Corporate Update

# Hartalega Holdings Berhad

(5168 | HART MK) Main | Health care

SHARIAH Compliant

ESG 3 Stars

**NEUTRAL**

Revised Target Price **RM1.24** (from RM2.45)

# Tough Recovery Path

**Lacking growth catalyst.** We are keeping our **NEUTRAL** recommendation on Hartalega with a lower **target price of RM1.24** post the announcement of the 1QFY26 financial results. The recovery in earnings came in weaker than ours and consensus expectations. Order from the U.S. market is affected by the front-loading effort the customer while the non-U.S. markets face intense competition from the Chinese manufacturers as the latter focus on growing the non-U.S. markets. We anticipate these headwinds to persist in the near-to-medium term. Thus, the situation is not in favour of commanding an uplift in ASP.

Internally, there is also concern on mounting operating costs in view of higher minimum wage, new mechanism in tariff, SST and Stamp Duty. This could be partially overcome by continuous cost optimisation efforts which include automation to reduce dependency on physical labour. All-in-all, we view that it would take a longer-term period to reach pre-pandemic earnings level.

**Thinning profit margin.** Hartalega's 1QFY26 normalised earnings declined by -67.0%yoy to RM13.1m. This was mainly caused by the -5.1%yoy reduction in revenue to RM553.1m. This was caused by front-loaded inventories held by U.S customers, deferred orders in response to ongoing tariff developments which affected the sales volume.

In addition, there is continued pricing pressure in non-U.S. markets because of fierce competition from the Chinese manufacturers. Note that the blended ASP contracted by -5%yoy. Given the pressure on both revenue and cost, we observed that the profit margin contracted to 2.4% from 6.8% a year ago.

All in, Hartalega's 1QFY26 financial performance came in below ours and consensus expectation, making up less than 10% of full year FY26 earnings estimates.

**Earnings recovery toned down.** Given the tough operating environment, we lowered FY26 and FY27 earnings estimates to RM73.5m and RM132.4m respectively. These translates into a downward earnings revision of more than 50%.

**Target price adjusted lower.** Premised on challenging outlook to growth the topline as well as maintaining a favourable cost structure, we also attached lower target PER of 31.9x from 41.9x previously. This represents a rolling five-year mean. As a result, our target price has been adjusted to RM1.24 from RM2.45 previously.

| RETURN STATISTICS | |
|---|---|
| Price @ 5th August 2025 (RM) | 1.32 |
| Expected share price return (%) | -6.1 |
| Expected dividend yield (%) | +2.3 |
| Expected total return (%) | -3.8 |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | -13.1 | -12.2 |
| 3months | -18.9 | -39.1 |
| 12 months | -44.9 | -44.8 |

**INVESTMENT STATISTICS**

| FYE 31st | 2026E | 2027F | 2028F |
|---|---|---|---|
| Revenue | 2,501.0 | 2,880.2 | 3,298.0 |
| Operating Profit | 214.0 | 297.2 | 399.8 |
| Profit Before Tax | 85.3 | 153.8 | 240.1 |
| Core PATAMI | 73.5 | 132.4 | 206.7 |
| Core EPS | 2.2 | 3.9 | 6.1 |
| DPS | 2.0 | 3.0 | 4.0 |
| Dividend Yield | 1.5 | 2.3 | 3.0 |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,538.64 |
| Issue shares (m) | 3,427.61 |
| Estimated free float (%) | 44.06 |
| Market Capitalisation (RM'm) | 4,539.4 |
| 52-wk price range | RM1.31 – RM4.00 |
| 3-mth average daily volume (m) | 6.94 |
| 3-mth average daily value (RM'm) | 11.57 |
| **Top Shareholders (%)** | |
| Hartalega Industries Sdn Bhd | 34.43 |
| Budi Tenggara Sdn Bhd | 8.64 |
| Kumpulan Wang persaraan diperbadan | 6.35 |

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## HARTALEGA: 1QFY26 RESULTS SUMMARY

| Financial year Ending 31ST MARCH (All in RM'm unless stated otherwise) | Quarterly results | | | | |
|---|---|---|---|---|---|
| | 1QFY26 | 1QFY25 | % YoY | 4QFY25 | % QoQ |
| Revenue | 553.1 | 583.1 | -5.1 | 611.5 | -9.6 |
| | | | | | |
| EBITDA | 48.0 | 64.1 | -25.1 | 50.7 | -5.3 |
| Depreciation and amortisation | -40.5 | -34.2 | 18.6 | -40.8 | -0.8 |
| EBIT | 7.5 | 29.9 | -74.9 | 9.8 | -23.8 |
| Finance costs | -0.1 | -1.0 | -91.8 | -0.1 | -43.0 |
| Interest income | 6.9 | 12.2 | -43.5 | 8.0 | -13.0 |
| PBT | 14.3 | 41.1 | -65.2 | 17.6 | -18.8 |
| Taxation | -2.0 | -9.2 | -78.4 | -3.0 | -34.4 |
| Non controlling interest | -0.3 | 0.0 | n.m. | 0.1 | n.m. |
| PATANCI | 12.6 | 31.9 | -60.5 | 14.5 | -12.9 |
| **Normalised PATANCI** | 13.1 | 39.8 | -67.0 | 10.6 | 23.5 |
| | | | | | |
| Normalised EPS (sen) | 0.4 | 1.2 | -67.0 | 0.3 | 23.6 |
| | | | | | |
| EBITDA margin (%) | 8.7 | 11.0 | -2.3 | 8.3 | 0.4 |
| EBIT margin (%) | 1.4 | 5.1 | -3.8 | 1.6 | -0.3 |
| Normalised PATANCI margin (%) | 2.4 | 6.8 | -4.5 | 1.7 | 0.6 |
| Effective tax rate (%) | 13.9 | 22.4 | -8.6 | 17.2 | -3.3 |

*Source: Company, MIDFR*

## FINANCIAL SUMMARY

| Income Statement (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Revenue | 1,837.6 | 2,585.6 | 2,501.0 | 2,880.2 | 3,298.0 |
| EBITDA | (146.7) | 157.6 | 214.0 | 297.2 | 399.8 |
| EBIT | (14.3) | 72.3 | 63.8 | 132.0 | 218.0 |
| PBT | 38.7 | 47.95 | 85.3 | 153.8 | 240.1 |
| Normalised PATANCI | 8.5 | 121.3 | 73.5 | 132.4 | 206.7 |
| Normalised EPS (sen) | 0.2 | 3.5 | 2.2 | 3.9 | 6.1 |
| Normalised EPS Growth (%) | n.a. | 1325.1 | -39.4 | 80.2 | 56.1 |
| PER (x) | 534.0 | 37.5 | 61.8 | 34.3 | 22.0 |
| Dividend Per Share (sen) | 0.35 | 11.8 | 2.0 | 3.0 | 4.0 |
| Dividend yield (%) | 0.3 | 8.8 | 1.5 | 2.3 | 3.0 |

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### MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

**STOCK RECOMMENDATIONS**

| | |
|---|---|
| BUY | Total return is expected to be >10% over the next 12 months. |
| TRADING BUY | The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow. |
| NEUTRAL | Total return is expected to be between -10% and +10% over the next 12 months. |
| SELL | Total return is expected to be <-10% over the next 12 months. |
| TRADING SELL | The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow. |

**SECTOR RECOMMENDATIONS**

| | |
|---|---|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |

**ESG RECOMMENDATIONS*** - source Bursa Malaysia and FTSE Russell

| | |
|---|---|
| ☆☆☆☆ | Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆☆ | Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆ | Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆ | Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology