## Key Indices

| | Prev Close | 1D % | 1W % | 1M % | YTD % |
|---|---|---|---|---|---|
| DJIA | 54085.9 | 1.7 | 2.5 | 2.2 | 12.5 |
| S&P 500 | 7736.5 | 1.8 | 4.1 | 3.4 | 13.0 |
| FTSE 100 | 10879.4 | 0.2 | 0.1 | 1.9 | 9.5 |
| AS30 | 9311.9 | 1.5 | 2.2 | 2.9 | 3.2 |
| CSI 300 | 4600.9 | 1.3 | 0.7 | (5.0) | (0.6) |
| FSSTI | 5612.3 | (0.0) | (0.1) | 7.0 | 20.8 |
| HSCEI | 8574.3 | (0.9) | 1.6 | 11.4 | (3.8) |
| HSI | 25852.9 | (0.6) | 2.1 | 10.7 | 0.9 |
| JCI | 6319.6 | 1.4 | 3.1 | 7.6 | (26.9) |
| KLCI | 1732.7 | 0.4 | 1.2 | 3.2 | 3.1 |
| KOSPI | 6359.0 | 1.6 | 5.6 | (21.4) | 50.9 |
| Nikkei 225 | 63957.5 | 0.3 | 2.6 | (8.3) | 27.1 |
| SET | 1617.1 | (0.3) | (1.7) | 0.4 | 28.4 |
| TWSE | 43360.7 | (0.1) | 4.2 | (7.3) | 49.7 |
| BDI | 2843 | 4.1 | 6.7 | 4.6 | 51.5 |
| CPO (RM/mt) | 4499 | 0.0 | (0.7) | 1.2 | 14.4 |
| Brent Crude (US$/bbl) | 79 | (5.3) | (5.6) | 10.0 | 30.4 |

*Source: Bloomberg*

## Corporate Events

| | Venue | Begin | Close |
|---|---|---|---|
| Virtual Meeting with i-Tail Corporation Public Company Limited (ITC TB) | Thailand | 05 Aug | 05 Aug |
| Virtual Meeting with UOB-Kay Hian Holdings Ltd (UOBK SP) | Singapore | 11 Aug | 11 Aug |
| Hybrid Meeting with UltraGreen.ai Ltd (UGAI SP) | Singapore | 13 Aug | 13 Aug |
| Virtual Meeting on Indonesia Economic Outlook by Mr. Enrico Tanuwidjaja | Indonesia | 19 Aug | 19 Aug |
| Analyst Marketing by Julia Pan on Greater China Internet Sector | Singapore | 07 Sep | 08 Sep |

## Corporate & Macro Calendar

| Economic Indicator/Event | Country/Region | Date |
|---|---|---|
| Foreign Reserves | Malaysia | 7 Aug |
| Industrial Production | Malaysia | 11 Aug |
| Manufacturing Sales | Malaysia | 11 Aug |

Please click on the page number to move to the relevant page

## Top Stories

**Sector Update** | Oil and Gas – Shipping (ESG) Page 2

Recent geopolitical events are greatly undermining seafarers' human rights, blurring the distinction between a shipping route and a war zone. At the same time, markets remain bullish on global tanker stocks as a geopolitical hedge. We are studying the elusive global shipping ESG risk (human rights), and whether it may become a significant price impact (for shipping stocks). We also see its potential to be a materiality topic stretching across multiple sectors beyond shipping. Maintain sector MARKET WEIGHT.

**Company Results** | Hartalega Holdings (HART MK/**HOLD**/RM1.06/Target: RM1.06) Page 5

Harta's 1QFY27 results strength reflects significant ASP hikes due to the Iran war, which bolstered profitability and margins. Nevertheless, ASPs have since moderated to US$19-20/'000 pcs, while input cost will likely remain elevated due to higher raw material prices and an upcoming natural gas tariff hike. We expect 2Q-3QFY27 earnings to be sequentially weaker. The mid- to long-term outlook also remains muted given oversupply dynamics and intensifying China competition. Maintain HOLD and RM1.06 target price as risk-reward dynamics appear neutral.

## Market Spotlight

Page 8

- The FBMKLCI rose 6.93pt to close at 1,732.66 yesterday, buoyed by positive sentiment in the overnight US market as index-linked counters rebounded strongly.
- US stocks were higher after the close on Tuesday, as gains in the technology, industrials and basic materials sectors led shares higher.

## Technical Analysis

**FBMKLCI, FCPO & FKLI Index Outlook** Page 9

**Traders' Corner** Page 11

**Ann Joo Resources | AJR MK**
Trading Buy Range: RM0.485-0.50

**Feytech Holdings | FEYTECH MK**
Trading Buy Range: RM0.255-0.26

**Lotte Chemical Titan Holdings | TTNP MK**
Trading Buy Range: RM0.345-0.35

**Disclaimer:** *In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating*

# Oil & Gas – Shipping

**MARKET WEIGHT**
(Maintained)

## Shipping: Human Rights Fast Becoming A Major ESG Risk

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+603 2147 1987

## Highlights

- Recent geopolitical events are greatly undermining seafarers' human rights, blurring the distinction between a shipping route and a war zone. At the same time, markets remain bullish on global tanker stocks as a geopolitical hedge. We are studying the elusive global shipping ESG risk (human rights), which could potentially have a significant price impact on global shipping stocks, which are now being perceived as a defensive geopolitical hedge.
- As the global seafarer shortage coincides with a worsening retention crisis driven by various human rights issues, we believe this could become a materiality topic extending beyond shipping and across multiple sectors. Given that seafarers enable almost 90% of global trade, the shortage could indirectly increase the cost of doing business for sectors that depend on global trade. Sectors that may face materiality impact are shore-based ecosystems like ports and yards, and also financials (especially marine insurers).

