SECTOR THEMATIC

Monday 27th April 2026

POSITIVE (Maintain)

Healthcare

Surviving a Potential Glove Supply Chasm

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HIGHLIGHTS

- WRP Asia Pacific wound down due to fragile financials amid the +70% spike in nitrile costs and supply chain blockades
- The immediate issue is the supply gap left by WRP's closure, creating a bottleneck across the healthcare, F&B and chemicals industries, while other secondary markets (energy, logistics, packaging) would lose a prominent buyer
- However, larger glove companies see the closure as an opportunity to tap into the 12% US surgical glove market share and further consolidating the industry
- WRP's closure provides a blueprint for risk management for interconnected sectors
- TOP PICKS are Kossan Rubber Industries and Hartalega, on their capability to support the gap and to remain resilient

RECENT DEVELOPMENT

Liquidation of a glove company. WRP Asia Pacific Sdn Bhd (WRP), a major Malaysian rubber glove manufacturer (private), has recently begun winding down its operations, effective in mid-April 2026. The decision marks a significant shift for the company, which has been a key player in the healthcare and industrial glove sectors. Recently, the company confirmed that it will begin liquidation and last payment of salary by end of April, after it issued a letter to customers on end of March of its intention to wind down business operations. This decision was taken on the severe disruptions in the global energy and petrochemical supply chains, attributed by the ongoing US-Iran conflict in West Asia. The Ministry of Human Resources (KESUMA) confirmed that a liquidator has been appointed to manage the company's closure. Meanwhile, the WRP management had noted that they are awaiting feedback from shareholders and that potential buyers could still emerge to take over the assets.

Unfavourable landscape to sustain operations. The closure was inevitable, as the company cited a combination of external economic pressures and internal financial struggles that had sparked the decision. The major turning point was the ongoing conflict in West Asia, which had caused a massive oil supply shock. This had led to a spike in the cost of petrochemical-derived materials – in gloves, the raw material is butadiene/nitrile latex – by over +50%. WRP is facing a rising uncertainty over delivery timelines, coupled with the increased pressure from suppliers demanding advance payments, which WRP could not provide in time, notably after a recorded loss of -RM78m on a revenue of RM205m in FY25. It was noted that WRP's closure affects approximately 1,426 workers (304 local and 1,122 foreign employees). At the point of writing, KESUMA is monitoring the situation to ensure that wages and termination benefits are paid through the Proof of Debt (POD) process. Plans are also being made to relocate affected foreign workers to new employers and provide temporary contracts to local staff for essential maintenance and administrative tasks during the transition.

COMPANY *IN FOCUS*

Kossan Rubber Industries Bhd

Maintain **BUY | Target Price: RM1.37**
Price @ 24 Apr 2026: RM1.11

- Higher specialty margin quality
- Strong balance sheet
- Disciplined cost management
- Safe haven amid volatile geopolitical climate

SHARE PRICE CHART



Hartalega Bhd

Maintain **BUY | Target Price: RM1.19***
** under review*
Price @ 24 Apr 2026: RM1.14

- Prime beneficiary of US tariffs on China
- Highly efficient technology
- High potential to recapture US market share
- Positive operating leverage

SHARE PRICE CHART



CONTEXT: WRP ASIA PACIFIC SDN BHD

Formerly known as Wembley Rubber Products and founded in 1985, WRP was one of the world's leading manufacturers of premium barrier products. The company has built its reputation as a specialist in the healthcare sector, providing various products from simple examination medical gloves to highly technical medical devices. At its peak, the company exported to 195 countries with 334 verified buyers and held a dominant 12% share of the US sterile surgical glove market. Historically, the company moved over 6,000+ export shipments, with the US being its largest market (accounting to roughly 57% of their total export volume), followed by Bangladesh, Russia, Germany and Estonia.

Their core products include:

(i) **DERMAGRIP®:** WRP's flagship brand for high-quality medical examination gloves.
(ii) **PROFEEL®:** Focused on surgical gloves, including specialized versions for orthopedic surgery.
(iii) **COMFIT®:** A line of nitrile and latex examination gloves commonly used in hospitals and clinics.
(iv) **FOLEYCATH®:** Their brand for urology products, specifically natural rubber urology balloon catheters.

