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The Edge Billion Ringgit Club 2024

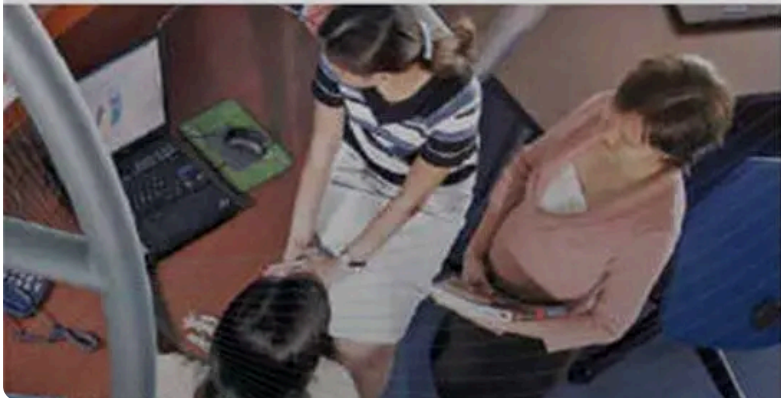
Shareholders cash in on divestment bonanza

By Syafiqah Salim / The Edge Malaysia

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Apex
Healthcare
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HIGHEST RETURN ON EQUITY OVER THREE YEARS

HEALTHCARE

Apex Healthcare Bhd

Few things excite investors more than rising share prices coupled with generous dividends, and Apex Healthcare Bhd (KL:**AHEALTH** ) delivered both over the past three years.

Last year, shareholders were rewarded with bumper dividends, a record-high payout from its RM321.7 million gain after selling a 60% stake in Straits Apex Sdn Bhd to Quadria Capital Investment Management Pte Ltd. The company also made a one-for-two bonus issue.

Buoyed by the good news, Apex Healthcare's adjusted share price soared 65% from RM1.79 as at March 31, 2021, to RM2.95 as at March 31, 2024, reflecting a total return of 18.1% on average per year over three years. Over the same period, the company paid dividends of 11.5 sen per share in FY2021, 8.5 sen in FY2022 and a record 25 sen per share in FY2023.

On the earnings front, Apex Healthcare's net profit saw steady growth from RM56 million in FY2020 to RM59.4 million in FY2021 and RM100.8 million in FY2022. With special gains from the disposal of Straits Apex, Apex Healthcare's net profit for FY2023 skyrocketed 294% year on year to RM398 million. The latter brought the average earnings growth over three years to an impressive 69.2% between FY2020 and FY2023, but not enough to beat all BRC peers.



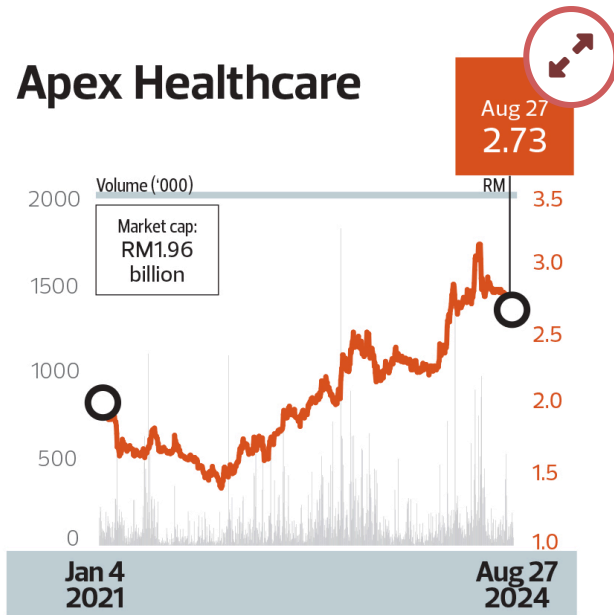
Nonetheless, the outsized numbers helped boost return on equity (ROE) to 53.9% in FY2023 from 19% in FY2022 and 12.2% in FY2021, translating to an adjusted weighted ROE of 35.1% over three years — beating peers in the healthcare sector to clinch for the first time The Edge Billion Ringgit Club (BRC) award for highest ROE over three years.

This is not Apex Healthcare's first The Edge BRC win, having won the award for highest return to shareholders in the healthcare sector in 2019.

In the absence of special gains, net profit for the first half ended June 30, 2024 (1H2024) is down 87% y-o-y to RM44.85 million from RM353.8 million in 1H2023. However, Apex Healthcare declared a dividend per share of three sen in 1H2024, higher than the 2.5 sen declared in 1H2023.

Commenting on its prospects in notes accompanying its 1H2024 earnings release, Apex Healthcare stated: "The group anticipates delivering a satisfactory performance in 2024. The group is confident that its strategic initiatives, coupled with ongoing efforts to optimise operations, will enable it to navigate potential challenges and capitalise on new growth opportunities."

Founded in 1962, Apex Healthcare is 39.72% owned by Apex Pharmacy Holdings Sdn Bhd, the investment vehicle of chairman and CEO Dr Kee Kirk Chin. The company specialises in the development, manufacturing, wholesaling, marketing and distribution of pharmaceuticals, consumer healthcare products and medical devices. With 10 wholly-owned subsidiaries across Malaysia and Singapore, Apex Healthcare has more than 20 countries worldwide.



Despite economic challenges, Kee told shareholders in the group's 2023 annual report that healthcare spending is expected to rise in 2024, driven by factors like growing affluence, ageing populations and increased public expenditure. In Malaysia, the sector is set to benefit from the RM41.2 billion allocated to the Ministry of Health in Budget 2024, Kee added.

For this year, Apex Healthcare will focus on expanding domestic market share, exploring international product and contract manufacturing opportunities, and accelerating research and development (R&D), particularly in generic pharmaceuticals. The company plans to reinvest 5% of its total manufacturing revenue into R&D of new products to capitalise on patent expiries and

meet the growing demand for generics, positioning itself for strong revenue growth.

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“In the past year alone, we invested RM8.5 million in R&D and innovation, an increase of over 18% compared with the previous year’s outlay, and a figure that represents 3.2% of our revenue gained from manufacturing activities.

“At the same time, we will proactively identify new products and agency partnerships to meet evolving market demands while continuing to acquire and renew globally recognised certifications that signify our high standards in quality. These efforts will be supported by ongoing initiatives to digitalise business processes and remain at the forefront of technological advancements within the industry,” he said.

Apex Healthcare is set to expand its warehousing and liquid production facilities after acquiring land from Panasonic Appliances Refrigeration Devices Malaysia Sdn Bhd. This will allow its unit Xepa-Soul Pattinson (Malaysia) Sdn Bhd (XEPA) to streamline operations, boost production capacity and meet rising demand for products like cough and cold syrups.

As part of its sustainability efforts, it is committed to increasing its use of solar energy. Recently, it installed two new solar projects at its wholly-owned units: Apex Pharma Marketing Pte Ltd (AP) in Singapore and Apex Pharmacy Marketing Sdn Bhd (APM) in Subang Jaya.

“When combined with the existing solar panels at XEPA operationalised in 2021, the group’s total system capacity now stands at 1,352kWp across these three projects. Looking ahead, we remain committed to exploring additional opportunities to expand our use of renewable energy and reduce our overall carbon emissions, while also seeking to enhance our sustainability practices across our operational footprint,” Kee added.

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