# Maybank IB Research

# Hartalega (HART MK)

# Challenging ASP outlook

# ASP downtrend to continue; D/G to SELL

We believe the strong 1QFY3/22 earnings performance will not be sustainable as ASP has been trending downward since May 21 on rising competition especially in the nitrile glove segment. We lower our FY22-24 earnings forecasts by -1% to -62% after lowering our utilisation rate and ASP assumptions. We downgrade Hartalega to SELL with a new TP of MYR3.99 (from MYR6.74) on an unchanged 19.4x CY23 PER (-1SD of historical mean).

# ASP expected to only normalise in early 2022

Hartalega have been guiding for a weaker ASP outlook since 2Q21. ASP is expected to decline 30% between 1QFY22 and 2QFY22 and may only normalize in early 2022, returning to pre-COVID levels by mid-2022. Due to the stricter SOPs, it is currently operating at only 70% of its capacity, utilizing 60% of its workforce. Due to the unexpected 2-week shut down of operations in early July and stricter SOPs under the National Recovery Plan phase 1 that led to lower production, some of its buyers have shifted some of their orders to China in order to mitigate the supply risks, we understand.

# China, a threat that cannot be ignored

Aggressive capacity expansion by the Chinese glove makers would likely lead to oversupply by 2023. To seize market share, the Chinese glove makers are pricing their gloves competitively in Europe. The Chinese glove makers are expected to contribute to 23% of the world's glove supply by 2022 (from 16% now) while Malaysia's market share is expected to shrink to 60% in 2022, from 67%.

## Earnings adjustments

We lower our FY22/23/24 earnings forecasts by -1%/-60%/-33% to factor in: (i) lower utilisation rate of 70% (from 80%) for 4Q21, 80% (from 85%) for FY23 and 85% (from 93%) for FY24, and (ii) lower FY22/23/24 effective **ASP** assumptions USD61.4/23.9/23.2 USD62.6/37.2/28.5) per k pcs. Post-earnings downgrade, our TP is lowered to MYR3.99 (from MYR6.74) on an unchanged 19.4x CY23 PER.

FYE Mar (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,924	6,696	7,683	3,911	4,442
EBITDA	724	4,065	4,755	1,032	1,124
Core net profit	435	2,975	3,485	666	716
Core FDEPS (sen)	12.9	86.6	101.5	19.4	20.8
Core FDEPS growth(%)	(5.5)	569.9	17.1	(80.9)	7.5
Net DPS (sen)	7.5	50.2	58.8	11.2	12.1
Core FD P/E (x)	53.2	10.3	5.8	30.4	28.3
P/BV (x)	9.1	6.1	3.1	3.0	2.9
Net dividend yield (%)	1.1	5.6	10.0	1.9	2.1
ROAE (%)	18.1	76.8	61.0	10.1	10.4
ROAA (%)	13.8	58.6	46.6	8.3	8.8
EV/EBITDA (x)	31.7	6.9	3.6	16.2	14.9
Net gearing (%) (incl perps)	net cash				
Consensus net profit	-	-	3,890	1,211	925
MKE vs. Consensus (%)	-	-	(10.4)	(45.0)	(22.6)

Wong Wei Sum, CFA weisum@maybank-ib.com (603) 2297 8679

# SELI

[Prior:HOLD]

Share Price MYR 5.89 12m Price Target MYR 3.99 (-30%) MYR 6.74

#### **Company Description**

Previous Price Taraet

Hartalega is the world's largest nitrile medical gloves producer.

#### **Statistics**

52w high/low (MYR)	19.04/5.53
3m avg turnover (USDm)	10.1
Free float (%)	34.3
Issued shares (m)	3,428
Market capitalisation	MYR20.2B
	LISDA 8P

#### Major shareholders:

Hartalega Industries Sdn. Bhd.	34.3%
Employees Provident Fund	8.6%
BNP Paribas Wealth Management	8.2%

#### Price Performance



- Hartalega - (LHS, MYR) ----- Hartalega / Kuala Lumpur Composite Index - (RHS, %)

