

Apex Healthcare (APEX MK)

Malaysia - Small & Mid Caps

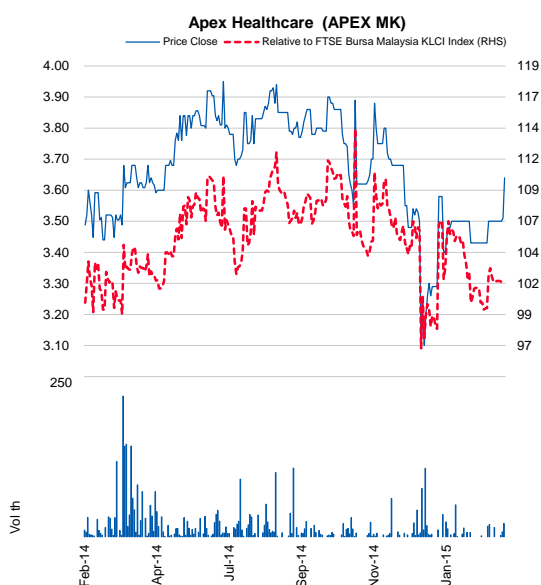
Market Cap: USD118m

Neutral (Maintained)

Target Price: MYR3.75

Price: MYR3.64

Within Expectations

 Macro ◆◆
 Risks ◆
 Growth ◆
 Value ◆◆


Source: Bloomberg

Avg Turnover (MYR/USD)	0.03m/0.01m
Cons. Upside (%)	3.0
Upside (%)	3.0
52-wk Price low/high (MYR)	3.10 - 3.95
Free float (%)	17
Share outstanding (m)	117
Shareholders (%)	
Apex Pharmacy Holdings	40.5
Washington H Soul Pattinson	30.3

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	1.7	4.0	(1.1)	(3.7)	4.4
Relative	(1.6)	3.1	0.0	(1.3)	5.2

Shariah compliant

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Apex's FY14 results were within our expectations, with its core net profit of MYR33.9m (+13% YoY) making up about 104% of our FY14 full-year target. As such, we maintain our forecasts and NEUTRAL stance with our TP still at MYR3.75 (3% upside), pegged to an unchanged target 12x FY15F P/E. Its balance sheet remains solid, with total net cash of MYR56.0m as at end-Dec 2014.

- ◆ **Within expectations.** Apex Healthcare's (Apex) FY14 results were within our expectations, with its core net profit of MYR33.9m (+13% YoY,) accounting for about 104% of our FY14 full-year estimate. FY14 PBT improved by 12% YoY to MYR45.6m, on the back of a 19% increase in revenue to MYR499.2m. 4Q14 core net profit of MYR9.5m surged 29% QoQ even though the company booked a flat revenue of MYR123.3m (+1% QoQ), mainly attributed to lower operating expenses during the quarter under review.
- ◆ **Still doing well.** Both its manufacturing & marketing and wholesale & distribution segments have performed well, contributing MYR28m (+27% YoY) and MYR464m (+19% YoY) to total sales respectively. The better results were supported by improved sales in the Malaysian government and Singapore segments – coupled with improvements recorded by its original equipment manufacturing (OEM) division.
- ◆ **Maintain NEUTRAL, TP at MYR3.75.** Apex's management proposed a final single-tier dividend of 6 sen per share, which brings its total dividend to 9.5 sen per share for FY14. Overall, the outlook of the pharmaceutical industry remains intact, underpinned by: i) continuous efforts to reduce healthcare costs with the increasing use of generic drugs, ii) rising demand for quality medicines and consumer healthcare products, along with iii) higher standards of living. We retain our estimates for FY15 and FY16, and introduce our FY17 forecasts. We maintain NEUTRAL and retain our MYR3.75 TP, keeping it pegged to a target 12x FY15F P/E. Its balance sheet remains robust, with total net cash of MYR56.0m as at end-Dec 2014.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	418	499	507	531	556
Reported net profit (MYRm)	30.0	33.9	37.0	38.9	41.0
Recurring net profit (MYRm)	30.0	33.9	37.0	38.9	41.0
Recurring net profit growth (%)	3.5	12.8	9.3	5.1	5.5
Recurring EPS (MYR)	0.32	0.36	0.35	0.33	0.32
DPS (MYR)	0.10	0.10	0.10	0.11	0.11
Recurring P/E (x)	11.4	10.1	10.4	11.0	11.4
P/B (x)	1.45	1.31	1.50	1.37	1.52
P/CF (x)	12.5	9.7	10.8	9.7	10.2
Dividend Yield (%)	2.7	2.6	2.7	3.0	3.0
EV/EBITDA (x)	6.27	5.32	5.52	5.46	5.69
Return on average equity (%)	13.3	13.7	13.6	13.0	12.7
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

