

Apex Healthcare (APEX MK)

In-line

HOLD

Share Price **RM2.39**
Target Price **RM2.41 +0.7%**

Within expectations

- Maintain HOLD (TP: RM2.41).** Apex Healthcare (Apex)'s 9MFY23 top-line edged up by +5.9% YoY, driven by improved demand for pharmaceuticals, consumer healthcare products and medical devices. In tandem, the group recorded higher 9MFY23 net profit of RM377.9mn (+>100 YoY). Nonetheless after stripping out a one-off gain of RM304.4mn from non-recurring gain on disposal recognized by SAG, Apex recorded core earnings of RM72.9mn (+11.3%). The group's bottom-line was in-line with ours but above consensus expectations, accounting for 72.4% and 82.0% respectively. Maintain a **HOLD** call with a lower **TP** of **RM2.41** (from RM2.75) pegged against lower PER of 16.6x (-0.5SD of 5-year PER) from 19.0x (mean of 5-year PER) to FY24 EPS of 14.5sen. We lowered our valuation as we anticipate (i) Apex to record a flattish EBITDA margin going ahead due to the continuous increase in operating costs resulting from higher raw material costs and global inflationary pressure, and (ii) subdued sales for flu-related medication given declining flu cases in both Malaysia and Singapore post-pandemic.
- Key highlights.** Apex's 3QFY23 revenue slightly increased by +1.4% YoY due to intensified sales and marketing efforts amid a slowdown in market demand. Meanwhile, its core net profit declined by -10.1% YoY due to a lower share of earnings from associate SAG. On a QoQ basis, bottom-line decreased further by -11.7% on the back of gloomy market demand.
- Earnings Revision.** No changes to our forecast.
- Outlook.** Despite the macroeconomic challenges, we believe that Apex's penetration into other market namely the European market could lead to higher sales and eventually an improvement in the group's margin. We opine that Apex's ongoing commitment to expanding its customer base will guarantee a demand improvement for its products within the manufacturing segment.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(1.6)	(5.7)	9.6
vs FBM KLCI	(1.9)	(6.1)	9.9

Stock Data

ESG Rating	Fair
Mkt Cap (RM)	1,716.8
Adjusted Beta	0.6
Free float (%)	29.3
Issued shares (m)	718.3
52w H/L (RM)	2.77 / 2.19
3m avg daily volume (m)	67,599

Major Shareholders (%)

Apex Pharmacy Holding	39.8
Washington H Soul	29.6
Lim The Realty	1.4

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Table 1: Quarterly figures

Apex Healthcare FYE 31 Dec (RM'mn)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	3QFY22	2QFY23	3QFY23	QoQChg	YoYChg	9MFY22	9MFY23	%	FY23F	9M/F
Revenue	232.1	215.0	235.3	9.4	1.4	657.2	696.2	5.9	890.4	78.2%
EBITDA	29.8	28.3	31.5	11.4	5.7	77.6	89.6	15.5	111.1	80.7%
Pretax profit	32.4	334.5	30.5	-90.9	-5.9	80.5	394.7	390.5	129.1	305.8%
Taxation	-5.5	-5.0	-6.3	25.3	14.5	-13.9	-16.7	20.2	-19.4	86.4%
Net profit	26.9	329.5	24.2	-92.7	-10.1	66.5	377.9	468.1	100.7	375.4%
Core net profit	26.5	27.0	23.8	-11.7	-10.2	65.5	72.9	11.3	100.7	72.4%
EPS (sen)	3.7	45.9	3.4	-92.7	-10.1	9.3	52.6	468.1	14.0	375.4%
				Chg (ppts)				Chg (ppts)		
EBITDA margin (%)	12.8	13.1	13.4	0.3ppt	0.6ppt	11.8	12.9	1.1ppt	12.5	
PBT margin (%)	14.0	155.6	12.9	-142.7ppt	-1.1ppt	12.2	56.7	44.5ppt	14.5	
Net profit margin (%)	11.6	153.2	10.3	-143ppt	-1.4ppt	10.1	54.3	44.2ppt	11.3	
Effective tax rate (%)	17.0	1.5	20.7	19.3ppt	3.7ppt	17.3	4.2	-13.1ppt	15.0	

Source: BIMB Securities, Company

Table 2: Earnings forecast

FYE Dec (RM'mn)	2021	2022	2023F	2024F	2025F
Turnover	771	878	890	923	947
EBITDA	83	105	111	116	121
Pretax profit	75	120	129	133	139
Net profit	59	101	101	104	109
Core net profit	59	99	101	104	109
Consensus			89	95	105
EPS (sen)	8.2	13.8	14.0	14.5	15.1
PER (x)	31.0	18.3	18.0	17.5	16.7
DPS (sen)	11.5	8.5	6.3	6.5	6.8
Div. Yield (%)	4.5	3.4	2.5	2.6	2.7
P/B (x)	3.6	3.3	3.0	2.8	2.5
Key Ratios (%)					
ROE	12	18	17	16	15
EBITDA margin	11	12	12	13	13
Pretax margin	10	14	14	14	15
Net margin	7	6	6	6	6

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months. SELL Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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