Regional Sector Update

16 July 2025

Consumer Cyclical | Rubber Products

Rubber Products

A Steep Slope To Climb; Still UNDERWEIGHT

Underweight (Maintained)

Stocks Covered	5
Rating (Buy/Neutral/Sell):	1 / 0 / 4
Last 12m Earnings Revision Trend:	Negative

- **Maintain UNDERWEIGHT.** The prospects of the rubber products sector remain bleak, in our view, due to the unfavourable operating environment caused by a longer-than-expected period of inventory consolidation. That said, competition remains intense in non-US markets due to the hostile pricing strategy adopted by Chinese manufacturers. We also expect the commissioning of new plants in Indonesia and Vietnam to pose a threat to Malaysia's rubber product sales to the US by as early as Nov 2025.
- **2Q25 results preview.** According to the Department of Statistics Malaysia, the country's glove exports saw MoM declines of 22% and 6% in April and May. This suggests that customer restocking activities remain sluggish as the industry experiences a longer-than-expected gestation period following the front-loading that occurred in 4Q24. Continued weakness of the USD against the MYR has also further eroded glovemakers' profitability, with the USD depreciating by 3% QoQ and 5.4% YTD as of June.
- **From price maker to price taker.** The pricing power of Malaysian glove manufacturers has diminished since the entry of Chinese manufacturers, based on our observation. We understand that cost pass-through is now more challenging than during the pre-COVID-19 period, as glovemakers are only able to pass on 50% of any cost increase to customers vs a full cost pass-through previously. With no signs of competition easing, we expect glovemakers' profitability to remain under pressure in the near future.
- **Operating cost to escalate further.** Mandatory EPF contribution for foreign labour is set to kick off by October. We expect this to raise glovemakers' cost of production by 0.8-1% (USD0.15-0.20 per thousand pieces). Meanwhile, the expanded sales & service tax (SST) of 5% applicable to imported natural rubber latex and nitrile butadiene rubber (NBR) latex is expected to raise production costs by USD0.25-0.30 (1.3-1.5%). This confluence of factors come at a time when the industry is already grappling with intense competition and limited ability to pass through rising costs to customers.
- **Sector valuation looks attractive,** hovering at 0.9x P/B, at 1.2SD below its historical average of 1.2x. However, given the lack of near-term re-rating catalysts, we would not recommend investors to accumulate at this level. As the risk of earnings disappointment in the upcoming August reporting period is high, we think the share price could undergo another round of corrections. The last time the sector was traded at such levels was during 1Q23, where the industry's profit hit a trough level during a period of consolidation.
- **Still U/W.** Persistent challenges in cost pass-through, coupled with a rising operating cost environment and a weaker USD are expected to weigh on glovemakers' profitability moving forward. Key risks: Deteriorating US-China relationship, increase in glove ASPs, faster-than-expected capacity expansion, and lower-than-expected raw material prices.

Top Pick	**Target Price**
Riverstone (RSTON SP) – BUY	SGD0.95

Analysts

Oong Chun Sung
+603 2302 8126
chun.sung@rhbgroup.com

Singapore Research
research.sg.equity@rhbgroup.com

ESG scores of rubber product companies under coverage

Company	ESG score
Top Glove	3.1
Riverstone	3.1
Hartalega	2.9
Kossan Rubber	2.8
Supermax	2.3

Source: RHB

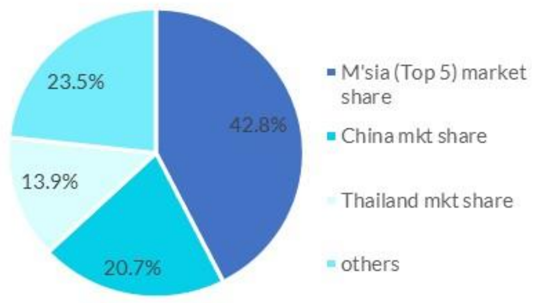
Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-26F	P/B (x) Dec-26F	ROAE (%) Dec-26F	Yield (%) Dec-26F
Hartalega	Sell	MYR1.33	(14.8)	35.3	1.2	3.4	-
Kossan Rubber	Sell	MYR1.23	(14.6)	23.4	1.0	4.1	1.3
Riverstone	Buy	SGD0.95	42.9	11.7	1.9	16.9	6.8
Supermax Corp	Sell	MYR0.54	(14.9)	na	0.5	(0.3)	-
Top Glove Corp	Sell	MYR0.65	(7.4)	88.5	1.2	1.4	-

Source: Company data, RHB

Figure 1: Global demand & supply overview

Source: MARGMA, RHB

Figure 2: 2025E market share by installed capacity



Source: MARGMA, Respective companies, RHB

We think cost pass-through will remain challenging, as Malaysia's blended ASPs have hovered between USD19 and USD22 in 1H25, largely unchanged from 4Q24's level. Despite having a competitive edge over Chinese manufacturers – both before and after the announcement of the US reciprocal tariffs – Malaysian glovemakers have been unable to leverage this advantage to raise ASPs. In our view, several factors are at play: i) The pricing formula for gloves primarily comprises raw material prices and FX movements, which means that any price adjustment must be substantiated by those elements (tariff advantages over competitors are not factored in) and ii) customers remain highly price-sensitive, particularly as they continue to manage elevated inventory levels that have yet to be consumed.

Raw material prices. Natural latex prices last traded at USD1.40 per kg in June vs its average price of USD1.44 per kg in May (-3%). Moving forward, natural latex prices are expected to normalise, thanks to stable supply post the winter season in Thailand (a major latex producing country). Meanwhile, acrylonitrile prices eased 3% MoM in June, averaging at USD1.15 per kg from USD1.18 in May.

Moving forward, nitrile prices are expected to ease further due to uneven demand from downstream industries as well as the easing of feedstock prices (ie propylene). The natural gas tariff also spiked 6% MoM in June, averaging at USD3.67 per mmBtu in conjunction with the surge in crude oil prices. Natural gas prices will remain elevated, in our view, primarily driven by the demand-supply mismatch, as supply remains tight.

