

26 May 2026

# KAREX

## Repricing Holds the Key

By Cheow Ming Liang | [cheowml@kenanga.com](mailto:cheowml@kenanga.com)

KAREX's 9MFY26 results came in below expectations, mainly due to external headwinds. The group's near-term outlook remains cautious as earnings recovery is expected to be gradual, with unfavourable FX, lower US humanitarian aid budgets and geopolitical-driven supply-chain disruptions continuing to weigh on performance, although a stronger commercial mix, rising synthetic condom contribution and management's 20%–30% repricing efforts should help support margins over time. We cut our FY26/FY27 net profit forecasts to RM0.7m/RM22.3m after imputing weaker 3QFY26 performance, and lower FY27 GP margin assumptions, while excluding the potential USD2m tariff refund pending timing clarity. Correspondingly, we lower our TP by 8% to RM0.53, based on an unchanged FY27F PER of 25x. Maintained MARKET PERFORM call.

KAREX's 9MFY26 net loss of RM3.5m missed expectations, mainly due to a weaker-than-expected GP margin amid sustained unfavourable forex movements. Management had previously guided that every RM0.10 depreciation in the USD/MYR rate would reduce GP margin by roughly 1.4ppts. Earnings were also affected by the earlier 19% US tariff impact, as well as operational and logistics disruptions caused by flooding in Hat Yai in November 2025.

**YoY**, 9MFY2026 revenue declined by 4.3% YoY to RM361.3m, mainly due to lower sales of condoms and personal lubricants to the tender market, despite higher synthetic condom sales (USD10m vs. USD3m a year ago) following the successful launch of the venture. Earnings were further weighed down by less favourable foreign exchange rates and the impact of tariffs on exports (c.USD2m) to the US, resulting in a loss after tax of RM3.5m for the period.

**QoQ**, 3QFY26 revenue declined 14% to RM106m, mainly dragged by lower sales of personal lubricants and synthetic condoms, with synthetic condom sales moderating to USD2m from USD4m in 2QFY26 as ongoing market validation and refinement activities absorbed existing production capacity. Profitability was further weighed down by the continued depreciation of the US dollar against the Malaysian ringgit and Thai baht, resulting in a lower GP margin of 27.0% vs. 28.6% in previous quarter and a wider LAT of RM6.4m.

**Outlook.** Karex's near-term outlook remains cautious, in our view, as earnings recovery is likely to remain gradual despite continued support from the commercial segment, particularly synthetic condoms. The group continues to operate in a challenging environment, with unfavourable FX movements, lower US humanitarian aid budgets weighing on tender market demand, and geopolitical-driven supply-chain disruptions expected to pressure earnings in the near term. While a stronger commercial mix and rising synthetic condom contribution should support revenue, the pace of margin recovery will depend on the effectiveness of repricing efforts, following management's recent 20%–30% price hike across most customers, as well as the gradual normalisation of operations. Overall, earnings visibility remains mixed pending clearer signs of margin stabilisation.

**Forecasts.** We cut our FY26 net profit forecast to RM0.7m from RM10.7m previously after factoring in the weaker-than-expected 3QFY26 performance. Meanwhile, our FY27 net profit forecast is trimmed by 8% to RM22.3m, after lowering our GP margin assumption to 29.3% from 29.8% previously to reflect ongoing operational headwinds. Our forecasts have yet to incorporate the potential USD2m tariff refund from the US government, as the timing of receipt remains uncertain despite management having filed for the refund.

