



# Apex Healthcare's new plant seen to double production capacity

Affin Hwang Investment Bank Research / The Edge Financial Daily  
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**Apex Healthcare Bhd**  
**(Oct 31, RM5.12)**

**Initiate coverage with buy and a target price (TP) of RM6.10:** Apex Healthcare Bhd is an integrated pharmaceutical company. We like the company for its solid earnings delivery and strong balance sheet (net cash of RM79 million). The new oral solid-dosage plant that will be completed in the first half of 2018 (1H18) and the recent European Union (EU) good manufacturing practice (GMP) certification award are positive catalysts. We forecast a 2016 to 2020 earnings per share (EPS) compound annual growth rate (CAGR) of 18%.

Since being listed in 2000, Apex's revenue and core net profit had grown at 10% and 9% CAGRs, reaching RM580 million and RM33.7 million respectively in 2016. We forecast a top-line CAGR of 11% over 2016 to 2020, in line with the high-single-digit growth rate of the pharmaceutical industry.

Apex is currently building a new oral solid-dosage plant, named SPP NOVO, which is expected to double production capacity by 1H18. Apex has also been awarded EU GMP certification, which is mandatory to penetrate into the EU and other developed markets. The contribution from the new plant should be more meaningful from 2019 onwards and we forecast the manufacturing division's revenue to grow at a 15% CAGR over 2016 to 2020.

About 26% of Apex’s revenue is derived from its in-house brands while the rest is from third-party products. Going forward, Apex aims to increase the contribution of in-house products, especially the Xepa-branded products once SPP NOVO is completed. We forecast the contribution to rise up to 30% of total revenue by 2020. This should contribute positively to the bottom line as in-house products enjoy much better margins.

We initiate coverage with a “buy” rating and a 12-month TP of RM6.10 based on a 2018 forecast price-earnings ratio of 16 times. — Affin Hwang Investment Bank Research, Oct 31

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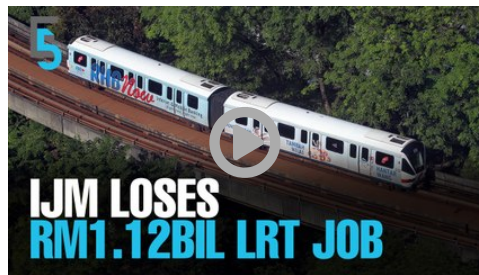
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