5 12	,,,
2) (16) (6	5)
)) (19) (6	6)
	, , , , , , , , , , , , , , , , , , , ,

Source: FactSet

#### Link to sector note:

Malaysia Gloves Sector - Not the time for bottom fishing | D/G NEGATIVE







weisum@maybank-ib.com

Risk Rating & Score <sup>1</sup>	17.6 (Low)		
Score Momentum <sup>2</sup>	+0.0		
Last Updated	21 July 2021		
Controversy Score <sup>3</sup> (Updated: 30 Jul 2021)	3 - Human rights (employee incidents)		

# **Business Model & Industry Issues**

- Hartalega has continued to retain its SEDEX membership and remains a constituent of FTSE4Good Bursa Malaysia. Social compliance
  audits are regularly conducted by its internal team as well as external parties, based on the Business Social Compliance Initiative
  (BSCI) and SEDEX Members Ethical Trade Audits (SMETA).
- Similar to the other glove players, Hartalega relies on the migrant workers for the production of its gloves. Given the ever-changing regulations and standards on workers' welfare, the industry faces rising social compliance cost. However, as the entire industry faces the same challenges, we expect the glove-makers to pass on the higher compliance cost.
- ESG risk should fall on a yearly basis as it invests in automation to improve efficiency and reduce dependency on manual labour. Hartalega's vision is for humanless factories in the foreseeable future.

# Material E issues

- To reduce the consumption of energy and water, Hartalega deploys a high level of automation at its plants and also taps into alternative energy sources (i.e. cogeneration and biomass power plants). In FY20, its natural gas, electricity and water consumption per unit of production were reduced by 15%, 24% and 2% respectively.
- It also put in place a waste reduction programme. In FY20, its scheduled and non-scheduled waste disposal per unit of production reduced by 26% and 12% respectively.
- Additionally, its state-of-the-art water treatment plants allow for 100% self-treated water. For effluent water discharge, Hartalega maintains its Standard A rating, which is the highest benchmark determined by the Department of Environment (DOE).
- Hartalega received ISO 14001:2015 certification in 2017.

### Material S issues

- Hartalega regularly carries out social compliance audits, which are in accordance with internationally recognised standards, including the SEDEX Member Ethical Trade Audit (SMETA) and Business Social Compliance Initiative (BSCI).
- Hartalega implemented Zero Recruitment Cost Policy since 2019, which ensures that its migrant workers are not required to pay recruitment fees to agencies/third parties during the recruitment process. For migrant workers that joined Hartalega prior to its Zero Recruitment Cost Policy, Hartalega will reimburse the recruitment fees paid by the migrant workers (totalling up to MYR40m) from 4Q20 (over a period of 24 months).
- Its migrant workers are paid no less than the minimum rates stipulated in Malaysian laws. The migrant workers are also eligible for cash bonuses of up to 3.5 months and annual increments of up to 7%.
- The overtime hours are paid at rates in accordance with the Malaysia Employment Act. Its workers typically perform 70 hours of overtime per month, which is below the limit of 104 hours allowed by Malaysia's labour laws.
- Its hostels also exceed the minimum standard enforced by Malaysia's Department of Labour.

# Key G metrics and issues

- The current board consists of 8 members, out of which, 5 members (or 63% of board, minimum requirement is 50%) are Independent Non-Executive Directors (INEDs).
- Mr Kuan Kam Hon is the Executive Chairman of Hartalega and his total remuneration package for FY20 was MYR7.7m (or 1.8% of FY20 net profit).
- As at 22 Jun 2020, Mr Kuan Kam Hon's family (the largest substantial shareholder) holds 48.9% stake in Hartalega and has 3 board seats (or 38% of board representation).
- The service of Dato' Tan Guan Cheong (INED) will exceed 9 years in 2021 and the shareholders have approved his service at the recent AGM in Sep 2020.
- Hartalega has 3 female directors on the board, representing 38% of the board (minimum requirement is 30%).
- Its audit and remuneration committees are made up by the same 4 INEDs.
- Its risk management committee is made up of 4 INEDs and 1 Executive Director.
- Deloitte PLT has been Hartalega's external auditor since 2014.
- The Group has a Whistleblowing Policy in place, whereby the reports are lodged to an independent third-party outsourced service provider via email and/or website ("Hartalega Speak Up), which are available in multiple languages (i.e. English, Bahasa Malaysia, Burmese, Bengali and Nepali).
- Hartalega has had no governance issues in the past. The only related party transactions were the dividend and interest income received from subsidiaries.
- The growth of the Group has been organic and hence, no business acquisitions.
  - Its products have never been reprimanded by the authorities or its customers.

