

## 9MFY12 Results Review

Chaw Sook Ting

Tel : +6(03)9207 7604

Email : sookting.chaw@my.oskgroup.com

## Apex Healthcare Bhd

## NEUTRAL

Target	RM3.84
Previous	RM3.84
Price	RM3.56

## Major Shareholders (%)

Apex Pharmacy Holdings	40.5%
Washington H Soul Pattinson	30.3%

## Stock Information

Market cap (RMm)	333.6
Shares Capital (m)	93.7
OSK 188 Ticker	AHEALTH
Industry	Consumer

## Company Description

Apex Healthcare is a pharmaceutical company that manufactures off-patent drugs and also distributes 3<sup>rd</sup> party drugs.

## 9MFY12 Performance in Line

Apex Healthcare Bhd's (AHB) 9MFY12 results were largely in line with our expectations. Its 9MFY12 revenue rose 10.6% y-o-y to RM302.6m, accounting for about 74.6% of our full-year target, while YTD PBT surged 22.5% y-o-y to RM32.4m. Its strong performance was attributed to improvements in all business segments. AHB's share price, which once hit RM3.86 on 15 Oct 2012 before retreating to yesterday's close of RM3.56, has gone up by 22.3% since our first report on 3 Aug 2012. In addition, its consistent good dividend payout should provide support to the share price. We are leaving our FY13 forecast unchanged with RM3.84 FV, based on its 10-year average PER of 9.5x, but revising our call to NEUTRAL.

**In line.** 9MFY12 results were within our expectation, with annualised revenue and PBT were accounted for about 99.4% and 96.2% respectively of our full-year estimate. 3QFY12 revenue came in at RM97.8m (+6.5% y-o-y, -2.9% q-o-q), while PBT stood at RM8.8m (+41.9% y-o-y, -22.6% q-o-q). The lower q-o-q performance was mainly due to higher contribution from its high-margin products during 2QFY12. 9MFY12 PBT rose 22.5% y-o-y to RM32.4m, on the back of a 10.6% increase in revenue of RM302.6m. The improved results were due to better performance across all its business segments, with the revenue from its manufacturing & marketing segment and wholesale & distribution segment up 11.0% and 15.0% y-o-y, respectively. The performance was also partly boosted by a RM2.2m impairment loss recorded in 3QFY11 when the company divested its stake in Xiamen Maidiken Science & Technology Co Ltd, China. Stripping off the impairment loss, PBT growth was relatively modest at 13.1% y-o-y.

**New own-brand product to boost sales.** The company launched a new product, ADROTEN (*bisoprolol 5mg*) under its own brand during the quarter under review. The product, a treatment of hypertension, has attained good market reception. This further strengthens its portfolio of cardiovascular products. The company is working towards its target of generating higher contribution from its own-brand products with higher margins.

**Strengthening wholesale & distribution business.** The company's wholesales & distribution arm, Apex Pharma, has shown steady growth. Its AVO Diagnostics products continue to gain market share, with its sales growing 41% y-o-y. The newly-launched AVO products managed to penetrate the market. Its performance in the Singapore's market is commendable, with revenue up by 13% y-o-y, backed by stronger margins from all segments. The group's exports to Singapore have increased, especially for its Agnesia medicated powder line which has recently expanded with the addition of two new fragrances, Lavender and Rose.

**Maintain RM3.84 FV, revised to NEUTRAL.** We continue to like AHB for its sound fundamentals, good dividend payout track record and higher margins from its own-brand products. Its share price, which once hit RM3.86 on 15 Oct 2012 before retreating to yesterday's close of RM3.56, has gone up by 22.3% since our first report on 3 August 2012. In addition, its consistent good dividend payout should provide support to the share price. We are leaving our FY13 forecast unchanged with RM3.84 FV, based on its 10-year average PER of 9.5x, but revising our call to NEUTRAL.

