Corporate Update

Hartalega Holdings Berhad

(5168 | HART MK) Main | Healthcare

SHARIAH Compliant

ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM1.73**

High Demand Sustains Resiliency in 2QFY27

Maintain BUY. Hartalega's 6MFY27 core earnings came in within our expectations at 44% and above consensus at 66% of the full year FY27 earnings estimates. Hence, we maintain our **BUY** call with a **target price of RM1.73.**

6MFY27 core PATAMI surged >100%yoy. Hartalega's 6MFY27 revenue added to RM1.3b (+14%yoy). Likewise, 6MFY27 core PATAMI gained to RM105m (>100%yoy) from RM22m in 6MFY26. The higher revenue was driven by higher USD-denominated ASPs amid elevated raw material costs arising from the Middle East conflict. However, this is partially offset by the strengthening of MYR against USD which reduced MYR-translated sales - as well as marginally lower sales volume during the period. Core earnings improved over improved operating margins from 2% to nearly 10%. This improvement was mainly driven by higher ASPs, pricing discipline and ongoing cost optimisation initiatives, including tighter cost control and improved production efficiency, which helped offset higher raw material and unit production costs.

Moving forward: riding on strong demand amid competition. The group remains optimistic in long-term global glove demand based on normalising customer inventories and rising hygiene standards. However, persistent global oversupply and fierce competition from Chinese manufacturers continue to limit pricing power for local glovemakers. We noted that, while higher US tariffs on Chinese gloves positions Hartalega to capture incremental sales volume, near-term profitability depends heavily on protecting the spread between ASPs and rising raw material, energy and freight costs. To safeguard margins and profitable growth, the group is expected to prioritise price adjustments and manufacturing automation.

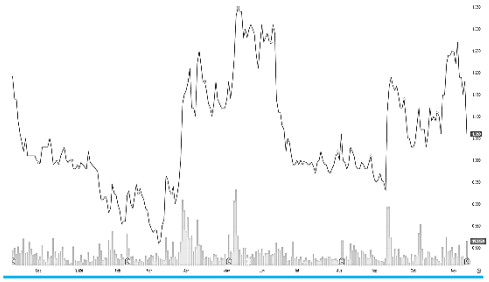
Key takeaways from its briefing are as follow:

Natural gas cost expected to be manageable. While Brent crude oil prices have been hovering lower in 3QCY26 at an average of USD91pb (-6%qoq), the surge in 2QCY26 would reflect a higher 4QCY26 natural gas pricing (approximately RM47pMMBtu, given a 6-month laggard between MRP and Brent). Given this, we expect that the ASP will be impacted by the higher utilities cost. However, with the ongoing uncertainties in the Middle East, glove buyers are still restocking supplies ahead of possible escalations in geopolitical tensions that could potentially restrict supply movement. Additionally, we expect 1QCY27 natural gas prices to range between RM43-44pMMBtu (following current Brent average), although USD/MYR fluctuations and LNGC availability could still impact these prices.

RETURN STATISTICS

Price @ 12th Nov 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	+12.3	+14.6
3 months	+21.4	+30.0
12 months	+0.8	+3.5

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	1,585.96
Issue shares (m)	3407.46
Estimated free float (%)	42.90
Market Capitalisation (RM'm)	4,054.93
52-wk price range	RM0.80-RM1.38
3-mth average daily volume (m)	9.81
3-mth average daily value (RM'm)	11.18
Top Shareholders (%)	
Hartalega Industries Sdn Bhd	34.49
Budi Tenggara Sdn Bhd	8.66
Kumpulan Wang Persaraan Diperbadan	5.31

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ASP remains elevated despite competition. To note, Hartalega is expecting ASP in the coming months to average around USD22 per 1000 pcs. While there is still slight discrepancy between Chinese gloves and local gloves (about USD1.50 difference), the ones from the Chinese factories in ASEAN has none. This may be due to increasing costs. Coupled with the US tariff on gloves from China, competition-wise, local glovemakers still has the upper hand, and we opine that Hartalega could continue leveraging on this environment by maintaining their ASP at the average with a potential to hike it by USD2-3 per 1000 pcs in the coming months.

