3	(63.0)	12.7	41.0	30.6	93.4	(67.3)	
Core EPS (sen)	0.2	0.6	(63.0)	0.2	41.0	0.4	1.2	(67.3)	
DPS (sen)	-	0.6	-	-	-	-	0.6	(100.0)	
Operating profit/(loss) Margin(%)	2.5	(4.1)		1.4		2.0	0.6		
EBIT margin (%)	(4.5)	6.9		(2.6)		(1.5)	0.4		
EBITDA margin (%)	11.9	(1.7)		9.9		10.9	5.3		
PBT margin (%)	4.4	(7.3)		2.6		3.5	(0.5)		
Core PATMI margin (%)	3.3	7.4		2.3		2.8	7.6		

Source: Company, Apex Securities

Revenue breakdown by region

FYE Mar (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	YTD (%)	Comments
Segment Revenue									
North America	257.4	369.7	(30.4)	308.7	(16.6)	566.1	661.1	(14.4)	
Europe/Scandinavia	97.1	154.5	(37.1)	82.5	17.8	179.6	313.3	(42.7)	
Asia/Asia Pac	150.6	98.5	52.9	136.0	10.7	286.5	196.0	46.2	
Oceania	32.4	25.4	27.3	23.0	40.7	55.4	55.2	0.3	
ROW	2.2	3.9	(44.8)	3.0	(27.7)	5.1	10.3	(50.2)	
Total	539.7	652.1	(17.2)	553.1	(2.4)	1,092.8	1,235.9	(11.6)	

Source: Company, Apex Securities

Cost breakdown

FYE Mar (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	YTD (%)	Comments
Raw Materials	136.7	196.8	(30.5)	152.7	(10.5)	289.5	367.1	(21.2)	
Fuel	94.7	122.2	(22.5)	103.6	(8.6)	198.3	232.0	(14.5)	
Labour	84.1	115.4	(27.1)	98.2	(14.3)	182.3	203.3	(10.3)	
Packaging	26.3	33.9	(22.5)	27.3	(3.6)	53.6	61.4	(12.8)	
Chemical	42.1	54.3	(22.5)	43.6	(3.6)	85.7	98.2	(12.8)	
Overhead & others	142.0	156.1	(9.0)	120.0	18.3	262.0	266.0	(1.5)	
TOTAL	525.9	678.7	(22.5)	545.4	(3.6)	1,071.3	1,228.0	(12.8)	

Source: Company, Apex Securities

Figure 1: HARTA's 5-year Forward P/B Chart



Source: Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1838.1	2585.6	2466.0	2572.0	2617.4
Gross Profit	155.7	244.3	285.4	301.4	333.4
EBITDA	178.2	200.6	281.2	279.2	293.1
Depreciation & Amortisation	-132.1	-150.6	-188.7	-171.4	-156.5
EBIT	46.1	50.0	92.4	107.9	136.5
Net Finance Income/ (Cost)	-7.6	-2.1	-2.1	-2.1	-2.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	38.5	47.9	90.3	105.7	134.3
Tax	-18.7	26.5	-21.7	-25.4	-32.2
Profit After Tax	19.8	74.4	68.7	80.4	102.1
Minority Interest	7.3	-0.1	-0.1	-0.1	-0.1
PAT-MI	12.5	74.5	68.8	80.5	102.2
Exceptionals	22.9	-6.0	0.0	0.0	0.0
Core Net Profit	-10.4	80.5	68.8	80.5	102.2

Key Ratios

FYE Mar	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	0.37	2.18	2.01	2.36	2.99
P/E (x)	325.13	54.52	59.08	50.49	39.76
P/B (x)	0.87	0.94	0.93	0.92	0.91
EV/EBITDA (x)	19.36	18.03	12.54	12.74	12.34
DPS (sen)	0.00	11.75	0.81	0.94	1.20
Dividend Yield (%)	0.0%	9.9%	0.7%	0.8%	1.0%
EBITDA margin (%)	9.7%	7.8%	11.4%	10.9%	11.2%
EBIT margin (%)	2.5%	1.9%	3.7%	4.2%	5.2%
PBT margin (%)	2.1%	1.9%	3.7%	4.1%	5.1%
PAT margin (%)	1.1%	2.9%	2.8%	3.1%	3.9%
NP margin (%)	0.7%	2.9%	2.8%	3.1%	3.9%
Core NP margin (%)	-0.6%	3.1%	2.8%	3.1%	3.9%
ROE (%)	0.3%	1.7%	1.6%	1.8%	2.3%
ROA (%)	0.2%	1.6%	1.4%	1.7%	2.1%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Mar	FY24	FY25	FY26F	FY27F	FY28F
Utilisation rate (%)	50.0%	80.0%	80.0%	85.0%	90.0%
Production (m pcs)	39,140	32,940	29,600	31,450	33,300
Blended ASP (RM/pcs)	99.36	98.00	83.31	81.78	78.60