Figure 3: Natural latex and acrylonitrile prices

Source: Bloomberg, RHB

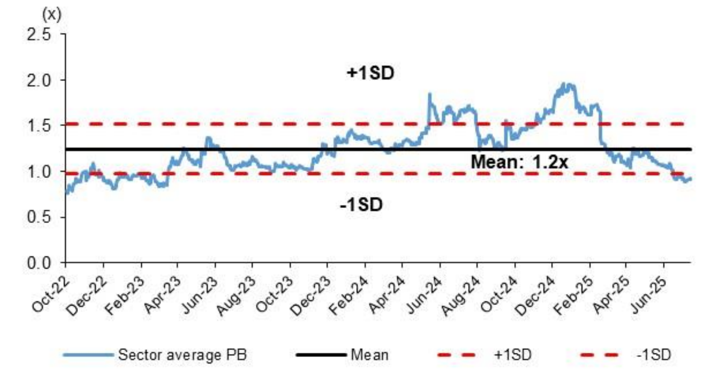
Figure 4: Natural gas prices

Source: Bloomberg, RHB

Strategy. Given the intensifying competition expected in late 4Q25, we hold the view that investor sentiment in the glove industry will remain weak throughout 2H25. In addition, the persistent challenges in cost pass-through, coupled with a rising operating cost environment – due to factors such as the expanded SST and mandatory EPF contribution for foreign workers – and a weakening USD are expected to weigh on glovemakers' profitability moving forward.

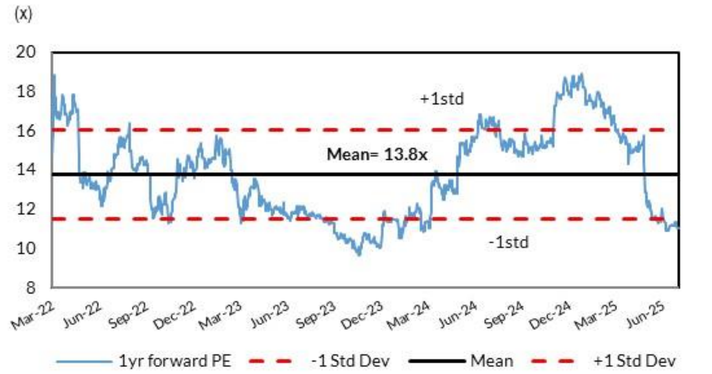
SGX-listed Riverstone (RSTON SP, BUY, TP: SGD0.95) remains our only sector pick as the company is well positioned to counter against the abovementioned industry headwinds. This is premised on: i) Its differentiated exposure within the healthcare specialty gloves industry (which commands better profits vs generic gloves) and ii) the recovery of global semiconductor sales, which should drive earnings growth for RSTON's cleanroom segment.

Figure 5: Glove sector's (ex-RSTON) 3-year forward P/BV band



Source: Bloomberg, RHB

Figure 6: RSTON's forward P/E band



Source: Bloomberg, RHB

Malaysia Results Preview

Shariah Compliant

16 July 2025

Consumer Cyclical | Rubber Products

Hartalega (HART MK)

Sell (Maintained)

Headwinds Ahead; Keep SELL

Target Price (Return):	MYR1.33 (-14.8%)
Price (Market Cap):	MYR1.56 (USD1,252m)
ESG score:	2.9 (out of 4)
Avg Daily Turnover (MYR/USD)	10.2m/2.39m

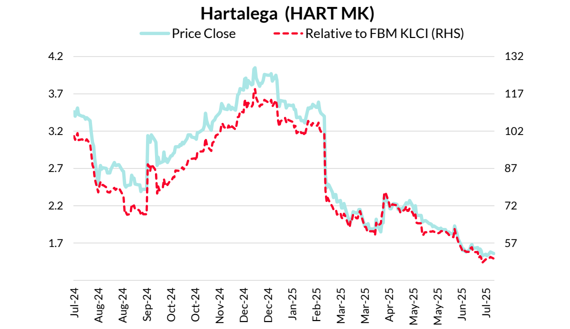
- **Maintain SELL with a lower MYR1.33 TP (DCF) from MYR1.74, 15% downside.** Hartalega is set to announce its 1QFY26 (Jun) quarterly results on 5 August. We expect its profit to improve slightly from 4QFY25, premised on the easing of raw material prices. That said, we expect investor sentiment to remain cautious in view of an earnings disappointment risk (Street's earnings estimates are still rather bullish). Our call is premised on persistent challenges in cost pass-throughs, rising operating cost environment, and a weakening of USD against MYR.
- **Results preview.** When the 1QFY26 results are announced on 5 August, we expect Hartalega's profitability to improve slightly from 4QFY25 due to the decline in raw material prices. Volume sales is expected to remain subdued, no thanks to the longer-than-expected inventories adjustment period by US customers. Our current earnings forecast of MYR118m for FY26 (c.MYR30m per quarter) remains conservative (21% below Street's estimate) as we do not foresee material ASP adjustment for FY26 as cost pass-through remains challenging for 2026 given the intensified competition.
- **Operating cost set to escalate further.** The mandatory Employees Provident Fund (EPF) contribution for foreign labour will take effect in Oct 2025. We estimate the new policy will spike up production costs by 0.8-1% (or USD0.15-0.20 per 1,000 pieces). Meanwhile, the expanded SST of 5%, which is applicable to imported natural rubber latex and nitrile butadiene rubber latex, is expected to increase production costs by USD0.25-0.30 per 1,000 pieces (1.3-1.5%). The confluence of factors mentioned above comes at a time when the industry is already grappling with intense competition, and glovemakers have a limited ability to pass on rising costs to customers.
- **The sector's valuation** may seem attractive, currently hovering around 0.9x 2025 P/BV, or 1.2SD below its historical average of 1.2x. However, given the lack of near-term re-rating catalysts, we do not encourage investors to accumulate at this level – since the risk of an earnings disappointment in the August reporting period is high. As such, we think Hartalega's share price may undergo another correction. The last time the sector traded at such a level was in 1Q23, where sector earnings hit a trough during a period of consolidation.
- **Earnings estimates revision and valuation.** Our earnings estimates are largely unchanged. We lift our risk premium assumptions to take into consideration the higher risk associated with cautious investor sentiment, from the risk of an earnings dissapointing. Post adjustment, our DCF-derived TP drops to MYR1.33 (1x FY26 P/B, 1.5SD below its 3-year historical average). Key upside risks: Improving US-China ties, increase in glove ASP, faster-than-expected utilisation rate, and lower-than-expected raw material prices.

