

"We expect 2H24 earnings to come in flattish"

Share price performance



	1M	3M	12M
Absolute (%)	-4.6	-5.9	12.9
Rel KLCI (%)	-4.5	-6.6	0.1

	BUY	HOLD	SELL
Consensus	1	3	2

Source: Bloomberg

Stock Data

Sector	Healthcare
Issued shares (m)	719.8
Mkt cap (RMm)/(US\$m)	1957.8/447.7
Avg daily vol - 6mth (m)	0.2
52-wk range (RM)	2.24-3.22
Est free float	22.2%
Stock Beta	0.55
Net cash/(debt) (RMm)	376.88
ROE (CY25E)	9.5%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good	No
Constituent	
FBM EMAS (Top 200)	na
ESG Rank	

Key Shareholders

Apex Pharmacy Holding	39.7%
Washington H Soul	29.6%

Source: Affin Hwang, Bloomberg

Andrew Lim

T (603) 2146 7586

E andrew.lim@affingroup.com

Apex Healthcare (APEX MK)

HOLD (maintain)

Up/Downside: +6.6%

Price Target: RM2.90

Previous Target (Rating): RM2.90 (HOLD)

Awaiting a meaningful rerating catalyst

- 2Q24 earnings came in within our expectations
- Earnings improved qoq primarily from the turnaround of its associates business coupled with improved margins
- Maintain HOLD with an unchanged TP of RM2.90

Earnings came in within our expectations

2Q24 core earnings of RM23.7m (+19% qoq, -5% yoy) brought 1H24 core earnings to RM50.4m (-13% yoy) which formed 51% and 59% of our and consensus full-year expectations, respectively. We deem the results within our expectations (but above consensus) as we expect 2H24 earnings to come in flattish amidst normalizing demand for its products. The quarter saw an improvement qoq primarily due to the turnaround within its associates business coupled with improved margins of its core business (despite marginally lower sales volume in both its manufacturing and distribution segments).

2H24 likely to come in flattish

We expect the quarterly earnings of 2H24 to come in within RM20-22m per quarter amidst flattish performance at its manufacturing and distribution segment with lack of meaningful growth from its associates. To recap, its associates business (which used to contribute sizeably to its bottom line) faces challenges in achieving the high sales volume registered back in FY23. Separately, the recently acquired industrial land and buildings (i.e., Cheng 2) is earmarked to house its warehousing operations after retrofitting works are completed and regulatory approvals are obtained in 1Q25. Over the long run, Cheng 2 will be used to house further production capacity of its manufacturing business to cater to the long-term demand growth.

Maintain HOLD with an unchanged TP of RM2.90

Our PE-derived TP is based on an unchanged 22x on 2025E EPS. We believe the stock is fairly valued as demand for its pharmaceutical products is expected to normalise this year coupled with it not being able to meaningfully tap into the growth prospects of its associate (due to the recent stake divestment). Key downside/upside risks include: i) weaker/stronger demand for pharmaceutical products; and ii) raw material price fluctuations.

Earnings & Valuation Summary

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	877.7	936.2	1,004.3	1,036.3	1,059.1
EBITDA (RMm)	102.2	95.9	104.7	111.7	114.0
Pretax profit (RMm)	120.4	423.3	99.7	109.5	111.2
Net profit (RMm)	101.0	398.0	85.5	94.3	95.8
EPS (sen)	14.0	55.4	11.9	13.1	13.3
PER (x)	19.4	4.9	22.9	20.7	20.4
Core net profit (RMm)	96.8	94.6	85.5	94.3	95.8
Core EPS (sen)	13.5	13.2	11.9	13.1	13.3
Core EPS growth (%)	65.1	-2.2	-9.7	10.3	1.6
Core PER (x)	20.2	20.7	22.9	20.7	20.4
Net DPS (sen)	8.5	22.5	4.8	5.3	5.4
Dividend Yield (%)	3.1	8.3	1.8	2.0	2.0
EV/EBITDA	17.5	16.4	14.7	13.5	12.8

