



**APEX HEALTHCARE BERHAD**

**Neutral**

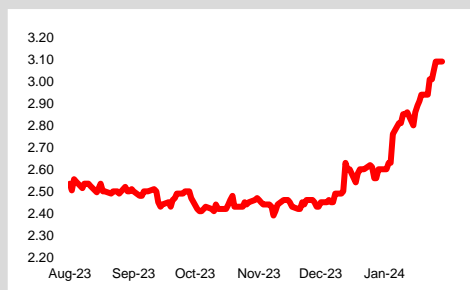
**DESCRIPTION**

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

<b>12-Month Target Price</b>	RM2.87
<b>Current Price</b>	RM3.01
<b>Expected Return</b>	-4.7%
<i>Previous Target Price</i>	RM2.41

<b>Market Sector</b>	Main Healthcare
<b>Bursa Code</b>	7090
<b>Bloomberg Ticker</b>	APEX MK
<b>Shariah-Compliant</b>	Yes

**SHARE PRICE CHART**



<b>52 Week Range (RM)</b>	2.25 – 3.16
<b>3-Month Average Vol ('000)</b>	113.9

**SHARE PRICE PERFORMANCE**

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute Returns	15.8	21.9	18.8
Relative Returns	11.2	14.8	9.9

**KEY STOCK DATA**

<b>Market Capitalisation (RMm)</b>	2,162.9
<b>No. of Shares (m)</b>	718.6

**MAJOR SHAREHOLDERS**

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

**Thye May Ting**  
**T** 603 2268 3012  
**F** 603 2268 3014  
**E** thye.maying@publicinvestbank.com.my

**Within Expectations**

Apex Healthcare's (ApexH) 4QFY23 net profit dropped 42% YoY to RM20.1m, mainly due to lower earnings from Straits Apex Group (SAG). After stripping off non-operating items, Apex FY23 core net profit dropped 4% YoY to RM92.9m. The results were within both our and consensus estimates at 101% and 97% of full-year forecasts respectively. We are positive on its continuous effort in launching new products under Group's brands and acquiring new distribution agencies, but we remain cautious on the demand for Covid-related products. All told, we maintain our FY24-25F earnings forecast and our **Neutral** call on ApexH, with a higher TP of RM2.87 based on 19x 5-year historical mean as we roll over our valuation to FY25F EPS. ApexH declared a final and special single-tier dividend of 2.5 sen and 20.0 sen per share respectively (total dividend FY23: 25.0 sen per share).

§ **Revenue.** ApexH reported a revenue of RM240.0m (+9% YoY) in 4QFY23, mainly attributed to the sales growth in both Malaysia and Singapore for pharmaceuticals, consumer healthcare products and medical devices. This uptick was supported by the performance of consumer distribution agencies and the emergence of a new wave of Covid-19 infections and other respiratory illnesses within the community. ApexH's distribution segment recorded an increase of 11% YoY to RM219.8m, while the manufacturing segment slid 9.6% YoY to RM20.2m in 4QFY23.

§ **Net profit.** ApexH's 4QFY23 net profit declined 42% YoY while PBT margin dropped by 6.3ppts to 11.9% in 4QFY23, mainly attributed to a RM14.5m one-off expenses from divestment of SAG. We also note that the Group has recognised a non-recurring gain of RM17.4m for share of earnings of SAG. After stripping off the non-operating items, ApexH's FY23 core net profit dropped 4% YoY to RM92.9m, mainly due to lower share of recurring earnings from SAG in 4QFY23.

§ **Outlook.** Moving into 1HFY24, we remain cautious on the normalisation of demand for Covid-related products and potential escalation of imported raw material costs. Nevertheless, we are optimistic on the Group's long-term prospect with its continuous effort in exploring new international markets, intensifying research and development efforts to enhance its portfolio with new pharmaceutical and consumer healthcare products, while forging new partnerships for product distribution. We are also positive on the expansion of its newly acquired industrial site in Melaka to meet future demand for its key products ie. cough and cold syrups.