WRP's catalogue was divided into the following:

Category	Products	Description
Medical Gloves	Examination	• Made from latex, nitrile and vinyl • Included specialized Chemo Examination Gloves (for handling oncology drugs) and high-risk gloves for emergency services
	Surgical	• Powder-free and lightly powdered • Included specialized Ortho Gloves (thicker to protect against bone fragments and surgical debris)
	Radiation Protection	• Protect healthcare workers' hands from secondary scattered radiation during fluoroscopic procedures
Specialty Industrial Gloves	Cleanroom and Industrial	• For sensitive environments e.g. semiconductor manufacturing or chemical handling
	Beauty and Food Processing	• Lightweight disposable gloves
Specialised Medical Device	Urology Catheters	• Balloon catheters made from natural rubber with silicone elastomer bonding to improve patient comfort and reduce urethral irritation

Source: Company, MBSBR

Historically, WRP had been impacted by significant volatility in the overall gloves market. During the peak of the Covid-19 crisis (2019-2020), despite the boost in glove sales, the company faced a temporary closure, as well as a US import ban due to allegations of forced labour. These were lifted after the company paid over USD5m (approximately RM20m) in worker remediation. Despite the pandemic boom, the company struggled with the post-Covid global surplus of gloves that led to a crash in ASPs while production cost hiked. This caused a net loss of RM78m in FY25 for WRP. With the current US-Iran war causing butadiene prices to surge by nearly 70%, WRP faced a liquidity crisis that forced the current winding-down process.

IMPACT: OTHER GLOVE PLAYERS

WRP's closure highlights the pressure currently facing the Malaysian glove industry. While demand surged during the pandemic, the subsector is now grappling with oversupply issues and extreme volatility in raw material costs, forcing many larger companies to hike up selling prices for their products. However, the impact of this climate on larger glove manufacturers is expected to be both an alarm and an opportunity. While smaller glove players are strained, larger players are actively navigating the shift in the global supply and demand.

Geopolitical tension intensified impact on glove industry

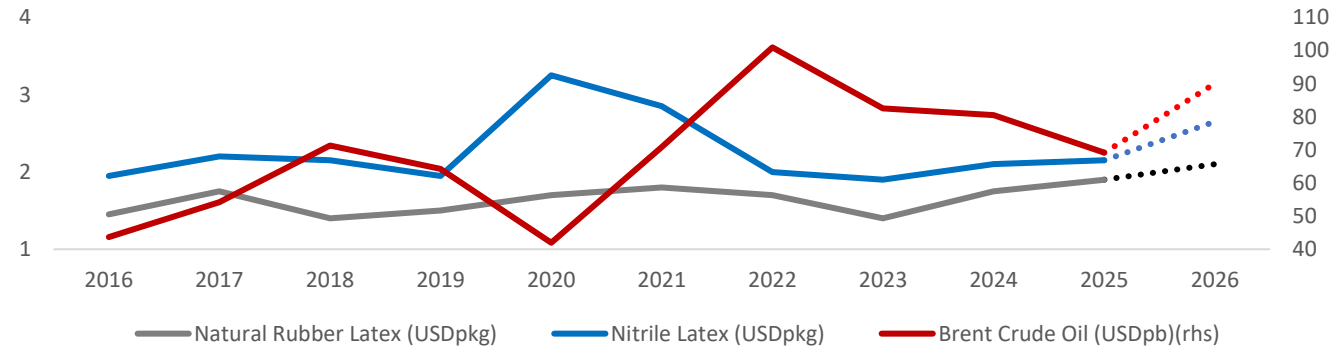
But large companies have leverage on pricing power and competition

Larger glove companies have the power to pass costs to consumers (up to +50%) in response to the petrochemical price shock. Additionally, the big players typically hold 2-3 months of raw material buffer stocks to bridge the gap caused by delays of stock arrival. Another positive factor for these groups is the 120% US import tariff on Chinese-made medical gloves, consequently making Malaysian gloves significantly cheaper in the US (cheaper by 30-40% for per 1000pcs). As unfortunate as it was for the smaller factories, their closure and strategic shift in products and assets indirectly contributed to the reduction of local oversupply and balanced out the supply and demand narrative to the more stable pre-pandemic level.

