Corporate Update

## Hartalega Holdings Berhad

(5168 | HART MK) Main | Healthcare

SHARIAH Compliant

ESG 3 Stars

# Higher ASP Boosted 1QFY27 Earnings

Maintain **BUY**

Revised Target Price **RM1.73**
(from RM1.24)

**Maintain BUY.** Hartalega's 1QFY27 core earnings came in above our expectations and consensus's at 54% and 47% respectively, of the full year earnings estimates. Hence, we maintain our **BUY** call and revised our **target price to RM1.73.**

**1QFY27 core PATAMI surged >100%yoy.** Hartalega's 1QFY27 revenue added to RM606b (+10%yoy). Likewise, 1QFY27 core PATAMI gained to RM73m (>100%yoy) from RM9m in 1QFY26. The higher revenue was driven by higher ASP (~USD26-28 per 1000 pcs, compared to ~USD20-21 per 1000 pcs in 1QCY26) which offsets the lower sales volumes (-7%qoq) and mitigates the impact of higher raw material costs arising from the Middle East conflict (NBR price in 1QCY26 stood at ~USD1.15pkg (+20%yoy)). Meanwhile, the higher core earnings were contributed by higher ASPs and ongoing cost optimisation initiatives.

**Optimistic on future operations amid macro headwinds.** Despite ongoing overcapacity, intense non-US market competition from redirected Chinese exports, and volatile raw material, energy, and logistics costs, we are cautiously optimistic about Hartalega's long-term prospects. Healthier customer inventories, higher ASPs, enhanced production efficiency and disciplined cost controls remain key drivers for the group. We expect Hartalega to continue leveraging its automation initiatives, prudent inventory management and strong ESG compliance to safeguard future margins, strengthen competitiveness, and drive sustainable growth.

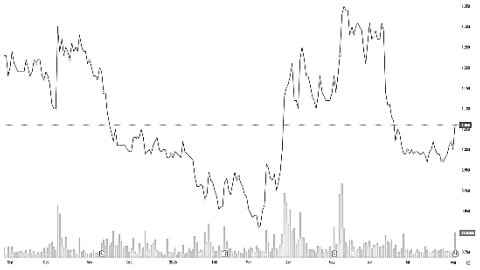
Key takeaways from its briefing are as follow:

**Higher volume forecasted amid higher plant utilisations.** Hartalega expected CY26 to see a volume rise excluding Plants 3 and 4, Hartalega reported plant utilisation rate of approximately 96%. As of writing, Plant 3 continues to be upgraded with automation and vision systems. 3 lines had been equipped and redeployed labour will continue to support further upgrades. The Plant 3 upgrade is expected to end by December CY26, further supporting cost improvement and lowering labour costs. To note, the opening of Plant 3's operation would add in 4b pieces of capacity for the group, after all lines gradually brought online. Current sales remain near 2b per month, and with Plant 3 going online, the output would rise to 2.5b per month.

**More price revision expected.** Considering the recent spikes in raw material prices (i.e. nitrile latex) due to the geopolitical tensions in the Middle East, the group expected that ASP revisions are highly likely to come in the next few quarters. This may cause a temporary backlog of stocks, as buyers may withhold until prices lower around Aug-26 or Sept-26, ahead of massive year-end deliveries to local health service providers. We opine that the planned upward adjustment would range around USD1.5 to USD2. Considering this, we expect 2QFY27 to see lower margins (around 12%-18% PATAMI margin) due to a flushed higher-cost inventory amid competitive pressure from Chinese capacity affecting non-US markets.

| RETURN STATISTICS | |
|---|---|
| Price @ 4th August 2026 (RM) | 1.06 |
| Expected share price return (%) | +63.2 |
| Expected dividend yield (%) | +2.4 |
| Expected total return (%) | +65.6 |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 3.5 | 2.5 |
| 3 months | 2.6 | 1.5 |
| 12 months | -27.1 | -29.6 |

**INVESTMENT STATISTICS**

| FYE Mar (RM mil) | 2027E | 2028F | 2029F |
|---|---|---|---|
| Revenue | 2,255 | 2,343 | 2,409 |
| Operating Profit | 257 | 279 | 307 |
| Profit Before Tax | 257 | 278 | 305 |
| Core PATAMI | 236 | 258 | 277 |
| Core EPS (sen) | 6.9 | 7.6 | 8.1 |
| DPS (sen) | 4.1 | 4.5 | 4.8 |
| Dividend Yield (%) | 2.4 | 2.6 | 2.8 |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,732.66 |
| Issue shares (m) | 3,407.5 |
| Estimated free float (%) | 44.0 |
| Market Capitalisation (RM'm) | 3,633.7 |
| 52-wk price range | RM0.80–RM1.40 |
| 3-mth average daily volume (m) | 11.3 |
| 3-mth average daily value (RM'm) | 11.5 |
| **Top Shareholders (%)** | |
| Hartalega Industries Sdn Bhd | 34.5 |
| Budi Tenggara Sdn Bhd | 8.7 |
| Kumpulan Wang Persaraan Diperbadan | 6.2 |

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**ESG remain supported from cost optimisation.** Hartalega reiterated its commitment to its cost optimisation strategy, which consist of efficient plant lines. The group shared that its plant line performance could support 52k pieces per hour using low-cost energy and reduced labour cost (from automation). The group plans to replicate this model in another plant as lines are reactivated. The group also shared that these initiatives had resulted in an estimated 40% reduction in energy usage (about 3.3kWh per 1000 pcs), further supporting the group's ESG goals in energy efficiency and adaptation of sustainable tech. To note, in FY26, Hartalega had reduced its water consumption intensity by -27% (reaching its target 1 year earlier), normalised at 0.022T of CO2 per 1000 pcs, and reduced non-hazardous waste intensity by -17%.