## Analysis

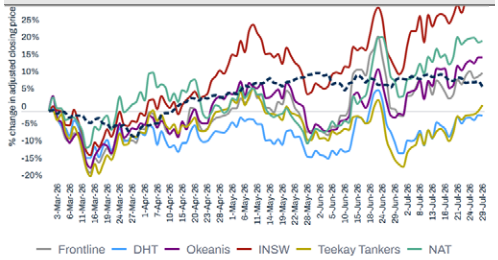
- **Shipping sector proving to be a defensive hedge for investors.** According to Lloyd's List, global tanker stocks have proved again to be a worthy hedge for investors, even as geopolitical unrest has been a headwind for the broader market. Stocks in the crude tanker and product tanker segments have gained 15% and 13% respectively in the past month. Some stocks like International Seaways and Okeanis outperformed in gains relative to the start of the Hormuz crisis (+47-50%), and across a one-year timeframe (+123-130%).
- **Crude tanker fundamentals are expected to hold strong on tonne-mile demand even if the war ends today.** The ongoing US-Iran conflict/Hormuz disruption 3-4 months ago are some factors supporting Very Large Crude Carriers (VLCC) daily spot rates, which have been hovering at US$100,000 for nine straight months. Despite the recent correction, tanker rates are still reflecting multi-cycle highs. This is because even if the Strait were to open today, countries would need to restock depleted inventories and diversify their supply sources. Some guided the process may take as long as two years.
- **However, we are studying if the elusive global shipping ESG risk (human rights) will be a material pricing impact, just as the distinction between a shipping route and a war zone is disappearing.** After more than four years of war around the Black Sea, seafarers - which are some of the toughest workforce globally – have accepted a degree of risk as part of the job, believing that the vessel is the primary target rather than the people on board. However, recent developments in the Russia-Ukraine conflict zone had resulted in a sharp deterioration in security conditions, which in turn inflicted trauma significant enough for experienced officers to refuse Black Sea assignments. The bigger question is whether this represents a precedence for the other key conflict zones, including the South China Sea territorial disputes.

**Materiality Assessment**

| Sector | Stock | Description |
|---|---|---|
| Shipping | MISC, Liannex, | MISC is the only locally listed shipping stock with major, integrated supply chain exposure globally, and hence owning a higher proportion of qualified officers (and have greater responsibility for their welfare) in its seafarer crew. |
| Financials | Allianz, Takaful, LPI | Underwriting marine insurance may need to be inclusive, factoring in the welfare of seafarers is important for successful shipping operations. Existing practice only provide coverage for seafarers that is voided the moment they step off the ship |
| Ports, Yard | Westports, MMHE, Muhibbah, Bintulu Port | The Mission to Seafarers recognises the interconnected ecosystem is as important as tracking Seafarers Happiness, and had officially launched the Shorebased Happiness Index. |

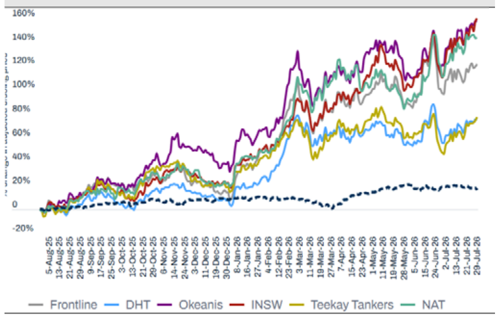
*Source: UOB Kay Hian*

**Tanker Stocks Vs S&P500 ETF***




** Since Hormuz blockage in end Feb 26*
*Source: UOB Kay Hian*

**Tanker Stocks Vs S&P500 ETF****




*** 1-year timeframe*
*Source: UOB Kay Hian*

**Peer Comparison**

| Company | Ticker | Rec* | Price 4 July 26 (RM) | Target Price (RM) | Market Cap (RMm) | PE 2025A (x) | PE 2026E (x) | PE 2027E (x) | PB 2026E (x) | ROE 2026E (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| MISC | MISC MK | BUY | 8.21 | 9.50 | 36,648 | 19.5 | 15.2 | 13.6 | 0.9 | 7.0 |
| Malaysia Marine And Heavy Engineering | MMHE MK | - | 0.34 | 0.50 | 536 | 5.3 | 6.0 | 5.6 | 0.3 | 4.7 |
| Westports Holdings | WPRTS MK | HOLD | 7.14 | 6.50 | 24,536 | 24.1 | 19.4 | 18.3 | 5.0 | 38.7 |

