

Apex joins the fray



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Several healthcare providers are expected to participate in the wholesale distribution process on behalf of the distributors of government-procured vaccines. Analysts are betting on several companies including Apex Healthcare Bhd.

PETALING JAYA: The distribution of Covid-19 vaccine across the country is the next big thing in the healthcare sector.

This has attracted non-pharmaceutical listed companies to get into the distribution frenzy by providing cold chain facilities or having joint ventures with vaccine makers.

The bets are on [Pharmaniaga Bhd](#) and [Duopharma Biotech Bhd](#) to become the main authorised



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Beyond that, several healthcare providers are expected to participate in the wholesale distribution process on behalf of the distributors of government-procured vaccines.

Analysts are betting on several companies including [Apex Healthcare Bhd](#) . This is based on its vast distribution network, past track record of distributing vaccines and other pharmaceutical products.

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Apex has enough cold chain facilities in both Malaysia and Singapore that are capable of storing vaccines.

“Coupled with a robust warehousing system, we predict that Apex will be a prominent player in the Covid-19 vaccine distribution,” said AmInvestment Research wrote in a report.

Starting as a retail pharmacy in Melaka in 1962, Apex has evolved to become one of Malaysia’s largest pharmaceutical wholesalers, involved in the development, manufacturing, marketing and distribution of pharmaceutical products



Beyond Malaysia, it has operations in Singapore, Vietnam and Myanmar. It has over 1,400 employees and operates two manufacturing plants in Melaka and Penang.

What sets it apart from other pharmaceutical companies is its expansion in the orthopaedics segment, according to the research house.

Although earnings contribution from this segment is still small at less than 10%, AmInvestment believed there is potential for growth. Apex planned to continue widening its range of high margin-yielding in-house brands. Its current portfolio of products includes tablets, capsules and liquid medicine.

For this and the next financial year (FY) 2021-22, AmInvestment forecast Apex's core net profit to grow by 10.1% and 16.6% respectively based strong demand and higher-margins. Apex's wholesale and distribution segments contribute the most towards revenue. Profits are from its manufacturing division led by higher operating profit margin.

Net profit forecast for FY21-22 is RM59mil and RM69mil. This is closer to consensus estimates of RM60mil and RM69mil respectively. Forecast for earnings per share (EPS) is 12.6 sen and 14.7 sen respectively.

For FY20, Apex should turn in RM54mil and 11.4 sen in net profit and EPS respectively. Revenue growth is expected to be muted at 3.8% at RM714mil.

Apex's revenue growth rate should normalise to the 5% to 6% range for FY21-22, said AmInvestment.

A lot will depend on how fast the pandemic is contained, although the vaccine does provide impetus for the sector to recover faster.

Other challenging factors for companies like Apex include the stringent product manufacturing and registration processes that could lead to longer testing periods and less frequent product launches.

Apex could continue to face intense price competition from numerous pharmaceutical peers in Malaysia and other countries, it said.

AmInvestment recently initiated coverage on the stock and believed that Apex has a "strong liquidity profile, low debts and decent operating cash flows which will place the group in a good position for further growth and to weather troubling periods."

It has a "buy" recommendation with a fair value of RM3.82 per share. This is based on a price earnings ratio (PE) of 26x on FY22 EPS. The PE is slightly higher than the regional pharmaceutical industry's average PE of 24.4x for FY22.

Year-to-date its share traded in a narrow band of RM3.30 to RM3.60. Its shares closed 0.2 sen lower to RM3.33 a share yesterday.

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Apex Healthcare , Covid-19 , Vaccine , Pharmaceuticals , Pharmaniaga , Duopharma



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