**KEY FORECAST TABLE**

<b>FYE Dec (RM m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>	<b>CAGR</b>
Revenue	877.7	936.2	1,143.3	1,262.1	1,453.2	17.9%
Pre-tax Profit	120.4	423.3	96.6	118.0	135.7	16.1%
Net Profit	101.0	398.0	90.9	110.9	127.6	23.1%
Core Net Profit	96.8	92.9	90.9	110.9	127.6	23.1%
EPS (Sen)	14.1	55.7	12.7	15.5	17.9	23.1%
P/E (x)	21.3	5.4	23.7	19.4	16.9	
DPS (Sen)	3.8	18.4	3.8	4.7	5.4	
Dividend Yield (%)	1.2	6.1	1.3	1.5	1.8	

Source: Company, PublicInvest Research estimates



**Table 1: Results Summary**

<u>FYE Dec (RM m)</u>	<u>4Q23</u>	<u>4Q22</u>	<u>3Q23</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	240.0	220.5	235.3	8.8	2.0	936.2	877.7	6.7	Sales growth in both Malaysia and Singapore.
Cost of Sales	-188.4	-169.4	-179.8	-11.2	-4.8	-721.3	-680.1	-6.1	
<b>Gross Profit</b>	<b>51.6</b>	<b>51.1</b>	<b>55.5</b>	<b>1.0</b>	<b>-7.0</b>	<b>214.8</b>	<b>197.6</b>	<b>8.7</b>	
Other operating income/ (expenses)	-11.7	1.9	4.6	>-100	>-100	-3.2	6.0	>-100	
<b>Operating profit/ (loss)</b>	<b>11.5</b>	<b>26.0</b>	<b>27.0</b>	<b>-55.9</b>	<b>-57.5</b>	<b>87.8</b>	<b>91.5</b>	<b>-4.1</b>	
Finance income/ (costs)	-0.1	-0.2	-0.1	43.0	-9.0	-0.8	-0.8	-1.2	
Other income/ (expenses)	17.3	14.5	3.6	19.3	>100	25.4	29.6	-14.1	
<b>Profit/ (Loss) before tax</b>	<b>28.6</b>	<b>40.3</b>	<b>30.5</b>	<b>-28.9</b>	<b>-6.0</b>	<b>423.3</b>	<b>120.4</b>	<b>&gt;100</b>	
Taxation	-8.6	-5.5	-6.3	-57.2	-35.8	-25.3	-19.4	-30.6	
<b>Net Profit</b>	<b>20.1</b>	<b>34.8</b>	<b>24.2</b>	<b>-42.4</b>	<b>-17.0</b>	<b>398.0</b>	<b>101.0</b>	<b>&gt;100</b>	
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>PATAMI</b>	<b>20.1</b>	<b>34.8</b>	<b>24.2</b>	<b>-42.4</b>	<b>-17.0</b>	<b>398.0</b>	<b>101.0</b>	<b>&gt;100</b>	
<b>Core PATAMI</b>	<b>18.2</b>	<b>30.7</b>	<b>24.3</b>	<b>-40.6</b>	<b>-13.0</b>	<b>92.9</b>	<b>96.8</b>	<b>-4.0</b>	
Operating Margin (%)	4.8%	11.8%	11.5%			9.4%	10.4%		
Pre-tax Margin (%)	11.9%	18.3%	12.9%			45.2%	13.7%		
Net Margin (%)	7.6%	13.9%	10.3%			9.9%	11.0%		
<b>Segment Revenue</b>									
Manufacturing and Marketing	20.2	22.3	26.2	-9.6	-23.0	88.8	84.1	5.6	
Wholesale and Distribution	219.8	198.1	209.1	10.9	5.1	847.3	793.6	6.8	
Corporate	0.0	0.0	0.0	90.0	90.0	0.0	0.0	16.7	
<b>Segment EBIT</b>									
Manufacturing and Marketing	15.3	18.2	20.4	-16.2	-25.2	72.9	63.9	14.0	
Wholesale and Distribution	10.8	8.5	8.9	26.8	21.4	37.2	36.2	2.6	
Corporate	20.7	15.3	2.0	35.3	>100	334.3	24.9	>100	

