

FY12 Results Review

The Research Team

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Apex Healthcare Bhd

NEUTRAL

Target	RM4.10
Previous	RM4.10
Price	RM4.14

Major Shareholders (%)

Apex Pharmacy Holdings	40.5%
Washington H Soul Pattinson	30.3%

Stock Information

Market cap (RMm)	388.0
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 3rd party drugs.

FY12 Performance In Line

Apex Healthcare Bhd (AHB)'s FY12 results were largely within our expectations, with its revenue of RM398.6m accounting for about 98.2% of our full-year estimate. FY12 PBT came in at RM42.4m (+18.4% y-o-y), on the back of an 8.9% revenue increase to RM398.6m. The group's stronger performance was bolstered by its manufacturing (+6.8% y-o-y) and wholesale & distribution (+12.3% y-o-y) segments. The local market continued to be supported by its key products – cough mixtures and cardiovascular products, while its wholesale & distribution segment was buoyed by strong sales from the pharmaceutical and consumer products division. All in, we are leaving our FY13 forecasts and RM4.10 FV unchanged, based on its 10-year average PER of 10.0x. Maintain NEUTRAL.

In line. AHB's FY12 results were in line with our expectations, with revenue and PBT accounting for about 99.4% and 94.3% respectively of our full-year estimates. FY12 PBT came in at RM42.4m (+18.4% y-o-y), on the back of an 8.9% increase in revenue to RM398.6m. The group's stronger performance was bolstered by the manufacturing (+6.8% y-o-y) and wholesale & distribution (+12.3% y-o-y) segments. Nevertheless, its net profit inched up a marginal 3.6% y-o-y to RM29.0m, mainly due to the recognition of RM2.5m capital gains tax incurred in FY12 upon the completion of the disposal of its China investment in Ziamen Maidiken Science and Technology Co Ltd, as well as a higher effective tax rate of 31.4% for FY12. While the group's 4QFY12 revenue was relatively flat at RM96.0m, its PBT grew 13.1% q-o-q to RM9.9m, primarily driven by lower operating costs and a better sales mix.

Double-digit growth in PBT. The manufacturing arm's FY12 revenue reached RM90.5m, boosted by strong local and selected export markets, while its PBT climbed 11% y-o-y. On the local front, sales to private sector pharmacies surged 28% y-o-y, with cough mixtures and cardiovascular products being the top sales contributors. The exports market was supported by its Singapore (+32.0% y-o-y) and Myanmar divisions, the latter saw sales jumping by more than one-fold. The wholesale & distribution arm reported a 12% y-o-y sales growth, while its PBT expanded by 26% y-o-y, backed by strong sales performance in pharmaceutical and consumer products divisions. The group's continued efforts to drive up profit contribution from its own brands are paying off, as sales of its AVO brand products such as Avonac SR 100mg and Clavomax 625mg Tablet had improved.

Final dividend proposed. The company proposed a final gross dividend of 6 sen less 25% tax and a special tax-exempted dividend of 5 sen per share for FY12 (FY11: final gross dividend of 5 sen less 25% tax and a special tax-exempted dividend of 5 sen per share). This brought to a total gross dividend per share of 18.25 sen per share or gross dividend yield of 4.4% (net dividend per share of 14 sen, net dividend yield of 3.4%) for FY12.

Maintain NEUTRAL, RM4.10 FV. AHB's balance sheet remains solid, with net cash per share of 37.0 sen as at end-December 2012. For now, its manufacturing and wholesale & distribution businesses are its bread and butter, while its orthopaedic manufacturing business is set to be the next growth engine in the near future. All in, we are leaving our forecasts unchanged. Maintain NEUTRAL on Apex, with a FV of RM4.10, pegged to a PER of 10x.

FYE Dec (RMm)	FY09	FY10	FY11	FY12	FY13f
Revenue	282.7	313.7	366.0	398.6	460.1
Net Profit	22.1	32.9	28.1	29.0	35.9
% chg y-o-y	49.9	48.8	-14.8	3.4	23.8
Consensus	-	-	-	-	n.a
EPS (sen)	29.5	35.2	30.0	31.0	38.3
Gross DPS (sen)	19.8	16.0	17.2	18.3	20.0
Gross dividend yield (%)	4.8	3.9	4.1	4.4	4.8
ROE (%)	13.6	18.0	14.1	13.4	15.3
ROA (%)	9.3	12.4	9.7	10.0	11.5
PER (x)	14.0	11.8	13.8	13.4	10.8
BV/share (RM)	2.17	1.95	2.12	2.31	2.50
P/BV (x)	1.9	2.1	2.0	1.8	1.7

Result Table (RMm)

	4Q12	3Q12	Q-o-q chg	YTD FY12	YTD FY11	Y-o-y chg
Revenue	96.0	97.8	-1.9	398.6	366.0	8.9
EBIT	9.9	8.8	11.4	42.5	34.8	22.1
Interest expense	0.0	0.0	172.7	-0.1	-0.3	-60.8
Associates	0.0	0.0	n.m.	0.0	1.3	-100.0
PBT	9.9	8.8	11.6	42.4	35.8	18.4
Tax	-2.0	-2.3	14.6	-13.3	-7.4	80.0
MI	0.0	0.0	-112.5	0.1	0.4	-86.3
Net Profit	7.9	6.4	18.4	29.0	28.0	3.6
EPS (sen)	8.4	6.9	18.4	31.0	29.9	3.6
DPS (sen)	12.3	0.0	n.m.	18.3	17.2	6.3
EBIT margin (%)	10.3	9.0	13.0	10.7	9.5	12.1
NTA/share (RM)	2.31	2.22	3.9	2.31	2.12	8.5

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: Stock is not within regular research coverage

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