<u>¹Risk Rating & Score</u> - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <u>²Score Momentum</u> - indicates changes to the company's score since the last update - a <u>negative</u> integer indicates a company's improving risk score; a <u>positive</u> integer indicates a deterioration. <u>³Controversy Score</u> - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).





Source: Bloomberg, Company, Maybank Kim Eng (chart)

# **Upside** risks

(i) USA reinstates the punitive import tariffs on China's exam and non-medical gloves, which may result in China losing competitive edges and market share in the US. Presently, the import tariff on China's runner examination gloves has reduced to zero (from 7.5% under the 'Phase 1' trade deal in Jan 2020 - the original import tariff was 15% in Sep 2019), (ii) Raw material prices decline faster than ASP, (iii) Higher demand/consumption for gloves from non-healthcare industries post pandemic.

October 11, 2021

FYE 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	41.4	15.7	5.8	30.2	28.1
Core P/E (x)	52.9	10.3	5.8	30.2	28.1
Core FD P/E (x)	53.2	10.3	5.8	30.4	28.3
P/BV (x)	9.1	6.1	3.1	3.0	2.9
P/NTA (x)	9.2	6.2	3.1	3.0	2.9
Net dividend yield (%)	1.1	5.6	10.0	1.9	2.1
FCF yield (%)	2.8	10.1	13.7	3.8	1.4
EV/EBITDA (x)	31.7	6.9	3.6	16.2	14.9
EV/EBIT (x)	38.4	7.2	3.7	19.9	18.6
INCOME STATEMENT (MYR m)					
Revenue	2,924.3	6,695.9	7,683.0	3,910.5	4,442.5
EBITDA	724.2	4,064.5	4,754.6	1,032.1	1,123.6
Depreciation	(125.1)	(137.4)	(164.9)	(192.4)	(219.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	599.1	3,927.1	4,589.6	839.7	903.7
Net interest income /(exp)	(7.6)	(0.9)	23.8	30.2	31.9
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	(90.0)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	556.3	3,813.4	4,613.4	869.9	935.6
ncome tax	(120.4)	(909.8)	(1,107.2)	(200.1)	(215.2
Minorities	(1.1)	(18.2)	(21.4)	(4.1)	(4.4)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	434.8	2,885.4	3,484.8	665.7	716.0
Core net profit	434.8	2,975.4	3,484.8	665.7	716.0
DALANCE CHEET (MVD)					
BALANCE SHEET (MYR m)  Cash & Short Term Investments	205.0	2 ((0.7	2 227 5	2.752.0	2 ((2 2
	305.0	2,668.7	3,337.5	3,753.9	3,662.2 707.0
Accounts receivable	503.1 276.1	1,065.5 646.7	1,222.6 742.1	622.3 377.7	429.1
nventory Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,002.1	2,156.4	2,541.5	2,899.0	3,229.1
ntangible assets	28.8	32.6	32.6	32.6	32.6
nvestment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	202.5	262.1	262.1	262.1	262.1
Total assets	3,317.6	6,832.1	8,138.3	7,947.6	8,322.0
T interest bearing debt	85.4	105.0	105.0	105.0	105.0
Accounts payable	276.0	1,059.3	970.3	493.9	561.0
nsurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	188.6	241.7	141.7	141.7	141.7
Other liabilities	223.0	427.0	427.0	427.0	427.0
Total Liabilities	773.0	1,833.0	1,644.0	1,167.6	1,234.8
Shareholders Equity	2,541.0	4,974.8	6,448.7	6,730.3	7,033.1
Minority Interest	3.6	24.2	45.6	49.7	54.1
Fotal shareholder equity	2,544.6	4,999.0	6,494.3	6,780.0	7,087.2
Total liabilities and equity	3,317.6	6,832.1	8,138.3	7,947.6	8,322.0
CACILELOW (MVD)					
CASH FLOW (MYR m)	FF( 3	2 042 4	4.743.4	0/0.0	035
Pretax profit	556.3	3,813.4	4,613.4	869.9	935.6
Depreciation & amortisation	125.1	137.4	164.9	192.4	219.9
Adj net interest (income)/exp	7.6	0.9	(23.8)	(30.2)	(31.9
Change in working capital	(20.3)	(146.6)	(341.5)	488.3	(68.8)
Cash taxes paid	(72.7)	(730.8)	(1,107.2)	(200.1)	(215.2
Other operating cash flow	59.7	13.3	0.0	0.0	0.0
Cash flow from operations	655.7	3,087.7	3,305.9	1,320.3	839.6
Capex	(3.1)	(2.2)	(550.0)	(550.0)	(550.0
ree cash flow	652.6	3,085.5	2,755.9	770.3	289.6
Dividends paid	(249.0)	(604.2)	(2,010.9)	(384.2)	(413.2
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(78.1)	80.9	(100.0)	0.0	0.0
Other invest/financing cash flow	(170.9)	(204.6)	23.8	30.2	31.9
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	154.6	2,357.6	668.8	416.4	(91.7)