Analyst

Oong Chun Sung
+603 2302 8126
chun.sung@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(60.5)	(11.4)	(29.7)	(56.7)	(54.1)
Relative	(54.1)	(12.7)	(33.5)	(54.2)	(49.1)
52-wk Price low/high (MYR)					1.53 –4.05



Source: Bloomberg

Forecasts and Valuation	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Total turnover (MYRm)	1,838	2,586	2,656	2,881	3,002
Recurring net profit (MYRm)	27	31	118	162	200
Recurring net profit growth (%)	(77.1)	14.0	284.8	37.2	23.6
Recurring P/E (x)	198.10	173.84	45.18	32.92	26.65
P/B (x)	1.1	1.2	1.2	1.2	1.1
P/CF (x)	na	46.89	17.06	16.88	13.67
Dividend Yield (%)	na	7.5	na	na	na
EV/EBITDA (x)	21.05	21.93	11.98	9.48	7.72
Return on average equity (%)	0.3	1.7	2.7	3.6	4.3
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 2.9 (out of 4)

E Score: 2.7 (GOOD)
S Score: 2.7 (GOOD)
G Score: 3.7 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

Lower Scope 1 and 2 emissions in FY23 due to lower natural gas and purchased electricity consumption

Emissions (tCO2e)	Mar-23	Mar-24	Mar-25	Mar-26
Scope 1	378,118	na	na	na
Scope 2	114,517	na	na	na
Scope 3	5,383	na	na	na
Total emissions	498,018	na	na	na

Source: Company data, RHB

Latest ESG-Related Developments

Invested more than MYR90m in strengthening wastewater systems at its manufacturing plants

ESG Unbundled

Overall ESG Score: 2.9 (out of 4)

Last Updated: 31 Oct 2024

E Score: 2.7 (GOOD)

Hartalega has pledged to reduce its carbon emission intensity by 45% by 2030 through the installation of various production-related equipment and advanced technologies to optimise equipment efficiency and further reduce the group's energy consumption and carbon emissions. More than 90% of product packaging are made from recyclable materials.

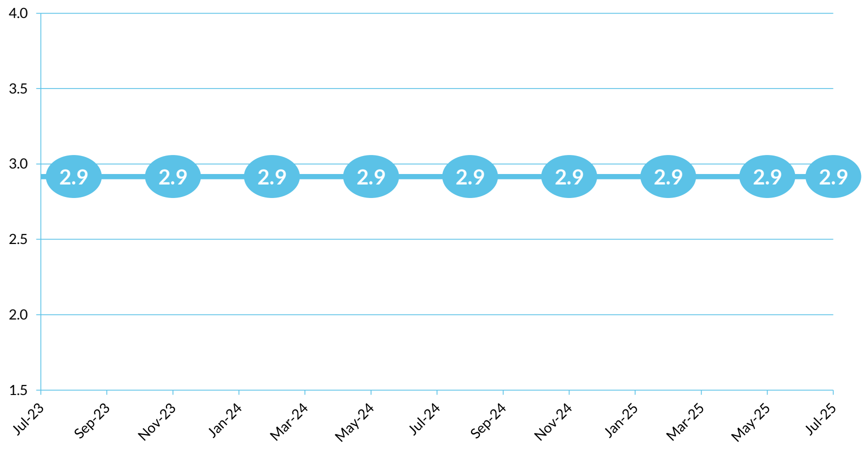
S Score: 2.7 (GOOD)

The group has invested over RM98m to provide first-rate workers' accommodation, which complies with requirements of the ILO's 11 Indicators of Forced Labour and exceeds requirements of the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Act 446) under Malaysian law.

G Score: 3.7 (EXCELLENT)

56% of its board members are independent, and 33% are women, exceeding the Malaysian Code on Corporate Governance's requirement of 30%. Additionally, Hartalega provides full disclosure on its directors' remuneration, including salaries and bonuses. The company holds investor briefings regularly, embodying good transparency and disclosure practices.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Consumer Cyclical
Hartalega
HART MK
Sell

Valuation basis

We adopt DCF valuation methodology

Key drivers

i. Sales volume growth;
ii. Appreciation of USD against MYR;
iii. Lower-than-expected raw material prices.

Key risks

i. Increase in gloves ASP,
ii. Faster-than-expected capacity expansion;
iii. Faster-than-expected utilisation rate;
iv. Lower-than-expected raw material price.

Company Profile

Hartalega is the world's second largest glove producer by market cap.

