



APEX HEALTHCARE BERHAD

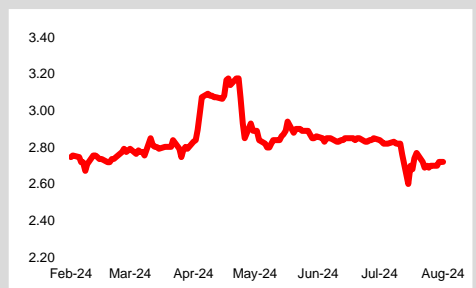
Neutral

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	RM2.72
Expected Return	+5.68%
<i>Previous Target Price</i>	RM2.87
Market Sector	Main Healthcare
Bursa Code	7090
Bloomberg Ticker	APEX MK
Shariah-Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	2.24 – 3.22
3-Month Average Vol ('000)	118.1

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-4.6	-5.9	-3.0
Relative Returns	-5.0	-6.6	-7.1

KEY STOCK DATA

Market Capitalisation (RMm)	1,957.8
No. of Shares (m)	719.8

MAJOR SHAREHOLDERS

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

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Within Expectations

Apex Healthcare's (ApexH) 2QFY24 net profit 2QFY24 dropped by 92.8% YoY to RM23.6m, mainly due to a one-off gain of RM304.4m from SAG's effective divestment in 2QFY23. After stripping off the non-operating items, ApexH's 2QFY24 core net profit dropped by 5.7% YoY to RM23.7m. The results were within our estimates at 49.2% but above streets' estimates at 60% of full-year forecasts respectively. We are positive on the Group's robust marketing efforts and new product launches, but we remain cautious on the potential impact of declining demand for Covid-related products. All told, we maintain our FY24F-26F earnings forecast and reiterate our **Neutral** call on ApexH, with an unchanged TP of RM2.87 based on 19x 5-year historical mean on FY25F EPS. On a side note, ApexH declared an interim single-tier dividend of 3.0 sen per share.

§ **Revenue.** ApexH reported an 11% YoY increase in revenue to RM238.7m in 2QFY24, primarily driven by robust sales across pharmaceuticals, consumer healthcare products, and medical devices to both private and public sectors, bolstered by intensified sales and marketing efforts. The strong performance was further bolstered by newly acquired distribution agencies and the ongoing launches of new Group-branded products. ApexH's distribution segment recorded an increase of 9.7% YoY to RM216.7m, while the manufacturing segment improved 26% YoY to RM21.9m in 2QFY24.

§ **Net profit.** ApexH's 2QFY24 net profit dropped 92.8% YoY to RM23.6m, mainly due to a one-off gain of RM304.4m from SAG's effective divestment in 2QFY23. After stripping off the non-operating items, ApexH's 2QFY24 core net profit dropped 5.7% YoY to RM23.7m, mainly due to a reduced effective equity of 16% in Straits Apex Sdn Bhd (SA) and recognition of the Group's share of financing costs and amortization of intangible assets.

§ **Outlook.** While we are cautious about the normalization of Covid-related demand and export disruptions from civil unrest in Myanmar and port congestion, we remain confident in the Group's long-term resilience. This will be supported by enhanced sales and marketing efforts, strong performance from newly acquired distribution agencies, and ongoing launches of new Group-branded products. All told, we reiterate our **Neutral** call on ApexH.

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>2Q24</u>	<u>2Q23</u>	<u>1Q24</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	238.7	215.0	248.2	11.0	-3.8	486.9	460.8	5.7	Revenue boosted by new product launching.
Cost of Sales	-182.7	-162.9	-192.4	-12.2	5.0	-375.1	-353.1	-6.2	
Gross Profit	56.0	52.2	55.8	7.4	0.5	111.8	107.7	3.8	
Other operating income/ (expenses)	4.2	2.0	5.6	>100	-24.7	9.8	4.0	>100	
Operating profit/ (loss)	28.2	24.2	26.9	17.0	4.9	55.2	49.4	11.8	
Finance income/ (costs)	-0.2	-0.3	-0.1	51.5	-41.4	-0.3	-0.5	43.8	
Other income/ (expenses)	1.0	-0.1	-0.5	>100	>100	0.5	4.5	-89.3	
Profit/ (Loss) before tax	29.1	334.5	26.3	-91.3	10.6	55.4	364.2	-84.8	
Taxation	-5.4	-5.0	-5.1	-7.9	-6.9	-10.5	-10.4	-0.9	
Net Profit	23.6	329.5	21.2	-92.8	11.5	44.9	353.8	-87.3	Net profit dropped due to one-off gain from divestment of SAG
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PATAMI	23.6	329.5	21.2	-92.8	11.5	44.9	353.8	-87.3	
Core PATAMI	23.7	25.1	21.0	-5.7	13.0	44.7	50.4	-11.4	
Operating Margin (%)	11.8%	11.2%	10.9%			11.3%	10.7%		
Pre-tax Margin (%)	12.2%	155.6%	10.6%			11.4%	79.0%		
Net Margin (%)	9.9%	11.7%	8.5%			9.2%	10.9%		
Segment Revenue									
Manufacturing and Marketing	21.9	17.4	25.8	26.0	-15.0	47.7	42.4	12.5	
Wholesale and Distribution	216.7	197.6	222.4	9.7	-2.5	439.1	418.4	4.9	
Corporate	0.1	0.0	0.0	>100	>100	0.2	0.0	>100	
Segment EBIT									
Manufacturing and Marketing	19.8	18.4	20.0	7.3	-1.2	39.7	37.2	6.8	
Wholesale and Distribution	7.3	7.6	8.2	-3.3	-10.9	15.5	17.5	-11.4	
Corporate	1.9	309.7	-0.1	-99.4	>100	1.7	311.6	-99.4	

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.

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