Hartalega Holdings

Glove Pricing Normalising in 2QFY27

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MARKET PERFORM ↔

Price: RM1.06
Target Price: RM1.14 ↓

HARTA's 1QFY27 results beat expectations, but as we earlier wrote, margins in the subsequent quarters could taper off since ASPs have softened to USD20 per 1,000 pieces following a retracement in input nitrile prices. We raise our FY27F net profit by 4% due to the better-than-expected margins improvement but keep our FY28F earnings. However, since ASP is normalising, we cut our PER from 25x (its 5-year historical average) to 23x, resulting in TP being shaved from RM1.18 to RM1.14 based on FY27F earnings. We keep our MARKET PERFORM call.

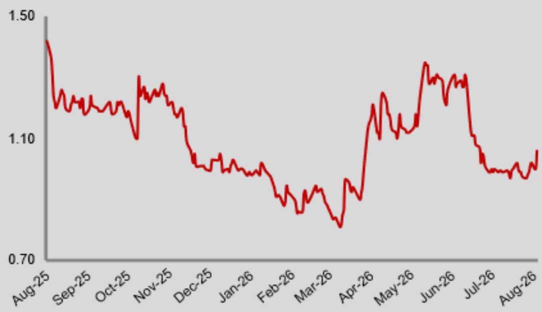
HARTA's 1QFY27 results reported a net profit RM70m (+>100% YoY; +109% QoQ) which beat expectations at 43% and 44% of our and consensus full-year net profit forecasts, respectively. The variance from our forecast was due to higher-than-expected margin arising from a sudden surge in ASPs to counter the effect of higher input raw material cost. However, we had earlier forewarned that margins in the subsequent quarters could taper off from USD26-28 since ASPs have softened to USD 20–24 per 1,000 pieces following a retracement in input nitrile prices. Note that ASP before the Middle East tension was USD17-19 per 1,000 pieces. No dividend was declared in this quarter.

QoQ, its 1QFY27 revenue rose 18% due to higher ASP (+27%) and more than offset lower sales volume (-7%). EBITDA jumped >50%, due to higher ASPs in alignment with escalating raw material costs arising from the Middle East tension. 1QFY27 EBITDA margin rose to 22% vs. 16% in 4QFY26 due to higher ASP, and better economies of scale from higher plant utilisation which more than offset higher input nitrile and NR latex. Consequently, core PATAMI rise >100% to RM70m. YoY, its 1QFY27 rose 9% due to higher ASP (+9%) which more than offset lower sales volume (-1%).

It is experienced an utilisation rate of 65% in 1QFY27 compared to 70% in 4QFY26 which led to lower volume sales (-7%) as the group encounter customers holding back orders due to the surge in ASP. Its average selling prices (ASPs) are expected to trend lower in the coming months after peaking in May, as glove pricing normalises in line with softer raw material costs. Moving into 2QFY27, it has guided that nitrile ASP will taper off from USD26-28 to USD19-20 per 1,000 pieces. On the ground checks suggest that ASP has retreated from USD28 in May to USD21-22 per 1,000 pieces in July and could go lower to USD18-19 per 1,000 pieces in August. Due to remnants of high-priced nitrile raw material shipment booked in 2QFY27, a corresponding decline in ASP is expected to hit 2QFY27 margins and hence bottom line. The group expect 2QFY27 to be lower than 4QFY26 PATAMI. It has seen mixed signals in terms of orders visibility. Some customers will wait and see since prices are coming off. On the contrary, customers that held back purchases during the ASP surge are looking to place their orders. However, in order to mitigate higher gas prices, we expect ASP to rise by USD1.50-USD2.00 to between USD20.50 to USD21 per 1,000 pieces in 4QFY27 (4QCY26).

The group highlighted that due to higher plant utilisation and improved economies of scale, margins have improved. Specifically, energy costs have been reduced by about 40%, and Plant 9's staff has been reduced by half to 200 workers. Due to the pent-up demand, it has commenced to restart Plant 3 and expect to gradually start production in Dec CY26. It is looking to mobilise workers who have idle time and redesign the workflow in order to ensure higher productivity. The production capacity is expected to increase from 27b to 30b pieces by end-FY27.