Financial summary (MYR)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Recurring EPS	0.01	0.01	0.03	0.05	0.06
DPS	-	0.12	-	-	-
BVPS	1.36	1.26	1.30	1.35	1.40
Return on average equity (%)	0.3	1.7	2.7	3.6	4.3

Valuation metrics	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Recurring P/E (x)	198.10	173.84	45.18	32.92	26.65
P/B (x)	1.1	1.2	1.2	1.2	1.1
FCF Yield (%)	(4.2)	(1.5)	3.6	3.7	5.4
Dividend Yield (%)	-	7.5	-	-	-
EV/EBITDA (x)	21.05	21.93	11.98	9.48	7.72
EV/EBIT (x)	86.24	88.31	21.13	14.85	11.32

Income statement (MYRm)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Total turnover	1,838	2,586	2,656	2,881	3,002
Gross profit	156	53	401	490	562
EBITDA	189	201	355	431	498
Depreciation and amortisation	(143)	(151)	(154)	(156)	(158)
Operating profit	46	50	201	275	340
Net interest	(8)	(2)	(2)	(2)	(2)
Pre-tax profit	38	48	199	273	338
Taxation	(19)	26	(46)	(63)	(78)
Reported net profit	13	74	118	162	200
Recurring net profit	27	31	118	162	200

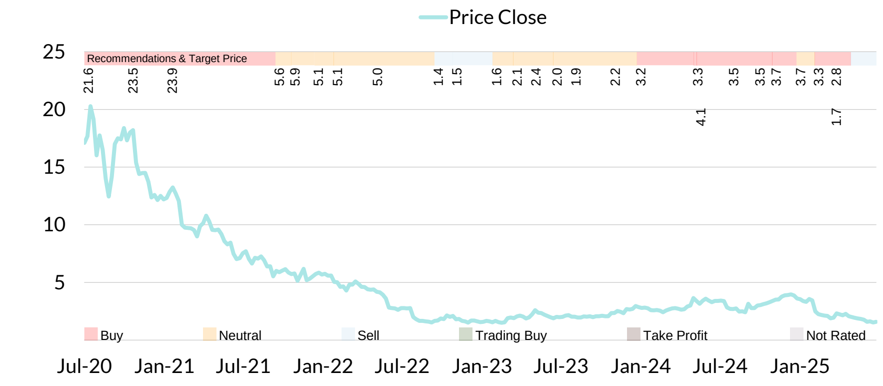
Cash flow (MYRm)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Change in working capital	(149)	(49)	15	(39)	(14)
Cash flow from operations	(58)	114	313	316	390
Capex	(167)	(195)	(120)	(120)	(100)
Cash flow from investing activities	(133)	(140)	(109)	(106)	(84)
Cash flow from financing activities	(111)	(466)	(2)	(2)	(2)
Cash at beginning of period	1,724	1,427	923	1,125	1,333
Net change in cash	(303)	(492)	202	208	305
Ending balance cash	1,427	923	1,125	1,333	1,638

Balance sheet (MYRm)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Total cash and equivalents	1,427	923	1,125	1,333	1,638
Tangible fixed assets	1,901	2,573	2,454	2,334	2,209
Total assets	5,258	4,740	4,894	5,102	5,357
Short-term debt	62	4	4	4	4
Total long-term debt	7	1	1	1	1
Total liabilities	613	421	422	419	414
Total equity	4,644	4,319	4,472	4,683	4,943
Total liabilities & equity	5,258	4,740	4,894	5,102	5,357

Key metrics	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Revenue growth (%)	(23.7)	40.7	2.7	8.5	4.2
Recurrent EPS growth (%)	(77.1)	14.0	284.8	37.2	23.6
Gross margin (%)	8.5	2.1	15.1	17.0	18.7
Operating EBITDA margin (%)	10.3	7.8	13.4	15.0	16.6
Net profit margin (%)	0.7	2.9	4.4	5.6	6.7
Dividend payout ratio (%)	0.0	540.6	0.0	0.0	0.0
Capex/sales (%)	9.1	7.5	4.5	4.2	3.3
Interest cover (x)	6.03	24.23	105.63	144.60	178.42

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-13	Sell	1.7	2.0
2025-05-13	Sell	1.7	2.0
2025-05-07	Buy	2.8	2.2
2025-02-19	Buy	3.3	2.4
2025-01-09	Neutral	3.7	3.5
2024-11-13	Buy	3.7	3.3
2024-10-06	Buy	3.5	2.8
2024-08-07	Buy	3.5	2.7
2024-05-23	Buy	4.1	3.5
2024-05-15	Buy	3.3	3.8
2024-02-07	Buy	na	2.6
2024-01-05	Buy	3.2	3.0
2023-11-08	Neutral	2.2	2.4
2023-08-10	Neutral	1.9	2.1
2023-06-28	Neutral	2.0	1.9

Source: RHB, Bloomberg

16 July 2025

Consumer Cyclical | Rubber Products

Kossan Rubber (KRI MK)

Sell (from Neutral)

Unexciting Outlook; Downgrade To SELL

Target Price (Return):	MYR1.23 (-15%)
Price (Market Cap):	MYR1.44 (USD858m)
ESG score:	2.8 (out of 4)
Avg Daily Turnover (MYR/USD)	6.50m/1.52m

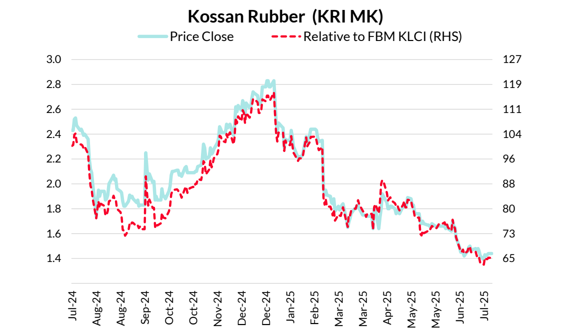
- **Downgrade to SELL from Neutral, DCF-based TP drops to MYR1.23 from MYR1.62, 15% downside.** We expect Kossan Rubber's earnings for 2Q25 to improve slightly, thanks to easing raw material costs. That said, we expect the growth prospects of the rubber products sector to remain bleak, due to a longer-than-expected period of inventory consolidation, a weakening USD vs MYR, as well as challenging cost pass-throughs. Our new TP has yet to reflect KRI's historical trough valuation (0.7x during 2022-2023).
- **Results preview.** We expect KRI's 2Q25 profitability to improve slightly from 1Q25, premised on the easing of raw material prices. Its sales volume should remain subdued, due to the longer-than-expected inventory adjustment period for its US customers. Our current earnings forecast of MYR115m for FY25 remains conservative (22% below the Street estimate) as we do not foresee material ASP adjustments this year. This is because cost pass-throughs for glovemakers will remain challenging, given the intensified competition.
- **Operating cost set to escalate further.** The mandatory Employees Provident Fund contribution for foreign workers is set to kick off by Oct 2025. We estimate such a policy to increase the cost of production by 0.8-1% (or USD0.15-0.20 per 1,000 pieces). Separately, the expanded Sales and Service Tax or SST of 5% applicable to imported natural rubber latex and nitrile butadiene rubber or NBR latex should raise its production cost by USD0.25-0.30 per 1,000 pieces, or 1.3-1.5%. The confluence of factors mentioned above comes at a time when the industry is already grappling with intense competition and a limited ability to pass through rising costs to customers.
- **The sector's valuation may seem attractive, at about 0.9x 2025 P/BV**, ie 1.2SD below its historical average of 1.2x. However, given the lack of near-term re-rating catalysts, we would not recommend that investors accumulate at this level, as the risk of an earnings disappointment in the upcoming results reporting period is high. KRI's share price could undergo another round of correction. The last time the sector traded at such a level was during 1Q23, when industry earnings hit a trough during a period of consolidation.
- **Earnings revision and valuation.** Our earnings estimates are largely unchanged. We lift our risk premium assumptions to take into consideration the higher risk associated with cautious investor sentiment in view of a potential earnings disappointment. Our new (and lower) DCF-derived TP of MYR1.23 implies a 0.8x FY26 P/BV, which is 1.4SD below its 3-year historical average. Key upside risks: Improving US-China ties, an increase in its glove ASP, faster-than-expected spike in its utilisation rate, and lower-than-expected raw material prices.