*Source: Bloomberg, UOB Kay Hian*

- **Ensuing casualties are real.** The Russia-Ukraine crisis has prompted the United Nations (UN) Human Rights to release a statement on 24 Jul 26, detailing at least 6,000 seafarers on some 400 vessels remained stranded around the Strait, having been unable to evacuate during the ceasefire. Some were treated worse ie about 93 crewmates across nine vessels were abandoned at sea by shipowners. More than 4 Indian seafarers were killed in recent weeks, bringing the total number of reported seafarer deaths to 17 since the start of the conflict. Most recently, Ukraine's Transport Minister claimed Russia had been "systematically attacking civilian ships multiple times" and counted five attacks already in Aug 26
- **This has prompted many experienced seafarers to "never return"** for fear of being killed, rather than merely caught in a crossfire. As experienced officers are increasingly opting out of Black Sea voyages, shipowners can cast a wider net with higher salary offers to entice seafarers to come on board. However, when commercial decisions outweigh considerations of competence and risk management, ie the newly hired seafarer may not be equipped to navigate sailing through conflict zones, such actions can reduce the quality of work.
- **The global seafarer crisis predates these geopolitical events.** We acknowledge that recent geopolitical developments are unprecedented as they shamelessly violate the most fundamental rule of international law - the prohibition on use of force. However, they were not the cause but merely a catalyst of the global shipping humanitarian crisis that had already started, but overlooked by stakeholders and governments over the years despite the importance of seafarers that enable 90% of global trade. Malaysia is facing a similar crisis in tandem with global. The seafarer shortage (especially of qualified officers) had been prevalent, but now augmented by retention crisis.
- **This retention crisis was made more apparent** with the fear and psychological damage stemming from geopolitical war developments, alongside other structural factors spotted by the Seafarers Happiness Index (which declined qoq in 2Q26). Markedly lower satisfaction with shore leave reflects seafarers' frustration at being unable to make proper use of their leave due to additional deployments and paperwork, issues that are also captured under the "workload" and "welfare" parameters.
- **MISC Berhad (BUY/Target: RM9.50) –** As one of the largest global shipping players, MISC is the only locally listed shipping stock with major, integrated supply chain exposure globally, and hence would naturally have a higher proportion of qualified officers (and have greater responsibility for their welfare) in its seafarer crew. We believe MISC is quite advanced in adopting and self-monitoring on ESG issues including seafarers' welfare and environmental management, using systems like Tanker Management and Self-Assessment (TMSA)

## Valuation

- **Maintain MARKET WEIGHT on Malaysia O&G.** Although we have more BUY calls in terms of valuation grounds, we remain neutral on the sector until we see a firm clarity on the resolution of the Petronas-Petros political impasse, which we have identified to be the key sector derating since 2H24, and is an assumption we have been holding since then. We acknowledge that several gems are proving to be nimble against changes in the business environment.
- **Top pick: MISC (MISC MK/BUY/Target: RM9.50).** As a stable dividend play, MISC's valuation underperformed global crude tanker peers' despite the sector's continued bullishness. The valuation discount is mainly due to expiring obsolete steam-turbine LNG carriers (LNGC), which were substantial in its fleet. With no risk of LNGC expiries in 2026 (barring any unexpected

### Key Updates On Geopolitical Conflicts

A) Yemen and the Red Sea. Since 2014, Houthi rebels have fought a Saudi-led coalition backing Yemen's internationally recognized government, until a ceasefire in 2022.

- An Iran-backed group subsequently attacked Red Sea shipping in protest of Israel's military campaign in Gaza, drawing US military retaliation and deepening Yemen's entanglement in regional conflict.
- Houthi strikes on Saudi Arabia's Abha Airport in Jul 26 now threaten to reignite the civil war. At least four Saudi oil tankers had been attacked

B) Russia-Ukraine war. Russia's Feb 22 full-scale invasion of Ukraine has killed over 1m people and left Russia occupying roughly 20% of Ukrainian territory.

- Ukraine has countered with long-range drone strikes that have knocked out up to 40% of Russia's refining capacity, while Russia continues to bombard Ukrainian cities.
- US-mediated talks between Russia and Ukraine have yet to produce a ceasefire, and the two sides remain divided over territorial concessions and security guarantees for Ukraine.

C) Iran's war with Israel and US. In Feb 26, the United States and Israel attacked Iran, killing Supreme Leader Ali Khamenei and targeting nuclear and military infrastructure

- A Pakistan-mediated ceasefire and June MOU halted large-scale fighting, but both sides have since traded strikes over alleged violations. A durable settlement remains elusive, with core disputes over Iran's nuclear program, the Strait of Hormuz, and sanctions relief unresolved.
- By end-Jul 26, Saudi Arabia marked its entry into the war by partnering with US to strike Iranian-backed militias in neighbouring Iraq, killing 20 fighters and six Iranian advisors.

D) Territorial disputes in the South China Sea. China's sweeping territorial claims, rejected by a 2016 international tribunal ruling, have fuelled persistent maritime disputes with the Philippines, Vietnam, and other claimant states (Brunei, Malaysia, Indonesia and Taiwan).

- The South China Sea has an estimated 11b barrels of untapped oil and 190 tr cf of natural gas.
- China and the Philippines clashed three times in a single week in Jul 26 at Scarborough Shoal and Second Thomas Shoal, prompting joint US-Philippines-Japan maritime drills.
- Japan sold military ships and equipment to Philippines and Vietnam to deter China's assertive aggression.
- A Vietnamese cargo ship sank off a Chinese-occupied shoal in the South China Sea. Vietnamese, Philippine and Chinese rescuers identified 48 survivors; 14 people remain missing.