Source: Company

## KEY FINANCIAL DATA

### INCOME STATEMENT

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Revenue	877.7	936.2	1,143.3	1,262.1	1,453.2
Operating Profit	91.5	87.5	80.7	100.3	115.5
Other Gains/(Losses)	29.6	336.4	16.0	17.7	20.3
Finance Costs	-0.8	-0.6	0.0	-0.1	-0.2
Pre-tax Profit	120.4	423.3	96.6	118.0	135.7
Income Tax	-19.4	-25.3	-5.8	-7.1	-8.1
Effective Tax Rate (%)	16.1	6.0	6.0	6.0	6.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>101.0</b>	<b>398.0</b>	<b>90.9</b>	<b>110.9</b>	<b>127.6</b>
<b>Core Net Profit</b>	<b>96.8</b>	<b>92.9</b>	<b>90.9</b>	<b>110.9</b>	<b>127.6</b>
<b>Growth</b>					
Revenue (%)	13.9	6.7	22.1	10.4	15.1
Operating Profit (%)	32.3	-4.4	-7.8	24.4	15.1
Net Profit (%)	69.9	>100	-77.2	22.1	15.0

Source: Company, PublicInvest Research estimates

### BALANCE SHEET

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Property, Plant & Equipment	189.3	199.3	209.2	218.4	226.1
Cash and Cash Equivalents	105.2	313.6	432.7	499.2	558.9
Receivables	178.2	194.4	219.3	235.1	270.7
Other Assets	272.6	415.3	362.5	377.1	421.9
<b>Total Assets</b>	<b>745.3</b>	<b>1,122.6</b>	<b>1,223.6</b>	<b>1,329.8</b>	<b>1,477.7</b>
Payables	160.4	180.9	213.5	239.7	275.8
Borrowings	9.5	3.6	8.4	10.8	33.2
Deferred Tax	6.8	13.9	13.9	13.9	13.9
Other Liabilities	10.1	5.9	5.9	5.9	5.9
<b>Total Liabilities</b>	<b>186.8</b>	<b>204.3</b>	<b>241.8</b>	<b>270.3</b>	<b>328.8</b>
Total Equity	558.4	918.3	981.9	1,059.5	1,148.8
<b>Total Equity and Liabilities</b>	<b>745.3</b>	<b>1,122.6</b>	<b>1,223.6</b>	<b>1,329.8</b>	<b>1,477.7</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Dec	2022A	2023A	2024F	2025F	2026F
Book Value Per Share	0.8	1.3	1.4	1.5	1.6
EPS (Sen)	14.1	55.7	12.7	15.5	17.9
DPS (Sen)	3.8	18.4	3.8	4.7	5.4
Payout Ratio	26.6%	33.0%	30.0%	30.0%	30.0%
ROA	13.5%	35.5%	7.4%	8.3%	8.6%
ROE	18.1%	43.3%	9.3%	10.5%	11.1%

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

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

## **DISCLAIMER**

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

PIVB is a participant of the Mid and Small Cap Research Scheme ("MidS"), and will receive compensation for the participation. This report has been prepared by PIVB pursuant to the MidS administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, however arising, out of or in relation to the administration of MidS and/or this report.

**Published and printed by:**  
**PUBLIC INVESTMENT BANK BERHAD (20027-W)**  
26th Floor, Menara Public Bank 2  
78, Jalan Raja Chulan,  
50200 Kuala Lumpur  
T 603 2268 3000  
F 603 2268 3014