

25th Annual General
Meeting – Virtual AGM

15th May 2024
9:30 a.m.



Apex
Healthcare
Service • Quality • Integrity

Year in Review 2023

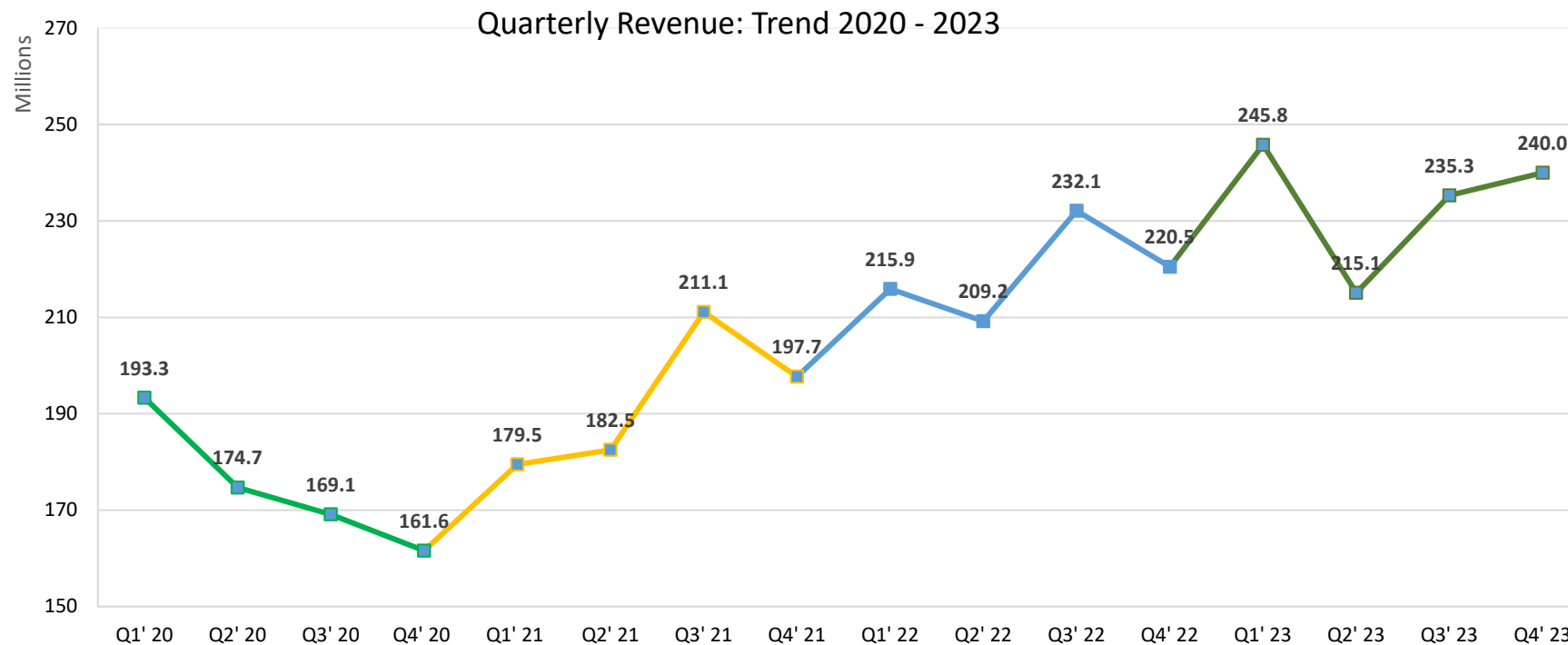


Group Revenue

Revenue (RM million)	2023	2022	Variance
Quarter 1	245.8	215.9	▲ 13.8%
Quarter 2	215.1	209.2	▲ 2.8%
Quarter 3	235.3	232.1	▲ 1.4%
Quarter 4	240.0	220.5	▲ 8.8%
Total Revenue	936.2	877.7	▲ 6.7%