*Source: Global Conflict Tracker*

### Global Seafarer Crisis

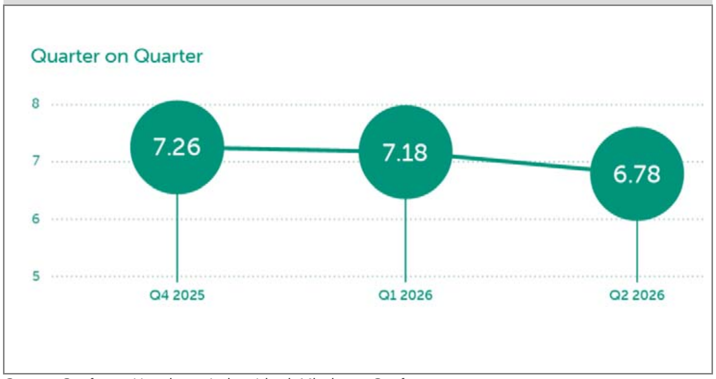
- Malaysia is facing a similar crisis in tandem with global, whereby the seafarer shortage had been prevalent since the last decade, but now augmented by retention crisis.
- Shortage of qualified officers. Contrary to the UN's speech, The International Transport Workers Federation (ITWF) quoted a more serious number of 20,000 seafarers that remains trapped in the Straits, out of a global seafarer workforce of about 2.6m (split between 1.05m officers and 1.52m ratings) based on Seafarer Workforce Report 2026.
- The report further estimates that the industry faces a shortage of 39,100 officers, but a surplus of 56,890 ratings. In essence, the shipping industry is facing shortage of certified officers.
- The report predicts that by 2030, global demand for officers and ratings are 1.16m and 1.56m respectively. To meet this target, the industry will need additional 22,747 officers and 8,475 ratings every year
- Seafarers workforce mix skewed to Global South. Top supplying nations are Philippines that rank first, followed by India (which recently overtook China as the second-largest supplier with over 311,000 workers), China, Russia and Indonesia.

*Source: BIMCO, ITWF*

early terminations), the progress of LNGC disposals will surprise the market positively, bringing downed idled fleet to only three.

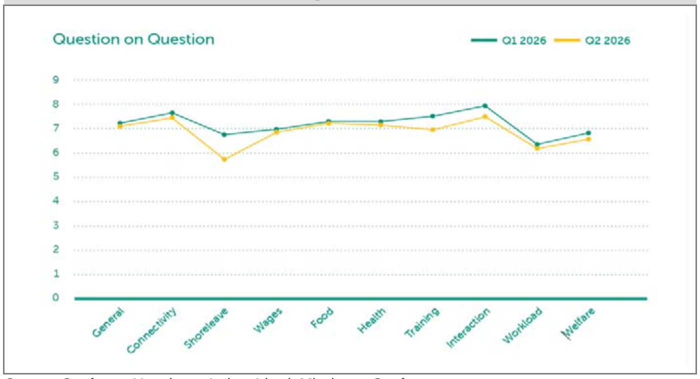
- **Dialog (DLG MK/BUY/Target: RM2.95), the new "upstream champion".** This implies 27x/22x FY27F PE and EV/EBITDA respectively. We believe DLG warrants the high EV/EBITDA, relative to its historical three-year average of 12-19x. Its midstream/storage business will sustain at multi-cycle highs, although we do not see further earnings catalysts from this segment despite a renewed interest in storage assets due to energy security demand. However, we see near-term upside surprise potential for its upstream earnings. This is due to the anticipated new production volumes from Cendramas Production Sharing Contract (PSC) by 3Q26, and Baram Junior Cluster (BJC) PSC by Oct/Nov 26.

**Seafarers Happiness Index (SHI) 2Q26 Score Card**



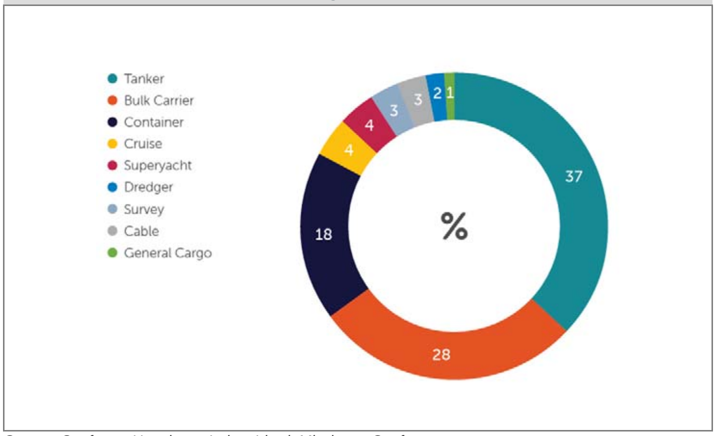

*Source: Seafarers Happiness Index, Idwal, Mission to Seafarers*

**SHI 2Q26 Score Card: Categories**




*Source: Seafarers Happiness Index, Idwal, Mission to Seafarers*

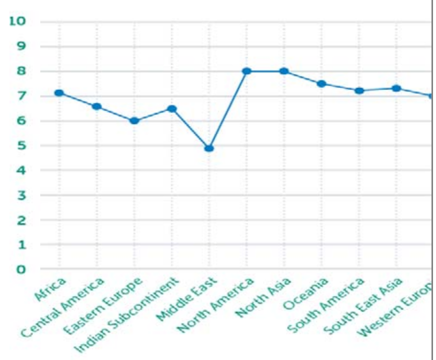
**SHI 2Q26 Score Card: Ship Types**




*Source: Seafarers Happiness Index, Idwal, Mission to Seafarers*

**SHI 2Q26: Region Mix And Happiness Scale**

| | |
|---|---|
| North America | 1% |
| Central America | 1% |
| South America | 4% |
| Eastern Europe | 9% |
| Western Europe | 7% |
| Middle East | 3% |
| Africa | 1% |
| Indian Subcontinent | 16% |
| North Asia | 3% |
| SouthEast Asia | 53% |
| Oceania | 2% |




*Source: Seafarers Happiness Index, Idwal, Mission to Seafarers*

# Hartalega Holdings (HART MK)

## 1QFY27: Windfall Quarter, But Plenty Of Challenges Ahead

| **HOLD** (Maintained) | |
|---|---|
| Share Price | RM1.06 |
| Target Price | RM1.06 |
| Upside | 0.0% |

**Analyst(s)**
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(603) 2147 1943

## Highlights

- Harta's 1QFY27 earnings improved significantly as lower volume sales (-7% qoq) were largely offset by much higher ASP (+27% qoq) due to the Iran war.
- Nevertheless, the upcoming 2Q-3QFY27 results may see margin compression as ASPs largely normalised, while raw material and energy costs remained elevated.
- Structurally, intensifying China competition and oversupply dynamics continue to impact earnings. Maintain HOLD with an unchanged target price of RM1.06.