Opportunity to fill in the supply gaps

WRP specialized in high-performance and specialty gloves, hence its customers are expected to transition to other companies to ensure that supplies remain consistent. For its PROFEEL® brand of nitrile gloves, giving companies like Hartalega and Top Glove an opportunity to tap into the market share. For its DERMAGRIP® high-risk technical gloves, we believe Kossan has a significant range of technical gloves including high-risk and chemo-tested products that can be purchased from to mitigate the loss of supplies from WRP. For long-term stability, transition contracts to the major Malaysian players who currently have the financial moat to survive the war-time energy spike. Top Glove's products are best for scale, and they also offered natural rubber alternatives to navigate the volatile butadiene prices. To note, Malaysia supplies natural rubber domestically, making the feedstock less vulnerable to the West Asian shipping blockades and volatile petrochemical prices.

CHART 1: NR LATEX AND NITRILE LATEX PRICES (USDpkg) VS BRENT CRUDE OIL PRICE (USDpb) (2016-2025)



Source: Bloomberg, Statista, IEA, Procurement Resource, MBSBR

IMPACT: THE HEALTHCARE CUSTOMERS

Immediate operational disruption expected for healthcare providers.

For healthcare providers (hospitals and clinics), both public and private, the closure of WRP is a significant supply chain event, but it is not a catastrophe. The current geopolitical landscape (US-Iran conflict) and global healthcare challenges (hiking medical inflation) shaped the short-term outlook for the subsector to be heavier on immediate operational disruptions, which had the potential to temporarily dip quarterly margins. However, long-term outlook is a strategic stability in the working, as the glove industry cleanses to a few stable, high-quality manufacturers, subsequently making the supply chain more predictable.

We noted the pros and cons of the liquidation of WRP for the healthcare service providers as follows:

PROS: Long-term Strategic Stability (1+ year)	CONS: Short-term Operational Disruption (0-6 months)
Supply consolidation • Major hospital networks will be forced to consolidate their contracts with the other, more stable-glove players • Despite the expectedly more expensive procurement, the larger glove companies have the stockpiles and financial moat to guarantee supply during uncertainties • This would reduce the risk of stock-out events that could potentially shut down a hospital ward	**Surgical glove supply disruption** • WRP's *PROFEEL®* brand was a staple in surgical theaters due to its specific tactile sensitivity • Since WRP holds about 12% of the surgical glove market, hospitals must now re-validate alternative brands for their surgeons • This transition can cause temporary friction in Operating Theater (OT) efficiency
ESG de-risking • Given WRP's history of labor disputes and US bans, reputations of major hospitals and clinics could be protected as they move away from high-risk suppliers • Consequently, this will improve the providers' ESG scores, which is often critical for their institutional investors	**Procurement cost hikes** • With WRP exiting, bigger glove players have gained massive pricing power • Additional to the +70% surge in nitrile raw material costs, hospitals may face higher unit costs for gloves that was once supplied cheaply by low and mid-tier players
The "wait-and-see" opportunity • There is a possibility of a larger entity to acquire WRP's assets in liquidation • The takeover of WRP's glove lines could maintain the return of the glove brands under more stable management	**Specialty scarcity** • WRP was one of the few local manufacturers of specialized urology catheters (FOLEYCATH®) • Replacing these may require moving to more expensive European or US-made imports (like B. Braun or Teleflex), further squeezing hospital margins during a period of high inflation

Slower glove replacement may delay pharmaceutical production.