- 2023 Group Revenue grew 6.7% to reach RM 936.2m from RM 877.7m
- 23rd consecutive year of revenue growth, crossing the RM 900 million level for the first time
- Manufacturing revenue grew 13.4%; Distribution revenue grew 6.8%

Group Revenue Trend by Quarters



- Onset of pandemic in 2020 significantly depressed market demand, with recovery commencing in 2021, helped by sales of pandemic-related products
- Momentum continued into 2023 as COVID-19 became endemic, with strong demand for respiratory medicines, especially in Q1 and Q4
- Q1 2023 is the highest quarterly revenue on record

What is the Composition of our Revenue?

- Group Brands which we own (32.6%)
 - Pharmaceuticals: Xepa, Avo, Avex and Aeva
 - Consumer Health: Agnesia, Hennson, Remeco and Kaps
- Agency Brands which we distribute or contract manufacture for (49.7%)
 - Distribution: >45 companies in Malaysia, largest is Nestle Health Science
 - Distribution: >40 companies in Singapore, largest is Merck Serono
- General Brands which we wholesale (17.7%)
 - > 100 business partners: MSD, Sanofi, Pfizer, Novartis, AstraZeneca, J&J
 - > 4,700 SKUs offered



Group Revenue: Brand Type

RM '000	2023	2022	Variance
Group Brands	304,924	271,433	▲ 12.3%
Agency Brands	464,950	431,310	▲ 7.8%
General Brands	166,296	174,999	▼ 5.0%
Total Group Revenue	936,170	877,742	▲ 6.7%

- Group Brands revenue increased 12.3% from RM 271.4 m to RM 304.9 m, due to high demand for respiratory medicines
- Agency Brands rose 7.8% to RM 465.0 m, from strong sales of consumer healthcare agencies and newly acquired agencies
- General Brands declined 5% to RM 166.3 m due to falling demand for pandemic-related products

New Group Brand Products in 2023



- 12 new pharmaceutical & consumer healthcare products were launched in 2023, above the historical average of 6-8 new products annually
- Portfolio of products with Group Brands now comprises total of 664 products, with >70 new products under active development.

Group Revenue: Export

Export Revenue (RM million)	2023	2022	%
Group Brands	70.3	57.2	▲ 22.9%
Others	8.0	10.0	▼ 20.0%
Total Export Revenue	78.3	67.2	▲ 16.5%
% of Exports over Group Revenue	8.4%	7.7%	

- Total number of export countries is 20, with a combined population 600 million
- Export of Group Brand products grew 23% to RM 70.3m due to improved demand in key international markets, especially Asia Pacific countries
- Overall, exports grew 16.5% to reach a new high of RM 78.3m in 2023, accounting for 8.4% of Group Revenue, up from 7.7% the year before

Group Revenue: Public Sector

Public Sector Revenue (RM million)	2023	2022	%
Malaysia	86.7	78.9	▲ 9.9%
Singapore & Others (International)	47.3	29.1	▲ 62.5%
Total Public Sector Revenue	134.0	108.0	▲ 23.9%
As a percentage of Total Group Revenue	14.3%	12.3%	

- We supply both Group Brand and Agency Brand products to the public sector, mainly in Malaysia and Singapore
- Malaysian public sector sales grew 9.9% while in Singapore, growth is 62.5%
- Total public sector revenue has risen to 14.3% of Group Revenue in 2023, up from 12.3% the year before

Share of Earnings of Associate SAG

Share of Earnings of SAG (RM million)	2023	2022	%
Non-recurring	321.7	4.2	▲ >100%
Recurring from operations	14.7	25.4	▼ 42.1%
Total Share of Earnings from SAG	336.4	29.6	▲ >100%

