



APEX HEALTHCARE BERHAD

Neutral

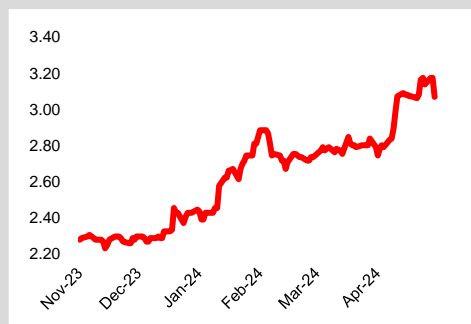
DESCRIPTION

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	RM2.87
Current Price	RM3.07
Expected Return	-6.4%
Previous Target Price	RM2.87

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

SHARE PRICE CHART



52 Week Range (RM)	2.20 – 3.22
3-Month Average Vol ('000)	213.7

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	10.2	8.0	34.5
Relative Returns	6.2	1.0	22.1

KEY STOCK DATA

Market Capitalisation (RMm)	2,209.3
No. of Shares (m)	719.7

MAJOR SHAREHOLDERS

	%
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) 1QFY24 net profit dropped 12.7% YoY to RM21.2m, mainly due to lower earnings from Straits Apex Group (SAG). After stripping off the non-operating items, ApexH's 1QFY24 core net profit dropped 17.1% YoY to RM21.0m. The results were within both our and consensus estimates at 23% and 22% of full-year forecasts respectively. We are positive on the Group's continuous effort in exploring new international markets, but we remain cautious on the slowdown in demand for Covid-related products. All told, we maintain our FY24F-26F earnings forecast (minor adjustment due to book-keeping changes) and reiterate our **Neutral** call on ApexH, with an unchanged TP of RM2.87 based on 19x 5-year historical mean on FY25F EPS.

§ **Revenue.** ApexH reported a slight increase of 1% YoY in revenue to RM248.2m in 1QFY24, primarily driven by higher sales of its core pharmaceuticals and consumer healthcare products. However, the Group observed a slowdown in demand for pharmaceuticals, consumer healthcare products, and medical devices across key markets, including Malaysia and Singapore. Despite early signs of market demand moderation, the Group managed to maintain consistent performance in 1QFY24. ApexH's distribution segment recorded an increase of 0.7% YoY to RM222.4m, while the manufacturing segment improved 3.1% YoY to RM25.8m in 1QFY24.

§ **Net profit.** ApexH's 1QFY24 net profit declined 12.7% YoY while PBT margin dropped by 1.5ppts to 10.6% in 1QFY24, mainly attributed to the reduced profit contribution from its associate company, SAG, following a reduction in ApexH's effective interest in SAG from 40% to 16%. After stripping off the non-operating items, ApexH's 1QFY24 core net profit dropped 17.1% to RM21.0m.

§ **Outlook.** While we maintain a cautious stance on the normalization of demand for Covid-related products and the potential escalation of imported raw material costs, we are optimistic on the Group's ability in navigating these challenges. This is primarily attributed to their proactive engagement in MATRADE's Mid-Tier Companies Development Program, aimed at augmenting export sales opportunities and bolstering resilience in the face of market volatilities. We are also positive on the recent acquisition of warehouse facilities in Singapore which enables Apex Pharma Marketing Pte Ltd to enhance operational efficiency.