Geopolitical tensions remain as key risk. However, we also noted that the ongoing geopolitical conflict also translated to higher material prices at less availability, as well as vessel delays in transporting both raw material and products. This caused volume delays by 50-70%. While Hartalega has the capacity to pass the cost to their customers, it might not be sustainable in the long run. Hence, their near-term focus would be on improving their productivity and plant utilization high, including stocking up raw materials in the near term. Hartalega is aiming to reach 52,000 pcs per hour once more lines are commissioned. To note, with the commissioning of the additional 6 lines by March CY27, the group is expecting total capacity to add in 32b pcs.

Automation expected to minimise minimum wage impact. Another risk that might impact Hartalega's operation is the minimum wage hike, which is scheduled to increase from RM1,700 to RM2,000 effective June CY27. Labour is Hartalega's largest fixed cost (14–17% of total costs) and an estimated ~65% of its workforce is impacted, this poses a direct margin headwind. To offset this, the group is using automation to reduce headcount requirements per million gloves by ~30% (from ~2.2 workers on legacy lines down to 1.6 on Plant 9 lines). Rather than hiring aggressively for the Plant 3 and Plant 4 restarts, the group intends to redeploy experienced workers freed up from automated lines, keeping overall headcount lean while scaling output.

No changes to earnings estimates. Considering that core earnings came in within expectations, we make no changes to our earnings forecast and target price of RM1.73.

Despite near-term cost headwinds and the upcoming June CY27 minimum wage increase, we remain optimistic on Hartalega due to its strong pricing power, operational scaling and structural cost-efficiency gains. Supported by US tariffs on Chinese gloves, narrowing price gaps with Chinese plants in ASEAN and buyer restocking amid Middle East tensions, the group is well-positioned to sustain sales volume and ASPs. We believe the group remains resilient in protecting margins as global demand recovers. Hence, we maintain our **BUY** call for Hartalega.

HARTALEGA'S 2QFY27 FINANCIAL RESULTS

	Quarterly Results					Cumulative Results		
FYE Mar (RM mil)	**2Q26**	**1Q27**	**2Q27**	**QoQ%**	**YoY%**	**6M26**	**6M27**	**YoY%**
Revenue	539.7	605.8	644.7	6.4	19.5	1092.8	1250.5	14.4
Operating Expenses	-525.9	-525.7	-604.3	14.9	14.9	-1071.3	-1130.1	5.5
Operating Profit/Loss	**13.7**	**80.0**	**40.4**	**-49.5**	**194.2**	**21.4**	**120.4**	**461.6**
Other Operating Income	9.8	10.5	3.1	-70.8	-68.7	16.5	13.6	-17.8
EBIT	**23.6**	**90.5**	**43.5**	**-52.0**	**84.6**	**38.0**	**134.0**	**252.9**
Finance Cost	-0.1	-0.1	-0.3	496.6	355.3	-0.2	-0.4	150.9
PBT	**23.5**	**90.5**	**43.1**	**-52.3**	**83.8**	**37.8**	**133.6**	**253.4**
Taxation	-5.6	-20.3	-10.4	-49.1	85.2	-7.6	-30.7	304.8
PAT	**17.9**	**70.1**	**32.8**	**-53.2**	**83.3**	**30.2**	**102.9**	**240.5**
Minority Interest	-0.4	0.1	0.0	-107.2	-98.3	0.6	0.1	-85.7
PATAMI	**18.3**	**70.0**	**32.8**	**-53.2**	**79.3**	**29.6**	**102.8**	**247.4**
Exceptional Items	4.8	-2.8	0.6	-121.5	-87.5	8.1	-2.2	-127.0
Core PATAMI ex-EI	**13.5**	**72.8**	**32.2**	**-55.8**	**138.5**	**21.5**	**105.0**	**388.4**
EPS Basic (sen)	0.54	2.06	0.96	-53.4	77.8	0.91	3.02	231.9
EPS Core (sen)	0.40	2.14	0.95	-55.8	139.0	0.63	3.08	389.5
DPS (sen)	0.00	0.00	0.00	#DIV/0!	#DIV/0!	0.00	0.00	#DIV/0!
				+/(-)ppts	*+/(-)ppts*			*+/(-)ppts*
EBIT margin %	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
PBT margin %	3.3	11.6	5.1	-6.5	1.8	2.8	8.2	5.5
PATAMI margin %	0.1	0.3	0.1	-0.2	0.0	0.1	0.2	0.2
Core PATAMI margin %	2.5	0.0	0.0	0.0	-2.5	0.0	0.0	0.0
Tax Rate %	23.8	22.5	24.0	1.5	0.2	20.1	23.0	2.9

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