- Non-recurring earnings from Straits Apex Group Sdn Bhd ('SAG') rose to RM 321.7 million:
 - Divestment of 100% equity in its subsidiary Straits Apex Sdn Bhd ('SA') and subsequent reinvestment for 40% equity in the new holding company of SA by SAG
 - Reversal of a 2016 impairment of RM 4.2m was recorded for 2022
- Recurring earnings of SAG declined 42.1% to RM 14.7 million:
 - Reduced effective equity to 16% from 40% in SA from May 2023
 - 8-month Amortization Expense of RM 2.4m for intangible assets
- Total share of earnings in 2023 from associate SAG reached RM 336.4 million

Profit Before Tax

RM million	<u>2023</u>	<u>2022</u>	<u>Var %</u>
Operating Profit	87.5	91.6	▼4.5%
Interest Expense	(0.6)	(0.8)	▼19.7%
Share of Earnings of Associates	336.4	29.6	▲>100%
Group Profit before Tax	423.3	120.4	▲251%

- Operating Profit declined 4.5% to RM 87.5m as certain one-off SAG expenses relating to the divestment were classified as other expenses of the Group
- Otherwise, recurring Operating Profit improved 11.4% to RM 102m
- Interest expense is lower as borrowings continue to be paid down
- Associate SAG contributed higher earnings of RM 336.4m
- Group Profit before Tax grew 251% to RM 423.3m, a new high

Profit After Tax

RM million	<u>2023</u>	<u>2022</u>	<u>Var%</u>
Profit before Tax	423.3	120.4	▲ 251%
Tax	(25.3)	(19.4)	▲ 30.6%
Profit after Tax	398.0	101.0	▲ 294.2%
Tax Rate	6.0%	16.1%	
Effective Tax Rate (excl Assoc)	29.1%	21.4%	

- 2023 Profit after Tax grew 294.2% to RM 398.0 million
- 2023 Tax Rate at 6.0% is significantly lower compared to 2022 because of the recognition of non-taxable one-off gain of RM 321.7 million from the Group's associate company, SAG.
- If earnings from SAG are excluded, 2023 Effective Tax Rate at 29.1% is higher because of the absence of reinvestment allowance and non-deductibility of certain provisions made

Dividends

<u>Financial Year</u>	<u>Interim Sen per share</u>	<u>Final Sen per share</u>	<u>Special Sen per share</u>	<u>Dividend Payout (RM'000)</u>	<u>Total net amount paid in respect of FY (RM'000)</u>	<u>Attributable Net Profit (RM'000)</u>	<u>Dividend Payout ratio (%)</u>
2021	2.50	3.00	6.00	11,904	54,836	59,417	92%
				14,311			
				28,621			
2022	3.00	3.50	2.00	14,326	40,654	100,975	40%
				16,754			
				9,574			
2023	2.50	2.50	20.0	17,953	179,581	397,989	45%
				17,953			
				143,675			

- Proposed Increased Final Dividend of 2.5 sen and Special Dividend of 20.0 sen
- Total payout of RM 179.6 million, with a Dividend Payout Ratio of 45%
- Entitlement date: 16th May 2024, Payment date: 29th May 2024

Our Business Segments - 2023 Operational Highlights



MANUFACTURING



We develop, manufacture and market XEPA branded off-patent generic pharmaceuticals and medical devices. We also conduct contract manufacturing for major pharmaceutical companies.



DISTRIBUTION



We provide specialist market access services for pharmaceutical companies through provision of regulatory, redressing, sales, marketing and logistics services via a network of 8 distribution facilities in Malaysia and Singapore.



We develop and manage a 2nd portfolio of Group branded pharmaceuticals, consumer healthcare products and medical devices focused on primary care.



CORPORATE



We contract manufacture orthopaedic devices and surgical instruments for global multinational companies.



We commercialize pharmaceuticals, consumer healthcare products and medical devices under the brand of Zynexis in selected ASEAN countries and other international markets.

