Hartalega Holdings Berhad

(5168 | HART MK) Main | Health care

SHARIAH Compliant

ESG 3 Stars

Corporate Update

Upgrade to BUY

Unchanged Target Price **RM1.19**

Higher Demand Expected amid Challenges

Upgrade to BUY. Hartalega's 9MFY26 core earnings came in above our expectation at 88% and within consensus' at 75% of the full year earnings estimates. We upgrade Hartalega to a **BUY** call, supported by a sanguine demand outlook for glove in CY26 and CY27. However, we maintain our target price at RM1.19 over the persisting challenges.

9MFY26 core PATAMI added +70%yoy. Hartalega's 9MFY26 and 3QFY26 revenue dropped to RM1.6b (-18%yoy) and RM527.3m (-29%yoy) respectively. Conversely, 9MFY26 and 3QFY26 core PATAMI gained to RM56.1m (+70%yoy) and RM17.1m (+49%yoy). The lower revenue was due to: (i) a -19%yoy reduction in quarterly sales volume amid ongoing pricing pressure in non-US markets, (ii) more competitive pricing from Chinese glove manufacturers to offset volume erosion from US trade tariffs, and (iii) a -10%yoy fall in ASP due to appreciating MYR against USD. The higher earnings, however, was supported by cost optimisation initiatives, as well as higher plant utilisation by +2%qoq and automation-driven efficiency gains.

Maintained near-term challenges. Ongoing uncertainties from the US tariff policies, intensified competition with China's glove exports and the global overcapacity redirected to non-US markets remain the downside risks for the group's performance in FY26. Price competition is expected to intensify and place pressure on volume and margins across the industry, particularly in Europe and emerging markets. We opine that this challenging environment is likely to continue throughout 1HCY26, amid the continuous trade reservations as global demand for glove continues to level back to pre-pandemic numbers.

Long-term prospects a positive beacon. Despite these challenges, Hartalega continues to invest in automation and technology upgrade, while observing cost optimization and support margin resilience in the long term. We echo the group's sentiment of being cautiously optimistic on the long-term prospects of the global glove industry. We expect the support for gloves lies on better healthcare awareness, access expansion to healthcare services and the anticipated higher demand from epidemic outbreaks of contagious diseases.

Key takeaways from its briefing are as follow:

Plant utilisation continues to normalise. While the plant utilisation has improved +2%qoq to about 70%, the utilization is still lower than the 3QFY25's utilization of 86% (-16%) and FY25's utilization of 80% (-10%). This is due to inventory front-loading by US customers in FY25 to circumvent the higher tariffs on Chinese-made gloves. We noted that the high utilization is not sustainable in the long run, and 70-75% would be the optimal rate, following inventory depletion and pricing pressure. Additionally, the group is ramping up its Plant 8 and 9, while hibernating Plant 3 and 4, during the reporting quarter. The group stated that it has the capacity to increase its utilization rate over 96%, should demand surge beyond expectations.

RETURN STATISTICS	
Price @ 10th Feb 2026 (RM)	0.95
Expected share price return (%)	+25.9
Expected dividend yield (%)	+12.7
Expected total return (%)	+38.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.3	-9.0
3months	-14.5	-18.0
12 months	-73.5	-74.0

INVESTMENT STATISTICS

FYE 31st	2026E	2027F	2028F
Revenue	2,293	2,375	2,428
Operating Profit	90	154	217
Profit Before Tax	87	146	202
Core PATAMI	69	127	181
Core EPS	2.0	3.7	5.3
DPS	15.5	28.8	43.2
Dividend Yield	12.7	23.6	35.4

KEY STATISTICS

FBM KLCI	1747.54
Issue shares (m)	3413.26
Estimated free float (%)	44.07
Market Capitalisation (RM'm)	3413.26
52-wk price range	RM0.98 - RM4
3-mth average daily volume (m)	8.95
3-mth average daily value (RM'm)	10.20
Top Shareholders (%)	
Hartalega Industries Sdn Bhd	34.43
Budi Tenggara Sdn Bhd	8.64
Kumpulan Wang persaraan diperbadan	6.2

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North America revenue drops, but AsiaPac gains. In 3QFY26, revenue from North America dropped -23%yoy and -15%qoq. Europe's revenue also slipped -2%yoy and -21%qoq. This is in line with the front-loading in FY25 over the fear of US tariffs on China's glovemakers. Meanwhile, Asia-Pacific revenue added +23%yoy and +41%qoq. We believe this is a strategic pivot from US and Europe pricing pressure, with the Asia Pacific region serving as a volume buffer, leveraging on Hartalega's ability to capture the consistent restocking demand and the proximity to other Asian healthcare providers. To note, starting Jan CY26, the US-China examination glove tariff had reached 120% to 130%, which will further escalate the US price wars.

Glove demand in 1HCY26 expected to increase. The group guided that the forecasted global glove demand is expected to increase in CY26 by +6%yoy to about 344 billion pcs. This growth will be supported by global healthcare consumption and hygiene awareness. We believe this modest growth is sustainable, as demand normalised back to pre-pandemic levels with an uptick of approximately +15%, in tandem with the growing NCD prevalence (about +8% to +17% in CY25 from CY19) and aging population (about +10.5% in CY25 from CY19). Nevertheless, we remain cautious on the volatile demand side, on top of the potential further MYR appreciation against the USD.

Revised earnings estimates. Considering that core earnings came in above expectations, we revise our FY26 earnings forecast upward by +8%. However, we make no changes for FY27 and FY28, due to the ongoing challenges in the sector, mitigated by a positive demand trend forecast. Hence, we maintain our target price at RM1.19, pegging on a PER of 31.9x to an EPS27 of 3.7sen.