**Revised earnings estimates.** Considering that core earnings came in above expectations, we revise our FY27-29 earnings forecast upward by +80%/+73%/+72%. Hence, we revised our **target price RM1.73** (previously RM1.24), pegging on a new PER of 25x to a revised EPS27 of 6.9sen. Additionally, the target price is also fair based on EV/EBITDA of 9.0x on an estimated EBITDA margin of 15% (industry EV/EBITDA ranged between 8x to 11x).

The PER is a downgrade from previous valuation of 32x, to account for earnings base normalisation as PATAMI recovers. We believe Hartalega would retains its premium over sector peers (to note, industry's PER stands at 18x-24x) due to improved operational efficiencies and net cash position. The new PER multiple appropriately reflects a shift to mid-cycle operational growth, while we price in persistent currency headwinds (i.e. stronger MYR against USD) and aggressive non-US market competition from Chinese producers operating in Vietnam and Indonesia.

## HARTALEGA'S 1QFY27 FINANCIAL RESULTS

| | Quarterly Results | | | | | Cumulative Results | | |
|---|---|---|---|---|---|---|---|---|
| **FYE Mar (RM mil)** | **1Q26** | **4Q26** | **1Q27** | **QoQ%** | **YoY%** | **3M26** | **3M27** | **YoY%** |
| Revenue | 553.1 | 515.4 | 605.8 | 17.5 | 9.5 | 553.1 | 605.8 | 9.5 |
| Operating Expenses | -545.4 | -481.5 | -525.7 | 9.2 | -3.6 | -545.4 | -525.7 | -3.6 |
| **Operating Profit/Loss** | **7.7** | **33.9** | **80.0** | **135.8** | **938.1** | **7.7** | **80.0** | **938.1** |
| Other Operating Income | 6.7 | 16.3 | 10.5 | -35.4 | 56.7 | 6.7 | 10.5 | 56.7 |
| **EBIT** | **14.4** | **50.2** | **90.5** | **80.4** | **527.9** | **14.4** | **90.5** | **527.9** |
| Finance Cost | -0.1 | 0.1 | -0.1 | -159.8 | -31.8 | -0.1 | -0.1 | -31.8 |
| **PBT** | **14.3** | **50.3** | **90.5** | **79.9** | **531.2** | **14.3** | **90.5** | **531.2** |
| Taxation | -2.0 | -10.3 | -20.3 | 97.8 | 921.6 | -2.0 | -20.3 | 921.6 |
| **PAT** | **12.3** | **40.0** | **70.1** | **75.3** | **468.2** | **12.3** | **70.1** | **468.2** |
| Minority Interest | -0.3 | -0.5 | 0.1 | -120.8 | -136.1 | -0.3 | 0.1 | -136.1 |
| **PATAMI** | **12.6** | **40.5** | **70.0** | **73.1** | **455.4** | **12.6** | **70.0** | **455.4** |
| Exceptional Items | 3.3 | 19.1 | -2.8 | -114.6 | -184.4 | 3.3 | -2.8 | -184.4 |
| **Core PATAMI ex-EI** | **9.3** | **21.4** | **72.8** | **240.1** | **682.6** | **9.3** | **72.8** | **682.6** |
| EPS Basic (sen) | 0.37 | 1.19 | 2.06 | 73.1 | 456.8 | 0.37 | 2.06 | 456.8 |
| EPS Core (sen) | 0.27 | 0.63 | 2.14 | 240.8 | 684.2 | 0.27 | 2.14 | 684.2 |
| DPS (sen) | 0.00 | 1.80 | 0.00 | -100.0 | #DIV/0! | 0.00 | 0.00 | #DIV/0! |
| | | | | *+/(-)ppts* | *+/(-)ppts* | | | *+/(-)ppts* |
| EBIT margin % | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PBT margin % | 2.2 | 7.8 | 11.6 | 3.8 | 9.3 | 2.2 | 11.6 | 9.3 |
| PATAMI margin % | 0.1 | 0.2 | 0.3 | 0.1 | 0.3 | 0.1 | 0.3 | 0.3 |
| Core PATAMI margin % | 1.7 | 0.3 | 0.0 | -0.3 | -1.7 | 0.0 | 0.0 | 0.0 |
| Tax Rate % | 13.9 | 20.5 | 22.5 | 2.0 | 8.6 | 13.9 | 22.5 | 8.6 |