Manufacturing



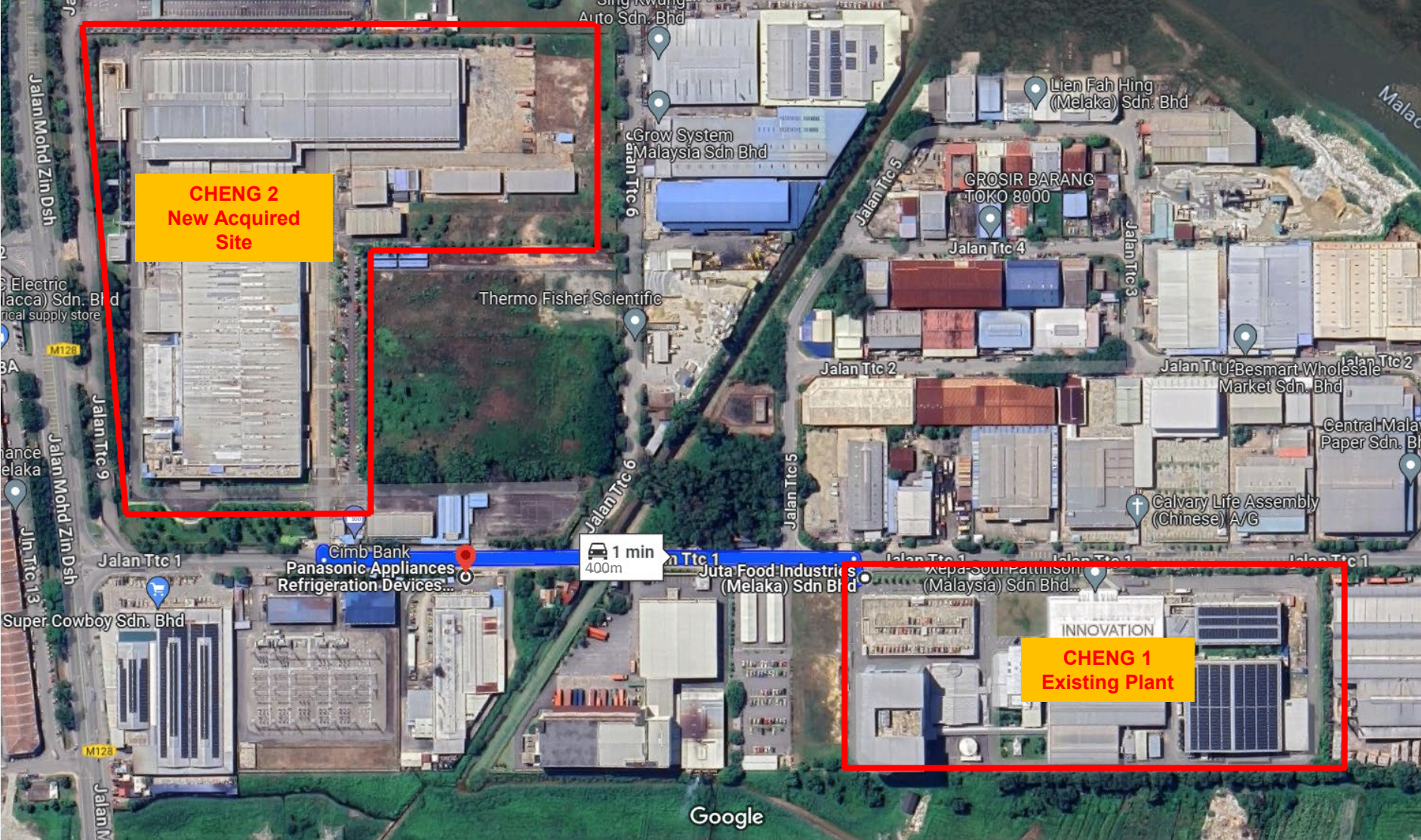
Operational Highlights

- Secured Halal certification for 23 products from JAKIM in line with MS 2424:2019
- Continued addition of facilities at current manufacturing site ('Cheng 1')
 - New Quality Control Laboratory building that doubles capacity to release production batches
 - New centralised Office housing teams in Quality Assurance, R&D and Regulatory Affairs
- Capacity utilization for manufacturing of solids reached 65.8%
 - Addition of 2nd dispensing booth and high-speed tablet press to meet demand
 - Additional lifter and blender to Intermediate Bulk Containers material handling system
- Capacity utilization for manufacturing of liquids stood at 60.7%
 - 8% increase in the total number of batches produced to meet growing demand
 - Added 2nd large capacity blending tank at newest 3rd liquid production line
- Research and development expenditure increased 18.9% over 2022

