



APEX HEALTHCARE BERHAD

Neutral

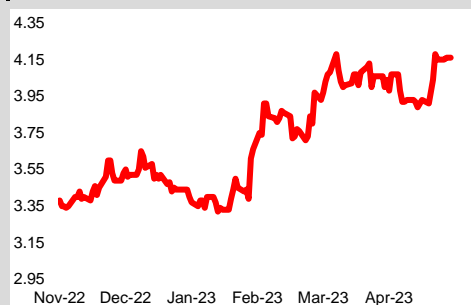
DESCRIPTION

An investment holding company involved in the development, manufacturing, marketing and distribution of pharmaceuticals, diagnostics, consumer healthcare products and orthopaedic devices.

12-Month Target Price	RM3.81
Current Price	RM4.16
Expected Return	-8.5%

Market	Main
Sector	Consumer
Bursa Code	7090
Bloomberg Ticker	APEX MK
Shariah-Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	2.65 – 4.18
3-Month Average Vol ('000)	152.7

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	2.5	13.7	23.1
Relative Returns	5.1	17.5	29.8

KEY STOCK DATA

Market Capitalisation (RMm)	1,991.3
No. of Shares (m)	478.7

MAJOR SHAREHOLDERS

	%
Apex Pharmacy Holdings Sdn Bhd	39.9
Washington H Soul Pattinson	29.7
Lim Teh Realty Sdn Bhd	1.4

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Within Expectations

Apex Healthcare's (ApexH) 1QFY23 net profit increased by 54% YoY to RM24.3m. The stronger performance was mainly driven by higher market demand for pharmaceutical products, especially for respiratory illness. After stripping off the non-operating items, ApexH's 1QFY23 core net profit increased 60% YoY to RM25.3m. The results were within both our and street's projections at 27% and 26% of full year forecast respectively. ApexH has obtained approval for its one-for-two bonus issue with the entitlement date fixed on 9 June 2023. The group's 40% associate Straits Apex (SAG) has also entered into an agreement to divest its entire stake in Straits Apex SB (SA) to Quadria Capital (expected to take place in 2QFY23). Hence, we revise down our FY23-25F earnings forecasts by 12-17%, accounting for the reduction of ApexH's effective stake on SAG from 40% to 16%. All told, we maintain our **Neutral** call on ApexH, with a revised TP of RM3.81, based on a 20x 1-year forward PER, rolling forward our valuation to FY24F EPS.

§ **Stronger revenue.** ApexH's revenue stood at RM245.8m (+14% YoY) in 1QFY23. The increase was mainly due to stronger contributions from its manufacturing and marketing segment (+36% YoY) as well as its wholesale and distribution segment (+12% YoY), underpinned by the increase in market demand for pharmaceutical products, consumer healthcare products and medical devices. This was mainly attributed to the prevalence of COVID-19 infection and the continued presence of acute respiratory illness in 2HFY22.

§ **Higher net profit.** In tandem with higher revenue, ApexH's 1QFY23 net profit jumped by 54% YoY to RM24.3m. Stripping off the non-operating items, core net profit was at RM25.3m in 1QFY23 (+60% YoY). The stronger net profit was backed by a higher share of profits from Straits Apex Group (SAG) at RM4.6m in the current quarter from RM0.9m in 1QFY22. In addition, PBT margin dropped by 1.2ppt YoY to 12%, mainly due to the inflationary pressure.

§ **Outlook.** We believe ApexH will benefit from the favourable demographics and the increase in ageing population over the long run. The group should continue to generate higher sales and grow its market share of group brand products through R&D intensification in key therapeutic categories to broaden its new product pipeline. However, we remain cautious on cost pressure due to rising imported raw material prices due to the supply chain disruption and inflationary pressure in the near term.

