

# APEX HEALTHCARE

(APEX MK EQUITY, APER.KL)

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## Company report

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03-20362025

## Solid FY21 earnings

# BUY

(Maintained)

**Rationale for report: Company results**

Price	RM2.56
Fair Value	RM3.45
52-week High/Low	RM3.36/RM2.38

### Key Changes

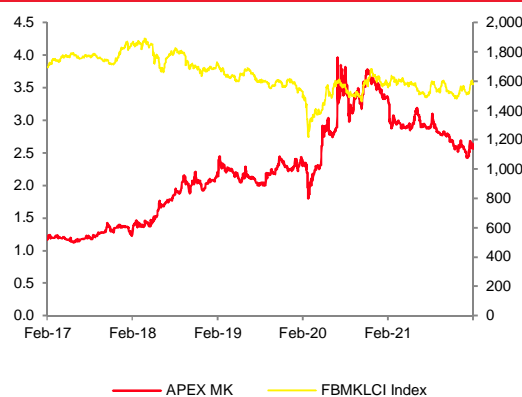
Fair value	↑
EPS	↑

YE to Dec	FY20	FY21	FY22F	FY23F
Revenue (RM mil)	698.7	770.8	815.7	851.8
Core net profit (RM mil)	56.0	59.4	71.5	74.9
FD Core EPS (sen)	11.8	12.5	15.0	15.7
FD Core EPS growth (%)	12.7	6.2	19.8	4.8
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	4.5	11.5	5.7	6.0
PE (x)	21.7	20.4	17.1	16.3
EV/EBITDA (x)	13.6	12.2	12.4	11.5
Div yield (%)	1.8	4.5	2.2	2.3
ROE (%)	12.5	12.2	13.5	13.0
Net Gearing (%)	nm	nm	nm	nm

### Stock and Financial Data

Shares Outstanding (million)	476.3
Market Cap (RM mil)	1,219.3
Book Value (RM/share)	0.99
P/BV (x)	2.6
ROE (%)	12.5
Net Gearing (%)	-
Major Shareholders	Apex Pharmacy Holdings Sdn Bhd (40.0%) Washington H. Soul Pattinson and Company Ltd. (30.0%)
Free Float	92.0
Avg Daily Value (RM mil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	(5.2)	(11.1)	(22.9)
Relative (%)	(9.0)	(14.7)	(23.9)



### Investment Highlights

- We maintain BUY on Apex Healthcare (Apex) with a higher fair value (FV) of RM3.45 (from RM3.33), based on an unchanged PER of 23x on FY22F EPS. We make no ESG-related price adjustment for our rating of 3 stars.
- Earnings estimates increased. FY22/FY23 earnings have been increased by 4% each to RM71.5mil/RM74.9mil. We have assumed better sales volume for its pharmaceutical products. This is to reflect the improved demand for pharmaceuticals products from the private sector in both Malaysia and Singapore.
- Apex's FY21 net profit of RM59.4mil came in better than expected. It accounted for 119% and 109% of our and consensus earnings forecasts respectively. A total dividend of 9 sen was announced which is higher than expected. This included the 6 sen dividend which was declared in conjunction with the company's 60<sup>th</sup> anniversary.
- 4QFY21 earnings climbed 48% QoQ and 44% YoY to RM20.7mil. The improvement in earnings was supported by stronger market demand for pharmaceuticals, consumer healthcare products and medical devices. YoY, FY21 earnings increased by 6% to RM59.4mil supported by a revenue growth of 10% to RM770.8mil.
- Positive outlook. We believe that the demand for pharmaceutical products has improved from both private sector clinics and pharmacies in FY22.
- Maintain BUY. Apex Healthcare has positioned itself well to benefit from the megatrends of ageing population, public health education advancement and steady healthcare expenditure increase. Also, the company will not be affected by the prosperity tax. We forecast an FY22 PBT of RM86.4mil (less than RM100mil).

