



APEX HEALTHCARE BERHAD

Neutral

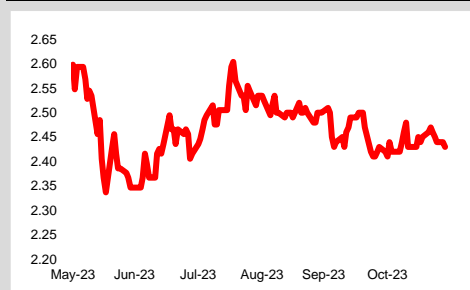
DESCRIPTION

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	RM2.41
Current Price	RM2.39
Expected Return	0.84%
Previous Target Price	RM2.41

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

SHARE PRICE CHART



52 Week Range (RM)	2.19 – 2.77
3-Month Average Vol ('000)	69.5

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-1.6	-5.7	-5.1
Relative Returns	-1.1	-6.3	-13.4

KEY STOCK DATA

Market Capitalisation (RMm)	1,716.8
No. of Shares (m)	718.3

MAJOR SHAREHOLDERS

	%
Apex Pharmacy Holdings Sdn Bhd	39.7
Washington H Soul Pattinson	29.6
Lim Teh Realty Sdn Bhd	1.4

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Remain Cautious

Apex Healthcare's (ApexH) 3QFY23 net profit dropped 10% YoY to RM24.2m, mainly due to normalising of consumer healthcare demand. After stripping off the non-operating items, ApexH's 9MFY23 core net profit increased by 12.9% to RM74.7m. The results exceeded both our and consensus estimates at 97% and 83% of full-year forecasts respectively. The discrepancy in our forecast was mainly due to the better-than-expected performance in manufacturing segment. We raised our FY23F earnings by 19%, as we factor in higher sales from manufacturing segment, while maintaining our FY24-25F earnings as we remain cautious on slowing demand for Covid-related products. All told, we maintain our **Neutral** call on ApexH, with an unchanged TP of RM2.41 based on 19x 5-year historical mean on FY24F EPS.

§ **Revenue.** ApexH reported a revenue of RM235.3m (+1.4% YoY) in 3QFY23, mainly attributed to the intensified sales and marketing efforts deployed to address decelerating market demand on consumer healthcare. ApexH's manufacturing segment recorded an increase of 17% YoY to RM26.2m, while the distribution segment declined by 0.2% YoY to RM209.1m.

§ **Net profit.** ApexH's 3QFY23 net profit declined 10% YoY to RM24.2m while PBT margin dropped by 1ppt to 12.9% in 3QFY23 mainly attributed to higher operating cost as a result of inflationary pressure. The Group also expects a normalisation of orders for manufacturing of orthopaedic devices until 1HFY24, mainly due to key customers optimizing inventories following robust orders during post-pandemic period.

§ **Outlook.** We remain cautious on the normalisation of demand for Covid-related products and potential escalation of imported raw material costs. Nevertheless, we remain optimistic on the Group's long-term prospect with proactive evaluation of new growth opportunities and the ongoing review of plans to expand warehousing and pharmaceutical liquid production capacity which underscores the Group's commitment to adapt to evolving market dynamics. As such, we maintain our **Neutral** call on ApexH.

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	109.8	108.3	132.2	20.6%
Net Profit	59.4	101.0	92.1	90.9	110.9	23.1%
Core Net Profit	59.4	96.8	92.1	90.9	110.9	23.1%
EPS (Sen)	8.3	14.1	12.8	12.7	15.4	23.1%
P/E (x)	28.9	17.0	18.6	18.9	15.5	
DPS (Sen)	7.6	5.6	4.2	4.2	5.1	
Dividend Yield (%)	3.2	2.3	1.8	1.7	2.1	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Dec (RM m)</u>	<u>3Q23</u>	<u>3Q22</u>	<u>2Q23</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	235.3	232.1	215.0	1.4	9.4	696.2	657.2	5.9	Revenue up on accelerated sales and marketing effort.
Cost of Sales	-179.8	-178.9	-162.9	-0.5	-10.4	-532.9	-510.7	-4.4	
Gross Profit	55.5	53.2	52.2	4.3	6.4	163.2	146.5	11.4	
Other operating income/ (expenses)	4.6	1.4	2.0	>100	>100	8.6	4.1	>100	
Operating profit/ (loss)	27.0	25.6	24.2	5.5	11.7	76.3	65.5	16.5	
Finance income/ (costs)	-0.1	-0.2	-0.3	26.0	60.4	-0.6	-0.5	-15.1	
Other income/ (expenses)	3.6	7.0	-0.1	-48.0	>100	8.1	15.1	-46.3	
Profit/ (Loss) before tax	30.5	32.4	334.5	-5.9	-90.9	394.7	80.1	>100	
Taxation	-6.3	-5.5	-5.0	-14.5	-25.3	-16.7	-13.9	-20.2	
Net Profit	24.2	26.9	329.5	-10.1	-92.7	377.9	66.1	>100	
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PATAMI	24.2	26.9	329.5	-10.1	-92.7	377.9	66.1	>100	
Core PATAMI	24.3	26.9	25.1	-9.8	-3.5	74.7	66.1	12.9	
Operating Margin (%)	11.5%	11.0%	11.2%			11.0%	10.0%		
Pre-tax Margin (%)	12.9%	14.0%	155.6%			56.7%	12.2%		
Net Margin (%)	10.3%	11.6%	11.7%			10.7%	10.1%		
<u>Segment Revenue</u>									
Manufacturing and Marketing	26.2	22.5	17.4	16.6	50.8	68.6	61.7	11.1	
Wholesale and Distribution	209.1	209.6	197.6	-0.2	5.8	627.5	595.5	5.4	
Corporate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<u>Segment EBIT</u>									
Manufacturing and Marketing	20.4	17.7	18.4	15.3	10.8	57.6	45.7	26.1	
Wholesale and Distribution	8.9	10.1	7.6	-12.1	17.5	26.4	27.7	-4.8	
Corporate	2.0	5.6	309.7	-63.8	-99.3	313.6	9.7	>100	

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	90.5	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	109.8	108.3	132.2
Income Tax	-16.0	-19.4	-17.7	-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	92.1	90.9	110.9
Core Net Profit	59.4	96.8	92.1	90.9	110.9
Growth					
Revenue (%)	10.3	13.9	10.8	17.5	10.4
Operating Profit (%)	10.4	32.3	-1.2	-5.2	25.1
Net Profit (%)	6.1	69.9	-8.8	-1.3	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	219.6	271.0	342.1
Receivables	158.8	178.2	191.9	219.3	235.1
Other Assets	260.9	272.6	221.3	254.3	273.2
Total Assets	680.1	745.3	824.6	936.1	1,041.1
Payables	144.1	160.4	182.0	212.3	238.0
Borrowings	9.5	9.5	16.3	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	204.5	255.1	285.8
Total Equity	506.9	558.4	620.1	681.0	755.3
Total Equity and Liabilities	680.1	745.3	824.6	936.1	1,041.1

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2021A	2022A	2023F	2024F	2025F
Book Value Per Share	0.7	0.8	0.9	0.9	1.1
EPS (Sen)	8.3	14.1	12.8	12.7	15.4
DPS (Sen)	7.6	5.6	4.2	4.2	5.1
Payout Ratio	92.3%	39.9%	33.0%	33.0%	33.0%
ROA	8.7%	13.5%	11.2%	9.7%	10.7%
ROE	11.7%	18.1%	14.8%	13.3%	14.7%

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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Published and printed by:
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