

08 October 2025

Glove

OVERWEIGHT

Prefer Players with Strong Management and Balance Sheet



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We remain **OVERWEIGHT** on the sector. Despite lack of near-term catalysts, Malaysian glove stocks are trading at deep value levels, priced close to the worst of the down-cycle. The glove sector under our coverage is currently trading at 2.0 SD below its historical 1-year forward average. While earnings may remain weak in the near term, structural demand and supply rationalisation offer long-term upside. While evolving tariffs actions and trade dynamics may limit near-term visibility, the present low inventory levels could spark a sudden surge or uptick in orders. Anecdotal evidence suggests that despite the impact of tariff-related disruptions, there is only so long customers can hold off purchases. Our Top Pick is **KOSSAN (OP↔; TP: RM2.70↔)**.

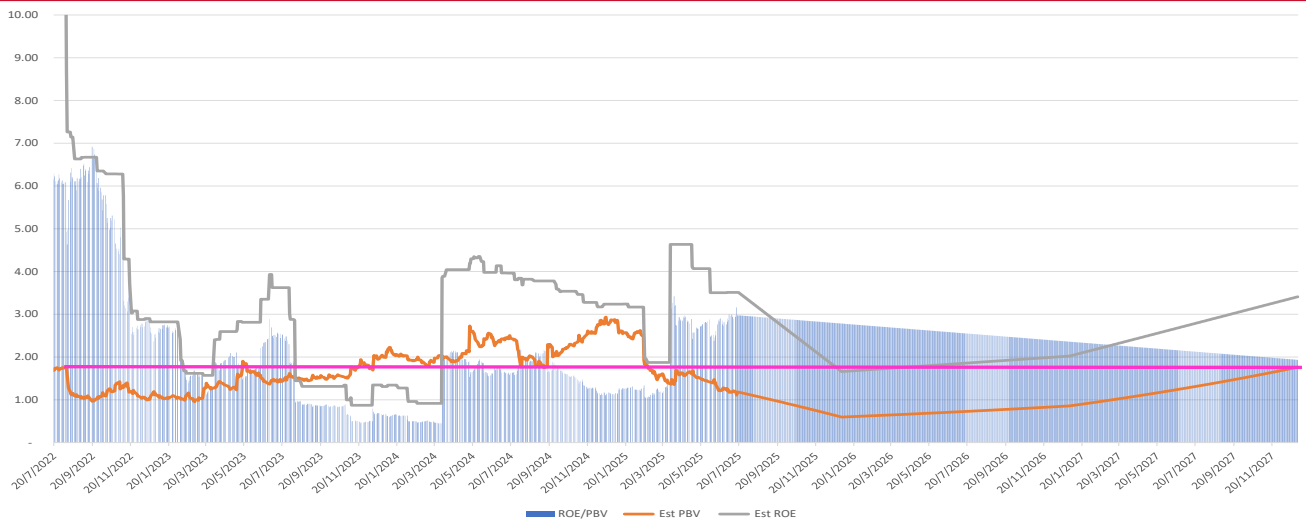
Lack catalysts but trading at deep value, pricing at close to worst of the down-cycle. Malaysian glove stocks are trading at deep value levels, pricing them close to the worst of the down-cycle (see Exhibit 1). The glove sector under our coverage is currently trading at 2.0 SD below its historical 1-year forward average. While earnings may remain weak in the near term, structural demand and supply rationalisation offer long-term upside. Factoring in the 80%-100% tariffs imposed on China medical gloves in 2025-26, the pricing gap between Malaysia and China producers for US exports still favours the former. We believe given the current geopolitical tensions between the US and China, and implications towards trade restrictions and tariffs, American buyers are less likely to source supplies, including gloves, from China. For illustration purposes, a 25% tariff is expected to raise Malaysian gloves ASP from USD19-USD20 per 1,000 pieces to USD23.75-USD25 per 1,000 pieces. In the case of Chinese glove makers, a 50% + 30% tariff hike is expected to raise Chinese glove producers' ASP to USD27-USD28.8 per 1,000 pieces (from an assumed base case ASP at USD15-16 per 1,000 pieces). This renders Malaysian gloves 12% cheaper. Anecdotal evidence suggest that despite the impact of tariff-related disruptions, there is only so long customers can hold off making purchases. If past history is of any guide, based on previous down-cycles, Malaysian glove makers' stock prices will start to re-rate once the ASP concerns subside, and demand starts flowing back to Malaysian glover makers.