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Revenue	282.7	313.7	366.0	405.9	456.5
Net Profit	22.1	32.9	28.1	31.9	37.9
% chg y-o-y	49.9	48.8	-14.8	13.6	18.9
Consensus	-	-	-	n.a	n.a
EPS (sen)	29.5	35.2	30.0	34.0	40.5
Gross DPS (sen)	19.8	16.0	17.2	18.0	20.0
Gross dividend yield (%)	5.5	4.5	4.8	5.1	5.6
ROE (%)	13.6	18.0	14.1	14.9	16.2
ROA (%)	9.3	12.4	9.7	11.0	12.0
PER (x)	12.1	10.1	11.9	10.5	8.8
BV/share (RM)	2.2	2.0	2.1	2.3	2.5
P/BV (x)	1.6	1.8	1.7	1.6	1.4

## Result Table (RMm)

	2Q12	3Q12	Q-o-q chg	YTD FY12	YTD FY11	Y-o-y chg
Revenue	100.7	97.8	-2.9%	302.6	273.7	10.6%
EBIT	11.4	8.8	-29.2%	32.5	25.4	27.9%
Interest expense	0.0	0.0	16.7%	-0.1	-0.2	58.0%
Associates	0.0	0.0	n.a.	0.0	1.3	n.a.
PBT	11.3	8.8	-29.2%	32.4	26.5	22.5%
Tax	-3.0	-2.3	27.9%	-11.3	-6.1	-85.9%
MI	0.0	0.0	29.4%	0.0	0.4	-88.6%
Net Profit	8.4	6.4	-29.8%	21.1	20.0	5.6%
EPS (sen)	8.9	6.9	-29.8%	22.5	21.4	5.6%
DPS (sen)	6.0	0.0	n.a.	6.0	5.5	9.1%
EBIT margin	11.3%	9.0%	n.a.	10.8%	9.3%	n.a.
NTA/share (RM)	2.20	2.22	n.a.	2.22	2.13	n.a.

Source: Bursa Malaysia

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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 (NR):** Stock is not within regular research coverage

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**Branches****Malaysia**

Malaysia Research Office

OSK Research Sdn. Bhd

6<sup>th</sup> Floor, Plaza OSK

Jalan Ampang

50450 Kuala Lumpur

Malaysia

TEL : +(60)3 9207 7688

FAX : +(60)3 2175 3202

**Hong Kong**

Hong Kong Office

OSK Securities Hong Kong Ltd.

12<sup>th</sup> Floor, World-Wide House

19 Des Voeux Road Central,

Hong Kong

TEL : +(852) 2525 1118

FAX : +(852) 2810 0908

**Singapore**

Singapore Office

DMG & Partners

Securities Ptd Ltd.

10 Collyer Quay

#09-08 Ocean Financial Centre

Singapore 049315

TEL : +(65) 6533 1818

FAX : +(65) 6532 6211

**Indonesia**

PT OSK Nusadana Securities Indonesia

Plaza CIMB Naga, 14<sup>th</sup> Floor,

Jl. Jend. Sudirman Kav.25,

Jakarta Selatan 12920,

Indonesia

TEL : +(6221) 2598 6888

FAX : +(6221) 2598 6777

**Shanghai**

OSK (China) Investment Advisory Co. Ltd.

Room 6506, Plaza 66,

No.1266, West Nan Jing Road

200040 Shanghai

China

TEL : +(8621) 6288 9611

FAX : +(8621) 6288 9633

**Phnom Penh**

OSK Indochina Securities Limited

No.1-3, Street 271

Sangkat Toeuk Thia, Khan Sen Sok,

Phnom Penh

Cambodia

TEL : +(855) 2399 2833

FAX : +(855) 2399 1822

**Bangkok**

OSK Securities (Thailand) PCL

10 Floor, Sathorn Square Office Tower

98, North Sathorn Rd, Silom

Bangrak, Bangkok 10500

Thailand

TEL : +(66) 0862 9999

FAX : +(66) 0108 0999