Meanwhile, for the pharmaceutical subsector, the liquidation of WRP is more profound. This is largely due to the subsector heavy reliance on specialized barrier protection for the manufacturing of drugs. WRP was a primary producer of Class 100/1000 Cleanroom gloves (under DERMAGRIP®) which are used in drug compounding and vaccine packaging. Unlike standard examination gloves, these types of gloves must be low-particle and chemical resistant. Pharmaceutical manufacturers rely on these specialized gloves to handle potent APIs. The sudden loss of WRP's capacity could potentially force the subsector to compete for other, possibly limited capacity. Additionally, the replacement requires a lengthy technical validation process to ensure that the new gloves do not contaminate the drugs. This could lead to delays in pharmaceutical product delivery. Nevertheless, there is a silver lining to the closure, as it would force pharma giants to move their contracts to more financially stable companies, consequently reducing the risk of a sudden stop in sterile production during future geopolitical

IMPACT: THE MANUFACTURING AND INDUSTRIAL CUSTOMERS

A supply chain stress test for sectors dependent on gloves

The liquidation of WRP is not only a supply chain stress test for the healthcare sector, but also other manufacturing industries. WRP was a major supplier of blue nitrile gloves – the industry standard PPE for food processing safety. For large-scale food and beverage manufacturers, the oil-supply shock from the US-Iran conflict was already a cause of concern as it forces these companies to push product prices up. With WRP products out of the market, the cost of blue nitrile gloves has the potential to shoot up by +30% to +50%, of which F&B operators must absorb. The impact is more negatively prominent for SMEs in the F&B space, as glove distributors could demand upfront payments, further straining the working capital of SMEs in the food sector and forcing them to switch to lower-quality vinyl gloves, which may increase the risk of contamination and export rejections. The shortage, however, could encourage F&B players to switch to natural rubber gloves. Since natural rubber is biodegradable and locally sourced, this could help F&B companies to meet the increasingly strict 2026 ESG disclosure requirements for their supply chains.

Circular relationship between chemical and gloves would be disrupted

The relationship between the chemical and petrochemical industry and the glove industry is circular. The spike of butadiene prices (+70% since before the US-Iran war) had caused WRP to stop buying the raw materials prior to the liquidation, causing a demand hole for local chemical distributors that held inventory for WRP's 69 production lines. Suppliers of chlorine, nitric acid, and caustic soda have also lost one of their largest high-volume recurring customers in the Selangor region. This may lead to a localized price drop in these chemicals as suppliers scramble to find new buyers. Bad debt risk is also an issue, as chemical suppliers who might have extended credit to WRP are now unsecured creditors during liquidation, likely resulting in financial write-downs for these midstream companies. On the bright side, other major glove companies may scour the market for extra chemical supplies to meet the sudden surge in orders from former WRP clients. This would help local chemical distributors clear their war-priced inventory quickly.

Short-term loses for energy, logistics and packaging suppliers

Other industries that could face the domino effect of WRP's winding down – even on a short-term basis – include the natural gas and biomass energy providers, logistics and packaging companies, and ancillary and engineering support. Glove makers are among the largest industrial consumers of natural gas and biomass. While WRP's exit may reduce the total industrial load, the sales volume target for these energy suppliers may be negatively impacted and they would be forced to find new buyers. Immediate loss of high-volume, high-frequency contracts could also negatively impact the logistics and packaging sector. WRP's closure can cause an immediate revenue hole for local corrugated carton manufacturers and freight forwarders specialized in medical-grade logistics. In terms of machinery, companies that provide the ceramic formers (hand-shaped moulds) and automated packing systems lose a key service contract, further impacting maintenance contracts for engineers as well.

THOUGHTS: IS A RESCUE STRATEGY POSSIBLE?

Rescuing WRP's brand a possibility?

In a scenario where WRP can be saved from liquidation, shareholders would need to pivot to a corporate rescue. Assuming the race against time was not an issue, we noted there could be benefits to a merger and acquisition. Apart from giving WRP a breathing room for operational restructuring and avoiding asset seizures by the liquidators, the social benefits could extend to the 1,400+ workers who are set to be terminated, retaining both labour and talent in the industry. The most valuable intangible assets of WRP are the DERMAGRIP® and PROFEEL® trademarks. Even if the factory stops, saving the intellectual property (IP) allows the business to survive through outsourcing production to other factories, while keeping the WRP brand alive.