We believe **KOSSAN (OP; TP: RM2.70)**, would be the least affected as it focuses on specialty gloves which fetch better margins. Moreover, with its disciplined cost structure and continuous efforts to streamline operations, the group's profitability is expected to be less impacted by any potential orders slowdown. We like **KOSSAN** for: (i) trading at 12x PER-ex cash (RM1.6bn or RM0.62/share net cash and net chase per share), (ii) trading below book value despite most profitable listed medical grade glove in Bursa Malaysia, (iii) its solid management, and (iv) focuses on specialty gloves which fetch better margins.

Over the longer term, players will focus on operational efficiencies via enhanced automation and innovated product differentiation to mitigate intense competition and higher operating costs. Overall, more disciplined and efficient players are embarking to further automating their plants and reduced reliance on foreign workers. Case in point, **HARTA (OP; TP: RM2.30)** has undertaken operational efficiencies and continue advancing automation and digitalisation initiatives across its operations. It expects the efforts to bear fruits i.e. improving production yield in CY26. Specifically, it is undergoing further automation which incorporates artificial intelligence (AIs) in all its lines capable of detecting glove defects via digital imaging with a 0.3% reject rate and a stripping machine which is 5x faster. Thereafter, the initiative will result in further reduction in manual manpower from an estimated 7,500 presently to 7,000 workers.

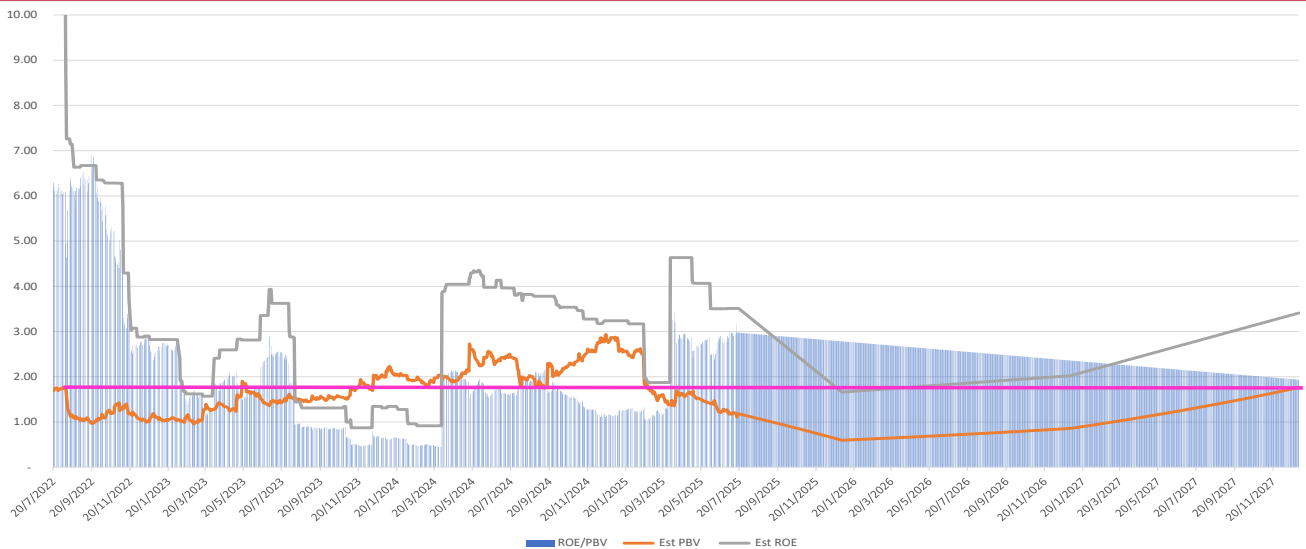
Eyeing a turnaround in valuations. Based on our analysis using post-COVID's past 3-years average ROE/PBV ratio and our FY27F ROE forecasts of 4.5%, 5.0% and 5.5% for **KOSSAN**, **HARTA** and **TOPGLOV**, our findings suggest they should revert to trading at FY26F PBV of 1.8x, 1.8x and 1.3x, respectively (post-COVID past 3-years average). We opine that the stock is now likely trading at trough valuations, driven by concerns over temporary sluggish demand due to front-loading effects in the US and intense competition from China. As such we fine tune our TPs for: (i) **HARTA** from RM3.10 to RM2.30 based on 1.8x FY26F PBV (previously 2.5x), (ii) **TOPGLOV** from RM0.93 to RM0.75 based on 1.3x FY26 PBV (previously 1.6x); and (iii) for **Kossan**, we keep our TP since we have been using 1.8x PBV.