FY20A	FY21A	FY22E	FY23E	FY24E
3.4	129.0	14.7	(49.1)	13.6
7.6	461.2	17.0	(78.3)	8.9
5.2	555.5	16.9	(81.7)	7.6
1.0	585.6	21.0	(81.1)	7.5
(4.5)	563.6	20.8	(80.9)	7.5
(4.5)	584.3	17.1	(80.9)	7.5
24.8	60.7	61.9	26.4	25.3
20.5	58.6	59.7	21.5	20.3
19.0	57.0	60.0	22.2	21.1
57.7	59.5	57.7	57.7	57.7
14.9	43.1	45.4	17.0	16.1
0.9	1.0	0.9	0.5	0.5
1.3	1.4	1.3	1.2	1.2
18.1	76.8	61.0	10.1	10.4
13.8	58.6	46.6	8.3	8.8
60.6	15.3	12.6	62.9	39.9
59.2	42.2	53.6	84.9	53.9
45.5	60.2	88.9	71.5	45.3
44.1	87.1	129.9	93.5	59.3
1.7	1.7	1.7	1.7	1.7
2.7	3.1	4.1	5.7	5.4
4.3	3.7	5.0	6.8	6.7
net cash	net cash	net cash	net cash	net cash
net cash	net cash	net cash	net cash	net cash
78.6	nm	na	na	na
0.4	0.1	0.1	0.2	0.2
0.1	0.0	7.2	14.1	12.4
(31.0)	(2,322.0)	(3,090.8)	(3,507.2)	(3,415.5)
	3.4 7.6 5.2 1.0 (4.5) (4.5)  24.8 20.5 19.0 57.7  14.9 0.9 1.3 18.1 13.8  60.6 59.2 45.5 44.1 1.7 2.7  4.3 net cash net cash 78.6 0.4 0.1	3.4 129.0 7.6 461.2 5.2 555.5 1.0 585.6 (4.5) 563.6 (4.5) 584.3  24.8 60.7 20.5 58.6 19.0 57.0 57.7 59.5  14.9 43.1 0.9 1.0 1.3 1.4 18.1 76.8 13.8 58.6  60.6 15.3 59.2 42.2 45.5 60.2 44.1 87.1 1.7 1.7 2.7 3.1  4.3 3.7 net cash	3.4 129.0 14.7 7.6 461.2 17.0 5.2 555.5 16.9 1.0 585.6 21.0 (4.5) 563.6 20.8 (4.5) 584.3 17.1  24.8 60.7 61.9 20.5 58.6 59.7 19.0 57.0 60.0 57.7 59.5 57.7  14.9 43.1 45.4 0.9 1.0 0.9 1.3 1.4 1.3 18.1 76.8 61.0 13.8 58.6 46.6  60.6 15.3 12.6 59.2 42.2 53.6 45.5 60.2 88.9 44.1 87.1 129.9 1.7 1.7 1.7 2.7 3.1 4.1  4.3 3.7 5.0 net cash net	3.4 129.0 14.7 (49.1) 7.6 461.2 17.0 (78.3) 5.2 555.5 16.9 (81.7) 1.0 585.6 21.0 (81.1) (4.5) 563.6 20.8 (80.9) (4.5) 584.3 17.1 (80.9)  24.8 60.7 61.9 26.4 20.5 58.6 59.7 21.5 19.0 57.0 60.0 22.2 57.7 59.5 57.7 57.7  14.9 43.1 45.4 17.0 0.9 1.0 0.9 0.5 1.3 1.4 1.3 1.2 18.1 76.8 61.0 10.1 13.8 58.6 46.6 8.3  60.6 15.3 12.6 62.9 59.2 42.2 53.6 84.9 45.5 60.2 88.9 71.5 44.1 87.1 129.9 93.5 1.7 1.7 1.7 1.7 1.7 2.7 3.1 4.1 5.7  4.3 3.7 5.0 6.8 net cash