KEY FORECAST TABLE

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F	CAGR
Revenue	877.7	936.2	1,143.6	1,262.6	1,453.5	17.9%
Pre-tax Profit	120.4	423.3	96.7	118.1	135.9	16.1%
Net Profit	101.0	398.0	90.9	111.0	127.8	23.2%
Core Net Profit	96.8	92.9	90.9	111.0	127.8	23.2%
EPS (Sen)	14.1	55.7	12.7	15.5	17.9	23.2%
P/E (x)	21.7	5.5	24.1	19.8	17.2	
DPS (Sen)	5.7	25.0	3.8	4.7	5.4	
Dividend Yield (%)	1.9	8.1	1.2	1.5	1.7	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Dec (RM m)</u>	<u>1Q24</u>	<u>1Q23</u>	<u>4Q23</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY24</u>	<u>YTD FY23</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	248.2	245.8	240.0	1.0	3.4	248.2	245.8	1.0	
Cost of Sales	-192.4	-190.2	-188.4	-1.1	-2.1	-192.4	-190.2	-1.1	
Gross Profit	55.8	55.6	51.6	0.4	8.1	55.8	55.6	0.4	
Other operating income/ (expenses)	5.6	2.0	-11.7	>100	>100	5.6	2.0	>100	
Operating profit/ (loss)	26.9	25.2	11.5	6.8	>100	26.9	25.2	6.8	
Finance income/ (costs)	-0.1	-0.2	-0.1	27.5	-4.9	-0.1	-0.2	27.5	
Other income/ (expenses)	-0.5	4.6	17.3	>-100	>-100	-0.5	4.6	>-100	
Profit/ (Loss) before tax	26.3	29.7	28.6	-11.4	-8.2	26.3	29.7	-11.4	PBT dropped mainly due to reduced effective stake in SAG
Taxation	-5.1	-5.4	-8.6	5.6	40.7	-5.1	-5.4	5.6	
Net Profit	21.2	24.3	20.1	-12.7	5.7	21.2	24.3	-12.7	
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PATAMI	21.2	24.3	20.1	-12.7	5.7	21.2	24.3	-12.7	
Core PATAMI	21.0	25.3	18.2	-17.1	15.2	21.0	25.3	-17.1	
Operating Margin (%)	10.9%	10.3%	4.8%			10.9%	10.3%		
Pre-tax Margin (%)	10.6%	12.1%	11.9%			10.6%	12.1%		
Net Margin (%)	8.5%	10.3%	7.6%			8.5%	10.3%		
<u>Segment Revenue</u>									
Manufacturing and Marketing	25.8	25.0	20.2	3.1	27.7	25.8	25.0	3.1	
Wholesale and Distribution	222.4	220.8	219.8	0.7	1.2	222.4	220.8	0.7	
Corporate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<u>Segment EBIT</u>									
Manufacturing and Marketing	20.0	18.8	15.3	6.3	30.9	20.0	18.8	6.3	
Wholesale and Distribution	8.2	10.0	10.8	-17.7	-23.8	8.2	10.0	-17.7	
Corporate	-0.1	1.9	20.7	>-100	>-100	-0.1	1.9	>-100	

Source: Company

KEY FINANCIAL DATA

INCOME STATEMENT

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Revenue	877.7	936.2	1,143.6	1,262.6	1,453.5
Operating Profit	91.5	87.5	80.7	100.4	115.6
Other Gains/(Losses)	29.6	336.4	16.0	17.7	20.3
Finance Costs	-0.8	-0.6	0.0	0.0	0.0
Pre-tax Profit	120.4	423.3	96.7	118.1	135.9
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
Net Profit	101.0	398.0	90.9	111.0	127.8
Core Net Profit	96.8	92.9	90.9	111.0	127.8
Growth					
Revenue (%)	13.9	6.7	22.2	10.4	15.1
Operating Profit (%)	32.3	-4.4	-7.7	24.4	15.1
Net Profit (%)	69.9	>100	-77.2	22.1	15.1

Source: Company, PublicInvest Research estimates

BALANCE SHEET

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Property, Plant & Equipment	189.3	199.2	209.1	218.3	226.0
Cash and Cash Equivalents	174.5	383.0	431.7	497.3	556.1
Receivables	178.2	194.4	219.3	235.2	270.8
Other Assets	203.3	346.0	357.8	370.0	392.5
Total Assets	745.3	1,122.6	1,217.9	1,320.9	1,445.4
Payables	160.4	180.9	213.5	239.8	275.9
Borrowings	9.5	3.6	2.6	1.6	0.6
Deferred Tax	6.8	13.9	13.9	13.9	13.9
Other Liabilities	10.1	5.9	5.9	5.9	5.9
Total Liabilities	186.8	204.3	236.0	261.2	296.4
Total Equity	558.4	918.3	981.9	1,059.6	1,149.1
Total Equity and Liabilities	745.3	1,122.6	1,217.9	1,320.9	1,445.4

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)	5.7	25.0	3.8	4.7	5.4
Payout Ratio	40.3%	44.9%	30.0%	30.0%	30.0%
ROA	13.5%	35.5%	7.5%	8.4%	8.8%
ROE	18.1%	43.3%	9.3%	10.5%	11.1%

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.

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