Analyst

Oong Chun Sung
+603 2302 8126
chun.sung@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(49.1)	(8.3)	(22.2)	(41.2)	(41.0)
Relative	(42.7)	(9.6)	(26.0)	(38.7)	(36.0)
52-wk Price low/high (MYR)					1.39 –2.83



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	1,591	1,916	2,064	2,144	2,228
Recurring net profit (MYRm)	33	96	115	157	197
Recurring net profit growth (%)	(80.1)	187.7	20.5	36.0	25.8
Recurring P/E (x)	110.18	38.30	31.79	23.38	18.58
P/B (x)	1.0	1.0	1.0	1.0	0.9
P/CF (x)	18.06	29.13	15.77	14.61	12.86
Dividend Yield (%)	2.8	5.6	0.9	1.3	1.6
EV/EBITDA (x)	23.02	12.57	11.29	8.80	7.06
Return on average equity (%)	(0.2)	3.9	3.1	4.1	5.0
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 2.8 (out of 4)

E Score: 3.0 (GOOD)
S Score: 2.3 (GOOD)
G Score: 2.7 (GOOD)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

KRI has installed 3.16 MWp of solar energy generation equipment as at 2022. It has also pledged to reduce carbon emissions via a "reduce and optimise" strategy.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	295,547	212,743	na	na
Scope 2	126,020	86,211	na	na
Scope 3	5,250	5,305	na	na
Total emissions	426,818	304,258	na	na

Source: Company data, RHB

Latest ESG-Related Developments

KRI has introduced a comprehensive carbon accounting system and database. It has also improvised its GHG calculation methodology by taking methane (CH_4) and nitrous oxide (N_2O) into consideration when calculating emissions.

ESG Unbundled

Overall ESG Score: 2.8 (out of 4)

Last Updated: 20 Dec 2024

E Score: 3.0 (GOOD)

KRI employs a reduce, reuse and recycle (3R) approach in managing the impact of the pollutants from its manufacturing process. The group has embarked on energy optimisation initiatives that include a transition to a solar energy plant, LED lights, and solar-powered perimeter spotlights – which are fitted at all factories and offices.

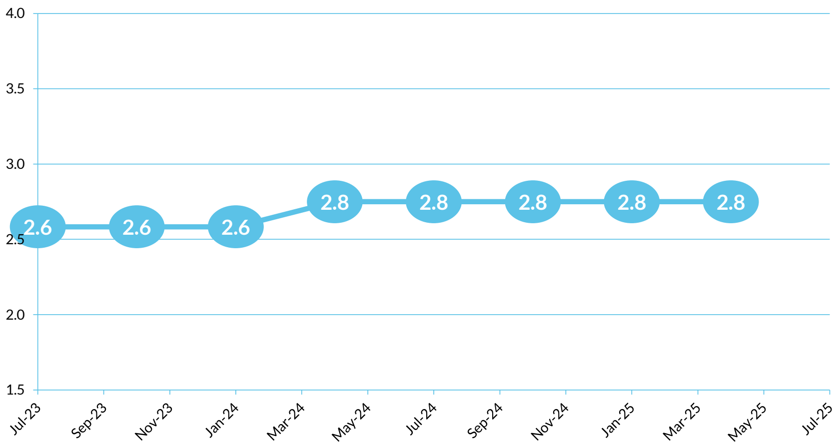
S Score: 2.3 (GOOD)

Under KRI's Employee Pays (Zero-Cost) Policy for its migrant workers recruitment process, workers are protected from debt bondage. Coercion into employment is also prohibited, and freedom of movement is allowed. To ensure transparency, employment contracts are made available in the workers' native languages. Potential recruitment agencies are also required to go through an onsite due diligence audit, accompanied together with an independent consultant.

G Score: 2.7 (GOOD)

44% of its board members are independent and 22% are women. Both figures are still below the Malaysian Code on Corporate Governance's requirements of 50% independent and 30% female directors. On a positive note, KRI provides full disclosures on its directors' remunerations. The company also holds regular investor briefings, embodying good transparency and disclosure practices.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Consumer Cyclical
Kossan Rubber
KRI MK
Sell

Valuation basis

DCF-FCFF

Key drivers

v. Increase in glove ASP;
vi. Improvement in sales volume;
vii. Appreciation of USD vs MYR;
viii. Lower-than-expected raw material prices.

Key risks

Upside risks:
i. Increase in glove ASP;
ii. Faster-than-expected capacity expansion;
iii. Higher-than-expected utilisation rate;
iv. Cheaper-than-expected raw material prices.