Source: Company; Maybank

### **Research Offices**

#### **ECONOMICS**

Suhaimi ILIAS Chief Economist Malaysia | Philippines | Global (603) 2297 8682 suhaimi\_ilias@maybank-ib.com

**CHUA Hak Bin** 

Regional Thematic Macroeconomist (65) 6231 5830 chuahb@maybank.com

LEE Ju Ye Singapore | Thailand | Indonesia (65) 6231 5844 leejuye@maybank.com

Linda LIU Singapore | Vietnam | Cambodia | Myanmar | Laos (65) 6231 5847

Dr Zamros DZULKAFLI (603) 2082 6818 zamros.d@maybank

Ramesh LANKANATHAN (603) 2297 8685 ramesh@maybank-ib.com

Saktiandi SUPAAT Head of FX Research (65) 6320 1379 saktiandi@maybank.com.sg

Christopher WONG (65) 6320 1347 wongkl@maybank.com.sg

TAN Yanxi (65) 6320 1378 tanvx@mavbank.com.sg

(65) 6320 1374 fionalim@maybank.com.sg

#### STRATEGY

Anand PATHMAKANTHAN (603) 2297 8783 anand.pathmakanthan@maybank-ib.com

#### FIXED INCOME

Winson PHOON, ACA (65) 6340 1079 winsonphoon@maybank.com

SF THO Mun Yi (603) 2074 7606 munyi.st@maybank-ib.com

#### **REGIONAL EQUITIES**

Anand PATHMAKANTHAN Head of Regional Equity Research (603) 2297 8783 anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA Head of ASEAN Equity Research (603) 2297 8686 wchewh@maybank-ib.com

**ONG Seng Yeow** 

Research, Technology & Innovation (65) 6231 5839 ongsengyeow@maybank.com

#### ΜΑΙ ΔΥSΙΔ

Anand PATHMAKANTHAN Head of Research (603) 2297 8783 anand.pathmakanthan@maybank-ib.com

 Strategy WONG Chew Hann, CA (603) 2297 8686

wchewh@maybank-ib.com
• Non-Bank Financials (stock exchange)
• Construction & Infrastructure

Desmond CH'NG, BFP, FCA

(603) 2297 8680 desmond.chng@maybank-ib.com • Banking & Finance

LIAW Thong Jung (603) 2297 8688 tjliaw@maybank-ib.com

· Oil & Gas Services- Regional

Automotive

ONG Chee Ting, CA (603) 2297 8678 ct.ong@maybank-ib.com

Plantations - Regional YIN Shao Yang, CPA (603) 2297 8916 samuel.y@maybank-ib.com

Gaming - Regional
 Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA (603) 2297 8690 chiwei.t@maybank-ib.com Power • Telcos

WONG Wei Sum, CFA (603) 2297 8679 weisum@maybank-ib.com

• Property • Glove

(603) 2297 8687 jade.tam@maybank-ib.com • Consumer Staples & Discretionary

Fahmi FARID (603) 2297 8676 fahmi.farid@maybank-ib.com Software

Syifaa' Nur FARAH (603) 2297 8675

nurfarahsyifaa.mohamadfuad@maybank-ib.com
Construction • Renewable Energy

Arvind JAYARATNAM

(603) 2297 8692 arvind.jayaratnam@maybank.com • Ports • Shipping • Petrochemicals • Technology