Asset acquisition is the most feasible move for WRP

However, in the current circumstances, it would likely be an asset acquisition instead of a full corporate merger. The asset acquisition could prevent a total fire sale for WRP, especially its specialized machinery for their unique surgical glove lines. An acquisitor could also negotiate partial payment with WRP's creditors, easing the liquidation. We also noted that, for the acquisitor, there are benefits and flaws in acquiring WRP's assets:

PROS	CONS
Gaining WRP's 12% share of the US surgical glove market	Acquisitors may already have high debt and excess capacity of their own
Elimination of a competitor and acquisition of new customers	WRP's older machinery may be inefficient compared to what the acquisitors owned
Acquisition of WRP's glove brand to bolster premium medical portfolio	Highly disciplined acquisitors may not favour adding in another burden during the current glove industry climate

Considering all options, we opine that the most realistic rescue scenario would be the complete liquidation of WRP, followed by sales of WRP's machinery and brands at a discount, without taking on the company's historical debts or labour liabilities. Nevertheless, following its impending liquidation, we are yet to see any signs of a shift from industry consolidation for the major players.

MOVING FORWARD: PREPARING FOR A SUPPLY CHASM

Interconnected industries more vulnerable in current geopolitical landscape

The closure of WRP paints a picture of what economic stability could lead to, particularly during the occurrence of a geopolitical crisis that threatens a severe supply chain disruption across all sectors. In a just-in-time (JIT) global economy, the failure of one node reveals how deeply interconnected and fragile modern industries had become. WRP's winding down is a direct result of the blockade of the Strait of Hormuz, that led to a +70% surge in butadiene prices, as well as its inability to pay for the crucial raw materials. Consequently, this forces other industries to scramble for replacements of WRP products, while fighting for the same dwindling chemical supplies for their own operation. Prices of raw materials and products would drive up, but supply would also take time to replenish even on a softening demand basis.

WRP's exit an opportunity to consolidate the glove sector

The domino effect from the loss of WRP extended further into a demand gap that has the potential to lead to layoffs in the secondary market (chemical, logistics and packaging industries). Gloves are a non-negotiable safety requirement in electronics, pharmaceuticals, and food processing. The loss of WRP products – estimated at 5% of Malaysia's total capacity (~11b gloves per year) – will create a bottleneck that slows down production lines in these sectors. However, on the flipside, WRP's exit removes a weak link while giving the larger companies total pricing power within the gloves sector. With the current geopolitical landscape, glove buyers are highly likely to shift to procurement from suppliers with the biggest stockpile; effectively ending the era of cheap disposable goods.

Lessons for other industries in 2026

When a company like WRP closes in 2026, it is not only a lesson in business failure but also a lesson in systemic shock. It signals to the market that geopolitical risk is now a primary cost of production. For industries like pharmaceuticals and F&B, supply chain diversification is no longer an option—it is a requirement for survival. Success in late 2026 will depend on how quickly these manufacturers can pivot to domestic natural rubber alternatives or absorb the what the larger companies could offer, including the price hikes. We opine that the spillover effect from the WRP winding down is not a complete collapse of the glove subsector, but a form of cleansing for the industry. Should the war-related supply disruptions extend beyond the next 3 to 6 months, every glove player will face a liquidity test to mitigate financial losses from dwindling sales and reduced stockpiles.

Cautiously POSITIVE for glove sector

Overall, we are cautiously positive on the glove sector. While WRP's closure may be alarming, opportunities remain for other players to either revise their operational strategies to mitigate the domino effect of the supply chain disruptions or take the opportunity to fill in the supply and demand gaps left by WRP. However, the root of the issue i.e. the volatile oil and petrochemical prices remain a large obstacle for certainties for glove players, in term of the sustainability of raw material cost and supply in the long run.

Out of the major players of the glove sector under our coverage, **Kossan Rubber Industries (BUY, TP: RM1.37**) and **Hartalega (BUY, TP:RM1.19)** are expected to face a low to moderate vulnerability against the current shift in landscape. Kossan's disciplined cost structure and focus on high-margin technical gloves make them the most resilient to the current oil shock. Meanwhile, Hartalega, despite being a producer of high-valued nitrile gloves, is seeing the most leverage from the shift away from Chinese suppliers in the US market. **Top Glove (BUY, TP:RM0.78),** another major glove player, is also recovering financially. While their line of rubber latex gloves is expected to lighten the impact of the shortage of nitrile, their internal challenges (i.e. debt load from the post-pandemic slump and increased cost staff) remain.

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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.

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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.

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

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