Company Profile

Kossan Rubber is one of the world's Big-4 glovemakers. It has a production capacity of 33.5bn pieces pa.

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	0.01	0.04	0.05	0.06	0.08
DPS	0.04	0.08	0.01	0.02	0.02
BVPS	1.51	1.43	1.46	1.51	1.56
Return on average equity (%)	(0.2)	3.9	3.1	4.1	5.0

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	110.18	38.30	31.79	23.38	18.58
P/B (x)	1.0	1.0	1.0	1.0	0.9
FCF Yield (%)	3.2	(4.8)	2.2	2.7	3.7
Dividend Yield (%)	2.8	5.6	0.9	1.3	1.6
EV/EBITDA (x)	23.02	12.57	11.29	8.80	7.06
EV/EBIT (x)	na	24.33	21.38	14.48	10.78

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	1,591	1,916	2,064	2,144	2,228
Gross profit	233	363	250	310	369
EBITDA	106	221	240	299	358
Depreciation and amortisation	(113)	(107)	(113)	(117)	(123)
Operating profit	(7)	114	127	182	235
Net interest	42	43	28	29	31
Pre-tax profit	15	180	155	210	266
Taxation	(18)	(37)	(37)	(50)	(64)
Reported net profit	(7)	141	115	157	197
Recurring net profit	33	96	115	157	197

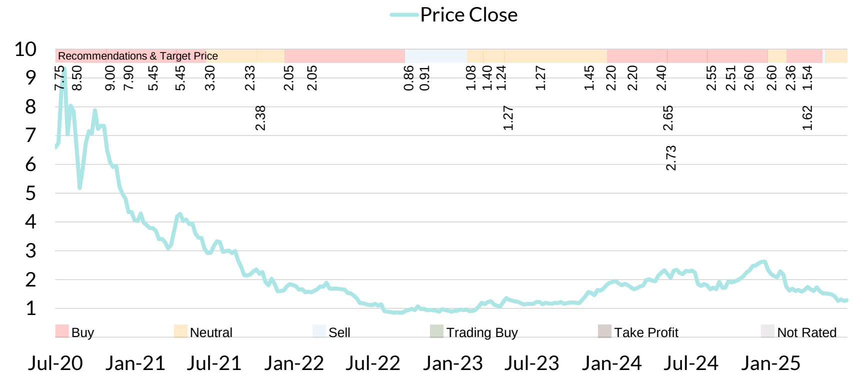
Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	64	(87)	29	2	(10)
Cash flow from operations	203	126	232	251	285
Capex	(87)	(303)	(150)	(150)	(150)
Cash flow from investing activities	(162)	(149)	(118)	(117)	(115)
Dividends paid	(64)	(306)	(35)	(47)	(59)
Cash flow from financing activities	(130)	(268)	(98)	(51)	(63)
Cash at beginning of period	1,348	1,271	976	993	1,075
Net change in cash	(89)	(292)	17	82	107
Ending balance cash	1,259	980	993	1,075	1,182

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	1,271	976	993	1,075	1,182
Tangible fixed assets	1,364	1,492	1,529	1,562	1,588
Total assets	4,173	3,997	4,077	4,212	4,374
Short-term debt	12	59	0	0	0
Total long-term debt	5	16	16	16	16
Total liabilities	339	440	438	460	479
Total equity	3,833	3,556	3,639	3,752	3,895
Total liabilities & equity	4,173	3,997	4,077	4,212	4,374

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	(32.1)	20.4	7.7	3.8	3.9
Recurrent EPS growth (%)	(80.1)	187.7	20.5	36.0	25.8
Gross margin (%)	14.6	18.9	12.1	14.5	16.6
Operating EBITDA margin (%)	6.6	11.6	11.6	13.9	16.1
Net profit margin (%)	(0.4)	7.4	5.6	7.3	8.8
Dividend payout ratio (%)	(1559.4)	144.2	30.0	30.0	30.0
Capex/sales (%)	5.5	15.8	7.3	7.0	6.7
Interest cover (x)	(5.01)	58.07	29.38	43.17	55.74

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-23	Neutral	1.62	1.68
2025-05-13	Sell	1.54	1.69
2025-02-21	Buy	2.36	1.91
2025-01-09	Neutral	2.60	2.42
2024-11-18	Buy	2.60	2.33
2024-10-06	Buy	2.51	1.88
2024-08-23	Buy	2.55	1.96
2024-05-23	Buy	2.73	2.43
2024-05-15	Buy	2.65	2.74
2024-04-30	Buy	2.40	2.20
2024-02-23	Buy	2.20	1.96
2024-01-05	Buy	2.20	1.97
2023-11-16	Neutral	1.45	1.58
2023-07-28	Neutral	1.27	1.38
2023-05-15	Neutral	1.27	1.33

Source: RHB, Bloomberg

16 July 2025

Consumer Cyclical | Rubber Products

Supermax Corp (SUCB MK)

Sell (Maintained)

Bleak Prospects Ahead; Maintain SELL

Target Price (Return):	MYR0.54 (-16%)
Price (Market Cap):	MYR0.64 (USD460m)
ESG score:	2.3 (out of 4)
Avg Daily Turnover (MYR/USD)	5.84m/1.36m