TEE Sze Chiah Head of Retail Research (603) 2082 6858 szechiah.t@maybank-ib.com

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe (603) 2297 8694 nikmohdihsan.ra@maybank-ib.com Chartist

Amirah AZMI (603) 2082 8769 amirah.azmi@maybank-ib.com · Retail Research

#### SINGAPORE

Thilan WICKRAMASINGHE Head of Research (65) 6231 5840 thilanw@maybank.com • Banking & Finance - Regional

• Consumer

CHUA Su Tye (65) 6231 5842 chuasutye@maybank.com

• REITs - Regional

LAI Gene Lih, CFA (65) 6231 5832 laigenelih@maybank.com • Technology • Healthcare

Kareen CHAN (65) 6231 5926 kareenchan@maybank.com

• Transport • Telcos • Consumer

Eric ONG (65) 6231 5924 ericong@maybank.com SMIDs

Matthew SHIM (65) 6231 5929

matthewshim@maybank.com REITs

**PHILIPPINES** 

Jacqui de JESUS Head of Research (63) 2 8849 8840

jacqui.dejesus@maybank.com
• Strategy • Conglomerates

Rachelleen RODRIGUEZ, CFA

(63) 2 8849 8843 rachelleen.rodriguez@maybank.com · Banking & Finance · Transport · Telcos

Daphne SZE (63) 2 8849 8847

daphne.sze@maybank.com

#### VIETNAM

Quan Trong Thanh Head of Research (84 28) 44 555 888 ext 8184 thanh.quan@maybank-kimeng.com.vn

Hoang Huy, CFA (84 28) 44 555 888 ext 8181 hoanghuy@maybank-kimeng.com.vn

Strategy • Technology

Le Nguyen Nhat Chuyen (84 28) 44 555 888 ext 8082

chuyen.le@maybank-kimeng.com.vn • Oil & Gas

Nguyen Thi Sony Tra Mi (84 28) 44 555 888 ext 8084 mi.nguyen@maybank-kimeng.com.vn
• Consumer

Tyler Manh Dung Nguyen (84 28) 44 555 888 ext 8085 dung.nguyen@maybank-kimeng.com.vn • Utilities • Property

Tran Thi Thu Thao (84 28) 44 555 888 ext 8180 thao.tran@maybank-kimeng.com.vn Industrials

Nguyen Thi Ngan Tuyen Head of Retail Research (84 28) 44 555 888 ext 8081 tuyen.nguyen@maybank-kimeng.com.vn
• Retail Research

Nguven Thanh Lam (84 28) 44 555 888 ext 8086 thanhlam.nguyen@maybank-kimeng.com.vn • Technical Analysis INDIA

Jigar SHAH Head of Research (91) 22 4223 2632 jigars@maybank.com • Strategy • Oil & Gas • Automobile • Cement

Neeray DAI AI

(91) 22 4223 2606 neerav@maybank.com • Software Technology • Telcos

Vikram RAMAI INGAM (91) 22 4223 2607

vikram@mavbank.com · Automobile · Media

#### INDONESIA

Rahmi MARINA (62) 21 8066 8689

rahmi.marina@maybank-ke.co.id

Banking & Finance

Willy GOUTAMA

(62) 21 8066 8500 willy.goutama@maybank-ke.co.id

Consumer

Farah OKTAVIANI

(62) 21 8066 8691 farah.oktaviani@maybank-ke.co.id

Construction

THAILAND

Maria LAPIZ Head of Institutional Research
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th
• Strategy • Consumer • Materials • Services

Jesada TECHAHUSDIN, CFA (66) 2658 6300 ext 1395 jesada.t@maybank-ke.co.th Banking & Finance

Kaushal LADHA, CFA, CESGA (66) 2658 6300 ext 1392

Kaushal.l@maybank-ke.co.th

Oil & Gas - Regional
 Petrochemicals - Regional
 Utilities

Vanida GEISLER, CPA (66) 2658 6300 ext 1394 Vanida.G@maybank-ke.co.th • Property • REITs