### 1QFY27 Results

| Year to 31 Mar (RMm) | 1QFY27 | qoq % chg | yoy % chg | Comments |
|---|---|---|---|---|
| Revenue | 605.8 | 17.5 | 9.5 | Surged qoq as lower volume sales (-7%) offset by much higher ASP (+27%) |
| Operating exp. | -525.7 | 9.2 | -3.6 | Lower yoy opex after workforce reduction |
| EBITDA | 132.4 | 45.0 | 141.2 | Improved qoq vs RM91m in 4QFY26 |
| EBIT | 90.5 | 80.4 | 527.9 | |
| Finance costs | -0.1 | -160.8 | -30.6 | |
| PBT | 90.5 | 79.9 | 531.2 | |
| Taxation | -20.3 | 97.8 | 921.6 | |
| Core net profit | 71.9 | 224.9 | 781.1 | Stronger earnings, within expectations |
| | | qoq ppt chg | yoy ppt chg | |
| EBITDA margin (%) | 21.9 | 4.1 | 11.9 | |
| Eff. tax rate (%) | -22.5 | -2.0 | -8.6 | |
| Core Net Margin (%) | 11.9 | 7.6 | 10.4 | Margin improved qoq on higher ASP |

*Source: Hartalega Holdings, UOB Kay Hian*

## Analysis

- **Within expectations.** Hartalega Holdings (Harta) registered a 1QFY27 core net profit of RM72m (4QFY26: RM22m), after stripping out exceptional items. 1QFY27 earnings accounted for 49% and 46% of our and consensus full-year estimates respectively, but are deemed within expectations as we anticipate weaker earnings in the upcoming quarters for the rest of FY27.
- **Stronger qoq revenue reflects meaningful ASP growth and modest MYR/USD rate uplift, offsetting weaker volume sales.** Note that Harta's revenue increased 10% yoy and 18% qoq in 1QFY27, despite lower volume sales (-7% qoq). This was mainly due to a spike of ASPs in US dollar terms (+26% qoq) to US$25.71/'000 pieces, besides a marginal strengthening of the US dollar against the ringgit (+1.1% qoq).

### Key Financials

| Year to 31 Mar (RMm) | 2025 | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| Net turnover | 2,585.6 | 2,135.4 | 3,134.2 | 3,232.7 | 3,383.5 |
| EBITDA | 53.2 | 281.0 | 364.7 | 375.0 | 410.6 |
| Operating profit | (97.5) | 117.3 | 193 | 202 | 235 |
| Net profit (rep./act.) | (72.9) | 84.3 | 147 | 152 | 176 |
| Net profit (adj.) | (61.8) | 72.0 | 147 | 152 | 176 |
| EPS | (1.8) | 2.1 | 4.3 | 4.5 | 5.2 |
| PE | (50.4) | 55.4 | 24.4 | 23.5 | 20.4 |
| P/B | 0.7 | 0.9 | 0.8 | 0.8 | 0.8 |
| EV/EBITDA | 41.2 | 10.2 | 6.8 | 6.6 | 6.1 |
| Dividend yield | 12.3 | 1.5 | 2.2 | 2.3 | 2.7 |
| Net margin | (2.8) | 4.0 | 4.7 | 4.7 | 5.2 |
| Net debt/(cash) to equity | (21.3) | (25.7) | (25.1) | (29.3) | (31.3) |
| Interest cover | 25.8 | 946.1 | 626.3 | 388.7 | 304.8 |
| ROE | (2.2) | 2.5 | 3.3 | 3.4 | 3.8 |
| Consensus net profit | n.a | n.a | 157.9 | 167.6 | 176.5 |
| UOBKH/Consensus (x) | n.a | n.a | 0.93 | 0.91 | 0.99 |

*Source: Hartalega Holdings, Bloomberg, UOB Kay Hian*

### Stock Data

| | |
|---|---|
| GICS Sector | Consumer Discretionary |
| Bloomberg ticker | HART MK |
| Shares issued (m) | 3,407.5 |
| Market cap (RMm) | 3,611.9 |
| Market cap (US$m) | 881.7 |
| 3-mth avg daily t'over (US$m) | 2.9 |

### Price Performance (%)

52-week high/low: RM1.41/RM0.80

| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| 6.0 | (7.0) | 15.2 | (25.4) | 7.1 |

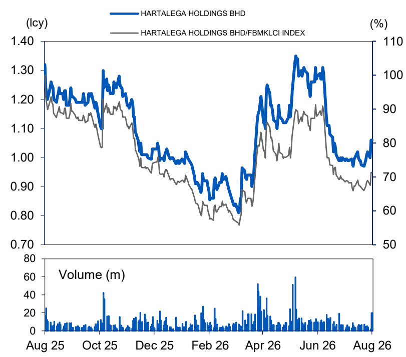
### Major Shareholders

| | % |
|---|---|
| Hartalega Industries Sdn Bhd | 34.49 |
| Budi Tenggara Sdn Bhd | 8.66 |
| KWAP | 6.36 |

### Balance Sheet Metrics

| | |
|---|---|
| FY27 NAV/Share (RM) | 1.32 |
| FY27 Net Debt/Share (RM) | (0.33) |

### Price Chart




*Source: Bloomberg*

### Company Description

Hartalega is the world's leading nitrile glove manufacturer.

