

HLIB Research

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Chee Kok Siang
cheeks@hlib.hongleong.com.my

(603) 2083 1714

BUY (Maintain)

Target Price: **RM2.66**
Previously: **RM2.66**
Current Price: **RM2.15**

Capital upside	23.7%
Dividend yield	0.9%
Expected total return	24.6%

Sector coverage: Gloves

Company description: Hartalega manufactures rubber examination gloves and nitrile examination gloves.

Share price

Stock information

Bloomberg ticker	HART MK
Bursa code	5168
Issued shares (m)	3,413
Market capitalisation (RM m)	7,339
3-mth average volume ('000)	12,742
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★ ★ ★ ★

Major shareholders

Hartalega Industries Sdn Bhd	34.4%
Budi Tenggara Sdn Bhd	8.6%
KWAP	6.4%

Earnings summary

FYE (Mar)	FY24	FY25f	FY26f
PATMI - core (RM m)	(10.7)	35.8	135.3
EPS - core (sen)	(0.3)	1.0	4.0
P/E (x)	n.m.	n.m.	54.2

Hartalega Holdings

Recovery thesis remains intact

In a recent follow-up with Hartalega, management noted a marginal uptick in sales volume for May-25 and expressed optimism for a more meaningful recovery in Jun-25, driven by potential replenishment orders from US customers. On pricing, Hartalega has guided for an ASP increase in Jul-25, contingent on the sustained volume recovery in Jun-25. Also, Hartalega has declined customer proposals to absorb tariff-related costs, citing its still-recovering financial position; an approach that is consistent with the broader industry stance. All in, we maintain our FY25-27 earnings forecasts. Given Hartalega's risk-reward profile remains compelling, we reiterate our BUY call on Hartalega with an unchanged TP of RM2.66, based on a 32x P/E multiple on CY26 EPS.

We spoke to management recently for some operational updates. In general, the tone was cautiously optimistic.

Volume updates. Hartalega has guided for a 15-20% QoQ decline in sales volume for 4QFY25, broadly in line with the outlook provided during its 3QFY25 results briefing. Encouragingly, the group has observed early signs of recovery in sales orders from US customers for May-25, and anticipates that Jun-25 could experience a meaningful replenishment orders as previously front-loaded inventories near depletion. Also, we see scope for a renewed wave of accelerated purchases during the 90-day tariff pause announced on 10 April 2025; a development that could offer a timely uplift in volumes and average selling prices (ASP). While this window may prove temporary, we view it as a constructive near-term catalyst, even as demand is likely to normalise post-expiry. Structurally, we remain positive on the sector's recovery trajectory, with demand-supply equilibrium expected by 2026 (Figure #1).

ASP updates. Hartalega's ASP for generic medical nitrile gloves have moderated since peaking in Dec-24, mainly due to softer sales volumes. Nonetheless, the group is looking to raise ASP beginning Jul-25, contingent upon a potential recovery in US demand in Jun-25. That said, several US customers have requested Hartalega to absorb 50% of the recently imposed tariff cost. However, management has declined such proposal, citing its still-recovering financial position. This stance remains firm, even when Malaysia is currently subject to a modest 10% tariff. Based on our channel checks, other local glove manufacturers are also similarly maintaining a prudent approach, refraining from cost-sharing arrangements to preserve and prioritise financial resilience over short-term volume gains.

Forecast. We keep our earnings forecasts for FY25-27, as the anticipated recovery trajectory remains broadly consistent with our projections.

Maintain BUY with an unchanged TP of RM2.66. Given Hartalega's share price has fell 46% YTD, we believe its risk-reward profile remains compelling, underpinned by a demand-supply equilibrium by 2026 narrative as well as Malaysia's advantageous positioning as the lowest-tariff glove-producing country, amid ongoing trade negotiations. Accordingly, we reiterate our BUY call on Hartalega with an unchanged TP of RM2.66, based on a P/E of 32x on CY26 EPS.

Hartalega Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Cash	1,724.5	1,427.4	1,422.3	1,114.3	1,142.3
Receivables	323.5	386.7	421.8	486.1	639.0
Inventories	232.4	385.6	256.8	295.9	388.9
PPE	1,943.1	1,901.0	1,853.9	1,750.5	1,667.4
Others	1,081.5	1,156.9	1,332.5	1,610.1	1,950.1
Assets	5,304.9	5,257.6	5,287.3	5,257.0	5,787.8
Payables	252.7	316.8	360.9	412.5	534.4
Debt	154.4	71.4	410.4	261.6	513.8
Others	239.4	225.2	225.2	225.2	225.2
Liabilities	646.6	613.4	996.6	899.3	1,273.4
Shareholder's equity	4,640.1	4,647.7	4,294.1	4,361.2	4,517.8
Minority interest	18.3	(3.5)	(3.5)	(3.5)	(3.5)
Equity	4,658.4	4,644.2	4,290.6	4,357.7	4,514.3