*Source: Company, MBSBR*

## FINANCIAL SUMMARY

| Profit or Loss (RM'm) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| Revenue | 2,586 | 2,135 | 2,255 | 2,343 | 2,409 |
| EBIT | 50 | 117 | 257 | 279 | 307 |
| PBT | 48 | 117 | 257 | 278 | 305 |
| Taxation | 26 | -15 | -19 | -19 | -28 |
| PAT | 74 | 102 | 238 | 259 | 277 |
| MI | 0 | -1 | 3 | 3 | 3 |
| PATAMI | 75 | 103 | 235 | 256 | 274 |
| Core PATAMI | 79 | 91 | 236 | 258 | 277 |
| | | | | | |
| EPS (sen) | 2.3 | 2.7 | 6.9 | 7.6 | 8.1 |
| PER (x) | 52.9 | 44.6 | 25.0 | 22.8 | 21.3 |
| DPS (sen) | 11.8 | 1.8 | 4.1 | 4.5 | 4.8 |
| Dividend yield (%) | 9.6 | 1.5 | 2.4 | 2.6 | 2.8 |

| Cash Flow (RM'm) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| PBT | 48 | 117 | 257 | 278 | 305 |
| Depreciation | 151 | 164 | 47 | 82 | 87 |
| OP pre-WC changes | 178 | 238 | 272 | 321 | 352 |
| Change in NWC | -51 | 97 | 66 | 58 | 52 |
| Operating cash flow | **113** | **322** | **325** | **366** | **392** |
| Capital expenditure | -193 | -126 | -161 | -157 | -158 |
| Investing cash flow | **-178** | **-86** | **-114** | **-114** | **-117** |
| Debt raised/(repaid) | -64 | -5 | -34 | -19 | -26 |
| Dividends paid | -401 | 0 | -194 | -176 | -231 |
| Financing cash flow | **-467** | **-10** | **-232** | **-201** | **-263** |
| Net cash flow | **-533** | **226** | **-22** | **51** | **12** |
| Beginning cash flow | **1,427** | **886** | **1,105** | **1,080** | **1,127** |
| Ending cash flow | **923** | **1,144** | **1,080** | **1,127** | **1,133** |

| Growth (%) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| Revenue growth | 40.7 | -17.4 | 5.6 | 3.9 | 2.8 |
| PBT growth | 8.5 | 134.5 | 119.3 | 8.5 | 9.8 |
| PATAMI growth | 24.7 | 144.0 | 119.3 | 8.4 | 9.7 |
| Core PATAMI growth | -241.7 | -157.1 | 25.7 | 1.8 | 44.8 |

| Profitability Ratios (%) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| EBIT margin | 1.9 | 5.5 | 11.4 | 11.9 | 12.7 |
| PBT margin | 1.9 | 5.5 | 11.4 | 11.9 | 12.7 |
| PATAMI margin | 2.9 | 4.8 | 10.4 | 10.9 | 11.4 |
| Core PATAMI margin | 3.0 | 4.3 | 10.5 | 11.0 | 11.5 |
| ROA | 1.7 | 1.9 | 4.7 | 5.0 | 0.0 |
| ROE | 1.8 | 2.1 | 5.4 | 5.8 | 0.0 |

| Balance Sheet (RM'm) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| PPE | 2,573 | 2,610 | 2,735 | 2,771 | 2,847 |
| ROU assets | 3 | 2 | 2 | 2 | 2 |
| Non-current assets | **3,016** | **2,984** | **3,177** | **3,229** | **3,320** |
| Trade receivables | 302 | 276 | 332 | 370 | 397 |
| Cash & bank balances | 923 | 1,144 | 1,080 | 1,127 | 1,133 |
| Current assets | **1,727** | **1,913** | **1,869** | **1,977** | **2,029** |
| Long-term debt | 0 | 8 | 108 | 117 | 109 |
| Non-current liabilities | **181** | **192** | **289** | **302** | **300** |
| Short-term debt | 2 | 1 | 8 | 3 | 1 |
| Trade payables | 81 | 118 | 119 | 119 | 118 |
| Current liabilities | **288** | **424** | **436** | **456** | **614** |
| Share capital | 1,692 | 1,692 | 1,692 | 1,692 | 1,692 |
| Reserves | 2,630 | 2,725 | 2,635 | 2,769 | 2,894 |
| Equity | **4,319** | **4,417** | **4,333** | **4,468** | **4,593** |

| Liquidity Ratios (x) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| Current ratio | 7.1 | 6.6 | 4.4 | 4.5 | 4.5 |
| Quick ratio | 5.7 | 5.5 | 3.6 | 3.7 | 3.6 |

| Leverage Ratios (x) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| Debt-to-equity | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| Interest coverage | 24.2 | 394.9 | 461.3 | 288.8 | 192.8 |

| Efficiency Ratios (days) | 2025A | 2026A | 2027E | 2028F | 2029F |
|---|---|---|---|---|---|
| Cash conversion cycle | 5 | 10 | 12 | 14 | 16 |
| DIO | -49 | -58 | -63 | -64 | -65 |
| DSO | 43 | 47 | 54 | 58 | 60 |
| DPO | -12 | -21 | -22 | -21 | -20 |

*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