HARTA : ROE, PBV



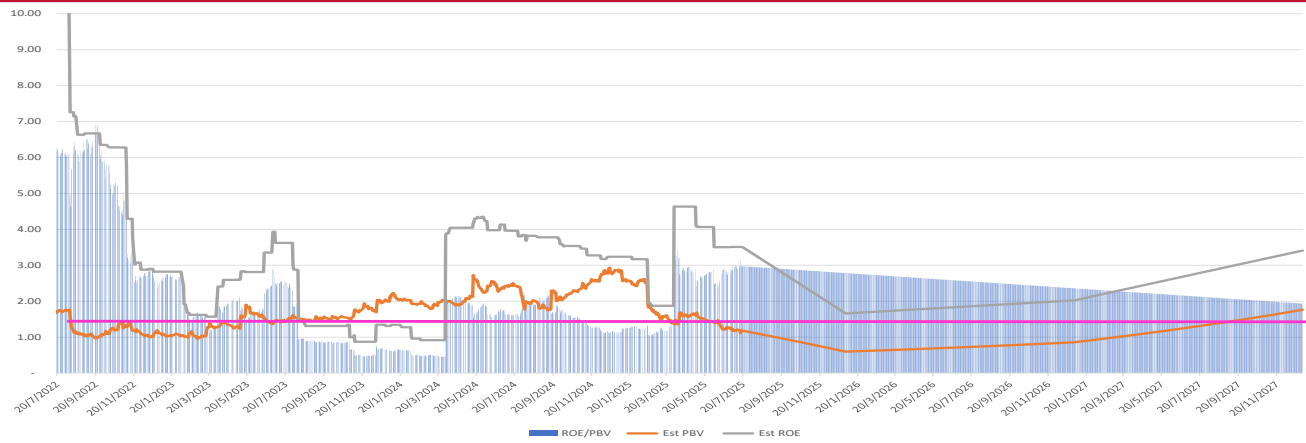
Source: Bloomberg, Kenanga

Kossan : ROE, PBV



Source: Bloomberg, Kenanga

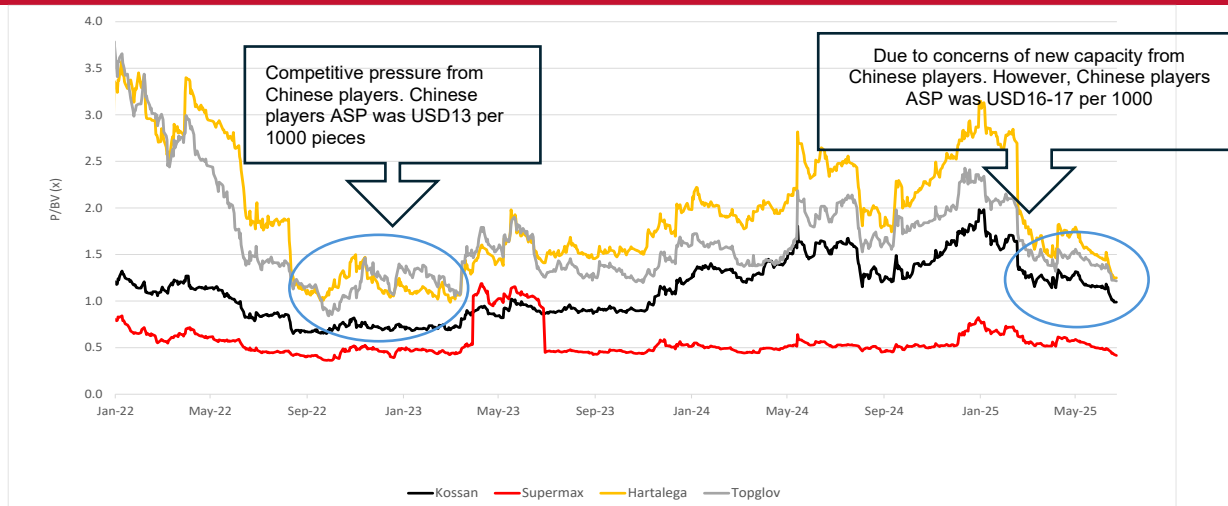
TOP GLOVE : ROE, PBV



Source: Bloomberg, Kenanga

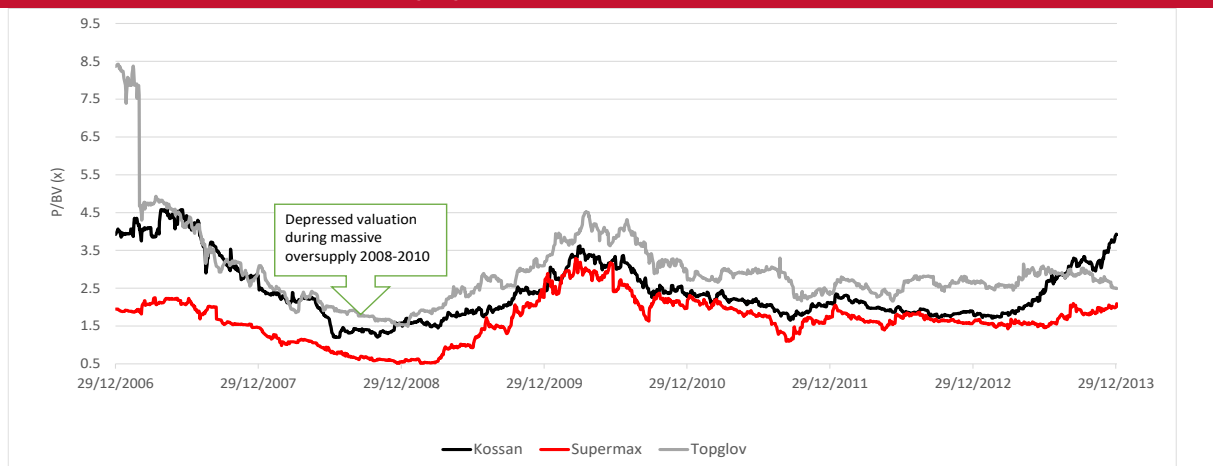
Valuations. The glove sector under our coverage is currently trading at 2.0 SD below its historical 1-year forward average. While earnings may remain weak in the near term, structural demand and supply rationalisation offer long-term upside. We believe the current low P/Book valuations are unwarranted low because glove players are profitable compared to the previous down-cycle low where players were in loss-making position. HART and KOSSAN are currently trading at 1.3x and 1.0x, respectively, versus sector’s recovery cycle phase of between 2x and 3x, i.e. the levels seen emerging from an up-cycle in 2012 and at a discount that we believe is valid due to the emergence of Chinese glove makers.

Exhibit 1- Deep Values Emerging - P/BV Valuation - Trading at Close to Downcycle Between 0.8x and 1.3x



Source: Kenanga Research, Bloomberg

