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OSK Research: Apex Healthcare's orthopaedic venture to boost bottom line in the future

The Editor / TheEdge

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KUALA LUMPUR (Feb 18): Apex Healthcare Bhd's diversification into orthopaedic devices manufacturing is expected to contribute meaningfully to its bottom line over the mid to long term, said OSK Retail Research. OSK Research in a report Monday said that this was attributable to the growing elderly population and a steady rise in the diagnosis of musculoskeletal disorders. Apex

Healthcare's wholly owned subsidiary, ABio Marketing Sdn Bhd holds a 40% stake in the new joint-venture company while its partner November Union Sdn Bhd holds the remaining 60%. The joint-venture company, ABio Orthopaedics Sdn Bhd, is a contract manufacturing business for surgical-grade orthopaedics devices, components and surgical instruments. OSK highlighted that Apex provided the joint-venture company a RM5 million interest-bearing loan for the purpose of plant setup and equipment installation as it is set to secure its first contract from a local partner. "The proposed plant will be located in Penang and is slated to start operation in 1H2013," said OSK. The research house opined that this new venture will benefit from the country's growing orthopaedic market as the government commits to boost the health care sector under the Economic Transformation Plan. "Besides its existing manufacturing and distributing businesses, the orthopaedic component business is poised to be Apex's third growth engine," OSK added. It revised the company's FY13 earnings forecast upwards by 1.4% and increased its price earning ratio to 10 times on the back of this new venture. OSK increased Apex's share price fair value to RM4.10 from RM3.84 previously while maintaining its "Neutral" call on the stock. At 11.38am, Apex fell three sen to RM1.11 with 22,000 shares traded.

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