- **Operating metrics mixed, but margins improved on significant ASP hike.** In 1QFY27, Harta charted a lower utilisation rate of 64% (4QFY26: 69%) based on an adjusted capacity of around 36b. This mainly reflects softer demand as customers' inventory replenishment was disrupted by the ongoing Iran war. Nevertheless, a meaningful ASP spike of 26% qoq towards US$25.71/'000 pieces significantly lifted revenue and profitability margin. Coupled with continuous cost rationalisation and efficiency enhancement efforts, EBITDA margins rose to 21.9% (+4ppt qoq).

### 1QFY27 Operating Metrics

| | 4QFY26 | qoq % chg | yoy % chg | Comments |
|---|---|---|---|---|
| Gloves (b pcs.) | 5,879 | -7.2 | -0.5 | Decreased qoq on softer demand |
| Utilisation rate (%) | 64% | -7.4 | -4.5 | Weaker demand dragging utilisation rate. |
| Blended ASP (US$) | 25.7 | 25.9 | 18.3 | ASPs decreased 26% qoq in US dollar terms |
| Exchange rate | 4.01 | 1.0 | -7.0 | US dollar strengthened 1.1% qoq against ringgit |
| COG/ '000 gloves (RM) | 89.4 | 17.7 | -3.2 | Cost per unit surged on higher input cost |

*Source: Hartalega Holdings, UOB Kay Hian*

- **Sequentially weaker 2Q-3QFY27 anticipated.** Following the de-escalation of the Iran war, ASPs moderated swiftly from the peak of US$26-27/'000 pcs in 1QFY27 to US$19-20/'000 pcs for Aug-Sep 26 shipments. Meanwhile, Harta is guiding potential margin compression in 2QFY27, as the group needs to lock in and deplete its raw material inventories which were purchased at higher costs due to the Iran war. Furthermore, the upcoming natural gas tariff's upward revision in 3QFY27 will also lift energy costs and further pressure operating margins. Overall, we opine that softer ASPs and higher input costs will result in weaker earnings through the rest of FY27 for Harta.
- **Stiff competition from China glovemakers remains as a structural threat.** Given the severity of the current US tariffs on China-made medical gloves (147% in 2026), China glovemakers have largely reduced their exposure to the US market and re-channelled their sales to regions like Europe and Asia with more competitive price-cutting strategies. This has resulted in more challenging dynamics and declining profitability (lower ASPs and margins) for non-US sales. Over a mid- to long-term horizon, China glovemakers' further expansion in Indonesia and Vietnam is likely to continue exerting competitive pressure, indirectly capping the ASP trend and profitability for Malaysian glovemakers. This also results in a structural de-rating on valuations.
- **Automation efforts to achieve optimal efficiency and cost levels.** Harta previously set aside RM285m for 2026-27 to further automate its production lines to optimise overall efficiency. Hence, margins could marginally recover in FY27 off FY25's low base, coupled with an improvement in utilisation rate on better demand beginning 1QFY27 (Apr-Jun 26). The full commission of production lines in its Plant 9 which leverages automation and vision systems will also drive higher yields and lower labour costs. In FY27, management intends to restart and upgrade its Plant 3, lifting running capacity from current 27b pieces annually (after hibernating Plant 3 and 4) to 30b pieces by end-26.
- **Healthy balance sheet with RM1.1b net cash.** As of 1QFY27, Harta was in a net cash position of RM1.1b (~31% of market cap). Alongside an improving earnings outlook and restoration of dividend payout, Harta is well-positioned to navigate through the current challenges and further enhance its efficiency.

## Valuation/Recommendation

- **Maintain HOLD and target price of RM1.06.** Our target price is ascribed to 24.0x 2027F PE (five-year mean).

## Earnings Revision/Risk

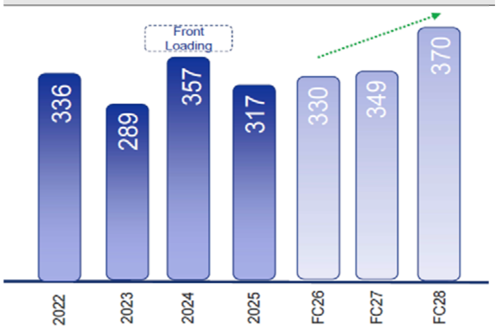
- **Earnings revision**: None.

### Assumptions

| | FY26 | FY27F | FY28F |
|---|---|---|---|
| Revenue (RMm) | 2135 | 3134 | 3233 |
| Growth yoy (%) | -17% | 47% | 3% |
| ASP growth yoy (%) | 3% | 16% | -7% |
| Volume growth (%) | 4% | 9% | 11% |
| Profit (RMm) | 84 | 147 | 152 |
| Growth yoy (%) | 226% | 75% | 4% |
| Profit margin (%) | 4% | 5% | 5% |

