

FY13 Results Review

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Apex Healthcare

NEUTRAL

Target	MYR 4.42
Previous	MYR 5.15
Price	MYR 4.40

Major Shareholders (%)

Apex Pharmacy Holdings	40.5%
Washington H Soul Pattinson	30.3%

Stock's Information

Market cap (RMm)	412.4
Shares Capital (m)	93.7
OSK 188 Ticker	AHEALTH
Industry	Consumer

Company Description

Apex Healthcare is a pharmaceutical company that manufactures off-patent medication and distributes third-party drugs.

Within Expectations

Apex Healthcare (AHB)'s FY13 results were within our expectations, with net profit of MYR30.0m accounting for c.97% of our FY13's estimate. Its FY13 results were mixed, with a lower y-o-y profit before tax (PBT) of 4%, and a y-o-y growth in revenue of 5%. The mixed performances were mainly due to lower contributions from the Malaysian Government's tender sales, although this was mitigated by strong private sector sales and exports. We adjust our FY14 forecasts to factor in lower contributions from the manufacturing segment, softer margin and positive contribution from ABio. We lower our FY14 revenue and PBT forecasts by 7% and 17% respectively. Our FV is revised to MYR4.42 from MYR5.15, pegged to an unchanged 12x FY14F target P/E. Maintain NEUTRAL.

Within expectations. AHB's FY13 results were in line with our expectations, with its MYR30.0m net profit accounting for c.97% of our FY13 target. On a yearly basis, FY13 PBT was 4% lower at MYR40.6m. Meanwhile, net profit was up 4% y-o-y on the back of a 5% increase in revenue to MYR418.5m. EBIT margin fell to 9.9% in FY13 from 10.7% in FY12. The mixed performances were mainly due to higher operating cost arising from the relocation of its Singapore distribution warehouse and lower contribution from the Malaysian Government's tender sales, although these were mitigated by strong private sector sales and exports. On a quarterly basis, results were generally stronger in 4QFY13, with its MYR10.6m PBT being 23% higher q-o-q, attributed to stronger sales and better sales mix with higher margin products in 4Q.

Softer contribution from manufacturing segment offset by stronger wholesale and marketing segment. The manufacturing and marketing segment, which saw a 2% y-o-y contraction in sales to MYR88.9m, was affected by a 33% decline in the Malaysian Government's tender sales. Meanwhile, sales contribution from the wholesale and distribution segment increased by 6% y-o-y in FY13 to MYR389.2m, led by growth in in-house brands, and contributions from its pharmacy and consumer units. In addition, its sales and marketing team has successfully brought its products to Taiwan in 4Q, which is a new export market for AHB. Its retail pharmacy outlet located in City Square Mall in Johor recorded a 28% y-o-y growth in sales. Meanwhile, AHB's jointly controlled entity, ABio Orthopaedics SB (ABio), ramped up its manufacturing volume in 4Q and contributed MYR0.1m profit in 4QFY13, compared with MYR0.5m net loss in 3QFY13.

Maintain NEUTRAL, FV at MYR4.42. AHB announced a final single-tier dividend of MYR0.06 per share to reward its shareholders. We adjust our FY14 forecasts to factor in lower contribution from the manufacturing segment, softer margin and positive contribution from ABio. We lower FY14's revenue and PBT forecasts by 7% and 17% respectively. The FV is revised to MYR4.42 (from MYR5.15), pegged to an unchanged target 12x FY14F P/E. The group's financial position remains solid despite paying off its new distribution facilities in Singapore. It has a total net cash of MYR38.3m (or a net cash per share of MYR0.40) as at end-Dec 2013.

FYE Dec (MYRm)	FY10	FY11	FY12	FY13	FY14F
Revenue	313.7	366.0	398.6	418.5	472.7
Net Profit	32.9	28.1	29.0	30.0	34.5
% chg y-o-y	48.8	-14.8	3.3	3.5	15.1
Consensus	-	-	-	n.a	n.a
EPS (sen)	35.2	30.0	31.0	32.0	36.9
Net DPS (sen)	12.0	10.4	12.5	10.0	12.0
Net dividend yield (%)	2.7	2.4	2.8	2.3	2.7
ROE (%)	18.0	14.1	13.4	12.8	13.4
ROA (%)	12.4	9.7	10.0	9.6	9.4
P/E (x)	12.5	14.7	14.2	13.7	11.9
BV/share (MYR)	1.95	2.12	2.31	2.51	2.76
P/BV (x)	2.3	2.1	1.9	1.8	1.6

Results table (MYRm)

FYE Dec (MYRm)	4Q FY13	3Q FY13	Q-o-q chg (%)	FY13	FY12	Y-o-y chg (%)
Revenue	106.2	101.7	4.5	418.5	398.6	5.0
EBIT	10.4	9.1	14.6	41.4	42.5	-2.4
Interest expense	0.0	0.0	-37.5	0.0	-0.1	-61.9
Associates	0.1	-0.5	-126.0	-0.8	0.0	n.m.
PBT	10.6	8.6	23.2	40.6	42.3	-4.1
Tax	-2.9	-2.1	41.4	-10.5	-13.3	-21.0
MI	0.0	0.0	-18.2	0.1	0.1	87.0
Net Profit	7.6	6.5	17.6	30.0	29.0	3.5
EPS (sen)	8.1	6.9	17.7	32.0	31.0	3.5
DPS (sen)	6.0	0.0	n.m.	10.0	9.8	2.6
EBIT margin	9.8%	9.0%	9.7	9.9%	10.7%	-7.0
NTA/share (MYR)	2.51	2.40	4.6	2.51	2.31	8.7

Source: Bursa Malaysia, RHB

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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

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Not Rated: Stock is not within regular research coverage

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