Chg in EPS (%)	-	-	-	-	-
Affin/Consensus (x)			1.1	1.1	0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY %chg	Comments
Revenue	215.0	248.2	238.7	-3.8	11.0	460.8	486.9	5.7	Yoy improvements from increased sales and marketing efforts carried out over the preceding quarters
Op costs	-187.7	-220.7	-208.0	-5.8	10.8	-403.6	-428.7	6.2	
EBITDA	27.4	27.5	30.7	11.9	12.3	57.3	58.2	1.6	
<i>EBITDA margin (%)</i>	12.7	11.1	12.9	1.8ppt	0.1ppt	12.4	12.0	-0.5ppt	
Depn and amort	-4.2	-4.7	-4.8	2.6	13.1	-8.4	-9.4	12.3	
EBIT	23.1	22.8	25.9	13.8	12.1	48.9	48.7	-0.2	
<i>EBIT margin (%)</i>	10.8	9.2	10.9	1.7ppt	0.1ppt	10.6	10.0	-0.6ppt	
Int expense	-0.1	-0.1	-0.2	41.4	11.6	-0.3	-0.3	-8.8	
Int income	0.7	2.8	2.4	-15.9	256.0	1.2	5.2	344.9	Yoy improvements from a stronger cash pile after the stake divestment of its associate
Associates	6.5	-0.5	1.0	-291.0	-84.5	11.1	0.5	-95.7	
Exceptional items	304.4	1.3	-0.1	-107.1	-100.0	303.4	1.2	-99.6	RM304m worth of gains from its stake divestment in its associate
Pretax Profit	334.5	26.3	29.1	10.6	-91.3	364.2	55.4	-84.8	
Tax	-5.0	-5.1	-5.4	6.9	7.9	-10.4	-10.5	0.9	
<i>Tax rate (%)</i>	1.5	19.3	18.7	-0.6ppt	17.2ppt	2.9	19.0	16.1ppt	
Net profit	329.4	21.2	23.6	11.5	-92.8	353.7	44.9	-87.3	
EPS (sen)	69.5	4.5	5.0	11.4	-92.8	74.6	9.5	-87.3	
Core net profit	25.1	19.9	23.7	19.2	-5.4	50.4	43.6	-13.3	Within our estimates but above consensus

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

This report is intended for information purposes only and has been prepared by Affin Hwang Investment Bank Berhad (14389-U) ("the Company") based on sources believed to be reliable and is not to be taken in substitution for the exercise of your judgment. You should obtain independent financial, legal, tax or such other professional advice, when making your independent appraisal, assessment, review and evaluation of the company/entity covered in this report, and the extent of the risk involved in doing so, before investing or participating in any of the securities or investment strategies or transactions discussed in this report. However, such sources have not been independently verified by the Company, and as such the Company does not give any guarantee, representation or warranty (expressed or implied) as to the adequacy, accuracy, reliability or completeness of the information and/or opinion provided or rendered in this report. Facts, information, estimates, views and/or opinion presented in this report have not been reviewed by, may not reflect information known to, and may present a differing view expressed by other business units within the Company, including investment banking personnel and the same are subject to change without notice. Reports issued by the Company, are prepared in accordance with the Company's policies for managing conflicts of interest. Under no circumstances shall the Company, be liable in any manner whatsoever for any consequences (including but are not limited to any direct, indirect or consequential losses, loss of profit and damages) arising from the use of or reliance on the information and/or opinion provided or rendered in this report. Under no circumstances shall this report be construed as an offer to sell or a solicitation of an offer to buy any securities. The Company its directors, its employees and their respective associates may have positions or financial interest in the securities mentioned therein. The Company, its directors, its employees and their respective associates may further act as market maker, may have assumed an underwriting commitment, deal with such securities, may also perform or seek to perform investment banking services, advisory and other services relating to the subject company/entity, and may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report. The Company, its directors, its employees and their respective associates, may provide, or have provided in the past 12 months investment banking, corporate finance or other services and may receive, or may have received compensation for the services provided from the subject company/entity covered in this report. No part of the research analyst's compensation or benefit was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. Employees of the Company may serve as a board member of the subject company/entity covered in this report.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

Copyright © 2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, data, analyses and opinions contained herein: (1) includes the proprietary information of Sustainalytics and/or its content providers; (2) may not be copied or redistributed except as specifically authorized; (3) do not constitute investment advice nor an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (4) are provided solely for informational purposes; and (5) are not warranted to be complete, accurate or timely. The ESG-related information, methodologies, tools, ratings, data and opinions contained or reflected herein are not directed to or intended for use or distribution to India-based clients or users and their distribution to Indian resident individuals or entities is not permitted. Neither Morningstar Inc., Sustainalytics, Morningstar Research Pte Limited nor their content providers accept any liability for the use of the information, for actions of third parties in respect to the information, nor are responsible for any trading decisions, damages or other losses related to the information or its use. The use of the data is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>.

This report, or any portion thereof may not be reprinted, sold or redistributed without the written consent of the Company.

This report is printed and published by:
Affin Hwang Investment Bank Berhad (14389-U)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 32, Menara AFFIN,
Lingkaran TRX,
55188 Kuala Lumpur, Malaysia.

T : + 603 2142 3700
F : + 603 2146 7630
ahib.researchteam@affingroup.com

www.affinhwang.com