Yuwanee PROMMAPORN (66) 2658 6300 ext 1393 Yuwanee.P @maybank-ke.co.th

Services • Healthcare

Ekachai TARAPORNTIP Head of Retail Research (66) 2658 5000 ext 1530 Ekachai.t@maybank-ke.co.th

Surachai PRAMUALCHAROENKIT (66) 2658 5000 ext 1470 Surachai.p@maybank-ke.co.th

• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB (66) 2658 5000 ext 1430 suttatip.p@maybank-ke.co.th • Food & Beverage • Commerce

Jaroonpan WATTANAWONG (66) 2658 5000 ext 1404 jaroonpan.w@maybank-ke.co.th · Transportation · Small cap

Thanatphat SUKSRICHAVALIT (66) 2658 5000 ext 1401 thanaphat.s@maybank-ke.co.th
• Media • Electronics

**Wijit ARAYAPISIT** (66) 2658 5000 ext 1450 wijit.a@maybank-ke.co.th
• Strategist

Theerasate PROMPONG (66) 2658 5000 ext 1400 theerasate.p@maybank-ke.co.th
• Equity Portfolio Strategist

Apiwat TAVESIRIVATE (66) 2658 5000 ext 1310 apiwat.t@maybank-ke.co.th • Chartist and TFEX

#### APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

#### **DISCLAIMERS**

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "MKE") and consequently no representation is made as to the accuracy or completeness of this report by MKE and it should not be relied upon as such. Accordingly, MKE and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. MKE expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

MKE and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of MKE may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of MKE's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MKE and MKE and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

#### Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

#### Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Kim Eng Research Pte. Ltd. ("Maybank KERPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact Maybank KERPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), Maybank KERPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

#### **Thailand**

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Kim Eng Securities (Thailand) Public Company Limited. ("MBKET") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research products of MBKET Institutional and Retail Research departments may differ in either recommendation or target price, or both. MBKET reserves the rights to disseminate MBKET Retail Research reports to institutional investors who have requested to receive it. If you are an authorised recipient, you hereby tacitly acknowledge that the research reports from MBKET Retail Research are first produced in Thai and there is a time lag in the release of the translated English version.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MBKET does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MBKET does not confirm, verify, or certify the accuracy and completeness of the assessment result.

#### US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Kim Eng Securities USA Inc ("Maybank KESUSA"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Maybank KESUSA in the US shall be borne by Maybank KESUSA. This report is not directed at you if MKE is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Maybank KESUSA is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Maybank Kim Eng Securities USA Inc. 400 Park Avenue, 11th Floor, New York, New York 10022, 1-(212) 688-886 and not with, the issuer of this report.



#### UK

This document is being distributed by Maybank Kim Eng Securities (London) Ltd ("Maybank KESL") which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

#### **DISCLOSURES**

#### **Legal Entities Disclosures**

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. Singapore: This report is distributed in Singapore by Maybank KERPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. Indonesia: PT Maybank Kim Eng Securities ("PTMKES") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). Thailand: MBKET (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. Philippines: Maybank ATRKES (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. Vietnam: Maybank Kim Eng Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. Hong Kong: KESHK (Central Entity No AAD284) is regulated by the Securities and Futures Commission. India: Kim Eng Securities India Private Limited ("KESI") is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India ("SEBI") (Reg. No. INZ000010538). KESI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057) US: Maybank KESUSA is a member of/ and is authorized and regulated by the Financial Conduct Authority.

#### Disclosure of Interest

Malaysia: MKE and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 11 October 2021, Maybank KERPL and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MBKET may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MBKET, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 11 October 2021, KESHK and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 11 October 2021, and at the end of the month immediately preceding the date of publication of the research report, KESI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months KESI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

MKE may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

#### **OTHERS**

#### **Analyst Certification of Independence**

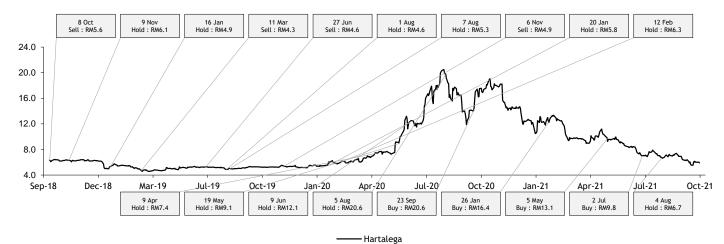
The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

#### Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of MKE.

