Corporate Update

Hartalega Holdings Berhad

(5168 | HART MK) Main | Health care

SHARIAH Compliant

ESG 3 Stars

Maintain **NEUTRAL**

Revised Target Price **RM1.19**
(from RM1.24)

Persistently Slow Recovery Ahead

Maintain NEUTRAL. Hartalega's 6MFY26 core earnings came in below our expectations at 37% of our and consensus' full year earnings estimates. Nevertheless, we maintain a **NEUTRAL** call over a challenging glove outlook and macroeconomic uncertainties, moderated by continuous cost optimisation plans. We revise our target price to **RM1.19** (previously RM1.24).

6MFY26 core PATAMI down -67%yoy. Hartalega's 6MFY26 and 2QFY26 revenue dropped RM1.1b (-12%yoy) and RM539.7m (-17%yoy) respectively. Meanwhile, 6MFY26 and 2QFY26 core PATAMI slipped to RM27.2m (-67%yoy) and RM15.4m (-64%yoy). These were attributed to: (i) lower sales volume by 13% due to competitive pricing pressure in non-US markets, and (iI) lower ASP by 5% due to strengthening MYR against USD, offset by: (i) successful cost optimisation initiatives, (ii) higher plant utilisation by +1%qoq, and (iii) continuous automation efforts to improve production efficiency.

Near-term challenges to persist. Uncertainties from the US tariff policies, intensified competition with China's glove exports and ongoing global overcapacity remain the downside risk for the group's performance in 2HFY26. To combat US tariffs which caused China's glove exports to the US to take a nosedive, shipments to other markets had expanded and Chinese manufacturers had expanded operations into SE Asia to circumvent the tariffs, consequently increasing operating cost and pricing pressures on local manufacturers.

But long-term prospects seem better. Despite the near-term downside risks, long-term drivers are favourable, largely due to a sustained global demand that has surpassed pre-pandemic levels. Restocking activity, while slow, is recovering due to depletion of pandemic-era stockpiles. Nevertheless, we expect this to recovery to be visible by 1HCY26 (end of FY26), with the challenges continue to place a lid on the sectoral growth.

We also attended the group's briefing. Key takeaways are as follows:

Global demand may improve. Demand for gloves had seen a positive demand growth trajectory (2023-2025: ~4%yoy), supported by gradual recovery in global healthcare consumption, and, in the domestic environment, the high potentiality of medical tourism and aged care demand. Hartalega had guided that long-term structural demand for rubber gloves is at a healthy CAGR of 7-9%.

Sales trend for US expected to remain strong. Overall volume growth was marginal by +2%qoq (5.9b pcs to 6b pcs). This was in line with the increased utilisation rate by +1% qoq to 68% in 2QFY26. However, this was offset by lower ASP, caused by the overall market ecosystem (oversupply vs slower demand recovery). As in the reported 3 months, prices for US market remains competitive at USD17-18 per 1000 pcs while non-US market stayed at USD14-15 per 1000 pcs (for standard nitrile gloves). SE Asian ASP remains approx. USD16 per 1000 pcs. These prices remain comparative with China's current prices.

RETURN STATISTICS	
Price @ 11th Nov 2025 (RM)	1.19
Expected share price return (%)	0.0
Expected dividend yield (%)	+3.2
Expected total return (%)	+3.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.0	-1.7
3months	-21.3	-0.8
12 months	-69.9	-63.8

INVESTMENT STATISTICS

FYE 31st	2026E	2027F	2028F
Revenue	2,293	2,375	2,428
Operating Profit	73	141	205
Profit Before Tax	69	133	190
Core PATAMI	64	127	181
Core EPS	1.9	3.7	5.3
DPS	15.5	28.8	43.2
Dividend Yield	3.2	5.9	8.8

KEY STATISTICS

FBM KLCI	1,634.83
Issue shares (m)	3,427.61
Estimated free float (%)	40.66
Market Capitalisation (RM'm)	4,075.2
52-wk price range	RM1.09 – RM4.11
3-mth average daily volume (m)	6.82
3-mth average daily value (RM'm)	8.44
Top Shareholders (%)	
Hartalega Industries Sdn Bhd	34.43
Budi Tenggara Sdn Bhd	8.64
Kumpulan Wang persaraan diperbadan	5.52