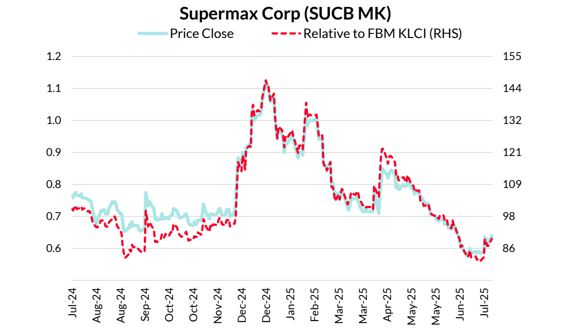
- **Maintain SELL, DCF-derived TP drops to MYR0.54 from MYR0.64, 16% downside.** We expect Supermax to remain in red for the subsequent quarter, no thanks to the impact of a weakening USD and earnings drag from its US plant. Our TP incorporates a 14% ESG discount, as SUCB's 2.3 score is below our 3.0 country median.
- **Results preview.** We expect SUCB to remain in the red in 4QFY25 (Jun), due to the earnings drag from its plant in the US (given a slower-than-expected ramp-up). This, however, would be offset by easing raw material prices. We expect SUCB's sales volume to remain subdued, as the inventory adjustment of its US customers is taking longer than anticipated. All in all, we do not expect any material ASP adjustments this year, as cost pass-throughs remain challenging, in view of the intensified competition.
- **Operating costs set to escalate further.** The mandatory Employees Provident Fund or EPF contribution for foreign workers will take effect in Oct 2025. We estimate that this new policy will spike up production costs by 0.8-1% (or USD0.15-0.20 per 1,000 pieces). Meanwhile, the expanded Sales and Service Tax of 5%, which is applicable to imported natural rubber latex and nitrile butadiene rubber latex, is expected to increase production costs by USD0.25-0.30 per 1,000 pieces (ie 1.3-1.5%). The confluence of factors mentioned above comes at a time when the industry is already grappling with intense competition, and glovemakers have a limited ability to pass on rising costs to customers.
- **The sector's valuation** may seem attractive – it is hovering around 0.9x 2025 P/BV, or 1.2SD below the historical average of 1.2x. However, given the lack of near-term re-rating catalysts, we do not encourage investors to accumulate at this level – since the risk of an earnings disappointment in the upcoming August reporting period is high. As such, we also think that SUCB's share price may undergo another correction. The last time the sector traded at such a level was during 1Q23, where sector earnings hit a trough during a period of consolidation.
- **Earnings estimate revisions and valuation.** Our earnings estimates are largely unchanged. We lift our risk premium assumptions to take into consideration the higher risk associated with cautious investor sentiment, from the risk of an earnings disappointment. Post adjustment of these assumptions, our DCF-based TP drops to MYR0.54 (0.4x FY26 P/BV, ie 2SD below its 3-year historical average). Our new TP also echoes SUCB's historical trough valuation of 0.4x P/BV during 2022-2023. Key upside risks: Improving US-China ties, increase in its glove ASP, faster-than-expected utilisation rate, and lower-than-expected raw material prices.

Analyst

Oong Chun Sung
+603 2302 8126
chun.sung@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(42.2)	(2.3)	(22.9)	(32.1)	(15.6)
Relative	(35.8)	(3.6)	(26.7)	(29.6)	(10.6)
52-wk Price low/high (MYR)					0.58 – 1.12



Source: Bloomberg

Forecasts and Valuation	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover (MYRm)	821	646	897	1,032	1,114
Recurring net profit (MYRm)	(113)	(229)	(98)	(24)	(5)
Recurring net profit growth (%)	(115.5)	103.7	(57.3)	(75.3)	(79.6)
Recurring P/E (x)	na	na	na	na	na
P/B (x)	0.4	0.4	0.4	0.5	0.5
P/CF (x)	na	na	45.64	25.30	19.19
Dividend Yield (%)	7.9	na	na	na	na
EV/EBITDA (x)	na	na	933.69	8.88	7.36
Return on average equity (%)	(2.9)	(3.9)	(2.2)	(0.6)	(0.1)
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 2.3 (out of 4)

E Score: 2.3 (GOOD)
S Score: 2.7 (GOOD)
G Score: 2.0 (MODERATE)
Please refer to the ESG analysis on the next page

Note:
Small cap stocks are defined as companies with a market capitalization of less than USD0.5bn.

Emissions And ESG

Trend analysis

SUCB's CO2 emissions have decreased over FY21-23.

Emissions (tCO2e)	Jun-22	Jun-23	Jun-24	Jun-25
Scope 1	44,724	24,298	-	-
Scope 2	50,827	39,248	-	-
Scope 3	-	-	-	-
Total emissions	95,551	63,546	na	na

Source: Company data, RHB

Latest ESG-Related Developments

The US Customs and Border Patrol has lifted its ban on SUCB's glove imports into the US, after the latter's successful remediation of forced labour practices.

ESG Unbundled

Overall ESG Score: 2.3 (out of 4)

Last Updated: 12 Dec 2024

E Score: 2.3 (GOOD)

SUCB recycles waste from its raw material by-products. The group will also evaluate its supplier performance via periodic audits to ensure adherence to its purchasing and quality requirements. However, its overall environmental disclosure lacks further clarity and does not disclose future targets.

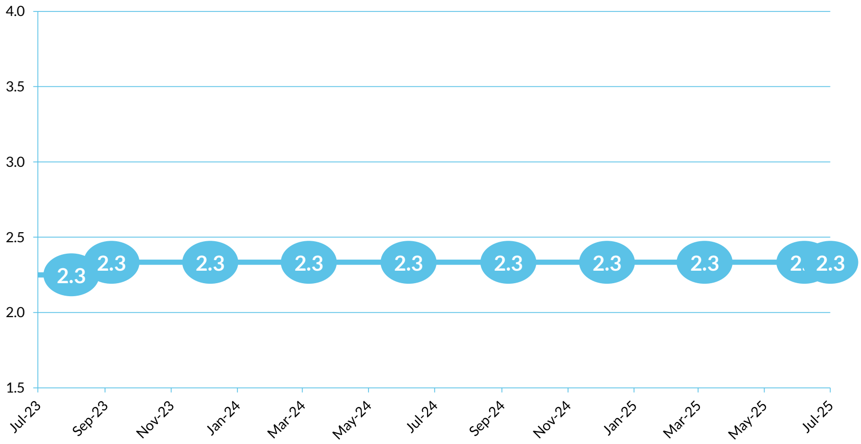
S Score: 2.7 (GOOD)

SUCB has established an independent grievance reporting channel (SUARA KAMI) that is administered by an independent party. Worker facilities at its dormitories are in accordance with Malaysia's Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446).