Figure 1: Apex's results review

FYE Dec (MYRm)	4Q13	3Q14	4Q14	QoQ (%)	YoY (%)	YTD FY14	YTD FY13	YoY (%)	Comments
Revenue	106	123	123	1%	16%	499	418	19%	
EBITDA	13	12	14	15%	14%	54	49	9%	
<i>EBITDA Margin (%)</i>	12%	10%	12%	15%	-2%	11%	12%	-9%	
Depreciation	-2	-2	-2	1%	6%	-9	-8	15%	
EBIT	10	10	12	18%	16%	45	41	8%	
<i>EBIT Margin (%)</i>	10%	8%	10%	18%	0%	9%	10%	-10%	
Interest expense	0	0	0	NA	-60%	0	0	-81%	
Interest income	0	0	0	NA	NA	0	0	NA	
Associates	0	0	1	NA	338%	1	-1	-218%	
EI/Others	0	0	0	NA	NA	0	0	NA	
Pretax profit	11	10	13	23%	20%	46	41	12%	
<i>Pretax Margin (%)</i>	10%	8%	10%	22%	3%	9%	10%	-6%	
Tax	-3	-3	-3	9%	7%	-12	-10	11%	
<i>Effective tax rate (%)</i>	28%	28%	25%	-12%	-11%	26%	26%	-1%	
Minority Interest	0	0	0	-18%	-15%	0	0	12%	
Net Profit	8	7	10	29%	25%	34	30	13%	
Core Profit	8	7	10	29%	25%	34	30	13%	
<i>Core net margin (%)</i>	7%	6%	8%	28%	8%	7%	7%	-5%	

Source: Company data, RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	418	499	507	531	556
Cost of sales	(313)	(383)	(382)	(400)	(420)
Gross profit	106	116	125	130	137
Gen & admin expenses	(18)	(20)	(21)	(22)	(23)
Selling expenses	(48)	(55)	(60)	(63)	(66)
Other operating costs	2	4	4	4	4
Operating profit	41	45	48	50	52
Operating EBITDA	49	54	57	59	62
Depreciation of fixed assets	(8)	(9)	(9)	(9)	(10)
Operating EBIT	41	45	48	50	52
Net income from investments	(1)	1	2	2	3
Interest expense	(0)	(0)	-	-	-
Pre-tax profit	41	46	49	52	55
Taxation	(10)	(12)	(12)	(13)	(14)
Minority interests	(0)	(0)	(0)	(0)	(0)
Profit after tax & minorities	30	34	37	39	41
Reported net profit	30	34	37	39	41
Recurring net profit	30	34	37	39	41

Source: Company data, RHB

Cash flow (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	41	45	48	50	52
Depreciation & amortisation	8	9	9	9	10
Change in working capital	(12)	(5)	(11)	(4)	(5)
Other operating cash flow	(0)	(2)	2	2	3
Operating cash flow	37	47	48	57	60
Interest paid	0	0	-	-	-
Tax paid	(10)	(11)	(12)	(13)	(14)
Cash flow from operations	27	35	35	44	46
Capex	(37)	(6)	(5)	(5)	(5)
Other investing cash flow	26	4	3	-	-
Cash flow from investing activities	(11)	(2)	(2)	(5)	(5)
Dividends paid	(13)	(10)	(12)	(13)	(15)
Increase in debt	-	0	(0)	-	-
Other financing cash flow	(6)	(0)	0	-	-
Cash flow from financing activities	(19)	(10)	(12)	(13)	(15)
Cash at beginning of period	35	33	56	77	103
Total cash generated	(2)	23	21	26	26
Forex effects	0	0	-	-	-
Implied cash at end of period	33	56	77	103	129