#### Historical recommendations and target price: Hartalega (HART MK)



#### -----

### **Definition of Ratings**

Maybank Kim Eng Research uses the following rating system

BUY Return is expected to be above 10% in the next 12 months (including dividends)

HOLD Return is expected to be between 0% to 10% in the next 12 months (including dividends)

SELL Return is expected to be below 0% in the next 12 months (including dividends)

### **Applicability of Ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

# Malaysia

Maybank Investment Bank Berhad (A Participating Organisation of Bursa Malaysia Securities Berhad) 33rd Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur Tel: (603) 2059 1888;

Fax: (603) 2078 4194

Stockbroking Business: Level 8, Tower C, Dataran Maybank, No.1, Jalan Maarof 59000 Kuala Lumpur Tel: (603) 2297 8888 Fax: (603) 2282 5136

# Philippines

Maybank ATR Kim Eng Securities Inc. 17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200

Tel: (63) 2 8849 8888 Fax: (63) 2 8848 5738

# South Asia Sales Trading

Kevin Foy Regional Head Sales Trading kevinfoy@maybank-ke.com.sg Tel: (65) 6636-3620 US Toll Free: 1-866-406-7447

#### Indonesia

lwan Atmadjaja iatmadjaja2@bloomberg.net (62) 21 8066 8555

New York James Lynch jlynch@maybank-keusa.com Tel: (212) 688 8886

**Philippines** Keith Roy

keith\_roy@maybank-atrke.com Tel: (63) 2 848-5288

Singapore

Maybank Kim Eng Securities Pte Ltd Maybank Kim Eng Research Pte Ltd 50 North Canal Road Singapore 059304

Tel: (65) 6336 9090

# Hong Kong

Kim Eng Securities (HK) Ltd 28/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

Tel: (852) 2268 0800 Fax: (852) 2877 0104

# Thailand

Maybank Kim Eng Securities (Thailand) Public Company Limited 999/9 The Offices at Central World, 20th - 21st Floor, Rama 1 Road Pathumwan, Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales) Tel: (66) 2 658 6801 (research)

#### North Asia Sales Trading

Andrew Lee andrewlee@kimeng.com.hk Tel: (852) 2268 0283 US Toll Free: 1 877 837 7635

London Greg Smith gsmith@maybank-ke.co.uk Tel: (44) 207-332-0221

India Sanjay Makhija sanjaymakhija@maybank-ke.co.in Tel: (91)-22-6623-2629

## London

Maybank Kim Eng Securities (London) Ltd PNB House 77 Queen Victoria Street London EC4V 4AY, UK

Tel: (44) 20 7332 0221 Fax: (44) 20 7332 0302

### Indonesia

PT Maybank Kim Eng Securities Sentral Senayan III, 22nd Floor Jl. Asia Afrika No. 8 Gelora Bung Karno, Senayan Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188 Fax: (62) 21 2557 1189

#### **Vietnam**

Maybank Kim Eng Securities Limited 4A-15+16 Floor Vincom Center Dong Khoi, 72 Le Thanh Ton St. District 1 Ho Chi Minh City, Vietnam

Tel: (84) 844 555 888 Fax: (84) 8 38 271 030

## New York

Maybank Kim Eng Securities USA 400 Park Avenue, 11th Floor New York, New York 10022, U.S.A.

Tel: (212) 688 8886 Fax: (212) 688 3500

# India

Kim Eng Securities India Pvt Ltd 1101, 11th floor, A Wing, Kanakia Wall Street, Chakala, Andheri Kurla Road, Andheri East, Mumbai City - 400 093, India

Tel: (91) 22 6623 2600 Fax: (91) 22 6623 2604

#### Saudi Arabia

In association with Anfaal Capital Ground Floor, KANOO Building No.1 - Al-Faisaliyah, Madina Road, P.O.Box 126575 Jeddah 21352 Kingdom of Saudi Arabia

Tel: (966) 920023423

www.maybank-ke.com | www.maybank-keresearch.com