G Score: 2.0 (MODERATE)

50% of its board members are independent directors. 25% of its directors are women, ie still below the 30% requirement stipulated by the Malaysian Code on Corporate Governance. SUCB does provide full disclosure on its directors' remunerations, including salaries and bonuses.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Consumer Cyclical
Supermax Corp
SUCB MK
Sell

Valuation basis

DCF

Key drivers

Our earnings forecasts are most sensitive to:
- i. Changes in nitrile and latex glove sales volumes;
- ii. Fluctuations in the USD/MYR rate;
- iii. Changes in the prices of raw materials.

Key risks

Upside risks:
- i. Increase in glove ASPs;
- ii. Faster-than-expected capacity expansion;
- iii. Higher-than-expected utilisation rate at its production facilities;
- iv. Lower-than-expected raw material prices.

Company Profile

Supermax is one of the world's Big-4 glove makers. It produces both latex and nitrile gloves.

Financial summary (MYR)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Recurring EPS	(0.04)	(0.09)	(0.03)	(0.01)	(0.00)
DPS	0.05	-	-	-	-
BVPS	1.74	1.68	1.42	1.42	1.41
Return on average equity (%)	(2.9)	(3.9)	(2.2)	(0.6)	(0.1)

Valuation metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Recurring P/E (x)	na	na	na	na	na
P/B (x)	0.4	0.4	0.4	0.5	0.5
FCF Yield (%)	(40.8)	(45.9)	(5.5)	(3.7)	(2.5)
Dividend Yield (%)	7.9	-	-	-	-
EV/EBITDA (x)	na	na	933.69	8.88	7.36
EV/EBIT (x)	na	na	na	na	na

Income statement (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover	821	646	897	1,032	1,114
Gross profit	151	118	262	313	336
EBITDA	(90)	(102)	1	86	110
Depreciation and amortisation	(85)	(68)	(107)	(109)	(112)
Operating profit	(175)	(171)	(107)	(23)	(2)
Net interest	(7)	(5)	(4)	(4)	(4)
Pre-tax profit	(189)	(180)	(113)	(28)	(6)
Taxation	18	(4)	11	3	1
Reported net profit	(141)	(176)	(98)	(24)	(5)
Recurring net profit	(113)	(229)	(98)	(24)	(5)

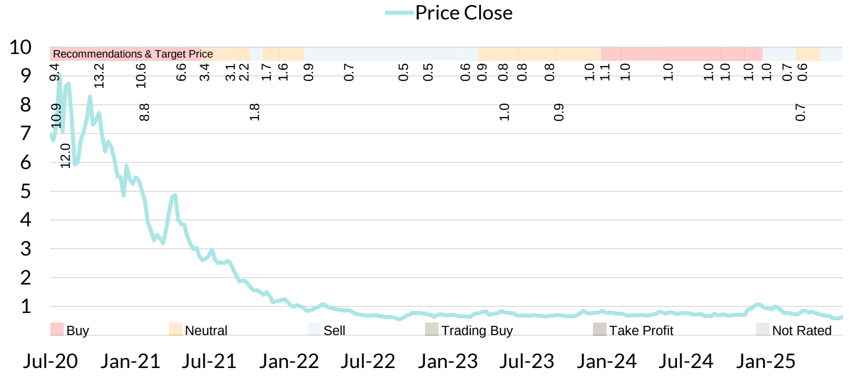
Cash flow (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Change in working capital	166	(143)	31	(11)	(9)
Cash flow from operations	(79)	(247)	43	77	102
Capex	(611)	(529)	(150)	(150)	(150)
Cash flow from investing activities	(611)	(548)	(150)	(150)	(150)
Dividends paid	(134)	0	0	0	0
Cash flow from financing activities	(287)	(21)	(9)	(4)	(4)
Cash at beginning of period	3,029	2,146	1,333	1,217	1,140
Net change in cash	(977)	(815)	(116)	(77)	(52)
Ending balance cash	2,146	1,333	1,217	1,140	1,088

Balance sheet (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total cash and equivalents	2,146	1,333	1,217	1,140	1,088
Tangible fixed assets	2,243	2,694	2,737	2,779	2,817
Total investments	228	196	194	193	193
Total assets	5,246	4,841	4,698	4,699	4,709
Short-term debt	86	108	103	103	103
Total long-term debt	19	22	22	22	22
Total liabilities	464	374	333	359	374
Total equity	4,782	4,467	4,365	4,340	4,335
Total liabilities & equity	5,246	4,841	4,698	4,699	4,709

Key metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Revenue growth (%)	(69.4)	(21.3)	38.9	15.0	8.0
Recurrent EPS growth (%)	(115.5)	103.7	(63.1)	(75.3)	(79.6)
Gross margin (%)	18.4	18.2	29.2	30.3	30.1
Operating EBITDA margin (%)	(11.0)	(15.8)	0.1	8.3	9.9
Net profit margin (%)	(17.2)	(27.2)	(10.9)	(2.3)	(0.4)
Dividend payout ratio (%)	(95.1)	0.0	0.0	0.0	0.0
Capex/sales (%)	74.4	81.8	16.7	14.5	13.5
Interest cover (x)	(24.3)	(32.6)	(24.9)	(5.5)	(0.4)

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-22	Sell	0.6	0.7
2025-03-27	Neutral	0.7	0.7
2025-02-25	Sell	0.7	0.8
2025-01-09	Sell	1.0	0.9
2024-11-29	Buy	1.0	0.7
2024-10-06	Buy	1.0	0.7
2024-08-29	Buy	1.0	0.7
2024-05-29	Buy	1.0	0.7
2024-02-21	Buy	1.0	0.7
2024-01-05	Buy	1.1	0.8
2023-11-30	Neutral	1.0	0.8
2023-09-21	Neutral	0.9	0.7
2023-08-30	Neutral	0.8	0.6
2023-06-28	Neutral	0.8	0.7
2023-05-19	Neutral	1.0	0.8

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470