Valuations

	FY27F
BVPS (RM)	1.29
P/BV multiple (x)	0.9
Fair Value (RM)	1.17

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	1427.4	885.9	1018.4	1035.5	1037.7
Receivables	386.7	385.6	354.2	365.8	370.8
Inventories	385.6	338.4	298.7	311.0	312.9
Other current assets	80.5	116.7	116.7	116.7	116.7
Total Current Assets	2280.3	1726.7	1788.1	1829.1	1838.1
Fixed Assets	2975.9	3014.9	3011.1	3045.5	3124.5
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.4	1.0	1.0	1.0	1.0
Total Non-current assets	2977.4	3015.9	3012.1	3046.5	3125.5
Short-term Debt	62.3	4.1	28.7	54.4	80.6
Payables	316.8	229.6	221.4	222.9	223.6
Other Current Liabilities	6.0	8.6	8.6	8.6	8.6
Total Current Liabilities	385.1	242.2	258.6	285.9	312.7
Long-term Debt	4.3	0.0	0.0	0.0	0.0
Other non-current liabilities	224.0	181.4	181.4	181.4	181.4
Total Non-current Liabilities	228.3	181.4	181.4	181.4	181.4
Shareholder's equity	4647.7	4322.3	4363.6	4411.9	4473.2
Minority interest	-3.5	-3.3	-3.5	-3.6	-3.7
Equity	4644.2	4318.9	4360.1	4408.2	4469.4

Cash Flow

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	38.5	47.9	90.3	105.7	134.3
Depreciation & amortisation	132.1	150.6	188.7	171.4	156.5
Changes in working capital	-149.0	-50.8	62.8	-22.4	-6.1
Others	-79.5	-35.1	-62.2	-66.5	-74.0
Operating cash flow	-58.0	112.6	279.7	188.2	210.7
Capex	-167.0	-192.9	-185.0	-205.8	-235.6
Others	33.6	14.5	42.6	43.3	43.9
Investing cash flow	-133.4	-178.5	-142.3	-162.5	-191.6
Dividends paid	0.0	-40.14	-27.5	-32.2	-40.9
Others	-111.4	-65.8	22.6	23.6	24.0
Financing cash flow	-111.4	-467.2	-5.0	-8.6	-16.9
Net cash flow	-302.8	-533.0	132.4	17.1	2.2
Forex	5.5	-9.5	0.0	0.0	0.0
Others	0.2	1.1	0.0	0.0	0.0
Beginning cash	1724.5	1427.4	885.9	1018.4	1035.5
Ending cash	1427.4	885.9	1018.4	1035.5	1037.7

Results Note

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ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Reduce carbon emission intensity by 10% to 0.0183 tonnes/'000 pcs gloves in FY24.
Waste & Effluent	★★★	Reduced solid waste by 64.7% to 3,575 tonnes, target to achieve in FY25.
Energy	★★★	Energy consumption reduced by 14% to 7.41 kWh.'000 pcs gloves.
Water	★★★	Water consumption reduced by 29% to 0.164 m3/'000 pcs gloves in FY24.
Compliance	★★★	Scored among the top 3% out of 274 companies assessed in the Health Care Equipment & Supplies Industry in the S&P Global Corporate Sustainability Assessment.

Social

Diversity	★★★	55% female leadership in managerial positions (manager and above) in FY24.
Human Rights	★★★	Conduct Human Rights Due Diligence, HRDD for 100% TG own operation.
Occupational Safety and Health	★★★	Reduced occupational accident rate to 2.45/'000 employees and 100% contractors passed safety evaluation in FY24.
Labour Practices	★	2 factories audited achieved 'C' rating.

Governance

CSR Strategy	★★★	Donation to Dinas Kehutanan team, Kelompok Tani Hutan (KTH), and Kesatuan Hutan Produksi (KPHP) in FY24.
Management	★★	8/9 board members age over 50, 33% female director, 5/9 Independent Directors.
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum.

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.