Acquisition of Industrial Land with Buildings for future expansion

- Signed Sales Purchase Agreement ('SPA') in December 2023 to acquire 20.7 acres of industrial land with 377,888 sq ft of built-up space in two factory buildings ('Cheng 2')
- Purchase Consideration is RM 66.5 million, and will be funded by a mix of internal cash and external borrowings of RM 50 million. Our appointed valuer placed a value of RM 77.45 million in a report dated 20th November 2023. The acquisition is expected to complete on 31st July 2024
- Existing factory buildings will be retrofitted for a second liquid production plant ('LPP2') and an advanced pharmaceutical warehouse
 - LPP2 will increase production capacity to meet future demand and add capabilities to manufacture new range of products.
 - New warehouse will enable us to operate more efficiently by reducing usage of external warehouse service providers
- Expect to submit building applications to the relevant authorities in 2024. Construction costs and specifications will be disclosed when designs are finalised

Manufacturing Group - Key Highlights 2023





Distribution

Distribution Group - Key Highlights 2023



Operational Highlights

- Growing distribution volumes in Malaysia and Singapore, now:
 - More than 16,000 customer accounts
 - More than 2,100 sales orders daily
 - More than 615,000 invoices for 2023
- Increasing use of the Group's B2B platforms by clinics & medical centres
 - 50.7% of Singapore wholesale revenue transacted online in 2023
- Singapore subsidiary, Apex Pharma Marketing Pte Ltd, migrated enterprise software to SAP in line with Group IT Master Plan
- Singapore subsidiary secured ISO 9001:2015 certification for the Wholesales and Distribution of Pharmaceutical Products and Medical Devices
- Significant new agencies secured:
 - Addition of Enercal Plus and Omega Plus under Nestle Dairy & Adult Nutrition in Malaysia
 - StratPharma AG range of dermatological products in Malaysia
 - Bpositive range of wound care products for Malaysia and Singapore

Corporate



Divestment of 60% equity in Straits Apex Sdn Bhd ('SA')

- On 11th May 2023, 40% associate Straits Apex Group Sdn Bhd ('SAG') completed the divestment of 60% equity in its then wholly owned subsidiary, Straits Apex Sdn Bhd ('SA'), to Quadria Capital
 - Enterprise Value ('EV') of USD 240 million, before debt and working capital adjustments
- Rationale & Process for the Divestment
 - Majority & managing partner of SAG expressed wish to realise value in the business in early 2022
 - Various options evaluated, including IPO, before deciding on partial divestment
 - KPMG Singapore appointed by SAG as Advisor to secure best market valuation
 - Quadria Capital emerged with the best offer after a competitive bid process
- Excellent return on a 10-year investment, with SAG retaining 40% equity for future growth
 - EV is a multiple of 16.7x average EBITDA of SA in the last 3 years
 - A substantial return from the cost of investment of RM 7 million for Apex Healthcare Berhad
 - Allowed all shareholders to partially unlock good value in the business, enabling special dividend

40% Associate Straits Apex Group Sdn Bhd ('SAG') – Post Divestment

- Reduced Share of Earnings from recurring business of Contract Manufacturing
 - Group now has a reduced effective interest of 16% in operating subsidiary SA
 - Share of financing costs and amortization of intangible assets identified in the Purchase Price Allocation exercise.
- New Income from leasing of Industrial Land and Buildings
 - Long term lease of industrial land and integrated manufacturing facilities at Batu Kawan Industrial Park, Penang, to SA
 - New lease income is expected to commence in the second half of 2024, as buildings progressively handed over, but not expected to match impact of reduced equity and operating expenses at NEXT
- SAG is not expected to contribute meaningfully to Group performance in 2024