Source: Company data, RHB

Financial Exhibits

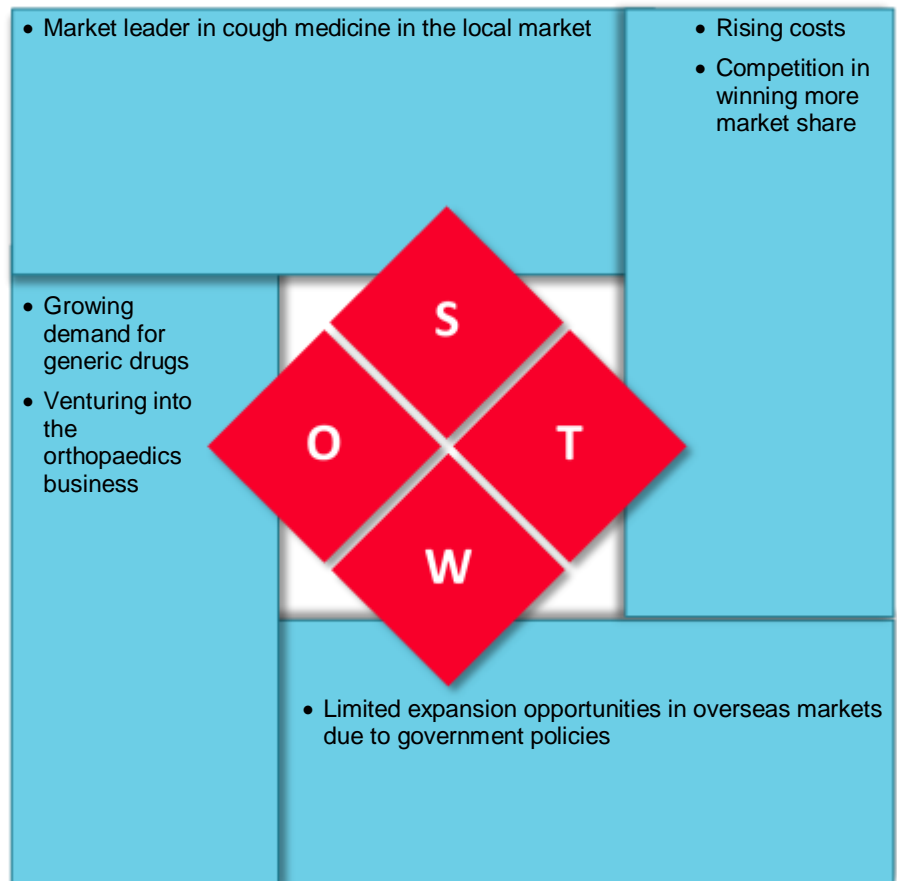
Balance Sheet (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	33	56	77	103	129
Inventories	48	52	56	58	61
Accounts receivable	101	114	118	124	130
Other current assets	5	3	1	1	1
Total current assets	186	225	252	286	321
Tangible fixed assets	107	100	95	91	87
Total other assets	20	30	30	30	30
Total non-current assets	127	129	125	121	116
Total assets	313	354	377	407	437
Short-term debt	-	0	-	-	-
Accounts payable	70	87	84	88	92
Other current liabilities	2	2	2	2	2
Total current liabilities	72	89	86	90	94
Total long-term debt	-	0	-	-	-
Other liabilities	6	5	5	5	5
Total non-current liabilities	6	5	5	5	5
Total liabilities	78	94	91	95	100
Share capital	94	117	117	117	117
Retained earnings reserve	138	139	164	190	215
Other reserves	3	4	4	4	4
Shareholders' equity	235	260	285	311	337
Minority interests	0	0	0	1	1
Other equity	0	(0)	0	0	0
Total equity	235	260	286	312	337
Total liabilities & equity	313	354	377	407	437

Source: Company data, RHB

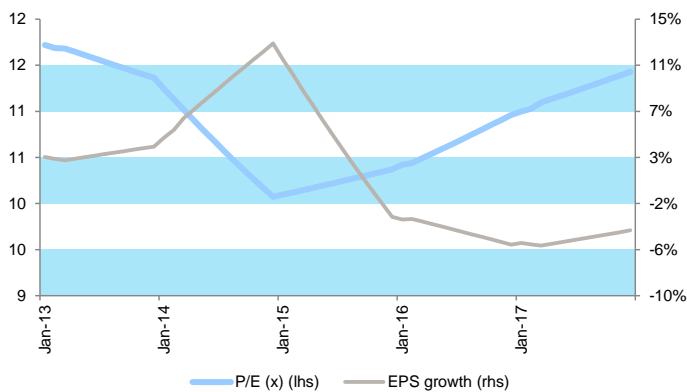
Key Ratios (MYR)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	5.0	19.3	1.5	4.7	4.8
Operating profit growth (%)	(2.4)	7.9	7.1	4.3	4.5
Net profit growth (%)	3.5	12.8	9.3	5.1	5.5
EPS growth (%)	3.5	12.8	(2.9)	(5.4)	(4.1)
Bv per share growth (%)	8.6	10.7	(12.2)	9.1	(9.8)
Operating margin (%)	9.9	9.0	9.5	9.4	9.4
Net profit margin (%)	7.2	6.8	7.3	7.3	7.4
Return on average assets (%)	10.0	10.1	10.1	9.9	9.7
Return on average equity (%)	13.3	13.7	13.6	13.0	12.7
Net debt to equity (%)	(14.0)	(21.5)	(27.0)	(33.2)	(38.3)
DPS	0.10	0.10	0.10	0.11	0.11
Recurrent cash flow per share	0.29	0.38	0.34	0.38	0.36

Source: Company data, RHB

SWOT Analysis

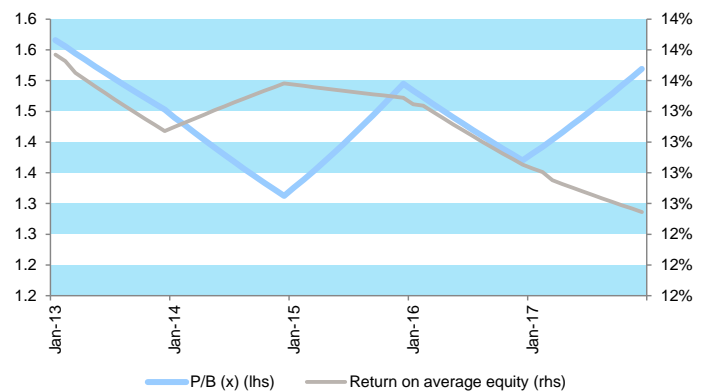


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

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

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-11-19	Neutral	3.75	3.68

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

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

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