# MARKET PERFORM ↔

Price : RM0.480  
Target Price : RM0.530 ↓

### Share Price Performance



KLCI	1,708.50
YTD KLCI chg	1.7%
YTD stock price chg	-31.9%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KAREX MK EQUITY
Market Cap (RM m)	505.7
Shares Outstanding	1,053.5
52-week range (H)	1.05
52-week range (L)	0.46
3-mth avg. daily vol	568,230
Free Float	39%
Beta	0.7

### Major Shareholders

Karex One Ltd	17.5%
Bnp Paribas	16.9%
Maryen Holdings Limi	11.5%

### Summary Earnings Table

FY Jun (RM m)	2025A	2026F	2027F
Turnover	498	480	512
EBIT	8	5	32
PBT	0	-3	23
<b>Core Net Profit</b>	8	1	22
Consensus	-	5	36
Earnings Revision	-	-94%	-8%
EPS (sen)	0.8	0.1	2.1
EPS Growth (%)	-66	-92	3224
NDPS (sen)	1.0	1.5	1.5
BVPS (RM)	0.44	0.43	0.43
Core PER (x)	63.1	754.4	22.7
Price/BV (x)	1.1	1.1	1.1
Net Gearing (x)	0.3	0.2	0.4
Net Div. Yield (%)	2.1	3.1	3.1

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**Valuations.** Correspondingly, we lower our target price by 8% to RM0.53, based on unchanged FY27F PER of 25x. Our targeted PER represents a 20% premium to the 5-year average forward PER of its international peers, to reflect its dominant market position and decent growth prospects. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

**Investment case.** We like KAREX for: (i) its leading market position and global reach in the rapidly growing condom industry, projected by industry experts at a CAGR of 8% to 9% over the immediate term, (ii) its strong R&D and product innovation; (iii) its adherence to international standards and certifications, (iv) its strategic shift in moving up higher the value chain, and (v) post-pandemic market recovery and changing consumer preferences, especially in markets like China, and growing preference for high-quality innovative condom products. Maintain **MARKET PERFORM**

**Risks to our call include:** (i) reduced birth control spending by governments around the world, (ii) underwhelming response to its new synthetic rubber condoms, (iii) a less favourable product mix, and (iv) inability to raise prices to defend profit margins.

### Results Highlights

FYE Jun (RM m)	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	FY26	FY25	YoY Chg
Turnover	105.6	122.7	-13.9%	135.7	-22.2%	361.3	377.6	-4.3%
Gross Profit	28.5	35.1	-19.0%	41.8	-31.9%	104.1	115.8	-10.1%
EBIT	(5.1)	(3.2)	57.5%	8.4	-160.2%	(1.4)	18.8	-107.2%
Interest Exp.	(2.1)	(2.2)	-0.7%	(1.8)	19.5%	(6.4)	(5.3)	20.5%
PBT/(LPT)	(7.2)	(5.4)	34.2%	6.6	-208.8%	(7.8)	13.4	-158.1%
Taxation	0.8	3.6	-77.2%	(1.5)	-154.1%	4.3	(3.8)	-214.3%
Net Profit	(6.4)	(1.7)	267.8%	5.1	-225.2%	(3.5)	9.7	-136.2%
Core NP	(6.4)	(1.7)	267.8%	5.1	-225.2%	(3.5)	9.7	-136.2%
EPS (sen)	(0.6)	(0.2)	267.8%	0.5	-225.2%	(0.3)	0.9	-136.2%
DPS (sen)	0.0	0.0	NA	0.5	NA	0.5	0.5	0.0%
Gross Margin	27.0%	28.6%		30.8%		28.8%	30.7%	
EBIT Margin	-4.8%	-2.6%		6.2%		-0.4%	5.0%	
PBT Margin	-6.8%	-4.4%		4.9%		-2.2%	3.6%	
NP Margin	-6.0%	-1.4%		3.7%		-1.0%	2.6%	
Tax Rate	-11.5%	-67.7%		-23.1%		-55.2%	-28.0%	

Source: Company

### Segmental Revenue Breakdown

Revenue (RM m)	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	FY26	FY25	YoY Chg
Sexual Wellness	96.0	112.0	-14%	123.2	-22%	330.2	341.2	-3%
Medical	6.3	6.7	-7%	9.0	-30%	20.1	26.6	-24%
Others	3.3	4.0	-16%	3.5	-6%	10.9	9.9	10%
<b>Total</b>	<b>105.6</b>	<b>122.7</b>	<b>-14%</b>	<b>135.7</b>	<b>-22%</b>	<b>361.3</b>	<b>377.6</b>	<b>-4%</b>