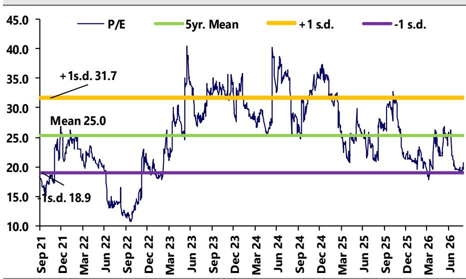
*Source: UOB Kay Hian*

### Global Gloves Demand (b' pieces)



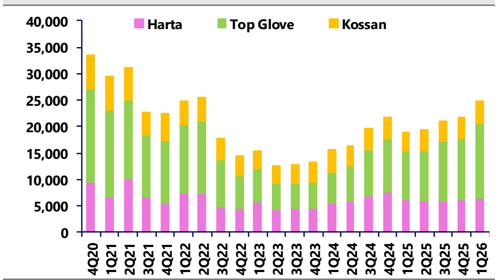

Source: Hartalega, International Trade Center (ITC)

### Five-Year Forward PE Band




*Source: Bloomberg*

### Malaysian Glove Players' Quarterly Sales Volume (m' pcs)




*Source: Respective companies, UOB Kay Hian*

### Environmental, Social, Governance (ESG) Updates

**Environmental**
- Commits to reducing its carbon footprint by lowering greenhouse gas (GHG) emission intensity by 2026.

**Social**
- Social compliance policy is in accordance with local and international standards including the International Labour Organisation's (ILO) 11 indicators of Forced Labour.

**Governance**
- Five board members are independent directors, amounting to 63% of the board members.

## Profit & Loss

| Year to 31 Mar (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Net turnover | 2,135 | 3,134 | 3,233 | 3,383 |
| EBITDA | 281 | 365 | 375 | 411 |
| Deprec. & amort. | 164 | 171 | 173 | 176 |
| EBIT | 117 | 193 | 202 | 235 |
| Total other non-operating income | (12) | (0) | (0) | (0) |
| Associate contributions | 0 | 0 | 0 | 0 |
| Net interest income/(expense) | (0) | (1) | (1) | (1) |
| Pre-tax profit | 105 | 193 | 201 | 233 |
| Tax | (21) | (46) | (49) | (58) |
| Minorities | 1 | 1 | 1 | 1 |
| Net profit | 84 | 147 | 152 | 176 |
| Net profit (adj.) | 72 | 147 | 152 | 176 |

## Balance Sheet

| Year to 31 Mar (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Fixed assets | 2,610 | 2,443 | 2,444 | 2,433 |
| Other LT assets | 374 | 409 | 383 | 368 |
| Cash/ST investment | 1,144 | 1,141 | 1,356 | 1,479 |
| Other current assets | 768 | 1,009 | 1,036 | 1,074 |
| Total assets | 4,897 | 5,002 | 5,219 | 5,354 |
| ST debt | 0 | 0 | 0 | 0 |
| Other current liabilities | 288 | 318 | 458 | 505 |
| LT debt | 8 | 15 | 23 | 31 |
| Other LT liabilities | 184 | 184 | 184 | 184 |
| Shareholders' equity | 4,417 | 4,484 | 4,553 | 4,632 |
| Minority interest | (1) | 0 | 1 | 1 |
| Total liabilities & equity | 4,897 | 5,002 | 5,219 | 5,354 |

## Cash Flow

| Year to 31 Mar (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Operating | 322 | 113 | 309 | 327 |
| Pre-tax profit | 105 | 193 | 201 | 233 |
| Tax | (21) | (46) | (49) | (58) |
| Deprec. & amort. | 164 | 171 | 173 | 176 |
| Associates | 0 | 0 | 0 | 0 |
| Working capital changes | 97 | (206) | (16) | (25) |
| Non-cash items | (43) | 0 | 0 | 0 |
| Other operating cashflows | 21 | 1 | 1 | 1 |
| Investing | (86) | (35) | (18) | (114) |
| Capex (growth) | (3) | (35) | (18) | (114) |
| Proceeds from sale of assets | 369 | 369 | 369 | 369 |
| Others | (329) | (369) | (369) | (369) |
| Financing | (10) | (81) | (77) | (90) |
| Dividend payments | 0 | (80) | (84) | (96) |
| Proceeds from borrowings | 4 | 0 | 8 | 8 |
| Loan repayment | (3) | 0 | 0 | 0 |
| Others/interest paid | (11) | (1) | (1) | (1) |
| Net cash inflow (outflow) | 226 | (3) | 215 | 123 |
| Beginning cash & cash equivalent | 923 | 1,144 | 1,141 | 1,356 |
| Changes due to forex impact | (5) | 0 | 0 | 0 |
| Ending cash & cash equivalent | 1,144 | 1,141 | 1,356 | 1,479 |

## Key Metrics

| Year to 31 Mar (%) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 13.2 | 11.6 | 11.6 | 12.1 |
| Pre-tax margin | 4.9 | 6.1 | 6.2 | 6.9 |
| Net margin | 4.0 | 4.7 | 4.7 | 5.2 |
| ROA | 2.1 | 3.0 | 3.0 | 3.3 |
| ROE | 2.5 | 3.3 | 3.4 | 3.8 |
| Growth | | | | |
| Turnover | (17.4) | 46.8 | 3.1 | 4.7 |
| EBITDA | 40.0 | 29.8 | 2.8 | 9.5 |
| Pre-tax profit | 144.0 | 83.9 | 4.5 | 15.9 |
| Net profit | 226.4 | 104.0 | 3.8 | 15.1 |
| EPS | 226.4 | 104.0 | 3.8 | 15.1 |
| Leverage | | | | |
| Debt to total capital | 0.2 | 0.3 | 0.5 | 0.7 |
| Debt to equity | 0.2 | 0.3 | 0.5 | 0.7 |
| Net debt/(cash) to equity | (25.7) | (25.1) | (29.3) | (31.3) |
| Interest cover | 946.1 | 626.3 | 388.7 | 304.8 |