Share Price Performance



KLCI	1,732.66
YTD KLCI chg	3.1%
YTD stock price chg	7.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	HART MK
Market Cap (RM m)	3,611.9
Shares Outstanding	3,407.5
52-week range (H)	1.41
52-week range (L)	0.80
3-mth avg. daily vol.	10,018,537
Free Float	43%
Beta	0.2

Major Shareholders

Hartalega Industries	34.5%
Budi Tenggara Sdn Bhd	8.7%
KWAP	6.2%

Summary Earnings Table

FY Mar (RM m)	2026A	2027F	2028F
Turnover	2135.4	2846.0	2882.8
PBT/ (LBT)	117.0	219.6	228.9
Net profit	103.0	168.7	175.8
Core Net Profit /(Loss)	80.7	168.7	175.8
Consensus (NP)	-	159	171
Earnings Revision	-	+4%	-
EPS (sen)	2.4	5.0	5.2
EPS Growth (%)	8.3	109.0	4.3
PER (x)	44.7	21.4	20.5
NDPS (sen)	1.8	3.0	3.1
BVPS (RM)	1.29	1.31	1.33
PBV (x)	0.8	0.8	0.8
Net Gearing (%)	Net Cash	Net Cash	Net Cash
Dividend Yield (%)	1.7	2.8	2.9

Forecasts. We raise our FY27F net profit by 4% due to the better-than-expected margins improvement but keep our FY28F earnings. However, since ASP is normalising, we cut our PER from 25x to 23x. Consequently, we cut our TP from RM1.18 to RM1.14 based on 23x FY27F, below its 5-year historical average 1-year forward PER of 25x. Maintain MARKET PERFORM.

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 glovemakers.

Results Highlight

FY Mar (RM m)	4Q FY26	1Q FY25	1Q FY25	YoY Chg %	QoQ Chg %
Turnover	515.4	583.8	605.8	9.5	17.5
EBITDA	84.2	76.3	132.4	203.6	57.2
Depreciation	(41.1)	(34.2)	(41.9)	3.5	1.9
EBIT	43.1	42.2	90.5	>100	110.0
Interest expense	0.1	(1.0)	(0.1)	(31.8)	(159.8)
EI	7.1^	0.0	0.0	(100.0)	(100.0)
PBT	50.3	41.1	90.5	531.2	79.9
Taxation	(10.3)	(9.2)	(20.3)	921.6	97.8
Minoritites	0.5	(0.0)	(0.1)	(136.1)	(120.8)
Net Profit (NP)	40.5	31.9	70.0	455.4	73.1
Core PATAMI	33.4	31.9	70.0	>100	109.8
EPS (sen)	1.2	0.9	2.1	456.8	73.1
EBITDA margin (%)	16.3	13.1	21.9		
PBT margin (%)	9.8	7.0	14.9		
NP margin (%)	7.9	5.5	11.6		
Effective tax rate (%)	20.5	22.4	22.5		

Source: Bursa Malaysia, Kenanga Research

Peer 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	MP	1.06	1.14	7.5%	3,633	Y	03/2027	5.0	5.2	108%	4%	21.4	20.5	0.8	3.8%	1.8	1.7%
KOSSAN RUBBER INDUSTRIES	OP	1.05	1.50	42.9%	2,686	Y	12/2026	6.8	7.3	14%	7%	15.5	14.5	0.7	4.6%	4.0	3.8%
SUPERMAX CORP BHD	UP	0.270	0.240	-11.1%	881	N	06/2026	(3.6)	0.6	-173%	-84%	N.A.	48.7	0.2	-2.9%	0.0	0.0%
TOP GLOVE CORP BHD	MP	0.670	0.710	6.0%	5,506	Y	08/2026	2.5	2.4	266%	-1%	27.3	27.5	1.1	4.2%	1.2	1.8%

Source: Company, Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	☆	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	★		
	Automation & Innovation	★	★	★	☆	
	Energy Efficiency	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Legal & Regulatory Compliance	★	★			
	OVERALL	★	★	★		

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