KEY FORECAST TABLE

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F	CAGR
Revenue	770.8	877.7	972.8	1,143.3	1,262.1	17.9%
Pre-tax Profit	75.4	120.4	92.3	108.3	132.2	20.6%
Net Profit	59.4	101.0	77.4	90.9	110.9	23.1%
EPS (Sen)	12.5	21.3	16.2	19.0	23.2	22.8%
P/E (x)	33.4	19.7	25.7	21.9	17.9	
DPS (Sen)	11.5	8.4	5.3	6.3	7.7	
Dividend Yield (%)	2.8	2.0	1.3	1.5	1.8	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Dec (RM m)</u>	<u>1Q23</u>	<u>1Q22</u>	<u>4Q22</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY23</u>	<u>YTD FY22</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	245.8	215.9	220.5	13.8	11.5	245.8	215.9	13.8	
Cost of Sales	-190.2	-169.9	-169.4	11.9	12.3	-190.2	-169.9	11.9	
Gross Profit	55.6	46.0	51.1	20.9	8.8	55.6	46.0	20.9	
Other operating income/ (expenses)	2.0	1.8	1.9	13.0	5.4	2.0	1.8	13.0	
Operating profit/ (loss)	25.2	19.2	26.0	31.7	-3.1	25.2	19.2	31.7	
Finance income/ (costs)	-0.2	-0.2	-0.2	-16.7	-25.2	-0.2	-0.2	-16.7	
Other income/ (expenses)	4.6	0.9	14.5	>100.0	-68.2	4.6	0.9	>100.0	
Profit/ (Loss) before tax	29.7	19.8	40.3	49.7	-26.4	29.7	19.8	49.7	
Taxation	-5.4	-4.0	-5.5	33.2	-1.2	-5.4	-4.0	33.2	
Net Profit	24.3	15.8	34.8	54.0	-30.3	24.3	15.8	54.0	
Non-controlling interests	0.0	0.0	0.0						
PATAMI	24.3	15.8	34.8	54.0	-30.3	24.3	15.8	54.0	
Core PATAMI	25.3	15.8	30.7	60.4	-17.5	25.3	15.8	60.4	
Operating Margin (%)	10.3%	8.9%	11.8%			10.3%	8.9%		
Pre-tax Margin (%)	12.1%	9.2%	18.3%			12.1%	9.2%		
Net Margin (%)	10.3%	7.3%	13.9%			10.3%	7.3%		
Segment Revenue									
Manufacturing and Marketing	25.0	18.4	22.3	35.6	11.9	25.0	18.4	35.6	
Wholesale and Distribution	220.8	197.5	198.1	11.8	11.4	220.8	197.5	11.8	
Corporate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Segment EBIT									
Manufacturing and Marketing	18.8	13.0	18.2	45.0	3.2	18.8	13.0	45.0	
Wholesale and Distribution	10.0	9.2	8.5	8.2	17.3	10.0	9.2	8.2	
Corporate	1.9	-1.5	15.3	>100.0	87.8	1.9	-1.5	>100.0	

Source: Company

KEY FINANCIAL DATA

INCOME STATEMENT

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F
Revenue	770.8	877.7	972.8	1,143.3	1,262.1
Operating Profit	69.2	91.5	73.0	85.7	107.3
Other Gains/(Losses)	7.1	29.6	19.5	22.9	25.2
Finance Costs	-0.9	-0.8	-0.2	-0.3	-0.3
Pre-tax Profit	75.4	120.4	92.3	108.3	132.2
Income Tax	-16.0	-19.4	-14.9	-17.4	-21.3
Effective Tax Rate (%)	21.2	16.1	16.1	16.1	16.1
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	59.4	101.0	77.4	90.9	110.9
Growth					
Revenue (%)	10.3	13.9	10.8	17.5	10.4
Operating Profit (%)	10.4	32.3	-20.3	17.5	25.1
Net Profit (%)	6.1	62.9	-20.0	17.4	22.0

Source: Company, PublicInvest Research estimates

BALANCE SHEET

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F
Property, Plant & Equipment	167.1	189.3	191.7	191.6	190.8
Cash and Cash Equivalents	93.4	105.2	210.5	261.2	332.2
Receivables	158.8	178.2	191.9	219.3	235.1
Other Assets	260.9	272.6	223.5	254.3	273.2
Total Assets	680.1	745.3	817.6	926.3	1,031.3
Payables	144.1	160.4	185.6	212.3	238.0
Borrowings	9.5	9.5	15.5	26.7	31.6
Deferred Tax	8.6	6.8	10.4	10.4	10.4
Other Liabilities	11.1	10.1	-4.2	5.8	5.8
Total Liabilities	173.3	186.8	207.3	255.1	285.8
Total Equity	506.9	558.4	610.3	671.2	745.5
Total Equity and Liabilities	680.1	745.3	817.6	926.3	1,031.3

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2021A	2022A	2023F	2024F	2025F
Book Value Per Share	1.1	1.2	1.3	1.4	1.6
EPS (Sen)	12.5	21.3	16.2	19.0	23.2
DPS (Sen)	11.5	8.4	5.3	6.3	7.7
Payout Ratio	92.3%	39.9%	33.0%	33.0%	33.0%
ROA	8.7%	13.5%	9.5%	9.8%	10.8%
ROE	11.7%	18.1%	12.7%	13.5%	14.9%

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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