Source: Company

### Segmental Revenue Breakdown

Revenue (RM m)	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	FY26	FY25	YoY Chg
Commercial	76.0	94.3	-19%	85.5	-11%	266.4	253.9	5%
Tender	7.4	4.1	80%	25.8	-71%	22.7	60.3	-62%
OBM	22.2	24.3	-9%	24.4	-9%	72.2	63.4	14%
<b>Total</b>	<b>105.6</b>	<b>122.7</b>	<b>-14%</b>	<b>135.7</b>	<b>-22%</b>	<b>361.3</b>	<b>377.6</b>	<b>-4%</b>

Source: Company

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## Peer Table Comparison

Name	Rating	Last Price @ 25 May (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.
<b>CONSUMER</b>																	
AEON CO. (M) BHD	OP	1.15	1.40	21.7%	1,614.6	Y	12/2026	11.0	11.8	15.3%	7.6%	10.5	9.7	0.8	7.5%	5.0	4.3%
FARM FRESH BHD	MP	2.14	2.25	5.1%	4,032.6	Y	03/2027	8.0	9.4	17.6%	16.8%	26.7	22.9	4.4	17.2%	3.0	1.4%
FRASER & NEAVE HOLDINGS BHD	OP	28.80	37.40	29.9%	10,563.2	Y	09/2026	118.0	144.6	-15.2%	22.5%	24.4	19.9	2.6	11.0%	70.0	2.4%
MR D.I.Y. GROUP (M) BHD	OP	1.57	1.95	24.2%	14,879.6	Y	12/2026	7.5	8.2	11.6%	9.0%	20.9	19.2	7.4	35.3%	8.0	5.1%
NESTLE (MALAYSIA) BHD	MP	95.80	106.00	10.6%	22,465.1	Y	12/2026	256.9	284.7	20.2%	10.8%	37.3	33.7	38.7	104.1%	255.0	2.7%
PADINI HOLDINGS BHD	MP	1.41	1.75	24.1%	1,391.5	Y	06/2026	14.0	15.9	-15.0%	13.5%	10.1	8.9	1.1	11.1%	8.2	5.8%
POWER ROOT BHD	MP	1.15	1.08	-6.1%	481.3	Y	03/2026	5.6	7.2	-21.5%	28.3%	20.5	16.0	1.7	7.5%	5.0	4.3%
QL RESOURCES BHD	MP	3.64	4.05	11.3%	13,286.9	Y	03/2026	12.2	13.4	-2.0%	9.5%	29.8	27.2	3.7	14.1%	5.0	1.4%
KAREX BHD	MP	0.480	0.530	10.4%	505.7	Y	06/2026	0.1	2.1	250.0%	3085.7%	722.1	22.7	1.1	0.2%	1.5	3.1%
<b>SECTOR AGGREGATE</b>					<b>69,220.6</b>					<b>4.0%</b>	<b>13.3%</b>	<b>26.0</b>	<b>23.0</b>	<b>4.6</b>	<b>17.5%</b>		<b>3.4%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating			
<b>GENERAL</b>	ESG Framework & Policies	★	★	★	★
	Earnings Sustainability & Quality	★	★	★	★
	Balance Sheet	★	★	★	★
	Community Investment	★	★	★	★
	Workers Safety & Wellbeing	★	★	★	★
	Corporate Governance	★	★	★	
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★	☆
	Effluent & Waste Management	★	★	★	☆
	Digitalisation & Innovation	★	★	★	☆
	Supply Chain Management	★	★	★	☆
	Energy Efficiency	★	★		
<b>OVERALL</b>		★	★	★	

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP

**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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**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)