# Market Spotlight

**Market News**

The FBMKLCI rose 6.93pt to close at 1,732.66 yesterday, buoyed by positive sentiment in the overnight US market as index-linked counters rebounded strongly. Meanwhile, Asian stocks traded mostly higher on Tuesday as investors cautiously returned to technology shares after the sharp AI-driven rout through July, while stronger Australian equities helped offset declines in Japan and Hong Kong. The FBMKLCI's top gainers were Sunway Healthcare Holdings (+2.1%), SD Guthrie (+1.8%) and IHH Healthcare (+1.6%), while the top losers were MR D.I.Y Group (M) (-6.2%), 99 Speed Mart Retail Holdings (-1.1%) and Sunway Bhd (-0.96%). In the broader market, gainers outpaced losers 621 to 482 with 581 counters unchanged. Turnover was 2.80b shares valued at RM2.82b.

US stocks were higher after the close on Tuesday, as gains in the technology, industrials and basic materials sectors led shares higher. At the close in NYSE, the Dow Jones Industrial Average added 1.71% to hit a new all-time high, while the S&P 500 Index climbed 1.79%, and the NASDAQ Composite Index climbed 2.59%. Rising stocks outnumbered declining ones on the New York Stock Exchange by 1,816 to 907 and 85 ended unchanged; on the Nasdaq Stock Exchange, 2,419 rose and 993 declined, while 172 ended unchanged. *(Sources: Investing.com)*

# FBMKLCI, FCPO & FKLI Index Outlook

### FBMKLCI


*Source: UOBKH ChartGenie*

## FTSE Bursa Malaysia KLCI

Last close: 1,732.66

Expected moving range: 1,720– 1,750

Technical view:

**Based on the daily chart, the FBMKLCI climbed higher yesterday in tandem with the broader market performance as investors believe the recent correction is over. The index managed to make a technical rebound to close higher at 1,732.66 yesterday, which suggests a potential shift in the short-term outlook. Nevertheless, the recent gains may give investors an opportunity to explore a short-term swing. Support and resistance levels are still maintained as follows:**

Support: 1,677, 1,650

Resistance: 1,750, 1,770

## FCPO


*Source: Tradingview*

### Futures Crude Palm Oil (FCPO) Active Contract,1 Hour Chart

Technical SELL with 3.0% potential downside

Trading SELL range: RM4,600-4,700

Last price: RM4,679

Target price: RM4,571, RM4,538

Resistance: RM4,694

Stop-loss: RM4,695

**SELL with a target price of RM4,538 and stop-loss at RM4,695. Based on the chart, FCPO continued the bearish movement and closed lower at RM4,679 on yesterday's movement. This bearish movement is supported by a downtick in the RSI and a bearish crossover in both the MACD and DMI indicators. We still maintained our targets at RM4,571 and RM4,538 in the near term.**

Expected timeframe: One day to three

## FKLI


*Source: Tradingview*

### FTSE Bursa Malaysia KLCI Futures (FKLI), 1 Hour Chart

Technical BUY with +0.35% potential return

Trading buy range: 1,725-1,735

Last price: 1,737

Target price: 1,739, 1,743

Support: 1,717

Stop-loss: 1,716

**BUY with a target price of 1,743 and stop-loss at 1,716. Based on the chart, FKLI continued the bullish movement and closed higher at 1,737 yesterday. This bullish movement is supported by an uptick in the RSI and bullish crossovers in both MACD and DMI indicators. We still maintained our targets at 1,739 and 1,743 in the near term.**

Expected timeframe: One day to three days

# Traders' Corner


Source: UOBKH ChartGenie

## Ann Joo Resources (AJR MK)

Technical BUY with +22.7% potential return

Trading buy range: RM0.485-0.50

Last price: RM0.50

Target price: RM0.555, RM0.595

Support: RM0.435

Stop-loss: RM0.43

**BUY with a target price of RM0.595 and stop-loss at RM0.43. After the earlier correction, share price has rebounded and moved above the BBI line, implying that the correction is over. The steady incline in the RSI points to a gradual rise in momentum and bullish crossover in MACD. As such, we expect the uptrend to be sustainable, and thus peg our upside targets at RM0.555 and RM0.595 in the near term.**

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading


Source: UOBKH ChartGenie

## Feytech Holdings (FEYTECH MK)

Technical BUY on breakout with +27.5% potential return

Trading buy range: RM0.255-0.26

Last price: RM0.24

Target price: RM0.295, RM0.325

Support: RM0.195

Stop-loss: RM0.19

**BUY on breakout with a target price of RM0.325 and stop-loss at RM0.19. Based on the daily chart, share price is climbing gradually after having established support at RM0.195. This is supported by an uptick in the RSI and bullish crossover in both indicators MACD and DMI, which show buying pressure has overcome selling pressure. We expect FEYTECH to continue to move towards our targets of RM0.295 and RM0.325 in the near term.**

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading


Source: UOBKH ChartGenie

## Lotte Chemical Titan Holdings (TTNP MK)

Technical BUY on breakout with +33.3% potential return

Trading buy range: RM0.345-0.35

Last price: RM0.33

Target price: RM0.425, RM0.46

Support: RM0.29

Stop-loss: RM0.285

**BUY on breakout with a target price of RM0.46 and stop-loss at RM0.285. Share price has recovered gradually to above the 7- and 21-day EMA following yesterday's spike and closed higher at RM0.33. The rising RSI and DMI indicators imply the positive momentum will strengthen in the near term. We peg our targets at RM0.425 and RM0.46 once the stock penetrates the breakout level of RM0.345.**

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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