## EXHIBIT 1: 4QFY21 EARNINGS SUMMARY

FYE Dec (RM mil)	4FYQ20	3QFY21	4FYQ21	QoQ (%)	YoY (%)	FY20	FY21	YoY (%)
Revenue	161.6	211.1	197.7	-6%	22%	698.7	770.8	10%
<b>Gross profit</b>	<b>31.7</b>	<b>44.3</b>	<b>41.5</b>	<b>-6%</b>	<b>31%</b>	<b>148.2</b>	<b>160.9</b>	<b>9%</b>
<b>EBITDA</b>	<b>18.8</b>	<b>22.4</b>	<b>23.9</b>	<b>7%</b>	<b>28%</b>	<b>79.1</b>	<b>85.5</b>	<b>8%</b>
<b>EBIT</b>	<b>14.8</b>	<b>18.3</b>	<b>19.9</b>	<b>9%</b>	<b>34%</b>	<b>62.7</b>	<b>69.2</b>	<b>10%</b>
Share of associates	3.9	0.5	5.6			8.7	7.1	
Profit before tax	18.4	18.6	25.3	36%	38%	70.2	75.4	7%
Tax	-4.0	-4.5	-4.6			-14.2	-16.0	
<b>Net profit</b>	<b>14.4</b>	<b>14.0</b>	<b>20.7</b>	<b>48%</b>	<b>44%</b>	<b>56.0</b>	<b>59.4</b>	<b>6%</b>
<b>Core net profit</b>	<b>14.4</b>	<b>14.0</b>	<b>20.7</b>	<b>48%</b>	<b>44%</b>	<b>56.0</b>	<b>59.4</b>	<b>6%</b>
FD EPS (sen)	3.0	3.0	4.4	48%	44%	11.8	12.5	6%
Gross DPS (sen)	2.8	0.0	9.0	NA	221%	4.5	11.5	156%
Gross margin	19.6%	21.0%	21.0%	0.0ppt	1.4ppt	21.2%	20.9%	-0.3ppt
EBITDA margin	11.6%	10.6%	12.1%	1.5ppt	0.5ppt	11.3%	11.1%	-0.2ppt
PBT margin	11.4%	8.8%	12.8%	4.0ppt	1.4ppt	10.0%	9.8%	-0.3ppt
Core net profit margin	8.9%	6.6%	10.5%	3.8ppt	1.6ppt	8.0%	7.7%	-0.3ppt
<b>Segmental Revenue</b>								
Manufacturing	9.6	16.6	15.2	-8%	58%	47.5	58.6	23%
Wholesale & Distribution	151.8	194.2	182.3	-6%	20%	649.0	711.5	10%
Corporate	0.1	0.2	0.1			2.2	0.7	
<b>Segmental PBT</b>								
Manufacturing	8.2	11.5	11.9	3%	46%	34.3	41.6	21%
Wholesale & Distribution	6.5	9.8	8.4	-14%	28%	33.8	33.1	-2%
Corporate	4.2	-1.2	5.9			4.5	4.3	

Source: Company, AmlInvestment Bank Bhd

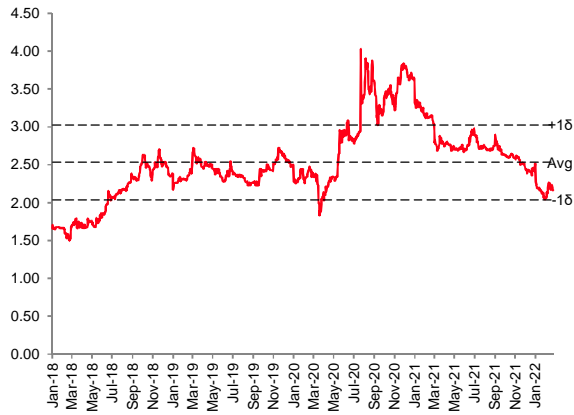
## EXHIBIT 2: ESG MATRIX

<b>Overall</b>	★	★	★		
Waste management	★	★			
Natural resource conservation	★	★	★		
Occupational safety + health	★	★	★	★	
Workplace diversity	★	★	★		
Employee training + wellbeing	★	★	★		
Quality assurance + safety	★	★	★	★	
Communal efforts	★	★	★	★	
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank Bhd