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Frontloading over. In the last 2 months (Sept-Oct CY25), the US sales volume had seen an increase by 60-70%. However, frontloading due to reciprocal tariffs (which had stockpiled 3-6 months' worth of inventory) has seen signs of ending, hence we noted that many domestic and international buyers will resume buying at the usual pace but with no massive restocking in sight for the near-term. Nevertheless, we remain vigilant on vessel shortages for exports, which may last until 1HCY26 and likely to impact the bottom line.

Cost optimisation, rightsizing continues. In the group's effort to adjust its capacity to current market demand, we expect that cost optimisation measures and reassignment of workforce to continue into 2HFY26, as automation and digitalisation, as well as improving workplace and tasks, remain a main priority. While plant capacity can be maximised up to 12b per 1000 pcs, the capacity remains constrained by only 5 lines operating. The remaining lines is expected to recommence by 1HCY26, though still subject to market demand.

Revised earnings estimates. Considering that core earnings came in below expectations, on top of the slow recovery and challenging outlook of the sector, we revise our FY26-28 earnings forecast downwards by -13%/-14%/-12%. As such, we revised our **target price to RM1.19** (previously RM1.24), pegging on a PER of 31.9x to a revised EPS27 of 3.7sen.

HARTALEGA'S 2QFY26 FINANCIAL RESULTS

	Quarterly Results					Cumulative Results		
FYE Mar (RM mil)	**2Q25**	**1Q26**	**2Q26**	**QoQ%**	**YoY%**	**6M25**	**6M26**	**YoY%**
Revenue	652.1	553.1	539.7	-2.4	-17.2	1235.9	1092.8	-11.6
Operating Expenses	-678.7	-545.4	-525.9	-3.6	-22.5	-1228.0	-1071.3	-12.8
Operating Profit/Loss	**-26.7**	**7.7**	**13.7**	78.2	-151.5	**7.9**	**21.4**	171.3
Other Operating Income	-20.2	6.7	9.8	46.3	-148.7	-12.6	16.5	-231.4
EBIT	**-46.8**	**14.4**	**23.6**	**63.4**	**-150.3**	**-4.7**	**38.0**	**-913.0**
Finance Cost	-0.6	-0.1	-0.1	-10.6	-87.6	-1.6	-0.2	-90.2
PBT	**-47.5**	**14.3**	**23.5**	**63.8**	**-149.5**	**-6.3**	**37.8**	**-698.9**
Taxation	56.1	-2.0	-5.6	180.8	-110.0	46.8	-7.6	-116.2
PAT	**8.6**	**12.3**	**17.9**	45.0	108.0	**40.5**	**30.2**	-25.4
Minority Interest	0.0	-0.3	-0.4	52.0	1536.0	1.3	0.6	-51.4
PATAMI	**8.6**	**12.6**	**18.3**	45.1	112.1	**39.2**	**29.6**	-24.5
Exceptional Items	-34.1	-0.6	2.9	-610.8	-108.6	-42.4	2.4	-105.6
Core PATAMI ex-EI	**42.7**	**13.2**	**15.4**	16.5	**-64.0**	**81.6**	**27.2**	**-66.6**
EPS Basic (sen)	0.25	0.37	0.54	45.9	116.0	1.19	0.91	-23.5
EPS Core (sen)	1.25	0.39	0.45	16.5	-64.0	2.39	0.80	-66.6
DPS (sen)	0.56	0.00	0.00	#DIV/0!	-100.0	0.91	0.00	-100.0
				+/(-)ppts	*+/(-)ppts*			*+/(-)ppts*
EBIT margin %	-0.1	0.0	0.0	0.0	0.1	-0.1	0.0	0.1
PBT margin %	1.3	2.2	3.3	1.1	2.0	3.3	2.8	-0.5
PATAMI margin %	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.0
Core PATAMI margin %	6.6	0.0	0.0	0.0	-6.6	0.1	0.0	-0.1
Tax Rate %	118.1	13.9	23.8	9.9	-94.3	741.5	20.1	-721.5