HARTALEGA'S 3QFY26 FINANCIAL RESULTS

	Quarterly Results					Cumulative Results		
FYE Mar (RM mil)	**3Q25**	**2Q26**	**3Q25**	**QoQ%**	**YoY%**	**9M25**	**9M25**	**YoY%**
Revenue	738.2	539.7	527.3	-2.3	-28.6	1974.1	1620.0	-17.9
Operating Expenses	-702.5	-525.9	-491.0	-6.6	-30.1	-1930.5	-1562.3	-19.1
Operating Profit/Loss	**35.7**	**13.7**	**36.3**	**164.2**	**1.7**	**43.6**	**57.7**	**32.5**
Other Operating Income	1.2	9.8	-7.2	-172.9	-692.0	-11.4	9.4	-182.4
EBIT	**36.9**	**23.6**	**29.1**	**23.7**	**-21.0**	**32.2**	**67.1**	**108.3**
Finance Cost	-0.3	-0.1	-0.2	206.6	-14.3	-1.9	-0.4	-79.4
PBT	**36.6**	**23.5**	**28.9**	**23.1**	**-21.1**	**30.3**	**66.7**	**120.1**
Taxation	-17.3	-5.6	2.8	-149.5	-116.0	29.5	-4.8	-116.3
PAT	**19.3**	**17.9**	**31.7**	**77.0**	**63.9**	**59.8**	**61.9**	**3.5**
Minority Interest	-0.2	-0.4	0.0	-107.1	-113.8	1.1	-0.6	-159.8
PATAMI	**19.5**	**18.3**	**31.6**	**72.9**	**62.0**	**58.7**	**62.6**	**6.5**
Exceptional Items	8.1	-4.8	14.6	-403.9	79.7	25.7	6.5	-74.8
Core PATAMI ex-EI	**11.4**	**23.1**	**17.1**	**-26.1**	**49.4**	**33.1**	**56.1**	**69.6**
EPS Basic (sen)	0.57	0.54	0.93	72.2	63.2	1.76	1.83	4.0
EPS Core (sen)	0.33	0.68	0.50	-26.1	49.4	0.97	1.64	69.6
DPS (sen)	10.85	0.00	0.00	nm	-100.0	11.76	0.00	-100.0
				+/(-)ppts	*+/(-)ppts*			*+/(-)ppts*
EBIT margin %	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.1
PBT margin %	2.6	3.3	6.0	2.7	3.4	3.0	3.8	0.8
PATAMI margin %	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.0
Core PATAMI margin %	1.5	0.0	0.0	0.0	-1.5	0.6	0.0	-0.6
Tax Rate %	47.2	23.8	-9.6	-33.4	-56.8	-97.4	7.2	104.6

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	90	154	217
PBT	38	48	87	146	202
Taxation	-19	26	-9	-10	-12
PAT	20	74	77	135	190
MI	7	0	3	3	3
PATAMI	13	75	75	132	187
Core PATAMI	5	123	69	127	181
EPS (sen)	0.6	0.8	2.0	3.7	5.3
PER (x)	204.3	156.9	58.3	32.0	22.4
DPS (sen)	0.0	46.4	15.5	28.8	43.2
Dividend yield (%)	0.0	38.0	12.7	23.6	35.4

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	38	48	87	146	202
Depreciation	132	151	140	195	255
OP pre-WC changes	123	177	206	316	428
Change in NWC	-149	-49	21	28	23
Operating cash flow	**-58**	**114**	**213**	**330**	**437**
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**	**-59**	**24**	**78**
Beginning cash flow	**1,724**	**1,427**	**923**	**865**	**887**
Ending cash flow	**1,427**	**923**	**865**	**887**	**964**

Growth (%)	2024A	2025A	2026E	2027F	2028F
Revenue growth	23.7	40.7	-11.3	3.6	2.2
PBT growth	117.9	8.5	80.4	68.3	38.7
PATAMI growth	105.3	24.7	0.1	77.2	41.1
Core PATAMI growth	102.4	-241.7	161.4	82.4	43.0

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	2.5	1.9	3.9	6.5	8.9
PBT margin	2.1	1.9	3.8	6.1	8.3
PATAMI margin	0.7	2.9	3.3	5.6	7.7
Core PATAMI margin	1.1	1.0	3.0	5.3	7.5
ROA	0.4	0.6	1.4	2.2	2.9
ROE	0.4	0.6	1.6	2.7	3.5

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	1,901	2,573	3,080	3,466	3,849
ROU assets	5	3	2	2	2
Non-current assets	**2,977**	**3,016**	**3,470**	**3,906**	**4,304**
Trade receivables	290	299	345	378	406
Cash & bank balances	1,427	923	865	887	964
Current assets	**2,280**	**1,724**	**1,657**	**1,737**	**1,862**
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	2,548	2,999	3,457
Equity	**4,644**	**4,319**	**4,246**	**4,698**	**5,156**

Liquidity Ratios (x)	2024A	2025A	2026E	2027F	2028F
Current ratio	5.9	7.2	3.2	3.1	3.1
Quick ratio	4.9	5.8	2.5	2.4	2.5

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	23.1	19.3	14.3

Efficiency Ratios (days)	2024A	2025A	2026E	2027F	2028F
Cash conversion cycle	-5	5	12	14	15
DIO	-76	-49	-58	-60	-63
DSO	58	42	55	58	61
DPO	-13	-12	-15	-17	-17

Source: Bloomberg, MBSBR

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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