Income Statement

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Revenue	2,409.6	1,838.1	2,525.2	2,910.2	3,825.1
EBITDA	(86.6)	117.5	164.2	286.3	596.1
EBIT	(249.6)	(14.6)	19.6	145.1	462.3
Finance cost	(7.6)	(7.6)	(4.6)	(9.4)	(30.4)
Associates & JV	-	-	-	-	-
Profit before tax	(214.4)	38.5	63.7	178.1	475.6
Tax	(24.4)	(18.7)	(27.8)	(42.7)	(114.1)
Net profit	(238.8)	19.8	35.8	135.3	361.4
Minority interest	3.7	(7.3)	-	-	-
Reported PATMI	(235.1)	12.5	35.8	135.3	361.4
Core PATMI	166.1	(10.7)	35.8	135.3	361.4
Consensus			84.3	209.1	292.6
HLIB/Consensus			42.5%	64.7%	123.5%

Cash Flow Statement

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	(214.4)	38.5	63.7	178.1	475.6
D&A	163.0	132.1	144.6	141.2	133.8
Working capital	134.3	(152.5)	138.0	(51.9)	(123.9)
Taxation	(442.3)	(31.9)	(27.8)	(42.7)	(114.1)
Others	322.7	(44.1)	-	-	-
CFO	(36.8)	(58.0)	318.4	224.7	371.3
Capex	(306.3)	(165.1)	(273.0)	(315.3)	(390.5)
Others	39.9	31.6	-	-	-
CFI	(266.4)	(133.4)	(273.0)	(315.3)	(390.5)
Changes in debt	(102.1)	(91.6)	338.9	(149.0)	252.0
Shares issued	-	-	-	-	-
Dividends	(239.2)	-	(389.5)	(68.3)	(204.8)
Others	(10.5)	(19.8)	-	-	-
CFF	(351.8)	(111.4)	(50.6)	(217.3)	47.2
Net cash flow	(655.0)	(302.8)	(5.2)	(307.9)	28.0
Forex & Others	1.3	5.7	-	-	-
Beginning cash	2,378.2	1,724.5	1,427.4	1,422.3	1,114.3
Ending cash	1,724.5	1,427.4	1,422.3	1,114.3	1,142.3

Valuation & Ratios

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	4.9	(0.3)	1.0	4.0	10.6
P/E (x)	44.2	n.m.	n.m.	54.2	20.3
EV/EBITDA (x)	NM	50.9	38.5	22.6	11.3
DPS (sen)	-	0.4	11.4	2.0	6.0
Dividend yield (%)	-	0.2	5.3	0.9	2.8
BVPS (RM)	1.4	1.4	1.3	1.3	1.3
P/B (x)	1.6	1.6	1.7	1.7	1.6
EBITDA margin	-3.6%	6.4%	6.5%	9.8%	15.6%
EBIT margin	-10.4%	-0.8%	0.8%	5.0%	12.1%
PBT margin	-8.9%	2.1%	2.5%	6.1%	12.4%
Core PATMI margin	6.9%	-0.6%	1.4%	4.7%	9.4%
ROE	3.6%	-0.2%	0.8%	3.1%	8.0%
ROA	3.1%	-0.2%	0.7%	2.6%	6.2%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Assumptions

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Utilization rate	51%	46%	74%	70%	73%
MYRUSD	4.45	4.64	4.48	4.35	4.35

Figure #1 Global demand-supply dynamics in 2022-2027f

	2022	2023	2024f	2025f	2026f	2027f
Global Supply (bn pcs)	574	502	507	506	506	540
Malaysia	367	304	309	308	308	329
Thailand	101	90	90	90	90	95
China	106	109	109	109	109	116
Global Demand (bn pcs)	331	289	334	403	427	453
Growth	n/a	-13%	16%	21%	6%	6%
U-rate	58%	58%	66%	80%	84%	84%

1. Global supplies include only nitrile and latex medical rubber gloves installed capacity.

2. Global demands in 2022 and 2023 are extracted from Hartalega's slides.

3. Global demand for 2024f is extrapolated based on YTD-Nov 2024 data from Hartalega's slides.

4. Global demands for 2025f and beyond are estimated using an 6% (lower than 2001-2019 CAGR of 8%-9%) long-term average compounding growth rate applied to the 284bil pcs of demand in 2019.

5. In the rubber glove industry, we understand that the optimal u-rate is 85% of installed capacity, while the remaining 15% will be reserved for maintenance shutdowns.

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Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

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BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +15% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
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