**EXHIBIT 3: PB BAND CHART**



**EXHIBIT 4: PE BAND CHART**



## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21	FY22F	FY23F
Revenue	688.8	698.7	770.8	815.7	851.8
EBITDA	73.5	79.1	85.5	95.8	100.8
Depreciation/Amortisation	(16.1)	(16.5)	(16.3)	(15.6)	(15.9)
Operating income (EBIT)	57.4	62.7	69.2	80.3	84.9
Other income & associates	7.7	8.7	7.1	7.2	7.4
Net interest	(1.6)	(1.1)	(0.9)	(0.9)	(0.9)
<b>Exceptional items</b>	<b>2.8</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>
Pretax profit	66.3	70.2	75.4	86.4	91.4
Taxation	(13.6)	(14.2)	(16.0)	(15.1)	(16.4)
<b>Minorities/pref dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit	52.7	56.0	59.4	71.3	74.9
Core net profit	49.6	56.0	59.4	71.5	74.9
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>
Fixed assets	176.1	176.9	172.8	168.4	164.7
Intangible assets	1.7	1.4	2.6	2.6	2.6
<b>Other long-term assets</b>	<b>36.5</b>	<b>45.2</b>	<b>53.3</b>	<b>60.6</b>	<b>68.0</b>
Total non-current assets	214.2	223.5	228.7	231.5	235.2
Cash & equivalent	120.4	172.9	194.1	66.2	98.4
Stock	86.5	92.1	95.4	102.1	105.3
Trade debtors	159.4	129.3	158.8	183.0	195.6
<b>Other current assets</b>	<b>2.7</b>	<b>3.1</b>	<b>3.2</b>	<b>116.6</b>	<b>123.4</b>
Total current assets	368.9	397.4	451.4	467.9	522.7
Trade creditors	120.1	117.7	143.3	141.5	152.0
Short-term borrowings	6.8	22.0	6.6	6.6	6.6
<b>Other current liabilities</b>	<b>1.4</b>	<b>1.5</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
Total current liabilities	128.3	141.1	151.9	150.1	160.6
Long-term borrowings	23.4	5.8	14.8	15.3	5.3
<b>Other long-term liabilities</b>	<b>5.9</b>	<b>6.0</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>
<b>Total long-term liabilities</b>	<b>29.4</b>	<b>11.8</b>	<b>21.4</b>	<b>21.9</b>	<b>11.9</b>
Shareholders' funds	425.1	467.8	506.8	563.8	623.7
Minority interests	0.5	0.1	0.1	0.1	0.1
BV/share (RM)	0.90	0.99	1.07	1.18	1.31
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>
Pretax profit	66.3	70.2	75.4	86.4	91.4
Depreciation/Amortisation	16.1	16.5	16.3	15.6	15.9
Net change in working capital	0.5	20.4	(8.8)	(32.6)	(5.4)
<b>Others</b>	<b>(14.7)</b>	<b>(21.5)</b>	<b>(21.1)</b>	<b>(20.9)</b>	<b>(22.8)</b>
Cash flow from operations	68.1	85.5	61.9	48.5	79.1
Capital expenditure	(14.5)	(15.9)	(13.1)	(14.0)	(14.0)
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>(8.5)</b>	<b>(35.6)</b>	<b>(12.3)</b>	<b>(2.0)</b>	<b>(2.0)</b>
Cash flow from investing	(23.0)	(51.5)	(25.4)	(16.0)	(16.0)
Debt raised/(repaid)	(5.8)	(2.9)	(5.9)	0.5	(10.0)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(16.3)	(17.5)	(25.2)	(14.3)	(15.0)
<b>Others</b>	<b>5.9</b>	<b>1.6</b>	<b>-</b>	<b>(5.9)</b>	<b>(5.9)</b>
<b>Cash flow from financing</b>	<b>(16.1)</b>	<b>(18.8)</b>	<b>(31.1)</b>	<b>(19.7)</b>	<b>(30.9)</b>
<b>Net cash flow</b>	<b>29.1</b>	<b>15.1</b>	<b>5.4</b>	<b>12.8</b>	<b>32.3</b>
<b>Net cash/(debt) b/f</b>	<b>64.2</b>	<b>71.5</b>	<b>86.6</b>	<b>93.4</b>	<b>106.2</b>
Net cash/(debt) c/f	93.6	86.6	93.4	106.2	138.4
<b>Key Ratios (YE 31 Dec)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>
Revenue growth (%)	5.5	1.4	10.3	5.8	4.4
EBITDA growth (%)	5.9	7.6	8.1	12.1	5.2
Pretax margin (%)	9.6	10.0	9.8	10.6	10.7
Net profit margin (%)	7.7	8.0	7.7	8.7	8.8
Interest cover (x)	36.2	54.7	80.3	91.3	94.7
Effective tax rate (%)	20.4	20.2	21.2	17.5	18.0
Dividend payout (%)	30.8	31.3	42.4	20.0	20.0
Debtors turnover (days)	85	75	68	76	81
Stock turnover (days)	45	47	44	44	44
Creditors turnover (days)	63	62	62	64	63

Source: Company, AmInvestment Bank Bhd estimates

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