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,838	2,586	2,293	2,375	2,428
EBIT	46	50	73	141	205
PBT	38	48	69	133	190
Taxation	-19	26	-8	-9	-11
PAT	20	74	61	124	179
MI	7	0	3	3	3
PATAMI	13	75	58	121	176
Core PATAMI	5	123	64	127	181
EPS (sen)	0.1	3.6	1.9	3.7	5.3
PER (x)	21.5	0.3	0.0	0.0	0.0
DPS (sen)	0.0	46.4	15.5	28.8	43.2
Dividend yield (%)	0.0	38.0	3.2	5.9	8.8

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	38	48	69	133	190
Depreciation	132	151	126	184	244
OP pre-WC changes	123	177	174	293	404
Change in NWC	-149	-49	21	28	23
Operating cash flow	**-58**	**114**	**181**	**307**	**413**
Capital expenditure	-167	-195	-189	-188	-185
Investing cash flow	**-133**	**-140**	**-137**	**-133**	**-132**
Debt raised/(repaid)	-95	-62	-77	-69	-73
Dividends paid	0	-401	-53	-98	-148
Financing cash flow	**-111**	**-466**	**-135**	**-173**	**-227**
Net cash flow	**-303**	**-492**	**-91**	**1**	**54**
Beginning cash flow	**1,724**	**1,427**	**923**	**833**	**833**
Ending cash flow	**1,427**	**923**	**833**	**833**	**885**

Growth (%)	2024A	2025A	2026E	2027F	2028F
Revenue growth	23.7	40.7	-11.3	3.6	2.2
PBT growth	117.9	8.5	43.8	93.3	42.3
PATAMI growth	105.3	24.7	-21.7	107.4	45.1
Core PATAMI growth	102.4	-241.7	-48.1	99.4	43.1

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	2.5	1.9	3.2	6.0	8.4
PBT margin	2.1	1.9	3.0	5.6	7.8
PATAMI margin	0.7	2.9	2.5	5.1	7.2
Core PATAMI margin	0.3	4.7	2.8	5.3	7.5
ROA	0.1	2.6	1.2	2.3	3.0
ROE	0.1	2.8	1.5	2.7	3.6

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	1,901	2,573	3,080	3,452	3,824
ROU assets	5	3	2	2	2
Non-current assets	**2,977**	**3,016**	**3,470**	**3,892**	**4,280**
Trade receivables	290	299	345	378	406
Cash & bank balances	1,427	923	833	833	885
Current assets	**2,280**	**1,724**	**1,626**	**1,683**	**1,784**
Long-term debt	4	0	185	205	229
Non-current liabilities	**228**	**181**	**360**	**381**	**412**
Short-term debt	2	2	143	156	168
Trade payables	64	81	93	102	106
Current liabilities	**240**	**522**	**564**	**599**	**626**
Share capital	1,692	1,692	1,692	1,692	1,692
Reserves	2,956	2,630	2,516	2,931	3,354
Equity	**4,644**	**4,319**	**4,215**	**4,630**	**5,053**

Liquidity Ratios (x)	2024A	2025A	2026E	2027F	2028F
Current ratio	5.9	7.2	3.1	3.0	3.0
Quick ratio	4.9	5.8	2.4	2.3	2.3

Leverage Ratios (x)	2024A	2025A	2026E	2027F	2028F
Debt-to-equity	0.1	0.2	0.2	0.2	0.2
Interest coverage	6.0	24.2	18.6	17.7	13.5

Efficiency Ratios (days)	2024A	2025A	2026E	2027F	2028F
Cash conversion cycle	-5	5	12	14	15
DIO	-76	-49	-59	-61	-64
DSO	58	42	55	58	61
DPO	-13	-12	-15	-17	-18

Source: Bloomberg, MBSBR

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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