Properties

- Portfolio of properties currently surplus to requirements are managed for rental yield, and evaluated for divestment at the appropriate time
- Pavilion Damansara Heights
 - Taken possession of 6 freehold office suites totalling 10,053 sq ft in September 2023
 - Approximately 83% of space is leased out and generating rental income
- HICOM-Pegoh Industrial Park
 - 18.75 acres freehold industrial land for RM 20.4m acquired March 2022
 - With purchase of Cheng 2 site, intention is to divest this property at the appropriate time

Zynexis Healthcare Pte Ltd

- 40% joint venture with Shanghai Pharmaceuticals Holding Co Ltd ('SPH')
 - Leveraging SPH's reach with leading Chinese pharmaceutical companies
 - In-licensing products under the Zynexis brand for agreed ASEAN markets
 - Expect to file first regulatory submissions in Malaysia & Singapore in 2024
 - Commercial activities expected to commence from 2026 onwards

Sustainability - Key Highlights 2023

- Sustainability Statement 2023 has been substantially enhanced, with reference to the following:
 - Bursa Malaysia Main Market Listing Requirements ('Bursa MMLR')
 - Bursa Malaysia Sustainability Reporting Guide (3rd Edition)
 - Global Reporting Initiative ('GRI') Standards
- Materiality assessment adheres to Bursa Malaysia Sustainability Reporting Guide (3rd Edition) and GRI Standards, with inclusion of benchmarking against industry peers.
- Sustainability Statement 2023 addresses the following sustainability matters:
 - All Common Sustainability Matters mandated by Bursa MMLR
 - Sector-specific Sustainability Matters relevant to Healthcare (namely Materials and Effluents)
 - Other sustainability matters assessed to be material to the Group, namely Responsible Product and Marketing Practices and Customer Health and Safety
 - In total, 9 material sustainability matters, subdivided into 15 sub matters encompassing 47 indicators, are addressed
- Committed to continually elevating the progress of our sustainability journey in the following years, integrating climate-related disclosures and our aspirational targets across reporting sustainability metrics and indicators.

Ongoing Journey of Continuous Improvement and Growth

- In 2024, Malaysia's economy is projected to grow by 4.7% up from the 3.7% growth posted in 2023. Total healthcare expenditure is expected to grow in line with rising affluence, higher public spending, increased incidence of chronic illnesses, ageing populations, and increased health awareness among consumers
- Budget 2024 saw an increased allocation of RM 41.2 billion to the Malaysian Ministry of Health, of which 5.5 billion is earmarked for procuring medicine supplies, consumables, reagents, and vaccines. Enhanced funding is expected to boost demand for pharmaceutical supplies
- But this outlook must be tempered by uncertainties over the strength of the Ringgit, elevated interest rates, increased operational expense and the impact on the global economy should conflicts escalate in several parts of the world.
- We do not expect our associate company SAG to contribute meaningfully to Group earnings in 2024. This sharpens our focus on our core pharmaceutical operations, as we continue our journey of continuous improvement and growth.

Seven Priorities to Drive Improvement & Growth

- Step up sales and marketing programs to grow market share
- Open up new international markets with increased resources
- Intensify research & development, and the swift launch of new pharmaceutical and consumer healthcare products
- Secure new products and agency partnerships to meet the evolving demands of the market
- Acquire and renew globally recognized manufacturing and distribution certifications that are commercially pertinent
- Invest in deeper digitalization of business processes to stay at the forefront of technological advancements
- Strengthen sustainability practices and further refine reporting mechanisms

Dedicated to our 3 core tenets of Quality, Service and Integrity as we move into 2024, always mindful of our mission to ‘Restoring Health, Enhancing Life’.

Year in Review 2023 END