Exhibit 2 - P/BV Valuation - Recovery Cycle Trades at Between 2x and 4x



Source: Kenanga Research, Bloomberg

Key risks to our recommendation include: (i) certain Chinese glove giants ramping up predatory pricing practices (i.e. selling below cost over an extended period of time to eliminate competitors), (ii) weaker-than-expected growth in demand for gloves due to slower-than-anticipated hygiene standards implementation and health awareness globally, and (iii) unfavourable changes in tariffs to Malaysian glove makers.

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
HARTALEGA HOLDINGS BHD	OP	1.22	2.30	87.7%	4,164	Y	03/2026	2.7	6.4	24.8%	133.4%	44.6	19.1	1.0	2.1%	2.0	1.6%
KOSSAN RUBBER INDUSTRIES	OP	1.21	2.70	123.1%	3,059	Y	12/2025	6.4	6.4	36.1%	0.8%	19.0	18.8	0.8	4.4%	4.0	3.3%
SUPERMAX CORP BHD	MP	0.480	0.490	2.1%	1,467	N	06/2026	(1.4)	0.9	-128.5%	-33.5%	N.A.	51.5	0.4	-1.1%	0.0	0.0%
TOP GLOVE CORP BHD	OP	0.595	0.75	26.1%	4,771	Y	08/2025	0.9	1.6	-52.9%	80.0%	65.4	36.3	1.1	1.6%	0.5	0.8%

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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